Half-year Financial Report at 30 June 2015

Investor Relator
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Fully paid up share capital as at 30 June 2015 Euro 10,708,400
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TABLE OF CONTENTS

COMPOSITION OF THE CORPORATE BODIES

Board of Directors (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2015)

Chairman and Chief Executive Officer	Ambrogio Caccia Dominioni
Vice Chairman	Gianluca Bolelli
Directors	Sergio Arnoldi (*) Gioacchino Attanzio (*) Guido Giuseppe Maria Corbetta (*) Caterina Caccia Dominioni Lucia Caccia Dominioni

(*)Independent Directors

Board of Statutory Auditors (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2015)

Chairman	Simone Cavalli
Statutory Auditors	Stefano Chirico Alessandra De Beni
Alternate Auditors	Attilio Marcozzi Stefania Rusconi

Members of the Control and Risk Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2015)

Chairman	Sergio Arnoldi
Members	Gioacchino Attanzio Gianluca Bolelli

Members of the Remuneration Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2015)

Chairman	Gioacchino Attanzio
Members	Sergio Arnoldi Caterina Caccia Dominioni

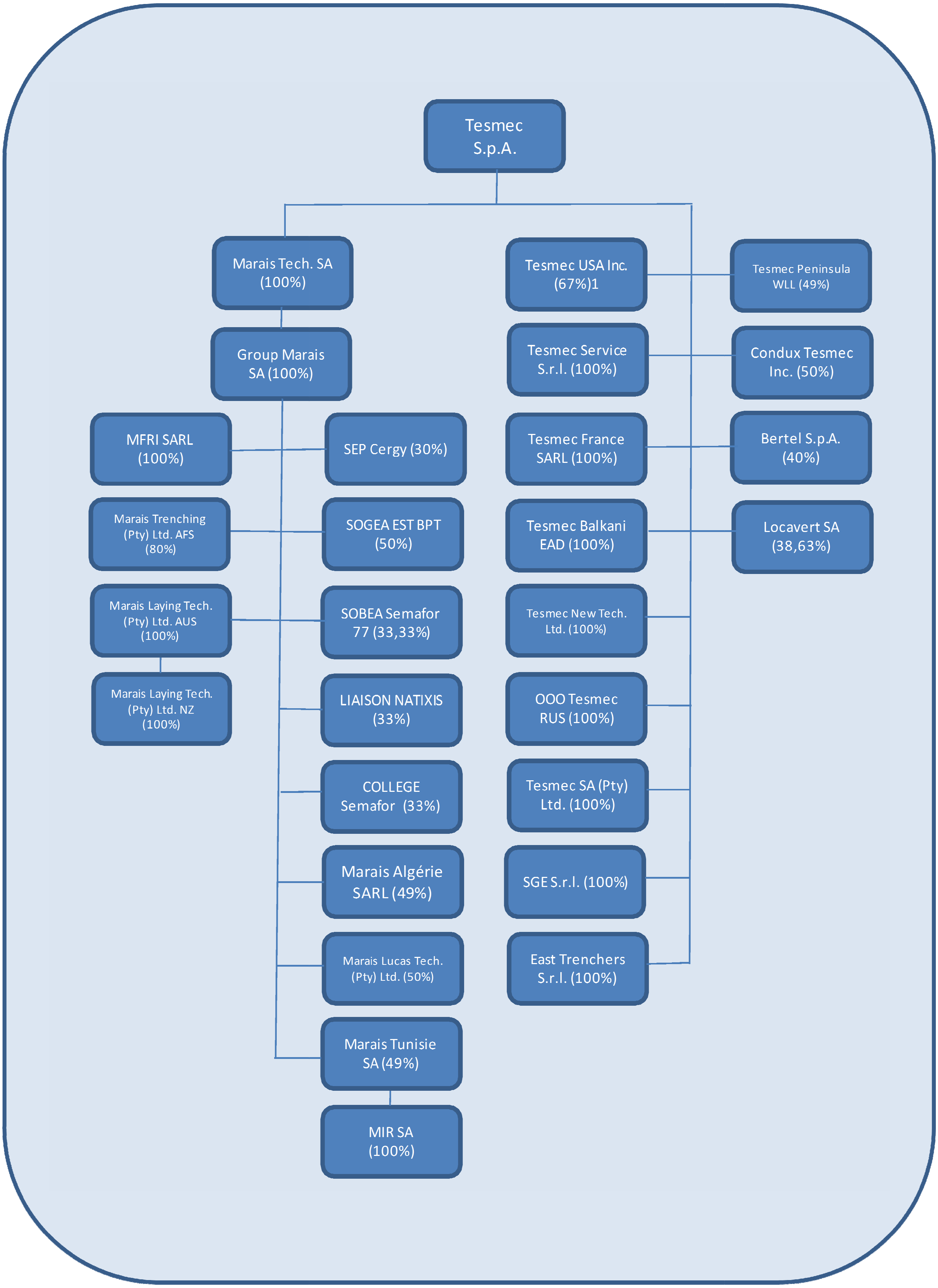
Members of the Appointments Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2015)

Chairman	Gioacchino Attanzio
Members	Sergio Arnoldi Caterina Caccia Dominioni

Lead Independent Director	Gioacchino Attanzio

Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Andrea Bramani
Independent Auditors	Reconta Ernst & Young S.p.A.

GROUP STRUCTURE



(1) The remaining 33% is held by Simest S.p.A. Since Tesmec has an obligation to buy it back from Simest S.p.A., from an accounting point of view the shareholding of the Parent Company in Tesmec USA, Inc. is fully consolidated on a 100% basis.

INTERIM REPORT ON OPERATIONS

1. Introduction

The Parent Company Tesmec S.p.A. (hereinafter "Parent Company" or "Tesmec") is a legal entity organised in accordance with the legal system of the Italian Republic. The ordinary shares of Tesmec are listed on the MTA (screen-based share market) STAR Segment of the Milan Stock Exchange. The registered office of the Tesmec Group (hereinafter "Group" or "Tesmec Group") is in Milan, Piazza S. Ambrogio 16.

The Tesmec Group is a leader in the design, production and marketing of special products and integrated solutions for the construction, maintenance and streamlining of infrastructures relating to the transmission of electrical power and data and material transport.
Founded in Italy in 1951 and managed by the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni, the Group has more than 500 employees and six production plants, four in Italy, Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco) and Monopoli (Bari), one in France, in Durtal, and one in the USA, in Alvarado (Texas).
As a result of its listing on the Stock Exchange on 1 July 2010, the Parent Company has pursued the stated objective of diversification of the types of products in order to offer a complete range of integrated solutions grouped into three main areas of business: Stringing equipment, Trencher and Rail.

Through the different types of product, the Group is able to offer:

Stringing equipment segment

- machines and integrated systems for overhead and underground stringing of power lines and fibre optic cables;
- integrated solutions for the streamlining, management and monitoring of low, medium and high voltage power lines (smart grid solutions).

Trencher segment

- high-efficiency crawler trenching machines for excavation with a set section for the construction of infrastructures for the transmission of data, raw materials and gaseous and liquid products in the various segments: energy, farming, chemical and public utilities;
- crawler trenching machines for working in the mines, surface works and earth moving works (RockHawg);
- specialised consultancy and excavation services on customer request;
- multipurpose site machinery (Gallmac);
- this sector also includes the excavation services for power lines and fibre optic cables that constitute the core business of the recently acquired Marais Group.

Rail segment

- machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line.

All types of product are developed according to the ISEQ approach (Innovation, Safety, Efficiency and Quality), in observance of environmental sustainability and energy saving.

The know-how acquired in developing specific technologies and innovative solutions and the presence of a team of highly specialised engineers and technicians allows the Tesmec Group to directly manage the entire production chain: from the design, production and marketing of machinery, to the supply of know-how relating to the use of systems and optimisation of work, to all pre- and post-sales services related to machinery and the increase in site efficiency. A combination of leading edge products and in-depth knowledge on the use of innovative technologies for tackling the new requirements of the market allows the Group to offer a successful mix with the objective of ensuring high work performances.
Today, the Group not only sells cutting edge machines, but genuine integrated electrification and excavation systems, which provide advanced solutions during the work performance phase. This is a result of the constant pursuit of innovation, safety, efficiency and quality, and of the development of software for making machines safer, more reliable and high-performance.
The Group also has a global commercial presence throughout the majority of foreign countries, with a direct presence on different continents, through joint ventures, independent distributors and directly through companies and sales offices in the USA, South Africa, Russia, France, Qatar, Bulgaria and China and thanks to the recent acquisition of the Marais Group in France, it inherited important new positions in the markets of North Africa and Oceania.

2.Macroeconomic Framework

The main characteristics of the macroeconomic scenario of the first half of 2015 are set below:

- global growth in the first quarter of 2015 stood at 2.2%, lower than what was expected and this is mainly due to a decrease in production in the United States;
- China's GDP grew by 7%, lowest in six years, which was affected by the slowdown in foreign demand and weakness in construction investments;
- oil prices in the first few months of 2015 fluctuated around low values: this is mainly due to the increase in global supply supported by production in the United States;
- the prices of major commodities were declining and this made a contribution - along with past declines in oil prices - to keeping global inflation low;
- the ECB started the quantitative monetary policy and the subsequent purchase of government bonds in the market led to a reduction in interest rates that became negative on shorter maturities. QE (Quantitative Easing) added to the TLTRO (targeted long term refinancing operation) measure injected liquidity into the system that has contributed to lowering the cost of money and increasing commercial lending;
- in the first half of 2015, the euro weakened against the dollar and the gap between the action of the ECB (expansion of liquidity) and Fed (rate increase) could keep the euro weak against the dollar in the coming months.

3.Significant events occurred during the period

The extraordinary transactions that occurred during the period include the following:

- On 19 March 2015, Cerved Rating Agency, the Italian rating agency specialised in assessing the creditworthiness of non-financial companies, confirmed the “A2.2” solicited rating with reference to the bond issue “Tesmec S.p.A. 6% 2014-2021” (ISIN: IT0005012247), traded on the ExtraMOT PRO market organised and managed by Borsa Italiana S.p.A. More specifically, the “A2.2” rating issued by the Cerved Rating Agency ranks fifth on a scale of 13 risk levels (from A1.1 to C2.1) and it is the result of an evaluation process that combines rigorous quantitative models to forecast the credit risk and accurate qualitative analyses of specialised analysts, with an eye also to the Company's competitive position in the industry.

- On 30 April 2015, with the approval of the 2014 financial statements, the Shareholders’ Meeting of Tesmec S.p.A. decided to allocate the profit of the Parent Company of Euro 6,278 thousand, as follows:
  - Euro 137 thousand to the Legal reserve;
  - assign a dividend of Euro 0.023 to each outstanding ordinary share;
  - assign to the Extraordinary Reserve the amount of profit remaining after the allocation to the Legal reserve and dividend.

- On 1 May 2015, the addendum made on 9 September 2014 to the lease contract of the building of Grassobbio signed on 31 January 2011 with the related company Dream Immobiliare S.r.l. was made effective.

  This addendum provides a different division of the leased spaces, with a reduction in square meters used by Tesmec and a perfectly symmetrical increase in square meters used by Reggiani Macchine S.p.A. Moreover, Tesmec requested the construction of an underground archive/parking of around 662 square meters.

  Therefore, the Rental of Tesmec will decrease by Euro 144 thousand.

- Alfredo Brignoli, Vice Chairman of Tesmec S.p.A. and a historical figure of the Tesmec Group, died on 10 June 2015. Born in 1920 in Ponteranica (Bergamo), Alfredo Brignoli had done his entire entrepreneurial path in the mechanical sector and, in 1951, was a co-founder of the Tesmec Group, together with Annibale Caccia Dominioni, father of the current Chairman and Chief Executive Officer.

As part of the development of the company structure, the following are of note:

- On 26 February 2015, the final decree of approval relating to the transfer of the business units of the company AMC2 to Tesmec Service S.r.l. was filed.

- On 13 February 2015, the East Trenchers S.r.l. minority shareholder sold its entire investment equal to 8.8% of the Share Capital to Tesmec S.p.A. As a result of the operation described above, as from 13 February 2015, Tesmec S.p.A. has become sole shareholder of East Trenchers S.r.l.

- On 8 April 2015, Tesmec S.p.A. concluded the acquisition of the entire share capital of Marais Technologies SAS ("Marais Group"), French company at the head of an international group leader in excavation services and in the construction of machines for infrastructures in telecommunications, electricity and gas.
  This operation is of strategic importance for Tesmec in that it will allow the Group to use technological skills developed by Marais as part of the service activities (leases) in the Trencher segment in telecommunications and laying of optical fibres and of underground electrical cables and to use them in markets where the Tesmec Group has already acquired an important market positioning. Moreover, the acquisition allows Tesmec to enter in the French market and, more in general, in all the markets where Marais is a leader (Africa, Australia, New Zealand, etc.) with the aim to further expand its activities in telecommunications, where significant investments are planned over the next few years. Finally, the transaction allows the Tesmec Group to use the expertise of Marais Technologies in the rental of machines and in complementary services. The effects of this acquisition were described in detail in the next paragraph.

3.1 Effects of the acquisition of the Marais Group

The Transaction involves the purchase of 1,093,005 shares of Marais (corresponding to 100% of the share capital), of 1,160,534 convertible bonds issued by Marais (corresponding to 100% of the existing bonds) and of 215,384 warrants issued by Marais (corresponding to 100% of existing warrants) at a price of Euro 32 (units).
Tesmec also envisaged a recapitalisation of Marais of Euro 5 million to boost the business of the Group by using own funds and a dedicated credit facility granted by the Cariparma Crédit Agricole Group.

The additional expenses related to the above-mentioned acquisition totalling Euro 494 thousand, net of the related tax effect, were posted to the Income statement; moreover, the badwill from a bargain purchase was recognised in the Income statement in the amount of Euro 2,633 thousand in the consolidated financial statements.

The effects of the acquisition of the Marais Group for the first half of 2015 were included in the following tables:

Income statement

	Half year ended 30 June					
		Marais				
(Euro in thousands)	**2015**	**Recurring**	**Non-recurring**	**2015 Adjusted**	**2014**	**2015 Adjusted vs 2014**
Revenues from sales and services	**85,131**	**5,628**	**-**	**79,503**	**54,729**	**24,774**
Cost of raw materials and consumables	(44,038)	(2,151)	-	(41,887)	(25,699)	(16,188)
Cost of services	(13,759)	(1,262)	(494)	(12,003)	(8,892)	(3,111)
Payroll costs	(16,143)	(1,575)	-	(14,568)	(12,757)	(1,811)
Other operating (costs)/revenues, net	(1,989)	(381)	-	(1,608)	(1,433)	(175)
Badwill from a bargain purchase	2,633	-	2,633	-	-	-
Amortisation and depreciation	(4,621)	(520)	-	(4,101)	(3,590)	(511)
Development costs capitalised	2,478	-	-	2,478	2,588	(110)
Portion of losses/(gains) from the valuation of Joint Ventures using the equity method	(67)	-	-	(67)	365	(432)
Total operating costs	**(75,506)**	**(5,889)**	**2,139**	**(71,756)**	**(49,418)**	**(22,338)**
Operating income	**9,625**	**(261)**	**2,139**	**7,747**	**5,311**	**2,436**
Financial expenses	(3,811)	(63)	-	(3,748)	(2,815)	(933)
Financial income	3,223	38	-	3,185	695	2,490
Portion of losses/(gains) from the valuation of equity investments using the equity method	(181)	(5)	-	(176)	(117)	(59)

Pre-tax profit	**8,856**	**(291)**	**2,139**	**7,008**	**3,074**	**3,934**
Income tax	(2,362)	256	155	(2,773)	(1,343)	(1,430)
Net profit for the period	**6,494**	**(35)**	**2,294**	**4,235**	**1,731**	**2,504**
Profit / (loss) attributable to non-controlling interests	4	4	-	-	(2)	2
Group profit (loss)	**6,490**	**(39)**	**2,294**	**4,235**	**1,733**	**2,502**

Revenues as at 30 June 2015 increased all in all by 55.6%; without considering the effects of the acquisition of the Marais Group, overall growth would have been 45.3%.

In terms of margins, EBITDA amounts to Euro 14,246 thousand, which represents 16.7% of the sales for the period, compared to 16.3% recorded in the first half of 2014.

Balance sheet reclassified by funding sources and uses

	Half year ended 30 June				
		Marais			
(Euro in thousands)	**2015**	**Recurring**	**Non-recurring**	**2015 Adjusted**	**2014**
USES					
Net working capital [(1)]	67,192	2,437	(494)	65,249	57,991
Fixed assets	80,620	14,409	-	66,211	65,283
Other long-term assets and liabilities	(2,111)	(613)	155	(1,653)	(1,737)
Net invested capital [(2)]	**145,701**	**16,233**	**(339)**	**129,807**	**121,537**
SOURCES					
Net financial indebtedness [(3)]	90,839	8,610	5,000	77,229	73,364
Shareholders' equity	54,862	7,623	(5,339)	52,578	48,173
Total sources of funding	**145,701**	**16,233**	**(339)**	**129,807**	**121,537**

[(1)] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.
[(2)] The net invested capital is calculated as net working capital plus fixed assets and other long-term assets less long-term liabilities. The net invested capital is not recognised as a measure of performance under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.
[(3)] The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available–for–sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.

4.Activity, reference market and operating performance for the first six months of 2015

In the first six months of 2015, the Group consolidated revenues of Euro 85,131 thousand, marking an increase of Euro 30,402 thousand compared to Euro 54,729 thousand in the same period of the previous year. In percentage terms, this increase represents a total positive difference of 55.6%. Without considering the effects of the acquisition of the Marais Group, growth would have been 45.3%. The three business areas contributed in different ways with the growth in the Stringing equipment and Trencher segments, whose revenues increased respectively by 106.0% and 49.0% offset by the decrease in the Rail segment (-90.4%). Without considering the effects of the acquisition of the Marais Group, the growth in the Trencher segment would have been 27.3%.

Finally, the decrease in revenues in the Rail segment is mainly attributable to the nature of a business characterised by long-term contracts and prolonged times for executing the negotiations. Negotiations are currently underway with key customers that will lead to growth of the segment in the second half year.

The Trencher segment recorded an increase in revenues, due to the positive contribution of sales on the US market. On the Middle-Eastern and African markets, after a slow start in the first few months of the year, a recovery in terms of sales volumes is expected from the second half of the year.

The revenues of the Stringing equipment segment benefit in the half of year from the particularly significant order related to the supply of equipment to the Spanish Abengoa group for the construction of more than 5,000 km of 500kV lines in Brazil.
The Group has also recorded the first revenues and orders in the new business of Automation, confirming the validity of the strategic choices implemented in the past years that also focused on the market of streamlining of power lines.

The consolidated financial statements of Tesmec have been prepared in accordance with the International Financial Reporting Standards (hereinafter the "IFRS" or the "International Accounting Standards"), which were endorsed by the European Commission, in effect as at 31 December 2014. The following table shows the major economic and financial indicators of the Group as at June 2015 compared with the same period of 2014.

	OVERVIEW OF RESULTS	
30 June 2014	**Key income statement data** (Euro in millions)	**30 June 2015**
54.7	Operating Revenues	85.1
8.9	EBITDA	14.2
5.3	Operating Income	9.6
1.7	Group Net Profit	6.5
31 December 2014	**Key financial position data** (Euro in millions)	**30 June 2015**
121.5	Net Invested Capital	145.7
48.2	Shareholders' Equity	54.9
73.4	Net Financial Indebtedness	90.8
12.9	Investments in property, plant and equipment and intangible assets	6.1
486	Annual average employees	547

The information relating to the main companies with operations during the half year is shown below:

- Tesmec USA Inc., a company that is 67% owned by Tesmec S.p.A. and 33% by Simest S.p.A. (Tesmec S.p.A. has the option to repurchase the latter shareholding in 2018), is based in Alvarado (Texas) and operates in both the Trencher segment and, since 2012, in the rail sector. In the first six months of 2015, revenues achieved directly with customers/end users came to Euro 17.5 million;

- Tesmec Service S.r.l., a company wholly-owned by Tesmec S.p.A. with registered office in Grassobbio (BG) and an operating unit in Monopoli (BA), where its operations regard the design and manufacture of machinery for the maintenance of rolling stock following the acquisition of the business unit of the company AMC2 Progetti e Prototipi S.r.l occurred in 2015. During the first half-year of 2015, the company continued to develop its product range and recorded revenues of Euro 0.6 million;

- Tesmec SA (Pty) LTD, with registered office in Johannesburg (South Africa), 100% owned by Tesmec S.p.A. In the first six months, the company generated revenues of Euro 2.6 million;

- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec S.p.A. and 50% by US shareholder Condux, which is based in Mankato (USA), has been active since June 2009 in selling products for the North American stringing equipment market. The company has been consolidated using the equity method and in the first six months of the year generated revenues totalling Euro 2.2 million;

- Tesmec Peninsula WLL, a Joint Venture with registered office in Doha (Qatar) 49% owned by Tesmec S.p.A., is the hub through which the Tesmec Group is present on the Arabian Peninsula. Tesmec Peninsula commenced operations in the second quarter of 2011. The company has been consolidated using the equity method and in the first six months of the year generated revenues totalling Euro 4.3 million;

- Marais Technologies SA, with registered office in Durtal (France), 100% owned by Tesmec S.p.A. and acquired on 8 April 2015. The French company is at the head of an international group leader in rental services and construction of machines for infrastructures in telecommunications, electricity and gas. The Group generated during the three months (from the date of acquisition as at 30 June 2015) revenues totalling Euro 5.6 million;

- SGE S.r.l.: controlled company specialised in the design and sales of sensors and fault detectors and measurement devices for medium voltage power lines. During the first half of 2015, revenues amounted to Euro 1.6 million.

Income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 June 2015 with those as at 30 June 2014. The figures given below are not always directly comparable given the effects of the acquisition of the Marais Group over the first half of 2015, described in more detail in the following pages of this report.

The main profit and loss figures for the first six months of 2015 and 2014 are presented in the table below:

	Half year ended 30 June			
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**
Revenues from sales and services	**85,131**	**100.0%**	**54,729**	**100.0%**
Cost of raw materials and consumables	(44,038)	-51.7%	(25,699)	-47.0%
Cost of services	(13,265)	-15.6%	(8,892)	-16.2%
Non-recurring costs for services	(494)	-0.6%	-	0.0%
Payroll costs	(16,143)	-19.0%	(12,757)	-23.3%
Other operating (costs)/revenues, net	(1,989)	-2.3%	(1,433)	-2.6%
Badwill from a bargain purchase	2,633	3.1%	-	0.0%
Amortisation and depreciation	(4,621)	-5.4%	(3,590)	-6.6%
Development costs capitalised	2,478	2.9%	2,588	4.7%
Portion of losses/(gains) from the valuation of Joint Ventures using the equity method	(67)	-0.1%	365	0.7%
Total operating costs	**(75,506)**	**-88.7%**	**(49,418)**	**-90.3%**
Operating income	**9,625**	**11.3%**	**5,311**	**9.7%**
Financial expenses	(3,811)	-4.5%	(2,815)	-5.1%
Financial income	3,223	3.8%	695	1.3%
Portion of losses/(gains) from the valuation of equity investments using the equity method	(181)	-0.2%	(117)	-0.2%
Pre-tax profit	**8,856**	**10.4%**	**3,074**	**5.6%**
Income tax	(2,362)	-2.8%	(1,343)	-2.5%
Net profit for the period	**6,494**	**7.6%**	**1,731**	**3.2%**
Profit / (loss) attributable to non-controlling interests	4	0.0%	(2)	0.0%
Group profit (loss)	**6,490**	**7.6%**	**1,733**	**3.2%**

Profile of revenues:

Revenues as at 30 June 2015 increased all in all by 55.6%; without considering the effects of the acquisition of the Marais Group, overall growth would have been 45.3%.

a) Revenues by geographic area

The turnover of the Group continues to be produced almost exclusively abroad and also sales made to customers based in Europe are at times intended for use outside the European continent. The revenue analysis by area is indicated below, compared with the first half of 2015 and the first half of 2014, which indicates the growth of the European and African markets, partially balanced by the downtrends recorded in the market of BRICs countries.
We also point out that the European market benefited from the increase in revenues of the Stringing equipment segment deriving from the particularly significant order related to the supply of equipment to the Spanish Abengoa group for the construction of more than 5,000 km of 500kV lines in Brazil.

	Half year ended 30 June	
(Euro in thousands)	**2015**	**2014**
Italy	5,340	7,085
Europe	36,622	10,014
Middle East	9,979	5,634
Africa	7,826	2,975
North and Central America	18,347	18,001
BRIC and Others	7,017	11,020
Total revenues	**85,131**	**54,729**

b) Revenues by segment

The tables below show the income statement figures as at 30 June 2015 compared to those at 30 June 2014, broken down into three operating segments.

	Half year ended 30 June				
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**	**2015 vs. 2014**
Stringing equipment	45,877	53.9%	22,267	40.7%	23,610
Trencher	38,629	45.4%	25,921	47.4%	12,708
Rail	625	0.7%	6,541	12.0%	(5,916)
Total revenues	**85,131**	**100.0%**	**54,729**	**100.0%**	**30,402**

Revenues as at 30 June 2015 recorded an increase in both the Stringing equipment segment (106.0%) and the Trencher segment (49.0%) and a decrease in the Rail segment (90.4%).

The increase in revenues in the Trencher segment is mainly a result of the positive contribution of the American and the Middle East market. Moreover, the consolidation of revenues of the Marais Group from 8 April to 30 June 2015 generated total revenues of Euro 5.6 million. Without considering the effects of the acquisition of the Marais Group, the growth in the Trencher segment would have been 27.3%.

The significant increase in the first six months in the Stringing equipment segment is due to the order related to the supply of equipment to the Spanish Abengoa Group for the construction of more than 5,000 km of 500kV lines in Brazil.
The Group has also recorded the first revenues and orders in the new business of Automation, confirming the validity of the strategic choices implemented in the past years that also focused on the market of streamlining of power lines.

Finally, the decrease in revenues in the Rail segment is mainly attributable to the nature of a business characterised by long-term contracts and prolonged times for executing the negotiations. Negotiations are currently underway with imported customers that will lead to a growth of the segment in the second half.

Operating costs net of depreciation and amortisation

	Half year ended 30 June			
(Euro in thousands)	**2015**	**2014**	**2015 vs. 2014**	**% change**
Cost of raw materials and consumables	(44,038)	(25,699)	(18,339)	71.4%
Cost of services	(13,265)	(8,892)	(4,373)	49.2%
Non-recurring costs for services	(494)	-	(494)	100.0%
Payroll costs	(16,143)	(12,757)	(3,386)	26.5%
Other operating (costs)/revenues, net	(1,989)	(1,433)	(556)	38.8%
Badwill from a bargain purchase	2,633	-	2,633	100.0%
Development costs capitalised	2,478	2,588	(110)	-4.3%
Portion of losses/(gains) from the valuation of Joint Ventures using the equity method	(67)	365	(432)	-118.4%
Operating costs net of depreciation and amortisation	**(70,885)**	**(45,828)**	**(25,057)**	**54.7%**

The table shows an increase in the cost of raw materials and consumables due to a different sales mix by Country/product that mainly concerned the first half of the year.

As described in the paragraph *3.1 Effects of the acquisition of the Marais Group,* the operating costs include Euro 5,889 thousand represented by the costs of the Marais Group and Euro 2,139 thousand represented by non-recurring costs and revenues deriving from this transaction (consisting of non-recurring costs for services of Euro 494 thousand and of badwill from a bargain purchase of Euro 2,633 thousand).

Without considering these effects the operating costs net of depreciation and amortisation would have increased by 47.6%.

EBITDA

In connection with this trend in revenues, in terms of margins, EBITDA amounts to Euro 14,246 thousand, which represents 16.7% of the sales for the period, compared to 16.3% recorded in the first half of 2014.

As described in the paragraph *3.1 Effects of the acquisition of the Marais Group,* the income statement includes non-recurring costs for services of Euro 494 thousand and profit from badwill from a bargain purchase of Euro 2,633 thousand.

They were separately shown when calculating the Ebitda.

	Half year ended 30 June				
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**	**2015 vs. 2014**
Operating income	9,625	11.3%	5,311	9.7%	4,314
+ Depreciation and amortisation	4,621	5.4%	3,590	6.6%	1,031
EBITDA (*)	**14,246**	**16.7%**	**8,901**	**16.3%**	**5,345**
+ Non-recurring costs for services	494	0.6%	-	0.0%	494
+ Badwill from a bargain purchase	(2,633)	-3.1%	-	0.0%	(2,633)
adj EBITDA (*)	**12,107**	**14.2%**	**8,901**	**16.3%**	**5,839**

(*****) EBITDA is represented by the operating income gross of amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

The tables below show the income statement figures as at 30 June 2015 compared to those at 30 June 2014, broken down into three operating segments:

	Half year ended 30 June				
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**	**2015 vs. 2014**
Stringing equipment	8,222	17.9%	3,880	17.4%	4,342
Trencher	6,225	16.1%	3,385	13.1%	2,840
Rail	(201)	-32.2%	1,636	25.0%	(1,837)
EBITDA(*)	**14,246**	**16.7%**	**8,901**	**16.3%**	**5,345**

(*****) EBITDA is represented by the operating income gross of amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

This result is the combined effect of different trends in the three segments:

- Stringing equipment: the margin percentage on revenues increased to 17.9% in the first half of 2015 compared to 17.4% achieved in the first half of 2014 also thanks to a better absorption of fixed costs on higher sales volumes;
- Trencher: the margin, as a percentage of revenue, rose to 16.1% in the first half of 2015, compared to 13.1% recorded in the first half of 2014. This trend is due to the more favourable exchange rate and to the improvement in margins in newly developing countries. Without considering the effects of the acquisition of the Marais Group, the margin percentage on revenues would have been 11.4%. This trend is the result of themarginality decrease in the Oil&Gas sector due to the low oil price;
- Rail: the margin, as a percentage of revenue, fell to -32.2% in the first half of 2015, compared to 25.0% recorded in the first half of 2014 mainly due to lower volumes, which led to a lesser absorption of fixed costs.

Financial Management

	Half year ended 30 June	
(Euro in thousands)	**2015**	**2014**
Net Financial Income/Expenses	(2,458)	(2,153)
Foreign exchange gains/losses	1,832	(1)
Fair value adjustment of derivative instruments	38	34
Portion of losses/(gains) from the valuation of equity investments using the equity method	(181)	(117)
Total net financial income/expenses	**(769)**	**(2,237)**

Net financial management increased compared to the same period in 2014 by Euro 1,468 thousand, insofar as it mainly reflects:

- for Euro 305 thousand higher interests payable generated by the signing of new medium/long-term loans in connection with several investment initiatives undertaken by the Group;
- for Euro 1,833 thousand the effects of the different USD/EUR exchange rate trend in the two periods of reference that resulted in the recording of net profits totalling Euro 1,832 thousand in the first half of 2015 (Euro 470 thousand realised and Euro 1,362 thousand unrealised) against a net loss of Euro 1 thousand in the first half of 2014.

5.Summary of balance sheet figures as at 30 June 2015

Information is provided below on the Group's main equity indicators as at 30 June 2015 compared to 31 December 2014. In particular, the following table shows the reclassified funding sources and uses from the consolidated balance sheet as at 30 June 2015 and as at 31 December 2014. The figures given below are not always directly comparable given the effects of the acquisition of the Marais Group over the first half of 2015, described in more detail in the following pages of this report:

(Euro in thousands)	**As at 30 June 2015**	**As at 31 December 2014**
USES		
Net working capital [(1)]	67,192	57,991
Fixed assets	80,620	65,283
Other long-term assets and liabilities	(2,111)	(1,737)
Net invested capital [(2)]	**145,701**	**121,537**
SOURCES		
Net financial indebtedness [(3)]	90,839	73,364
Shareholders' equity	54,862	48,173
Total sources of funding	**145,701**	**121,537**

[(1)] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.
[(2)] The net invested capital is calculated as net working capital plus fixed assets and other long-term assets less long-term liabilities. The net invested capital is not recognised as a measure of performance under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.
[(3)] The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available–for–sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 30 June 2015 and 31 December 2014:

(Euro in thousands)	**As at 30 June 2015**	**As at 31 December 2014**
Trade receivables	58,529	41,297
Work in progress contracts	4,557	5,249
Inventories	63,399	55,390
Trade payables	(45,640)	(34,179)
Other current assets/(liabilities)	(13,653)	(9,766)
Net working capital [(1)]	**67,192**	**57,991**

[(1)] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

Net working capital amounted to Euro 67,192 thousand, marking an increase of Euro 9,201 thousand (equal to 15.9%) compared to 31 December 2014.
As described in the paragraph *3.1 Effects of the acquisition of the Marais Group,* without considering the effects of the acquisition of the Marais Group, net working capital would have amounted to Euro 65,294 thousand and the increase would have been 12.5%.

Euro 17,232 thousand of this is due to the increase in trade receivables that reflects the performance in revenues for the period and Euro 8,009 thousand to the increase in inventories mainly attributable to the increase in "raw materials and consumables" necessary to cover the expected sales for the coming months of the year. In connection with this increase in inventories, an increase in the balance to suppliers and current liabilities that offsets partially the upward trend of Euro 11,464 thousand was also recorded.

B) Fixed assets and other long-term assets

The table below shows a breakdown of "Fixed assets and other long-term assets" as at 30 June 2015 and 31 December 2014:

(Euro in thousands)	As at 30 June 2015	As at 31 December 2014
Intangible assets	13,333	12,372
Property, plant and equipment	62,264	48,116
Equity investments in associates	5,008	4,792
Other equity investments	15	3
Fixed assets	**80,620**	**65,283**

Total fixed assets and other long-term assets recorded an increase of Euro 15,337 thousand due to the increase in the value of property, plant and equipment of Euro 14,148 thousand mainly due to the acquisition of the Marais Group as described in paragraph *3.1 Effects of the acquisition of the Marais Group* (of Euro 14,409 thousand) and of intangible assets of Euro 961 thousand due to the increase in development costs net of the amortisation/depreciation effect for the period mainly related to the development of new production lines.

C) Net financial indebtedness

Details of the breakdown of "Net financial indebtedness" as at 30 June 2015 and 31 December 2014 are as follows:

(Euro in thousands)	As at 30 June 2015	of which with related parties and group	As at 31 December 2014	of which with related parties and group
Cash and cash equivalents	(15,969)		(18,665)	
Current financial assets [1]	(7,507)	*(7,241)*	(6,798)	*(6,552)*
Current financial liabilities	48,272	*1,155*	36,506	*1,100*
Current portion of derivative financial instruments	120		-	
Current financial indebtedness [2]	**24,916**	***(6,086)***	**11,043**	***(5,452)***
Non-current financial liabilities	65,534	*15,349*	61,861	*15,954*
Non-current portion of derivative financial instruments	389		460	
Non-current financial indebtedness [2]	**65,923**	***15,349***	**62,321**	**15,954**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**90,839**	***9,263***	**73,364**	***10,502***

[1] Current financial assets as at 30 June 2015 and 31 December 2014 include the market value of shares and warrants, which are therefore considered cash and cash equivalents.

[2] Current and non-current financial indebtedness is not identified as an accounting element by the IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balances obtained by the Group may not be comparable therewith.

In the first six months of 2015, the Group's net financial indebtedness increased by Euro 17,475 thousand compared to the figure at the end of 2014. The change compared to 31 December 2014 is mainly due to the acquisition of the Marais Group that resulted in the taking-over of a new debt of Euro 13,610 thousand, in addition to the seasonal nature of the business and to the changes in working capital as well as to the payment of dividends. The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 13,873 thousand due to the:
    - increase in current financial liabilities of Euro 11,766 thousand mainly due to (i) greater advances on export of Euro 3,024 thousand, (ii) increase in payables to factors of Euro 2,005 thousand and (iii) the drawing-up of new short-term loan contracts of Euro 2,160 thousand; this increase is offset by;
    - increase in current financial assets and cash and cash equivalents of Euro 1,987 thousand;
- increase in non-current financial indebtedness of Euro 3,602 thousand deriving from the combined effect of the increase of Euro 4,779 thousand related to the loans of the Marais Group offset by the reclassification in the current financial indebtedness of the amount of Euro 9,984 relating to the short-term portion of medium/long-term loans.

6.Management and types of financial risk

For the management of financial risks, please see the paragraph “Financial risk management policy” contained in the Explanatory Notes to the Annual Consolidated Financial Statements for 2014, where the Group’s policies in relation to the management of financial risks are presented.

7.Atypical and/or unusual and non-recurring transactions with related parties

In compliance with the Consob communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, it should be noted that during the first half of the 2014 financial year, no transactions took place with related parties of an atypical or unusual nature, outside of normal company operations or such as to harm the profits, balance sheet or financial results of the Group.
For significant intercompany and related party information, please see the paragraph “Related party transactions” in the Explanatory Notes.

8.Group Employees

The average number of Group employees in the first half-year of 2015, including the employees of companies that are fully consolidated, is 547 persons (of which 113 related to the Marais Group) compared to 486 in 2014.

9.Other information

Treasury shares

On 30 April 2015, the Shareholders' Meeting resolved favourably on the First Section of the Report on Remuneration pursuant to Article 123-ter of Legislative Decree no. 58/98 and authorised also the Board of Directors, for a period of 18 months, to purchase, on the regulated market, ordinary shares of Tesmec until 10% of the share capital of the Company and within the limits of the distributable profits and of the available reserves resulting from the last financial statements duly approved by the Company or the subsidiary company making the purchase. The authorisation also includes the right to dispose of (in whole or in part and also in several times) the shares in the portfolio subsequently, even before having exhausted the maximum amount of shares purchasable and to possibly repurchase the shares to the extent that the treasury shares held by the Company and, if necessary, by the companies controlled by it, do not exceed the limit established by the authorisation. The quantity and the price at which transactions will be made will comply with the operating procedures laid down by the regulations. This authorisation replaces the last authorisation resolved by the Shareholders’ Meeting on 30 April 2014 and expiring in October 2015.

In the period between 1 July 2015 and the date of this Report, the Company purchased 326,129 treasury shares (0.30% of Share Capital) at an average price of Euro 0.6913 for a total amount net of commissions of Euro 225 thousand. On the date of this report, the Company holds a total of 2,922,450 treasury shares, equal to 2.73% of the Share Capital.

Events occurring after the close of the financial period

On 23 July 2015, the Board of Directors approved the renewal of the contract for the lease of the building of Endine Gaiano signed with the related party Dream Immobiliare S.r.l. for the period from 1 January 2016 to 31 December 2021 without changing the current rental of Euro 310 thousand per year but meeting to the charge of Tesmec the costs incurred for renovating the roof of Euro 348 thousand.

Business outlook

In the second half of the year, the revenues are supposed to increase both for organic growth and for the acquisition of the Marais Group. We expect an improvement in margins also thanks to the acquisition of the Marais Group. The level of financial indebtedness is expected to decrease due to efficiency measures in working capital.

Ongoing integration with the French branch Marais allows the Group to use technological expertise in the telecom, fiber optic and underground energy cables sector. It is therefore expected a growth of the Trencher division in this market segment, also considering the investment plans in many countries.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of financial position as at 30 June 2015 and as at 31 December 2014

(Euro in thousands)	Notes	30 June 2015	31 December 2014
NON-CURRENT ASSETS			
Intangible assets	6	13,333	12,372
Property, plant and equipment	7	62,264	48,116
Equity investments valued using the equity method		5,008	4,792
Other equity investments		15	3
Financial receivables and other non-current financial assets		493	274
Derivative financial instruments	15	24	16
Deferred tax assets		6,964	3,374
Non-current trade receivables		304	546
TOTAL NON-CURRENT ASSETS		**88,405**	**69,493**
CURRENT ASSETS			
Work in progress contracts	8	4,557	5,249
Inventories	9	63,399	55,390
Trade receivables	10	58,529	41,297
of which with related parties:	10	*7,172*	*6,570*
Tax receivables		1,386	489
Other available-for-sale securities		103	125
Financial receivables and other current financial assets	11	7,404	6,673
of which with related parties:	11	*7,241*	*6,552*
Other current assets		3,602	2,491
Cash and cash equivalents		15,969	18,665
TOTAL CURRENT ASSETS		**154,949**	**130,379**
TOTAL ASSETS		**243,354**	**199,872**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	12	10,708	10,708
Reserves / (deficit)	12	37,676	32,547
Group net profit / (loss)	12	6,490	4,909
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**54,874**	**48,164**
Minority interest in capital and reserves / (deficit)		(16)	13
Net profit / (loss) for the period attributable to non-controlling interests		4	(4)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**(12)**	**9**
TOTAL SHAREHOLDERS' EQUITY		**54,862**	**48,173**
NON–CURRENT LIABILITIES			
Medium-long term loans	13	65,534	61,861
of which with related parties:	13	*15,349*	*15,954*
Derivative financial instruments	15	389	460
Employee benefit liability		2,845	3,016
Provisions for risks and charges		0	39
Deferred tax liabilities		7,051	2,892
TOTAL NON-CURRENT LIABILITIES		**75,819**	**68,268**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	14	48,272	36,506
of which with related parties:	14	*1,155*	*1,100*
Derivative financial instruments	15	120	-
Trade payables		45,640	34,179
of which with related parties:		*49*	*8*
Advances from customers		2,671	5,705
Income taxes payable		2,985	1,003
Provisions for risks and charges		4,249	1,040
Other current liabilities		8,736	4,998
TOTAL CURRENT LIABILITIES		**112,673**	**83,431**
TOTAL LIABILITIES		**188,492**	**151,699**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**243,354**	**199,872**

Consolidated income statement for the half year ended 30 June 2015 and 2014

		Half year ended 30 June	
(Euro in thousands)	**Notes**	**2015**	**2014**
Revenues from sales and services	17	**85,131**	**54,729**
of which with related parties:		*5,352*	*4,077*
Cost of raw materials and consumables		(44,038)	(25,699)
of which with related parties:		*(181)*	*(1,040)*
Cost of services		(13,265)	(8,892)
of which with related parties:		*(6)*	*9*
Non-recurring costs for services		(494)	-
Payroll costs		(16,143)	(12,757)
Other operating (costs)/revenues, net		(1,989)	(1,433)
of which with related parties:		*(9)*	*51*
Badwill from a bargain purchase		2,633	-
Amortisation and depreciation		(4,621)	(3,590)
Development costs capitalised		2,478	2,588
Portion of losses/(gains) from the valuation of Joint Ventures using the equity method		(67)	365
Total operating costs	18	**(75,506)**	**(49,418)**
Operating income		**9,625**	**5,311**
Financial expenses		(3,811)	(2,815)
of which with related parties:		*(540)*	*(665)*
Financial income		3,223	695
of which with related parties:		*73*	*79*
Portion of losses/(gains) from the valuation of equity investments using the equity method		(181)	(117)
Pre-tax profit		**8,856**	**3,074**
Income tax		(2,362)	(1,343)
Net profit for the period		**6,494**	**1,731**
Profit / (loss) attributable to non-controlling interests		**4**	**(2)**
Group profit (loss)		**6,490**	**1,733**
Basic and diluted earnings per share		**0.0606**	**0.0162**

Consolidated statement of comprehensive income for the half year ended 30 June 2015 and 2014

		Half year ended 30 June	
(Euro in thousands)	**Notes**	**2015**	**2014**
NET PROFIT FOR THE PERIOD		**6,494**	**1,731**
Other components of comprehensive income			
Other components of comprehensive income that will be subsequently reclassified to net income/(loss) for the year:			
Exchange differences on conversion of foreign financial statements	12	2,732	261
Other components of comprehensive income that will not be subsequently reclassified to net income/(loss) for the year:			
Actuarial profit (loss) on defined benefit plans		84	(162)
Income tax		(23)	44
	12	61	(118)
Total other income/(losses) after tax		**2,793**	**143**
Total comprehensive income (loss) after tax		**9,287**	**1,874**
Attributable to:			
Shareholders of the Parent Company		9,283	1,876
Minority interests		4	(2)

Statement of consolidated cash flows for the half year ended 30 June 2015 and 2014

(Euro in thousands)	Notes	Half year ended 30 June 2015	Half year ended 30 June 2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		6,494	1,731
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	6-7	4,621	3,590
Provisions for employee benefit liability		33	73
Provisions for risks and charges / inventory obsolescence / doubtful accounts		902	665
Badwill from a bargain purchase	5.1	(2,633)	-
Employee benefit payments		(165)	(12)
Payments of provisions for risks and charges		(479)	(282)
Net change in deferred tax assets and liabilities		(532)	350
Change in fair value of financial instruments	15	41	(34)
Change in current assets and liabilities:			
Trade receivables	10	(12,879)	2,518
Inventories	9	(2,438)	(11,329)
Trade payables		7,670	4,754
Other current assets and liabilities		1,812	(1)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**2,447**	**2,023**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	7	(3,002)	(3,741)
Investments in intangible assets	6	(3,120)	(2,823)
(Investments) / disposal of financial assets		473	(3,025)
Change in the consolidation area	5.1	315	-
Proceeds from sale of property, plant and equipment and intangible assets	6-7	2,821	2,172
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(2,513)**	**(7,417)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	16	6,370	18,237
Repayment of medium/long-term loans	16	(8,703)	(6,424)
Net change in short-term financial debt	14	2,002	1,779
Purchase of treasury shares	12	(157)	(140)
Other changes	12	48	-
Dividend distribution	12	(2,403)	(1,682)
NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES (C)		**(2,843)**	**11,770**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(2,909)**	**6,376**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		213	23
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		18,665	13,778
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**15,969**	**20,177**
Additional information:			
Interest paid		1,757	1,899
Income tax paid		1,343	1,983

Statement of changes in consolidated shareholders' equity for the half year ended 30 June 2015 and 2014

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Translation reserve	Other reserves	Profit for the period	Total Shareholders' Equity Attributable to Parent Company Shareholders	Total Shareholders' Equity Attributable to Non-Controlling Interests	Total Share holders' Equity
Balance as at 1 January 2014	**10,708**	**1,810**	**10,915**	**(793)**	**(1,455)**	**16,218**	**4,384**	**41,787**	8	**41,795**
Profit for the period	-	-	-	-	-	-	1,733	1,733	(2)	1,731
Other profits / (losses)	-	-	-	-	261	(118)	-	143	-	143
Total comprehensive income / (loss)	-	-	-	-	-	-	-	**1,876**	(2)	**1,874**
Allocation of profit for the period	-	194	-	31	-	2,477	(2,702)	-		-
Dividend distribution	-	-	-	-	-	-	(1,682)	(1,682)	-	(1,682)
Other changes	-	-	-	(140)	-	-	-	(140)	-	(140)
Balance as at 30 June 2014	**10,708**	**2,004**	**10,915**	**(902)**	**(1,194)**	**18,577**	**1,733**	**41,841**	**6**	**41,847**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Translation reserve	Other reserves	Profit for the period	Total Shareholders' Equity Attributable to Parent Company Shareholders	Total Shareholders' Equity Attributable to Non-Controlling Interests	Total Share holders' Equity
Balance as at 1 January 2015	**10,708**	**2,004**	**10,915**	**(1,010)**	**2,114**	**18,524**	**4,909**	**48,164**	9	**48,173**
Profit for the period	-	-	-	-	-	-	6,490	6,490	4	6,494
Other profits / (losses)	-	-	-	-	2,732	61	-	2,793	-	2,793
Total comprehensive income / (loss)	-	-	-	-	-	-	-	**9,283**	4	**9,287**
Allocation of profit for the period	-	137	-	60	-	2,309	(2,506)	-	-	-
Dividend distribution	-	-	-	-	-	-	(2,403)	(2,403)	-	(2,403)
Change in the consolidation area	-	-	-	-	-	25	-	25	(25)	-
Other changes	-	-	-	(157)	-	(38)	-	(195)		(195)
Balance as at 30 June 2015	**10,708**	**2,141**	**10,915**	**(1,107)**	**4,846**	**20,881**	**6,490**	**54,874**	**(12)**	**54,862**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 30 June 2015

1.Company information

The Parent Company Tesmec S.p.A. (hereinafter “Parent Company” or “Tesmec”) is a legal entity organised in accordance with the legal system of the Italian Republic. The ordinary shares of Tesmec are listed on the MTA STAR Segment of the Milan Stock Exchange since 1 July 2010. The registered office of the Tesmec Group (hereinafter “Group” or “Tesmec Group”) is in Milan, Piazza S. Ambrogio 16.

2.Reporting standards

The consolidated financial statements as at 30 June 2015 were prepared in condensed form in accordance with International Financial Reporting Standards (IFRS), by using the methods for preparing interim financial reports provided by IAS 34 Interim financial reporting.

The accounting standards adopted in preparing the interim consolidated financial statements as at 30 June 2015 are those adopted for preparing the consolidated financial statements as at 31 December 2014 in compliance with IFRS.

More precisely, the consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders’ equity and statement of cash flows are drawn up in extended form and are in the same format adopted for the consolidated financial statements as at 31 December 2014. The explanatory notes to the financial statements indicated below are in condensed form and therefore do not include all the information required for annual financial statements. In particular, as provided by IAS 34, in order to avoid repeating already disclosed information, the notes refer exclusively to items of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders’ equity and the statement of consolidated cash flows whose breakdown or change, with regard to amount, type or unusual nature, are significant to understanding the economic and financial situation of the Group.

Since the consolidated financial statements do not disclose all the information required in preparing the consolidated annual financial statements, they must be read together with the consolidated financial statements as at 31 December 2014.

The consolidated financial statements as at 30 June 2015 comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders’ equity, statement of consolidated cash flows and related explanatory notes. Comparative figures are disclosed as required by IAS 34 (31 December 2014 for the statement of financial position and the first half year of 2014 for the consolidated income statement, consolidated comprehensive income statement, statement of changes in shareholders’ equity and cash flow).

The interim consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand, unless otherwise indicated.

The issue of the interim consolidated financial statements of the Tesmec Group for the period ended 30 June 2015 was authorised by the Board of Directors on 11 August 2015.

Translation of foreign currency financial statements and of foreign currency items

The exchange rates used to determine the value in Euros of the financial statements of subsidiary companies expressed in foreign currency (exchange rate to 1 Euro) are shown below:

	Average exchange rate for the half year ended 30 June		**End-of-period exchange rate as at 30 June**	
	2015	**2014**	**2015**	**2014**
US Dollar	1.116	1.370	1.119	1.366
Bulgarian Lev	1.956	1.956	1.956	1.956
Russian Rouble	64.602	48.020	62.355	46.378
South African Rand	13.299	14.676	13.642	14.460
Renmimbi	6.941	8.452	6.937	8.472
Qatar Riyal	4.062	4.990	4.073	4.973
Algerian Dinar	106.761	107.532	110.698	108.335
Tunisian Dinar	2.163	2.211	2.175	2.301
Australian dollar	1.426	1.499	1.455	1.454
New Zealand Dollar	1.506	1.615	1.655	1.563
CFA franc	655.957	655.957	655.957	655.957

3.Consolidation methods and area

On 30 June 2015, the area of consolidation changed with respect to that as at 31 December 2014:

- On 13 February 2015, the East Trenchers S.r.l. shareholder sold its entire investment equal to 8.8% of the Share Capital to Tesmec S.p.A. As a result of the operation described above, as from 13 February 2015, Tesmec S.p.A. has become sole shareholder of East Trenchers S.r.l.;
- On 8 April 2015, Tesmec S.p.A. concluded the acquisition of the entire share capital of Marais Technologies SAS (“Marais Group”), French company at the head of an international group leader in rental services and construction of machines for infrastructures in telecommunications, electricity and gas.

4.New accounting standards

The accounting standards adopted for the preparation of the interim condensed consolidated financial statements are the same as those adopted for the preparation of the consolidated financial statements for the year ended 31 December 2014, with the exception of the adoption as of 1 January 2015 of the new standards, amendments and interpretations. The Group has not adopted in advance any new standard, interpretation or change issued but not yet in force.
The nature and effects of these changes are shown below. Albeit these new standards and amendments were applicable for the first time in 2015, they had no impact on the consolidated financial statements of the Group or on the interim condensed consolidated financial statements of the Group. The nature and impact of each new standard/amendment is listed below:

- **Amendments to IAS 19 - Defined contribution plans: employee contributions**
  IAS 19 requires an entity to consider contributions from employees or third parties in the recording of defined benefit plans. When the contributions are related to the provided service, they should be attributed to the periods of service as a negative benefit. This amendment clarifies that, if the amount of contributions does not depend on the number of years of service, the entity is allowed to recognise these contributions as a reduction of the cost of service in the period in which the service is rendered, instead of allocating the contribution to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, given that none of the entities that are part of the Group have plans comprising contributions of employees or third parties

Annual Improvements to IFRSs 2010–2012 Cycle
These improvements have been in force since 1 July 2014 and had no impact on the consolidated financial statements of the Group.

- **IFRS 2 Share-based payments**
  This improvement applies prospectively and clarifies various points related to the definition of performance and service conditions representing vesting conditions, including:
  - a performance condition must include a service condition;
  - an objective of performance must be achieved while the counterparty provides a service;
  - an objective of performance can refer to the operations or activities of an entity, or to those of another entity within the same Group;
  - a performance condition can be a market based performance condition or a non-market performance condition;
  - if the counterparty, regardless of the reasons, ceases to provide service during the vesting period, the service condition is not met.

  The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

- **IFRS 3 Business Combinations**
  The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

- **IFRS 8 Operating segments**
  The amendment applies prospectively and clarifies that:
  - an entity should disclose information on the assessments made by the management in applying the aggregation criteria set forth in paragraph 12 of IFRS 8, including a short description of the operating segments that have been aggregated and of the economic characteristics (for example: sales, gross margin) used for defining whether the segments are "similar";
  - it is necessary to present the reconciliation of the segment assets with the total assets only if the reconciliation is presented by the senior operating decision maker, as required for segment liabilities.

  The Group did not apply the aggregation criteria provided by IFRS 8.12.

- **IAS 16 Property, plant and equipment and IAS 38 Intangible assets**
  The amendment applies prospectively and clarifies that in IAS 16 and in IAS 38 an asset can be revalued with reference to observable data both by adjusting the gross book value of the asset to the market value and by determining the market value of the book value and adjusting proportionally the gross book value in such a way that the resulting book value is equal to the market value. Moreover, the accumulated amortisation and depreciation is the difference between the gross book value and the book value of the asset. The Group has not recorded any revaluation adjustment during the interim period of reference.

- **IAS 24 Related party disclosures**
  The amendment applies prospectively and clarifies that a management entity (entity providing key management personnel services) is a related party subject to related party disclosures. Moreover, an entity that makes use of a management entity must disclose the costs incurred for management services. This amendment is not relevant for the Group in that it does not receive management services from other entities.

Annual Improvements to IFRSs 2011–2013 Cycle

These improvements have been in force since 1 July 2014 and the Group applied them for the first time in these interim condensed consolidated financial statements. Include:

- **IFRS 3 Business Combinations**
  The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
  - „ Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
  - „ This scope exception applies only to the accounting in the financial statements of the joint
  - arrangement itself

  Tesmec Group has no joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

- **IFRS 13 Fair Value Measurement**
  The amendment applies prospectively and clarifies that the portfolio exception provided by IFRS 13 can be applied not only to financial assets and liabilities, but also to other contracts in the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

- **IAS 40 Investment property**
  The description of additional services in IAS 40 differentiates between investment properties and owner-occupied properties (for example: property, plant and equipment). The amendment applies prospectively and clarifies that in determining whether an operation represents the purchase of an asset or a business combination, IFRS 3 must be used and not the description of additional services of IAS 40. This amendment does not impact the accounting policy of the Group.

5.Significant events occurred during the period

The significant extraordinary transactions that occurred during the period include the following:

- On 19 March 2015, Cerved Rating Agency, the Italian rating agency specialised in assessing the creditworthiness of non-financial companies, confirmed the “A2.2” solicited rating with reference to the bond issue “Tesmec S.p.A. 6% 2014-2021” (ISIN: IT0005012247), traded on the ExtraMOT PRO market organised and managed by Borsa Italiana S.p.A. More specifically, the “A2.2” rating issued by the Cerved Rating Agency ranks fifth on a scale of 13 risk levels (from A1.1 to C2.1) and it is the result of an evaluation process that combines rigorous quantitative models to forecast the credit risk and accurate qualitative analyses of specialised analysts, with an eye also to the Company's competitive position in the industry.

- On 30 April 2015, with the approval of the 2014 financial statements, the Shareholders’ Meeting of Tesmec S.p.A. decided to allocate the profit of the Parent Company of Euro 6,278 thousand, as follows:
  - Euro 137 thousand to the Legal Reserve;
  - assign a dividend of Euro 0.023 to each outstanding ordinary share;
  - assign to the Extraordinary Reserve the amount of profit remaining after the allocation to the Legal reserve and dividend.

- On 1 May 2015, the addendum made on 9 September 2014 to the lease contract of the building of Grassobbio signed on 31 January 2011 with Dream Immobiliare S.r.l. was made effective.

  This addendum provides a different division of the leased spaces, with a reduction in square meters used by Tesmec and a perfectly symmetrical increase in square meters used by Reggiani. Moreover, Tesmec requested the construction of an underground archive/parking of around 662 square meters.

  Therefore, the Rental of Tesmec will decrease by Euro 144 thousand per year (deriving from the differences between Euro 50 thousand for the underground archive/parking and the reduction of Euro 194 thousand for the reallocation of space).

- Alfredo Brignoli, Vice Chairman of Tesmec S.p.A. and a historical figure of the Tesmec Group, died on 10 June 2015. Born in 1920 in Ponteranica (Bergamo), Brignoli had done his entire entrepreneurial path in the mechanical sector and, in 1951, was a co-founder of the Tesmec Group, together with Annibale Caccia Dominioni, father of the current Chairman and Chief Executive Officer.

As part of the development of the company structure, the following are of note:

- On 26 February 2015, the final decree of approval relating to the transfer of the company AMC2 in favour of Tesmec Service S.r.l. was received. For further details, refer to the next paragraph 5.2.

- On 13 February 2015, the East Trenchers S.r.l. shareholder sold its entire investment equal to 8.8% of the Share Capital to Tesmec S.p.A. As a result of the operation described above, as from 13 February 2015, Tesmec S.p.A. has become sole shareholder of East Trenchers S.r.l.
- On 8 April 2015, Tesmec S.p.A. concluded the acquisition of the entire share capital of Marais Technologies SAS (“Marais Group”), French company at the head of an international group leader in excavation services and in the

construction of machines for infrastructures in telecommunications, electricity and gas. For further details, refer to the next paragraph 5.1.

5.1 Acquisition of the Marais Group

The method used for the first consolidation of the companies acquired as requested by the Accounting Standards of reference is shown below.
The acquisition was recorded based on the provisions of IFRS 3 on business combinations; according to this principle, for the purposes of a proper accounting of the operations, it is necessary to:

- determine the total consideration of the acquisition;
- allocate, on the date of acquisition, the consideration of the business combination to acquired assets and to the liabilities undertaken, including those not recognised before the purchase;
- recognise any goodwill acquired in the aggregation.

Illustrated below are the net economic and financial effects deriving from the acquisition of the Marais Group on the date of acquisition.

Determining the total consideration of the acquisition

The Transaction involves the purchase of 1,093,005 shares of Marais (corresponding to 100% of the share capital), of 1,160,534 convertible bonds issued by Marais (corresponding to 100% of the existing bonds) and of 215,384 warrants issued by Marais (corresponding to 100% of existing warrants) at a price of Euro 32 (units).
Tesmec also envisaged a recapitalisation of Marais of Euro 5 million to boost the business of the Group by using own funds and a dedicated credit facility granted by the Cariparma Crédit Agricole Group.
The additional expenses related to the above-mentioned acquisition totalling Euro 494 thousand, net of the related tax effect, which were posted in these Financial Statements to the Income statement in accordance with IFRS 3 and considered among the non-recurring items.

Measurement of assets and liabilities of the Marais Group on the date of acquisition

The breakdown of assets and liabilities acquired at their book value and their restated value, according to IFRS 3 ("Acquisition Method"), in order to reflect their fair value, is shown below.

(Euro in thousands)	Marais Group	Adjustment to the Acquisition situation	Notes	Adjusted Marais Group
NON-CURRENT ASSETS				
Intangible assets	1	-		1
Property, plant and equipment	10,360	4,494	a)	14,854
Equity investments valued using the equity method	294	-		294
Financial receivables and other non-current financial assets	124	-		124
Deferred tax assets	115	2,737	b)	2,852
TOTAL NON-CURRENT ASSETS	**10,894**	**7,231**		**18,125**
CURRENT ASSETS				
Inventories	3,144	-		3,144
Trade receivables	6,592	43	c)	6,635
Tax receivables	485	-		485
Financial receivables and other current financial assets	913	-		913
Other current assets	753	-		753
Cash and cash equivalents	315	-		315
TOTAL CURRENT ASSETS	**12,202**	**43**		**12,245**
TOTAL ASSETS	**23,096**	**7,274**		**30,370**
SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS				

Share capital	10,930	(10,930)		-
Reserves / (deficit)	(37,648)	40,937		3,289
Group net profit / (loss)	(949)	293		(656)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	**(27,667)**	**30,300**		**2,633**
Minority interest in capital and reserves / (deficit)	(17)	-		(17)
Net profit / (loss) for the period attributable to non-controlling interests	-	-		-
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**(17)**			**(17)**
TOTAL SHAREHOLDERS' EQUITY	**(27,684)**	**30,300**		**2,616**
NON–CURRENT LIABILITIES				
Medium-long term loans	27,371	(18,389)	d)	8,982
Employee benefit liability	-	44	e)	44
Deferred tax liabilities	2,924	941	f)	3,865
TOTAL NON-CURRENT LIABILITIES	**30,295**	**(17,404)**		**12,891**
CURRENT LIABILITIES				
Interest-bearing financial payables (current portion)	8,197	(3,354)	d)	4,843
Trade payables	3,318	-		3,318
Advances from customers	71	-		71
Income taxes payable	100	-		100
Provisions for risks and charges	3,580	-		3,580
Other current liabilities	5,219	(2,268)	d)	2,951
TOTAL CURRENT LIABILITIES	**20,485**	**(5,622)**		**14,863**
TOTAL LIABILITIES	**50,780**	**(23,026)**		**27,754**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**23,096**	**7,274**		**30,370**

In determining the fair value of acquired assets and liabilities, the main differences identified refer:

a) to the revaluation of property, plant and equipment of Euro 4,494 thousand. The measurement was confirmed by independent expert opinions and was defined by determining the state of use and level of obsolescence for each asset;
b) to the recording of deferred taxes of Euro 3,454 thousand related to losses incurred in previous years; this recovery was supported by the recovery expectations expressed by the business plans referring to the newly acquired group. The value is net of the tax impact of the operations subject matter of the acquisition, amounting to Euro 717 thousand;
c) to the net effect of Euro 43 thousand from the waiver of receivables from third parties;
d) to the waiver of Euro 24,011 thousand by banks and other lenders of their loans, as defined in the agreements related to the sale of the Marais Group;
e) to the allocation of Euro 44 thousand for covering the severance indemnity of the employees;
f) to the deferred tax liability of the entries made when measuring the assets and liabilities acquired of Euro 941 thousand.

As provided by IFRS 3, within 12 months after the transaction (i.e. April 2016), the recording of the acquisition will be completed through the final allocation of the paid purchase price.

Determining the residual goodwill or Badwill from a bargain purchase

The difference between the total consideration of the acquisition and the net value of the acquired assets and liabilities measured at fair value was recognised as follows:

(Euro in thousands)	Badwill from a bargain purchase calculation
Total consideration of the acquisition	- (*)
Marais Group shareholders' equity	2,633
Badwill from a bargain purchase	**2,633**

(*) Euro 32

With regard to the definition of the total consideration of the acquisition, refer to what is already described in the previous paragraphs.

Marais Group contribution to the profit and loss for the period ended 30 June 2015

The economic contribution of the Marais Group in the period between the date of first consolidation (8 April 2014) and the end of the reporting period was as follows:

(Euro in thousands)	From 8 April to 30 June 2015
Revenues from sales and services	5,628
EBITDA	259
Operating Income	(261)
Net profit for the period	(35)

The impact of the transaction on the net financial indebtedness of the Group on 8 April 2015 amounted to Euro 12,597 thousand and refers to the consideration exchanged for the acquisition (Euro 32) and to the net financial indebtedness of the acquired companies, including the liability of the fair value of derivatives and the positive effect deriving from the measurement at fair value of the loan, as already mentioned above.

(Euro in thousands)	Impact on consolidated figures
Cash and cash equivalents	(315)
Current financial assets (1)	(913)
Current financial liabilities	4,843
Current portion of derivative financial instruments	-
Current financial indebtedness (2)	**3,615**
Non-current financial liabilities	8,982
Non-current portion of derivative financial instruments	-
Non-current financial indebtedness (2)	**8,982**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**12,597**

5.2 AMC2 Business Unit Acquisition

On 26 February 2015, the final decree of approval relating to the transfer of the business units of the company AMC2 in favour of Tesmec Service S.r.l. was filed. The consideration paid for the acquisition amounted to Euro 1,987 thousand, while the book value of the transferred assets was Euro 150 thousand; as a result, the arising differential amounted to Euro 1,837 thousand and was provisionally allocated to goodwill.
As provided by IFRS 3, within 12 months after the transaction (i.e. February 2016), the recording of the acquisition will be completed through the final allocation of the paid purchase price

Book values of the acquired company *(Euro in thousands)*	**Company acquisition** **AMC 2**
Assets	
Intangible assets	11
Property, plant and equipment	50
Inventories	37
Other current assets	48
Cash and cash equivalents	4
Total assets	**150**
Total liabilities	**-**
Fair value of net assets acquired/sold	**150**
Consideration for the acquisition/sale	**(1,987)**
Difference between consideration paid and net assets acquired	**(1,837)**

In previous years, part of the upfront costs for the acquisition of the business operations of the company AMC2 were capitalized as intangible assets in progress.

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

6.Intangible assets

The breakdown and changes in "Intangible assets" as at 30 June 2015 and as at 31 December 2014 are shown in the table below:

(Euro in thousands)	01/01/2015	Increases due to purchases	Change in the consolidation area (*)	Decreases	Reclassifications	Amortisation and depreciation	Exchange rate differences	30/06/2015
Development costs	10,365	2,632	-	(23)	-	(2,092)	237	11,119
Rights and trademarks	386	76	1	-	-	(86)	-	377
Goodwill	-	287	-	-	1,550	-	-	1,837
Assets in progress and advance payments to suppliers	1,621	125	-	(196)	(1,550)	-	-	-
Total intangible assets	**12,372**	**3,120**	**1**	**(219)**	**-**	**(2,178)**	**237**	**13,333**

(*) This item includes the effects on the date of acquisition of the Marais Group

Intangible assets amounted to Euro 13,333 thousand as at 30 June 2015, and were up by Euro 961 thousand against the previous year mainly due to development costs capitalised during the first six months of 2015 of Euro 2,632 thousand, partially offset by the amortisation for the period (Euro 2,092 thousand). These costs refer to projects that the Group's technical offices are working on, based on expectations of income that go beyond those of orders currently in progress. The increase in the period is due to development costs borne and capitalised with reference to the design of machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line.

The temporary goodwill of Euro 1,837 thousand generated by the acquisition of the company AMC2 in February 2015 was also recorded during the period. As provided by IFRS 3, within 12 months after the transaction (i.e. February 2016), the recording of the acquisition will be completed through the final allocation of the paid purchase price. The investment was made for the development of design and production of machines for the maintenance of railway lines.

Where impairment indicators and the result of impairment tests suggest that the value of a project will not be recovered by the generation of future cash flows, it is fully amortised in the financial period.

7.Property, plant and equipment

The breakdown and changes in "Property, plant and equipment" as at 30 June 2015 and as at 31 December 2014 are shown in the table below:

(Euro in thousands)	01/01/2015	Increases due to purchases	Change in the consolidation area (*)	Decreases	Reclassifications	Amortisation and depreciation	Exchange rate differences	30/06/2015
Land	5,457	-	342	-	-	(2)	16	5,813
Buildings	24,596	52	-	-	188	(479)	459	24,816
Plant and machinery	6,007	87	2,721	-	-	(562)	141	8,394
Equipment	503	214	942	(2)	-	(182)	-	1,475
Other assets	10,831	2,584	10,849	(2,600)	-	(1,218)	704	21,150
Assets in progress and advance payments to suppliers	722	65	-	-	(188)	-	17	616
Total property, plant and equipment	**48,116**	**3,002**	**14,854**	**(2,602)**	**-**	**(2,443)**	**1,337**	**62,264**

(*) This item includes the effects on the date of acquisition of the Marais Group

As at 30 June 2015, property, plant and equipment totalled Euro 62,264 thousand, up compared to the previous year by Euro 14,148 thousand.
The increase is due for Euro 14,853 thousand to the acquisition of the Marais Group partially offset by the depreciations for the period of Euro 2,443 thousand.
The fleet's machines decreased by Euro 16 thousand due to: i) the sale to third parties of trencher machines previously rented and booked in the fleet and (ii) the inclusion of new machines in the Trencher fleet for a total of Euro 3,585 thousand, related to the launch of new lease businesses. As at 30 June 2015, the net book value of the fleet amounted to Euro 20,514 thousand corresponding to 100 trencher machines (including 8 in Tesmec S.p.A., 5 in Tesmec SA, 15 in Tesmec USA and 76 in the Marais Group).

8.Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 30 June 2015 and as at 31 December 2014:

(Euro in thousands)	**30 June 2015**	**31 December 2014**
Work in progress (Gross)	7,771	8,211
Advances from contractors	(3,214)	(2,962)
Work in progress contracts	**4,557**	**5,249**
Advances from contractors (Gross)	-	-
Work in progress (Gross)	-	-
Advances from contractors	**-**	**-**

"Work in progress" refers exclusively to the rail segment where the machinery is produced in accordance with specific customer requirements. "Work in progress" is recognised as an asset if, on the basis of an analysis carried out for each contract, the gross value of work in progress is greater than advances from customers; it is recognised as a liability if the advances are greater than the related work in progress.
If the advances are not collected at the reporting date, the corresponding amount is recognised as trade receivables.
The item work in progress decreased by Euro 692 due to billings in the period exceeding the revenue generated.

9.Inventories

The following table provides a breakdown of the item Inventories as at 30 June 2015 compared to 31 December 2014:

(Euro in thousands)	**30 June 2015**	**31 December 2014**
Raw materials and consumables	33,589	27,768
Work in progress	13,524	13,001
Finished products and goods for resale	16,073	14,469
Advances to suppliers for assets	113	152
Total Inventories	**63,399**	**55,390**

Compared to 31 December 2014, *inventories* recorded an increase of Euro 8,009 thousand mainly attributable to the increase in Raw materials and consumables and Finished products and goods for resale necessary to cover the expected sales for the coming months of the year. The balance includes Euro 3,186 of Inventories related to the Marais Group.

10.Trade receivables

The following table sets forth the breakdown of Trade Receivables as at 30 June 2015 and as at 31 December 2014:

(Euro in thousands)	30 June 2015	31 December 2014
Trade receivables from third-party customers	51,357	34,727
Trade receivables from associates, related parties and joint ventures	7,172	6,570
Total trade receivables	**58,529**	**41,297**

The increase in *trade receivables* (41.7%) reflects the trend of sales, the balance of trade receivables due from related parties increased by Euro 602 thousand mainly due to higher sales to the associated company Tesmec Peninsula. The balance reported in the financial statements is shown net of Provisions for doubtful accounts of Euro 3,212 thousand.

11.Financial receivables and other current financial assets

The following table provides a breakdown of financial receivables and other current financial assets as at 30 June 2015 and as at 31 December 2014:

(Euro in thousands)	30 June 2015	31 December 2014
Financial receivables due from associates, related parties and joint ventures	7,241	6,552
Financial receivables from third parties	80	-
Other current financial assets	83	121
Total financial receivables and other current financial assets	**7,404**	**6,673**

The increase in *current financial assets* from Euro 6,673 thousand to Euro 7,404 thousand is mainly due to the increase in credit positions relating to specific contracts signed with the related parties of joint ventures on which an interest rate is applied and repayable within 12 months.

12.Share capital and reserves

The share capital amounts to Euro 10,708 thousand, fully paid in, and is comprised of 107,084,000 shares with a par value of Euro 0.1 each.

The following table provides a breakdown of Other reserves as at 30 June 2015 and as at 31 December 2014:

(Euro in thousands)	30 June 2015	31 December 2014
Revaluation reserve	86	86
Extraordinary reserve	20,559	16,881
Change in the consolidation area	25	(43)
Severance indemnity valuation reserve	(256)	(317)
Network Reserve	794	794
Retained earnings/(losses brought forward)	1,417	5,171
Bills charged directly to shareholders' equity		
on operations with entities under common control	(4,048)	(4,048)
Total other reserves	**18,577**	**18,524**

The revaluation reserve is a reserve in respect of which tax has been deferred, set up in accordance with Italian Law No. 72/1983.

The value of translation differences has a positive impact on Shareholders' Equity of Euro 2,732 thousand as at 30 June 2015.

As a result of the resolution of 30 April 2015, with the approval of the 2014 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to allocate the profit of the Parent Company of Euro 6,278 thousand, as follows:

- Euro 137 thousand to the Legal reserve;
- assign a dividend of Euro 0.023 to each outstanding ordinary share;
- assign to the Extraordinary Reserve the amount of profit remaining after the allocation to the Legal reserve and dividend.

13.Medium-long term loans

During the first six months of 2015, medium-long term loans increased from Euro 61,861 thousand to Euro 65,534 thousand deriving from the combined effect of the increase of Euro 4,779 thousand related to the loans of the Marais Group offset by the reclassification in the current financial indebtedness of the amount of Euro 9,984 thousand relating to the short-term portion of medium/long-term loans.

14.Interest-bearing financial payables (current portion)

The following table provides details of this item as at 30 June 2015 and as at 31 December 2014:

(Euro in thousands)	**30 June 2015**	**31 December 2014**
Advances from banks against invoices and bills receivables	21,810	18,786
Other financial payables (short-term leases)	2,962	2,474
Payables due to factoring companies	4,071	2,066
Guarantee deposits	20	-
Current account overdrafts	2,776	-
Short-term loans to third parties	3,388	2,809
Current portion of medium/long-term loans	13,245	10,371
Total interest-bearing financial payables (current portion)	**48,272**	**36,506**

The increase in *current portion of medium/long-term loans* is related to greater advances on export of Euro 3,024 thousand, increase in payables to factors of Euro 2,005 thousand and to the drawing-up of new short-term loan contracts of Euro 2,160 thousand.

15.Disclosure of derivative financial instruments

The following table shows a summary of the financial instruments, other than cash and cash equivalents, owned by the Group as at 30 June 2015:

(Euro in thousands)	Loans and receivables/ financial liabilities measured at amortised cost	Guarantee deposits	Cash and cash equivalents	Available-for-sale financial assets	Fair value recognised in the income statement
Financial assets:					
Guarantee deposits	-	493	-	-	-
Trade receivables	304	-	-	-	-
Derivative financial instruments	-	-	-	-	24
Total non-current	**304**	**493**	**-**	**-**	**24**
Trade receivables	58,529	-	-	-	-
Financial receivables due from related parties	7,241	-	-	-	-
Financial receivables from third parties	163	-	-	-	-
Other available-for-sale securities	-	-	-	103	-
Cash and cash equivalents	-	-	15,969	-	-
Total current	**65,933**	**-**	**15,969**	**103**	**-**
Total	**66,237**	**493**	**15,969**	**103**	**24**
Financial liabilities:					
Loans	47,889	-	-	-	-
Non-current portion of finance leases, net	17,645	-	-	-	-
Derivative financial instruments	-	-	-	-	389
Total non-current	**65,534**	**-**	**-**	**-**	**389**
Loans	16,633	-	-	-	-
Other financial payables (short-term leases)	2,962	-	-	-	-
Other short-term payables	28,677	-	-	-	-
Trade payables	45,640	-	-	-	-
Derivative financial instruments	-	-	-	-	120
Total current	**93,912**	**-**	**-**	**-**	**120**
Total	**159,446**	**-**	**-**	**-**	**509**

Management and types of risk

Within its scope of operations, the Group is exposed, to a greater or lesser extent, to certain types of risk that are managed as follows.
The Group does not hold derivatives or similar products for purely speculative purposes.

Interest rate risk

The Tesmec Group's exposure to interest rate risk is managed by taking overall exposure into consideration: as part of the general policy to optimise financial resources, the Group seeks equilibrium, by using less expensive forms of financing.

With regard to the market risk due to changes in the interest rate, the Group's policy is to hedge the exposure related to the portion of medium to long-term indebtedness. Derivative instruments such as Swaps, Collars and Caps are used to manage this risk.

As at 30 June 2015, there were six positions related to derivative instruments of interest rate swap hedging the risk related to the potential increase in interest bearing financial payables (current portion) due to fluctuating market rates. The notional value of these positions was Euro 18.9 million, with a negative equivalent value of Euro 421 thousand.
There were also four CAP type positions with notional value equal to Euro 9.7 million and with a positive equivalent value of Euro 16 thousand.

Exchange rate risk

A significant portion of the Group's revenues is generated by sales in foreign countries, including developing countries.

The main transaction currencies used for the Group's sales are the Euro and the US Dollar. The Group believes that if the exchange rate fluctuations of these two currencies are low, there is no risk to operating margins, insofar as the sale price could be adapted on each occasion to the exchange rate. However, if the US dollar were to depreciate significantly against the Euro, we cannot exclude negative effects on margins to the extent that a good portion of sales in US dollars concerns the productions of Italian factories that operate with costs in the Eurozone.

With regard to net exposure that is mainly represented by loans in US Dollars of Tesmec S.p.A., the forward buying of the American currency is adopted as the only hedging instrument. However, these hedges are carried out only for one part of the total exposure in that the timing of the inflow of the receipts in dollars is difficult to predict at the level of each sales invoice. Besides, for a good part of the sales in dollars, the Group uses the production of the American factory with costs in US dollars by creating in this way a sort of natural hedging of the currency exposure.

Forward sale instruments for fixing the exchange rate at the moment of the order are mainly used for covering the risk of the dollar exposure deriving from:

i) selling trenchers produced in Italy in Middle-East Countries;

ii) selling stringing machines produced in Italy in the USA where purchases are in Euro, and sales in US dollars.

Despite the adoption of the above strategies aimed at reducing the risks arising from fluctuation of exchange rates, the Group cannot exclude that future changes thereof might affect the results of the Group. Fluctuations in exchange rates could also significantly affect the comparability of the results of each financial period.

In the first six months of 2015, Tesmec S.p.A. entered into two forward cover contracts of the Euro/USD exchange rate one of which is still outstanding at 30 June 2015. The notional value of this position was equal to Euro 1.7 million, with a negative equivalent value of Euro 80 thousand.

Credit risk

For the Group, credit risk is closely linked to the sale of products on the market. In particular, the extent of the risk depends on both technical and commercial factors and the purchaser's solvency also linked to the country risk in some areas.
From a commercial viewpoint, the Group is not exposed to a high credit risk insofar as it has been operating for years in markets where payment on delivery or letter of credit issued by a prime international bank are usually used as payment methods. There are risks for some countries now subject to military tensions (Iran and Libya). For customers located in the European region, the Group mainly uses factoring without recourse. The provisions for doubtful accounts are considered to be a good indication of the extent of the overall credit risk.

Price risk

In general, price risk is linked to the fluctuation of commodity prices.
Specifically, the price risk of the Group is mitigated by the presence of many suppliers of raw materials as well as by the need to be sure on the supply volumes, in order not to affect the warehouse stock.
In reality, this risk seems remote for two fundamental reasons:
1. the existence and use of alternative suppliers;
2. the heterogeneity of raw materials and components used in the production of the Tesmec machinery: it is unlikely for all of them to be affected by increasing price tensions at the same time.
In particular, in the current market situation, this risk seems particularly weakened by the situation of oversupply in many markets.

Liquidity/cash flow variation risks

The management of financial requirements and related risks (mainly interest rate risks, liquidity and exchange rate risks) is carried out by the Group on the basis of guidelines defined by the Group General Management and approved by the Chief Executive Officer of the Parent Company.
The main purpose of these guidelines is to guarantee the presence of a liability structure always in equilibrium with the structure of the balance sheet assets, in order to keep a very sound balance sheet structure.
Forms of financing most commonly used are represented by:

- medium-long term loans with multiyear redemption plan, to cover the investments in fixed assets and to finance expenses related to several development projects;
- short-term financial payables, advances on export, transfers of trade receivables, to finance the working capital.

The average cost of indebtedness is benchmarked to the trend of the 1/3-month Euribor rates for short-term loans and of the 3/6-month Euribor rates for medium to long-term loans. Some interest rate hedges have been set in place for floating medium-long term loans. Existing loans contemplate the observance of financial covenants.
Loan contracts signed with ICCREA-BCC, BNL and Comerica contain certain financial covenant clauses. In particular, they require that certain parameters, calculated on the basis of the financial statements of the Group and of the financial statements of Tesmec USA, have to be met; they are verified on a semi-annual and annual basis.
Based on the results of the financial statements of the Company and of the Tesmec Group, all expected covenants on medium to long-term loans have been observed.

Risks related to transactions with suppliers

The Tesmec Group adopts a supply policy aimed at diversifying the suppliers of components that are characterised by purchased volumes or by high added value. However, the termination for any reason of these supply relations could imply for the Group supply problems of such raw materials, semi-finished and finished goods as for quantity and time suitable for ensuring the continuity of production, or the provisioning could lead to time issues for achieving quality standards already acquired with the old supplier.

Disclosures: hierarchy levels of fair value measurement

In relation to financial instruments measured at fair value, the following table shows the classification of such instruments on the basis of the hierarchy of levels required by IFRS 13, which reflects the significance of the inputs used in measuring the fair value. The levels are broken down as follows:

- level 1 - quoted prices without adjustment recorded in an active market for measured assets or liabilities;
- level 2 - are inputs other than quoted prices included within Level 1, that are observable in the market, either directly (as in the case of prices) or indirectly (i.e. when derived from the prices);
- level 3 - inputs that are not based on observable market data.

The following table shows the assets and liabilities that are measured at fair value as at 30 June 2015, divided into the three levels defined above:

(Euro in thousands)	Book value as at 30 June 2015	Level 1	Level 2	Level 3
Financial assets:				
Other available-for-sale securities	103	-	-	103
Derivative financial instruments	-	-	24	-
Total current	**103**	**-**	**24**	**103**
Total	**103**	**-**	**24**	**103**
Financial liabilities:				
Derivative financial instruments	389	-	389	-
Total non-current	**389**	**-**	**389**	**-**
Derivative financial instruments	120	-	120	-
Total current	**120**	**-**	**120**	**-**
Total	**509**	**-**	**509**	**-**

16. Net financial indebtedness

Details of the breakdown of "Net financial indebtedness" as at 30 June 2015 and 31 December 2014 are as follows:

(Euro in thousands)	As at 30 June 2015	of which with related parties and group	As at 31 December 2014	of which with related parties and group
Cash and cash equivalents	(15,969)		(18,665)	
Current financial assets [(1)]	(7,507)	*(7,241)*	(6,798)	*(6,552)*
Current financial liabilities	48,272	*1,155*	36,506	*1,100*
Current portion of derivative financial instruments	120		-	
Current financial indebtedness [(2)]	**24,916**	***(6,086)***	**11,043**	***(5,452)***
Non-current financial liabilities	65,534	*15,349*	61,861	*15,954*
Non-current portion of derivative financial instruments	389		460	
Non-current financial indebtedness [(2)]	**65,923**	***15,349***	**62,321**	**15,954**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**90,839**	***9,263***	**73,364**	***10,502***

[(1)] Current financial assets as at 30 June 2015 and 31 December 2014 include the market value of shares and warrants, which are therefore considered cash and cash equivalents.

[(2)] Current and non-current financial indebtedness is not identified as an accounting element by the IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balances obtained by the Group may not be comparable therewith.

In the first six months of 2015, the Group's net financial indebtedness increased by Euro 17,475 thousand compared to the figure at the end of 2014. The change compared to 31 December 2014 is mainly due to the acquisition of the Marais Group that resulted in the taking-over of a new debt of Euro 13,610 thousand, in addition to the seasonal nature of the business and to the changes in working capital as well as to the payment of dividends. The table below shows the breakdown of the following changes:

- increase in current financial indebtedness of Euro 13,873 thousand due to the:
  - increase in current financial liabilities of Euro 11,766 thousand mainly due to (i) greater advances on export of Euro 3,024 thousand, (ii) increase in payables to factors of Euro 2,005 thousand and (iii) the drawing-up of new short-term loan contracts of Euro 2,160 thousand; this increase is offset by;
  - increase in current financial assets and cash and cash equivalents of Euro 1,987 thousand;
- increase in non-current financial indebtedness of Euro 3,602 thousand deriving from the combined effect of the increase of Euro 4,779 thousand related to the loans of the Marais Group offset by the reclassification in the current financial indebtedness of the amount of Euro 9,984 thousand relating to the short-term portion of medium/long-term loans.

17.Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 30 June 2015 and as at 30 June 2014. The data given below are not always directly comparable given the effects of the acquisition of the Marais Group over the first half of 2015:

	Half year ended 30 June	
(Euro in thousands)	**2015**	**2014**
Sales of products	77,574	51,173
Services rendered	8,481	1,758
	86,055	**52,931**
Changes in work in progress	(924)	1,798
Total revenues from sales and services	**85,131**	**54,729**

In the first six months of 2015, the Group consolidated revenues of Euro 85,131 thousand, marking an increase of Euro 30,402 thousand compared to Euro 54,729 thousand in the same period of the previous year. In percentage terms, this increase represents a total positive difference of 55.6%. Without considering the effects of the acquisition of the Marais Group, growth would have been 45.3%.

The three business areas contributed in different ways to this growth with the growth in the Stringing equipment and Trencher segments, whose revenues increased respectively by 106.0% and 49.0%, which was offset by the decrease in the Rail segment (-90.4%). Without considering the effects of the acquisition of the Marais Group, the growth in the Trencher segment would have been 27.3%.
Finally, the significant increase in the first six months in the Stringing equipment segment is due to the order related to the supply of equipment to the Spanish Abengoa Group.

18.Operating costs

The item *operating costs* amounted to Euro 75,506 thousand and increased by 52.8% compared to the previous year, a proportional increase with respect to the performance in revenues (+55.6%).
We point out an increase in the cost of raw materials and consumables due to a different sales mix by Country/product that mainly concerned the first quarter.
We note that the operating costs include Euro 5,889 thousand represented by the costs of the Marais Group and Euro 2,139 thousand represented by non-recurring costs and revenues deriving from this transaction (consisting of non-recurring costs for services of Euro 494 thousand and of badwill from a bargain purchase deriving from acquisition of Euro 2,633 thousand).

Without considering the effects of the acquisition of the Marais Group, the operating costs would have increased by 45.2%.

The increase in development costs capitalised mainly regards activities relating to the development of an offer of products in the Rail and energy efficiency segments that will complete the traditional offer of products in the Stringing equipment and Trencher segments.

Segment Reporting

For management purposes, the Tesmec Group is organised into strategic business units on the basis of the nature of the goods and services supplied, and presents three operating segments for disclosure purposes:

- *Stringing equipment segment*
  - machines and integrated systems for overhead and underground stringing of power lines and fibre optic cables; integrated solutions for the streamlining, management and monitoring of low, medium and high voltage power lines (smart grid solutions).

- *Trencher segment*
  - high-efficiency crawler trenching machines for excavation with a set section for the construction of infrastructures for the transmission of data, raw materials and gaseous and liquid products in the various segments): energy, farming, chemical and public utilities, crawler trenching machines for working in the mines, surface works and earth moving works (RockHawg);
  - specialised consultancy and excavation services on customer request;
  - multipurpose site machinery (Gallmac);
  - this sector also includes the excavation services for power lines and fibre optic cables that constitute the core business of the recently acquired Marais Group.

- *Rail segment*
  - Machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line.

The table below shows the income statement figures as at 30 June 2015 compared to those at 30 June 2014, broken down into three operating segments; to achieve a like-for-like comparison with the figures from the previous year, the income statement and statement of financial position results of the Rail segment were reclassified separately from those of the Stringing equipment segment.

	Half year ended 30 June							
	2015				2014			
(Euro in thousands)	**Stringing equipment**	**Trencher**	**Rail**	**Consolidated**	**Stringing equipment**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	45,877	38,629	625	85,131	22,267	25,921	6,541	54,729
Operating costs net of depreciation and amortisation	(37,655)	(32,404)	(826)	(70,885)	(18,387)	(22,536)	(4,905)	(45,828)
EBITDA	**8,222**	**6,225**	**(201)**	**14,246**	**3,880**	**3,385**	**1,636**	**8,901**
Amortisation and depreciation	(1,077)	(2,879)	(665)	(4,621)	(1,130)	(2,086)	(374)	(3,590)
Total operating costs	**(38,732)**	**(35,283)**	**(1,491)**	**(75,506)**	**(19,517)**	**(24,622)**	**(5,279)**	**(49,418)**
Operating income	**7,145**	**3,346**	**(866)**	**9,625**	**2,750**	**1,299**	**1,262**	**5,311**
Net financial income/(expenses)				(769)				(2,237)
Pre-tax profit				**8,856**				**3,074**
Income tax				(2,362)				(1,343)
Net profit for the period				**6,494**				**1,731**
Profit / (loss) attributable to non-controlling interests				4				(2)
Group profit (loss)				**6,490**				**1,733**

(*) The EBITDA is represented by the operating income gross of amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

Management monitors the operating income of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is assessed on the basis of operating income.
Group financial management (including financial income and charges) and income tax is managed at Group level and are not allocated to the individual operating segments.

The following table shows the consolidated statement of financial position by operating segments as at 30 June 2015 and as at 31 December 2014; to achieve a like-for-like comparison with the figures from the previous year, the income statement and statement of financial position results of the Rail segment were reclassified separately from those of the Stringing equipment segment.

	As at 30 June 2015					**As at 31 December 2014**				
(Euro in thousands)	**Stringing equipment**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**	**Stringing equipment**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**
Intangible assets	3,535	3,498	6,300	-	13,333	3,206	3,387	5,779	-	12,372
Property, plant and equipment	11,673	50,488	103		62,264	11,885	36,131	100	-	48,116
Financial assets	4,301	873	-	366	5,540	4,364	432	-	289	5,085
Other non-current assets	77	3,447	67	3,677	7,268	36	696	63	3,577	4,372
Total non-current assets	**19,586**	**58,306**	**6,470**	**4,043**	**88,405**	**19,491**	**40,646**	**5,942**	**3,866**	**69,945**
Work in progress contracts	-	-	**4,557**	-	4,557	-	-	5,249	-	5,249
Inventories	14,497	48,699	203	-	63,399	13,753	41,470	167	-	55,390
Trade receivables	31,557	25,223	1,026	723	58,529	12,084	26,187	1,143	1,883	41,297
Other current assets	474	2,446	421	9,154	12,495	307	122	498	8,762	9,689
Cash and cash equivalents	-	-	-	15,969	15,969	-	-	18,665	-	18,665
Total current assets	**46,528**	**76,368**	**6,207**	**25,846**	**154,949**	**26,144**	**67,779**	**25,722**	**10,645**	**130,290**
Total assets	**66,114**	**134,674**	**12,677**	**29,889**	**243,354**	**45,635**	**108,425**	**31,664**	**14,511**	**200,235**
Shareholders' equity attributable to Parent Company Shareholders	**-**	**-**	**-**	**54,874**	**54,874**	**-**	**-**	**-**	**48,164**	**48,164**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**(12)**	**(12)**	**-**	**-**	**-**	**9**	**9**
Non-current liabilities	**21**	**8,566**	**509**	**66,723**	**75,819**	**13**	**-**	**622**	**67,633**	**68,268**
Current financial liabilities	-	-	-	48,392	48,392	-	-	-	36,506	36,506
Trade payables	17,375	27,495	770	-	45,640	11,939	20,287	1,953	-	34,179
Other current liabilities	950	8,248	1,361	8,082	18,641	5,567	1,273	262	6,007	13,109
Total current liabilities	**18,325**	**35,743**	**2,131**	**56,474**	**112,673**	**17,506**	**21,560**	**2,215**	**42,513**	**83,794**
Total liabilities	**18,346**	**44,309**	**2,640**	**123,197**	**188,492**	**17,519**	**21,560**	**2,837**	**110,146**	**152,062**
Total shareholders' equity and liabilities	**18,346**	**44,309**	**2,640**	**178,059**	**243,354**	**17,519**	**21,560**	**2,837**	**158,319**	**200,235**

Related party transactions

The following table gives details of economic and equity transactions with related parties. The companies listed below have been identified as related parties as they are linked directly or indirectly to the current shareholders:

	Half year ended 30 June 2015					Half year ended 30 June 2014				
(Euro in thousands)	**Revenues**	**Cost of raw materials**	**Cost of services**	**Other operating (costs)/ revenues, net**	**Financial income and expenses**	**Revenues**	**Cost of raw materials**	**Cost of services**	**Other operating (costs)/ revenues, net**	**Financial income and expenses**
Associates:										
Locavert S.A.	26	-	-	-	-	169	-	-	-	-
Bertel S.p.A.	78	-	2	4	16	-	-	-	-	1
Subtotal	**104**	**-**	**2**	**4**	**16**	**169**	**-**	**-**	**-**	**1**
Joint Ventures:										
Condux Tesmec Inc.	2,039	-	-	91	6	2,140	-	10	73	1
Tesmec Peninsula	2,182	(147)	(28)	54	51	170	(1,017)	(3)	46	77
Marais Tunisie	-	(27)	-	-	-	-	-	-	-	-
SOGEA EST BTP	23	-	-	-	-	-	-	-	-	-
Subtotal	**4,244**	**(174)**	**(28)**	**145**	**57**	**2,310**	**(1,017)**	**7**	**119**	**78**
Related parties:										
Ambrosio S.r.l.	-	-	-	(7)	-	-	-	-	(7)	-
TTC S.r.l.	-	-	(32)	-	-	-	-	(44)	-	-
Ceresio Tours S.r.l.	-	-	(5)	-	-	-	-	(6)	-	-
Dream Immobiliare S.r.l.	-	-	-	(195)	(540)	-	-	1	(77)	(665)
Lame Nautica S.r.l.	1	-	-	-	-	5	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	969	-	2	45	-	1,428	-	2	5	-
Reggiani Macchine S.p.A.	-	(7)	55	7	-	165	(23)	49	11	-
Finetis SARL	25	-	-	-	-	-	-	-	-	-
COMATEL	9	-	-	-	-	-	-	-	-	-
C2D	-	-	-	(8)	-	-	-	-	-	-
Subtotal	**1,004**	**(7)**	**20**	**(158)**	(540)	1,598	**(23)**	**2**	**(68)**	**(665)**
Total	**5,352**	**(181)**	**(6)**	**(9)**	**(467)**	**4,077**	**(1,040)**	**9**	**51**	**(586)**

(Euro in thousands)	30 June 2015					31 December 2014				
	Trade receivables	**Current financial receivables**	**Non-current financial payables**	**Current financial payables**	**Trade payables**	**Trade receivables**	**Current financial receivables**	**Non-current financial payables**	**Current financial payables**	**Trade payables**
Associates:										
Locavert S.A.	10	-	-	-	-	21	-	-	-	-
Bertel S.p.A.	105	1,362	-	-	-	129	563	-	-	1
Subtotal	**115**	**1,362**	**-**	**-**	**-**	**150**	**563**	**-**	**-**	**1**
Joint Ventures:										
Condux Tesmec Inc.	1,101	890	-	-	5	1,084	156	-	-	-
Tesmec Peninsula	3,000	3,059	-	-	-	2,755	4,729	-	-	1
Marais Tunisie	-	2	-	-	-	-	-	-	-	-
SOGEA EST BTP	22	-	-	-	-	-	-	-	-	-
Marais Lucas Technologies	-	794	-	-	-	-	-	-	-	-
SEP Cergy	-	29	-	-	-	-	-	-	-	-
College Semafor	-	6	-	-	20	-	-	-	-	-
Liaison Natix	-	-	-	-	10	-	-	-	-	-
Subtotal	**4,123**	**4,780**	**-**	**-**	**35**	**3,839**	**4,885**	**-**	**-**	**1**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	4	-	-	-	-	4
TTC S.r.l.	-	-	-	-	(39)	-	-	-	-	-
Ceresio Tours S.r.l.	-	-	-	-	1	-	-	-	-	2
Dream Immobiliare S.r.l.	-	1,099	15,349	1,155	40	-	1,102	15,954	1,100	-
Eurofidi S.p.A.	-	-	-	-	-	-	2	-	-	-
Lame Nautica S.r.l.	1	-	-	-	-	4	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	2,707	-	-	-	-	2,440	-	-	-	-
Reggiani Macchine S.p.A.	42	-	-	-	-	137	-	-	-	-
Finetis SARL	175	-	-	-	-	-	-	-	-	-
COMATEL	9	-	-	-	-	-	-	-	-	-
C2D	-	-	-	-	8	-	-	-	-	-
Subtotal	**2,934**	**1,099**	**15,349**	**1,155**	14	**2,581**	**1,104**	**15,954**	**1,100**	6
Total	**7,172**	**7,241**	**15,349**	**1,155**	**49**	**6,570**	**6,552**	**15,954**	**1,100**	**8**

Condux Tesmec Inc.: the JV purchases stringing machines and equipment for sale on the American market booming in the 2012 financial period at market prices and terms of payment;

Tesmec Peninsula WLL: the JV operates on the Saudi Arabian market supplying trencher machinery produced by the Group as well as on-site and after-sale support services. The income and cost items relate to the normal marketing activities of trenching machines;

Dream Immobiliare S.r.l.: financial income and expenses includes interests payable deriving from the recognition in accordance with IAS 17 of the Building in Grassobbio of Euro 540 thousand; also current and non-current financial payables refers to the same recognition; other operating costs include the cost for the lease of the building in Endine of Euro 195 thousand;

M.T.S. Officine meccaniche S.p.A.: revenues refer to sales of semi-finished products made by the Tesmec Workshop in Sirone.

TTC S.r.l.: the cost of service refers to services delivered to the headquarter Tesmec S.p.A..

As a result of the acquisition of the Marais Group, the following companies were inserted among the associated companies: Marais Tunisie, SOGEA EST BPT, Marais Lucas Technologies, SEP Cergy, College Semafor and Liaison Natix; whereas companies belonging to a member of the board of directors of Marais were included among the related parties, represented by: Finetis SARL, Comatel and CD2. The Marais Group has commercial dealings with these companies in arm's leghts conditions.

19.Commitments and risks

The Group uses guarantees provided by primary banking institutions and insurance companies on behalf of the operating companies for the requirements relating to the execution of contracts in progress. In general, these are guarantees for the satisfactory performance of contracts (known as performance bonds) or guarantees issued upon receipt of payment by the contractor in the form of advance/down payment on contracts in progress (advanced payment bonds). At 30 June, the value of these securities amounted to Euro 36,377 thousand, an increase compared to the value of Euro 23,602 thousand in December 2014.

20.Significant events occurring after the close of the financial period

On 23 July 2015, the Board of Directors approved the renewal of the contract for the lease of the building of Endine Gaiano signed with the related party Dream Immobiliare S.r.l. for the period from 1 January 2016 to 31 December 2021 without changing the current rental of Euro 310 thousand per year but meeting to the charge of Tesmec the costs incurred for renovating the roof of Euro 348 thousand.

Certification pursuant to Article 154-bis of Italian Legislative Decree 58/98

1. The undersigned Ambrogio Caccia Dominioni and Andrea Bramani, as the Chief Executive Officer and the Manager responsible for preparing the Company's financial statements of Tesmec S.p.A., respectively, hereby certify, also taking into consideration the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

    - the adequacy in relation to the characteristics of the business and
    - the actual application

    of the administrative and accounting procedures for preparing the Interim Condensed Consolidated Financial Statements as at 30 June 2015.

2. We also certify that:

2.1 The Interim condensed consolidated financial statements as at 30 June 2015:

- have been prepared in accordance with international accounting standards endorsed by the European Union, as provided by the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a true and fair view of the equity, income and cash flow situation of the issuer and of its consolidated companies.

2.2 The interim report on operations includes a reliable analysis of the important events that took place during the first three months of the financial period and their impact on the Interim Condensed Consolidated Financial Statements, together with a description of the main risks and uncertainties for the six remaining months of the financial period. The interim report on operations also includes a reliable analysis of information on significant transactions with related parties.

Grassobbio, 11 August 2015

Ambrogio Caccia Dominioni
Chief Executive Officer

Andrea Bramani
Manager responsible for preparing the Company's financial statements

INDEPENDENT AUDITOR'S REPORT

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Tesmec S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of Tesmec S.p.A. and its subsidiaries (the "Tesmec Group") as of 30 June 2015. The Directors of Tesmec S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Tesmec Group as of 30 June 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 12 August 2015

Reconta Ernst & Young S.p.A.
Signed by: Paolo Zocchi, Partner

This report has been translated into the English language solely for the convenience of international readers

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Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Share Capital Euro 10.708.400 fully paid
VAT identification code IT10227100152