Annual Financial Report 2015

Investor Relator
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Tesmec S.p.A.
Registered Office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid up share capital as at 31 December 2015 Euro 10,708,400
Milan Register of Companies no. 314026
Tax and VAT code 10227100152

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NOTICE OF CALL

TESMEC S.P.A.

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CALL OF THE ORDINARY SHAREHOLDERS' MEETING

The shareholders are convened to the ordinary meeting at Tesmec S.p.A. ("**Tesmec**" o " **Company**") in Grassobbio (BG), Via Zanica 17/O, 24050, on 29 April 2016 at 10:30 a.m. in single call to discuss and deliberate on the following:

AGENDA

1. **Presentation of the Tesmec Group's consolidated financial statements and review and approval of the financial statements as at 31 December 2015 and relevant reports; allocation of result for the period; related and consequent resolutions.**
2. **Consultation on the first section of report on remuneration pursuant to Article 123-*ter* paragraph 6 of Italian Legislative Decree no. 58/1998.**
3. **Proposal of authorisation to purchase and dispose of treasury shares, subject to the withdrawal of the resolution passed by the Shareholder's Meeting of 30 April 2015; related and consequent resolutions.**
4. **Appointment of the Board of Directors:**
   4.1 determination of the number of members of the Board;
   4.2 determination of the term of office;
   4.3 appointment of the Board of Directors;
   4.4 appointment of the Chairman of the Board of Directors;
   4.5 determination of the remuneration of the Directors;
   4.6 related and consequent resolutions.
5. **Appointment of the Board of Statutory Auditors;**
   5.1 appointment of the Board of Statutory Auditors;
   5.2 appointment of the Chairman of the Board of Statutory Auditors;
   5.3 determination of the remuneration of the Board of Statutory Auditors;
   5.4 related and consequent resolutions.

Attending the Shareholders' Meeting
Pursuant to the law, those who have the right to vote may attend the Shareholder's Meeting. The right to attend and vote at the Shareholders' Meeting is certified by a notification to the Company, made by the intermediary, in favour of the person who has the right to vote, on the basis of evidences existing at the end of the accounting day of the seventh day of open market before the date scheduled for the Shareholders' Meeting in single call (record date), coincident with 20 April 2016. Therefore, those who will be the holders of the shares only after the record date mentioned above will be not entitled to attend and vote at the Shareholders' Meeting.

Share capital
The share capital of Tesmec totals Euro 10,708,400.00 constituted by 107,084,000 ordinary shares with a nominal value of Euro 0.10 each. The shares are nominative, indivisible, and freely transferable. Pursuant to Article 9 of the Articles of Association, each share gives right to one vote in the ordinary and extraordinary shareholders' meetings of the Company. At the time of this notice of call, the Company holds 4.450.497 treasury shares.

Representation
Each person who is entitled to intervene in the Shareholders' Meeting may be represented by written proxy, in accordance with applicable law provisions, with the right to sign the proxy form available at the administrative office of Tesmec and on the website of the Company www.tesmec.com, under section *"Shareholders' Meetings*". The proxy may be granted through electronic document signed in electronic form pursuant to law. The proxy can be notified to the Company by means of registered letter sent to the headquarter in Grassobbio, Via Zanica 17/O or by e-mail to: tesmecspa@pec.it. Any eventual

notification of the proxy made in advance does not exonerate the representative, when the credentials to access the meeting are verified, from the obligation to certify the conformity of the notified copy with its original and the identity of the shareholder represented.

The Company, pursuant to Article 135-undecies of Italian Legislative Decree no. 58/1998 ("**TUF**"), appointed Patrizia Pellegrinelli as the representative to whom holders of voting rights may grant a written proxy, free of charge for them and accompanied with voting instructions for all or part of the draft resolutions on the agenda, provided that she receives it no later than the end of the second day of open market before the date scheduled for the Shareholders' meeting in single call (i.e. not later than 27 April 2016), in accordance with the modalities specified and by means of the specific proxy form, with relevant voting instructions, available on the website of the Company www.tesmec.com and at the administrative office of the Company. The proxy thereby granted is effective only for those proposed draft resolutions in relation to which voting instructions are given. The proxy and voting instructions can be withdrawn within the same deadline specified above (i.e. not later than 27 April 2016). There are no procedures for postal votes or by electronic means.

Right to ask questions
Pursuant to Article 127-ter of the TUF, those who have the right to intervene and vote in the Shareholders' Meeting are allowed to ask questions on the points on the agenda even before the meeting, by sending such questions, accompanied by the certification released by the intermediary proving their capacity as shareholders, by registered mail to the registered office or by e-mail to tesmecspa@pec.it. Questions received before the Shareholder's Meeting are answered at the latest during the meeting. The Company can provide a unified response to questions with the same content.

In order to facilitate the proper course of the Shareholder' Meeting and its preparation, the Shareholders are invited to submit the questions not later than the third day before the date scheduled for the Shareholders' meeting in single call (i.e. not later than 26 April 2016).

Additions to the agenda and submission of new draft resolutions
Pursuant to Article 126-*bis* of the TUF, the shareholders who, individually or jointly, represent at least one fortieth of the share capital with voting rights can request, within ten days from the publication of this notice (i.e. not later than 28 March 2016), additions to the agenda or submit new draft resolutions, specifying in the request the further arguments or the new draft resolutions proposed on points already on the agenda. The request must be submitted in writing by the proposing shareholders by registered mail to the registered office of the Company for the attention of the President or by e-mail to the address tesmecspa@pec.it, accompanied by the relevant certification released by the intermediary proving the ownership of the above mentioned fraction of share capital. Within the above-mentioned term and through the same modalities, any proposing shareholder must deliver to the Board of Directors a report on the points they propose to treat or the reasons underlying the further draft resolutions submitted on points already on the agenda. No addition to the agenda is allowed for those arguments on which the Shareholders' Meeting deliberates, in accordance with the law, upon proposals made by the directors or on the basis of a project or report prepared by them, other than those indicated under Article 125-ter, paragraph 1, of the TUF.
For any addition to the agenda and submission of new proposed draft resolutions, a notice is given through the same modalities used for the publication of this notice, at least fifteen days before the date scheduled for the Shareholders' Meeting.

Presentation of lists for the appointment of the Boards of Directors and Statutory Auditors
The members of the Board of Directors and the Board of Statutory Auditors are appointed on the basis of lists presented by the Shareholders pursuant to the provisions, respectively, of Articles 14 and 22 of the Articles of Association (to which full reference is made).

The Shareholders who, when the list is presented, own shares, on their own or together with others, with voting rights representing at least 4.5% of the subscribed and paid-up share capital in the Ordinary Shareholders' Meeting for the appointment of corporate officers, are entitled to present a list. Each Shareholder cannot present (either individually or jointly) or vote more than one list, albeit by proxy or through a trust. Each candidate can come up in one list under penalty of ineligibility.

The lists must be filed at the registered office, or sent to the Company by e-mail to the address: tesmecspa@pec.it (to the attention of Patrizia Pellegrinelli), at least 25 (twenty-five) days before the date set for the Shareholders' Meeting i.e. no later than 4 April 2016. Lists will be made available to the public on the website www.tesmec.com section "*Shareholders' Meetings*", as well as in accordance with the modalities provided by law, by the Company without delay and any way at least 21 (twenty-one) days before the date set for the Shareholders' Meeting, i.e. 8 April 2016.

With a special attention to the appointment of the Board of Statutory Auditors, note that, in the event in which, on 4 April 2016, only one list has been filed, or only lists presented by as many shareholders as those who - in accordance with the information provided and with the documents filed in compliance with the above - are related to one another pursuant to Article 144-*quinquies* of the Issuers' Regulation, the Company will give notice of it without delay and the shareholders may present lists of candidates for the appointment as auditor until the third day following that date, that is to say no later than 7 April 2016. In this case: (i) the minimum shareholding percentage required for presenting the lists will be 2.25% of the subscribed and paid-up share capital in the Ordinary Shareholders' Meeting for the appointment of corporate officers; (ii) the documents certifying the ownership of this shareholding when presenting the list must be filed no later than 8 April 2016 as provided by Article 22 of the Articles of Association.

Articles 14 and 22 of the Articles of Association specify that the Board of Directors and the Board of Statutory Auditors must be renewed in compliance with the regulations on gender balance set forth in Italian Law no. 120 of 12 July 2011 and with the applicable laws and regulations. Since this is the second application of the said provision, in accordance with the same and Article 148, paragraph 1-bis of the TUF, a share of at least one-third of the Directors and Auditors elected is reserved to the less represented gender. Therefore, i) pursuant to Article 14 of the Articles of Association, the Shareholders who intend to present a list for the renewal of the Board of Directors containing a number of candidates equal to or greater than three are required to include a number of candidates belonging to the less represented gender equal to at least one-third of the candidates (rounding up, if necessary, to the higher integer); and ii) pursuant to Article 22 of the Articles of Association, the Shareholders who intend to present a list for the renewal of the Board of Statutory Auditors containing a number of candidates equal to or greater than three are required to include in the section of Standing Auditors a number of candidates belonging to the less represented gender equal to at least one-third of the candidates (rounding up, if necessary, to the higher integer), as well as one for each gender, should the section of Alternate Auditors contain two candidates.

The lists for which all the above provisions will not be observed will be considered as not presented.

The Shareholders who intend to present a list can contact previously the Investor Relator of Tesmec, Patrizia Pellegrinelli, to acquire the required operating details.

Documents

The documents relating to the points on the agenda of the Shareholders' Meeting will be made available to the public within the terms provided by law at the registered office of the Company and on the website of Borsa Italiana S.p.A., with the storage mechanism "NIS-Storage" and also on the website of the Company www.tesmec.com, under section "*Shareholders' Meetings*".

Experts, financial analysts and journalists can attend the Shareholders' Meeting; to this end, they are invited to submit a request to attend the meeting at least two days before the meeting to the following number: fax +39 035 3844606.

The Articles of Association are available on the website of the Company www.tesmec.com.

Grassobbio, 30 March 2016.

Tesmec S.p.A.

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

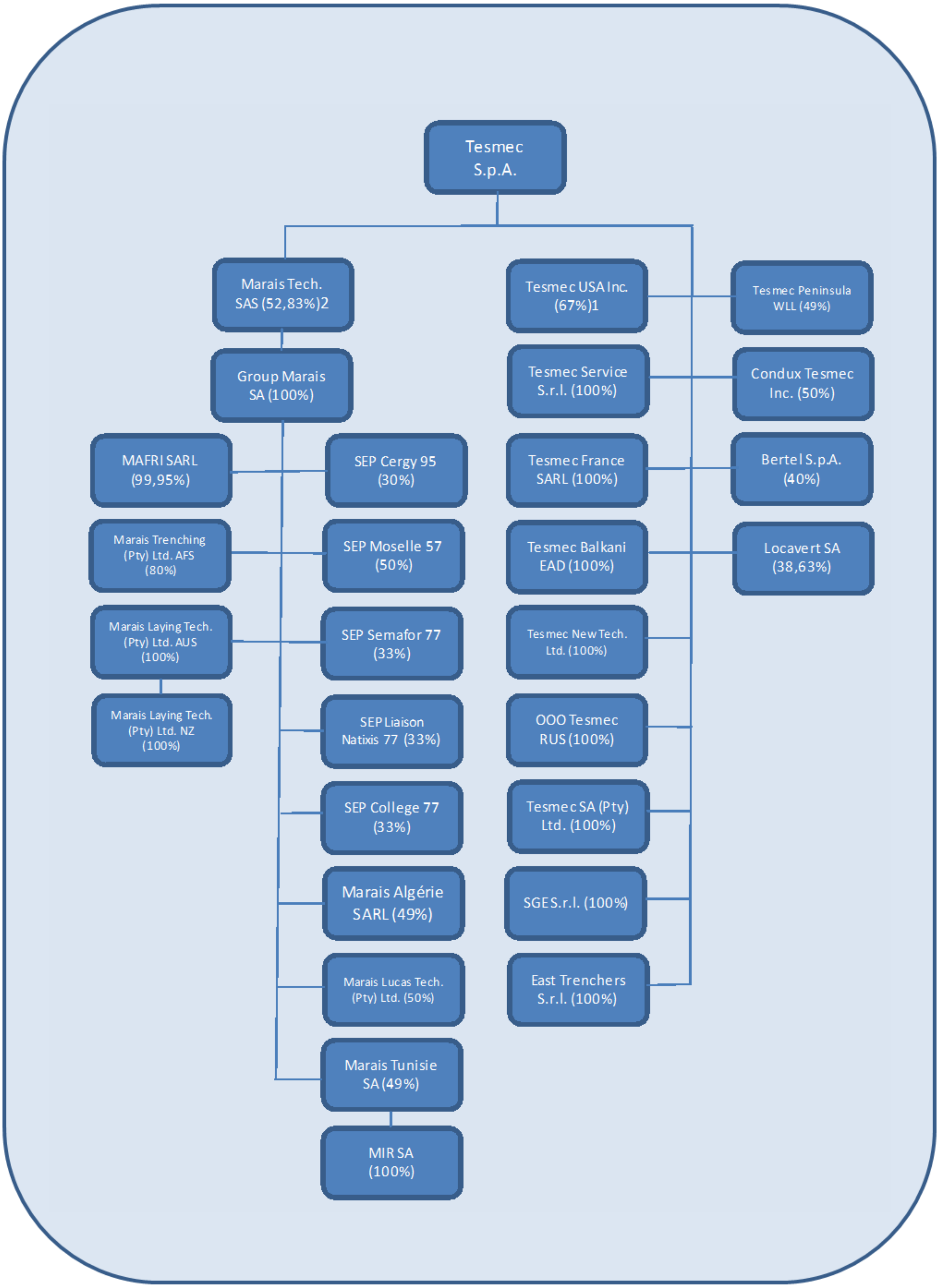
Members of the Appointments Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2015)

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.

(2) The remaining 47.17% is held by Simest S.p.A. for 33.96% and by C2D SAS (related party) for 13.21%. 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 Marais Technologies SAS is consolidated on an 86.79% basis.

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.
The Group, established in 1951 and led by Charmain & CEO Ambrogio Caccia Dominioni, relies on more than 500 employees and has six production plants: four in Italy, in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari), one in the USA, in Alvarado (Texas) and one in France, in Durtal. The Group also has a global commercial presence through foreign subsidiaries and sales offices in USA, South Africa, Russia, Qatar, Bulgaria, China and France.
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

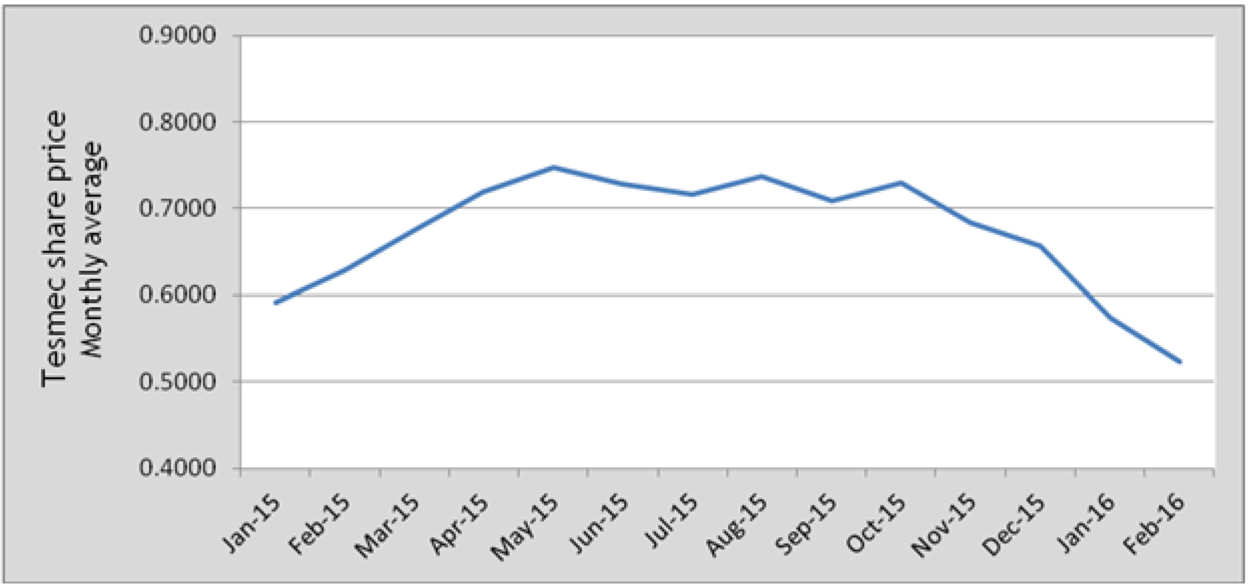
- Machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line.

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 achieved in the development of specific technologies and solutions, and the presence of engineering teams and highly skilled technicians, allow Tesmec to directly manage the entire production chain: from the design, production and sale of machinery, to all pre-sales and post-sales. All product lines are developed in accordance with the ISEQ (Innovation, Safety, Efficiency and Quality) philosophy, with environmental sustainability and energy conservation in mind.

2.Tesmec on the Stock Exchange Market

As at 31 December 2015, the reference price of the Tesmec share is equal to Euro 0.6500 per share. Market capitalisation as at 31 December 2015 amounts to Euro 69.6 million (around Euro 65.4 million at the date of this report). The following chart shows the listing price trend from 1 January 2015 to March 2016:



Reference price as at 31 December 2015	0.6500
Reference price as at 14 March 2016	0.6110
Maximum price (30 March 2015) (1)	0.8150
Minimum price (9 January 2015) (1)	0.5550

(1) Intended as minimum and maximum prices recorded during the negotiations of the day, hence not coinciding with the official and reference prices at the same date

3.Significant events occurred during the period and development of the company structure

The significant 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 contract for the lease of the building of Grassobbio signed on 31 January 2011 with the related company Dream Immobiliare S.r.l. was amended.

  This amendment 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 (related party). Moreover, Tesmec obtained from the owner of the building related party Dream Immobiliare S.r.l. the construction of an underground archive/parking of around 662 square meters, therefore, the Rental of Tesmec will decrease by Euro 144 thousand/year.

- 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.

- 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 was approved without changing the current rental of Euro 310 thousand per year fixed in 2004.

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

- 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 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. The effects of this transfer were described in detail in the next paragraph *3.1 AMC2 Business Unit Acquisition.*

- 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 *3.2 Acquisition of the Marais Group*.

  On 13 October 2015, 20% of the company Marais Technologies SAS was sold to the French company C2D (company owned by Daniel Rivard, non-operative chairman of Marais Technologies SAS, which now a related party).

  On 22 December 2015, Simest S.p.A., joint-stock company controlled by Cassa Depositi e Prestiti S.p.A. (CDP), subscribed and paid up a capital increase reserved to it in Marais Technologies SAS.
  The investment of Simest S.p.A. in Marais Technologies SAS, carried out with capital contributions of Euro 4 million, allowed Simest S.p.A. to acquire a shareholding in Marais Technologies SAS equal to 33.96% of the share capital. As a result of the entrance of Simest S.p.A., the new shareholding structure of Marais Technologies SAS is broken down as follows: Tesmec S.p.A. with a shareholding of 52.83%, Simest S.p.A. with a shareholding of around 33.96% and C2D SAS with a shareholding of 13.21%.

  By the contractual provisions, since Tesmec has an obligation to buy back the participation from Simest S.p.A, the operation qualifies as a secured loan. From an accounting point of view the shareholding is consolidated by 86,79% and a financial debt to Simest S.p.A is booked.

3.1 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 allocated to Know How and will be amortised over a five year period.

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)**

The inclusion of this know-how does not need to enter deferred taxes, as the book value of that know-how in Tesmec Service S.r.l. matches with the tax value.

3.2 Acquisition of the Marais Group

The Transaction involved 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 expenses related to the above-mentioned acquisition totalling Euro 564 thousand, net of the related tax effect, were posted to the income statement; moreover, the gain on a bargain purchase (badwill) was recognised in the income statement in the amount of Euro 2,633 thousand in the consolidated financial statements.

The following tables show the effects of the consolidation of the Marais Group for the period of nine months, starting from the acquisition dated of April 8th, 2015 in order to point out the performance of the 2015 financial year net of changes in the consolidation area:

Consolidated Income Statement of the Group in 2015 compared with the previous year without the effects of the consolidation of the Marais Group (from April 8, 2015 to December 31, 2015)

	As at 31 December			
		Marais		
(Euro in thousands)	**2015**	**from 8.4.2015 to 31.12.2015**	**Elimination**	**2014**
Revenues from sales and services	**164.402**	**17.899**	**(84)**	**114.895**
Cost of raw materials and consumables	(82.838)	(6.239)	87	(55.536)
Cost of services	(27.909)	(2.783)	-	(19.005)
Payroll costs	(34.530)	(6.348)	-	(26.053)
Other operating (costs)/revenues, net	(2.718)	(75)	(3)	(2.527)
Gain on a bargain purchase (badwill)	2.633	-	-	-
Development costs capitalised	5.104	-	-	5.633
Portion of losses/(gains) from the valuation of equity investments using the equity method	(99)	-	-	916
EBITDA	**24.045**	**2.454**	**-**	**18.323**
Amortisation and depreciation	(11.230)	(1.465)	-	(7.876)
Operating income	**12.815**	**989**	**-**	**10.447**
Financial expenses	(5.465)	(184)	-	(5.490)
Financial income	502	141	-	602
Foreign exchange gains/losses	1.806	-		2.796
Portion of losses/(gains) from the valuation of equity investments using the equity method	(553)	(123)	-	(34)
Pre-tax profit	**9.105**	**823**	**-**	**8.321**
Income tax	(1.944)	(308)	-	(3.416)
Net profit for the period	**7.161**	**515**	**-**	**4.905**
Profit / (loss) attributable to non-controlling interests	230	18	212	(4)
Group profit (loss)	**6.931**	**497**	**(212)**	**4.909**

Revenues as at 31 December 2015 increased all in all by 43.1% and, at constant scope, without considering the consolidation of the Marais Group, overall growth would have been 27.6%.

In terms of margins, EBITDA increased by 31.2% and, at constant scope, without considering the consolidation of the Marais Group, overall growth would have been 14.7%.

Balance sheet reclassified by funding sources and uses

(Euro in thousands)	As at 31 December			
	2015	Marais		2014
		from 8.4.2015 to 31.12.2015	Elimination	
USES				
Net working capital (1)	63.505	3.512	-	57.991
Fixed assets	83.945	14.421	-	65.283
Other long-term assets and liabilities	(1.697)	(1.180)	-	(1.737)
Net invested capital (2)	**145.753**	**16.753**	**-**	**121.537**
SOURCES				
Net financial indebtedness (3) (4)	89.876	13.538	-	73.364
Shareholders' equity (4)	55.877	3.215	-	48.173
Total sources of funding	**145.753**	**16.753**	**-**	**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) For a better understanding of the effects of the consolidation of the Marais Group, the carrying amounts in the column "from 8 April 2015 to 31 December 2015" of debt and equity have been adjusted for the effects of the two capital increases took place on April 8, 2015 to Euro 5,000 thousand and on December 22, 2015 to Euro 4,000 thousand.

Comments on the main changes during the year with and without the acquisition of the Marais Group are set below:

The new working capital increased compared to the same period of the previous year by 9.5%. At constant scope, without considering the consolidation of the Marais Group, it increased by 3.5%.

Fixed assets increased by 28.6%, and, at constant scope, without considering the consolidation of the Marais Group, by 6.5%.

Indebtedness increased by 22.5% and, at constant scope, without considering the consolidation of the Marais Group, it increased compared to the same period of the previous year by 4.1%.

Shareholders' equity increased by 16.0% and, at constant scope, without considering the consolidation of the Marais Group, it increased by 9.3%.

4.Overview of the financial results

The consolidated financial statements of Tesmec have been prepared in accordance with 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 2015. The following table shows a summary of the main profit and loss indicators in 2014 and in 2015 and the main financial indicators as at 31 December 2015 and 2014. It recalled that the economic impacts include the Marais Group acquisition results only for nine months, from April 8, 2015 to December 31, 2015:

2014	OVERVIEW OF THE FINANCIAL RESULTS (consolidated figures)	2015
	Key income statement data (Euro in millions)	
114.9	Operating Revenues	164.4
18.3	EBITDA	24.0
15.9%	EBITDA %	14.6%
4.9	Group Net Profit	6.9
	Tesmec S.p.A. (Euro in millions)	
6.3	Net income	7.4
	Key financial position data (Euro in millions)	
121.5	Net Invested Capital	145.8
48.2	Shareholders' Equity	55.9
73.4	Net Financial Indebtedness (*)	89.9
54.5	Net Financial Indebtedness (**)	72.1
12.9	Net investments in tangible and intangible fixed assets	13.2
496	Annual average employees	569

(*) This amount includes debt related to the building of Grassobbio.
(**) This amount excludes the debt related to the building of Grassobbio.

5.Group performance

Macroeconomic framework

The macroeconomic framework of 2015 was characterised by

- a slowdown in growth in the economies of the so-called Emerging Countries mainly affected by the slower growth of the Chinese economy and by the consequent implications on the global demand for raw materials and oil;
- a gradual recovery of growth of the economies of the so-called Emerging Countries driven by the United States where expansionary monetary policies come to a gradual stop in a general context as opposed to further easing of other Countries ;
- overall, a 3.1% growth rate of world economies in 2015 but expected to grow in 2016 by 3.4%, therefore, a general framework with a positive trend.

The framework shown reports the more general performance of the economic indicators for which the following may be noted:

- major stock exchanges, with the exception of the American one, recorded a positive performance with a more pronounced trend in the first nine months and more reflective in the last quarter;
- the Euro weakened against the US dollar closing as at 31 December 2015 with 1.10 compared to 1.21 as at 31 December 2014;
- the oil barrel price, which had already dropped in 2014 closing the year at 59 USD/barrel, further weakened by 35% in 2015 closing at 35 USD/barrel at the end of the year;
- the interests rates of the Euro area further decreased and, thanks to the expansionary policies of the ECB, the

spreads for companies of good standing are decreasing;
- the prices of main commodities decreased especially for metals;
- the prices of sound investments (gold and silver) further decreased in 2015.

General performance
The Group realised in 2015 revenues of Euro 164,402 thousand against a figure of Euro 114,895 thousand in 2014 reporting the highest increase year on year from the listing occurred in 2010. In percentage terms, the increase was in fact 43.1%. The growth was mainly realised in the two traditional segments of Stringing equipment and Trencher, the revenues of which increased by 43.9% and 67.6%, respectively. In the recently acquired Rail segment, a decline of -68.5% was recorded due to the completion of the major existing projects and a delay in the start of new projects in 2016. The revenues growth was accompanied by an increase in non-proportional indicator of EBITDA, which increased to Euro 24,045 thousand from Euro 18,323 thousand (+31.2%). The figure achieved in 2015 represents a margin of 14.6% compared to 15.9% in 2014.

Performance by segment

- **Stringing equipment**
  The machines and integrated systems for the construction, maintenance and streamlining of underground and aerial power lines recorded an increase in revenues by 43.9% compared to the previous year. Revenues as at 31 December 2015 amounted to Euro 72,146 thousand, down compared to Euro 50,130 thousand in the previous financial year.
  The revenues of the Stringing equipment segment benefited 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.

- **Trencher**
  High-powered truck trenchers and systems for the construction of underground infrastructures such as gas pipelines, oil pipelines, water systems, trenches for laying cables and for earth moving works recorded an increase in revenues of Euro 35,696 thousand (+67.6%) from Euro 52,794 thousand as at 31 December 2014 to Euro 88,490 thousand as at 31 December 2015. This performance is the combined effect of the positive performance of the sales on the African market where important infrastructural projects are expected to start in hydropower and energy fields and of the effect of the acquisition of the Marais Group occurred at the end of first quarter of 2015, and which it has only affected for nine months. The growth of revenues of the segment without considering the effects of the acquisition of the Marais Group would have been 33.9%.

- **Rail**
  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 recorded a decrease in revenues by 68.5% compared to the previous year. Revenues as at 31 December 2015 amounted to Euro 3,766 thousand compared to Euro 11,971 thousand of the previous year; this decrease is due to a contingent phenomena of the completion of the old projects started in previous years, and a delay in the start of the new projects. Based on the success in the completion of the ongoing projects in different Country, important negotiations that will lead to a growth in revenues of the segment in the coming quarters are currently underway.
  It should be noted that revenues in 2015 and 2014 include the effects of the state of completion of contracts in progress at the end of the year for a total amount equal to Euro 3,422 thousand and Euro 6,176 thousand.

Management performance of the main subsidiaries and associated companies

With regard to the performance of the subsidiaries and associated companies included in the consolidation area and the development of their activities, we note that:

- Tesmec USA Inc., a company that is 67% owned by Tesmec S.p.A. and 33% by Simest S.p.A. (with an option of Tesmec S.p.A. to repurchase the Simest's shareholding interest at 30 June 2018), is based in Alvarado (Texas) and operates in the Trencher segment and in the rail sector (as from 2012). During 2015, the company increased its revenues by 13.4%, reaching Euro 32.817 thousand. This increase was achieved through the increased use of rental business that became necessary due to the entry of the company in new sectors of agriculture and constructions as a result of the sales crisis in the traditional oil and gas sector.

- Tesmec Service S.r.l., company 100% owned by Tesmec S.p.A. with registered office in Grassobbio (BG) and operating unit in Monopoli (BA) where it carries out its activity of design and construction of machinery for the maintenance of railway rolling stock as a result of the execution of the purchase contract of the business unit of the company AMC2 Progetti e Prototipi S.r.l occurred in 2012 andas mentioned in the Introduction, the decree of transfer was registered at the beginning of the year. During the 2015 financial period, the company continued to develop the product range and the revenues in 2015 amounted to Euro 2,002 thousand.

- Tesmec SA (Pty) Ltd, with registered office in Johannesburg (South Africa), 100% owned by Tesmec S.p.A., was set up in August 2011. During the current financial year, the company generated a considerable increase in revenues that amounted to Euro 10,246 thousand compared to the Euro 1,950 thousand as at 31 December 2014 and continued developing new opportunities in a market that is recording interesting growth rates.

- OOO Tesmec Rus, with registered office in Moscow (Russia), 100% owned by Tesmec S.p.A., was set up in November 2011. The company mainly works in the segments of stringing equipment and streamlining of Power Networks and during 2015, the decline in energy investments on the Russian market continued. The company generated revenues of Euro 203 thousand (Euro 1,041 thousand in 2014). The management believes that the potentials of the Russian market are still very interesting and is continuing to extend its offer to the energy efficiency sector.

- 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 generated in 2015 revenues totalling Euro 4,859 thousand.

- 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. The activity of Tesmec Peninsula started in the second quarter of 2011. The company has been consolidated using the equity method and generated revenues totalling Euro 5,985 thousand.

- Locavert SA, an associated company 38.63% owned by Tesmec S.p.A., based in Bouillargues, France, leases trenchers in the French market and carries out excavation works. The company has been consolidated using the equity method and generated revenues of Euro 497 thousand.

- Bertel S.p.A., associated company, 40% owned by Tesmec S.p.A., based in Fidenza (PC). The company is active in the sector of efficiency of high voltage power lines and in 2015 initiated a series of pilot projects with the largest utilities in Italy and abroad to test the effectiveness of the products for communication and control of high-voltage lines developed over the past years. The company has been consolidated using the equity method and generated revenues of Euro 353 thousand.

- SGE S.r.l., company 100% owned by Tesmec S.p.A., with registered office in Grassobbio (BG) specialised in the design and sales of sensors and fault detectors and measurement devices for medium voltage power lines. During the 2015, revenues amounted to Euro 3,634 thousand.

- Marais Technologies SAS, with registered office in Durtal (France), company 52.83% owned by Tesmec S.p.A., 33.96% by Simest S.p.A. (with an option of Tesmec to repurchase this shareholding interest at 30 June 2020) and 13.21% by C2D SAS. The French company, purchased on 8 April 2015, is the holding of an international group leader in rental services and construction of machines for infrastructures in telecommunications, electricity and gas. The Group generated during the nine months (from the date of acquisition as at 31 December 2015) revenues totalling Euro 17,899 thousand.

6.Income statement and balance sheet situation as at 31 December 2015

Consolidated Income statement

The Group closed the financial period as at 31 December 2015 with a net income of Euro 6,931 thousand compared to a net income of Euro 4,909 thousand as at 31 December 2014. The following table shows the trend of major economic indicators as at 31 December 2015 compared to 31 December 2014.

	Financial period ended 31 December			
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**
Revenues from sales and services	**164,402**	**100.0%**	**114,895**	**100.0%**
Cost of raw materials and consumables	(82,838)	-50.4%	(55,536)	-48.3%
Cost of services	(27,345)	-16.6%	(19,005)	-16.5%
Non-recurring costs for services	(564)	-0.3%	-	0.0%
Payroll costs	(34,530)	-21.0%	(26,053)	-22.7%
Other operating (costs)/revenues, net	(2,718)	-1.7%	(2,527)	-2.2%
Badwill from a bargain purchase	2,633	1.6%	-	0.0%
Amortisation and depreciation	(11,230)	-6.8%	(7,876)	-6.9%
Development costs capitalised	5,104	3.1%	5,633	4.9%
Portion of losses/(gains) from the valuation of equity investments using the equity method	(99)	-0.1%	916	0.8%
Total operating costs	**(151,587)**	**-92.2%**	**(104,448)**	**-90.9%**
Operating income	**12,815**	**7.8%**	**10,447**	**9.1%**
Financial expenses	(5,465)	-3.3%	(5,490)	-4.8%
Financial income	502	0.3%	602	0.5%
Foreign exchange gains/losses	1,806		2,796	
Portion of losses/(gains) from the valuation of equity investments using the equity method	(553)	-0.3%	(34)	0.0%
Pre-tax profit	**9,105**	**5.5%**	**8,321**	**7.2%**
Income tax	(1,944)	-1.2%	(3,416)	-3.0%
Net profit for the period	**7,161**	**4.4%**	**4,905**	**4.3%**
Profit / (loss) attributable to non-controlling interests	230	0.1%	(4)	0.0%
Group profit (loss)	**6,931**	**4.2%**	**4,909**	**4.3%**

Revenues

Total revenues as at 31 December 2015 increased by 43.1%.

	Financial period ended 31 December				
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**	**2015 vs. 2014**
Sales of products	140,550	85.5%	104,491	90.9%	36,059
Services rendered	20,430	12.4%	4,228	3.7%	16,202
	160,980	**97.9%**	**108,719**	**94.6%**	**52,261**
Changes in work in progress	3,422	2.1%	6,176	5.4%	(2,754)
Total revenues from sales and services	**164,402**	**100.0%**	**114,895**	**100.0%**	**49,507**

Services rendered mainly concern the trencher segment and are represented by the machine rental business carried out in the United States, in France and in South Africa.

a) Revenues by geographic area

The turnover of the Group continues to be produced almost exclusively abroad and in non-EU countries, in particular. 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 2015 financial year and the 2014 financial year, which indicates the growth of the European and African markets, partially balanced by the downtrends recorded in the market of BRICs countries and in North and Central America.
It is emphasized that the segmentation by geographic area is determined by the country where the customer is, regardless of the place where the project activities are organized.

It should be noted that the increase in revenues for the European market includes revenues of Euro 15,500 thousand, relating to the Marais Group that during 2015 operated mainly in France.

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Italy	10,992	13,966
Europe	55,760	20,781
Middle East	24,462	18,520
Africa	21,429	6,474
North and Central America	32,918	35,875
BRIC and Others	18,841	19,279
Total revenues	**164,402**	**114,895**

b) Revenues by segment

The tables below show the income statement figures as at 31 December 2015 compared to those as at 31 December 2014, broken down into three operating segments.

	Financial period ended 31 December				
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**	**2015 vs. 2014**
Stringing equipment	72,146	43.9%	50,130	43.6%	22,016
Trencher	88,490	53.8%	52,794	45.9%	35,696
Rail	3,766	2.3%	11,971	10.4%	(8,205)
Total revenues	**164,402**	**100.0%**	**114,895**	**100.0%**	**49,507**

Revenues as at 31 December 2015 recorded an increase in both the Stringing equipment segment of Euro 22,016 thousand and the Trencher segment of Euro 35,696 thousand and a decrease in the Rail segment of Euro 8,205 thousand.

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 31 December 2015 generated total revenues of Euro 17.9 million. Without considering the consolidation of the Marais Group, the growth in the Trencher segment would have been 33.9%.

The significant increase in the first part of the year in the Stringing equipment segment is due to the deliveries related to the order for 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 successful completion of the existing projects and to the delay in starting the new projects. This situation is typical of a sector of recent entry for the Group where, on the basis of the successes in the projects implemented to date, a significant increase in activities can be expected in the coming quarters.

Operating costs net of depreciation and amortisation

	Financial period ended 31 December			
(Euro in thousands)	**2015**	**2014**	**2015 vs. 2014**	**% change**
Cost of raw materials and consumables	(82,838)	(55,536)	(27,302)	49.2%
Cost of services	(27,345)	(19,005)	(8,340)	43.9%
Non-recurring costs for services	(564)	-	(564)	100.0%
Payroll costs	(34,530)	(26,053)	(8,477)	32.5%
Other operating (costs)/revenues, net	(2,718)	(2,527)	(191)	7.6%
Badwill from a bargain purchase of Marais	2,633	-	2,633	100.0%
Development costs capitalised	5,104	5,633	(529)	-9.4%
Portion of losses/(gains) from the valuation of equity investments using the equity method	(99)	916	(1,015)	-110.8%
Total operating costs net of depreciation and amortisation	**(140,357)**	**(96,572)**	**(43,785)**	**45.3%**

The table shows an increase in the cost of raw materials and consumables more than proportional to the growth in revenues due to the increase in turnover and to a different sales mix by Country/product that mainly concerned the period.
As described in paragraph 3.2, the operating costs include net costs of Euro 15,445 thousand and Euro 84 thousand from intercompany elimination related to the consolidation of the Group Marais for the period starting to the acquisition date to 31 December 2015. Without considering these effects, the operating costs net of depreciation and amortisation would have increased by 29.4%.

Operating costs by segment

	Financial period ended 31 December				
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**	**2015 vs. 2014**
Stringing equipment	63,629	38.7%	43,071	37.5%	20,558
Trencher	82,388	50.1%	51,078	44.5%	31,310
Rail	5,570	3.4%	10,299	9.0%	-4,729
Total operating costs	**151,587**	**92.2%**	**104,448**	**90.9%**	**47,139**

Operating costs, depreciation and amortisation including, were up 45.1% compared to the prior period in a more than proportional way compared to the sales trend (+43.1%). The increase is mainly due to to the increase in turnover and to a different sales mix by Country/product and to the prolonged start-up phase of the Rail segment where the sales volumes are not proportional to the costs of the structure required for the development of the activities in the start-up phase expected for 2016.

EBITDA

In terms of margins, EBITDA amounts to Euro 24,045 thousand, which represents 14.6% of the sales for the period, compared to 15.9% recorded in 2014.
The income statement includes non-recurring costs for services of Euro 564 thousand and profit non recurring for badwill from a bargain purchase of Euro 2,633 thousand related to the acquisition of the Group Marais. Without considering these effects, the EBITDA would have been 13.4%.

They were separately shown when calculating the EBITDA.

(Euro in thousands)	Financial period ended 31 December 2015	% of revenues	2014	% of revenues	2015 vs. 2014
Operating income	12,815	7.8%	10,447	9.1%	2,368
+ Depreciation and amortisation	11,230	6.8%	7,876	6.9%	3,354
EBITDA (*)	**24,045**	**14.6%**	**18,323**	**15.9%**	**5,722**
+ Non-recurring costs	564	0.3%	-	0.0%	564
+ Badwill	(2,633)	-1.6%	-	0.0%	(2,633)
adj EBITDA (*)	**21,976**	**13.4%**	**18,323**	**15.9%**	**3,653**

(*) 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.

The tables below show the EBITDA as at 31 December 2015 compared to those at 31 December 2014, broken down into three operating segments

(Euro in thousands)	Financial period ended 31 December 2015	% of revenues	2014	% of revenues	2015 vs. 2014
Stringing equipment	11,367	15.8%	9,538	19.0%	1,829
Trencher	13,024	14.7%	6,068	11.5%	6,956
Rail	(346)	-0.4%	2,717	22.7%	(3,063)
EBITDA (1)	**24,045**	**14.6%**	**18,323**	**15.9%**	**5,722**

(*) 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.

Margins increase in absolute terms by Euro 5,722 thousand (to Euro 24,045 thousand in 2015 from Euro 18,323 thousand in 2014) and in any case they decrease in percentage terms to 14.6% in 2015 from 15.9% in 2014. This result is the combined effect of trends that can be explained better segment by segment:

- Stringing equipment: the margin, as a percentage of revenue, fell to 15.8% in 2015 compared to 19.0% in 2014 due to a different mix in the composition of sales per Country/product which led to a special trade policy in relation to the relevant Abengoa contract.
- Trencher: the margin, as a percentage of revenue, rose to 14.7% in 2015, compared to 11.5% recorded in 2014. This trend is due to the more favourable exchange rate and to the improvement in margins in newly developing countries. Without considering the consolidation of the Marais Group, the margin percentage on revenues would have been 15.0%.
- Rail: the margin, as a percentage of revenue, fell to -0.4% in 2015, compared to 22.7% recorded in 2014 mainly due to lower volumes, which led to a lesser absorption of fixed costs.

Operating Income

(Euro in thousands)	Financial period ended 31 December				
	2015	**% of revenues**	**2014**	**% of revenues**	**2015 vs. 2014**
Stringing equipment	8,517	5.2%	7,059	6.1%	1,458
Trencher	6,102	3.7%	1,716	1.5%	4,386
Rail	(1,804)	-1.1%	1,672	1.5%	(3,476)
Total operating result	**12,815**	**7.8%**	**10,447**	**9.1%**	**2,368**

As a result of the above, the operating income as at 31 December 2015 stood at Euro 12,815 thousand (7.8% of revenues) compared to Euro 10,447 thousand (9.1% of revenues) achieved as at 31 December 2014.

Financial Management

(Euro in thousands)	Financial period ended 31 December	
	2015	**2014**
Net Financial Income/Expenses	(5,056)	(4,987)
Foreign exchange gains/losses	1,806	2,796
Fair value adjustment of derivative instruments	93	99
Portion of losses/(gains) from the valuation of equity investments using the equity method	(553)	(34)
Total net financial income/expenses	**(3,710)**	**(2,126)**

The net financial management decreased compared to the same period in 2014 by Euro 1,584 thousand, mainly:

- for Euro 990 thousand related to 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 1,806 thousand in 2015 (Euro 797 thousand realised and Euro 1,009 thousand unrealised) against a net profit of Euro 2,796 thousand in 2014;
- Euro 519 thousand related to the portion of losses/(gains) from the valuation of equity investments using the equity method mainly caused by the negative result of the associated company Bertel S.p.A.

The costs deriving from increased indebtedness following the acquisition of the Marais Group were offset by improved efficiency in working capital and by the reduction in interest rates.

Net income

(Euro in thousands)	Financial period ended 31 December	
	2015	**2014**
Net profit	**7,161**	**4,905**
% Effect on revenues	4.36%	4.27%
Profit / (loss) attributable to non-controlling interests	230	(4)
Group net income for the period	**6,931**	**4,909**
% Effect on revenues	4.22%	4.27%

Results for the period amounted to Euro 7,161 thousand (Euro 4,905 thousand in 2014) after deducting taxes totalling Euro 1,944 thousand (Euro 3,416 thousand in 2014).
Net of the portion pertaining to minority interests, the net result is 6,931 thousand.

Profitability ratios

		Financial period ended 31 December	
Ratio	*Composition*	**2015**	**2014**
Return on sales (R.O.S.)	Operating income / Net revenues	7.9%	9.1%
Return on investment (R.O.I.)	Operating income / Invested capital	8.9%	8.6%
Return on equity (R.O.E.)	Net income / Shareholders' equity	12.4%	10.2%
Invested capital turnover	Net revenues / Net invested capital	1.13	0.94
Working capital turnover	Net revenues / Net working capital	2.59	2.00
Debt ratio	Net financial indebtedness / Shareholders' equity	1.61	1.5

(*) The Net financial indebtedness includes debts related to the building of Grassobbio.

The table above shows concisely the main trends that characterised the financial statements of the Group as at 31 December 2015 compared to 31 December 2014. The ratios reflect the trends relating to the increase in Invested Capital compared to revenues. The ratios reflect the improvement in the management of working capital and the worsening of EBITDA due to the different mix (country / product) and the start-up of the rail sector. The debt ratio was affected by the consolidation of the Marais Group which presented at the acquisition date a situation of greater indebtness than Tesmec.

Balance sheet and financial profile

The financial position of the company as at 31 December 2015 compared to 31 December 2014 is briefly shown in the table below.

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
USES		
Net working capital (1)	63,505	57,991
Fixed assets	83,945	65,283
Other long-term assets and liabilities	(1,697)	(1,737)
Net invested capital (2)	**145,753**	**121,537**
SOURCES		
Net financial indebtedness (3)	89,876	73,364
Shareholders' equity	55,877	48,173
Total sources of funding	**145,753**	**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

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Trade receivables	50,882	41,297
Work in progress contracts	3,864	5,249
Inventories	58,891	55,390
Trade payables	(39,049)	(34,179)
Other current assets/(liabilities)	(11,083)	(9,766)
Net working capital (1)	**63,505**	**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.

The Net Working Capital increased in 2015 by 9.5% in a less than proportional way compared to the revenues, confirming a greater efficiency in their management. The ratio of the Working capital turnover improved by 2,59 compared to 2 in 2014.

As described in paragraph *3.2 Acquisition of the Marais Group,* without considering the consolidation of the Marais Group, net working capital would have amounted to Euro 59,993 thousand and the increase would have been 3.5%.

The performance of the individual items forming the working capital in which the change related to the acquisition of the Marais Group is included, shows a substantial balance between the increase in financial assets and liabilities that, in the presence of the increase in revenues noted above, confirms an efficiency improvement in the use of short-term funds.

B) Fixed assets

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Intangible assets	13,827	12,372
Property, plant and equipment	65,352	48,116
Equity investments in associates	4,763	4,792
Other equity investments	3	3
Fixed assets	**83,945**	**65,283**

Total fixed assets and other long-term assets recorded an increase of Euro 18,662 thousand due to the increase in the value of property, plant and equipment of Euro 17,236 thousand mainly due to the consolidation of the Marais Group as described in paragraph *3.2* (of Euro 14,421 thousand) and of intangible assets of Euro 1,455 thousand due to the increase in development costs, mainly related to the development of new production lines for Euro 5,769 thousand, net of the amortisation/depreciation of Euro 4,816 thousand.

The tangible assets includes the net value of the fleet machinery for Euro 24,577 thousand in 2015 and Euro 10,177 thousand in 2014. This increase is primarily attributable to the consolidation of the Marais Group for Euro 10,451 thousand.

C) Other medium to long-term assets and liabilities

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Financial receivables and other non-current financial assets	484	290
Non-current trade receivables	80	546
Deferred tax assets	8,844	3,374
Employee benefit liability	(2,847)	(3,016)
Provisions for risks and charges	-	(39)
Deferred tax liabilities	(8,255)	(2,892)
Other non-current liabilities	(3)	-
Other long-term assets and liabilities	**(1,697)**	**(1,737)**

Medium to long-term assets and liabilities is in line with the previous financial period decreasing from Euro 1,737 thousand as at 31 December 2014 to Euro 1,697 thousand as at 31 December 2015.
The change in deferred tax liabilities is mainly due to the application of IAS 17 on existing leases in the Marais Group; The change in the item deferred tax assets is due to the recognition of deferred taxes related to losses incurred in previous years of the Marais Group, the recovery was supported by the recoverability expectations expressed by the business plans referring to the newly acquired group.

D) Net financial indebtedness

(Euro in thousands)	Financial period ended 31 December			
	2015	*of which with related parties and group*	2014	*of which with related parties and group*
Cash and cash equivalents	(21,204)		(18,665)	
Current financial assets (1)	(11,871)	*(11,499)*	(6,798)	*(6,552)*
Current financial liabilities	45,178	*1,241*	36,506	*1,100*
Current portion of derivative financial instruments	14		-	
Current financial indebtedness (2)	**12,117**	***(10,258)***	**11,043**	***(5,452)***
Non-current financial liabilities	77,409	*14,743*	61,861	*15,954*
Non-current portion of derivative financial instruments	350		460	
Non-current financial indebtedness (2)	**77,759**	***14,743***	**62,321**	***15,954***
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**89,876**	***4,485***	**73,364**	***10,502***

(1) Current financial assets as at 31 December 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.

Net indebtedness as at 31 December 2015 stood at Euro 89,876 thousand (Euro 73,364 thousand as at 31 December 2014) increasing by Euro 16,512 thousand.
Without considering the debt related to the building of Grassobbio, in writing to the application of IAS 17, the net Indebtedness as at 31 December 2015 would have been Euro 72,086 thousand.
The change is mainly due to the acquisition of the Marais Group that resulted in the taking-over of a new debt of Euro 13,788 thousand that also includes the position of Simest of Euro 4,000 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 1,074 thousand due to the:
  - increase in current financial liabilities of Euro 8,672 thousand mainly due to (i) Euro 2,756 thousand as a result of increase in payables to factors and (ii) Euro 997 thousand of the drawing-up of new short-term loan contracts; this increase is offset by:
  - increase in current financial assets and cash and cash equivalents of Euro 7,612 thousand;
- increase in non-current financial indebtedness of Euro 15,438 thousand deriving from the combined effect of the consolidation of the Marais Group debt existing at the acquisition date for Euro 5,067 thousand, from the drawing-up of new loans of Euro 26,577 thousand offset by the reclassification in the current financial indebtedness of the amount of Euro 16,206 thousand relating to the short-term portion of medium/long-term loans.

E) Shareholders' Equity

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Share capital	10,708	10,708
Reserves	36,623	32,547
Group Profit	6,931	4,909
Non-controlling interests	1,615	9
Shareholders' equity	**55,877**	**48,173**

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.
In the 2015 financial period, the major changes are due to the distribution of a dividend of Euro 2,403 thousand (Euro 0.023 per share), to the Group profit of Euro 6,931 thousand and to the increase in the translation reserve of Euro 3,617 thousand and the entry of minority interests in the Marais Group participation.

Reconcilement between the shareholders' equity values and the result for the period of the Parent Company with the corresponding consolidated values.

	Financial period ended 31 December	
(Euro in thousands)	**Shareholders' Equity**	**Net profit**
Amounts resulting from the financial statements of Tesmec S.p.A.	**47,040**	**7,412**
Consolidation adjustments		
a) Equity investments evaluated using the equity method	1,416	(652)
b) Difference between book value and assets of consolidated equity investments	9,001	-
c) Results from consolidated equity investments	(1,896)	(1,896)
d) Translation reserve	5,730	-
e) Elimination of dividends distributed by Companies of the Group	-	-
f) Elimination of intercompany items	(7,029)	2,067
Net effect of consolidation adjustments	*7,222*	*(481)*
Amounts attributable to the Group	**54,262**	**6,931**

Investments

Investments include capitalisations relevant to development projects (Euro 5,769 thousand) that refer to strategic activities as a result of which Tesmec manages to maintain its technological leadership position on traditional markets and increase the range of offered products and services (railway market, new generation trenchers, management of the electric system) plucking up the high level of internationalisation of its sales network.

Net investments in property, plant and equipment (Euro 6,604 thousand) were mainly represented by the investment of new machines for the fleet, net of disinvestment, mainly in the United States.

7.Regulatory framework of reference

The Group, producer and distributor of machinery and integrated systems for stringing equipment and Trencher, is subject, in the various countries where it operates, to several law and regulatory provisions, as well as national or international technical standards, applicable to companies operating in the same segment. The provisions on the protection of the environment take on particular importance.
The enactment of further regulatory provisions applicable to the Group or to its products or rather changes to the laws and regulations currently in force in areas where the Group operates, even internationally, could force the Tesmec Group to adopt stricter standards or influence its freedom of action in its areas of activity.

These factors could result in adjustment costs of production structures or of product characteristics, or even limit the operations of the Group with a subsequent negative effect on its activity and on its economic and financial situation.
Therefore, any change to the standards or regulatory criteria currently in force, as well as the occurrence of exceptional or unforeseeable circumstances, could force the Group to incur extraordinary expenses in environmental matters. These expenses could be significant and thus have adverse effects on the activity and the economic and financial situation of the Group. For more details on the subject of safety, environment and work, reference is made to the relevant paragraph.

8.Main risks and uncertainties to which the Tesmec Group is exposed

In this paragraph, we outline the risk factors and uncertainties that may significantly affect the activity of the Tesmec Group. In particular, some information tending to illustrate the aims and policies of the Group on price, financial risk management, as well as tending to indicate the degree of exposure to credit risk, liquidity risk and cash-flow variation risks are set out below.
This description is valid for the Tesmec Group, even if the risk management policy is decided by the Parent Company.
Tesmec has implemented a mechanism for constantly monitoring these risks in order to prevent their potential negative effects and take the actions necessary to contain them.

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.

Type of risks and hedging instruments used

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.

Tesmec S.p.A. concluded during 2015 two forward cover contracts of the Euro/USD exchange rate (flexible/spot). All transactions were concluded by 31 December 2015.

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.
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. 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, commented below.

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.

9. Human Resources, Training and Industrial Relations

Employees

The Tesmec human resources development, growth and management system was set up to encourage business growth and the search for new opportunities. It aims to reward versatility and flexibility in order to stimulate the change which is needed

to continue to grow, both through new acquisitions - like in 2015 with the purchase of the Marais Group in France - and internal growth with the new activities in the Railway and Automation sector.
The Tesmec Group had an average workforce of 569 persons as at 31 December 2015, a 14.7% increase compared to 2014.

The following changes occurred in the average workforce employed by the Group in 2015 compared to 2014:

	Financial period ended 31 December			
(average no. of employees)	**2015**	**2014**	**2015 vs. 2014**	**%**
Tesmec S.p.A.	307	310	(3)	-1.0%
Tesmec Service S.r.l.	37	34	3	8.8%
Tesmec USA, Inc.	114	126	(12)	-9.5%
Tesmec SA (Pty) LTD	11	8	3	37.5%
OOO Tesmec RUS	7	7	-	0.0%
SGE S.r.l.	11	6	5	83.3%
Tesmec New Technology Beijing LTD	4	5	(1)	-20.0%
Marais Group	78	-	78	100.0%
Total	**569**	**496**	**73**	**14.7%**

There was an overall increase in human resources in 2015 of 112, with an average of 73; this was mainly due to pursuit of the company strategy in the search for new technology business (automation), and in international growth (Marais purchase).
The purchase of the Marais Group was of strategic importance to Tesmec since it will allow it to avail of the technological experience of Marais within the scope of its telecommunications services, and in the laying of optical fibres and underground electrical cables; it will also enable it to enter the French market, and more generally, all the markets that Marais is in (Africa, Australia, New Zealand, etc.).
The research and development department and the service department increased the workforce in Italy from 28% to 30% and from 22% to 28% in the total Group workforce.
Tesmec is on the lookout for new forms of contractual incentives to encourage employment and so it strengthened its new hire policy by offering permanent employment contracts or apprentice contracts and changed the “staff leasing and fixed term contracts”

Retention:

The core of the Tesmec philosophy is still to strive for excellent performance aligned with a high level of satisfaction and agreement by the human resources. The following trends emerged from the 2015 human resource retention figures which were gathered through continuous monitoring and comparing all staff data:

1) the turnover rate of new hires fell from an average of 19% to 10.42% for the Group, and from an average of 11% to 9% in Italy;
2) the stability rate over two years changed from an average of 88% to 86% for the Group and an average of 89.84% to 91% for Italy;
3) the stability rate over five years increased from an average of 82.01% to 85.38% for the Group and an average of 75.08% to 78% for Italy;
4) the stability rate over ten years fell from an average of 109.09% to 102.97% as Group average and 104.07% to 100% as an average figure for Italy.

The workforce increased in 2015 with the addition of highly qualified technical staff to encourage a generational change, also following the retirement of key figures in the company workforce which led to a reduction in the +10 year stability rate. Tesmec also invested in the hiring staff skilled in the electronic and industrial automation area to consolidate the investment in the automation and railways sectors.

Level of education and seniority

The average age of Group employees fell from 49 in the previous year to 41. This figure ranks the Group slightly below the average age of 39.50 years of Tesmec Italian companies (blue collar workers 41, office staff 40 with the average for women being 38) and above the average age of 38 in foreign companies (blue collar workers 24.72, office staff 41.40 with the average for women, 37.77).

With Tesmec entering the automation and railways sectors in 2015 and with the purchase of Marais, the percentage of staff with a degree or University diploma stood at 25% and there was an increase in staff with high school diplomas to 50%.

Projections of employee age profiles for 2015 showed that the average age of Tesmec staff is falling, with an increased percentage of younger profiles and a reduction in the older ones:

ETA'	2014	2015
< 25	4%	6%
25-34	22%	25%
35-44	31%	30%
45-54	27%	26%
>55	16%	13%

Management and development and bonuses for Human Resources

The recruitment stage for talented resources is increasingly aimed at sourcing multi-functional roles to so that knowledgeable management trainees can work in tandem with people who have more traditional technical skills. This is backed up by aptitude tests to find the resources who best meet the goals of the position and place them.
The hiring system for the new resources in the Group prioritises the following activities:

- Welcoming and introducing the new employees onto the team through orientation programmes and personal tutors.
- Supporting the new employees in understanding what their work means for achieving the results of the organisation.
- Ensuring transparency, consistency and access to information which is necessary to perform the job.
- Stimulating and guiding the staff where necessary so they can contribute towards the organisational targets, beyond the mere scope of their own job.

The Tesmec growth process also includes the assessment of skills and excellence in the company. This is why a change management process was consolidated in a program carried out during the year - already started in previous years -to support the management of change in terms of company vision and business culture. The main projects in this area involved programs for talented staff, supporting the transfer of strategic skills and the enhancement in value of the business culture.
The assessment of benefits is a delicate part in the human resource development process.
The current Tesmec bonus plan provides for a number of different performance assessment levels as pointers to steer growth. The link between business growth and human development is the Plan Time Incentive (PTI) based on a definition of performance that includes two aspects: the first is the actual achievement of pre-established goals at group level, the second involves behaviour and goals and are pre-established at individual level or applicable business area. Application of the plan currently involves a range of employees with managerial and professional responsibilities and people with high potential.
There is a long term (2015-2018) Incentive Plan (PLTI) to encourage top management to achieve strategic results that are linked to long-term corporate goals.
There are other forms of assessment used for the employees who are not included on the PTI, such as mapping the performance on the second-level agreement, and this also applies to blue-collar workers and office employees who are not evaluated with the methods described above. It is a process for rating the technical, relational, and flexibility skills and for transmitting skills, a decisive factor in the technological continuity of Italian and foreign resources.

Female leadership

Tesmec places a strong focus in providing equal growth and development opportunities to all Group employees through diversified training paths, and encourages the professional growth of women and their potential to access leadership positions. The percentage of women to the total workforce of the Group in the world continues to grow, and has now reached 25%. Tesmec intends to continue to enhance and increase the percentage of women in coming years, which now stands at 15%.

Resource training and professional development

Training at Tesmec covers the entire trajectory of the professional life of the employee. The aim is to continue to increase human capital through the strengthening and diversification of skills, thereby increasing the value of the company through professional, human and behavioural growth of the human capital in accordance with corporate strategy. Skills can be transferred through a training model that is based on the willingness of more expert resources to act as tutors for the on-the-job training, favouring more active methods to support the processes of fitting in to the company or into highly professional roles.

With respect to professional development, training and development activities were organised in 2015 by using instruments and methods increasingly in line with company strategies, which provided interesting indicators to rate staff talents. Further importance was given to the development and implementation of specific applications, the aim being to both facilitate the coordination of regular management processes and the exchange of information among different business areas, and to facilitate the collection of information directly from the labour market.

The extensive training offered by the Group extended further through the year, with new initiatives to strengthen individual skills and improve performance by cultivating the diversity of experiences, cultures and contributions.

Industrial relations and social dialogue

The dialogue and relationship with trade union organisations and worker representatives is governed by a system of ongoing, regular meetings, both linked to the supplementary labour contracts and the prospects for development and growth of the group.

Negotiations began in 2015 to renew the company platform of Italian companies based on the sharing of production efficiency goals, a rating process of individual performances and through new forms of labour cost sustainability.
With the encouragement of trade unions among others, the Tesmec Group aims to develop an industrial relations system that encourages competitiveness and productivity to strengthen the global Tesmec system, and wishes to establish methods and tools that aim to achieve improvements in productivity, efficiency and company well-being by reconciling the demands of the companies and the persons who work for them, through the Flexible Benefit project (flexible welfare solutions, from health to well-being, leisure time and training); this should limit fixed costs by keeping the purchasing power of Tesmec employees high and competitive.

Health, safety and environment

Tesmec S.p.A. considers the protection of the workers' health and safety and the protection of the environment of fundamental importance and pursues these goals in compliance with all current specific regulations, in addition to establishing services in each factory to manage and control the issues in question. The service is coordinated by the head of environment/security.
The involvement of all employees, increased awareness and dissemination of the “safety culture” are considered to be decisive aspects for the achievement of the objectives of protection of the workers. Training is considered to be an important instrument, and is planned according to a precise timetable, based on strict technical standards and in compliance with the Italian State-Region Conference of 21/12/2011, implementing Article 37 of Italian Legislative Decree 81/2008.
During 2015, the internal service activities began to consolidate in order to prevent and protect against risks, through frequent inspections of all production site departments, checking that the improvement actions had been started.
The search for solutions to implement to eliminate or reduce risks is shared with the business departments that must implement these specific measures to ensure their acceptance by the workers and efficient application.
During 2015, the significant indicators of worker health and safety were monitored with statistical trend analyses, and the results showed great improvement compared to the previous year.
A precise system of environmental and safety authorisation was set up, assigned to the operating managers of the factories; they were trained through specific courses relating to Italian Legislative Decree 81/2008 for ASPPs or managers.
This led to greater involvement by the persons appointed to organise the work, with equal consideration for the aspects relating to environmental protection and workplace health and safety with respect to the production aspects.
There is still a great deal of attention paid to the prior assessment of all possible sources of risk to the health and safety of workers, including through the regularly monitoring of the working environments; the results show compliance with regulatory standards.
With regard to social responsibility and local territory matters, the company is committed to maintaining a high level of safety and environmental protection.
The current Organisational Model (Italian Legislative Decree 231/2001), with the section relating to offences that breach accident-prevention regulations is in force - also with regard to environmental crimes - and is kept updated.

10.Related party transactions

The Tesmec Group maintains related party transactions especially with respect to entities controlled by persons who in Tesmec S.p.A. mainly carry out management functions for what concerns real-estate transactions (rental of premises serving as means to production) and to a lesser extent for commercial activities. Commercial relations were mainly exercised with regard to the two companies in JV (Condux Tesmec and Tesmec Peninsula) with which transactions are regulated by special supply contracts at market conditions and agreed with the partner.

Significant related-party transactions.

During the 2015 financial period, no significant related-party transaction was carried out. For the supplemental information requested by CONSOB Communication No. 6064293 of 28 July 2006 on related-party transactions, refer to note 38 of the consolidated financial statements of the Tesmec Group and to note 35 of the financial statements of the Parent Company.

11.Parent company management performance

The management performance of the Parent Company substantially reflects the performance previously commented at the consolidated level considering its weight on the total consolidated financial statements of the Group. For these reasons, the most important quantities relating to the financial statements of the Parent Company are stated below, referring to the comments on management carried out at the consolidated financial statement level.

Income statement

The income statement of the Parent Company in 2015 compared with that of the prior financial period is summarised below:

	Financial period ended 31 December			
(Euro in thousands)	**2015**	**% of revenues**	**2014**	**% of revenues**
Revenues from sales and services	**115,071**	**100.0%**	**88,225**	**100.0%**
Cost of raw materials and consumables	(64,164)	-55.8%	(44,376)	-50.3%
Cost for services	(17,764)	-15.4%	(14,936)	-16.9%
Payroll costs	(17,335)	-15.1%	(16,687)	-18.9%
Other operating (costs)/revenues, net	(775)	-0.7%	(252)	-0.3%
Amortisation and depreciation	(4,881)	-4.2%	(5,047)	-5.7%
Development costs capitalised	3,000	2.6%	2,992	3.4%
Total operating costs	**(101,919)**	**-88.6%**	**(78,306)**	**-88.8%**
Operating income	**13,152**	**11.4%**	**9,919**	**11.2%**
Financial expenses	(7,468)	-6.5%	(5,935)	-6.7%
Financial income	5,541	4.8%	5,637	6.4%
Pre-tax profit	**11,225**	**9.8%**	**9,621**	**10.9%**
Income tax	(3,813)	-3.3%	(3,343)	-3.8%
Net profit for the period	**7,412**	**6.4%**	**6,278**	**7.1%**

Revenues from *product sales* refer to income deriving from the transfer of stringing machines and equipment and trenchers. These revenues increased by 30.4% and mainly reflect the performance of the Stringing equipment segment already commented previously.

The table below illustrates the performance of EBITDA that increased by 20.5% compared to that of the previous financial year mainly due to higher sales volumes. Profitability percentage amounted to 15.7% worse than the 17.0% recorded in 2014 due to the different mix of sales by country / product and the prolongation of the start-up of the rail sector.

(Euro in thousands)	Financial period ended 31 December 2015	% of revenues	2014	% of revenues	2015 vs. 2014
Operating income	13,152	11.4%	9,919	11.2%	3,233
+ Depreciation and amortisation	4,881	4.2%	5,047	5.7%	(166)
EBITDA	**18,033**	**15.7%**	**14,966**	**17.0%**	**3,067**

(*) 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.

Operating profit

Operating Profit equal to Euro 13,152 thousand in 2015, increased by 32.6% compared to 2014 as a result of the trends already described in the comment on Ebitda and of less amortisation related to investments in research and development of the current year.

Net income

Results for the period amounted to Euro 7,412 thousand (Euro 6,278 thousand in 2014) after deducting taxes totalling Euro 3,813 thousand (Euro 3,343 thousand in 2015).

Balance sheet and financial profile

The financial position of the Company as at 31 December 2015 compared to 31 December 2014 is briefly shown below.

(Euro in thousands)	Financial period ended 31 December 2015	2014
USES		
Net working capital (1)	24,743	25,881
Fixed assets	73,775	65,675
Other long-term assets and liabilities	(1,610)	(1,838)
Net invested capital (2)	**96,908**	**89,718**
SOURCES		
Net financial indebtedness (3)	49,868	46,539
Shareholders' equity	47,040	43,179
Total sources of funding	**96,908**	**89,718**

(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.

The table below illustrates the details for a better understanding of changes in the two items:

Working capital

(Euro in thousands)	Financial period ended 31 December 2015	2014
Trade receivables	31,164	31,045
Work in progress contracts	1,883	-
Inventories	28,713	29,840
Trade payables	(30,395)	(26,471)
Other current assets/(liabilities)	(6,622)	(8,533)
Net working capital (1)	**24,743**	**25,881**

(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.

The Working capital compared to net revenues decreased from 29.4% reported in 2014 to 21.5% in 2015. This result was affected by the increase in trade payables of Euro 3,924 thousand partially offset by other current assets/(liabilities) of Euro 1,911 thousand due to lower advances from customers, and work in progress contracts.

Fixed assets

(Euro in thousands)	Financial period ended 31 December 2015	2014
Intangible assets	6,716	5,859
Property, plant and equipment	30,571	32,140
Equity investments in subsidiaries	33,047	24,235
Equity investments in associates	3,438	3,438
Other equity investments	3	3
Fixed assets	**73,775**	**65,675**

The increase in equity investments in subsidiaries is mainly due to the acquisition of the Marais Group for a total of Euro 8,564 thousand.

Net financial Indebtedness

(Euro in thousands)	31 December 2015	*of which with related parties and group*	2014	*of which with related parties and group*
Cash and cash equivalents	(15,451)		(14,316)	
Current financial assets (1)	(42,529)	*(42,466)*	(28,543)	*(28,312)*
Current financial liabilities	38,918	*1,211*	30,922	*1,100*
Current portion of derivative financial instruments	14		-	
Current financial indebtedness (2)	**(19,048)**	***(41,255)***	**(11,937)**	***(27,212)***
Non-current financial liabilities	68,628	*14,743*	58,016	*15,954*
Non-current portion of derivative financial instruments	288		460	
Non-current financial indebtedness (2)	**68,916**	***14,743***	**58,476**	***15,954***
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	***49,868***	***(26,512)***	***46,539***	***(11,258)***

(1) Current financial assets as at 31 December 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 criterion for determination applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Group may not necessarily be comparable therewith.

Indebtedness stood at Euro 49,868 thousand as at 31 December 2015 compared to Euro 46,539 thousand as at 31 December 2014. It reflects primarily the investment for the recapitalization of the Marais Group occurred by means of a capital increase of Euro 5,000 thousand at the acquisition date, and Euro 4,000 thousand at December 22, 2015 following the entry of Simest S.p.A. in the Group's capital. The efficiency measures in working capital helped to absorb some of these increases.

Medium to long-term sources represent as at 31 December 2015 138.2% of total net indebtedness, up compared to 125.6% of 31 December 2014; the increase is attributable for Euro 26,577 thousand to new medium/long-term loans drawn up in 2015.

Shareholders' Equity
For comments regarding Shareholders' equity, refer to what is already described at consolidated level.

12.Corporate governance and self-regulatory code of conduct

The Tesmec Group conforms to the self-regulatory code of conduct of listed companies approved in March 2006 and subsequently amended and updated in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., with additions and adjustments resulting from the characteristics of the Group.
The "Report on corporate governance and ownership structures" contains a general description of the corporate governance system adopted by the Group and shows the information on ownership structure and compliance to the self-regulatory code of conduct, including the main governance practices applied and the characteristics of the system of risk management and internal audit in relation to the process of financial reporting. The aforesaid Report is enclosed with the financial statements and subject to the same advertising terms provided for the financial statements, and it is available on the following website www.tesmec.com, in the Investors/Governance section.
For the information relating to corporate offices covered by the directors of the Company, we make reference to what is reported in the Corporate Governance Manual. For the Board of the Statutory Auditors, the complete and updated list of the corporate offices is published by CONSOB on its website, pursuant to Article 144- quinquiesdecies of the Issuer Regulation.

13.Places where the Company operates

The places in which Tesmec S.p.A. carries on its activity are listed below:

- Milano (MI): Piazza Sant'Ambrogio 16 (Registered office)
- Grassobbio (BG): Via Zanica 17/O (administrative offices and factory)
- Endine Gaiano (BG): Via Pertegalli 2 (factory)
- Sirone (LC): Via Don Brambilla 26/28 (factory)

14.Significant events occurred after the close of the financial period

On the date of this report, the Company holds a total of 4,450,497 treasury shares, equal to 4.16% of the Share Capital.

The significant events occurred after the close of the financial period include:

- on 9 February 2016, the subsidiary Group Marais SA purchased the entire shareholding in the French company EAM SRL, with registered office in Carcassone, for Euro 450 thousand.

- on 3 March 2016, the parent company Tesmec S.p.A. purchased the remaining 60% of the share capital of Bertel S.p.A., company operating in a market with a high technical profile such as that of streamlining systems of Transmission Power Lines. Tesmec already owned 40% of the share capital of Bertel S.p.A.

The value of the transaction amounted to Euro 300 thousand corresponding to the nominal value and will be paid in two tranches: the first one of Euro 150 thousand within 12 months and the second one of Euro 150 thousand within 24 months.

15.Business outlook

Based on several negotiations being executed, the year 2016 is expected to grow further, such as to allow an improvement of all the economic and financial indicators compared to 2015.

In the Stringing equipment segment and more in general in the sector of energy transport, there is a growing demand for modernisation of power lines. The Tesmec Group continues to believe in technological innovation as a key factor for its development, and confirms the good growth trend of the Energy Automation business with the consolidation of recent developments in a booming segment such as that of technologies for the streamlining of the power lines.

In the Trencher segment, the Tesmec Group is implementing a business model that offers technologically advanced products combined with complementary services thus offering integrated solutions with high added value. In fact, the service activities are becoming more and more strategic in this segment. In particular, it is noted that there are many opportunities in the market of telecommunications and laying of optical fibres also thanks to synergies with the Marais Group. As part of the projects for civil infrastructures and installation of underground cables for transporting energy, Africa offers important business opportunities.

In 2016, we expect a recovery in performance in the rail segment, thanks to the completion of the start-up phases in the segment of network electrification. The development of highly efficient vehicles, in full observance with safety and environmental standards, and the important negotiations currently in progress, lay the foundation for a development of the division both nationally and internationally.

In conclusion, even in the presence of a complex economic situation with regard to the world's major economies, business volumes are expected to increase: this will help increase the Group's margins, with a better absorption of fixed costs and a consequent cash generation. Moreover, net of the effect deriving from the expected growth in revenues, the level of indebtedness is expected to decrease due to efficiency measures in working capital.

16.Other information

Management and co-ordination activities

Tesmec S.p.A. is controlled pursuant to Article 93 of the Consolidated Law on Finance (T.U.F.) by TTC S.r.l., holding company. TTC S.r.l. does not carry out the management and coordination activity on the Company pursuant to Article 2497-*sexies* Italian Civil Code. TTC S.r.l. is a holding that performs the mere management function of the equity investments without carrying out management and co-ordination activities towards the subsidiaries.

Management and co-ordination activities by Tesmec S.p.A.

Tesmec S.p.A. carries out management and co-ordination activities, pursuant to Articles 2497 et seq of the Italian Civil Code, towards Tesmec Service S.r.l., East Trenchers S.r.l. and SGE S.r.l.; this management and co-ordination activity consists in the preparation of directives, procedures and guidelines of the Group.

Treasury shares and shares of parent companies

On 30 April 2015, the Shareholders' Meeting authorised the treasury share buy-back plan; the authorisation was granted for a period of 18 months; the authorisation of 30 April 2015 replaces the last authorisation resolved by the Shareholders' Meeting on 30 April 2014 and expiring in October 2015. The plan set the maximum quantity as 10% of Share Capital; from the launch of the buy-back plan resolved on 10 January 2012 (and renewed on 30 April 2014) to the date of the period covered by this report, 31 December 2015, a total of 4,100,497 shares (3,83% of Share Capital) have been purchased at an average price of Euro 0.5597 (net of commission) for a total equivalent value of Euro 2,295 thousand.

Equity investments held by directors and statutory auditors

Pursuant to the 11971/99 CONSOB Regulation, equity investments held by directors and statutory auditors in Tesmec and in its subsidiaries are recorded, according to diagram 3) provided in enclosure 3C) of the regulation above:
Tesmec Shares held by directors and statutory auditors

Board of Directors

Name	Shareholding	Role	Number of shares held at the beginning of the 2015 financial period	Number of shares purchased	Number of shares sold	Number of shares held at the end of the 2015 financial period
Ambrogio Caccia Dominioni	Direct	Chairman and Managing Director	125,800	30,000	-	155,800
Gianluca Bolelli	Direct	Vice Chairman	114,000	-	-	114,000

Italian Legislative Decree 231/01

The Company adopted an Organisational Model aimed at ensuring fair and transparent conditions in running the company business, to protect all holders of interest of the Company, tailored on the specificness of Tesmec S.p.A.
The Supervisory Body consists of Lorenzo G. Pascali, as Chairman, Maurizio Brigatti and Stefano Chirico, Statutory auditor of the Company.
On 21 February 2014, the Board of Directors of the Company approved the Organisational, Management and Control Model updated in accordance with the measure related to Article 25 duodecies of Italian Legislative Decree 231/2001, concerning the employment of third-country nationals with unlawful residence permit, and with the regulations on private bribery (Article 25- ter of Italian Legislative Decree 231/2001).
The Company started a process to update the Model concerning the offence of self-laundering (Italian Law 186/2014), environmental offences (Italian Law 68/2015) and corporate crimes (Provisions on crimes against public administration, Mafia-like associations and false accounting, Italian Law 69/2015).

Information on Significant Companies outside the EU

Tesmec S.p.A., parent company, controls a single company (Tesmec USA, Inc.) that can be considered "Significant Company outside the EU" as defined by Consob Resolution no. 16191/2007, as amended.
With reference to these companies, it should be noted that:

- it draws up an accounting statement for the purposes of preparing the financial statements; the balance sheet and the income statement of the said companies are made available to the shareholders of Tesmec S.p.A. within the terms provided for by the regulations on the matter;
- Tesmec S.p.A. acquired the articles of association as well as the composition and powers of the corporate bodies;
- the Significant Companies outside the EU: i) provide the accounting auditor of the parent company with the information required for carrying out the auditing of annual and interim accounts of the parent company; ii) they have an administrative and accounting system fit for submitting on a regular basis the economic and financial data required for preparing the consolidated financial statements to the management, supervisory body and the accounting auditor of the parent company.

The Control and Risk Committee of Tesmec S.p.A., in order to fulfil its regulatory obligations, checked the adequacy of the administrative and accounting system for submitting on a regular basis the economic and financial data required for preparing the consolidated financial statements to the management and to the accounting auditor of Tesmec S.p.A., and the effectiveness of the information flow through meetings both with the accounting auditor and with the Manager responsible for preparing the financial statements.

DRAFT RESOLUTION OF ALLOCATION OF PROFIT OR LOSS FOR THE PERIOD

Report of the Board of Directors of TESMEC S.p.A., drawn up pursuant to Articles 125-*ter* of Italian Legislative Decree no. 58 of 24 February 1998 ("TUF"), and 84-*ter* of the Regulation adopted with Consob Resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented ("Issuers' Regulation").

Dear Shareholders,

This report shows the draft resolutions that the Board of Directors of TESMEC S.p.A. (hereinafter referred to as "**TESMEC**" or the "**Company**") intends to submit for your approval in relation to the points on the agenda of the ordinary shareholders' meeting that will be held on 29 April 2016, 10.30 am, in single call at TESMEC headquarters in Via Zanica 17/O, Grassobbio (BG).

1. Approval of the financial statements as at 31 December 2015 and relevant reports; allocation of result for the period. Related and consequent resolutions.

Dear Shareholders,

The Company, within the term established by Article 154-ter of the TUF, must publish the annual financial statements comprising the draft financial statements, the consolidated financial statements, the directors' report and the certification set forth in Article 154-*bis*, paragraph 5 of the TUF. The audit reports prepared by the independent auditors as well as the reports indicated in Article 153 of the TUF are made fully available to the public together with the annual financial statements.

The draft financial statements were approved by the Board of Directors of the Company on 14 March 2016.

The directors' report will be made available to the public, together with the draft financial statements of Tesmec as at 31 December 2015, the consolidated financial statements of the Tesmec Group as at 31 December 2015, the certification of the Manager responsible for preparing the Company's financial reports, the report of the Board of Statutory Auditors and the Independent Auditors' Report, at the registered office and Borsa Italiana S.p.A. ("**Borsa Italiana**"), as well as on the website of the Company: www.tesmec.com and in accordance with to the other modalities prescribed by Consob within the terms provided by the regulations in force.

For a complete information on the subject in hand, reference is made to the Directors' Report and to the additional documents made available to the public, within the timeframe prescribed by the law, at the registered office and Borsa Italiana S.p.A., as well as on the website www.tesmec.com (Investors) and in accordance with to the other modalities prescribed by Consob.

You are invited to approve the financial statements as at 31 December 2015 of TESMEC that ended with a profit of Euro 7,411,919.

With reference to the results achieved, the Board of Directors proposes that you resolve:

- the allocation of the profit for the year of Euro 7,411,911 as follows:
    - allocate a dividend of Euro 0.025 to each outstanding ordinary share on the ex-dividend date;
    - assign to the extraordinary reserve the amount of profit remaining after the allocation to the legal reserve and of the dividend;
- the payment of the dividend on 25 May 2015 (with ex-dividend date 23 May 2016, in compliance with the Borsa Italiana calendar, with record date 24 May 2016).

Grassobbio, March 30, 2016

TESMEC S.p.A.
The Chairman of the Board of Directors
Ambrogio Caccia Dominioni

CONSOLIDATED FINANCIAL STATEMENTS OF THE TESMEC GROUP

Consolidated statement of financial position

(Euro in thousands)	Notes	31 December 2015	31 December 2014
NON-CURRENT ASSETS			
Intangible assets	5	13,827	12,372
Property, plant and equipment	6	65,352	48,116
Equity investments valued using the equity method	7	4,763	4,792
Other equity investments	8	3	3
Financial receivables and other non-current financial assets	9	473	274
Derivative financial instruments	20	11	16
Deferred tax assets	27	8,844	3,374
Non-current trade receivables		80	546
TOTAL NON-CURRENT ASSETS		**93,353**	**69,493**
CURRENT ASSETS			
Work in progress contracts	10	3,864	5,249
Inventories	11	58,891	55,390
Trade receivables	12	50,882	41,297
of which with related parties:		*4,050*	*6,570*
Tax receivables	13	486	489
Other available-for-sale securities	14	22	125
Financial receivables and other current financial assets	15	11,849	6,673
of which with related parties:		*11,499*	*6,552*
Other current assets	16	4,337	2,491
Cash and cash equivalents	17	21,204	18,665
TOTAL CURRENT ASSETS		**151,535**	**130,379**
TOTAL ASSETS		**244,888**	**199,872**
SHAREHOLDERS’ EQUITY			
SHAREHOLDERS’ EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	18	10,708	10,708
Reserves	18	36,623	32,547
Group net profit / (loss)	18	6,931	4,909
TOTAL SHAREHOLDERS’ EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	18	**54,262**	**48,164**
Minority interest in capital and reserves	18	1,385	13
Net profit / (loss) for the period attributable to non-controlling interests	18	230	(4)
TOTAL SHAREHOLDERS’ EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	18	**1,615**	**9**
TOTAL SHAREHOLDERS’ EQUITY		**55,877**	**48,173**
NON–CURRENT LIABILITIES			
Medium-long term loans	19	77,409	61,861
of which with related parties:		*14,743*	*15,954*
Derivative financial instruments	20	350	460
Employee benefit liability	21	2,847	3,016
Deferred tax liabilities	27	8,255	2,892
Provisions for risks and charges		-	39
Other non-current liabilities		3	
TOTAL NON-CURRENT LIABILITIES		**88,864**	**68,268**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	22	45,178	36,506
of which with related parties:		*1,241*	*1,100*
Derivative financial instruments	20	14	
Trade payables	23	39,049	34,179
of which with related parties:		*200*	*8*
Advances from contractors	10	-	-
Advances from customers		1,694	5,705
Income taxes payable	24	2,933	1,003
Provisions for risks and charges	25	3,392	1,040
Other current liabilities	26	7,887	4,998
TOTAL CURRENT LIABILITIES		**100,147**	**83,431**
TOTAL LIABILITIES		**189,011**	**151,699**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**244,888**	**199,872**

Consolidated Income statement

(Euro in thousands)	Notes	Financial period ended 31 December 2015	2014
Revenues from sales and services	28	**164,402**	**114,895**
of which with related parties:		*7,697*	*9,192*
Cost of raw materials and consumables	29	(82,838)	(55,536)
of which with related parties:		*(190)*	*(1,045)*
Cost for services	30	(27,345)	(19,005)
of which with related parties:		*(291)*	*(5)*
Non-recurring costs for services	3	(564)	-
Payroll costs	31	(34,530)	(26,053)
Other operating (costs)/revenues, net	32	(2,718)	(2,527)
of which with related parties:		*139*	*24*
Badwill from Marais bargain purchase		2,633	-
Amortisation and depreciation	33	(11,230)	(7,876)
Development costs capitalised	34	5,104	5,633
Portion of losses/(gains) from the valuation of operational Joint Ventures using the equity method		(99)	916
Total operating costs		**(151,587)**	**(104,448)**
Operating income		**12,815**	**10,447**
Financial expenses	35	(7,881)	(6,662)
of which with related parties:		*(1,031)*	*(1,291)*
Financial income	36	4,724	4,570
of which with related parties:		*175*	*152*
Portion of gains/(losses) from associated companies and non-operational Joint Ventures evaluated using the equity method		(553)	(34)
Pre-tax profit		**9,105**	**8,321**
Income tax	27	(1,944)	(3,416)
Net profit for the period		**7,161**	**4,905**
Profit / (loss) attributable to non-controlling interests		**230**	**(4)**
Group profit (loss)		**6,931**	**4,909**
Basic and diluted earnings per share		**0.647**	**0.458**

Consolidated statement of comprehensive income

		Financial period ended 31 December	
(Euro in thousands)	**Notes**	**2015**	**2014**
NET PROFIT FOR THE PERIOD		**7,161**	**4,905**
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	18	3,617	3,569
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		54	(238)
Income tax		(15)	67
	21	39	(171)
Total other income/(losses) after tax		**3,656**	**3,398**
Total comprehensive income (loss) after tax		**10,817**	**8,303**
Attributable to:			
Shareholders of the Parent Company		10,587	8,307
Minority interests		230	(4)

Statement of consolidated cash flows

(Euro in thousands)	Notes	Financial period ended 31 December 2015	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		7,161	4,905
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	33	11,230	7,876
Provisions for employee benefit liability	21	155	154
Provisions for risks and charges / inventory obsolescence / doubtful accounts		1,910	1,142
Employee benefit payments	21	(270)	(78)
Payments/ Uses of provisions for risks and charges		(479)	(1,216)
Net change in deferred tax assets and liabilities	27	(219)	1,354
Change in fair value of financial instruments	20	(91)	(99)
Change in the consolidation area		2,714	
Change in current assets and liabilities:			
Trade receivables	12	(14,211)	2,259
Inventories	11	(81)	(10,122)
Trade payables	23	4,417	8,086
Other current assets and liabilities		2,732	(1,408)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**14,968**	**12,853**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	6	(11,529)	(12,297)
Investments in intangible assets	5	(6,815)	(6,494)
Change in the consolidation area		(14,873)	
(Investments) / disposal of financial assets		(5,210)	2,194
Proceeds from sale of property, plant and equipment and intangible assets	5-6	5,295	5,856
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(33,132)**	**(10,741)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	19	26,577	20,967
Repayment of medium/long-term loans	19	(15,157)	(14,020)
Change in the consolidation area		5,067	
Net change in short-term financial debt	19	7,229	(2,532)
Purchase of treasury shares		(1,186)	(248)
Dividend distribution	18	(2,403)	(1,682)
Change in the consolidation area	18	476	5
NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES (C)		**20,603**	**2,490**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**2,439**	**4,602**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		100	285
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)	17	18,665	13,778
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**21,204**	**18,665**
Additional information:			
Interest paid		4,592	3,860
Income tax paid		2,207	2,330

Statement of changes in consolidated shareholders' equity

(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 Shareholders' 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	-	-	-	-	-		4,909	4,909	(4)	**4,905**
Other profits / (losses)	-	-	-	-	3,569	(171)	-	3,398	-	**3,398**
Total comprehensive income / (loss)								**8,307**	**(4)**	**8,303**
Allocation of profit for the period	-	194	-	31	-	2,477	(2,702)	-	-	-
Dividend distribution	-	-	-		-	-	(1,682)	(1,682)	-	**(1,682)**
Purchase of treasury shares	-	-	-	(248)	-	-	-	(248)	-	**(248)**
Change in the consolidation area	-	-	-	-	-	-	-	-	5	**5**
Balance as at 31 December 2014	**10,708**	**2,004**	**10,915**	**(1,010)**	**2,114**	**18,524**	**4,909**	**48,164**	**9**	**48,173**
Profit for the period	-	-	-	-	-	-	6,931	6,931	230	**7,161**
Other profits / (losses)	-	-	-	-	3,617	39	-	3,656	-	**3,656**
Total comprehensive income / (loss)								**10,587**	**230**	**10,817**
Allocation of profit for the period	-	137	-	60	-	2,309	(2,506)	-	-	-
Dividend distribution	-	-	-		-	-	(2,403)	(2,403)	-	**(2,403)**
Purchase of treasury shares	-	-	-	(1,186)	-	-	-	(1,186)	-	**(1,186)**
Change in the consolidation area						(900)	-	(900)	1,376	**476**
Balance as at 31 December 2015	**10,708**	**2,141**	**10,915**	**(2,136)**	**5,731**	**19,972**	**6,931**	**54,262**	**1,615**	**55,877**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 31 December 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.

The publication of Tesmec's consolidated financial statements for the period ended as at 31 December 2015 was authorised by means of the resolution of the Board of Directors on 14 March 2016.

2.Reporting standards

The consolidated financial statements of the Tesmec Group as at 31 December 2015 comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated cash-flow statement, statement of changes in consolidated shareholders' equity and the related explanatory notes. These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union according to the text published on the Official Journal of the European Communities (OJEC) and in effect as at 31 December 2015 and on the basis of the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005. These IFRS principles also include all revised international accounting standards (called "IAS") and all interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"), previously called Standing Interpretations Committee ("SIC").

The reference accounting standards adopted in the current yearly consolidated financial statements are consistent with those used for preparing the yearly consolidated financial statements of the Group for the period ended as at 31 December 2014, also prepared according to the international accounting standards, with the exception of the principles and interpretations of new application, explained in note 3.2.
The financial statements and relevant explanatory notes are presented in Euro and all values are rounded to the nearest thousand, unless otherwise indicated.

Business continuity

The Company considered that there are no significant uncertainties on the principle of going-concern, even in the light of the economic and financial soundness of the Parent Company and of the Group.

2.1 Adopted financial statement reporting formats

In compliance with the provisions of Consob resolution no. 15519 of 27 July 2006, information on the adopted financial statement reporting format compared to what is stated in IAS 1 are indicated below for the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity as well as the method used for representing the financial flows in the statement of consolidated cash-flows compared to those specified in IAS 7:

- in the consolidated income statement, it was decided to present a cost analysis by using a classification based on their nature;
- the statement of comprehensive income includes the result for the period and, by homogenous categories, the income and expenses that, under IFRS, are recognised directly in shareholders' equity;
- In the consolidated statement of financial position, it was decided to represent current and non-current assets and current and non-current liabilities classified separately, in accordance with IAS 1;
- the statement of changes in consolidated shareholders' equity occurred during the period are represented through a table that reconciles the opening and closing balances of each item of the Group shareholders' equity;
- the statement of consolidated cash flows represents the financial flows by dividing them into operating, investing and financing activities. In particular, financial flows from operating activities are represented, in accordance with IAS 7, using the indirect method, whereby net profit or loss for the year is adjusted by the effects of non-monetary

transactions, by any deferral or provision of prior or future operating receipts or payments, and by revenue or cost elements connected with financial flows from investing or financing activities.

It should be noted that, in accordance with the above-mentioned resolution, the amounts of the positions or transactions with related parties and (positive and/or negative) income components resulting from non-current events or operations, i.e. from operations or facts that do not recur with frequency in the usual course of business were reported under specific sub-items, in case of significant amounts, in the consolidated statement of financial position, consolidated income statement and statement of consolidated cash flows.

2.2 Consolidation methods and area

The consolidated financial statements are prepared on the basis of the draft financial statements approved by the Boards of Directors. The financial statements of subsidiaries are prepared using the same accounting policies of the parent company. Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group acquires the control, and they are no longer consolidated on the date on which the control is transferred outside the Group.
All balances and intragroup transactions, including any unrealised gains and losses arising from relations between companies of the Tesmec Group are completely written off.
Acquisitions of subsidiaries are recorded in accordance with the purchase method that involves the allocation of costs of the business combination at fair values of assets, liabilities and contingent liabilities acquired at the date of acquisition and the entry of the results of the acquired Company from the date of acquisition until the close of the financial period.
Non-controlling interests represent the portion of the profit or loss and equity related to net assets not held by the Group and are shown in a separate item of the consolidated income statement, of the consolidated statement of comprehensive income and of the consolidated statement of financial position, separately from profit and equity attributable to Group shareholders.
Associated companies are those in which the Group holds at least 20% of the voting rights or exercises a significant influence, but not control or joint control, on financial and operating policies. Equity investments in associated companies are evaluated using the equity method. Profit or loss attributable to parent company shareholders is recognised in the consolidated financial statements from the date on which the significant influence began and until the date on which it ceases.
Joint ventures are defined in accordance with IAS 31 as a contractual agreement whereby two or more parties undertake an economic activity subject to joint control. The equity investments acquired or sold during the financial period are consolidated using equity method for the period in which the joint control was exercised.

On 31 December 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. 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 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 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.
  On 13 October 2015, 20% of the company Marais Technologies SAS was sold to the French company C2D SAS.

  On 22 December 2015, Simest S.p.A., joint-stock company controlled by Cassa Depositi e Prestiti S.p.A. (CDP), subscribed and paid up a capital increase reserved to it in Marais Technologies SAS.
  The investment of Simest S.p.A. in Marais Technologies SAS, carried out with capital contributions of Euro 4 million, allowed Simest S.p.A. to acquire a shareholding in Marais Technologies SAS equal to 33.96% of the share capital. As a result of the entrance of Simest S.p.A., the new shareholding structure of Marais Technologies SAS is broken down as follows: Tesmec S.p.A. with a shareholding of 52.83%, Simest S.p.A. with a shareholding of around 33.96% and C2D SAS with a shareholding of 13.21%.
  By the contractual provisions, since Tesmec has an obligation to buy back the participation from Simest S.p.A, the operation qualifies as a secured loan. From an accounting point of view the shareholding is consolidated by 86,79% and a financial debt to Simest S.p.A is booked.

SUBSIDIARIES (full consolidation method, by making clear the portion of non-controlling interests)					
				Percentage held	
Name	Registered office	Currency	Share capital Currency unit	Directly	Indirectly
TESMEC USA, Inc.	Alvarado (Texas)	US Dollar	31,200,000	100.00%	-
TESMEC Service S.r.l.	Zanica (BG) - Italy	Euro	100,000	100.00%	-
TESMEC Balkani EAD	Plovdiv (Bulgaria)	Bulgarian Lev	50,000	100.00%	-
TESMEC SA (PTY) L.t.d.	Edenvale (South Africa)	South African Rand	510	100.00%	-
SGE S.r.l.	Zanica (BG) - Italy	Euro	10,000	100.00%	-
East Trenchers S.r.l.	Pordenone - Italy	Euro	100,000	100.00%	-
TESMEC FRANCE SARL	Lyon (France)	Euro	300,000	100.00%	-
OOO TESMEC RUS	Moscow (Russia)	Russian Rouble	450,000	100.00%	-
Tesmec New Technology Beijing Ltd.	Beijing	Euro	200,000	100.00%	-
Marais Technologies SAS	Durtal (France)	Euro	3,785,760	86.79%	-
Group Marais SA	Durtal (France)	Euro	3,700,000	-	86.79%
Marais Trenching (Pty) Ltd. AFS	Pretoria (South Africa)	South African Rand	500,000	-	69.43%
MAFRI SARL	Tunis (Tunisia)	Tunisian Dinar	20,000	-	86.75%
Marais Laying Technologies (Pty) Ltd. Australie	Sydney (Australia)	Australian dollar	100	-	86.79%
Marais Laying Technologies (Pty) Ltd. Nouvelle Zelande	Auckland (New Zealand)	New Zealand Dollar	100.000	-	86.79%

ASSOCIATED COMPANIES (consolidated with the equity method)					
				Percentage held	
Name	Registered office	Currency	Share capital Currency unit	Directly	Indirectly
Locavert SA	Bouillargues (France)	Euro	403,735	39.00%	-
Bertel S.p.A.	Milan - Italy	Euro	500,000	40.00%	-
SEP Cergy	Marne la Vallée (France)	Euro	-	-	26.04%
SEP Moselle	Pont à Mousson (France)	Euro	-	-	43.40%
SEP Semafor 77	Marne la Vallée (France)	Euro	-	-	28.64%
SEP Laison Natixis	Marne la Vallée (France)	Euro	-	-	28.64%
SEP College	Marne la Vallée (France)	Euro	-	-	28.64%

JOINT VENTURES (consolidated with the equity method)					
				Percentage held	
Name	Registered office	Currency	Share capital Currency unit	Directly	Indirectly
Condux Tesmec Inc	Mankato (Minnesota)	US Dollar	2,500,000	50.00%	-
Tesmec Peninsula WLL	Doha (Qatar)	Qatar Riyal	7,300,000	49.00%	-
Marais Algerie SARL	Dar El Beïda (Algeria)	Algerian Dinar	55,000,000	-	42.53%
Marais Tunisie SA	Tunis (Tunisia)	Tunisian Dinar	459,000	-	42.53%
Marais Lucas Technologies (Pty) Ltd.	Macquarie Park NSM (Australia)	Australian dollar	332,400	-	43.40%

The companies Locavert SA e Marais Lucas Technologie (Pty) Ltd. close their company financial year as at 30 June of each year. Financial statements used for evaluating the equity investment in accordance with the equity method refer to the most recent available interim closing of accounts.

The financial statements were modified, if necessary, in order to make them consistent with the accounting policies of the Group, which are in accordance with the IFRS adopted by the European Union.

Translation of foreign currency financial statements and of foreign currency items

The consolidated financial statements are presented in Euro, which is the functional and presentation currency adopted by the Headquarter. Each company of the Group defines its functional currency, which is used to evaluate the items included in each financial statement. Foreign currency transactions are initially recognised using the exchange rate (referring to the functional currency) which is applicable on the transaction date. Monetary assets and liabilities in foreign currency are reconverted in the functional currency at the exchange rate in force at the end of the reporting period.
All exchange-rate differences are recognised in the income statement.
Non-monetary items, measured at their historical cost in foreign currency, are translated by using the exchange rates in force on the date of initial recognition of the transaction.
The conversion into Euro of the financial statements of the foreign companies being consolidated is carried out according to the current exchange-rate method, which contemplates using the exchange rate in force at the end of the reporting period for the translation of the financial items and the average exchange-rate of the year for the income statement items.
Exchange-rate differences deriving from translation are directly posted to equity and separately recorded in a special fair-value reserve. On disposal of a foreign company, accumulated exchange-rate differences posted to equity with regard to that particular foreign company are recognised in the income statement.
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 period ended as at 31 December		End-of-period exchange rate as at 31 December	
	2015	2014	2015	2014
US Dollar	1.110	1.329	1.089	1.214
Bulgarian Lev	1.956	1.956	1.956	1.956
Russian Rouble	68.072	50.952	80.674	72.337
South African Rand	14.172	14.404	16.953	14.035
Renmimbi	6.973	8.186	7.061	7.536
Qatar Riyal	4.039	4.837	3.963	4.422
Algerian Dinar	111.361	106.867	116.702	106.607
Tunisian Dinar	2.177	2.253	2.210	2.260
Australian dollar	1.478	1.472	1.490	1.483
New Zealand Dollar	1.593	1.600	1.592	1.553
CFA franc	655.957	655.957	655.957	655.957

3.Accounting standards

3.1 General Notes

The consolidated financial statements have been prepared in accordance with the historical cost principle, with the exception of the derivative financial instruments and financial assets held for sale stated at fair value.
There are no financial assets held to maturity. Financial transactions are accounted for as of the date they are traded.
The accounting policies adopted in the consolidated Financial Statements as at 31 December 2015 were applied in the same way also to all the periods of comparison.
The consolidated financial statements are presented in Euro; all values are rounded to the nearest thousand, unless otherwise indicated.

Business combinations and goodwill

Business combinations are recorded by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred at fair value at the date of acquisition and the amount of any minority interest in the acquired company. For each business combination, the purchaser must consider any minority interest in the acquired company at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquired company. Acquisition costs are paid and classified among administrative expenses.
When the Group acquires a business, it must classify or designate the acquired financial assets or the liabilities assumed in accordance with the contract terms, the economic conditions and other relevant conditions existing at the date of acquisition. This includes the verification to establish whether an embedded derivative must be separated from the host contract. If the business combination is carried out in several stages, the purchaser must recalculate the fair value of the previously held equity investment measured at equity and recognise any resulting profit or loss in the income statement.
Each contingent consideration must be recognised by the purchaser at fair value at the date of acquisition. The fair value change in the contingent consideration classified as asset or liability will be recognised in accordance with IAS 39, in the income statement or in the statement of the other components of comprehensive income. If the contingent consideration is classified in the shareholders' equity, its value must not be recalculated until its discharge is recorded as opposed to shareholders' equity.
The goodwill is initially measured at cost that arises as surplus between the sum of the paid consideration and the amount recognised for the minority shares compared to identifiable net assets acquired and liabilities undertaken by the Group. If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the income statement.
After initial recognition, goodwill is measured at cost, net of any accumulated impairment loss. For impairment loss verification, the goodwill acquired in a business combination must be allocated, from the date of acquisition, to each cash-flow generating unit of the Group that is expected to benefit from the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to such units.
If the goodwill has been allocated to the financial-flow generating unit and the entity disposes of part of the assets of such unit, the goodwill associated to the asset disposed of must be included in the book value of the asset when the profit or loss deriving from the divestment is determined. The goodwill associated with the asset disposed of must be determined on the basis of the values related to the asset disposed of and of the retained part of the financial-flow generating unit.

Intangible assets with definite lives

Intangible assets are recorded in the assets at purchase cost when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be measured reliably. Intangible assets acquired by means of business combinations are recorded at fair value at the date of acquisition, if this value can be measured reliably. Intangible assets with definite lives are amortised on a straight-line basis over their estimated useful life and submitted to impairment test whenever there is a possible impairment loss. The residual useful life is reviewed at the end of each financial period or more frequently, if necessary. Changes in the expected estimated useful life or in the ways in which future economic benefits related to the intangible asset are achieved by the Group are recognised by changing the period and/or the method of amortisation and treated as changes in accounting estimates. Amortisation charges of intangible assets with definite lives are recognised in the income statement in the category of cost consistent with the function of the intangible asset.
Intangible assets with indefinite lives are tested annually for impairment losses on an individual basis or in terms of cash-generating unit.
Profits or losses deriving from the disposal of an intangible asset are measured as the difference between the net income and the book value of the asset and are recognised in the income statement upon disposal.
The estimate of the useful life of intangible assets with definite lives is set below:

	Years
Industrial rights and patents	5
Development costs	5
Trademarks	5
Other intangible assets	3 - 5

Research and Development costs
Research costs are posted to the income statement when they are borne.
Development costs borne with regard to a particular project concerning the development of new excavating machines, stringing equipment and/or railway machines, of their significant individual components and/or of significant customisations that materialise in new models included in the catalogue, are capitalised only when the Group can show the ability to complete the technical work in order to make it available for use or for sale, its intention to complete the said asset in order to use it or transfer it to third parties, the ways in which it will generate probable future economic benefits, the availability of technical, financial or other type of resources to complete the development, its ability to reliably consider the cost attributable to the asset during its development and the existence of a market for the products and services deriving from the asset or usefulness for internal purposes. Capitalised development costs include only expenses borne that can be directly charged to the development process.
During the period of development, the asset is annually reviewed in order to recognise any impairment loss. After the initial recognition, development costs are measured at cost decreased by any accumulated amortisation or loss. The amortisation of the asset starts when the development is complete and the asset is available for use. It is amortised with reference to the period in which the connected project is expected to generate revenues for the Group, estimated on average over five years. If the projects to which such assets refer are abandoned or the related machines are no longer included in the catalogue, specific impairment indicators are recognised, and therefore the asset is tested for impairment and written down for any impairment loss recognised as previously described for intangible assets with definite lives.

Rights and trademarks
The purchase costs of the rights and trademarks are amortised over a period of time during the useful life of the acquired asset, which was determined in five years. Rights and trademarks includes the purchase of know-how for the production of railways materials related to the acquisistion of the business unit of company AMC2 from the subsidiary Tesmec Service S.r.l..

Property, plant and equipment

Property, plant and equipment acquired separately, with the exception of the land and buildings item, are recorded at historical cost, including directly imputable additional costs necessary for putting the asset into operation for the use for which it was acquired. This cost includes the charges for replacing part of the machines and plants when they are borne, if complying with the recognition criteria.
Property, plant and equipment acquired by means of business combinations are recorded at fair value on the date of acquisition.
Maintenance and repair costs, which are not likely to enhance and/or extend the residual life of the assets, are paid during the financial period in which they are borne, otherwise they are capitalised.
Property, plant and equipment are stated net of the related accumulated depreciation and any impairment loss determined as described below. The depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company, which is reviewed every year and any change, if necessary, is applied prospectively.

The estimate of the useful life of the main classes of property, plant and equipment is set below:

	Years
Buildings	40
Plant and machinery	10
Fixtures and fittings, tools and equipment	4
Leasehold Trenchers	5
Other assets	4 – 5

If significant parts of property, plant and equipment have different useful lives, these components are recorded separately. Lands, both without construction and belonging to buildings, are recorded separately and are not depreciated since they have an unlimited useful life.
The Group, based on the considerations made, established that the temporarily leased Trencher machines can be depreciated on a pro-rata basis according to actual use. In particular, they are depreciated at an annual 20% rate during the lease period. In the event that these trenchers are not leased temporarily during the reporting period, the depreciation process is suspended.
Instead for Trenchers machines totally addressed to lease activity, due to it is necessary a usual replacement of significative parts of these machines, the group depreciate separately the following components, on the base of their useful life:

- frame: 15 years
- motors: 8 years
- caterpillars: 5 years

The book value of property, plant and equipment is subject to an impairment test when events or changed circumstances indicate that the book value cannot be recovered. If there is an indication of this type and, in the event that the book value exceeds the estimated realisable value, assets are written down so as to reflect their realisable value. The realisable value of property, plant and equipment is represented by the net sales price and the usage value, whichever is higher.
When defining the usage value, the expected future financial flows are discounted back using a pre-tax discount rate that reflects the current market estimate of the cost of money placed in relation to the timescale and specific risks of the asset. In relation to assets that do not generate fully independent financial flows, the realisable value is determined in relation to the financial-flow generating unit to which the asset belongs. Impairment losses are recorded in the income statement among costs for amortisation, depreciation and write-downs. These impairment losses are reversed if the reasons that generated them no longer exist.
At the time of sale or when there are no future economic benefits, expected from the use of an asset, it is written off from the financial statements and any loss or profit (calculated as the difference between the transfer value and the book value) is posted to the income statement in the year of the aforesaid writing off.

Leases

Contracts with the Group as lessee
Lease contracts are classified as Financial or Operating Lease at the beginning of the Lease contract.
Financial lease contracts, which substantially transfer to the Group all the risks and benefits deriving from the ownership of the leased asset, are capitalised on the starting date of the lease at fair value of the leased asset or at present value of the lease payments, if lower. Lease payments are prorated between principal and interests in order to obtain the application of a constant interest rate on the residual balance of the debt. Financial expenses are posted directly to the income statement. Lease contracts in which the lessor substantially retains all risks and benefits related to the ownership of the asset are classified as operating leases.

Contracts with the Group as lessor
If the Group signs lease contracts that substantially transfer to the customers all the risks and benefits deriving from the ownership of the leased asset, the revenues concerning the transfer of the asset are recorded in the financial statements and are capitalised, on the starting date of the lease at the fair value of the leased asset or at the present value of the lease payments, if lower. Moreover, a borrowing that corresponds to the present value of the lease payments still due is recorded in the balance sheet. Financial expenses are posted directly to the income statement.

Impairment of assets

At the end of each reporting period, the Group considers the possible existence of impairment loss indicators of intangible assets with definite lives, of property, plant and equipment and of financial lease assets. If these indicators exist, an impairment test is carried out.
The recoverable value is determined as the fair value of an asset or financial-flow generating unit net of sales costs and its usage value, whichever is higher, and is determined by single asset, with the exception of the case in which this asset generates financial flows that are not widely independent from those generated by other assets or groups of assets, in which case the Group estimates the recoverable value of the clash-flow generating unit to which the asset belongs.
When determining the usage value, the Group discounts back the present value of future estimated financial flows, by using a pre-tax discount rate that reflects the market evaluations on the time value of money and specific risks of the asset.
In order to estimate the usage value, the future financial flows are derived from the business plans approved by the Board of Directors, which represent the best estimate made by the Group on the economic conditions laid down in the plan period. The projections of the plan cover normally a period of three financial periods; the long-term growth rate used in order to estimate the terminal value of the asset or of the unit is normally lower than the average long-term growth rate of the segment, country or market of reference. Future financial flows are estimated by referring to the current conditions:

therefore, estimates do not consider benefits deriving from future restructuring for which the Group has not yet committed itself or future investments for improving or optimising the asset or the unit.
If the book value of an asset or financial-flow generating unit is greater than its recoverable value, this asset was impaired and consequently amortised until its recoverable value is reached.
Impairment losses incurred by operating assets are recognised in the income statement in the categories of cost consistent with the function of the asset that showed the impairment loss. At the end of each reporting period, the Group also considers the possible existence of elements indicating a decrease in impairment losses previously recognised and, if these indicators exist, it estimates the recoverable value again. The value of an asset previously written down can be restored only if there were changes in the estimates used for determining the recoverable value of the asset after the last recognition of an impairment loss. In this case, the book value of the asset is set to the recoverable value, however without the possibility for the value thus increased to exceed the book value that would have been determined, net of amortisation, if no impairment had been recognised in previous years. Each reversal of impairment loss is recognised as an income in the income statement; after recognising a reversal of impairment loss, the amortisation rate of the asset is adjusted in future periods, in order to distribute the changed book value, net of any residual value, on a straight-line basis over the remaining useful life.

Equity investments in joint ventures

The Group holds investments in jointly controlled companies classified as joint ventures. From 2012 on the base of the operative phase of two distributive joint ventures (Condux Tesmec and Tesmec Peinsula) the results of the same have been classified in the operative components of the operative Income. With the acquisition of Group Marais three new joint ventures (Marais Algerie SARL, Marais Tunisie SA, Marais Luca Technology Pty Ltd.) entered in the consildated area of the Group. Considering the kind of activity and effective operative phase of them, their result has been registered in the non-operative components of the the income, together with the other results of the other related companies.
A joint venture is a contractual agreement whereby two or more parties undertake an economic activity subject to joint control; a jointly-controlled company is a joint venture that involves the establishment of a separate company in which each shareholder has an equity investment. The Group consolidates the equity investment in the joint venture with the equity method. After applying the equity method, the Group determines whether it is necessary to record any additional impairment loss with reference to the net equity investment. In this case the Group calculates the amount of the loss as difference between the recoverable value of the joint venture and the inscription value of the same in its proper balance sheet, emerging that difference in “Portion of gains/(losses) from associated companies and operational Joint Ventures evaluated using the equity method”.
The joint venture draws up the financial statements of the same financial period of the parent company and applies homogeneous accounting policies. Any lack of homogeneity in the applied accounting policies are corrected by adjustments.
When the Group brings or sells assets to the joint venture, the recognition of profit or loss shares deriving from the operation reflects the contents of the operation itself. When the Group purchases goods or services from the joint venture, it does not recognise its own profit share deriving from the operation until it sells such asset or service to an independent third party.
The result of the income statement of the joint ventures that offer an operational contribution was included in the Group’s Operating Income.

Equity investments in associates

An associate is a company over which the Group exercises a significant influence and is not classifiable as subsidiary or joint venture.
The Group consolidates its equity investments in associates with the equity method.
The application of the equity method implies the entry in the balance sheet of the cost increased by the changes following the acquisition of the net asset of the associate in the portion attributable to the Group. After applying the equity method, the Group determines whether it is necessary to record any additional impairment loss with reference to the net equity investment. In this case the Group calculates the amount of the loss as difference between the recoverable value of the associate company and the inscription value of the same in its proper balance sheet, emerging that difference in “Portion of gains/(losses) from associated companies and non-operational Joint Ventures evaluated using the equity method”.
The income statement reflects the Group's share of the Company's operating result. If a company recognises adjustments directly posted to the shareholders' equity, the Group recognises its share and shows it in the statement of changes in shareholders' equity, if applicable. Any unrealised profit and loss deriving from transactions between the Group and the subsidiary is written off in proportion to the equity investment.
In case the draw-up date of the balance sheet of some associated company is not in line with that of the Group, for the purposes of the Group's consolidated financial statements, the companies will prepare interim closing accounts on dates next to the end of the reporting period of the Group. The accounting policies used comply with those used by the Group, for transactions and events of the same nature and in similar circumstances.

Financial assets and other non-current assets

These assets are measured according to the amortised cost approach by using the effective discount rate method net of any provision for impairment.
The amortised cost is calculated taking into consideration any discount or purchase premium and includes the commissions that are part and parcel of the effective interest rate and of the transaction costs.
Receivables falling due after one year, interest bearing or paying interests lower than the market, are discounted by using interest rates in line with market references.

Financial assets derecognized from Group statement of financial position when:

- the rights to receive financial flows from the asset terminated; or
- the Company has transferred to a third Party the right to receive the financial flows from the asset or it has assumed the contractual obligation to correspond them totally and without any dilays and (a) it has transferred substantially all risks and benefits related to the ownership of financial asset or (b) it has not substantially transferred all risks and benefits of financial asset, but it has transferred the control of the same.

Inventories

Inventories are measured at the purchase and/or production cost, whichever lower, calculated by using the weighted average cost method, and the net realisable value. The purchase cost is inclusive of additional expenses; the cost of production includes directly attributable costs and a share of indirect costs, reasonably attributable to the products. The net estimated realisable value consists of the estimated sales prices less the estimated completion costs and the costs estimated to make the sale.
Write-down allowances are allocated for materials, finished products, spare parts and other supplies considered obsolete or slow-moving, taking into account their future expected usefulness or their realisable value.

Construction contracts

A work order is a contract specifically negotiated for the construction of an asset according to the instructions of the company commissioning the work, which defines in advance the design and specifications.
Work order revenues include the considerations initially agreed with the company commissioning the work, in addition to variations in the commissioned work and to price changes provided for in the contract that can be measured reliably.
When the work order result can be measured reliably, work order revenues and costs are recognised as sales and as costs on the basis of the percentage of completion; the work in progress is calculated by referring to the costs of the work order borne until the end of the reporting period as a percentage of total costs estimated for each work order.
The costs borne in relation to future activities of the work order are excluded from the work order costs when calculating the work in progress and are recorded as inventories.
Total estimated costs for each work order are reviewed periodically, and when the costs of the work order are expected to be greater than its total revenues, the expected loss is recognised immediately as a cost.

Trade receivables and other current assets

Trade receivables and other current assets are initially recorded at fair value, which generally corresponds to the nominal value and subsequently measured at amortised cost and reduced in case of impairment losses. Moreover, trade receivables are adjusted to their estimated realisable value by entering a special adjustment provision.
Receivables in foreign currency other than the reporting currency are recorded at the exchange rate of the date of operation and subsequently converted to the exchange rate at the end of the financial period. The profit or loss resulting from the conversion is attributed to the income statement.
If the maturity of the trade receivables and of the other current assets does not fall within the normal commercial terms and do not bear interests, a detailed discounting process is applied based on assumptions and estimates.
The Tesmec Group assigns part of its trade receivables through factoring without recourse. Receivables assigned following factoring operations can be written off from the assets of the balance sheet only if the risks and benefits related to their legal ownership were substantially transferred to the assignee.

Other receivables and other financial assets

They are recorded initially at fair value and subsequently measured according to the amortised cost.
A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is written off from the financial statements when:

- the rights to receive financial flows from the asset terminated;
- the Company has transferred to a third Party the right to receive the financial flows from the asset or it has assumed the contractual obligation to correspond them totally and without any dilays and (a) it has transferred substantially

all risks and benefits related to the ownership of financial asset or (b) it has not substantially transferred all risks and benefits of financial asset, but it has transferred the control of the same.

If the Group has transferred the rights to receive financial flows from an asset and has not transferred or retained substantially all the risks and benefits or has not lost control over it, the asset is recognised in the financial statements of the Group to the extent of its residual involvement in the asset itself. The residual involvement that takes the form of a guarantee on the transferred asset is measured at the initial book value of the asset or the maximum value of the consideration that the Group could be obliged to pay, whichever lower.
If the residual involvement takes the form of an option issued and/or purchased on the transferred asset (including the cash-settled options or the like), the measure of the involvement of the Group corresponds to the amount of the transferred asset that the Group may repurchase; however, in case of a put option issued on an asset measured at fair value (including the cash-settled options or with similar provisions), the measure of the residual involvement of the Group is limited to the fair value of the transferred asset or the exercise price of the option, whichever lower.

Cash and cash equivalents

Cash and short-term deposits include cash on hand as well as on-demand and short-term bank deposits; in this last case, with original maturity of no more than three months. Cash and cash equivalents are booked at nominal value and at the spot exchange rate at the end of the financial period, if in currency, corresponding to the fair value.

Loans

Loans are initially stated at fair value of the amount received, net of any related loan acquisition costs.
After initial statement, loans are valued using the amortised cost approach, applying the effective interest rate method.
Any profit or loss is recorded in the income statement when the liability is discharged, in addition to using the amortisation process.

Treasury shares

The repurchased treasury shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the acquisition value and the consideration, in case of transfer, is recognised in share premium reserve. The voting rights related to the treasury shares are cancelled as well as the right to receive dividends. In case of exercise of share options during the period, these are met with treasury shares.

Trade payables and other payables

Payables are measured at nominal value.
Given the granted terms of payment, when a financial operation is configured, payables measured with the amortised cost approach are submitted to the discounting back of the nominal value to be paid, recording the discount as a financial charge.
Payables in foreign currency are aligned with the exchange rate at the end of the financial period and profits or losses deriving from the adjustment are posted to the income statement in unrealised exchange profits/losses.

Provisions for risks and charges

Provisions for risks and charges are made when the Group must face up a current liability (legal or implicit) that is the result of a past event; an outflow of resources is likely to meet this obligation and it is possible to make a reliable estimate of its amount.
When the Group believes that a provision for risks and charges will be partially or totally reimbursed, for example in the case of risks covered by insurance policies, the compensation is recognised separately in the assets only if it is practically certain. In this case, the cost of any provision is stated in the income statement net of the amount recognised for the compensation.
If the discounting back effect of the value of money is significant, provisions are discounted back using a pre-tax discount rate that reflects, if appropriate, the specific risks of the liabilities. When discounting back is carried out, the increase in the provision due to the passage of time is recognised as a financial expense.
The Group makes provisions for product guarantees in relation to the guarantee contractually granted to its customers on the sold machines. These provisions are calculated on the basis of the historical incidence of costs for product guarantee borne in past financial periods, of the period of validity of the granted guarantees and benchmarked again in relation to the amount of revenues of the period to which they refer, and revised annually.

Employee benefit liability

Post employment benefits are defined on the basis of plans, even though not yet formalised, which are classified as "defined contribution" and "defined benefit" in relation to their characteristics.

The Italian legislation (Article 2120 of the Italian Civil Code) establishes that, at the date on which each employee rescinds the employment contract with the company, he/she receives an allowance called TFR (severance indemnity). The calculation of this allowance is based on some items forming the yearly pay of the employee for each year of work (properly revalued) and on the length of the employer-employee relationship. According to the Italian civil law, this allowance is reflected in the financial statements according to a calculation method based on the allowance accrued by each employee at the reporting date, if all employees rescind the employment contract on that date.
The IFRIC of the IASB dealt with the TFR matter, as defined by the Italian legislation, and concluded that, in accordance with IAS 19, it must be calculated according to a method called Projected Unit Credit Method (the so-called PUCM) in which the amount of the liability for the acquired benefits must reflect the expected resignation date and must be discounted back.
The Group's net liability deriving from defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that the employees acquired in exchange for the work carried out in the current financial period and in prior financial periods; this benefit is discounted back to calculate the present value. As provided by the revised version of IAS 19, actuarial gains and losses are recorded in full in the comprehensive income statement in the period in which they arise. The evaluation of liabilities is made by an independent actuary.
The Group has no other defined benefit pension plan.
The Group's liability deriving from defined-contribution plans is limited to the payment of contributions to the State or to an asset or legally separate entity (so-called fund), and is determined on the basis of the contributions due.

Government grants

Government grants are recognised in the financial statements when there exists a reasonable certainty that the company will meet all the conditions for receiving the contributions and that the contributions will be received. When the contributions are related to cost components, they are recognised as revenues, but are allocated systematically across the financial periods in order to be proportionate to the costs that they intend to compensate. If a contribution is related to an asset, the asset and the contribution are recognised for their nominal values and they are gradually discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference.
If the Group receives a non-monetary contribution, the asset and contribution are recognised at their nominal value and discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference. In case of loans or similar forms of assistance supplied by government entities or similar institutions that have an interest rate lower than the current market rate, the effect related to the favourable interest rate is considered as an additional government grant.

Financial instruments

The financial instruments are initially recognised at fair value and, after initial recognition, measured in relation to the classification, as required by IAS 39.
For financial assets, this treatment is differentiated among the following categories:

- financial assets at fair value through profit or loss;
- investments held to maturity;
- loans and receivables;
- available-for-sale financial assets.

With reference to financial liabilities, only two categories are established:

- financial liabilities at fair value through profit or loss;
- liabilities at amortised cost.

The methods for determining the fair value with reference to such financial instruments, with accounting or information purposes, are summarised below with reference to the main categories of financial instruments, to which they have been applied:

- derivative instruments: the appropriate pricing models based on market interest rates and on currency exchange ratios;
- receivables and payables and unlisted financial assets: the discount cash flow method was applied for financial instruments falling due after one year, i.e. the discounting back of expected cash flows in consideration of current interest rates and credit rating;
- listed financial instruments: the market value at the date of reference is used.

Derivative financial instruments

Derivative financial instruments are used solely with the intent to hedge financial risks relating to exchange-rate changes on commercial transactions in foreign currency and interest rate risks on interest-bearing loans and borrowings.

In accordance with IAS 39, hedging derivative financial instruments can be recorded according to the methods established for hedge accounting only when:

- at the beginning of the hedge, there is formal designation and documents of the hedging arrangement;
- the hedging is expected to be highly effective;
- the effectiveness can be reliably measured; and the hedging itself is highly effective during different accounting periods for which it is designated.

All derivative financial instruments are measured at fair value. When financial instruments have the characteristics to be recorded in hedge accounting, the following accounting treatments are applied:

Fair value hedge – if a financial derivative is designated as a hedge of the exposure to changes in the present value of a balance-sheet asset or liability that may affect the income statement, the profit or loss arising from the future evaluation of the present value of the hedging instrument is recognised in the income statement, as well as the profit or loss on the item being hedged.
Cash flow hedge – if a financial derivative is designated as a hedge of the exposure to changes in cash flows of a balance-sheet asset or liability or of a highly probable expected transaction and that may affect the income statement, the effective portion of profits or losses on the financial instrument is recognised in equity; the accumulated profit or loss is reversed from equity and recorded in the income statement in the same period in which the transaction to be hedged is recognised; the profit or loss associated with a hedging, or with an ineffective hedging, are recorded in the income statement when the ineffectiveness is recognised.
If the conditions for the application of hedge accounting do not apply, the effects deriving from the fair value measurement of the derivative financial instrument are booked directly to the income statement.

Revenues and costs

Revenues and costs are stated on an accrual basis. Revenues and income, presented net of returns, discounts, allowances and premiums, are recorded at fair value insofar as it is possible to reliably determine such value and its economic benefits are likely to be enjoyed.
Revenues from the sale of goods are recognised when all the following conditions are met:

- significant risks and benefits related to the ownership of the goods were transferred to the purchaser;
- the usual ongoing activities associated with the ownership of the goods are no longer carried out, and the actual control of the sold goods is no longer exercised;
- the amount of revenues can be reliably determined;
- the future economic benefits are likely to be enjoyed;
- the costs borne, or to be borne, can be reliably estimated.

More specifically, with reference to sales with CIF condition, risks and benefits related to the ownership of the asset are transferred to the end customer, and therefore the revenues are recognised, when the asset is handed over at the broadside of the ship.

With regard to any machine completed and not yet shipped to the customer (bill and hold) for reasons that do not depend on the Group, revenues are recognised if the following conditions established by Appendix 1 of IAS 18 have been complied with:

- the machine has been completed and is available to be shipped to the customer;
- the customer indicated in writing, at a date before the date of invoicing, its own irrevocable intent to purchase the asset; moreover, this condition implies that the customer shall bear the insurance cost for the periods during which it is still available at the warehouse of the company and relevant transport; therefore, it is reasonable for the sale to be carried out;
- the customer gave clear and precise indications on the delivery of the machine;
- standard payment terms are applied to the customer.

With reference to the sales to the Joint ventures, if the risks and benefits related to the ownership of the asset are transferred to them, the revenue is recorded in the income statement. If, at the reporting date, the Joint venture has not transferred the ownership of the asset to the end customer, the margin achieved with it, following the application of the equity method by the Tesmec Group in the consolidated financial statements, is reversed in relation to the amount of shares held in the capital of the company.

If the trade agreements related to the sales of machines contemplate their on-site testing at the premises of the purchaser as a binding condition for the acceptance of the machine, risks and benefits are transferred, and therefore the revenues are recognised, when the machine has been tested and the purchaser has accepted.

Revenues from services rendered are recognised when all the following conditions are met:

- the amount of the revenue can be measured reliably.
- it is likely that the economic benefits deriving from the operation will flow to the company;
- the completion stage of the operation at the end of the reporting period may be reliably measured;
- costs incurred for the operation and costs to be borne in order to complete it may be reliably calculated.

In particular, the Tesmec Group provides services that contemplate an excavation activity carried out by using machines belonging to the company and specialised workers employed by third-party companies. The provision of these services is contractually regulated by agreements with the counterpart that indicate, among other things, the timing for carrying out the excavation and contemplate a price per excavated metre that changes according to different hardness of the soil. Revenues are recognised on the basis of the progress of the excavation to date, as resulting from the states of the work-in-progress recognised and agreed with the counterpart.

Moreover, the Tesmec Group provides after-sales services concerning the machines sold. If these services are requested after the expiry of the guarantee period, the service is contractually regulated by agreements with the counterpart. Revenues are recognised based on the time and components used by the technicians during repair operations.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis on the basis of interests accrued on the net value of the related financial assets and liabilities, by using the effective interest rate.

Determining the fair value of financial instruments

The fair value of the financial instruments listed on an active market is based on market prices at the end of the reporting period. The fair value of financial instruments that are not listed on an active market is determined by using measurement techniques based on a series of methods and assumptions related to market conditions at the end of the reporting period.

Dividends

Dividends are recorded when the right of the shareholders to receive the payment arises, coinciding with the time in which they are decided.

Income tax

Current taxation

Taxes reflect an estimate of the tax burden, determined by applying the laws and regulations in force in the Countries where the Tesmec Group carries on its activity. Taxable income for tax purposes differs from the pre-tax profit or loss indicated in the income statement, because it excludes positive and negative components that will be taxable or deductible in other financial periods and excludes items that will never be taxable or deductible. Current tax liabilities are calculated by using the rates in force or substantially approved at the end of the reporting period.
Current tax liabilities are recorded in the current liabilities net of any paid tax advances.

Deferred taxes

Deferred taxes are calculated on the temporary differences resulting at the end of the reporting period among the tax values used as a reference for assets and liabilities and the values indicated in the financial statements.
Deferred tax assets are recognised for all the temporary deductible differences and for retained tax assets and liabilities, insofar as the existence of appropriate future tax profits that can apply the use of the temporary deductible differences and of the retained tax assets and liabilities is likely.
The value to be stated in the financial statements for deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available in the future for this tax credit to be used totally or partially. Deferred tax assets not recognised are reviewed every year at the end of the reporting period and are recognised to the extent that the pre-tax profit is probably sufficient to allow the recovery of these deferred tax assets.
Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied to the financial period in which such assets are sold or such liabilities are discharged, considering the rates in force and those already issued or substantially issued at the end of the reporting period.
Deferred tax assets and liabilities are recognised directly in the income statement, with the exception of those relating to items recognised directly in equity, in which case the related deferred taxes are also accounted for consistently without booking to the income statement.
Deferred tax assets and liabilities are offset, if there is a legal right to offset current tax assets against current tax liabilities, and the deferred taxes refer to the same tax entity and to the same tax authority.
Assets for deferred tax assets and liabilities for deferred tax liabilities are classified as non-current assets and liabilities.

Value added tax

Revenues, costs and assets are recognised net of value added tax with the exception of the case in which:

- such tax applied to the purchase of goods and services is not deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- they refer to trade receivables and payables for which the invoice has already been issued or received and they are stated by including the value of the tax.

The net amount of indirect taxes on sales and purchases that can be recovered from or paid to the tax authorities is recorded in the financial statements item other receivables and payables depending on the sign of the balance. VAT related to invoicing to public bodies is paid to the Tax authority when the receivable is collected during suspended VAT, pursuant to Italian Presidential Decree no. 633/72 and subsequent amendments.

Earnings per share

The basic earnings per share are calculated by dividing the Group's economic result by the weighted average of the outstanding shares during the period. For the purposes of the calculation of the diluted earnings per share, the weighted average of the outstanding shares is modified by assuming the conversion of all the potential dilutive shares. The net result is also adjusted to take account of the effects, net of tax, of the conversion.
The diluted earnings per share coincide with the basic earnings, since there are no outstanding shares or options other than ordinary shares.

3.2 Changes and new principles and interpretations

The accounting standards adopted for the preparation of the consolidated financial statements as at 31 December 2015 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 consolidated report on operations of the Group. The nature and impact of each new standard/amendment is listed below:

- **IFRIC 21 Levies**
  IFRIC 21 is effective for annual periods beginning on or after 17 June 2014 and applies retrospectively. It is applicable to all payments imposed by law by the Government other than those already dealt with in other principles (for example, IAS 12 Income taxes) and those for fines or other penalties for violations of the law. The interpretation explains that an entity recognises a liability not before the obligating event occurs, in accordance with the relevant legislation. The interpretation also explains that the liability is recognised progressively if the obligating event occurs over a period of time provided by law. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. These amendments did not impact the Tesmec Group.

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 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.

3.3 Discretionary assessment and significant accounting estimates

The preparation of the financial statements requires the directors to carry out discretionary assessments, estimates and assumptions that affect the values of revenues, costs, assets and liabilities and the indication of contingent liabilities at the end of the reporting period. The final results may differ from said estimates. Estimates are used for recognising:

Deferred tax assets
Deferred tax assets are recognised for all the temporary differences and all retained tax losses, in so far as the existence of adequate taxable future profits for which such losses may be used is likely. Directors are requested a significant discretionary assessment to determine the amount of deferred tax assets that can be recorded. They must estimate the probable time in which it will reveal itself and the amount of taxable future profits as well as a future tax planning strategy.

Employee benefits - Severance Indemnity
Provision for severance indemnity is determined by using actuarial evaluations. The actuarial evaluation requires assumptions on discount rates, future increases in salary, turnover and death rates. Since these are long-term plans, such estimates are subject to a significant level of uncertainty.

Development costs
Development costs are capitalised on the basis of the accounting standard explained below. The directors must make assumptions on future cash flows expected from fixed assets, discount rates to be applied and the periods during which the expected benefits reveal themselves in order to determine the values to be capitalised.

Impairment of non-current assets
An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher value between its fair value deducted the selling costs and its value in use. Fair value less selling costs is equal to the amount obtainable from the sale of an asset or cash-generating unit in a free transaction between knowledgeable, willing parties, deducted from writing off costs. The calculation of the value in use is based on a discounted cash flow model. The cash flows are derived from the budget of the next three years and do not include restructuring activities for which the Group has not yet committed to or significant future investments that will increase the results related activity included in the cash generating unit evaluated. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected cash flows in the future and the growth rate used for extrapolation.

Moreover, estimates are used for recognising provisions for bad debts, product guarantees, provisions for risks and charges, inventory obsolescence, amortisation, depreciation and write-downs of assets, fair value of derivative financial instruments.

Estimates and assumptions are periodically revised and the effects of each change are immediately reflected in the income statement.

4. Financial risk management policy

The Tesmec Group is exposed in varying degrees to financial risks related to the core business. In particular, the Group is exposed at the same time to the market risk (interest-rate risk and exchange-rate risk), liquidity risk and credit risk.
The management of financial risks (mainly interest-rate risks) is carried out by the Group on the basis of guidelines defined by the Board of Directors. The purpose is to guarantee 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:

- interest bearing financial payables with multiyear redemption plan, to cover the investments in fixed assets.
- short-term financial payables and bank overdrafts to finance the working capital.

The average cost of indebtedness is benchmarked to the trend of the three-month EURIBOR rates plus a spread that depends on the financial instrument used and on the rating Group share.

The Group uses derivative financial instruments in order to hedge the interest-rate risk and the exchange-rate risk. The Group does not apply the Cash Flow Hedge Accounting with reference to such positions, in that they do not meet the requirements provided in this regard by the IFRS.
The trading of derivative instruments with speculative purposes is not contemplated.

Management of the exchange-rate risk

The 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 31 December 2015, there were eleven 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 equal to Euro 27.8 million, with a negative equivalent value of around Euro 348 thousand.

As at 31 December 2014, there were eight 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 equal to Euro 23.4 million, with a negative equivalent value of around Euro 444 thousand.

The short-term portion of interest bearing financial payables (current portion), which is mainly used to finance working capital requirements, is not subject to interest-rate risk hedging.
The cost of bank borrowing is benchmarked to the EURIBOR/LIBOR rate plus a spread that depends on the type of credit line used and is the same by type of line. The applied margins can be compared to the best market standards. The interest rate risk to which the Group is exposed is mainly originated from existing financial payables.

The main sources of exposure of the Group to the interest-rate risk refer to existing interest bearing financial payables (current portion) and interest bearing financial payables and to the existing derivative instruments. In particular, the potential impacts on the Income Statement of the 2016 financial period (compared to 2015) referable to the interest-rate risk are set below:

- potential change in financial expenses and differentials related to existing derivative instruments in the 2015 financial period.
- potential change in fair value of existing derivative instruments.

The Group estimated the potential impacts on the Income Statement and on Shareholders' Equity of the 2016 financial period (compared to 2015, calculated with reference to the situation existing at the end of the 2014 reporting period, respectively) produced by a simulation of the change in the term structure of the interest rates, by using internal measurement models, based on the general acceptance approach. In particular:

- for loans, these impacts were estimated by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the term structure of interest rates, applied only to the cash flows to be settled during the 2016 financial period (compared to 2015);
- for derivative instruments, by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the term structure of interest rates.

With reference to the situation as at 31 December 2015, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2016 financial period of Euro 233 thousand, offset by an increase of Euro 134 thousand in the spread collected for the existing derivatives. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in financial expenses of Euro 42 thousand, offset by a decrease of Euro 27 thousand in the collected spread for the existing derivatives.

With reference to the situation as at 31 December 2014, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2015 financial period of Euro 233 thousand, offset by an increase of Euro 91 thousand in the spread collected for the existing derivatives. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in financial expenses of Euro 39 thousand, offset by a decrease of Euro 24 thousand in the collected spread for the existing derivatives.

(Euro in thousands)	Interests					
	31 December 2015			31 December 2014		
	Residual debt	Impact on the IS +100 bps	Impact on the IS -30 bps	Residual debt	Impact on the IS +100 bps	Impact on the IS -30 bps
Borrowings	123.137*	(230)	42	99.173*	(233)	39
Total Loans	**123.137***	**(230)**	**42**	**99.173***	**(233)**	**39**
(Euro in thousands)	**Notional**	**Impact on the IS +100 bps**	**Impact on the IS -30 bps**	**Notional**	**Impact on the IS +100 bps**	**Impact on the IS -30 bps**
Derivative instruments hedging cash flows	27.761	85	(24)	23.418	91	(24)
Total Derivative instruments	**27.761**	**85**	**(24)**	**23.418**	**91**	**(24)**
Total		**(145)**	**18**		**(142)**	**15**

(*) The residual debit is considered before amortized costs.

(Euro in thousands)	Fair value sensitivity of derivatives									
	Financial period ended 31 December 2015									
	Notional value	Net FV	Net FV +100 bps	Net FV +100 bps	Impact on IS +100 bps	Impact on SE +100 bps	Net FV -30 bps	Net FV -30 bps	Impact on IS - 30 bps	Impact on SE - 30 bps
Derivative instruments hedging cash flows	27.761	(348)	(70)	278	278	-	(434)	(87)	(87)	-
Total	**27.761**	**(348)**	**(70)**	**278**	**278**	**-**	**(434)**	**(87)**	**(87)**	**-**
	Financial period ended 31 December 2014									
(Euro in thousands)	**Notional value**	**Net FV**	**Net FV +100 bps**	**Net FV +100 bps**	**Impact on IS +100 bps**	**Impact on SE +100 bps**	**Net FV -30 bps**	**Net FV -30 bps**	**Impact on IS - 30 bps**	**Impact on SE - 30 bps**
Derivative instruments hedging cash flows	23.418	(444)	(109)	335	335	-	(473)	(29)	(29)	-
Total	**23.418**	**(444)**	**(109)**	**335**	**335**	**-**	**(473)**	**(29)**	**(29)**	**-**

With reference to the situation as at 31 December 2015, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in an increase in the asset value of the existing hedging derivative instruments of Euro 278 thousand, with an impact on the Income statement of the 2016 financial period. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in the asset value of the existing hedging derivative instruments of around Euro 87 thousand, with an impact only on the Income statement of the 2016 financial period.

With reference to the situation as at 31 December 2014, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in an increase in the asset value of the existing hedging derivative instruments of Euro 335 thousand, with an impact on the Income statement of the 2015 financial period. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in the asset value of the existing hedging derivative instruments of around Euro 29 thousand, with an impact only on the Income statement of the 2015 financial period.

The assumptions concerning the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical development of such parameters with reference to a time scale of 12 months.

Credit risk management

The Group has a much parcelled out customer structure being mostly end-consumers. Moreover, most of the contemplated forms of collection include advance payments of the supply or a deposit not less than 30% of the sale.
This structure zeroes the credit risk; the validity of this approach is endorsed by the low amount of receivables at the end of the financial period compared to the amount of annual sales.

There are no significant concentrations of credit risk exposure in relation to individual debtors to be reported.
All the significant positions about commercial credits, both referring to the end of the financial period 2014 and 2013, had a deadline less than 12 months.

Management of liquidity risk

The Group manages the liquidity risk by controlling strictly the elements forming the working capital and in particular trade receivables and payables.
The Company tends to obtain upstream a good cash generation in relation to sales and then use it for paying the suppliers without compromising the short-term balance of the treasury and avoid problems and tensions in current liquidity.

The stratification of existing Liabilities with reference to 2015 and to 2014 financial periods, with regard to financial instruments, by residual maturity, is set out below.

Maturity	31 December 2015				
	Financial payables		Trade payables	Financial instruments	Total
	Capital	Interests			
(Euro in thousands)	a	b	c	d	a+b+c+d
Within 12 months	45.921	3.821	39.049	242	**89.033**
Between one and two years	13.339	3.512	-	123	**16.974**
Between two and three years	18.230	3.795	-	19	**22.044**
Between three and five years	17.052	3.722	-	(7)	**20.767**
Between five and seven years	18.351	2.819	-	(6)	**21.164**
After more than 7 years	10.244	1.797	-	-	**12.041**
Total	**123.137***	**19.466**	**39.049**	**371**	**182.023**

Maturity	31 December 2014				
	Financial payables		Trade payables	Financial instruments	Total
	Capital	Interests			
(Euro in thousands)	a	b	c	d	a+b+c+d
Within 12 months	36.460	3.642	34.179	172	**74.453**
Between one and two years	11.751	3.189	-	114	**15.054**
Between two and three years	7.013	2.874	-	50	**9.937**
Between three and five years	15.022	4.675	-	12	**19.709**
Between five and seven years	19.516	3.587	-	(5)	**23.098**
After more than 7 years	9.411	1.945	-	-	**11.356**
Total	**99.173***	**19.912**	**34.179**	**343**	**153.607**

(*) The residual debits is considered before amortized costs.

The estimate of expected future expenses implicit in loans and of expected future differentials implicit in derivative instruments was determined on the basis of the term structure of interest rates in Euro existing at the reporting dates (31 December 2015 and 31 December 2014).

Management of the exchange-rate risk

The Group is exposed to exchange-rate fluctuations of the currencies in which the sales to foreign customers are paid (US Dollars and South African Rand). This risk is expressed if the equivalent value in Euro of revenues decreases following negative exchange-rate fluctuations, thereby preventing the Company from achieving the desired margin. This risk is increased due to the relevant time interval between the moment in which the prices of a shipment are fixed and the moment in which the costs are converted in Euro.

The potential impacts on the Income Statement of the 2016 financial period (compared to 2015) referable to the exchange-rate risk are determined by the revaluation/write-down of asset and liability items in foreign currency.

The Group estimated the potential impacts on the income statement of the 2016 financial period (compared to 2015, calculated with reference to the situation existing at the end of the 2014 reporting period, respectively) produced by a shock of the exchange-rate market, by using internal measurement models, based on the general acceptance approach.

	Exposure in foreign currency (USD) 2015			Sensitivity 2015	
Exposure with regard to equity items	**Assets (USD/000)**	**Liabilities (USD/000)**	**Equity (USD/000)**	**Income Statem. EUR/USD Exchange Rate +5%**	**Income statement EUR/USD exchange rate -5%**
Trade receivables	10.990		10.990	(505)	505
Trade payables		83	83	(4)	4
Total net exposure with regard to equity items	**10.990**	**83**	**11.073**	**(509)**	**509**
Derivative instruments	-	-	-	-	-
Total net exposure with regard to equity items	**10.990**	**83**	**11.073**	**(509)**	**509**

	Exposure in foreign currency (USD) 2014			Sensitivity 2014	
Exposure with regard to equity items	**Assets (USD/000)**	**Liabilities (USD/000)**	**Equity (USD/000)**	**Income Statem. EUR/USD Exchange Rate +5%**	**Income statement EUR/USD exchange rate -5%**
Trade receivables	9.337	-	9.337	(385)	385
Trade payables	-	42	42	(2)	2
Total net exposure with regard to equity items	**9.337**	**42**	**9.379**	**(387)**	**387**
Derivative instruments	-	-	-	-	-
Total net exposure with regard to equity items	**9.337**	**42**	**9.379**	**(387)**	**387**

Disclosures - categories of financial assets and liabilities

The following table shows the book values for each class of financial assets and liabilities identified by IAS 39:

(Euro in thousands)	**Loans and receivables/payables**	**Guarantee deposits**	**Cash and cash equivalents**	**Available-for-sale financial assets**	**Fair value recognised in the income statement**
Financial assets:					

Financial receivables	473	-	-	-	-
Derivative financial instruments	-	-	-	-	11
Trade receivables	80	-	-	-	-
Total non-current	**553**	**-**	**-**	**-**	**11**
Trade receivables	50.882	-	-	-	-
Financial receivables due from related parties	11.499	-	-	-	-
Financial receivables from third parties	350	-	-	-	-
Other available-for-sale securities	-	-	-	22	-
Cash and cash equivalents	-	-	21.204	-	-
Total current	**62.731**	**-**	**21.204**	**22**	**-**
Total	**63.284**	**-**	**21.204**	**22**	**11**
Financial liabilities:					
Loans	60.456	-	-	-	-
Non-current portion of finance leases, net	16.953	-	-	-	-
Derivative financial instruments	-	-	-	-	350
Total non-current	**77.409**	**-**	**-**	**-**	**350**
Loans	19.439	-	-	-	-
Other financial payables (short-term leases)	2.455	-	-	-	-
Other short-term payables	23.284	-	-	-	-
Derivative financial instruments	-	-	-	-	14
Trade payables	39.049	-	-	-	-
Total current	**84.227**	**-**	**-**	**-**	**14**
Total	**161.636**	**-**	**-**	**-**	**364**

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 31 December 2015, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 31 December 2015**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	11	-	11	-

Other available-for-sale securities	22	-	-	22
Total current	**33**	**-**	**11**	**22**
Total	**33**	**-**	**11**	**22**
Financial liabilities:				
Derivative financial instruments	350	-	350	-
Total non-current	**350**	**-**	**350**	**-**
Derivative financial instruments	14	-	14	-
Total current	**14**	**-**	**14**	**-**
Total	**364**	**-**	**364**	**-**

5. 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 contract for the lease of the building of Grassobbio signed on 31 January 2011 with the related company Dream Immobiliare S.r.l. was amended.

  This amendment 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 obtained from the owner of the building related party Dream Immobiliare S.r.l. the construction of an underground archive/parking of around 662 square meters, therefore the Rental of Tesmec will decrease by Euro 144 thousand/year.

- 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.

- 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 was approved without changing the current rental of Euro 310 thousand per year fixed in 2004.

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

- 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 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. The effects of this transfer were described in detail in the next paragraph *5.1 AMC2 Business Unit Acquisition.*

- 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 *5.2 Acquisition of the Marais Group*.

  On 13 October 2015, 20% of the company Marais Technologies SA was sold to the French company C2D SAS (company owned by Daniel Rivard, non-operative chairman of Marais Technologies SAS, a company that now is related party).

  On 22 December 2015, Simest S.p.A., joint-stock company controlled by Cassa Depositi e Prestiti S.p.A. (CDP), subscribed and paid up a capital increase reserved to it in Marais Technologies SAS.
  The investment of Simest S.p.A. in Marais Technologies SAS, carried out with capital contributions of Euro 4 million, allowed Simest S.p.A. to acquire a shareholding in Marais Technologies SAS equal to 33.96% of the share capital. As a result of the entrance of Simest S.p.A., the new shareholding structure of Marais Technologies SAS is broken down as follows: Tesmec S.p.A. with a shareholding of 52.83%, Simest S.p.A. with a shareholding of around 33.96% and C2D SAS with a shareholding of 13.21%.
  As already indicated, since Tesmec has an obligation to buy it back from Simest, from an accounting point of view the shareholding is consolidated by 86.79%.

5.1 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 allocated to Know How and will be amortised over a five year period.

Book values of the acquired company	**Company acquisition**
(Euro in thousands)	**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)**

It is to mention that in the previous financial periods, parts of anticipated costs for the acquisition of the business unit AMC2 were capitalized in the immaterial assets on work.
The inclusion of this know-how does not need to enter deferred taxes, as the book value of that know-how in Tesmec Service S.r.l. matches with the tax value.

5.2 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 carried out 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 expenses related to the above-mentioned acquisition totalling Euro 494 thousand (net of the related tax effect) that 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	24,998	(18,389)	d)	6,609
Employee benefit liability	-	44	e)	44
Deferred tax liabilities	2,924	941	f)	3,865
TOTAL NON-CURRENT LIABILITIES	**27,922**	**(17,404)**		**10,518**
CURRENT LIABILITIES				
Interest-bearing financial payables (current portion)	10,570	(3,354)	d)	7,216
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	**22,858**	**(5,622)**		**17,236**
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 gain a bargain purchase (badwill)

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
Gain on a bargain purchase (badwill)	**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 31 December 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 as at 31 December 2015**
Revenues from sales and services	17,815
EBITDA	2,454
Operating Income	989
Net profit for the period	285

The impact of the transaction on the net financial indebtedness of the Group on 8 April 2015 amounted to Euro 12,597 thousand.

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

(1) 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.

As previuosly introduced, on 13 October 2015, a 20% share of Marais Technologies SAS was sold to C2D SAS, the same share has been reduced to 13.21% after the subscription from Simest SpA as for the increase of the capital reserved to the Company. By the contractual provisions, since Tesmec has an obligation to buy back the participation from Simest S.p.A, the operation qualifies as a secured loan. From an accounting point of view, the Parent Company holds a 86,79% share in Marais Technologies SAS and a financial debt to Simest S.p.A is booked.

The Group values the minority interests according to their proportional share in the net assets identifiable in the acquired company.

The information related to the subsidiaries with minority significative interests is indicated in the table below:

(In migliaia di Euro)	**2015**
Accumulated balances of material non-controlling interest	
Marais Technologies SAS	1.615
Profit allocated to material non-controlling interest	
Marais Technologies SAS	230

Economic and financial data of these subsidiaries are indicated in the below tables. These information are based on the economic and financial statement's balance before the intercompany elimination:

Economic Statement – summary data related to the period from 8 April to 31 December 2015

(Euro in thousands)	**2015**
Revenues from sales and services	17.899
Total operating costs	(16.910)
Operating income	**989**
Financial expense	(184)
Financial icnome	141
Portion of gains/(losses) from associated companies evaluated using the equity method	(123)
Pre-tax profit	**823**
Income tax	(308)
Net profit fro the period	**515**
Net profit attributable to the minority interests	230
Group Net profit	285

Balance Sheet al 31.12.2015 – summary data

(Euro in thousands)	**2015**
Inventory and financial liquidity (current)	4.673
Property, plant and equipment and other non-current financial asset	27.199
Commercial liabilities and other liabilities (current)	(10.571)
Loans and other liabilities (non-current)	(9.086)
Net Equity	**12.215**
Non-controlling interest	1.615
Equity holders of parent	10.600

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

Non-current assets

6.Intangible assets

The breakdown of Intangible assets as at 31 December 2015 and as at 31 December 2014 is indicated in the table below:

	31 December					
	2015			**2014**		
(Euro in thousands)	**Historical cost**	**Accum. amort.**	**Net value**	**Historical cost**	**Accum. amort.**	**Net value**
Development costs	40,017	(28,405)	11,612	32,995	(22,630)	10,365
Rights and trademarks	5,433	(3,218)	2,215	2,656	(2,270)	386
Assets in progress and advance payments to suppliers	-	-	-	1,621	-	1,621
Total intangible assets	**75,846**	**(62,019)**	**13,827**	**37,272**	**(24,900)**	**12,372**

The following table shows the changes in intangible assets for the period ended 31 December 2015:

(Euro in thousands)	**01/01/2015**	**Increases due to purchases**	**Change in the consolidation area**	**Decreases**	**Reclassifications**	**Amortisation**	**Exchange rate differences**	**31/12/2015**
Development costs	10,365	5,769	-	(23)	-	(4,816)	317	11,612
Rights and trademarks	386	921	7	(2)	1,550	(647)	-	2,215
Assets in progress and advance payments to suppliers	1,621	125	-	(196)	(1,550)	-	-	-
Total intangible assets	**12,372**	**6,815**	**7**	**(221)**	**-**	**(5,463)**	**317**	**13,827**

As at 31 December 2014, intangible assets net of amortisation totalled Euro 13,827 thousand, up Euro 1,455 thousand on the previous year due to the new development activities started in the rail segment, stringing equipment and in streamlining systems.
Increases for the period totalled Euro 6,815 thousand mainly consisting in development costs capitalised of Euro 5,769 thousand, which were partially offset by the amortisation of the period (Euro 4,816 thousand).

These costs are related to projects for the development of new products and equipment that are expected to generate positive cash flows in future years.

On 26 February 2015, the final decree of approval relating to the transfer in favour of Tesmec Service S.r.l. of the company AMC2 operating in the segment of design and production of machines for the maintenance of railway lines was implemented.
As a result of this transfer, the price paid of Euro 1,837 thousand to the Know How item recorded among Rights and trademarks was allocated and amortised in five years. It is to mention that in the previous financial periods, parts of anticipated costs fot the acquisition of the business of company AMC2 were capitalized in the assets in progress.

The following table shows the changes in intangible assets for the period ended 31 December 2014:

(Euro in thousands)	01/01/2014	Increases due to purchases	Decreases	Reclassifications	Amortisation	Exchange rate differences	31/12/2014
Development costs	8,535	5,912	(2)	69	(4,444)	295	10,365
Rights and trademarks	501	61	-	9	(184)	(1)	386
Assets in progress and advance payments to suppliers	1,178	521	-	(78)	-	-	1,621
Total intangible assets	**10,214**	**6,494**	**(2)**	**-**	**(4,628)**	**294**	**12,372**

7.Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2015 and as at 31 December 2014 is indicated in the table below:

	31 December					
	2015			2014		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Land	5,943	(128)	5,815	5,457	-	5,457
Buildings	30,130	(5,517)	24,613	29,004	(4,408)	24,596
Plant and machinery	19,609	(11,711)	7,898	14,131	(8,124)	6,007
Equipment	6,011	(4,744)	1,267	3,201	(2,698)	503
Other assets	41,268	(16,049)	25,219	14,210	(3,379)	10,831
Assets in progress and advance payments to suppliers	540	-	540	722	-	722
Total property, plant and equipment	**103,501**	**(38,149)**	**65,352**	**66,725**	**(18,609)**	**48,116**

Including leased property, plant and equipment:

	31 December					
	2015			2014		
(Euro in thousands)	Historical cost	Accum. depr.	Net value	Historical cost	Accum. depr.	Net value
Land	5.563	-	5.563	5.266	-	5.266
Buildings	21.553	(3.014)	18.539	21.542	(2.345)	19.197
Plant and machinery	7.619	(3.020)	4.599	4.465	(1.697)	2.768
Equipment	2.618	(1.913)	705	181	(103)	78
Other assets	15.302	(8.244)	7.058	1.993	(673)	1.320
Assets in progress and advance payments to suppliers	-	-	-	-	-	-
Total property, plant and equipment	**52.655**	**(16.191)**	**36.464**	**33.447**	**(4.818)**	**28.629**

The following table shows the changes in property, plant and equipment for the period ended 31 December 2015:

(Euro in thousands)	01/01/2015	Increases due to purchases	Change in the consolidation area	Decreases	Reclassifications	Depreciation	Exchange rate differences	31/12/2015
Land	5,457	-	342	-	-	(6)	22	5,815
Buildings	24,596	72	-	-	190	(867)	622	24,613
Plant and machinery	6,007	233	2,732	(42)	37	(1,258)	189	7,898
Equipment	503	264	945	(77)	-	(419)	51	1,267
Other assets	10,831	10,934	10,698	(4,806)	-	(3,217)	779	25,219
Assets in progress and advance payments to suppliers	722	26	149	-	(376)	-	19	540
Total property, plant and equipment	**48,116**	**11,529**	**14,866**	**(4,925)**	**(149)**	**(5,767)**	**1,682**	**65,352**

As at 31 December 2015, property, plant and equipment totalled Euro 65,352 thousand, up compared to the previous year by Euro 17,236 thousand.

The increase is due for Euro 14,854 thousand to the acquisition of the Marais Group partially offset by the depreciations for the period of Euro 5,767 thousand.

In *Other assets* is included the net value of Tranchers in Fleet for Euro 24,577 thousand in 2015 and for 10,177 thousand in 2014, this item increased positively by Euro 14,388 thousand due to: (i) acquisition of the Marais Group of Euro 10,698 thousand, (ii) the inclusion of new machines in the Trencher fleet for a total of Euro 10,934 thousand related to the launch of new lease businesses and (ii) sale of trencher machines previously booked in the fleet with net value of Euro 4,806 thousand.

The following table shows the changes in property, plant and equipment for the period ended 31 December 2014:

(Euro in thousands)	01/01/2014	Increases due to purchases	Decreases	Reclassifications	Depreciation	Exchange rate differences	31/12/2014
Land	5,435	-	-	-	-	22	5,457
Buildings	24,708	69	-	-	(830)	649	24,596
Plant and machinery	6,570	251	(18)	78	(1,072)	198	6,007
Equipment	550	223	-	5	(275)	-	503
Other assets	5,307	11,557	(5,833)	-	(1,071)	871	10,831
Assets in progress and advance payments to suppliers	593	197	(3)	(83)	-	18	722
Total property, plant and equipment	**43,163**	**12,297**	**(5,854)**	**-**	**(3,248)**	**1,758**	**48,116**

8.Investments in associated companies measured at equity method

The breakdown of investments in associated company measured at equity method as at 31 December 2015 and 2014 is indicated in the table below:

	31 December	
(Euro in thousands)	**2015**	**2014**
Associated companies:		
Locavert SA	403	431
Bertel S.p.A.	1,079	1,481
SEP Moselle	15	-
SEP College	-	-
SEP Cergy	-	-
SEP Semafor 77	-	-
SEP Laison	-	-
Subtotal	**1,497**	**1,912**
Joint Ventures:		
Condux Tesmec Inc	3,105	2,880
Tesmec Peninsula	-	-
Marais Algerie SARL	-	-
Marais Tunisie SA	161	-
Marais Lucas Technologies Pty Ltd.	-	-
Subtotal	**3,266**	**2,880**
Total Equity investments measured using the equity method	**4,763**	**4,792**

Following the application of the equity method to investments - accounting standard adopted by the Group on the Joint Ventures - the margin achieved by Tesmec S.p.A. on the machines sold to them and not yet transferred to third-party customers as at 31 December 2015 was reversed against the value of the investment (if not sufficient, by creating a relevant covering provision).

The main financial statements items of associates and Joint Venture are summarised below:

	31 December 2015							
(Euro in thousands)	**% held**	**Revenues**	**Net income**	**Assets**	**Liabilities**	**Shareholders' Equity**	**Equity investment value in the Consolidated Financial Statements**	**Value of provision for risks due to losses**
Associated companies:								
Locavert SA	38,63%	603	(28)	576	173	403	403	-
Bertel S.p.A.	40,00%	141	(401)	1.964	1.799	165	1.079	-
SEP Moselle	50,00%	222	12	138	124	15	15	-
SEP College	33,00%	-	-	33	33	-	-	-
SEP Cergy	30,00%	69	-	59	63	(4)	-	4
SEP Semafor 77	33,00%	-	(6)	28	28	-	-	-
SEP Laison	33,00%	-	(6)	13	13	-	-	-
Joint Ventures:								
Condux Tesmec Inc.	50,00%	2.430	(134)	5.612	2.506	3.106	3.105	-
Tesmec Peninsula WLL	49,00%	2.933	35	5.223	4.863	360	-	160
Marais Algerie SARL	49,00%	914	(172)	1.273	1.304	(31)	-	1

Marais Tunisie SA	49,00%	131	61	396	187	209	161	-
Marais Lucas Technologies Pty Ltd.	50,00%	-	(12)	-	1.777	(1.777)	-	1.847

The equity investments were impaired. The key assumptions used from the Management are the estimated future plans. The flows of expected incomes cover a period of three consecutive years after the one of the impairment test, and they are based on the reviewed plans of the Board of Directors of the 14 March 2016. The discounted used tax (WACC) defined as the weighted average cost of capital, is benchmarked according to the different Country of reference, whose values could be positioned in a range between 8% and 12%. Cash Flows over 3 years have been extrapolated using a increasing tax of 1.1%. From the results of the impairment test is emerged that on 31 December 2015 the recoverable value of CGU exceeds the book value. The results have been subject also of a sensitivity analysis due to consider the possible effects of variation in the key hypothesis at the base of the impairment process. This analysis considered a possible reasonable variation of expected increasing rate of about +/- 0,25%, a used discount rate of about +/- 2%, and an EBIT value resulting from the Plan of about +/- 10%,

9.Financial receivables and other non-current assets

The following table sets forth the breakdown of financial receivables and other non-current assets as at 31 December 2015 and 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Guarantee deposits	472	274
Financial receivables from third parties	1	-
Total financial receivables and other non-current financial assets	**473**	**274**

Financial receivables and other non-current financial assets compared to the previous financial year increased by Euro 199 thousand as a result of deposits paid by the subsidiary Tesmec USA, Inc.

Current assets

10.Work in progress contracts

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

	31 December	
(Euro in thousands)	**2015**	**2014**
Work in progress (Gross)	9,158	8,211
Advances from contractors	(5,294)	(2,962)
Work in progress contracts	**3,864**	**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.
On 31 December 2015 "Work in progress" was principally referred to a work in progress railway order of Tesmec USA.
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 1,385 due to greater received advances regarding the accrued corresponding revenues.

11.Inventories

The following table sets forth the breakdown of *Inventories* as at 31 December 2015 and 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Raw materials and consumables	32,886	27,768
Work in progress	9,824	13,001
Finished products and goods for resale	16,134	14,469
Advances to suppliers for assets	47	152
Total Inventories	**58,891**	**55,390**

The measurement bases of inventories for what concerns raw materials and consumables, work in progress, finished goods and merchandise remained unchanged compared to the prior financial period.
In total, inventories increased by 6.3% amounting to Euro 3,501 thousand mainly due to the effect of consolidation of Marais Group, which has contributed for an amount of Euro 3,319 thousand.
The changes in the provisions for inventory obsolescence for financial periods ended 31 December 2015 and 2014 are indicated in the table below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Value as at 1 January	3,318	2,636
Provisions	1,012	581
Change in the consolidation area	522	-
Exchange rate differences	108	101
Total provisions for inventory obsolescence	**4,960**	**3,318**

The value of the provisions for inventory obsolescence increased by Euro 1,642 thousand compared to the prior financial period as consequence to effect of slow moving material and spare parts.
The evaluation of adequacy of the provision is carried out on a regular basis to constantly monitor the actual level of inventory recoverableness through sales.

12.Trade receivables

The table below shows the breakdown of trade receivables as at 31 December 2015 and 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Trade receivables from third-party customers	46,832	34,727
Trade receivables from related parties	4,050	6,570
Total trade receivables	**50,882**	**41,297**

For terms and conditions relating to receivables from related parties, refer to paragraph 35.

Trade receivables from customers as at 31 December 2015 amounted to Euro 50,882 thousand up by Euro 9,585 thousand compared to the 2014 financial period determined mainly by the increase in third-party trade receivables thanks to sales in the last period of the year.

The balance of *Trade receivables due from related parties* fell by Euro 2,520 thousand as a result of a volume of collections received greater than the sales for the period from Tesmec Peninsula and Condux Tesmec Inc.

The balance of trade receivables is shown net of provisions for doubtful accounts. This provision was calculated in an analytical manner by dividing the receivables in classes depending on the level of customer and Country risk and by applying to each class an expected percentage of loss derived from historical experience.

The changes in the provisions for doubtful accounts for the financial periods ended 31 December 2015 and 2014 are indicated in the table below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Value as at 1 January	2,138	1,554
Provisions	798	532
Change in the consolidation area	1,237	-
Uses	(153)	(3)
Exchange rate differences	44	55
Total provisions for doubtful accounts	**4,064**	**2,138**

Provisions and uses related to the provisions for doubtful accounts are included in “other operating (costs)/revenues, net” of the income statement.

13.Tax Receivables

The following table sets forth the breakdown of tax receivables as at 31 December 2015 and 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
IRAP receivables	8	5
IRES refunds	-	395
Other direct income taxes	478	89
Total tax receivables	**486**	**489**

Tax receivables is substantially in line with the previous financial period. During the period, receivables from tax authorities of Euro 395 thousand following the request for refund by Tesmec S.p.A. of the additional IRES paid for not having deducted the IRAP related to the personnel costs in relation to the tax years from 2007 to 2011 in accordance with Italian Law Decree 16/2012, was collected.
Other direct taxes contains the tax receivables of the French subsidiary Marais Technologies SAS.

14.Other available-for-sale securities

The following table sets forth the breakdown of other available-for-sale securities as at 31 December 2015 and 31 December 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Shares of Banco Popolare Italiano	10	8
Shares of Banca Popolare di Vicenza	12	117
Total other available-for-sale securities	**22**	**125**

Other available-for-sale securities as at 31 December 2015 consists of 805 shares of Banco Popolare Italiano for a unit value of Euro 12.81 and of 1,901 shares of Banca Popolare di Vicenza for a unit value of Euro 6.30. On the base of the last available information, shares of Banca Popolare di Vicenza were aligned to theirwithdrawal value.

15.Financial receivables and other current financial assets

The following table sets forth the breakdown of financial receivables and other current financial assets as at 31 December 2015 and as at 31 December 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Financial receivables due from related parties	11,499	6,552
Financial receivables from third parties	285	-
Other current financial assets	65	121
Total financial receivables and other current financial assets	**11,849**	**6,673**

The increase in *financial receivables and current financial assets* (Euro 5,176 thousand) is mainly due to the increase in credit positions relating to contracts signed with the associated parties and joint ventures on which an interest rate is applied and repayable within 12 months.

Here are the details of the main current financial receivables as at 31 December 2015 and related interest rates applied:

- Bertel S.p.A. of Euro 2,524 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3%;
- Condux Tesmec, Inc of Euro 2,307 thousand 1-month Libor rate + spread of 3%;
- Tesmec Peninsula WLL of Euro 3,312 thousand with annual interest rate of 1.5% and 3.5% on the portion disbursed as loan by both shareholders of USD 1,500 thousand.

16.Other current assets

The following table sets forth the breakdown of other current assets as at 31 December 2015 and as at 31 December 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Prepaid expenses	680	592
VAT credit	2,576	968
Other receivables	879	781
Advance to suppliers for services	179	150
Other tax receivables	23	-
Total Other current assets	**4,337**	**2,491**

Other current assets is considered receivable and therefore was not subject to value adjustment.
VAT credit, which amounted to Euro 2,576 thousand as at 31 December 2015, increased by Euro 1,608 thousand compared to 31 December 2014 thanks to the procurement of the subsidiaries Tesmec SA, SGE S.r.l. in view of first half-year sales of the following year.

17.Cash and cash equivalents

The following table sets forth the breakdown of the item as at 31 December 2015 and 2014:

(Euro in thousands)	31 December 2015	31 December 2014
Bank and post office deposits	20,509	18,525
Cash on hand	59	49
Other cash	636	91
Total cash and cash equivalents	**21,204**	**18,665**

Cash and cash equivalents are deposited in current deposits and they are remunerated at a floating rate related to the Euribor trend. The balance as at 31 December amounts to Euro 21,204 thousand and increased by Euro 2,539.
Cash and cash equivalents are recorded in Tesmec S.p.A. for Euro 15,451 thousand, Tesmec USA, Inc. for Euro 3,052 thousand, Group Marais SA for Euro 1,053 thousand and the other companies of the Group for a total amount of Euro 1,648 thousand.
The stated values can be readily converted into cash and are subject to a non-significant risk of change in value. The book value of cash and cash equivalents is deemed to be aligned to their fair value at the end of the reporting period.
The Group believes that the credit risk related to cash and cash equivalents is limited since it mainly represents deposits divided across domestic and international banking institutions.

18.Shareholders' Equity

Share capital and reserves

The share capital amounts to Euro 10,708 thousand, fully paid up, and comprises 107,084,000 shares with a par value of Euro 0.1 per share.
The following table sets forth the breakdown of *Other reserves* as at 31 December 2015 and 2014:

(Euro in thousands)	31 December 2015	31 December 2014
Revaluation reserve	86	86
Extraordinary reserve	20,559	16,881
Change in the consolidation area	(900)	(43)
Severance indemnity valuation reserve	(278)	(317)
Network Reserve	794	794
Retained earnings/(losses brought forward)	3,759	5,171
Bills charged directly to shareholders' equity		
on operations with entities under common control	(4,048)	(4,048)
Total other reserves	**19,972**	**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 *reserve for changing in the consolidation area* includes the effects, directly ascribed to the Net Equity, about he losses equal to Euro 500 thousand deriving from the transfer to the minority interests of a 20% share about Marais Technologies SAS.
IAS 27R establishes that for the calculation of the income/loss from the partial transfer of the participation, if the control still remains, the "Economic Equity Method" shall be applied, and therefore the variations of participation share are ascribed directly at Net Income; consequently the realized loss is not ascribed to the economic statement, but directly to the consolidation reserves.
The value of translation differences has a positive impact on Shareholders' Equity of Euro 3,617 thousand on 31 December 2015.

As a result of the resolution of 30 April 2015, 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.

As a result of changes in the consolidation area, Other Reserves decreased by Euro 900 thousand related to the acquisition of the Marais Group.

Non–current liabilities

19.Medium-long term loans

Medium-long term loans include medium-long term loans from banks, payables towards other providers of finance and payables towards leasing companies for tangible fixed assets recorded in the consolidated financial statements in accordance with the financial leasing accounting method. The following table shows the breakdown thereof as at 31 December 2015 and as at 31 December 2014, with separate disclosure of the current portion:

	31 December			
(Euro in thousands)	**2015**	**of which current portion**	**2014**	**of which current portion**
Banca Nazionale del Lavoro – loan at floating interest rate with a 2-year pre-amortisation; original value Euro 6 million; drawn down on 1 July 2010 with maturity date 31 May 2018; floating interest rate equivalent to 6-month Euribor rate + spread of 2.25, half-yearly repayment.	2,769	923	3,692	923
BNL-BNP Paribas Group - loan in pool; original value Euro 21 million, drawn down on 11 march 2011 Euro 8 million with maturity date 4 march 2016, floating interest rate equivalent to 6-month Euribor rate + spread of 2% (+/- 0.25). On 4 and 5 August 2011, Euro 4 million, on 9 November 2011, Euro 2 million, on 9 February 2012, Euro 2 million, on 31 May 2012, Euro 2 million and on 23 October 2012, another Euro 3 million with maturity date 4 march 2013, floating interest rate equivalent to 6-month Euribor rate + spread of 2% (+/- 0.25) with option to extend repayment in 54 months (in 9 deferred half-yearly instalments) last instalment expiring on 4 September 2017, 6-month Euribor rate + spread of 1.90% (+/- 0.25), half-yearly repayment.	6,093	4,169	11,210	5,117
Credito Valtellinese - unsecured loan of Euro 1 million, drawn down on 11 January 2012 with maturity date 31 March 2015, floating interest rate equivalent to 3-month Euribor rate + spread of 5%, three months of prepayment and quarterly repayment.	-	-	90	90
Credito Valtellinese - unsecured loan of Euro 2 million backed by Sace guarantee, drawn down on 1 June 2012 with maturity date 30 June 2015, floating interest rate equivalent to 3-month Euribor rate + spread of 3%, three months of prepayment and quarterly repayment.	-	-	345	345
Simest UGF - loan for a total of Euro 1.9 thousand and drawn down the first tranche of Euro 580 thousand on 28 March 2013 with maturity date 14 February 2020, special annual interest rate of 0.4994% and second tranche of Euro 397 thousand to be used as from 14 March 2014 with maturity date 14 February 2020, special annual interest rate of 0.4994%, two months of prepayment and half-yearly repayment.	1,273	283	977	97

Cariparma - loan of Euro 1.5 million, drawn down on 21 October 2013 with maturity date 21 October 2017, floating interest rate equivalent to 3-month Euribor rate + spread of 3%, quarterly repayment.	767	378	1,134	365
Banca Popolare dell'Emilia Romagna – unsecured loan; original value Euro 3 million; drawn down on 20 November 2013 with maturity date 7 November 2016; floating interest rate equivalent to 3-month Euribor rate + spread of 3.5%, quarterly repayment.	1,031	1,031	2,023	992
Banco di Desio - unsecured loan of Euro 1.5 million, drawn down on 10 December 2013 with maturity date 10 December 2016, floating interest rate equivalent to 3-month Euribor rate + spread of 4%, amended on 11 November 2015 in 6-month Euribor rate + 2%, one month of prepayment and monthly repayment.	518	518	1,014	496
Veneto Banca - unsecured loan of Euro 2.5 million, drawn down on 23 December 2013 with maturity date 31 December 2018, floating interest rate equivalent to 6-month Euribor rate + spread of 1.30%, half-year repayment.	1,546	506	2,021	474
BCC Chiro - loan of Euro 3.5 million 70% backed by Sace guarantee, drawn down on 27 March 2014 with maturity date 27 March 2022, floating interest rate equivalent to 6-month Euribor rate + spread of 3.95, one year of prepayment and half-year repayment.	3,036	465	3,244	209
Banca Popolare di Vicenza S.c.p.a. and KNG Securities LLP - bond issue Euro 15 million, drawn down on 10 April 2014 with maturity date 10 April 2021, fixed gross interest rate of 6% and an annual delayed coupon.	14,672	(62)	14,609	(62)
Sondrio - loan of Euro 1 million, drawn down on 4 August 2014 with maturity date 31 August 2017, floating interest rate equivalent to 1-month Euribor rate + spread of 3.5%, monthly repayment.	568	337	893	325
Banca popolare di Bergamo - loan of Euro 1.5 million, drawn down on 9 October 2014 with maturity date 9 October 2016, floating interest rate equivalent to 3-months Euribor rate + spread of 2.25%, monthly repayment.	630	630	1,377	744
Banca Carige S.p.A. - loan of Euro 2 million, drawn down on 27 March 2015 with maturity date 31 December 2018, floating interest rate equivalent to 3-month Euribor rate + spread of 1.75%, 6 months of prepayment and half-year repayment.	1,714	561	-	-
Cariparma - loan of Euro 4 million, drawn down on 26 March 2015 with maturity date 26 March 2020, floating interest rate equivalent to 6-month Euribor rate + spread of 2.50%, six months of prepayment and half-year repayment.	3,949	877	-	-
Monte dei Paschi di Siena - loan of Euro 5 million, drawn down on 11 August 2015 with maturity date 30 September 2020, floating interest rate equivalent to 6-months Euribor rate + spread of 1.90%, six months of prepayment and quarterly repayment.	4,965	826	-	-
Veneto Banca - loan of Euro 2 million, drawn down on 28 September 2015 with maturity date 30 September 2019, floating interest rate equivalent to 6-month Euribor rate + spread of 1.3%, monthly repayment.	1,866	484	-	-
Banca di Desio - loan of Euro 1.8 million, drawn down on 27 October 2015 with maturity date 10 October 2020, fixed interest rate of 1.85%, seven months of prepayment and monthly repayment.	1,790	252	-	-
Credito Valtellinese - loan of Euro 3 million, drawn down on 15 December 2015 with maturity date 5 January 2019, floating interest rate equivalent to 3-month Euribor rate + spread of 1.65%, one month of prepayment and monthly repayment.	2,963	889	-	-
Banca Popolare dell'Emilia Romagna - loan of Euro 5 million, drawn down on 18 December 2015 with maturity date 18 March 2021, floating interest rate equivalent to 3-month	4,950	711	-	-

Euribor rate + spread of 1.85%, 3 months of prepayment and quarterly repayment.				
Comerica - unsecured loan received by TESMEC USA and guaranteed by a building owned by this company; amounting to USD 4.7 million, drawn down on 3 July 2013 with maturity date 3 July 2018, monthly repayment with constant principal and floating interest rate equivalent to 1-month LIBOR + spread 3.25%.	3,588	285	3,473	256
Pret senior - loan received from Marais Technologies SAS, drawn down on 10 February 2009 and rescheduled on the date of acquisition of the Marais Group with maturity date 1 April 2020 with residual balance of Euro 13.5 million, annual repayment and fixed interest rate of 2.45%.	5,725	1,545	-	-
BPI - loan received from Group Marais of Euro 250 thousand, drawn down on 29 November 2013 with maturity date 30 June 2021, quarterly repayment as from 31 March 2016 and interest rate 0%.	250	25	-	-
Total Interest-bearing financial payables	**64,663**	**15,633**	**46,102**	**10,371**
Less current portion	(15,633)		(10,371)	
Non-current portion of interest-bearing financial payables	**49,030**		**35,731**	
Loan due to Simest	11,406		7,406	
Total medium-long term loans	**60,436**		**43,137**	
Non-current portion of finance leases	19,428	2,455	21,198	2,474
Less current portion	(2,455)		(2,474)	
Non-current portion of finance leases, net	**16,973**		**18,724**	
Total current portion		**18,088**		**12,845**
Medium-long term loans	**77,409**		**61,861**	

ICCREA-BCC, BNL and Comerica loan contracts 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.

In general, covenants are based on the observance of the following relations:

- Net financial indebtedness/EBITDA
- Net financial indebtedness/Shareholders' equity
- EBITDA/Financial expenses
- Effective Net Worth
- Debt-to-Tangible Effective Net Worth Ratio
- Debt Service Coverage Ratio

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.

Note that during 2015 new medium to long term loans were opened for a value of Euro 26,577 thousand against a total value of the same lines repaid of Euro 16,096 thousand.

Note that on 22 December 2015 Simest S.p.A. subscribed an increase of capital in the company Marais Technologies SAS (holding company of Marais Group) for a total amount of Euro 4.000 thousand, and according to the obligation of Tesmec S.p.A. to buy it back, the share has been registered as secured loan.

The average cost of indebtedness is benchmarked to the trend of the three-month Euribor rates plus a spread applied depending also on the type of the financial instrument used.

The table below shows the figures relevant to the outstanding loans of the Company as at 31 December 2015, by indicating the portion due within one year, within 5 years and after more than 5 years:

Description	Maturity	Interest rate	Residual value as at 31 December 2015	Portion within 12 months	Portion within 5 years	Portion after more than 5 years
Banca Nazionale del Lavoro	31-May-18	floating interest rate equivalent to 6-month Euribor rate + spread of 2.25%	2,769	923	1,846	-
Banca Nazionale del Lavoro	04-Mar-16 04-Sep-17	floating interest rate equivalent to 6-month Euribor rate + spread of 2% (+/- 0.25) floating interest rate equivalent to 6-month Euribor rate + spread of 1.90% (+/- 0.25)	6,093	4,169	1,924	-
Simest UGF	04-Feb-20	special annual interest rate of 0.4994%	1,273	283	990	
Cariparma	21-Oct-17	floating interest rate equivalent to 3-months Euribor rate + spread 3%	767	378	389	-
Banca Popolare dell'Emilia Romagna	07-Nov-16	floating interest rate equivalent to 3-months Euribor rate + spread 3.5%	1,031	1,031	-	-
Banco di Desio	10-Dec-16	floating interest rate equivalent to 6-months Euribor rate + spread 2%	518	518	-	-
Veneto Banca	31-Dec-18	floating interest rate equivalent to 6-months Euribor rate + spread 1.3%.	1,546	506	1,040	-
BCC Chiro	27-Mar-22	floating interest rate equivalent to 6-month Euribor rate + spread of 3.95%	3,036	465	1,863	708
Banca Popolare di Vicenza S.c.p.a. and KNG Securities	10-Apr-21	fixed gross interest rate of 6%	14,672	(62)	(249)	14,983
Sondrio	31-Aug-17	floating interest rate equivalent to 1-month Euribor + spread 3.5%	568	337	231	-
Banca popolare di Bergamo	09-Oct-16	floating interest rate equivalent to 3-months Euribor rate + spread 2.25%	630	630	-	-
Banca Carige S.p.A.	31-Dec-18	floating interest rate equivalent to 3-months Euribor rate + spread 1.75%.	1,714	561	1,153	-
Cariparma	26-Mar-20	floating interest rate equivalent to 6-months Euribor rate + spread 2.50%.	3,949	877	3,072	-
Monte dei Paschi di Siena	30-Sep-20	floating interest rate equivalent to 6-months Euribor rate + spread 1.90%.	4,965	826	4,139	-
Veneto Banca	30-Sep-19	floating interest rate equivalent to 6-months Euribor rate + spread 1.3%.	1,866	484	1,382	-
Banca di Desio	10-May-20	fixed interest rate 1.85%	1,790	252	1,538	-
Credito Valtellinese	05-Jan-19	floating interest rate equivalent to 3-months Euribor rate + spread 1.65%	2,963	889	2,074	-
Banca Popolare dell'Emilia Romagna	18-Mar-21	floating interest rate equivalent to 3-months Euribor rate + spread 1.85%.	4,950	711	3,980	259
Comerica	03-Jul-18	floating interest rate equivalent to 1-month LIBOR + spread 3.25%	3,588	285	-	-
Pret senior	01-Apr-20	fixed interest rate 2.45%	5,725	1,545	-	-
Pret senior	30-Jun-12	interest rate 0%	250	25	-	-
Total			**64,663**	**15,633**	**25,372**	**15,950**

Net financial indebtedness

As required by CONSOB Communication of 28 July 2006 and in compliance with CESR Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Group's net financial indebtedness is as follows:

	31 December			
(Euro in thousands)	**2015**	***of which with related parties and group***	**2014**	***of which with related parties and group***
Cash and cash equivalents	(21.204)		(18.665)	
Current financial assets [1]	(11.871)	*(11.499)*	(6.798)	*(6.552)*
Current financial liabilities	45.178	*1.241*	36.506	*1.100*
Current portion of derivative financial instruments	14		-	
Current financial indebtedness [2]	**12.117**	**(10.258)**	**11.043**	**(5.452)**
Non-current financial liabilities	77.409	*14.743*	61.861	*15.954*
Non-current portion of derivative financial instruments	350		460	
Non-current financial indebtedness [2]	**77.759**	**14.743**	**62.321**	**15.954**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**89.876**	**4.485**	**73.364**	**10.502**

[1] Current financial assets as at 31 December 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 recognised as a measure of performance 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.

Net indebtedness as at 31 December 2015 stood at Euro 89,876 thousand (Euro 73,364 thousand as at 31 December 2014) increasing by Euro 16,512 thousand.
Without considering the debt related to the building of Grassobbio, which is ascribed as for IAS 17; net indebtedness as at 31 December 2015 would have been Euro 72,086 thousand.
The change is mainly due to the acquisition of the Marais Group that resulted in the taking-over of a new debt of Euro 13,788 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 1,074 thousand due to the:
  - increase in current financial liabilities of Euro 8,672 thousand mainly due to (i) Euro 2,756 thousand as a result of increase in payables to factors and (ii) Euro 997 thousand of the drawing-up of new short-term loan contracts; this increase is offset by:
  - increase in current financial assets and cash and cash equivalents of Euro 7,612 thousand;
- increase in non-current financial indebtedness of Euro 15,438 thousand deriving from the combined effect of the consolidation of the Marais Group debt existing at the acquisition date for Euro 5,067 thousand, from the drawing-up of new loans of Euro 26,577 thousand offset by the reclassification in the current financial indebtedness of the amount of Euro 16,206 thousand relating to the short-term portion of medium/long-term loans.

This table shows the comparison between the book value and the fair value of the financial instruments as at 31 December 2015:

(Euro in thousands)	**Book value as at 31 December 2015**	**Fair value**
Financial liabilities:		
Loans	79.875	87.379
Non-current portion of finance leases, net	19.428	25.562

Total		**99.303**	**112.940**

(1) The item includes the value of short-term loans to third parties of Euro 3,806 thousand classified in item "Interest-bearing financial payables (current portion)".

20.Derivative financial instruments

The Group signed some contracts related to derivative financial instruments whose contractual characteristics and related fair value as at 31 December 2015 and 2014 are shown in the table below:

Counterparts	Type	Debt interest rate (fixed)	Credit interest rate (variable)	Start date	Maturity date	Notional principal	Fair Value (Euro/000) as at 31 December	
						(Euro)	2015	2014
BNL	IRS	1.15% 1st year; 1.65% 2nd year; 2% 3rd year; 2.60% five following years	3-month Euribor	01/09/2010	31/05/2018	2,769,231	(128)	(199)
BNL	IRS	Fixed interest rate 2.57%	3-month Euribor	07/07/2011	04/03/2016	1,101,905	(14)	(75)
BNL	IRS	Fixed interest rate 1.49%	3-month Euribor	07/03/2012	04/09/2017	3,013,689	(58)	(103)
BNL	IRS	Fixed interest rate 0.8%	3-month Euribor	16/11/2012	04/09/2017	2,764,089	(29)	(44)
Veneto Banca	IRS	Fixed interest rate 1.09%	6-month Euribor	23/12/2013	31/12/2018	2,500,000	(28)	(39)
Cariparma	IRS	Fixed interest rate 0.34%	6-month Euribor	07/05/2015	26/03/2020	4,000,000	(26)	-
Iccrea	CAP	Interest rate for the period 0.75%	6-month Euribor	17/04/2014	27/09/2020	2,785,714	11	14
Emilia Romagna	CAP	Interest rate for the period 0.50%	3-month Euribor	07/05/2014	07/11/2016	1,037,348	-	1
Cariparma	CAP	Interest rate for the period 0.75%	3-month Euribor	21/01/2014	23/10/2017	1,411,786	-	1
Monte dei Paschi di Siena	CAP	Interest rate for the period 0.61%	6-month Euribor	31/12/2016	31/12/2020	4,166,667	(19)	-
Comerica	IRS	Fixed interest rate 1.74%	USD-Libor-BBA	12/01/2015	07/01/2018	3,784,194	(62)	-
Assets for derivative instruments							**11**	**16**
Liabilities for derivative instruments within the financial period							**(14)**	**-**
Liabilities for derivative instruments beyond the financial period							**(350)**	**(460)**

The Group uses derivative financial instruments in order to hedge the interest-rate risk and the exchange-rate risk. The transactions for interest-rate risk hedging are limited to medium to long term loans. These hedging transactions are mainly related to medium-term loans. The Group does not account for these financial instruments according to the methods established for hedge accounting since they do not meet all the requirements provided on this matter by the international accounting standards. Therefore, the changes in fair value of the financial instruments are attributed to the income statement during the financial period under review.
The financial management of the Group does not envisage the trading of derivative instruments with speculative purposes.

21.Employee benefit liability

The Group has no defined benefit pension plans in the strict sense. However, the severance indemnity fund allocated by the Parent Company and Italian subsidiaries required by Article 2120 of the Italian Civil Code, in terms of recognition in the financial statements, falls under this type and as such was accounted for, as shown in the applied accounting policies.
The following table shows the changes for the period ended 31 December 2015 and 31 December 2014 of employee benefits:

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Present value of the liability at the beginning of the period	3,016	2,705
Financial expense	48	84
Service Cost	(25)	
Benefits accrued	132	70
Benefits paid	(270)	(78)
Financial loss (profit)	(112)	264
Demographic loss (profit)	58	(29)
Present value of the liability at the end of the period	**2,847**	**3,016**

With the adoption of the IFRS, the severance indemnity is considered a defined-benefit liability to be accounted for in accordance with IAS 19 and, as a result, the relevant liability is measured based on actuarial techniques.
The main assumptions used in determining the present value of the severance indemnity are shown below:

Economic and financial technical bases

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Annual discount rate	2.00%	1.60%
Inflation rate	1.50%	1.50%
Expected turnover rate of employees	3.00%	3.00%
Advance rate	2.00%	2.00%

The sensitivity analyses are shown below by using an annual discount rate of +0.5% and -0.5% compared to the annual discount rate used on the valuation date.

(Euro in thousands)	Discount rate	
	0.50%	-0.50%
Effect on the aggregate current cost of the service and of the financial expenses	83	92
Reported value for liabilities with respect to defined benefit plans	2,722	3,153

Technical and demographic bases

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Mortality	2004 ISTAT tables	2004 ISTAT tables
Disability	INPS tables	INPS tables
Retirement age	67 N/F	67 N/F

Frequency of turnover and advances on severance indemnity

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Advance frequency %	0.97%	0.33%
Turnover frequency %	21.51%	34.25%

Workforce

The average number of employees by company, expressed in terms of full-time employees is shown in the following table:

	Financial period ended 31 December			
(average no. of employees)	**2015**	**2014**	**2015 vs. 2014**	**%**
Tesmec S.p.A.	307	310	(3)	-1.0%
Tesmec Service S.r.l.	37	34	3	8.8%
Tesmec USA, Inc.	114	126	(12)	-9.5%
Tesmec SA (Pty) LTD	11	8	3	37.5%
OOO Tesmec RUS	7	7	-	0.0%
SGE S.r.l.	11	6	5	83.3%
Tesmec New Technology Beijing LTD	4	5	(1)	-20.0%
Marais Group	78	-	78	100.0%
Total	**569**	**496**	**73**	**14.7%**

The average number of employees as at 31 December 2015 shows the growing trend of the Group in 2015 mainly related to the acquisition of Marais Group.

Current liabilities

22.Interest-bearing financial payables (current portion)

The following table sets forth the breakdown of *Interest bearing financial payables (current portion)* for the 2015 and 2014 financial periods:

	31 December	
(Euro in thousands)	**2015**	**2014**
Advances from banks against invoices and bills receivables	18,403	18,786
Other financial payables (short-term leases)	2,455	2,474
Payables due to factoring companies	4,822	2,066
Current account overdrafts	22	-
Short-term loans from third parties	3,806	2,809
Current portion of medium/long-term loans	15,633	10,371
Other short-term financial payables	37	-
Total interest-bearing financial payables (current portion)	**45,178**	**36,506**

The current portion of interest-bearing loans and borrowings increased of Euro 5,262 thousand following the drawing-up and reclassifications during 2015 described in paragraph 19. The increase of "*Payables due to factoring companies"* for suppliers who have obtained an increasing approval most of all through small and medium suppliers.

23.Trade payables

The breakdown of *Trade payables* as at 31 December 2015 and as at 31 December 2014, respectively, is indicated in the table below:

	31 December	
(Euro in thousands)	**2015**	**2014**
Trade payables due to third-parties	38,849	34,171

Trade payables due to related parties	200	8
Total trade payables	**39,049**	**34,179**

Trade payables as at 31 December 2015 increased by Euro 4,870 thousand, 14.2% compared to the previous financial period as a result of a greater volume of purchases made in the last part of the year.
This figure includes payables related to the normal course of business by the Group, in particular the purchase of raw materials and outsourced works.
Note also that there are no payables with maturity exceeding five years at the above dates.

24.Income taxes payable

The balance of Euro 2,933 thousand as at 31 December 2015, Euro 1,003 thousand as at 31 December 2014, represents the amount payable for current income taxes for the period.

	31 December	
(Euro in thousands)	**2015**	**2014**
Current IRES tax liabilities	2,590	542
Current IRAP tax liabilities	339	452
Other current taxes	4	9
Total income taxes payable	**2,933**	**1,003**

IRES and IRAP taxes payable as at 31 December 2015 includes the net payable due by the Group for the payment of direct income taxes.

25.Provisions for risks and charges

Provisions for risks and charges mainly refers to the product guarantee fund and partially to the adjustment of the value of consolidated investments by using the equity method. With reference to the guarantee fund, the calculation is based on a historical, statistical and technical analysis of the interventions under guarantee carried out on sales in prior financial periods and includes both the cost of labour and that for spare parts used.
Changes in the *provisions for risks and charges* as at 31 December 2015 and as at 31 December 2014 are indicated below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Value as at 1 January	1.040	2.222
Provisions	100	15
Change in the consolidation area	2.709	
Uses	(479)	(1.219)
Exchange-rate differences	22	22
Value as at 31 December	**3.392**	**1.040**

26.Other current liabilities

The following table sets forth the breakdown of other current liabilities as at 31 December 2015 and as at 31 December 2014:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Due to social security	2,395	836

Due to INAIL (National Insurance Institute for Industrial Accidents)	168	125
Due to trade funds	162	152
Due to employees and collaborators	2,601	2,257
Due to others	1,170	696
Accrued expenses and liabilities	603	932
Other current taxes	788	-
Total other current liabilities	**7,887**	**4,998**

Other current liabilities increased compared to the prior financial period of Euro 2,889 thousand; this change is mainly related to increases in the item *due to social security* related to the acquisition of the Marais Group and in the item *Other current taxes* containing the Sales tax of the subsidiary Tesmec USA.

27.Income taxes

Deferred tax assets and liabilities
The following table sets forth the breakdown of deferred taxes as at 31 December 2015 and 2014:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Deferred tax assets	8,844	3,374
Deferred tax liabilities	8,255	2,892

The breakdown of net deferred taxes as at 31 December 2015 and 2014 is shown in the following table by type by listing the items that present underlying temporary differences:

	31 December		**31 December**		**Financial period ended 31 December**	
	Statement of financial position		**Shareholders' equity**		**Income statement**	
(Euro in thousands)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Deferred tax assets						
Reversals of intangible assets	86	69	-	-	17	(82)
Obsolescence fund	952	734	-	-	218	100
Unrealised exchange-rate losses	736	374	-	-	362	(184)
Tax effect on UCC gain reversals	334	392	-	-	(58)	(73)
Tax effect on intercompany margin adjustments	1.111	785	356	-	(30)	(134)
Deferred tax assets TESMEC USA	2.290	600	(254)	(155)	1.944	-
Listing expenses	-	-	-	-	-	(306)
Deferred tax assets of Marais Group	2.695	-	2.695	-	-	-
Other temporary differences	640	420	(18)	60	238	38
Total deferred tax assets	**8.844**	**3.374**	**2.779**	**(95)**	**2.691**	**(641)**
Deferred tax liabilities						
Unrealised exchange-rate gains	(1.457)	(780)	-	-	(677)	(451)
Difference of value - USA building	(302)	(280)	(22)	(32)	-	7
Capitalisation of Development costs TESMEC USA	(1.094)	(1.006)	(88)	(118)	-	(418)
Deferred tax liabilities TESMEC USA	(1.105)	(226)	(132)	(34)	(747)	188
Profits allocated to network reserve	(250)	(250)	-	-	-	-
Tax effect on intercompany margin adjustments	-	(58)	58	21	-	(79)

Deferred tax liabilities of Marais Group	(3.977)	-	(3.609)	-	(368)	-
Other temporary differences	(70)	(292)	(13)	293	235	(439)
Total deferred tax liabilities	**(8.255)**	**(2.892)**	**(3.806)**	**130**	**(1.557)**	**(1.192)**
Effect on Shareholders' Equity						
Net balance deferred wealth taxes	**589**					
Represented in the income statement as follows:						
Deferred tax assets	**2.691**					
Deferred tax liabilities	**(1.557)**					
Deferred tax liabilities, net	**1.134**					

The variation of "deferred tax liabilities" is mainly related to the application of IAS 17 on leasing headed to Marais Group; the variation of deferred tax asset is related to the registration of the taxes on the losses realized to Marais Group; that recovery has been supported from the recuperation expectations expressed by company plans referred to the new acquired Group.

Current taxation

Profit before taxes and the allocation for income taxes for the financial periods as at 31 December 2015 and 2014 are summarised below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Consolidated pre-tax profits	**9.105**	**8.321**
Current taxation:		
Italy	(3.774)	(1.991)
USA	635	408
Rest of the World	61	-
Deferred tax liabilities/assets		
Italy	276	(1.401)
USA	1.196	(398)
Rest of the World	(338)	(34)
Total Income taxes	**(1.944)**	**(3.416)**

The reconciliation between the nominal tax rate established by the Italian legislation and the effective tax rate resulting from the consolidated financial statements is set below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Profit before tax	**9.105**	**8.321**
Ires tax rate in force during the period	27,50%	27,50%
Theoretical tax charge	**(2.504)**	**(2.288)**
Irap	**(653)**	**(795)**
Permanent tax differences	1.638	(709)
Effect of different tax rate for foreign companies	(425)	376
Total difference	**1.213**	**(333)**
Total tax charge as per income statement	**(1.944)**	**(3.416)**

Comments to the main items in the income statement

28.Revenues from sales and services

In the 2015 and 2014 financial periods, revenues from sales and services amounted to Euro 164,402 thousand and Euro 114,895 thousand, respectively. The breakdown is set below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Sales of products	140,550	104,491
Services rendered	20,430	4,228
	160,980	**108,719**
Changes in work in progress	3,422	6,176
Total revenues from sales and services	**164,402**	**114,895**

The Group realised in 2015 revenues of Euro 164,402 thousand against a figure of Euro 114,895 thousand in 2014 up by 43.1%. Without considering the consolidation of the Marais Group, growth would have been 27.6%. The three business areas contributed in different ways with the growth in the Stringing equipment and Trencher segments, whose revenues increased respectively by 43.9% and 67.6% offset by the decrease in the Rail segment (-68.5%), a decrease that in absolute terms totals Euro 8,205 thousand.

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 31 December 2015 generated total revenues of Euro 17,899 thousand. Without considering the effects of the acquisition of the Marais Group, the growth in the Trencher segment would have been 33.9%.

The significant increase in the Stringing equipment segment is due to the deliveries related to the order for 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. Thanks to commercial development carried out as from the recent entry of Tesmec in the Rail segment, important negotiations that will lead to a growth in revenues of the segment in the coming quarters are currently underway.

29.Cost of raw materials and consumables

For the financial periods as at 31 December 2015 and 31 December 2014, cost of raw materials and consumables amount to Euro 82,838 thousand and Euro 55,536 thousand, respectively.
The breakdown of the item is as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Cost for the purchase of raw materials and consumables	80,193	61,692
Change in inventories	2,645	(6,156)
Total cost of raw materials and consumables	**82,838**	**55,536**

Cost of raw materials and consumables increased by Euro 27,302 thousand (+49.2%) slightly more than proportionally than the increase in sales volumes (+43.1%), due to a different mix of sales for nation/product that was related to the period.
Marais Group contributed to the item from 8 of April to 31 December 2015 for Euro 6,152 thousand.

30.Costs for services

The table below shows the breakdown of *recurring and non-recurring costs for services* that amounted in 2015 and in 2014 to Euro 27,909 thousand and Euro 19,005 thousand, respectively.

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Transport, customs and incidental expenses	4,653	2,922
Outsourced work service	3,683	2,977
External production services	1,020	979
Services for legal, tax, technical and other consultancy	4,377	3,159
Banking services	1,301	867
Insurance	592	390
Energy, water, gas, telephone expenses and postage	1,344	1,124
Board and lodging expenses and travelling allowance	3,256	1,440
Directors' and Auditors' fees	1,252	907
Advertising and other selling expenses	799	870
Maintenance services	744	541
Commissions and additional expenses	3,941	2,050
Other general expenses	947	779
Total costs for services	**27,909**	**19,005**

The more than proportional increase in costs for services (+46.9%) compared to the increase in revenues (+43.1%) is due to the following changes:

- *transport, customs and incidental expenses* increased by Euro 1.731 thousand generated by higher sales in the period:
- *legal, tax, technical and other consultancy costs* of Euro 4,377 thousand in the 2015 financial period compared to Euro 3,159 thousand in the 2014 financial period. This item includes costs related to the acquisition of the Marais Group of Euro 564 thousand;
- *commissions and additional expenses* increased by Euro 1,891 thousand due to the increase in revenues of the Stringing equipment segment where the structure most commonly used is indirect sales.

Marais Group contributed to the item from 8 of April to 31 December 2015 for Euro 3,347 thousand.

31.Payroll costs

During the financial periods ended 31 December 2015 and 31 December 2014, payroll costs amounted to Euro 34,530 thousand and Euro 26,053 thousand, respectively, up by 32.5%.

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Wages and salaries	25,160	19,544
Social security charges	6,948	4,450
Employee severance indemnity	915	872
Other personnel costs	1,507	1187
Total payroll costs	**34,530**	**26,053**

The 32.5% increase in this item is mainly related to the increase in activities and resources also following the acquisition of the Marais Group.

32.Other operating (costs)/revenues, net

During the financial periods ended 31 December 2015 and 31 December 2014, other net operating (costs)/revenues amounted to Euro 2,718 thousand and Euro 2,527 thousand, respectively.

The breakdown of the item is as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Provisions for risks and other net provisions	(488)	638
Rents	937	839
Hiring	986	588
Other lease and rental expenses	1,179	712
Sundry taxes	826	433
Other revenues	(1,311)	(1,396)
Other	589	713
Total other operating (costs)/revenues, net	**2,718**	**2,527**

Other operating (costs)/revenues, net is basically in line with the previous financial year increasing by Euro 191 thousand.

33.Amortisation and depreciation

During the financial periods ended 31 December 2015 and 31 December 2014, depreciation and amortisation amounted to Euro 11,230 thousand and Euro 7,876 thousand, respectively, with a 42.6% increase.
The breakdown of the item is as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Amortisation of intangible assets	5,463	4,628
Depreciation of property, plant and equipment	5,767	3,248
Total amortisation and depreciation	**11,230**	**7,876**

The change of Euro 3,354 thousand is related to investments and divestments in the period and to additional amortisation deriving from the acquisition of the Marais Group.

34.Development costs capitalised

Development costs capitalised for the financial periods ended 31 December 2015 and 31 December 2014 amounted to Euro 5,104 and Euro 5,633 thousand, respectively and are substantially in line with the previous financial period.
The Group continued to develop the projects for the launch of new models and new functionalities of own products, which are requested from the markets, in order to maintain its leader sector position.

35.Financial expenses

During the financial periods ended 31 December 2015 and 31 December 2014, financial expenses amounted to Euro 7,881 thousand and Euro 6,662 thousand, in line with the previous year.

The breakdown of the item is as follows:

(Euro in thousands)	Financial period ended 31 December	
	2015	**2014**
Bank interests expense	507	456
Interests payable for factoring and billing discounts	342	369
Interests payable on interest-bearing loans and borrowings	2,477	2,024
Interests payable on advance loans on exports	174	514
Interests payable on derivative instruments	-	282
Other sundry financial expenses	705	361
Financial expenses on lease contracts	1,150	1,437
Realised foreign exchange losses	396	516
Unrealised foreign exchange losses	2,020	656
Fair value adjustment of derivative instruments	110	47
Total financial expenses	**7,881**	**6,662**

Financial expenses shows an increase compared to the previous financial year of Euro 1,219 thousand as a result of:

- increase in *foreign exchange losses (realised and unrealised)* of Euro 1,244 thousand due to the exchange rate used on the date of collection compared to the one used on the invoice date and to the adjustment to the exchange rate in effect as at 31 December 2015 of the currency items;
- increase in *interest rates payable on interest-bearing loans and borrowings* of Euro 453 thousand following the drawing-up of new medium/long-term loans in connection with several investment initiatives undertaken by the Group.

36.Financial income

During the financial periods ended 31 December 2015 and 31 December 2014, financial income amounted to Euro 4,724 thousand and Euro 4,570 thousand, respectively.

The breakdown of the item is as follows:

(Euro in thousands)	Financial period ended 31 December	
	2015	**2014**
Interests from banks	71	57
Realised foreign exchange gains	1,193	704
Unrealised foreign exchange gains	3,029	3,264
Fair value adjustment of derivative instruments	203	146
Sundry income	228	399
Total financial income	**4,724**	**4,570**

Financial income slightly increased by Euro 154 thousand mainly due to the exchange gains.

37.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 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).

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.

No operating segment has been aggregated in order to determine the indicated operating segments subject-matter of the reporting.

	31 December									
	2015					2014				
(Euro in thousands)	Stringing equipment	Trencher	Rail	Not allocated	Consolidated	Stringing equipment	Trencher	Rail	Not allocated	Consolidated
Intangible assets	4.537	3.664	5.626	-	13.827	3.206	3.387	5.779	-	12.372
Property, plant and equipment	11.456	53.792	104	-	65.352	11.885	36.131	100	-	48.116
Financial assets	4.187	692	371	-	5.250	4.364	432	-	289	5.085
Other non-current assets	146	2.775	78	5.925	8.924	36	696	63	3.125	3.920
Total non-current assets	**20.326**	**60.923**	**6.179**	**5.925**	**93.353**	**19.491**	**40.646**	**5.942**	**3.414**	**69.493**
Work in progress contracts	-	-	3.864	-	3.864	-	-	5.249	-	5.249
Inventories	12.580	45.865	446	-	58.891	13.753	41.470	167	-	55.390
Trade receivables	13.247	36.874	761	-	50.882	12.084	26.187	1.143	1.883	41.297
Other current assets	826	3.244	309	12.315	16.694	307	122	498	8.851	9.778
Cash and cash equivalents	-	-	-	21.204	21.204	-	-	-	18.665	18.665
Total current assets	**26.653**	**85.983**	**5.380**	**33.519**	**151.535**	**26.144**	**67.779**	**7.057**	**29.399**	**130.379**
Total assets	**46.979**	**146.906**	**11.559**	**39.444**	**244.888**	**45.635**	**108.425**	**12.999**	**32.813**	**199.872**
Shareholders' equity attributable to Parent Company Shareholders	**-**	**-**	**-**	**54.262**	**54.262**	**-**	**-**	**-**	**48.164**	**48.164**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**1.615**	**1.615**	**-**	**-**	**-**	**9**	**9**
Non-current liabilities	**35**	**9.086**	**372**	**79.371**	**88.864**	**13**	**-**	**622**	**67.633**	**68.268**
Current financial liabilities	-	-	-	45.192	45.192	-	-	-	36.506	36.506
Trade payables	15.820	22.248	981	-	39.049	11.939	20.287	1.953	-	34.179
Other current liabilities	531	6.135	277	8.963	15.906	5.567	1.273	262	5.644	12.746
Total current liabilities	**16.351**	**28.383**	**1.258**	**54.155**	**100.147**	**17.506**	**21.560**	**2.215**	**42.150**	**83.431**
Total liabilities	**16.386**	**37.469**	**1.630**	**133.526**	**189.011**	**17.519**	**21.560**	**2.837**	**109.783**	**151.699**
Total shareholders' equity and liabilities	**16.386**	**37.469**	**1.630**	**189.403**	**244.888**	**17.519**	**21.560**	**2.837**	**157.956**	**199.872**

(Euro in thousands)	Financial period ended 31 December							
	2015				2014			
	Stringing equipment	Trencher	Rail	Consolidated	Stringing equipment	Trencher	Rail	Consolidated
Revenues from sales and services	72,146	88,490	3,766	164,402	50,130	52,794	11,971	114,895
Operating costs net of depreciation and amortisation	(60,779)	(75,466)	(4,112)	(140,357)	(40,592)	(46,726)	(9,254)	(96,572)
EBITDA	**11,367**	**13,024**	**(346)**	**24,045**	**9,538**	**6,068**	**2,717**	**18,323**
Amortisation and depreciation	(2,850)	(6,922)	(1,458)	(11,230)	(2,479)	(4,352)	(1,045)	(7,876)
Total operating costs	**(63,629)**	**(82,388)**	**(5,570)**	**(151,587)**	**(43,071)**	**(51,078)**	**(10,299)**	**(104,448)**
Operating income	**8,517**	**6,102**	**(1,804)**	**12,815**	**7,059**	**1,716**	**1,672**	**10,447**
Net financial income/(expenses)				(3,710)				(2,126)
Pre-tax profit				**9,105**				**8,321**
Income tax				(1,944)				(3,416)
Net profit for the period				**7,161**				**4,905**
Profit / (loss) attributable to non-controlling interests				230				(4)
Group profit (loss)				**6,931**				**4,909**

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.

38.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:
In particular, for the financial period ended 31 December 2015, the breakdown of each related party is indicated below:

	31 December					31 December				
	2015					2014				
(Euro in thousands)	**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.	12	-	-	-	-	21	-	-	-	-
Bertel S.p.A.	25	2,524	-	-	-	129	563	-	-	1
SEP Cergy	-	46	-	-	-	-	-	-	-	-
SEP Moselle	-	32	-	-	-	-	-	-	-	-
SEP Semafor 77	-	-	-	20	-	-	-	-	-	-
SEP Laison	-	-	-	10	-	-	-	-	-	-
SEP College	-	6	-	-	-	-	-	-	-	-
Subtotal	**37**	**2,608**	**-**	**30**	**-**	**150**	**563**	**-**	**-**	**1**
Joint Ventures:										
Condux Tesmec Inc.	576	2,307	-	-	1	1,084	156	-	-	-
Tesmec Peninsula	44	4,690	-	-	7	2,755	4,729	-	-	1
Marais Algerie SARL	1,102	-	-	-	-	-	-	-	-	-
Marais Tunisie	-	2	-	-	-	-	-	-	-	-
Marais Lucas	-	794	-	-	-	-	-	-	-	-
Subtotal	**1,722**	**7,793**	**-**	**-**	**8**	**3,839**	**4,885**	**-**	**-**	**1**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	-	-	-	-	-	4
Ceresio Tours S.r.l.	-	-	-	-	-	-	-	-	-	2
Dream Immobiliare S.r.l.	-	1,096	14,743	1,211	52	-	1,102	15,954	1,100	-
Studio Bolelli	-	-	-	-	-	-	-	-	-	-
Eurofidi S.p.A.	-	2	-	-	-	-	2	-	-	-
CONAI	-	-	-	-	1	-	-	-	-	-
TTC S.r.l.	-	-	-	-	42	-	-	-	-	-
Fintetis S.r.l.	30	-	-	-	-	-	-	-	-	-
Lame Nautica S.r.l.	1	-	-	-	-	4	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	2,170	-	-	-	-	2,440	-	-	-	-
Reggiani Macchine S.p.A.	52	-	-	-	77	137	-	-	-	-
Comatel	38	-	-	-	-	-	-	-	-	-
C2D	-	-	-	-	20	-	-	-	-	-
Subtotal	**2,291**	**1,098**	**14,743**	**1,211**	**192**	**2,581**	**1,104**	**15,954**	**1,100**	**6**
Total	**4,050**	**11,499**	**14,743**	**1,241**	**200**	**6,570**	**6,552**	**15,954**	**1,100**	**8**

(Euro in thousands)	Financial period ended 31 December 2015					Financial period ended 31 December 2014				
	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.	66	-	-	-	-	(274)	-	-	-	-
Bertel S.p.A.	138	-	3	16	45	130	(1)	-	2	5
Subtotal	**204**	**-**	**3**	**16**	**45**	**(144)**	**(1)**	**-**	**2**	**5**
Joint Ventures:										
Condux Tesmec Inc.	2,964	-	(1)	181	31	3,880	-	10	151	2
Tesmec Peninsula	1,862	(147)	(28)	110	99	2,806	(1,018)	(13)	94	145
Marais Algerie SARL	12	-	-	-	-	-	-	-	-	-
Subtotal	**4,838**	**(147)**	**(29)**	**291**	**130**	**6,686**	**(1,018)**	**(3)**	**245**	**147**
Related parties:										
Ambrosio S.r.l.	-	-	-	(15)	-	-	-	-	(15)	-
Ceresio Tours S.r.l.	-	-	(9)	-	-	-	-	(10)	-	-
Dream Immobiliare S.r.l.	-	-	-	(350)	(1,031)	-	-	1	(234)	(1,291)
Studio Bolelli	-	-	(131)	-	-	-	-	(106)	-	-
CONAI	-	(2)	-	-	-	-	-	-	-	-
TTC S.r.l.	-	-	(49)	-	-	-	-	-	-	-
Fintetis S.r.l.	25	-	-	-	-	-	-	-	-	-
Lame Nautica S.r.l.	71	-	1	-	-	5	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	2,357	(5)	5	50	-	2,446	-	5	13	-
Reggiani Macchine S.p.A.	-	(36)	(82)	154	-	199	(26)	108	13	-
Comatel	202	-	-	-	-	-	-	-	-	-
C2D	-	-	-	(7)	-	-	-	-	-	-
Subtotal	**2,655**	**(43)**	**(265)**	**(168)**	**(1,031)**	**2,650**	**(26)**	**(2)**	**(223)**	**(1,291)**
Total	**7,697**	**(190)**	**(291)**	**139**	**(856)**	**9,192**	**(1,045)**	**(5)**	**24**	**(1,139)**

- Locavert S.A.: the French associate purchases normally trenchers/spare parts for rental business and carrying-out of excavation works at market prices and terms of payment;
- Bertel S.p.A: this associated company is a start-up, operating in a market with a high technical profile such as that of streamlining systems of High-Voltage Power Networks and offers highly innovative technological solutions that are increasingly requested by the international customers already served by Tesmec S.p.A. today. The revenues refer to the sale of goods in relation to projects in the field of improving the efficiency of energy transfer. During the financial period the start-up company has been subject of loans at market tax;
- Condux Tesmec, Inc.: the JV purchases stringing machines and equipment for sale on the American market 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;
- Ambrosio S.r.l.: costs for services refer to the rental for the registered office of Milan;
- Dream Immobiliare S.r.l.: financial income and expenses includes interests payable deriving from the recognition in accordance with IAS 17 of the Building of Grassobbio of Euro 1,031 thousand;
- M.T.S. Officine meccaniche S.p.A.: revenues refer to sales of semi-finished products made by the Tesmec Workshop in Sirone;
- Reggiani Macchine S.p.A.: costs for services mainly refers to costs related to users for a total amount of Euro 108 thousand.

After the acquisition operation of Marais Group, new affiliated parties have been included as for the following companies: SEP Cergy 95, SEP Moselle 57, SEP Semafor 77, SEP Liaison Natix 77, SEP College 77, Marais Algerie SARL, Marais Lucas Technologies (Pty) Ltd., Marais Tunisie SA e Mir SA,; while through the related parties have been included companies owned by a member of the Board of Directors of Marais, and they are represented by Finetis SARL, Comatel e CD2. With these companies Marais Group entertains commercial relationships at normal market conditions.

39.Fees paid to Directors, Auditors, Operating Manager and executives with strategic responsibilities

Year 2015:

Board of directors				
Name and Surname	**Role**	**Fees (in Euro)**	**Bonus and other fees (in Euro)**	**Total fees**
Ambrogio Caccia Dominioni	Chairman and Managing Director	480,000	399,891	879,891
Alfredo Brignoli	Vice Chairman	23,986	-	23,986
Gianluca Bolelli	Vice Chairman	62,400	-	62,400
Sergio Arnoldi	Director	20,800	-	20,800
Gioacchino Attanzio	Director	30,000	-	30,000
Caterina Caccia Dominioni	Director and Secretary	41,600	-	41,600
Guido Giuseppe Maria Corbetta	Director	15,000	-	15,000
Lucia Caccia Dominioni	Director	20,000	-	20,000
Leonardo Giuseppe Marseglia	Director	3,750	-	3,750

Board of Statutory Auditors				
Name and Surname	**Role**	**Fees (in Euro)**	**Bonus and other fees (in Euro)**	**Total fees**
Simone Cavalli	Chairman	40,213	-	40,213
Stefano Chirico	Statutory Auditor	26,468	-	26,468
Alessandra De Beni	Statutory Auditor	26,000	-	26,000

Fees paid to executives with strategic responsibilities in the 2015 financial period amounted to Euro 600 thousand (Euro 514 thousand in the 2014 financial year).

40.Legal disputes

Tesmec S.p.A. is a party to a litigation brought against it by the previous French distributor of the Trencher segment because of the allegedly unjustified termination of the distribution agreement and alleged violation of territorial exclusivity. Tesmec S.p.A. appeared before the court challenging the validity of the plaintiff's claims and using a counter-claim because the distributor failed to perform several times its duty to promote the products of Tesmec S.p.A. on the French market and hence claiming damages for loss of market and image with French customers. In support of its arguments, Tesmec S.p.A. filed an accounting report that, on the one hand, shows that the amounts requested by the former distributor are not supported by sufficient evidence and, on the other hand, bears out the requests in support of the counter-claim. The court, in acceptance of claim of Tesmec S.p.A., entrusted a third-party expert with the task of checking the accounting data and the amount of goodwill at the basis of the claims for damages of the adverse party.

The survey, prepared as a result of audits carried out by the French expert both at the registered office of the former distributor and at the registered office of Grassobbio, was filed in April 2015. The Expert of the Court noted that from 2007 to 2011 the turnover of Tesmec in France fell sharply, whereas that of the distributor remained almost unchanged in the same years. Hence, the conclusion of the expert not to agree with the financial statement parameter on which the former distributor based its request for loss of goodwill, or with the amount claimed in court. Albeit the expert considers that, on the basis of the accounting data of the former distributor, it is not possible to assess the loss of goodwill, it proposes to the court to use an alternative method, by applying the criteria for calculating a goodwill indemnity for agents that would result in recognising to the former distributor much more reasonable amounts, should the validity of the adverse claims be recognised. This method lays itself open to several objections raised promptly by Tesmec. The discussion before the Court of Commerce is expected by the end of the year, unless adjourned due to counterclaims.

In December 2015, a second arbitration was radicated at the China International Economic and Trade Arbitration Commission (CIETAC) to the detriment of a Chinese trading company that has not paid the price of important supplies of Stringing equipment material of more than Euro 1.3 million as from 2010. This arbitration follows the first one, started by Tesmec but then abandoned, without excluding further claims, due to procedural loopholes. In this procedure, the formal shortcomings were made up for by official documents proving the acknowledgement of debt by the trading company.

Tesmec was summoned to appear before the Court of Alabama for a claim for damages following a death claim occurred in August 2013 along the Tennessee River. Tesmec is involved as a provider of a rope to the federal body TVA that was supposed to guard the river during a fishing competition. There appears to be no causal link between the alleged responsibility of Tesmec and the death of the subject. In any case Tesmec, in agreement with the insurance company that is constantly informed of the facts and confirmed that it will also bear the legal costs, assigned an American lawyer who is following the case.

41.Positions or transactions resulting from atypical and/or unusual operations

Note that, pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, in 2015 the Company did not carry out any atypical and/or unusual operation, as defined by the Communication itself.

42.Commitments and risks

They include sureties, guarantees and third-party assets with the Group. For the financial periods as at 31 December 2015 and 2014, they are summarised as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Sureties	32.671	23.602
Total commitments and risks	**32.671**	**23.602**

The recorded value concerns sureties provided by Tesmec S.p.A. through primary banking institutions in favour of customers. The increase is mainly due to the orders of the newly set up rail sector.
On the basis of the specific of the segments in which the Company works, Tesmec did not make any provision for contingent liabilities in the memorandum accounts. Risks and future expenses are reasonably hedged by funds specifically accounted for in the financial statements.

43.Reporting pursuant to Article 149 duodecies of Consob Issuer Regulation

The following table shows the fees charged for the 2015 and 2014 financial period for auditing services and for services other than audit rendered by the Independent Auditors.

	Independent Auditors that supplied the service	Receiver	Accrued amount	
(Euro in thousands)			**2015**	**2014**
Audit of the financial statements and consolidated financial statements	Reconta Ernst & Young S.p.A.	Tesmec S.p.A. Parent Company	80	80
	Reconta Ernst & Young S.p.A.	Subsidiaries and joint ventures	93	24
Limited half-year auditing	Reconta Ernst & Young S.p.A.	Tesmec S.p.A. Parent Company	20	24
Certification services (1)	Reconta Ernst & Young S.p.A.	Tesmec S.p.A. Parent Company	5	5
Other services (2)	Reconta Ernst & Young S.p.A.	Tesmec S.p.A. Parent Company	15	5
Total			**213**	**133**

(1) This item refers to activities aimed at the signing of tax returns.

(2) This item refers to activities aimed to the acquisitions operation.

44.Significant events occurred after the close of the financial period

On the date of this report, the Company holds a total of 4.450.497 treasury shares, equal to 4.16% of the Share Capital.

The significant events occurred after the close of the financial period include:

- on 9 February 2016, the subsidiary Group Marais SA purchased the entire shareholding in the French company EAM SRL, with registered office in Carcassone, for Euro 450 thousand.

- on 3 March 2016, the parent company Tesmec S.p.A. purchased the remaining 60% of the share capital of Bertel S.p.A., company operating in a market with a high technical profile such as that of streamlining systems of Transmission Power Lines. Tesmec already owned 40% of the share capital of Bertel S.p.A.
  The value of the transaction amounted to Euro 300 thousand corresponding to the nominal value and will be paid in two tranches: the first one of Euro 150 thousand within 12 months and the second one of Euro 150 thousand within 24 months.

Certificate of the Consolidated financial statements pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 with further supplements and amendments

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 consolidated financial statements during the 2015 financial period.

2. We also certify that:

2.1 the consolidated financial statements as at 31 December 2015:

   - have been prepared in accordance with IFRS as 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 directors' report includes a reliable analysis of the business trend and operating result as well as of the situation of the issuer and of the consolidated companies, together with a description of the main risks and uncertainties they incur.

Milan, 14 March 2016

Ambrogio Caccia Dominioni
Chief Executive Officer

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

INDEPENDENT AUDITOR'S REPORT

Building a better
working world

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Independent auditor's report in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of Tesmec S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Tesmec Group, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Tesmec S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Reconta Ernst & Young S.p.A.
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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Group Tesmec as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structures as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Tesmec S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structures in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and Ownership Structures are consistent with the consolidated financial statements of Tesmec Group as at 31 December 2015.

Milan, 29 March 2016

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.

FINANCIAL STATEMENTS OF TESMEC S.P.A.

Statement of financial position

(in Euro)	Notes	31 December 2015	2014
NON-CURRENT ASSETS			
Intangible assets	5	6,716,413	5,858,644
Property, plant and equipment	6	30,570,727	32,139,703
Equity investments in subsidiaries		33,047,386	24,234,922
Equity investments in associates	7	3,437,511	3,437,511
Other equity investments		2,808	2,808
Financial receivables and other non-current financial assets		1,500	-
Derivative financial instruments	18	11,114	16,021
Deferred tax assets	25	2,523,663	1,889,661
TOTAL NON-CURRENT ASSETS		**76,311,122**	**67,579,270**
CURRENT ASSETS			
Work in progress contracts	8	1,882,786	-
Inventories	9	28,713,160	29,839,846
Trade receivables	10	31,163,711	31,044,695
of which with related parties:		*8,856,122*	*6,947,193*
Tax receivables	11	-	395,248
Other available-for-sale securities	12	22,288	125,448
Financial receivables and other current financial assets	13	42,506,310	28,417,769
of which with related parties:		*42,465,534*	*28,312,278*
Other current assets	14	1,681,695	1,597,630
of which with related parties:		*147,949*	*1,740*
Cash and cash equivalents	15	15,451,270	14,315,989
TOTAL CURRENT ASSETS		**121,421,220**	**105,736,625**
TOTAL ASSETS		**197,732,342**	**173,315,895**
SHAREHOLDERS' EQUITY			
Share capital	16	10,708,400	10,708,400
Reserves	16	28,919,337	26,192,772
Net income (loss) for the period	16	7,411,919	6,277,766
TOTAL SHAREHOLDERS' EQUITY	16	**47,039,656**	**43,178,938**
NON–CURRENT LIABILITIES			
Medium-long term loans	17	68,627,795	58,015,746
of which with related parties:		*14,743,133*	*15,954,021*
Derivative financial instruments	18	288,006	460,380
Employee benefit liability	19	2,418,842	2,707,100
Deferred tax liabilities	25	1,727,423	1,035,155
TOTAL NON-CURRENT LIABILITIES		**73,062,066**	**62,218,381**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	20	38,917,781	30,922,170
of which with related parties:		*1,210,888*	*1,099,709*
Derivative financial instruments	18	14,103	-
Trade payables	21	30,394,853	26,470,654
of which with related parties:		*1,639,669*	*331,938*
Advances from customers		1,215,589	5,406,372
Income taxes payable	22	2,803,808	993,386
Provisions for risks and charges	23	350,000	250,000
Other current liabilities	24	3,934,486	3,875,994
of which with related parties:		*260,551*	*382,446*
TOTAL CURRENT LIABILITIES		**77,630,620**	**67,918,576**
TOTAL LIABILITIES		**150,692,686**	**130,136,957**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**197,732,342**	**173,315,895**

Income statement

(in Euro)	Notes	Financial period ended 31 December 2015	2014
Revenues from sales and services	26	**115,071,242**	**88,225,059**
of which with related parties:		*22,625,121*	*18,410,295*
Cost of raw materials and consumables	27	(64,164,423)	(44,375,991)
of which with related parties:		*(1,142,291)*	*(1,166,640)*
Cost for services	28	(17,764,433)	(14,936,384)
of which with related parties:		*(186,297)*	*(66,534)*
Payroll costs	29	(17,335,078)	(16,686,649)
Other operating (costs)/revenues, net	30	(774,628)	(252,470)
of which with related parties:		*(87,785)*	*839,128*
Amortisation and depreciation	31	(4,880,611)	(5,047,015)
Development costs capitalised	32	3,000,309	2,992,073
Total operating costs		**(101,918,864)**	**(78,306,436)**
Operating income		**13,152,378**	**9,918,623**
Financial expenses	33	(7,468,640)	(5,935,309)
of which with related parties:		*(1,531,472)*	*(1,294,450)*
Financial income	34	5,541,120	5,637,643
of which with related parties:		*1,201,805*	*1,387,987*
Pre-tax profit		**11,224,858**	**9,620,957**
Income tax	25	(3,812,939)	(3,343,191)
Net profit for the period		**7,411,919**	**6,277,766**

Comprehensive income statement

		Financial period ended 31 December	
(in Euro)	**Notes**	**2015**	**2014**
NET PROFIT FOR THE PERIOD		**7,411,919**	**6,277,766**
Other components of comprehensive income:			
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		50,292	(181,940)
Income tax		(13,830)	50,034
	19	36,462	(131,906)
Total other income/(losses) after tax		**36,462**	**(131,906)**
Total comprehensive income (loss) after tax		**7,448,381**	**6,145,860**

Cash flow statement

(in Euro)	Notes	Financial period ended 31 December 2015	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		7,411,919	6,277,766
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	31	4,880,611	5,047,015
Provisions for employee benefit liability	19	20,667	78,030
Provisions for risks and charges / inventory obsolescence / doubtful accounts		1,198,948	670,000
Employee benefit payments	19	(258,633)	(69,975)
Payments/use of provisions for risks and charges		-	(50,000)
Net change in deferred tax assets and liabilities	25	44,436	973,182
Change in fair value of financial instruments	18	(153,364)	(98,677)
Change in current assets and liabilities:			
Trade receivables	10	(4,715,247)	4,654,227
Inventories	9	(1,449,600)	(1,795,418)
Trade payables	21	3,924,199	3,861,211
Other current assets and liabilities		2,180,098	(796,908)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**13,084,034**	**18,750,453**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	6	(403,204)	(1,983,491)
Investments in intangible assets	5	(4,079,419)	(3,141,855)
(Investments) / disposal of financial assets		(22,799,345)	(9,640,717)
Proceeds from sale of property, plant and equipment and intangible assets	5-6	313,219	616,377
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(26,968,749)**	**(14,149,686)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	17	26,576,894	20,674,796
Repayment of medium/long-term loans	17	(12,245,103)	(13,431,468)
Net change in short-term financial debt	17	4,675,868	(5,215,256)
Dividend distribution	16	(2,403,217)	(1,682,203)
Purchase of treasury shares	16	(1,184,446)	(248,393)
NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES (C)		**15,019,996**	**97,477**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**1,135,281**	**4,698,244**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)	15	14,315,989	9,617,745
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**15,451,270**	**14,315,989**
Additional information:			
Interest paid		4,084,722	3,327,991
Income tax paid		1,840,848	2,330,126

Statement of changes in shareholders' equity

(in Euro)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Other reserves	Profit for the period	Total Share holders' Equity
Balance as at 1 January 2014	**10,708,400**	**1,810,590**	**10,915,101**	**(793,638)**	**12,444,149**	**3,879,073**	**38,963,675**
Net profit for the period	-	-	-	-	-	6,277,766	6,277,766
Allocation of profit for the period	-	193,953	-	31,141	1,971,776	(2,196,870)	-
Dividend distribution	-	-	-	-	-	(1,682,203)	(1,682,203)
Purchase of treasury shares	-	-	-	(248,394)	-	-	(248,394)
Distribution for Network Reserve	-	-	-	-		-	-
Other changes	-	-	-	-	(131,906)	-	(131,906)
Balance as at 31 December 2014	**10,708,400**	**2,004,543**	**10,915,101**	**(1,010,891)**	**14,284,019**	**6,277,766**	**43,178,938**
							-
Net profit for the period	-	-	-	-	-	7,411,919	7,411,919
Allocation of profit for the period	-	137,137	-	59,715	3,677,697	(3,874,549)	-
Dividend distribution	-	-	-	-	-	(2,403,217)	(2,403,217)
Purchase of treasury shares	-	-	-	(1,184,446)	-	-	(1,184,446)
Other changes	-	-	-	-	36,462	-	36,462
Balance as at 31 December 2015	**10,708,400**	**2,141,680**	**10,915,101**	**(2,135,622)**	**17,998,178**	**7,411,919**	**47,039,656**

Explanatory notes

Accounting policies adopted in preparing the financial statements as at 31 December 2015

1. Company information

The Tesmec S.p.A. parent company (hereinafter "Parent Company", "Tesmec" or “Company”) 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 as from 1 July 2010. The registered office of the Company is in Milan in Piazza S. Ambrogio no. 16.

The publication of Tesmec's financial statements for the period ended 31 December 2015 was authorised by means of the resolution of the Board of Directors on 14 March 2016.

2. Reporting standards

The financial statements of Tesmec S.p.A. as at 31 December 2015 comprise the statement of financial position, income statement, statement of comprehensive income, cash-flow statement, statement of changes in shareholders' equity and the related explanatory notes. These financial statements are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union according to the text published in the Official Journal of the European Communities (OJEC) and in effect as at 31 December 2014. These IFRS principles also include all revised international accounting standards (“IAS”) and all of the interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”), previously called Standing Interpretations Committee (“SIC”).

The reference accounting standards adopted in the current yearly financial statements are consistent with those used for preparing the yearly financial statements of the Company for the period ended as at 31 December 2014, also prepared according to the international accounting standards, with the exception of the principles and interpretations of new application, explained in note 2.3.

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

Business continuity
The Company considered that there are no significant uncertainties on the principle of going-concern, in the light of its economic and financial soundness.

2.1 Adopted financial statement reporting formats

In compliance with the provisions of Consob resolution no. 15519 of 27 July 2006, information on the adopted financial statement reporting format compared to what is stated in IAS 1 are indicated below for the statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders’ equity as well as the method used for representing the financial flows in the statement of cash-flows compared to those specified in IAS 7.

- In the income statement, it was decided to present a cost analysis by using a classification based on their nature.
- The statement of comprehensive income includes the result for the period and, by homogenous categories, the income and expenses that, under IFRS, are recognised directly in shareholders' equity.
- In the statement of financial position, it was decided to represent current and non-current assets and current and non-current liabilities classified separately, in accordance with IAS 1.
- The statement of changes in shareholders’ equity occurred during the period are represented through a table that reconciles the opening and closing balances of each item of the shareholders’ equity of the Company.
- The statement of cash flows represents the financial flows by dividing them into operating, investing and financing activities. In particular, financial flows from operating activities are represented, in accordance with IAS 7, using the indirect method, whereby net profit or loss for the year is adjusted by the effects of non-monetary transactions, by any deferral or provision of prior or future operating receipts or payments, and by revenue or cost elements connected with financial flows from investing or financing activities.

It should be noted that, in accordance with the above-mentioned resolution, the amounts of the positions or transactions with related parties and (positive and/or negative) income components resulting from non-current events or operations, i.e. from operations or facts that do not recur with frequency in the usual course of business were reported under specific sub-items, in case of significant amounts, in the statement of financial position, income statement and statement of cash flows.

2.2 Accounting policies

General Notes

The financial statements have been prepared in accordance with the historical cost principle, with the exception of the derivative financial instruments and financial assets held for sale stated at fair value.
There are no financial assets held to maturity. Financial transactions are accounted for as of the date they are traded.
The accounting policies adopted in the Financial Statements as at 31 December 2015 were applied in the same way also to all the periods of comparison.
The financial statements are presented in Euro; all values are rounded to the nearest thousand, unless otherwise indicated.

Business combinations and goodwill

Business combinations are recorded by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred at fair value at the date of acquisition and the amount of any minority interest in the acquired company. For each business combination, the purchaser must consider any minority interest in the acquired company at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquired company. Acquisition costs are paid and classified among administrative expenses.
When the Company acquires a business, it must classify or designate the acquired financial assets or the liabilities assumed in accordance with the contract terms, the economic conditions and other relevant conditions existing at the date of acquisition. This includes the verification to establish whether an embedded derivative must be separated from the host contract. If the business combination is carried out in several stages, the purchaser must recalculate the fair value of the previously held equity investment measured at equity and recognise any resulting profit or loss in the income statement.
Each contingent consideration must be recognised by the purchaser at fair value at the date of acquisition. The fair value change in the contingent consideration classified as asset or liability will be recognised in accordance with IAS 39, in the income statement or in the statement of the other components of comprehensive income. If the contingent consideration is classified in the shareholders' equity, its value must not be recalculated until its discharge is recorded as opposed to shareholders' equity.
The goodwill is initially measured at cost that arises as surplus between the sum of the paid consideration and the amount recognised for the minority shares compared to identifiable net assets acquired and liabilities undertaken by the Group. If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the income statement.
After initial recognition, goodwill is measured at cost, net of any accumulated impairment loss. For impairment loss verification, the goodwill acquired in a business combination must be allocated, from the date of acquisition, to each cash-flow generating unit of the Group that is expected to benefit from the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to such units.
If the goodwill has been allocated to the financial-flow generating unit and the entity disposes of part of the assets of such unit, the goodwill associated to the asset disposed of must be included in the book value of the asset when the profit or loss deriving from the divestment is determined. The goodwill associated with the asset disposed of must be determined on the basis of the values related to the asset disposed of and of the retained part of the financial-flow generating unit.

Intangible assets with definite lives

Intangible assets are recorded in the assets at purchase cost when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be measured reliably. Intangible assets acquired by means of business combinations are recorded at fair value at the date of acquisition, if this value can be measured reliably. Intangible assets with definite lives are amortised on a straight-line basis over their estimated useful life and submitted to impairment test whenever there is a possible impairment loss. The residual useful life is reviewed at the end of each financial period or more frequently, if necessary. Changes in the expected estimated useful life or in the ways in which future economic benefits related to the intangible asset are achieved by the Company are recognised by changing the period and/or the method of amortisation and treated as changes in accounting estimates. Amortisation charges of intangible assets with definite lives are recognised in the income statement in the category of cost consistent with the function of the intangible asset.
Intangible assets with indefinite lives are tested annually for impairment losses on an individual basis or in terms of cash-generating unit.
Profits or losses deriving from the disposal of an intangible asset are measured as the difference between the net income and the book value of the asset and are recognised in the income statement upon disposal.
The estimate of the useful life of intangible assets with definite lives is set below:

	Years
Industrial rights and patents	5
Development costs	5
Trademarks	5
Other intangible assets	3 - 5

Research and Development costs

Research costs are posted to the income statement when they are borne.

Development costs borne with regard to a particular project concerning the development of new excavating machines, stringing equipment and/or railway machines, of their significant individual components and/or of significant customisations that materialise in new models included in the catalogue, are capitalised only when the Company can show the ability to complete the technical work in order to make it available for use or for sale, its intention to complete the said asset in order to use it or transfer it to third parties, the ways in which it will generate probable future economic benefits, the availability of technical, financial or other type of resources to complete the development, its ability to reliably consider the cost attributable to the asset during its development and the existence of a market for the products and services deriving from the asset or usefulness for internal purposes. Capitalised development costs include only expenses borne that can be directly charged to the development process.

During the period of development, the asset is annually reviewed in order to recognise any impairment loss. After the initial recognition, development costs are measured at cost decreased by any accumulated amortisation or loss. The amortisation of the asset starts when the development is complete and the asset is available for use. It is amortised with reference to the period in which the connected project is expected to generate revenues for the Company, estimated on average over five years. If the projects to which such assets refer are abandoned or the related machines are no longer included in the catalogue, specific impairment indicators are recognised, and therefore the asset is tested for impairment and written down for any impairment loss recognised as previously described for intangible assets with definite lives.

Rights and trademarks

The purchase costs of the rights and trademarks are amortised over a period of time during the useful life of the acquired asset, which was determined in five years.

Property, plant and equipment

Property, plant and equipment acquired separately, with the exception of the land and buildings item, are recorded at historical cost, including directly imputable additional costs necessary for putting the asset into operation for the use for which it was acquired. This cost includes the charges for replacing part of the machines and plants when they are borne, if complying with the recognition criteria.

Property, plant and equipment acquired by means of business combinations are recorded at fair value on the date of acquisition.

Maintenance and repair costs, which are not likely to enhance and/or extend the residual life of the assets, are paid during the financial period in which they are borne, otherwise they are capitalised.

Property, plant and equipment are stated net of the related accumulated depreciation and any impairment loss determined as described below. The depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company, which is reviewed every year and any change, if necessary, is applied prospectively.

The estimate of the useful life of the main classes of property, plant and equipment is set below:

	Years
Buildings	40
Plant and machinery	10
Fixtures and fittings, tools and equipment	4
Leasehold Trenchers	5
Other assets	4 – 5

If significant parts of property, plant and equipment have different useful lives, these components are recorded separately. Lands, both without construction and belonging to buildings, are recorded separately and are not depreciated since they have an unlimited useful life.

The Company, based on the considerations made, established that temporarily leased Trencher machines can be depreciated on a pro-rata basis according to actual use. In particular, they are depreciated at an annual 20% rate during the lease period. In the event that these trenchers are not leased temporarily during the reporting period, the depreciation process is suspended.
The book value of property, plant and equipment is subject to an impairment test when events or changed circumstances indicate that the book value cannot be recovered. If there is an indication of this type and, in the event that the book value exceeds the estimated realisable value, assets are written down so as to reflect their realisable value. The realisable value of property, plant and equipment is represented by the net sales price and the usage value, whichever is higher.
When defining the usage value, the expected future financial flows are discounted back using a pre-tax discount rate that reflects the current market estimate of the cost of money placed in relation to the timescale and specific risks of the asset. In relation to assets that do not generate fully independent financial flows, the realisable value is determined in relation to the financial-flow generating unit to which the asset belongs. Impairment losses are recorded in the income statement among costs for amortisation, depreciation and write-downs. These impairment losses are reversed if the reasons that generated them no longer exist.
At the time of sale or when there are no future economic benefits, expected from the use of an asset, it is written off from the financial statements and any loss or profit (calculated as the difference between the transfer value and the book value) is posted to the income statement in the year of the aforesaid writing off.

Leases

Contracts with the Company as lessee

Lease contracts are classified as Financial or Operating Lease at the beginning of the Lease contract.
Financial lease contracts, which substantially transfer to the Group all the risks and benefits deriving from the ownership of the leased asset, are capitalised on the starting date of the lease at fair value of the leased asset or at present value of the lease payments, if lower. Lease payments are prorated between principal and interests in order to obtain the application of a constant interest rate on the residual balance of the debt. Financial expenses are posted directly to the income statement.
Capitalised leased assets are amortised during the period of time of the estimated useful life of the asset or the period of validity of the lease contract, whichever is shorter, if the reasonable certainty that the Company will obtain the ownership of the asset at the end of the contract does not exist.
Lease contracts in which the lessor substantially retains all risks and benefits related to the ownership of the asset are classified as operating leases.

Contracts with the Company as lessor

If the Company signs lease contracts that substantially transfer to the customers all the risks and benefits deriving from the ownership of the leased asset, the revenues concerning the transfer of the asset are recognised in the financial statements and are recorded on the starting date of the lease at the fair value of the leased asset or at the present value of the lease payments, if lower. Moreover, a borrowing that corresponds to the present value of the lease payments still due is recorded in the balance sheet. Financial expenses are posted directly to the income statement.
Lease contracts in which the Group substantially retains all risks and benefits related to the ownership of the asset are classified as operating leases.

Impairment of assets

At the end of each reporting period, the Company considers the possible existence of impairment loss indicators of intangible assets with definite lives, of property, plant and equipment and of financial lease assets. If these indicators exist, an impairment test is carried out.
The recoverable value is determined as the fair value of an asset or financial-flow generating unit net of sales costs and its usage value, whichever is higher, and is determined by single asset, with the exception of the case in which this asset generates financial flows that are not widely independent from those generated by other assets or groups of assets, in which case the Company estimates the recoverable value of the cash-flow generating unit to which the asset belongs.
When determining the usage value, the Company discounts back the present value of future estimated financial flows, by using a pre-tax discount rate that reflects the market evaluations on the time value of money and specific risks of the asset.
In order to estimate the usage value, the future financial flows are derived from the business plans approved by the Board of Directors, which represent the best estimate made by the Group on the economic conditions laid down in the plan period. The projections of the plan cover normally a period of three financial periods; the long-term growth rate used in order to estimate the terminal value of the asset or of the unit is normally lower than the average long-term growth rate of the segment, country or market of reference. Future financial flows are estimated by referring to the current conditions: therefore, estimates do not consider benefits deriving from future restructuring for which the Company has not yet committed itself or future investments for improving or optimising the asset or the unit.
If the book value of an asset or financial-flow generating unit is greater than its recoverable value, this asset was impaired and consequently amortised until its recoverable value is reached.

Impairment losses incurred by operating assets are recognised in the income statement in the categories of cost consistent with the function of the asset that showed the impairment loss. At the end of each reporting period, the Company also considers the possible existence of elements indicating a decrease in impairment losses previously recognised and, if these indicators exist, it estimates the recoverable value again. The value of an asset previously written down can be restored only if there were changes in the estimates used for determining the recoverable value of the asset after the last recognition of an impairment loss. In this case, the book value of the asset is set to the recoverable value, however without the possibility for the value thus increased to exceed the book value that would have been determined, net of amortisation, if no impairment had been recognised in previous years. Each reversal of impairment loss is recognised as an income in the income statement; after recognising a reversal of impairment loss, the amortisation rate of the asset is adjusted in future periods, in order to distribute the changed book value, net of any residual value, on a straight-line basis over the remaining useful life.

Equity investments in subsidiaries, associates and in joint ventures

Equity investments in subsidiaries, associates and companies subject to joint control (not classified as held for sale) are recorded in accordance with the method of cost, converted in Euro at historical exchange rates if referring to equity investments in foreign companies whose financial statements are drawn up in a currency other than Euro, in accordance with IAS 27. The initial cost is equal to the costs incurred for the purchase or constitution or it is defined by experts in case of acquisitions through contributions.
When there is an indication that the equity investment may have suffered an impairment, its recoverable value is estimated, in accordance with the method specified in IAS 36 "Impairment of Assets", in order to determine the eventual loss to be posted to the income statement.

Financial assets and other non-current assets

These assets are measured according to the amortised cost approach by using the effective discount rate method net of any provision for impairment.
The amortised cost is calculated taking into consideration any discount or purchase premium and includes the commissions that are part and parcel of the effective interest rate and of the transaction costs.
Receivables falling due after one year, interest bearing or paying interests lower than the market, are discounted by using interest rates in line with market references.
Financial assets are derecognised from the Company's statement of financial position when:

- rights to receive financial flows from the asset are paid off; or
- the Group has transferred to a third Pary the right to receive financial flows from asset or it has assumed the contractual obligation to transfer them totally and without any delays and (a) it has transferred substantially all risks and benefits related to the ownership of the financial asset, or (b) it has not substantially transferred all risks and benefits of the activity, but it has transferred the control of the same.

Inventories

Inventories are measured at the purchase and/or production cost, whichever lower, calculated by using the weighted average cost method, and the net realisable value. The purchase cost is inclusive of additional expenses; the cost of production includes directly attributable costs and a share of indirect costs, reasonably attributable to the products. The net estimated realisable value consists of the estimated sales prices less the estimated completion costs and the costs estimated to make the sale.
Write-down allowances are allocated for materials, finished products, spare parts and other supplies considered obsolete or slow-moving, taking into account their future expected usefulness or their realisable value.

Construction contracts

A work order is a contract specifically negotiated for the construction of an asset according to the instructions of the company commissioning the work, which defines in advance the design and specifications.
Work order revenues include the considerations initially agreed with the company commissioning the work, in addition to variations in the commissioned work and to price changes provided for in the contract that can be measured reliably.
When the work order result can be measured reliably, work order revenues and costs are recognised as sales and as costs on the basis of the percentage of completion; the work in progress is calculated by referring to the costs of the work order borne until the end of the reporting period as a percentage of total costs estimated for each work order.
The costs borne in relation to future activities of the work order are excluded from the work order costs when calculating the work in progress and are recorded as inventories.
Total estimated costs for each work order are periodically revised, and when the costs of the work order are expected to be greater than its total revenues, the expected loss is recognised immediately as a cost.

Trade receivables and other current assets

Trade receivables and other current assets are initially recorded at fair value, which generally corresponds to the nominal value and subsequently measured at amortised cost and reduced in case of impairment losses. Moreover, trade receivables are adjusted to their estimated realisable value by entering a special adjustment provision.

Receivables in foreign currency other than the reporting currency are recorded at the exchange rate of the date of operation and subsequently converted to the exchange rate at the end of the financial period. The profit or loss resulting from the conversion is attributed to the income statement.

If the maturity of the trade receivables and of the other current assets does not fall within the normal commercial terms and do not bear interests, a detailed discounting process is applied based on assumptions and estimates.

The Tesmec Company sells a portion of its trade receivables through factoring without recourse. Receivables assigned following factoring operations can be written off from the assets of the balance sheet only if the risks and benefits related to their legal ownership were substantially transferred to the assignee.

Other receivables and other financial assets

They are recorded initially at fair value and subsequently measured according to the amortised cost.

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is written off from the financial statements when:

- the rights to receive financial flows from the asset terminated;
- the Group has transferred to a third Party the right to receive the financial flows from the asset or it has undertaken the contractual obligation to pay them in full and without delay to a third party and (a) it has transferred substantially all the risks and benefits of the ownership of the financial asset or (b) did not transfer substantially all the risks and benefits of the asset, but transferred their control.

If the Company has transferred the rights to receive financial flows from an asset and has not transferred or retained substantially all the risks and benefits or has not lost control over it, the asset is recognised in the financial statements of the Group to the extent of its residual involvement in the asset itself. The residual involvement that takes the form of a guarantee on the transferred asset is measured at the initial book value of the asset or the maximum value of the consideration that the Company could be obliged to pay, whichever lower.

If the residual involvement takes the form of an option issued and/or purchased on the transferred asset (including the cash-settled options or the like), the measure of the involvement of the Group corresponds to the amount of the transferred asset that the Company may repurchase; however, in case of a put option issued on an asset measured at fair value (including the cash-settled options or with similar provisions), the measure of the residual involvement of the Group is limited to the fair value of the transferred asset or the exercise price of the option, whichever lower.

Cash and cash equivalents

Cash and short-term deposits include cash on hand as well as on-demand and short-term bank deposits; in this last case, with original maturity of no more than three months. Cash and cash equivalents are booked at nominal value and at the spot exchange rate at the end of the financial period, if in currency, corresponding to the fair value.

Loans

Loans are initially stated at fair value of the amount received, net of any related loan acquisition costs.

After initial statement, loans are valued using the amortised cost approach, applying the effective interest rate method.

Any profit or loss is recorded in the income statement when the liability is discharged, in addition to using the amortisation process.

Treasury shares

The repurchased treasury shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the acquisition value and the consideration, in case of transfer, is recognised in share premium reserve. The voting rights related to the treasury shares are cancelled as well as the right to receive dividends. In case of exercise of share options during the period, these are met with treasury shares.

Trade payables and other payables

Payables are measured at nominal value.

Given the granted terms of payment, when a financial operation is configured, payables measured with the amortised cost approach are submitted to the discounting back of the nominal value to be paid, recording the discount as a financial charge.

Payables in foreign currency are aligned with the exchange rate at the end of the financial period and profits or losses deriving from the adjustment are posted to the income statement in unrealised exchange profits/losses.

Provisions for risks and charges

Provisions for risks and charges are made when the Company must face up a current liability (legal or implicit) that is the result of a past event; an outflow of resources is likely to meet this obligation and it is possible to make a reliable estimate of its amount.

When the Company believes that a provision for risks and charges will be partially or totally reimbursed, for example in the case of risks covered by insurance policies, the compensation is recognised separately in the assets only if it is practically certain. In this case, the cost of any provision is stated in the income statement net of the amount recognised for the compensation.

If the discounting back effect of the value of money is significant, provisions are discounted back using a pre-tax discount rate that reflects, if appropriate, the specific risks of the liabilities. When discounting back is carried out, the increase in the provision due to the passage of time is recognised as a financial expense.

The Company makes provisions for product guarantees in relation to the guarantee contractually granted to its customers on the sold machines. These provisions are calculated on the basis of the historical incidence of costs for product guarantee borne in past financial periods, of the period of validity of the granted guarantees and revised annually.

Employee benefit liability

Post employment benefits are defined on the basis of plans, even though not yet formalised, which are classified as “defined contribution” and “defined benefit” in relation to their characteristics.

The Italian legislation (Article 2120 of the Italian Civil Code) establishes that, at the date on which each employee rescinds the employment contract with the company, he/she receives an allowance called TFR (severance indemnity). The calculation of this allowance is based on some items forming the yearly pay of the employee for each year of work (properly revalued) and on the length of the employer-employee relationship. According to the Italian civil law, this allowance is reflected in the financial statements according to a calculation method based on the allowance accrued by each employee at the reporting date, if all employees rescind the employment contract on that date.

The IFRIC of the IASB dealt with the TFR matter, as defined by the Italian legislation, and concluded that, in accordance with IAS 19, it must be calculated according to a method called Projected Unit Credit Method (the so-called PUCM) in which the amount of the liability for the acquired benefits must reflect the expected resignation date and must be discounted back.

The Company's net liability deriving from defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that the employees acquired in exchange for the work carried out in the current financial period and in prior financial periods; this benefit is discounted back to calculate the present value. As provided by the revised version of IAS 19, actuarial gains and losses are recorded in full in the comprehensive income statement in the period in which they arise. The evaluation of liabilities is made by an independent actuary. The Company has no other defined benefit pension plan.

The Company's liability deriving from defined-contribution plans is limited to the payment of contributions to the State or to an asset or legally separate entity (so-called fund), and is determined on the basis of the contributions due.

Government grants

Government grants are recognised in the financial statements when there is a reasonable certainty that the company will meet all the conditions for receiving the contributions and that the contributions will be received. When the contributions are related to cost components, they are recognised as revenues, but are allocated systematically across the financial periods in order to be proportionate to the costs that they intend to compensate. If a contribution is related to an asset, the asset and the contribution are recognised for their nominal values and they are gradually discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference.

If the Company receives a non-monetary contribution, the asset and contribution are recognised at their nominal value and discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference. In case of loans or similar forms of assistance supplied by government entities or similar institutions that have an interest rate lower than the current market rate, the effect related to the favourable interest rate is considered as an additional government grant.

Financial instruments

The financial instruments are initially recognised at fair value and, after initial recognition, measured in relation to the classification, as required by IAS 39.

For financial assets, this treatment is differentiated among the following categories:

- financial assets at fair value through profit or loss;
- investments held to maturity;
- loans and receivables;
- available-for-sale financial assets.

With reference to financial liabilities, only two categories are established:

- financial liabilities at fair value through profit or loss;
- liabilities at amortised cost.

The methods for determining the fair value with reference to such financial instruments, with accounting or information purposes, are summarised below with reference to the main categories of financial instruments, to which they have been applied:

- derivative instruments: the appropriate pricing models based on market interest rates and on currency exchange ratios;
- receivables and payables and unlisted financial assets: the discount cash flow method was applied for financial instruments falling due after one year, i.e. the discounting back of expected cash flows in consideration of current interest rates and credit rating;
- listed financial instruments: the market value at the date of reference is used.

Derivative financial instruments

Derivative financial instruments are used solely with the intent to hedge financial risks relating to exchange-rate changes on commercial transactions in foreign currency and interest rate risks.
In accordance with IAS 39, hedging derivative financial instruments can be recorded according to the methods established for hedge accounting only when:

- at the beginning of the hedge, there is formal designation and documents of the hedging arrangement;
- the hedging is expected to be highly effective;
- the effectiveness can be reliably measured; and the hedging itself is highly effective during different accounting periods for which it is designated.

All derivative financial instruments are measured at fair value. When financial instruments have the characteristics to be recorded in hedge accounting, the following accounting treatments are applied:

Fair value hedge – if a financial derivative is designated as a hedge of the exposure to changes in the present value of a balance-sheet asset or liability that may affect the income statement, the profit or loss arising from the future evaluation of the present value of the hedging instrument is recognised in the income statement, as well as the profit or loss on the item being hedged.
Cash flow hedge – if a financial derivative is designated as a hedge of the exposure to changes in cash flows of a balance-sheet asset or liability or of a highly probable expected transaction and that may affect the income statement, the effective portion of profits or losses on the financial instrument is recognised in equity; the accumulated profit or loss is reversed from equity and recorded in the income statement in the same period in which the transaction to be hedged is recognised; the profit or loss associated with a hedging, or with an ineffective hedging, are recorded in the income statement when the ineffectiveness is recognised.
If the conditions for the application of hedge accounting do not apply, the effects deriving from the fair value measurement of the derivative financial instrument are booked directly to the income statement.

Revenues and costs

Revenues and costs are stated on an accrual basis. Revenues and income, presented net of returns, discounts, allowances and premiums, are recorded at fair value insofar as it is possible to reliably determine such value and its economic benefits are likely to be enjoyed.

Revenues from the sale of goods are recognised when all the following conditions are met:

- significant risks and benefits related to the ownership of the goods were transferred to the purchaser;
- the usual ongoing activities associated with the ownership of the goods are no longer carried out, and the actual control of the sold goods is no longer exercised;
- the amount of revenues can be reliably determined;
- the future economic benefits are likely to be enjoyed;
- the costs borne, or to be borne, can be reliably estimated.

More specifically, with reference to sales with CIF condition, risks and benefits related to the ownership of the asset are transferred to the end customer, and therefore the revenues are recognised, when the asset is handed over at the broadside of the ship.

With regard to any machine completed and not yet shipped to the customer (bill and hold) for reasons that do not depend on the Group, revenues are recognised if the following conditions established by Appendix 1 of IAS 18 have been complied with:

- the machine has been completed and is available to be shipped to the customer;
- the customer indicated in writing, at a date before the date of invoicing, its own irrevocable intent to purchase the asset; moreover, this condition implies that the customer shall bear the insurance cost for the periods during which it is still available at the warehouse of the company and relevant transport; therefore, it is reasonable for the sale to be carried out;
- the customer gave clear and precise indications on the delivery of the machine;
- standard payment terms are applied to the customer.

With reference to the sales to the Joint ventures, if the risks and benefits related to the ownership of the asset are transferred to them, the revenue is recorded in the income statement. If, at the reporting date, the Joint venture has not transferred the ownership of the asset to the end customer, the margin achieved with it, following the application of the equity method by the Tesmec Group in the consolidated financial statements, is reversed in relation to the amount of shares held in the capital of the company.

If the trade agreements related to the sales of machines contemplate their on-site testing at the premises of the purchaser as a binding condition for the acceptance of the machine, risks and benefits are transferred, and therefore the revenues are recognised, when the machine has been tested and the purchaser has accepted.

Revenues from services rendered are recognised when all the following conditions are met:

- the amount of the revenue can be measured reliably.
- it is likely that the economic benefits deriving from the operation will flow to the company;
- the completion stage of the operation at the end of the reporting period may be reliably measured;
- costs incurred for the operation and costs to be borne in order to complete it may be reliably calculated.

In particular, the Tesmec Company provides services that contemplate an excavation activity carried out by using machines belonging to the company and specialised workers employed by third-party companies. The provision of these services is contractually regulated by agreements with the counterpart that indicate, among other things, the timing for carrying out the excavation and contemplate a price per excavated metre that changes according to different hardness of the soil. Revenues are recognised on the basis of the progress of the excavation to date, as resulting from the states of the work-in-progress recognised and agreed with the counterpart.

Moreover, the Tesmec Company provides after-sales services concerning the machines sold. If these services are requested after the expiry of the guarantee period, the service is contractually regulated by agreements with the counterpart. Revenues are recognised based on the time and components used by the technicians during repair operations.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis on the basis of interests accrued on the net value of the related financial assets and liabilities, by using the effective interest rate.

Determining the fair value of financial instruments
The fair value of the financial instruments listed on an active market is based on market prices at the end of the reporting period. The fair value of financial instruments that are not listed on an active market is determined by using measurement techniques based on a series of methods and assumptions related to market conditions at the end of the reporting period.

Dividends
Dividends are recorded when the right of the shareholders to receive the payment arises, coinciding with the time in which they are decided.

Income tax

Current taxation
Taxes reflect an estimate of the tax burden, determined by applying the laws and regulations in force in the countries where the Tesmec Company carries on its activity. Taxable income for tax purposes differs from the pre-tax profit or loss indicated in the income statement, because it excludes positive and negative components that will be taxable or deductible in other financial periods and excludes items that will never be taxable or deductible. Current tax liabilities are calculated by using the rates in force or substantially approved at the end of the reporting period.
Current tax liabilities are recorded in the current liabilities net of any paid tax advances.

Deferred taxes
Deferred taxes are calculated on the temporary differences resulting at the end of the reporting period among the tax values used as a reference for assets and liabilities and the values indicated in the financial statements.
Deferred tax assets are recognised for all the temporary deductible differences and for retained tax assets and liabilities, insofar as the existence of appropriate future tax profits that can apply the use of the temporary deductible differences and of the retained tax assets and liabilities is likely.
The value to be stated in the financial statements for deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available in the future for this tax credit to be used totally or partially. Deferred tax assets not recognised are reviewed every year at the end of the reporting period and are recognised to the extent that the pre-tax profit is probably sufficient to allow the recovery of these deferred tax assets.
Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied to the financial period in which such assets are sold or such liabilities are discharged, considering the rates in force and those already issued or substantially issued at the end of the reporting period.
Deferred tax assets and liabilities are recognised directly in the income statement, with the exception of those relating to items recognised directly in equity, in which case the related deferred taxes are also accounted for consistently without booking to the income statement.
Deferred tax assets and liabilities are offset, if there is a legal right to offset current tax assets against current tax liabilities, and the deferred taxes refer to the same tax entity and to the same tax authority.
Assets for deferred tax assets and liabilities for deferred tax liabilities are classified as non-current assets and liabilities.

Value added tax
Revenues, costs and assets are recognised net of value added tax with the exception of the case in which:

- such tax applied to the purchase of goods and services is not deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- they refer to trade receivables and payables for which the invoice has already been issued or received and they are stated by including the value of the tax.

The net amount of indirect taxes on sales and purchases that can be recovered from or paid to the tax authorities is recorded in the financial statements item other receivables and payables depending on the sign of the balance. VAT related to invoicing to public bodies is paid to the Tax authority when the receivable is collected during suspended VAT, pursuant to Italian Presidential Decree no. 633/72 and subsequent amendments.

Earnings per share
The basic earnings per share are calculated by dividing the Group’s economic result by the weighted average of the outstanding shares during the period. For the purposes of the calculation of the diluted earnings per share, the weighted average of the outstanding shares is modified by assuming the conversion of all the potential dilutive shares. The net result is also adjusted to take account of the effects, net of tax, of the conversion.
The diluted earnings per share coincide with the basic earnings, since there are no outstanding shares or options other than ordinary shares.

2.3 Changes and new principles and interpretations

The accounting standards adopted for the preparation of the financial statements as at 31 December 2015 are the same as those adopted for the preparation of the 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 Company 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 financial statements of the Company. The nature and impact of each new standard/amendment is listed below:

- **IFRIC 21 Levies**
  IFRIC 21 is effective for annual periods beginning on or after 17 June 2014 and applies retrospectively. It is applicable to all payments imposed by law by the Government other than those already dealt with in other principles (for example, IAS 12 Income taxes) and those for fines or other penalties for violations of the law. The interpretation explains that an entity recognises a liability not before the obligating event occurs, in accordance with the relevant legislation. The interpretation also explains that the liability is recognised progressively if the obligating event occurs over a period of time provided by law. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. These amendments had no impact on the financial statements of the Company.

Annual Improvements to IFRSs 2011–2013 Cycle

These improvements have been in force since 1 July 2014 and the Company applied them for the first time in these 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.

  The Company has no joint arrangement, and thus this amendment is not relevant for the Company.

- **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 Company 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 Company.

2.4 Discretionary assessment and significant accounting estimates

The preparation of the financial statements requires the directors to carry out discretionary assessments, estimates and assumptions that affect the values of revenues, costs, assets and liabilities and the indication of contingent liabilities at the end of the reporting period. The final results may differ from said estimates. Estimates are used for recognising:

Deferred tax assets
Deferred tax assets are recognised for all the temporary differences and all retained tax losses, in so far as the existence of adequate taxable future profits for which such losses may be used is likely. Directors are requested a significant discretionary assessment to determine the amount of deferred tax assets that can be recorded. They must estimate the probable time in which it will reveal itself and the amount of taxable future profits as well as a future tax planning strategy.

Employee benefits - Severance Indemnity
Provision for severance indemnity is determined by using actuarial evaluations. The actuarial evaluation requires assumptions on discount rates, future increases in salary, turnover and death rates. Since these are long-term plans, such estimates are subject to a significant level of uncertainty.

Development costs
Development costs are capitalised on the basis of the accounting standard explained below. The directors must make assumptions on future cash flows expected from fixed assets, discount rates to be applied and the periods during which the expected benefits reveal themselves in order to determine the values to be capitalised.

Impairment of non-current assets
An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher value between its fair value deducted the selling costs and its value in use. Fair value less selling costs is equal to the amount obtainable from the sale of an asset or cash-generating unit in a free transaction between knowledgeable, willing parties, deducted from writing off costs. The calculation of the value in use is based on a discounted cash flow model. The cash flows are derived from the budget of the next three years and do not include restructuring activities for which the Group has not yet committed to or significant future investments that will increase the results related activity included in the cash generating unit evaluated. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected cash flows in the future and the growth rate used for extrapolation.

Moreover, estimates are used for recognising provisions for bad debts, product guarantees, provisions for risks and charges, inventory obsolescence, amortisation, depreciation and write-downs of assets, fair value of derivative financial instruments.

Estimates and assumptions are periodically revised and the effects of each change are immediately reflected in the income statement.

3. Management of financial risks

Tesmec S.p.A. is exposed in varying degrees to financial risks related to the core business. In particular, the Company is exposed at the same time to the market risk (interest-rate risk and exchange-rate risk), liquidity risk and credit risk.
The management of financial risks (mainly interest-rate risks) is carried out by the Company on the basis of guidelines defined by the Board of Directors. The purpose is to guarantee 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:
- interest bearing financial payables with multiyear redemption plan, to cover the investments in fixed assets.
- short-term financial payables and bank overdrafts to finance the working capital.

The average cost of indebtedness is benchmarked to the trend of the three-month EURIBOR rate plus a spread that depends on the financial instrument used and on the rating of the Company.
Tesmec S.p.A. uses derivative financial instruments in order to hedge the interest-rate risk and the exchange-rate risk. The Company does not apply the Cash Flow Hedge Accounting with reference to such positions, in that they do not meet the requirements provided in this regard by the IFRS standards.
The trading of derivative instruments with speculative purposes is not contemplated.

Management of the exchange-rate risk
Exchange-rate risk sensitivity of Tesmec S.p.A. is managed appropriately taking into consideration the overall exposure: within the general optimisation policy of financial resources, the Company pursues an equilibrium resorting to less expensive forms of financing.

With regard to the market risk for changes in the interest rate, the company'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 31 December 2015, there were ten 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 equal to Euro 24 million, with a negative equivalent value of Euro 291 thousand.

As at 31 December 2014, there were eight 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 equal to Euro 23.4 million, with a negative equivalent value of Euro 444 thousand.

The short-term portion of interest bearing financial payables (current portion), which is mainly used to finance working capital requirements, is not subject to interest-rate risk hedging.
The cost of bank borrowing is benchmarked to the EURIBOR/LIBOR rate plus a spread that depends on the type of credit line used and is the same by type of line. The applied margins can be compared to the best market standards. The interest rate risk to which the Company is exposed is mainly originated from existing financial payables.

The main sources of exposure of the Company to the interest-rate risk refer to existing interest bearing financial payables (current portion) and interest bearing financial payables and to the existing derivative instruments. In particular, the potential impacts on the Income Statement of the 2016 financial period (compared to 2015) referable to the interest-rate risk are set below:

- potential change in financial expenses and differentials related to existing derivative instruments in the 2015 financial period;
- potential change in fair value of existing derivative instruments.

The potential variations of fair value of the efficient component of current hedging derivative instruments produce however impacts on Net Asset.

The Company estimated the potential impacts on the Income Statement and on Shareholders' Equity of the 2016 financial period (compared to 2015, calculated with reference to the situation existing at the end of the 2014 reporting period, respectively) produced by a simulation of the change in the term structure of the interest rates, by using internal measurement models, based on the general acceptance approach. In particular:

- for loans, these impacts were estimated by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the term structure of interest rates, applied only to the cash flows to be settled during the 2016 financial period (compared to 2015);
- for derivative instruments, by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) of the term structure of interest rates.

With reference to the situation as at 31 December 2015, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2016 financial period of Euro 230 thousand, offset by an increase of Euro 94 thousand in the spread collected for the existing derivatives. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in financial expenses of Euro 42 thousand, offset by a decrease of Euro 27 thousand in the collected spread for the existing derivatives.

With reference to the situation as at 31 December 2014, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would result in an increase in financial expenses accrued in the 2015 financial period of Euro 233 thousand, offset by an increase of Euro 91 thousand in the spread collected for the existing derivatives. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in financial expenses of Euro 39 thousand, offset by a decrease of Euro 24 thousand in the collected spread for the existing derivatives.

	Interests					
	31 December 2015			31 December 2014		
(Euro in thousands)	Residual debt	Impact on the IS +100 bps	Impact on the IS -30 bps	Residual debt	Impact on the IS +100 bps	Impact on the IS -30 bps
Borrowings	108,353*	(230)	42	89,739*	(233)	39
Total Loans	**108,353***	**(230)**	**42**	**89,739***	**(233)**	**39**
(Euro in thousands)	Notional	Impact on the IS +100 bps	Impact on the IS -30 bps	Notional	Impact on the IS +100 bps	Impact on the IS -30 bps
Derivative instruments hedging cash flows	23,977	94	(27)	23,418	91	(24)
Total Derivative instruments	**23,977**	**94**	**(27)**	**23,418**	**91**	**(24)**
Total		**(136)**	**15**		**(142)**	**15**

(*) The indicated residual debt is considered before amortised costs.

	Fair value sensitivity of derivatives									
	Financial period ended 31 December 2015									
(Euro in thousands)	**Notional value**	**Net FV**	**Net FV +100 bps**	**Net FV +100 bps**	**Impact on IS +100 bps**	**Impact on SE +100 bps**	**Net FV -30 bps**	**Net FV -30 bps**	**Impact on IS - 30 bps**	**Impact on SE - 30 bps**
Derivative instruments hedging cash flows	23,977	(291)	(1)	290	290	-	(378)	(87)	(87)	-
Total	**23,977**	**(291)**	**(1)**	**290**	**290**	**-**	**(378)**	**(87)**	**(87)**	**-**
	Financial period ended 31 December 2014									
(Euro in thousands)	**Notional value**	**Net FV**	**Net FV +100 bps**	**Net FV +100 bps**	**Impact on IS +100 bps**	**Impact on SE +100 bps**	**Net FV -30 bps**	**Net FV -30 bps**	**Impact on IS - 30 bps**	**Impact on SE - 30 bps**
Derivative instruments hedging cash flows	23,418	(44)	(109)	335	335	-	(473)	(29)	(29)	-
Total	**23,418**	**(444)**	**(109)**	**335**	**335**	**-**	**(473)**	**(29)**	**(29)**	**-**

With reference to the situation as at 31 December 2015, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in an increase in the asset value of the existing hedging derivative instruments of Euro 290 thousand, with an impact on the Income statement of the 2016 financial period. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in the asset value of the existing hedging derivative instruments of around Euro 87 thousand, with an impact only on the Income statement of the 2016 financial period.

With reference to the situation as at 31 December 2014, a parallel shift of the term structure of interest rates of +100 basis points (+1%) would result in an increase in the asset value of the existing hedging derivative instruments of Euro 335 thousand, with an impact on the Income statement of the 2015 financial period. A parallel shift of the term structure of interest rates of -30 basis points (-0.3%) would result in a decrease in the asset value of the existing hedging derivative instruments of around Euro 29 thousand, with an impact only on the Income statement of the 2015 financial period.

The assumptions concerning the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical development of such parameters with reference to a time scale of 12 months.

Credit risk management

The company has a much parcelled out customer structure being mostly end-consumers. Moreover, most of the contemplated forms of collection include advance payments of the supply or a deposit not less than 30% of the sale.
This structure zeroes the credit risk; the validity of this approach is endorsed by the low amount of receivables at the end of the financial period compared to the amount of annual sales.
There are no significant concentrations of credit risk exposure in relation to individual debtors to be reported. All positions relating to trade receivables, both with reference to the end of the 2015 and 2014 reporting periods, expire before 12 months.

Management of liquidity risk

The Company manages the liquidity risk by controlling strictly the elements forming the working capital and in particular trade receivables and payables.
The Company tends to obtain upstream a good cash generation in relation to sales and then use it for paying the suppliers without compromising the short-term balance of the treasury and avoid problems and tensions in current liquidity.

The stratification of existing Liabilities with reference to 2015 and to 2014 financial periods, with regard to financial instruments, by residual maturity, is set out below.

Maturity	31 December 2015				
	Financial payables		Trade payables	Financial instruments	Total
	Capital	Interests			
(Euro in thousands)	a	b	c	d	a+b+c+d
Within 12 months	39,111	3,429	30,395	197	**73,132**
Between one and two years	11,965	3,194	-	106	**15,265**
Between two and three years	16,991	3,539	-	16	**20,546**
Between three and five years	13,914	3,454	-	(7)	**17,361**
Between five and seven years	17,751	2,526	-	(6)	**20,271**
After more than 7 years	8,622	1,177	-	-	**9,799**
Total	**108,354***	**17,319**	**30,395**	**306**	**156,374**

Maturity	31 December 2014				
	Financial payables		Trade payables	Financial instruments	Total
	Capital	Interests			
(Euro in thousands)	a	b	c	d	a+b+c+d
Within 12 months	30,875	3,398	26,471	172	**60,916**
Between one and two years	11,219	2,972	-	114	**14,305**
Between two and three years	6,571	2,680	-	50	**9,301**
Between three and five years	14,364	4,346	-	12	**18,722**
Between five and seven years	18,987	3,315	-	(5)	**22,297**
After more than 7 years	7,723	1,410	-	-	**9,133**
Total	**89,739***	**18,121**	**26,471**	**343**	**134,674**

(*) The indicated residual debt is considered before amortised costs.

The estimate of expected future expenses implicit in loans and of expected future differentials implicit in derivative instruments was determined on the basis of the term structure of interest rates in Euro existing at the reporting dates (31 December 2015 and 31 December 2014).

Management of the exchange-rate risk

The Company is exposed to exchange-rate fluctuations of the currencies in which the sales to foreign customers are paid (US Dollars and Southafrican Rand). This risk is expressed if the equivalent value in Euro of revenues decreases following negative exchange-rate fluctuations, thereby preventing the Company from achieving the desired margin. This risk is increased due to the relevant time interval between the moment in which the prices of a shipment are fixed and the moment in which the costs are converted in Euro.

The potential impacts on the Income Statement of the 2016 financial period (compared to 2015) referable to the exchange-rate risk are determined by the revaluation/write-down of asset and liability items in foreign currency.

The Company estimated the potential impacts on the income statement of the 2016 financial period (compared to 2015, calculated with reference to the situation existing at the end of the 2014 reporting period, respectively) produced by a shock of the exchange-rate market, by using internal measurement models, based on the general acceptance approach.

Exposure with regard to equity items	Exposure in foreign currency (USD) 2015			Sensitivity 2015	
	Assets (USD/000)	Liabilities (USD/000)	Equity (USD/000)	Income Statem. EUR/USD Exchange Rate +5%	Income statement EUR/USD exchange rate -5%
Trade receivables	10,989	-	10,989	(505)	505
Trade payables	-	83	83	(4)	4
Total net exposure with regard to equity items	**10,989**	**83**	**11,072**	**(509)**	**509**
Derivative instruments	-	-	-	-	-
Total net exposure with regard to equity items	**10,989**	**83**	**11,072**	**(509)**	**509**

Exposure with regard to equity items	Exposure in foreign currency (USD) 2014			Sensitivity 2014	
	Assets (USD/000)	Liabilities (USD/000)	Equity (USD/000)	Income Statem. EUR/USD Exchange Rate +5%	Income statement EUR/USD exchange rate -5%
Trade receivables	9,103	-	9,103	(375)	375
Trade payables	-	42	42	(2)	2
Total net exposure with regard to equity items	**9,103**	**42**	**9,145**	**(377)**	**377**
Derivative instruments	-	-	-	-	-
Total net exposure with regard to equity items	**9,103**	**42**	**9,145**	**(377)**	**377**

Disclosures - categories of financial assets and liabilities

The following table shows the book values for each class of financial assets and liabilities identified by IAS 39:

(Euro in thousands)	Loans and receivables/payables	Guarantee deposits	Cash and cash equivalents	Available-for-sale financial assets	Fair value recognised in the income statement
Financial assets:					
Derivative financial instruments	-	-	-	-	11
Total non-current	**-**	**-**	**-**	**-**	**11**
Trade receivables	31,164	-	-	-	-
Financial receivables due from related parties	42,466	-	-	-	-
Financial receivables from third parties	40	-	-	-	-
Other available-for-sale securities	-	-	-	22	-
Cash and cash equivalents	-	-	15,451	-	-
Total current	**73,670**	**-**	**15,451**	**22**	**-**
Total	**73,670**	**-**	**15,451**	**22**	**11**

Financial liabilities:					
Loans	52,728	-	-	-	-
Non-current portion of finance leases, net	15,900	-	-	-	-
Derivative financial instruments	-	-	-	-	288
Total non-current	**68,628**	**-**	**-**	**-**	**288**
Loans	17,128	-	-	-	-
Other financial payables (short-term leases)	1,814	-	-	-	-
Other short-term payables	19,976	-	-	-	-
Derivative financial instruments	-	-	-	-	14
Trade payables	30,395	-	-	-	-
Total current	**69,313**	**-**	**-**	**-**	**14**
Total	**137,941**	**-**	**-**	**-**	**302**

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 31 December 2015, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 31 December 2015**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	11	-	11	-
Other available-for-sale securities	22	-	-	22
Total current	**22**	**-**	**-**	**22**
Total	**22**	**-**	**-**	**22**
Financial liabilities:				
Derivative financial instruments	288	-	288	-
Total non-current	**288**	**-**	**288**	**-**
Derivative financial instruments	14	-	14	-
Total current	**14**	**-**	**14**	**-**
Total	**302**	**-**	**302**	**0**

4. Significant events occurred during the period

Among the operations occurred during the 2015 financial period, the following is reported:

- 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 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 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.

  On 13 October 2015, 20% of the company Marais Technologies SAS was sold to the French company C2D SAS (company owned by Daniel Rivard, non-operative chairman of Marais Technologies SAS, which is now related party)

  On 22 December 2015, Simest S.p.A., joint-stock company controlled by Cassa Depositi e Prestiti S.p.A. (CDP), subscribed and paid up a capital increase reserved to it in Marais Technologies SAS.
  The investment of Simest S.p.A. in Marais Technologies SAS, carried out with capital contributions of Euro 4 million, allowed Simest S.p.A. to acquire a shareholding in Marais Technologies SAS equal to 33.96% of the share capital. As a result of the entrance of Simest S.p.A., the new shareholding structure of Marais Technologies SAS is broken down as follows: Tesmec S.p.A. with a shareholding of 52.83%, Simest S.p.A. with a shareholding of around 33.96% and C2D SAS with a shareholding of 13.21%.

- 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 contract for the lease of the building of Grassobbio signed on 31 January 2011 with the related company Dream Immobiliare S.r.l. was amended.
  This amendment 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 (related party). Moreover, Tesmec obtained the authorization from the owner of the building related party Dream Immobiliare S.r.l. for the construction of an underground archive/parking of around 662 square meters, through which the Rental of Tesmec will decrease by Euro 144 thousand/year.

- 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.

- 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 was approved without changing the current rental of Euro 310 thousand per year fixed in 2004.

COMMENTS ON THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

Non-current assets

5.Intangible assets

The breakdown of *Intangible assets* as at 31 December 2015 and as at 31 December 2014 is indicated in the table below:

	31 December					
	2015			2014		
(Euro in thousands)	**Historical cost**	**Accum. amor.**	**Net value**	**Historical cost**	**Accum. amor.**	**Net value**
Development costs	26,860	(20,739)	6,121	23,503	(17,898)	5,605
Rights and trademarks	2,777	(2,182)	595	2,179	(1,995)	184
Assets in progress and advance payments to suppliers	-	-	-	70	-	70
Total intangible assets	**29,637**	**(22,921)**	**6,716**	**25,752**	**(19,893)**	**5,859**

The following table shows the changes in intangible assets for the period ended 31 December 2015.

(Euro in thousands)	**01/01/2015**	**Increases**	**Decreases**	**Reclassifications**	**Amortisation**	**31/12/2015**
Development costs	5,605	3,356	-	-	(2,840)	6,121
Rights and trademarks	184	597	-	-	(186)	595
Assets in progress and advance payments to suppliers	70	126	(196)	-	-	-
Total intangible assets	**5,859**	**4,079**	**(196)**	**-**	**(3,026)**	**6,716**

As at 31 December 2015, intangible assets net of amortisation totalled Euro 6,716 thousand, up Euro 857 thousand on the previous year.
Increases for the period totalled Euro 4,079 thousand mainly consisting in development costs capitalised (Euro 3,356 thousand) related to the development of new products and equipment that are expected to generate positive cash flows in future financial periods. This amount is related for Euro 1,266 thousand to Trencher and for Euro 2,090 thousand to Stringing Equipment.

The following table shows the changes in intangible assets for the period ended 31 December 2014:

(Euro in thousands)	**01/01/2014**	**Increases**	**Decreases**	**Reclassifications**	**Amortisation**	**31/12/2014**
Development costs	5,532	3,048	(2)	-	(2,973)	5,605
Rights and trademarks	255	24	-	-	(95)	184
Assets in progress and advance payments to suppliers	-	70	-	-	-	70
Total intangible assets	**5,787**	**3,142**	**(2)**	**-**	**(3,068)**	**5,859**

6.Property, plant and equipment

The breakdown of *Property, plant and equipment* as at 31 December 2015 and as at 31 December 2014 is indicated in the table below:

	31 December					
	2015			2014		
(Euro in thousands)	**Historical cost**	**Accum. depr.**	**Net value**	**Historical cost**	**Accum. depr.**	**Net value**
Land	5,266	-	5,266	5,266	-	5,266
Buildings	21,553	(3,013)	18,540	21,542	(2,345)	19,197
Plant and machinery	10,517	(6,864)	3,653	10,471	(6,135)	4,336
Equipment	3,260	(2,863)	397	3,073	(2,645)	428
Other assets	4,142	(1,949)	2,193	4,247	(1,854)	2,393
Assets in progress and advance payments to suppliers	522	-	522	520	-	520
Total property, plant and equipment	**45,260**	**(14,689)**	**30,571**	**45,119**	**(12,979)**	**32,140**

Including leased property, plant and equipment:

	31 December					
	2015			2014		
(Euro in thousands)	**Historical cost**	**Accum. depr.**	**Net value**	**Historical cost**	**Accum. depr.**	**Net value**
Land	5,266	-	5,266	5,266	-	5,266
Buildings	21,553	(3,014)	18,539	21,542	(2,335)	19,207
Plant and machinery	5,201	(3,577)	1,624	3,467	(1,450)	2,017
Equipment	181	(134)	47	181	(103)	78
Other assets	693	(150)	543	1,403	(507)	896
Total property, plant and equipment	**32,894**	**(6,875)**	**26,019**	**31,859**	**(4,395)**	**27,464**

The following table shows the changes in property, plant and equipment for the period ended 31 December 2015:

(Euro in thousands)	**01/01/2015**	**Increases**	**Decreases**	**Reclassifications**	**Depreciations**	**31/12/2015**
Land	5,266	-	-	-	-	5,266
Buildings	19,197	12	-	-	(669)	18,540
Plant and machinery	4,336	172	(42)	-	(813)	3,653
Equipment	428	187	-	-	(218)	397
Other assets	2,393	30	(75)	-	(155)	2,193
Assets in progress and advance payments to suppliers	520	2	-	-	-	522
Total property, plant and equipment	**32,140**	**403**	**(117)**	**-**	**(1,855)**	**30,571**

In 2015, Tesmec S.p.A. invested in property, plant and equipment, net of disinvestments, an overall amount of Euro 286 thousand. This amount mainly concerns *plant and machinery* of Euro 130 thousand related to the purchase of new operating machinery and *equipment* of Euro 187 thousand related to the purchase of equipment for the trencher segment. In “*Other assets*” is included the net value of Trenchers on fleet for Euro 2.136 thousands in 2015 and for 2.328 thousands in 2014.

The following table shows the changes in property, plant and equipment for the period ended 31 December 2014:

(Euro in thousands)	01/01/2014	Increases	Decreases	Reclassifications	Depreciations	31/12/2014
Land	5,266	-	-	-	-	5,266
Buildings	19,866	-	-	-	(669)	19,197
Plant and machinery	5,116	41	-	-	(821)	4,336
Equipment	480	187	-	5	(244)	428
Other assets	1,505	1,744	(611)	-	(245)	2,393
Assets in progress and advance payments to suppliers	517	12	(4)	(5)	-	520
Total property, plant and equipment	**32,750**	**1,984**	**(615)**	**-**	**(1,979)**	**32,140**

7.Equity investments in subsidiaries, associates and joint ventures.

The breakdown of *Equity investments in subsidiaries, associates and joint ventures* as at 31 December 2015 and 2014 is indicated in the table below:

	31 December	
(Euro in thousands)	**2015**	**2014**
Subsidiaries:		
Tesmec USA, Inc.	21,261	21,261
Tesmec France EURL	-	30
Tesmec Balkani EAD	-	-
Tesmec Service S.p.A.	2,096	1,826
Tesmec SA	361	361
East Trenchers S.r.l.	145	136
SGE S.r.l.	410	410
OOO Tesmec RUS	11	11
Tesmec New Technology (Beijing) LTD	200	200
Marais Technologies SAS	8,564	-
Total equity investments in subsidiaries	**33,047**	**24,235**

Equity investments in subsidiaries increased all in all of Euro 8,812 thousand as a result of the following operations:

- Tesmec Service S.r.l.*:* on 31 December 2015, the Company converted a sum amounting to Euro 270 thousand from the borrowing in capital reserve.
- East Trenchers S.r.l.: 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. for Euro 9 thousand.
- Marais Technologies SAS: on 8 April 2015 Tesmec S.p.A. purchased the entire share capital of Marais Technologies SAS for Euro 32 (units). Subsequently, Tesmec S.p.A. carried out a recapitalisation of Euro 5 million bearing additional expenses of Euro 564 thousand.
  On 13 October 2015, 20% of the company Marais Technologies SAS was sold for a total amount of 1 million Euro to the French company C2D SAS. Finally, on 22 December 2015 Simest S.p.A. subscribed and resolved a capital increase in Marais Technologies SAS of Euro 4 million. As a result of these transactions, the shareholding structure of Marais Technologies SAS is allocated to Tesmec S.p.A. by 52.83%, to Simest S.p.A. by 33.96% and to C2D by 13.21%. As already indicated, since Tesmec has an obligation to buy it back from Simest S.p.A., from an accounting point of view the shareholding recorded in the financial statement amounted to Euro 8.564 thousand, while the amount paid by Simest S.p.A. is recorded as financial liability.

The following table shows the main financial statements items of subsidiaries:

	31 December						
	2015						
(Euro in thousands)	% held	Revenues	Net income	Assets	Liabilities	Shareholders' Equity	Book value
Subsidiaries:							
Tesmec USA, Inc.	100.00%	32,817	(1,625)	71,553	42,215	29,338	21,261
Tesmec France EURL	100.00%	-	12	8	3	5	-
Tesmec Balkani EAD	100.00%	-	15	46	6	40	-
Tesmec Service S.r.l.	100.00%	2,002	(1,094)	6,760	6,836	(76)	2,096
Tesmec SA	100.00%	10,246	457	68,890	68,671	219	361
East Trenchers S.r.l.	100.00%	39	(39)	74	9	65	145
SGE Srl	100.00%	3,637	325	2,812	2,373	439	410
OOO Tesmec RUS	100.00%	203	(293)	322	366	(44)	11
Tesmec New Technology (Beijing) LTD	100.00%	124	(336)	253	406	(153)	200
Marais Technologies SAS	86.79%	9	41	21,963	5,784	16,179	8,564

It should be noted that the value of shareholders' equity of the subsidiaries Tesmec Service S.r.l. and Tesmec New Technologiy (Beijing) Ltd. was strongly influenced by the current start-up phase of the related assets. In fact, it is noted that the most important part of research and development and production of the Group in the Rail segment is organised in Tesmec Service S.r.l.

The values of the equity investments were tested for impairment. The key assumptions used by Management are estimates of future business plans. The expected earnings flows cover a period of three years subsequent to those of reference of the impairment test and they are based on plans reviewed by Board od Directors on 14 March 2016. The discount rate used (WACC), defined as the weighted average cost of capital, net of taxes, was differentiated according to the country of reference, the values of which are positioned in a range between 8% and 12%. Cash flows beyond the three years were extrapolated using a growth rate of 1.1%. The results of the impairment test showed that as at 31 December 2015, the recoverable amount of the CGU exceeds the carrying amount. The results have been object of a sensitivity analysis, taking into account the possible effects of variations in key hypothesis at the base of the impairment process. This analysis considered a possible reasonable variation of expected increasing rate of about +/- 0,25%, a used discount rate of about +/- 2%, and an EBIT value resulting from the Plan of about +/- 10%.

The breakdown of equity investments in associates and joint ventures as at 31 December 2015 and 2014 is indicated in the table below:

	31 December	
(Euro in thousands)	2015	2014
Associated companies:		
Locavert SA	52	52
Bertel S.p.A.	1,700	1,700
Subtotal	**1,752**	**1,752**
Joint Ventures:		
Condux Tesmec Inc.	956	956
Tesmec Peninsula WLL	730	730
Subtotal	**1,686**	**1,686**
Total equity investments in associates	**3,438**	**3,438**

The following table shows the main financial statements items of associated companies and joint ventures:

(Euro in thousands)	31 December						
	2015						
	% held	Revenues	Net income	Assets	Liabilities	Shareholders' Equity	Book value
Associated companies:							
Locavert SA	38.63%	603	(28)	576	173	403	52
Bertel S.p.A.	40.00%	141	(401)	1,964	1,799	165	1,700
Joint Ventures:							
Condux Tesmec Inc.	50.00%	2,430	(134)	5,612	2,506	3,106	956
Tesmec Peninsula WLL	49.00%	2,933	35	5,223	4,863	360	730

At 31 December 2015 values of equity investments in associate companies were impaired following the process described in the previous paragraph. From the results of the impairment test is emerged that on 31 December 2015 the recoverable value of these equity investments exceedes the book value.
Also equity investments in associated companies were impaired and undergone to sensitivity analysis following the guidelines and realized tests, and no potential devalutations have emerged.

Current assets

8.Work in progress contracts

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

(Euro in thousands)	31 December	
	2015	2014
Work in progress (Gross)	2,508	-
Advances from contractors	(625)	-
Work in progress contracts	**1,883**	**-**
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.
As difference from the previous year, during 2015 the Company subscribed a contract with a strange customer related to Railways line.

9.Inventories

The following table sets forth the breakdown of *Inventories* as at 31 December 2015 and 2014:

(Euro in thousands)	31 December	
	2015	2014
Advances to Suppliers	25	-
Raw materials and consumables	15,999	16,178
Work in progress	4,517	4,220
Finished products and goods for resale	8,172	9,442

Total Inventories	**28,713**	**29,840**

The measurement bases of inventories remained unchanged compared to the prior financial period. The item as a whole decreased by 3.8% benefiting from higher sales in the fourth quarter.
The changes in the provisions for inventory obsolescence for financial periods ended 31 December 2015 and 2014 are indicated in the table below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Value as at 1 January	2,340	2,020
Provisions	693	320
Uses	-	-
Total provisions for inventory obsolescence	**3,033**	**2,340**

The value of the provisions for inventory obsolescence increased by Euro 693 thousand compared to the prior financial period as consequence to effect of slow moving material and spare parts.
The evaluation of adequacy of the provision is carried out on a regular basis to constantly monitor the actual level of inventory recoverableness through sales.

10.Trade receivables

The table below shows the breakdown of trade receivables as at 31 December 2015 and 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Trade receivables from third-party customers	22,308	24,098
Trade receivables from related parties	8,856	6,947
Total trade receivables	**31,164**	**31,045**

For terms and conditions relating to receivables from related parties, refer to note 34.

Trade receivables from customers as at 31 December 2015 amounted to Euro 31,164 thousand up by Euro 119 thousand compared to the 2014 financial period.
The increase in trade receivables from related parties of Euro 1,909 thousand was due to higher sales occurred to the African subsidiary Tesmec S.A. in the last period of the year.
The balance of trade receivables is shown net of provisions for doubtful accounts. This provision was calculated in an analytical manner by dividing the receivables in classes depending on the level of risk, by Country and customer, and by applying to each class an expected percentage of loss derived from historical experience.

The changes in the provisions for doubtful accounts for the financial periods ended 31 December 2015 and 2014 are indicated in the table below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Value as at 1 January	1,564	1,217
Provisions	405	350
Uses	(130)	(3)
Total provisions for doubtful accounts	**1,839**	**1,564**

Uses and provisions related to the provisions for doubtful accounts are included in “other operating (costs)/revenues, net” of the income statement.

11.Tax receivables

Tax receivables decreased by Euro 395 thousand thanks to the collection occurred in the 2015 financial year of the receivables from tax authorities related to the request for refund of the additional IRES paid for not having deducted the IRAP related to personnel costs in relation to the tax years from 2007 to 2011 in accordance with Italian Law Decree 16/2012.

12.Other available-for-sale securities

The following table sets forth the breakdown of *Other available-for-sale securities* as at 31 December 2015 and 31 December 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Shares of Banco Popolare Italiano	10	8
Shares of Banca Popolare di Vicenza	12	117
Total other available-for-sale securities	**22**	**125**

Other available-for-sale securities as at 31 December 2015 consists of 805 shares of Banco Popolare Italiano for a unit value of Euro 12.81 and of 1,901 shares of Banca Popolare di Vicenza for a unit value of Euro 6.30. On the base of the last available information, shares of Banco Popolare di Vicenza are alined to the withdrawal value.

13.Financial receivables and other current financial assets

The following table sets forth the breakdown of *financial receivables and other current financial assets* as at 31 December 2015 and as at 31 December 2014:

	31 December	
(Euro in thousands)	**2015**	**2014**
Financial receivables due from related parties	42,466	28,312
Other current financial assets	40	106
Total financial receivables and other current financial assets	**42,506**	**28,418**

The increase in *financial receivables and current financial assets* Euro 14,088 thousand) is due to the increase in credit positions relating to specific contracts signed with the related parties on which an interest rate is applied and repayable within 12 months. The main financial receivables and related interest rate applied are set below:

- Tesmec USA, Inc of Euro 24,493 with annual interest rate of 3.75% or 6-month Euribor rate + spread of 2% applicable depending on the nature of the transaction;
- Tesmec Service S.r.l. of Euro 5,098 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3.5%;
- Tesmec SA (Pty) Ltd. of Euro 1,680 thousand with interest rate equivalent to 8.5%;
- SGE S.r.l. of Euro 433 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3.5%;
- Bertel S.p.A. of Euro 2,524 thousand with interest rate equivalent to 3-month Euribor rate + spread of 3%;
- Condux Tesmec, Inc of Euro 2,307 thousand 1-month Libor rate + spread of 3%;
- Tesmec Peninsula WLL of Euro 3,312 thousand with annual interest rate of 1.5% and 3.5% on the portion disbursed as loan by both shareholders of USD 1,500 thousand.

For terms and conditions relating to receivables from related parties, refer to note 35.

14.Other current assets

The following table sets forth the breakdown of *other current assets* as at 31 December 2015 and as at 31 December 2014:

(Euro in thousands)	31 December 2015	2014
Prepaid expenses	464	442
Other income from affiliated companies	5	2
VAT credit	364	334
Other tax receivables	16	114
Other receivables	602	566
Receivables from subsidiaries	143	-
Advance to suppliers for services	88	140
Total Other current assets	**1,682**	**1,598**

Other current assets is considered receivable and therefore was not subject to value adjustment, the item is substantially in line with the previous financial period.

15.Cash and cash equivalents

The following table sets forth the breakdown of the item as at 31 December 2015 and 2014:

(Euro in thousands)	31 December 2015	2014
Bank and post office deposits	15,447	14,311
Cash on hand	2	2
Other cash	2	3
Total cash and cash equivalents	**15,451**	**14,316**

Cash and cash equivalents are invested in short-term bank deposits and they are remunerated at a floating rate related to the Euribor trend. The balance as at 31 December 2015 amounts to Euro 15,451 thousand and increased of Euro 1,135 thousand.
The stated values can be readily converted into cash and are subject to a non-significant risk of change in value. The book value of cash and cash equivalents is deemed to be aligned to their fair value at the end of the reporting period.
The Company believes that the credit risk related to cash and cash equivalents is limited since it mainly represents deposits divided across domestic and international banking institutions.

16.Shareholders' equity

Share capital and reserves

The share capital amounts to Euro 10,708 thousand, fully paid up, and comprises 107,084,000 shares with a par value of Euro 0.1 per share.
The following table sets forth the breakdown of *Other reserves* as at 31 December 2015 and 2014:

(Euro in thousands)	31 December 2015	2014
Revaluation reserve	86	86
Extraordinary reserve	20,559	16,881
Severance indemnity valuation reserve	(243)	(279)
Network Reserve	725	725
Retained earnings/(losses brought forward)	2,490	2,490
Bills charged directly to shareholders' equity	-	-
on operations with entities under common control	(5,619)	(5,619)
Total other reserves	**17,998**	**14,284**

The revaluation reserve is a reserve in respect of which tax has been deferred, set up in accordance with Italian Law No. 72/1983.
As at 31 December 2015, *extraordinary reserve* increased by a total of Euro 3,678 thousand as a result of the decision for the allocation of the 2014 net income.
The Reserve for First Time Adoption is mainly related to the application of the principle of continuity of values within extraordinary operations concluded among companies "under common control" with a subsequent write-off of the higher values recognised in the transaction with the Shareholders' Equity as a balancing entry.

The Shareholders' Equity is therefore divided according to the origin, the possibility of usage, the related distributability and the actual usage in the 3 previous financial periods

Nature / description	Amount (Euro/000)	Possibility of usage	Amount available	Summary of uses in the last 3 periods	
				To cover losses	for other reasons
Share capital	10,708	B			
Equity's reserves:					
Share premium reserve	10,915	A, B, C (*)	10,915	-	-
Reserve of Treasury Shares	(2,135)				
Earnings reserves:					
Legal reserve	2,142	B			
Revaluation reserve	86	A, B, C	86	-	-
Extraordinary reserve	20,559	A, B, C	20,559	-	-
Reserve for First Time Adoption	(5,619)				
Severance indemnity valuation reserve	(243)				
Network Reserve	725				
Retained earnings/(losses brought forward)	2,490	B			
Profit for the period	7,412				
Total	**47,040**		**31,560**	**-**	**-**

(*) As stated in the Civil Code of article 2431, the whole amount is distributable only under the condition that the legal reserve should have reached the limit indicated in the Civil Code of article 2430. That level is reached as at December 31, 2015.

Legend:
A: To increase shareholders' equity
B: To cover losses
C: To distribute to shareholders

Following the resolution of 30 April 2015, the Shareholders' Meeting approved the allocation of 2014 profits of Euro 6,278 thousand as follows:

- allocate 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.

Non–current liabilities

17.Interest-bearing financial payables

Medium-long term loans include medium-long term loans from banks, payables towards other providers of finance and payables towards leasing companies for tangible fixed assets recorded in the consolidated financial statements in accordance with the financial leasing accounting method.

The following table shows the breakdown thereof as at 31 December 2015 and as at 31 December 2014, with separate disclosure of the current portion:

	31 December			
(Euro in thousands)	**2015**	**of which current portion**	**2014**	**of which current portion**
Banca Nazionale del Lavoro – loan at floating interest rate with a 2-year pre-amortisation; original value Euro 6 million; drawn down on 1 July 2010 with maturity date 31 May 2018; floating interest rate equivalent to 6-month Euribor rate + spread of 2.25, half-yearly repayment.	2,769	923	3,692	923
BNL-BNP Paribas Group - loan in pool; original value Euro 21 million, drawn down on 11 march 2011 Euro 8 million with maturity date 4 march 2016, floating interest rate equivalent to 6-month Euribor rate + spread of 2% (+/- 0.25). On 4 and 5 August 2011, Euro 4 million, on 9 November 2011, Euro 2 million, on 9 February 2012, Euro 2 million, on 31 May 2012, Euro 2 million and on 23 October 2012, another Euro 3 million with maturity date 4 march 2013, floating interest rate equivalent to 6-month Euribor rate + spread of 2% (+/- 0.25) with option to extend repayment in 54 months (in 9 deferred half-yearly instalments) last instalment expiring on 4 September 2017, 6-month Euribor rate + spread of 1.90% (+/- 0.25), half-yearly repayment.	6,093	4,169	11,210	5,117
Credito Valtellinese - unsecured loan of Euro 1 million, drawn down on 11 January 2012 with maturity date 31 March 2015, floating interest rate equivalent to 3-month Euribor rate + spread of 5%, three months of prepayment and quarterly repayment.	-	-	90	90
Credito Valtellinese - unsecured loan of Euro 2 million backed by Sace guarantee, drawn down on 1 June 2012 with maturity date 30 June 2015, floating interest rate equivalent to 3-month Euribor rate + spread of 3%, three months of prepayment and quarterly repayment.	-	-	345	345
Simest UGF - loan for a total of Euro 1.9 thousand and drawn down the first tranche of Euro 580 thousand on 28 March 2013 with maturity date 14 February 2020, special annual interest rate of 0.4994% and second tranche of Euro 397 thousand to be used as from 14 March 2014 with maturity date 14 February 2020, special annual interest rate of 0.4994%, two months of prepayment and half-yearly repayment.	1,273	283	977	97
Cariparma - loan of Euro 1.5 million, drawn down on 21 October 2013 with maturity date 21 October 2017, floating interest rate equivalent to 3-month Euribor rate + spread of 3%, quarterly repayment.	767	378	1,134	365
Banca Popolare dell'Emilia Romagna – unsecured loan; original value Euro 3 million; drawn down on 20 November 2013 with maturity date 7 November 2016; floating interest rate equivalent to 3-month Euribor rate + spread of 3.5%, quarterly repayment.	1,031	1,031	2,023	992
Banco di Desio - unsecured loan of Euro 1.5 million, drawn down on 10 December 2013 with maturity date 10 December 2016, floating interest rate equivalent to 3-month Euribor rate + spread of 4%, amended on 11 November 2015 in Euribor 6-month + 2%, one month of prepayment and monthly repayment.	518	518	1,014	496

Veneto Banca - unsecured loan of Euro 2.5 million, drawn down on 23 December 2013 with maturity date 31 December 2018, floating interest rate equivalent to 6-month Euribor rate + spread of 1.30%, half-year repayment.	1,546	506	2,021	474
BCC Chiro - loan of Euro 3.5 million 70% backed by Sace guarantee, drawn down on 27 March 2014 with maturity date 27 March 2022, floating interest rate equivalent to 6-month Euribor rate + spread of 3.95, one year of prepayment and half-year repayment.	3,036	465	3,244	209
Banca Popolare di Vicenza S.c.p.a. and KNG Securities LLP - bond issue Euro 15 million, drawn down on 10 April 2014 with maturity date 10 April 2021, fixed gross interest rate of 6% and an annual delayed coupon.	14,672	(62)	14,609	(62)
Sondrio - loan of Euro 1 million, drawn down on 4 August 2014 with maturity date 31 August 2017, floating interest rate equivalent to 1-month Euribor rate + spread of 3.5%, monthly repayment.	568	337	893	325
Banca popolare di Bergamo - loan of Euro 1.5 million, drawn down on 9 October 2014 with maturity date 9 October 2016, floating interest rate equivalent to 3-months Euribor rate + spread of 2.25%, monthly repayment.	630	630	1,377	744
Banca Carige S.p.A. - loan of Euro 2 million, drawn down on 27 March 2015 with maturity date 31 December 2018, floating interest rate equivalent to 3-month Euribor rate + spread of 1.75%, 6 months of prepayment and half-year repayment.	1,714	561	-	-
Cariparma - loan of Euro 4 million, drawn down on 26 March 2015 with maturity date 26 March 2020, floating interest rate equivalent to 6-month Euribor rate + spread of 2.50%, six months of prepayment and half-year repayment.	3,949	877	-	-
Monte dei Paschi di Siena - loan of Euro 5 million, drawn down on 11 August 2015 with maturity date 30 September 2020, floating interest rate equivalent to 6-months Euribor rate + spread of 1.90%, six months of prepayment and quarterly repayment.	4,965	826	-	-
Veneto Banca - loan of Euro 2 million, drawn down on 28 December 2015 with maturity date 30 December 2019, floating interest rate equivalent to 6-month Euribor rate + spread of 1.3%, monthly repayment.	1,866	484	-	-
Banca di Desio - loan of Euro 1.8 million, drawn down on 27 October 2015 with maturity date 10 October 2020, fixed interest rate of 1.85%, seven months of prepayment and monthly repayment.	1,790	252	-	-
Credito Valtellinese - loan of Euro 3 million, drawn down on 15 December 2015 with maturity date 5 January 2019, floating interest rate equivalent to 3-month Euribor rate + spread of 1.65%, one month of prepayment and monthly repayment.	2,963	889	-	-
Banca Popolare dell'Emilia Romagna - loan of Euro 5 million, drawn down on 18 December 2015 with maturity date 18 March 2021, floating interest rate equivalent to 3-month Euribor rate + spread of 1.85%, 3 months of prepayment and quarterly repayment.	4,950	711	-	-
Total Interest-bearing financial payables	**55,100**	**13,778**	**42,629**	**10,115**
Less current portion	(13,778)		(10,115)	
Non-current portion of interest-bearing financial payables	**41,322**		**32,514**	
Loan due to Simest	11,406		7,406	
Total medium-long term loans	**52,728**		**39,920**	
Non-current portion of finance leases	17,714	1,814	20,248	2,152
Less current portion	(1,814)		(2,152)	
Non-current portion of finance leases, net	**15,900**		**18,096**	
Total current portion		**15,592**		**12,267**

Medium-long term loans	**68,628**	**58,016**

ICCREA-BCC and BNL loan contracts contain certain financial covenant clauses. In particular, they require that certain parameters, calculated on the basis of the financial statements of the Group, have to be met; they are verified on a semi-annual and annual basis.

In general, covenants are based on the observance of the following relations:

- Net financial indebtedness/EBITDA
- Net financial indebtedness/Shareholders' equity

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.

Note that during 2015 new medium to long term loans were opened for a value of Euro 26,577 thousand against a total value of the same lines repaid of Euro 12,645 thousand.

The increase in the loan due to Simest of Euro 4,000 thousand derives directly from the share capital increase of the subsidiary Marais Technologies SAS carried out in December 2015 as described in note 4.

The average cost of indebtedness is benchmarked to the trend of the three-month Euribor rates plus a spread applied depending also on the type of the financial instrument used.

The table below shows the figures relevant to the outstanding loans of the Company as at 31 December 2015, by indicating the portion due within one year, within 5 years and after more than 5 years:

Description	Maturity	Interest rate	Residual value as at 31 December 2015	Portion within 12 months	Portion within 5 years	Portion after more than 5 years
Banca Nazionale del Lavoro	31-May-18	floating interest rate equivalent to 6-month Euribor rate + spread of 2.25%	2,769	923	1,846	-
Banca Nazionale del Lavoro	04-Mar-16	floating interest rate equivalent to 6-month Euribor rate + spread of 2% (+/- 0.25)	6,093	4,169	1,924	-
	04-Sep-17	floating interest rate equivalent to 6-month Euribor rate + spread of 1.90% (+/- 0.25)				
Simest UGF	04-Feb-20	special annual interest rate of 0.4994%	1,273	283	990	
Cariparma	21-Oct-17	floating interest rate equivalent to 3-months Euribor rate + spread 3%	767	378	389	-
Banca Popolare dell'Emilia Romagna	07-Nov-16	floating interest rate equivalent to 3-months Euribor rate + spread 3.50%	1,031	1,031	-	-
Banco di Desio	10-Dec-16	floating interest rate equivalent to 6-months Euribor rate + spread 2%	518	518	-	-
Veneto Banca	31-Dec-18	floating interest rate equivalent to 6-months Euribor rate + spread 1.3%.	1,546	506	1,040	-
BCC Chiro	27-Mar-22	floating interest rate equivalent to 6-month Euribor rate + spread of 3.95%	3,036	465	1,863	708
Banca Popolare di Vicenza S.c.p.a. and KNG Securities	10-Apr-21	fixed gross interest rate of 6%	14,672	(62)	(249)	14,983
Sondrio	31-Aug-17	floating interest rate equivalent to 1-month Euribor + spread 3.5%	568	337	231	-
Banca popolare di Bergamo	09-Oct-16	floating interest rate equivalent to 3-months Euribor rate + spread 2.25%	630	630	-	-
Banca Carige S.p.A.	31-Dec-18	floating interest rate equivalent to 3-months Euribor rate + spread 1.75%.	1,714	561	1,153	-
Cariparma	26-Mar-20	floating interest rate equivalent to 6-months Euribor rate + spread 2.50%.	3,949	877	3,072	-

Monte dei Paschi di Siena	30-Sep-20	floating interest rate equivalent to 6-months Euribor rate + spread 1.90%.	4,965	826	4,139	-
Veneto Banca	30-Sep-19	floating interest rate equivalent to 6-months Euribor rate + spread 1.3%.	1,866	484	1,382	-
Banca di Desio	10-May-20	fixed interest rate 1.85%	1,790	252	1,538	-
Credito Valtellinese	05-Jan-19	floating interest rate equivalent to 3-months Euribor rate + spread 1.65%	2,963	889	2,074	-
Banca Popolare dell'Emilia Romagna	18-Mar-21	floating interest rate equivalent to 3-months Euribor rate + spread 1.85%.	4,950	711	3,980	259
Total			**55,100**	**13,778**	**25,372**	**15,950**

Net financial indebtedness

As required by CONSOB Communication of 28 July 2006 and in compliance with CESR Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Company's net financial indebtedness is as follows:

	31 December			
(Euro in thousands)	**2015**	***of which with related parties and group***	**2014**	***of which with related parties and group***
Cash and cash equivalents	(15,451)		(14,316)	
Current financial assets [(1)]	(42.529)	*(42,466)*	(28,543)	*(28,312)*
Current financial liabilities	38,918	*1,211*	30,922	*1,100*
Current portion of derivative financial instruments	14		-	
Current financial indebtedness [(2)]	**(19.048)**	*(41,255)*	**(11,937)**	*(27,212)*
Non-current financial liabilities	68,628	*14,743*	58,016	*15,954*
Non-current portion of derivative financial instruments	288		460	
Non-current financial indebtedness [(2)]	**68,916**	*14,743*	**58,476**	*15,954*
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	***49.868***	***(26,512)***	***46,539***	***(11,258)***

[(1)] Current financial assets as at 31 December 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 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 indebtedness as at 31 December 2015 stood at Euro 49,868 thousand (Euro 46,539 thousand as at 31 December 2014) and without considering the effects of the debt related to the building of Grassobbio registered because of application effects of IAS 17 , net indebtedness as at 31 December 2015 would have been Euro 32,078 thousand.
During the 2015 financial period, the indebtedness increased compared to 2014 by Euro 3,329 thousand, due to the combined effect of the following changes:

- for the short-term portion, we point out a total increase of Euro 7,111 thousand that reflects an increase in *current financial assets* of Euro 13.986 thousand, an increase in cash balances of Euro 1,135 thousand related to contingent phenomena and a decrease of Euro 7,996 thousand of *current financial liabilities*;

  We point out that the increase in *current financial assets* refers to balances related to contracts signed with the counterparties on which an interest rate is applied and repayable within 12 months;

- increase in *non-current financial liabilities* from Euro 58,016 thousand to Euro 68,628 thousand mainly due to: i) signing of six new loans totalling Euro 26,577 thousand (ii) reclassification under the current financial indebtedness of Euro 15,965 thousand relating to the short-term portion of medium/long-term loans.

This table shows the comparison between the book value and the fair value of the financial instruments as at 31 December 2015:

(Euro in thousands)	Book value	Fair value
Financial liabilities:		
Loans	69,856	76.319
Non-current portion of finance leases, net	17,714	23.762
Total	**87,570**	**100.081**

(1) The item includes the value of short-term loans to third parties of Euro 3,350 thousand classified in item "Interest-bearing financial payables (current portion)".

18.Derivative financial instruments

The Company signed some contracts related to derivative financial instruments whose contractual characteristics and related fair value as at 31 December 2015 and 2014 are shown in the table below:

Counterparts	Type	Debt interest rate (fixed)	Credit interest rate (variable)	Start date	Maturity date	Notional principal (Euro)	Fair Value (Euro/000) as at 31 December 2015	2014
BNL	IRS	1.15% 1st year; 1.65% 2nd year; 2% 3rd year; 2.60% five following years	3-month Euribor	01/01/2011	31/05/2018	2,769,231	(128)	(199)
BNL	IRS	Fixed interest rate 2.57%	3-month Euribor	05/09/2011	04/03/2016	1,101,905	(14)	(75)
BNL	IRS	Fixed interest rate 1.49%	3-month Euribor	04/03/2012	04/09/2017	3,013,689	(58)	(103)
BNL	IRS	Fixed interest rate 0.8%	3-month Euribor	04/03/2013	04/09/2017	2,764,089	(29)	(44)
Veneto Banca	IRS	Fixed interest rate 1.09%	6-month Euribor	23/12/2013	31/12/2018	1,563,718	(28)	(39)
Cariparma	IRS	Fixed interest rate 0.34%	6-month Euribor	07/05/2015	26/03/2020	4,000,000	(26)	-
Iccrea	CAP	Interest rate for the period 0.75%	6-month Euribor	27/09/2015	27/09/2020	2,785,714	11	14
Emilia Romagna	CAP	Interest rate for the period 0.50%	3-month Euribor	07/05/2014	07/11/2016	1,037,348	-	1
Cariparma	CAP	Interest rate for the period 0.75%	3-month Euribor	21/01/2014	23/10/2017	774,360	-	1
Monte dei Paschi di Siena	CAP	Interest rate for the period 0.61%	6-month Euribor	31/12/2016	30/09/2020	4,166,667	(19)	
Assets for derivative instruments							**11**	**16**
Liabilities for derivative instruments within the financial period							**(14)**	**-**
Liabilities for derivative instruments beyond the financial period							**(288)**	**(460)**

Tesmec S.p.A. uses derivative financial instruments in order to hedge the interest-rate risk and the exchange-rate risk. The transactions for interest-rate risk hedging are mainly related to medium-term loans. The Company does not account for these financial instruments according to the methods established for hedge accounting since they do not meet all the requirements provided on this matter by the international accounting standards. Therefore, the changes in fair value of the financial instruments are attributed to the income statement during the financial period under review.

The financial management of the Company does not envisage the trading of derivative instruments with speculative purposes.

19.Employee benefit liability

The Company has no defined benefit pension plans in the strict sense. However, the severance indemnity fund required by Article 2120 of the Italian Civil Code, in terms of recognition in the financial statements, falls under this type and as such was accounted for, as shown in the applied accounting policies.
The following table shows the changes for the period ended 31 December 2015 and 31 December 2014 of employee benefits:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Present value of the liability at the beginning of the period	2,707	2,517
Financial expense	43	78
Service Cost	(22)	-
Benefits paid	(259)	(69)
Financial loss (profit)	(90)	210
Demographic loss (profit)	40	(29)
Present value of the liability at the end of the period	**2,419**	**2,707**

With the adoption of the IFRS, the severance indemnity is considered a defined-benefit liability to be accounted for in accordance with IAS 19 and, as a result, the relevant liability is measured based on actuarial techniques.
The main assumptions used in determining the present value of the severance indemnity are shown below:

Economic and financial technical bases

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Annual discount rate	2.00%	1.60%
Inflation rate	1.50%	1.50%
Expected turnover rate of employees	3.00%	3.00%
Advance rate	2.00%	2.00%

The sensitivity analyses are shown below by using an annual discount rate of +0.5% and -0.5% compared to the annual discount rate used on the valuation date.

	Discount rate	
(Euro in thousands)	**0.50%**	**-0.50%**
Effect on the aggregate current cost of the service and of the financial expenses	21	21
Reported value for liabilities with respect to defined benefit plans	2,249	2,607

Technical and demographic bases

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Mortality	2004 ISTAT tables	2004 ISTAT tables
Disability	INPS tables	INPS tables
Retirement age	67 N/F	67 N/F

Frequency of turnover and advances on severance indemnity

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Advance frequency %	0.97%	0.33%
Turnover frequency %	10.24%	14.20%

Workforce

The average number of employees by category, expressed in terms of full-time employees is shown in the following table:

(average no. of employees)	Financial period ended 31 December	
	2015	2014
Managers	5	5
Executives, employees and equated	149	147
Workers	153	158
Total	**307**	**310**

The average number of employees as at 31 December 2015 is substantially in line with the previous financial period.

Current liabilities

20.Interest-bearing financial payables (current portion)

The following table sets forth the breakdown of *Interest bearing financial payables (current portion)* for the 2015 and 2014 financial periods:

(Euro in thousands)	31 December	
	2015	2014
Advances from banks against invoices and bills receivables	15,187	13,787
Other financial payables (short-term leases)	603	1,052
Financial payables due from affiliated companies	1,211	1,100
Payables due to factoring companies	4,789	2,066
Short-term loans to third parties	3,350	2,802
Current portion of medium/long-term loans	13,778	10,115
Total interest-bearing financial payables (current portion)	**38,918**	**30,922**

The *advances from banks* amount to Euro 15,187 thousand and decreased by Euro 1,400 thousand as a result of lower requirements generated by operations.

The current portion of interest-bearing loans and borrowings increased of Euro 3,663 thousand following the drawing-up and reclassifications during 2015 described in paragraph 17.

21.Trade payables

The breakdown of *Trade payables* as at 31 December 2015 and as at 31 December 2014, respectively, is indicated in the table below:

(Euro in thousands)	31 December 2015	31 December 2014
Trade payables due to third-parties	28,755	26,139
Trade payables due to related parties	1,640	332
Total trade payables	**30,395**	**26,471**

Trade payables as at 31 December 2015 increased of Euro 3,924 thousand compared to 31 December 2014 for an increased flow of purchases made in the last quarter.
This figure includes payables related to the normal course of business of the Company, in particular the purchase of raw materials and outsourced works.
Note also that there are no payables with maturity exceeding five years at the above dates.

22.Income taxes payable

The balance of Euro 2,804 thousand as at 31 December 2015 and Euro 993 thousand as at 31 December 2014 represents the amount payable for current income taxes for the period, which are broken down as follows:

(Euro in thousands)	31 December 2015	31 December 2014
Current IRES tax liabilities	2,494	542
Current IRAP tax liabilities	310	451
Total income taxes payable	**2,804**	**993**

The item includes the net payable due by the Company for the payment of direct income taxes.

Domestic tax consolidation

The company opted for the domestic tax consolidation system provided by Article 117 et sequitur of the Consolidated Act on Income Tax with the subsidiary Tesmec Service S.r.l. for the 2015/2017 three-year period and with the subsidiaries East Trenchers S.r.l. and SGE S.r.l. for the 2014/2016 three-year period.
Consequently, the investees Tesmec Service S.r.l, East Trenchers S.r.l. and SGE S.r.l. were included in the tax consolidation for the 2015 financial year.
Specific consolidation agreements were signed with each subsidiary opting for the domestic tax consolidation system, which regulate the timing and the methods for exchanging the information required to carry out the tax consolidation, the timing and methods for transferring resources among companies resulting from group taxation, as well as the methods for recognising the tax benefit to the companies that transferred, as part of the group taxation, tax losses, surpluses of non-deductible interest expenses and excess deduction to aid economic growth (A.C.E.).

These financial statements were affected by this institute in the following items:

- "Other current assets" of the statement of financial position, which includes the receivable recorded with regard to the subsidiary SGE S.r.l. for taxes pertaining to the latter, which by virtue of the domestic tax consolidation system will be paid by the consolidating company:

IRES on tax income SGE S.r.l.		Euro 143,045

- "Other current liabilities" of the statement of financial position, which includes the payable reported to the subsidiaries in connection with the recognition of the tax benefit deriving from the transfer of the tax losses and non-deductible interest expenses pursuant to Article 96 T.U.I.R. to the tax consolidation:

Tax benefit for the transfer of tax losses Tesmec Service S.r.l.		Euro 229,695
Tax benefit for the transfer of interest expenses Tesmec Service S.r.l.		Euro 20,140
Tax benefit for the transfer of loss East Trenchers S.r.l.		Euro 10,716
	Total	Euro 260,551

- "Income taxes payable" of the statement of financial position, which includes the IRES payable for taxes of the Group of Euro 2,494 thousand.

The taxable income referring to the tax consolidation consists, in summary, of the following:

		Financial period ended 31 December
(Euro in thousands)		2015
Taxable income of consolidating company Tesmec S.p.A.	A	11,563
Taxable income of consolidating company Tesmec Service s.r.l.	B	(908)
Taxable income of consolidating company East Trenchers S.r.l.	C	(39)
Taxable income of consolidating company SGE S.r.l.	D	520
Total consolidated taxable income	**E=A+B+C+D**	**11,136**
I.RE.S. - 27.5 % tax rate	F=E*27.5%	3,062
Previous year IRES surplus	G	(19)
Advances paid	H	(549)
Current IRES tax liabilities	**I=F+G+H**	**2,494**

23.Provisions for risks and charges

Provisions for risks and charges mainly refers to the product guarantee fund. The calculation is based on a historical, statistical and technical analysis of the interventions under guarantee carried out on sales in prior financial periods and includes both the cost of labour and that for spare parts used.

Changes in the *Provisions for risks and charges* as at 31 December 2015 and 2014 are indicated below:

	Financial period ended 31 December	
(Euro in thousands)	2015	2014
Value as at 1 January	250	300
Provisions	100	-
Uses	-	(50)
Value as at 31 December	**350**	**250**

24.Other current liabilities

The following table sets forth the breakdown of *Other current liabilities* as at 31 December 2015 and 2014:

	Financial period ended 31 December	
(Euro in thousands)	2015	2014
Due to social security	1,290	1,206
Due to INAIL (National Insurance Institute for Industrial Accidents)	158	111
Due to trade funds	160	151
Due to employees and collaborators	2,057	2,013
Due to others	7	9
Payables due to related parties	261	382
Accrued expenses and liabilities	1	4
Total other current liabilities	**3,934**	**3,876**

Other current liabilities increase respect to previous year in proportion to the increase in labour costs.

25.Income taxes

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred taxes as at 31 December 2015 and 2014:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Deferred tax assets	2,524	1,890
Deferred tax liabilities	1,727	1,035

The breakdown of net deferred taxes as at 31 December 2015 and 2014 is shown in the following table by type by listing the items that present underlying temporary differences.

	31 December		**31 December**		**Financial period ended 31 December**	
	Statement of financial position		**Shareholders' equity**		**Income statement**	
(Euro in thousands)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Deferred tax assets						
Reversals of intangible assets	86	69	-	-	17	(82)
Obsolescence fund	952	734	-	-	218	100
Unrealised exchange-rate losses	736	374	-	-	362	(184)
Tax effect on UCC gain reversals	334	392	-	-	(58)	(73)
Listing expenses	-	-	-	-	-	(306)
Other temporary differences	416	321	-	-	95	39
Total deferred tax assets	**2,524**	**1,890**	**-**	**-**	**634**	**(506)**
Deferred tax liabilities						
Unrealised exchange-rate gains	(1,457)	(780)	-	-	(677)	(451)
Profits allocated to network reserve	(228)	(228)	-	-	-	-
Other temporary differences	(42)	(27)	(13)	50	(2)	(16)
Total deferred tax liabilities	**(1,727)**	**(1,035)**	**(13)**	**50**	**(679)**	**(467)**
Effect on Shareholders' Equity						
Net balance deferred wealth taxes	**797**	**855**				
Represented in the income statement as follows:						
Deferred tax assets	**634**	**(506)**				
Deferred tax liabilities	**(679)**	**(467)**				
Deferred tax liabilities, net	**(45)**	**(973)**				

Current taxation

Profit before taxes and the allocation for income taxes for the financial periods as at 31 December 2015 and 2014 are summarised below:

(Euro in thousands)	Financial period ended 31 December	
	2015	2014
Pre-tax profits	**11,225**	**9,621**
Current taxation	3,768	2,370
Deferred tax liabilities/assets	45	973
Total taxes	**3,813**	**3,343**

The reconciliation between the nominal tax rate established by the Italian legislation and the effective tax rate resulting from the financial statements is set below:

(Euro in thousands)		Financial period ended 31 December 2015	
		IRES	IRAP
Profit before tax	**A**	**11,225**	**11,225**
Difference in taxable income between IRES and IRAP	B	-	3,528
	C=A+B	11,225	14,753
Nominal rate (%)	D	27.5%	3.9%
Theoretical taxes	**E=C*D**	**3,087**	**575**
Tax effect on permanent differences	F	152	62
Tax effect on temporary differences	G	(29)	-
Tax effect on the re-absorption of temporary differences	H	(30)	(13)
Current taxation posted to the income statement	**I=E+F+G+H**	**3,180**	**624**
Deferred tax liabilities	L	679	-
Deferred tax assets	M	(620)	(14)
Taxes related to prior financial periods	N	(35)	(1)
Aggregate tax posted to the income statement	**I+L+M+N**	**3,204**	**609**

Comments to the main items in the income statement

26.Revenues from sales and services

In the 2015 and 2014 financial periods, revenues from sales and services amounted to Euro 115,071 thousand and Euro 88,225 thousand, respectively. The breakdown is set below:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Sales of products	112,151	87,059
Services rendered	384	1,166
Total revenues from sales and services	**112,535**	**88,225**
Changes in work in progress	2,536	-
Total revenues from sales and services	**115,071**	**88,225**

Revenues from *product sales* refer to transfer of stringing machines and equipment, trenchers and rail. These revenues result increased due to positive trend of sales Stringing and Trencher sectors. In particular, Stringing Sector took advantage especially from the substantial order of equipment supply to Spanish Abengoa Group, for the realisation of more than 5.000 km of 500kV lines in Brasil.

27.Cost of raw materials and consumables

For the financial periods as at 31 December 2015 and 2014, cost of raw materials and consumables amount to Euro 64,164 thousand and Euro 44,376 thousand, respectively. The breakdown of the item is as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Cost for the purchase of raw materials and consumables	63,013	45,851
Change in inventories	1,151	(1,475)
Total cost of raw materials and consumables	**64,164**	**44,376**

Cost of raw materials and consumables increased by Euro 19,788 thousand more than proportionally than the increase in sales volumes (+30.4%), due to the different marginality of sectors caractherised by increased revenues.

28.Costs for services

The table below shows the breakdown of *Costs for services* that amounted in 2015 and in 2014 to Euro 17,764 thousand and Euro 14,936 thousand, respectively.

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Transport, customs and incidental expenses	2,858	2,485
Outsourced work service	2,952	2,591
External production services	2,789	934
Services for legal, tax, technical and other consultancy	1,046	2,343
Banking services	1,012	784
Insurance	249	266
Energy, water, gas, telephone expenses and postage	847	830
Board and lodging expenses and travelling allowance	773	731
Directors' and Auditors' fees	1,190	839
Advertising and other selling expenses	397	448

Maintenance services	364	299
Commissions and additional expenses	2,539	1,660
Other general expenses	748	726
Total costs for services	**17,764**	**14,936**

The increase in costs for services (+18.9) is due to the combined effect of:

- *transport*, *customs and incidental expenses* and *external production services* increased by Euro 373 thousand and Euro 1,855 thousand, respectively, generated by higher sales in the period;
- *legal, tax, technical and other consultancy costs* of Euro 1,046 thousand in the 2015 financial period compared to Euro 2,343 thousand in the 2014 financial period. This item included costs related to new commercial initiatives on foreign markets for which the Company made use of the experience of external consultants;
- *commissions and additional expenses* increased by Euro 879 thousand both due to the increase in revenues of the Stringing equipment segment where the structure most commonly used is indirect sales.

29.Payroll costs

During the financial periods ended 31 December 2015 and 2014, payroll costs amounted to Euro 17,335 thousand and Euro 16,687 thousand, respectively, up by 3.9%, mainly for the adjustment plans of the technical departments in line with the increased complexity of the offer of the Company.

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Wages and salaries	12,655	12,256
Social security charges	3,783	3,585
Employee severance indemnity	746	747
Other personnel costs	151	99
Total payroll costs	**17,335**	**16,687**

The average composition of staff is given in Note 19.

30.Other operating (costs)/revenues, net

During the financial periods ended 31 December 2015 and 31 December 2014, other net operating (costs)/revenues amounted to Euro 775 thousand and Euro 252 thousand, respectively.
The breakdown of the item is as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Provisions for risks and other net provisions	505	350
Write-down of equity investments	68	100
Rents	377	390
Hiring	487	513
Other lease and rental expenses	350	1
Sundry taxes	132	124
Other revenues	(1,164)	(1,508)
Other	20	282
Total other operating (costs)/revenues, net	**775**	**252**

Other operating (costs)/revenues, net increased by Euro 523 thousand compared to the previous financial year as a result of maintenance carried out on the building of Endine totalling Euro 347 thousand.

31.Amortisation and depreciation

During the financial periods ended 31 December 2015 and 2014, depreciation and amortisation amounted to Euro 4,881 thousand and Euro 5,047 thousand, respectively.
The breakdown of the item is as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Amortisation of intangible assets	3,026	3,068
Depreciation of property, plant and equipment	1,855	1,979
Total amortisation and depreciation	**4,881**	**5,047**

The change of Euro 166 thousand is related to investments and divestments in the period.

32.Development costs capitalised

Development costs capitalised for the financial periods ended 31 December 2015 and 31 December 2014 amounted to Euro 3,000 and Euro 2,992 thousand, respectively.
During the financial period, the increase in the item is related to development of projects for the launch of new models and new functions requested by the markets in which the company operates.
The percentage incidence on revenues of development costs capitalised decreased from 3.4% for the 2014 financial period to 2.6% for the 2015 financial period.

33.Financial expenses

During the financial periods ended 31 December 2015 and 2014, financial expenses amounted to Euro 7,469 thousand and Euro 5,935 thousand, respectively, with an increase of Euro 1,534 thousand.
The breakdown of the item is as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Bank interests expense	-	1
Interests payable for factoring and billing discounts	320	323
Interests payable on interest-bearing loans and borrowings	2,370	2,306
Interests payable on advance loans on exports	160	482
Interests payable on derivative instruments	-	-
Other sundry financial expenses	623	363
Financial expenses on lease contracts	1,125	1,436
Realised foreign exchange losses	346	326
Unrealised foreign exchange losses	1,975	650
Fair value adjustment of derivative instruments	50	48
Losses on the sale of equity investments	500	-
Total financial expenses	**7,469**	**5,935**

Financial expenses decreased by Euro 1,534 thousand as a result of:

- increase in foreign exchange *losses* (realised and unrealised) of Euro 1,345 thousand due to the exchange rate used on the date of collection compared to the one used on the invoice date and to the adjustment to the exchange rate in effect as at 31 December 2015 of the currency items, mainly due to the appreciation of US Dollar;
- recognition of the loss on equity investments of Euro 500 thousand deriving from the sale of 20% of the equity investment in Marais Technologies SAS to the C2D SAS company on 13 October 2015.

34.Financial income

During the financial periods ended 31 December 2015 and 2014, financial income amounted to Euro 5,541 thousand and Euro 5,638 thousand, respectively.
The breakdown of the item is as follows:

	Financial period ended 31 December	
(Euro in thousands)	**2015**	**2014**
Interests from banks	10	46
Realised foreign exchange gains	992	685
Unrealised foreign exchange gains	3,098	2,957
Fair value adjustment of derivative instruments	203	146
Dividends	-	944
Sundry income	1,238	860
Total financial income	**5,541**	**5,638**

Financial income decreased by Euro 97 thousand mainly due to:

- increase in *foreign exchange gain (realised and unrealised)* of Euro 448 thousand due to the exchange rate used on the date of collection compared to the one used on the invoice date and to the adjustment to the exchange rate in effect as at 31 December 2015 of the currency items;
- decrease in *dividends* in that in the 2015 financial year no dividends were distributed by subsidiaries;
- Increase in *sundry income* of Euro 378 thousand related to interests accrued on financial receivables due from subsidiaries and associated companies.

35.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:

	31 December 2015							31 December 2014						
(Euro in thousands)	Trade receivables	Current financial receivables	Other current assets	Non-current financial payables	Current financial payables	Trade payables	Other current liabilities	Trade receivables	Current financial receivables	Other current assets	Non-current financial payables	Current financial payables	Trade payables	Other current liabilities
Subsidiaries:														
Tesmec USA, Inc.	1,525	24,493	-	-	-	21	-	891	14,600	-	-	-	4	-
Tesmec Service S.r.l.	75	5,098	-	-	-	1,425	250	54	4,152	-	-	-	320	293
Tesmec Balkani E.A.D.	-	-	-	-	-	-	-	1	6	-	-	-	-	-
East Trencher S.r.l.	1	7	-	-	-	-	11	15	42	-	-	-	-	14
Tesmec SA	3,738	1,680	5	-	-	-	-	92	2,605	2	-	-	-	-
Tesmec RUS	223	136	-	-	-	1	-	137	-	-	-	-	-	-
SGE S.r.l.	178	433	143	-	-	-	-	10	355	-	-	-	-	75
Tesmec New Technology (Beijing)	161	-	-	-	-	-	-	-	-	-	-	-	-	-
Group Marais SAS	7	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	**5,908**	**31,847**	**148**	**-**	**-**	**1,447**	**261**	**1,200**	**21,760**	**2**	**-**	**-**	**324**	**382**
Associates:														
Locavert S.A.	12	-	-	-	-	-	-	21	-	-	-	-	-	-
Bertel S.p.A.	25	2,524	-	-	-	-	-	129	563	-	-	-	1	-
Subtotal	**37**	**2,524**	**-**	**-**	**-**	**-**	**-**	**150**	**563**	**-**	**-**	**-**	**1**	**-**
Joint Ventures:														
Condux Tesmec Inc.	576	2,307	-	-	-	1	-	1,084	156	-	-	-	-	-
Tesmec Peninsula	44	4,690	-	-	-	7	-	1,932	4,729	-	-	-	1	-
Marais Algerie SARL	9	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	**629**	**6,997**	**-**	**-**	**-**	**8**	**-**	**3,016**	**4,885**	**-**	**-**	**-**	**1**	**-**
Related parties:														
Ambrosio S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	4	-
Ceresio Tours S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	2	-
Dream Immobiliare S.r.l.	-	1,096	-	14,743	1,211	52	-	-	1,102	-	15,954	1,100	-	-
Eurofidi S.p.A.	-	2	-	-	-	-	-	-	2	-	-	-	-	-
CONAI	-	-	-	-	-	1	-	-	-	-	-	-	-	-
TTC S.r.l.	-	-	-	-	-	42	-	-	-	-	-	-	-	-
Fintetis S.r.l.	30	-	-	-	-	-	-	-	-	-	-	-	-	-
Lame Nautica S.r.l.	1	-	-	-	-	-	-	4	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	2,170	-	-	-	-	-	-	2,440	-	-	-	-	-	-
Reggiani Macchine S.p.A.	52	-	-	-	-	77	-	137	-	-	-	-	-	-
Comatel	29	-	-	-	-	-	-	-	-	-	-	-	-	-
C2D SAS	-	-	-	-	-	13	-	-	-	-	-	-	-	-
Subtotal	**2,282**	**1,098**	**-**	**14,743**	**1,211**	**185**	**-**	**2,581**	**1,104**	**-**	**15,954**	**1,100**	**6**	**-**
Total	**8,856**	**42,466**	**148**	**14,743**	**1,211**	**1,640**	**261**	**6,947**	**28,312**	**2**	**15,954**	**1,100**	**332**	**382**

(Euro in thousands)	Financial period ended 31 December 2015					Financial period ended 31 December 2014				
	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
Subsidiaries:										
Tesmec USA, Inc.	6,673	(135)	133	314	610	7,715	(87)	(17)	1,303	919
Tesmec Service S.r.l.	6	(800)	(16)	(734)	171	76	(3)	-	(507)	150
Tesmec Balkani E.A.D.	-	-	-	-	1	-	-	-	-	1
East Trencher S.r.l.	34	-	-	2	1	115	-	-	5	3
Tesmec SA	7,895	(17)	-	16	212	1,362	(32)	8	3	150
Tesmec RUS	83	-	(14)	-	4	702	-	-	-	-
SGE S.r.l.	-	-	2	165	27	-	-	1	11	10
Tesmec New Technology (Beijing)	162	-	-	-	-	-	-	-	-	-
Group Marais SAS	84	-	-	3	-	-	-	-	-	-
Subtotal	**14,937**	**(952)**	**105**	**(234)**	**1,026**	**9,970**	**(122)**	**(8)**	**815**	**1,233**
Associates:										
Locavert S.A.	66	-	-	-	-	(274)	-	-	-	-
Bertel S.p.A.	138	-	3	16	45	130	(1)	-	2	5
Subtotal	**204**	**-**	**3**	**16**	**45**	**(144)**	**(1)**	**-**	**2**	**5**
Joint Ventures:										
Condux Tesmec Inc.	2,964	-	(1)	181	31	3,880	-	10	151	2
Tesmec Peninsula	1,862	(147)	(28)	110	99	2,053	(1,018)	(13)	94	145
Marais Algerie SARL	12	-	-	-	-	-	-	-	-	-
Subtotal	**4,838**	**(147)**	**(29)**	**291**	**130**	**5,933**	**(1,018)**	**(3)**	**245**	**147**
Related parties:										
Ambrosio S.r.l.	-	-	-	(15)	-	-	-	-	(15)	-
Ceresio Tours S.r.l.	-	-	(9)	-	-	-	-	(10)	-	-
Dream Immobiliare S.r.l.	-	-	-	(350)	(1,031)	-	-	1	(234)	(1,291)
Studio Bolelli	-	-	(131)	-	-	-	-	(106)	-	-
CONAI	-	(2)	-	-	-	-	-	-	-	-
TTC S.r.l.	-	-	(49)	-	-	-	-	(54)	-	-
Fintetis S.r.l.	25	-	-	-	-	-	-	-	-	-
Lame Nautica S.r.l.	71	-	1	-	-	5	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	2,357	(5)	5	50	-	2,446	-	5	13	-
Reggiani Macchine S.p.A.	-	(36)	(82)	154	-	200	(26)	108	13	-
Comatel	193	-	-	-	-	-	-	-	-	-
C2D SAS	-	-	-		(500)	-	-	-	-	-
Subtotal	**2,646**	**(43)**	**(265)**	**(161)**	**(1,531)**	**2,651**	**(26)**	**(56)**	**(223)**	**(1,291)**
Total	**22,625**	**(1,142)**	**(186)**	**(88)**	**330**	**18,410**	**(1,167)**	**(67)**	**839**	**94**

- Tesmec Service S.r.l.: the subsidiary carries out activity of design and construction of machinery for the maintenance of railway rolling stock as a result of the purchase of the rail business unit. The revenues incurred by Tesmec with regard to the subsidiary refer to the recharging of consultancy of the technical office. Financial income refers to the remuneration of a current account balance that reported during the year an indebtedness situation of Tesmec Service S.r.l. towards Tesmec S.p.A.;
- Tesmec USA Inc: Revenues and Costs of materials refer to mutual sales transactions concerning machines and spare parts. Financial income refers to the remuneration of a current account balance that reported during the year an indebtedness situation of Tesmec USA towards Tesmec S.p.A.;
- Tesmec SA (Pty) LTD: the purpose of the subsidiary is participating in important projects in the telecommunications sector and capturing new market shares. Revenues of Euro 7,895 thousand refer to the sale of trencher machines subsequently resold from the South African subsidiary. Financial income refers to the remuneration of a current account balance that reported during the year an indebtedness situation of Tesmec SA towards Tesmec S.p.A.;
- Tesmec RUS: the Company mainly works in the segments of stringing equipment and streamlining of Power Networks, revenues refer to the same of stringing equipment machines and spare parts;
- Locavert S.A.: the French associate purchases normally trenchers/spare parts for rental business and carrying-out of excavation works at market prices and terms of payment;
- Bertel S.p.A: this associated company is a start-up, operating in a market with a high technical profile such as that of streamlining systems of High-Voltage Power Networks and offers highly innovative technological solutions that are increasingly requested by the international customers already served by Tesmec S.p.A. today. The revenues refer to the sale of goods in relation to projects in the field of improving the efficiency of energy transfer;
- Condux Tesmec, Inc.: the JV purchases stringing machines and equipment for sale on the American market 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 of Grassobbio of Euro 1,031;
- M.T.S. Officine meccaniche S.p.A.: revenues refer to sales of semi-finished products made by the Tesmec Workshop in Sirone;
- Reggiani Macchine S.p.A.: costs for services mainly refers to costs related to users for a total amount of Euro 82 thousand;
- C2D SAS: "*Financial income and expense*" contains the loss equal to Euro 500 thousand deriving from the transfer of 20% of share investment in Marais Technologies SAS to the French Company C2D SAS realized on October 13, 2015 and equal to Euro 1 million.

36.Fees paid to Directors, Auditors, Operating Manager and executives with strategic responsibilities

Year 2015:

Board of directors				
Name and Surname	**Role**	**Fees (in Euro)**	**Bonus and other fees (in Euro)**	**Total fees**
Ambrogio Caccia Dominioni	Chairman and Managing Director	480,000	399,891	879,891
Alfredo Brignoli	Vice Chairman	23,986	-	23,986
Gianluca Bolelli	Vice Chairman	62,400	-	62,400
Sergio Arnoldi	Director	20,800	-	20,800
Gioacchino Attanzio	Director	30,000	-	30,000
Caterina Caccia Dominioni	Director and Secretary	41,600	-	41,600
Guido Giuseppe Maria Corbetta	Director	15,000	-	15,000
Lucia Caccia Dominioni	Director	20,000	-	20,000
Leonardo Giuseppe Marseglia	Director	3,750	-	3,750

Board of Statutory Auditors				
Name and Surname	**Role**	**Fees (in Euro)**	**Bonus and other fees (in Euro)**	**Total fees**
Simone Cavalli	Chairman	40,213	-	40,213
Stefano Chirico	Statutory Auditor	26,468	-	26,468
Alessandra De Beni	Statutory Auditor	26,000	-	26,000

Fees paid to executives with strategic responsibilities in the 2015 financial period amounted to Euro 363 thousand (Euro 361 thousand in the 2014 financial year).

37.Summary statement of considerations to the Independent Auditors and to the entities belonging to its network

Pursuant to Article 149 *duodecies* of the Consob Issuer Regulation (Resolution no. 11971/1999 and subsequent amendments), the following table shows the considerations accrued in the financial statements ended 31 December 2015 and 2014 for audit services and for other services rendered to the Company by Reconta Ernst & Young and by the entities belonging to the Ernst & Young network.

(Euro in thousands)	**Independent Auditors that supplied the service**	**Receiver**	**Accrued amount 2015**	**Accrued amount 2014**
Audit of the financial statements and consolidated financial statements	Reconta Ernst & Young S.p.A.	Tesmec S.p.A. Parent Company	80	80
Limited half-year auditing	Reconta Ernst & Young S.p.A.	Tesmec S.p.A. Parent Company	20	24
Certification services (1)	Reconta Ernst & Young S.p.A.	Tesmec S.p.A. Parent Company	5	5
Other services (2)	Reconta Ernst & Young S.p.A.	Tesmec S.p.A. Parent Company	15	-
Total			**120**	**109**

(1) This item refers to activities aimed at the signing of tax returns.
(1) This item refers to activities aimed to acquisitions operation.

38.Positions or transactions resulting from atypical and/or unusual operations

Note that, pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, in 2015 the Company did not carry out any atypical and/or unusual operation, as defined by the Communication itself.

39.Commitments and risks

They include sureties, guarantees and third-party assets with the Company. For the financial periods as at 31 December 2015 and 2014, they are summarised as follows:

	31 December	
(Euro in thousands)	**2015**	**2014**
Sureties	30,790	22,019
Total commitments and risks	**30,790**	**22,019**

The recorded value concerns sureties provided by Tesmec S.p.A. through primary banking institutions in favour of customers. The increase is mainly due to the orders of the newly set up rail sector.
On the basis of the specific of the segments in which the Company works, Tesmec did not make any provision for contingent liabilities in the memorandum accounts. Risks and future expenses are reasonably hedged by funds specifically accounted for in the financial statements.

40.Significant events occurred after the close of the financial period

On the date of this report, the Company holds a total of 4.450.497 treasury shares, equal to 4.16% of the Share Capital.

The significant events occurred after the close of the financial period include:

- on 3 March 2016, the parent company Tesmec S.p.A. purchased the remaining 60% of the share capital of Bertel S.p.A., company operating in a market with a high technical profile such as that of streamlining systems of Transmission Power Lines. Tesmec already owned 40% of the share capital of Bertel S.p.A.
  The value of the transaction amounted to Euro 300 thousand corresponding to the nominal value and will be paid in two tranches: the first one of Euro 150 thousand within 12 months and the second one of Euro 150 thousand within 24 months.

Certificate of the financial statements pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 with further supplements and amendments

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 financial statements during the 2015 financial period.

2. We also certify that:

2.1 the financial statements as at 31 December 2015:

   - have been prepared in accordance with IFRS as 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 fair and correct representation of the financial conditions, results of operations and cash-flow of the Company.

2.2 the directors' report includes a reliable analysis of the business trend and operating result as well as of the situation of the issuer and of the Company, together with a description of the main risks and uncertainties they incur.

Milan, 14 March 2016

Ambrogio Caccia Dominioni
Chief Executive Officer

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

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

TESMEC S.p.A.
Registered office in Milan, Piazza S. Ambrogio no. 16
Subscribed and paid-up share capital Euro 10,708,400
Tax code and registration number at the
Milan Register of Companies no. 10227100152
Economic and Administrative Register (REA) no. 1360673

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF TESMEC S.P.A. PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

During the financial period ended 31 December 2015, the Board of Statutory Auditors of Tesmec S.p.A. carried out the supervision activities required by law in accordance with the principles of conduct of the Board of Statutory Auditors recommended by the Italian Accounting Profession Council (CNDCEC), by attending the meetings of the company's Bodies, carrying out periodic audits and meeting the managers of the Independent Auditors Reconta Ernst & Young S.p.A. (the "Independent Auditors"), the members of the Control and Risk Committee, the members of the Supervisory Body set up pursuant to Italian Legislative Decree 231/2001, the key representatives of the different business functions and the Manager responsible for preparing the Company's financial statements for an exchange of information on activities and programs.

Pursuant to Article 153 of Italian Legislative Decree 58/1998 (the "Consolidated Law on Finance (T.U.F.)") and of Article 2429, paragraph 3 of the Italian Civil Code, taking also into account the instructions given by CONSOB with communication no. DEM/1025564 of 6 April 2001, and subsequent amendments and supplements, we report the following:

- we supervised the observance of the law and of the articles of association;
- we obtained from the Directors, on a regular periodicity, information on management performance and business outlook as well as on the business carried on and on the major economic and financial operations performed during the financial period, also through subsidiaries, verifying that they comply with the law and with the articles of association and that they are not clearly imprudent or reckless, in potential conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company assets. In particular, as described in the Report on Operations and in the Explanatory Notes, on 8 April 2015, Tesmec S.p.A. concluded the acquisition of the entire share capital of Marais Technologies SA ("Marais Group"), a 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;
- we received from the Board of Directors, within the timeframe set by the law, the half-yearly financial report and the quarterly interim reports on operations;
- there are no atypical and/or unusual operations with third parties, companies of the Group or related parties to report, nor have we received information from the Board of Directors, Independent Auditors or Control and Risk Committee on the subject;
- the Directors illustrated, in the accompanying report on operations both to the financial statements of Tesmec S.p.A. and to the consolidated financial statements of the Tesmec Group as well as in the relevant explanatory

notes, ordinary operations carried out during the financial period with related parties or companies of the group. We refer to those documents, to the extent of our authority, and in particular for what concerns the description of the characteristics of the operations and relevant economic and financial effects. With reference to such operations, with the help of the Board of Directors and of the Control and Risk Committee we verified the existence and compliance with procedures designed to ensure that they are concluded at market conditions and conforming to the normal management of the company. In this regard, we also supervised the compliance with the principles indicated in the CONSOB Regulation containing provisions on related party transactions adopted with resolution no. 17221 of 12 March 2010, as subsequently amended (the "OPC Regulation"), of the subsequent Procedure for Related Party Transactions, adopted by the Board of Directors on 11 November 2010 and updated on 14 March 2014, as well as on its application;

- the Directors, also on the basis of the information given by CONSOB with communication n. 3907 of 19 January 2015, have adequately described in the explanatory notes to the financial statements the main assumptions used in the performance of the impairment test for some assets of the financial statements together with the sensitivity analysis performed;
- during the financial period, the Company carried out transactions on Treasury shares in thanks also to the shareholders' approval taken in this regard, on 30 April 2015;
- the information concerning the transactions with related parties or intra-group companies, contained in particular in the "Related party transactions" paragraph of the explanatory notes to the IAS/IFRS consolidated financial statements of the Tesmec Group and "Related party transactions" paragraph of the explanatory notes to IAS/IFRS financial statements of Tesmec S.p.A. is adequate, given the size and structure of the Company;
- as a result of contacts with the corresponding bodies of associated companies did not reveal any material aspects of signaling;
- no complaints were received ex Article 2408 of the Italian Civil Code nor statements from third parties;
- we received from the Independent Auditors the information concerning the hours used and the amounts invoiced all-in-all by them for the external audit of the separate and consolidated financial statements of the Company as at 31 December 2015, as well as for the restricted external audit of the half-yearly report and for verifying the regular keeping of the company accounting;
- it results from the information received from the Independent Auditors that, during the financial period, were contributed by Tesmec S.p.A. to it or to its network of offices for the total fees amounted to Euro 15 thousand relating to services performed for acquisition operation, in addition to those concerning to the external audit, as reported in the explanatory notes;
- we received notice confirming the independence of the Independent Auditors, in charge of the external audit pursuant to Article 17, paragraph 9, letter a), of Italian Legislative Decree no. 39/2010 and no situations compromising this independence or the occurrence of incompatibility causes were reported; moreover, we discussed with the Independent Auditors the risks for their independence as well as the measures taken to mitigate those risks;
- we received from the Independent Auditors the report set forth in the third paragraph of Article 19 of Italian Legislative Decree 39/2010 of 29 March 2016 from which it appears that on the basis of the work carried out no "basic issues" or "significant failures in the internal audit in relation to the process of financial reporting" were identified, also with regard to subsidiaries outside the European Union;

- we supervised the effectiveness of the external audit process by examining with the Independent Auditors the audit plan and by discussing on the activities carried out;
- the Independent Auditors issued, on 29 March 2016, the Reports on the separate and consolidated financial statements. They do not contain observations or requests for information;
- during the financial period, we issued the opinions required by the Board of Statutory Auditors pursuant to the law;
- we took note of the preparation of the Report on Remuneration ex Articles 123-ter of Consolidated Law on Finance and 84-quarter of the Issuers’ Regulation and we have no special observations to make;
- we verified the correct application of the criteria and procedures adopted by the Board of Directors to ascertain the independence of its members on the basis of the methods provided by law and by the Self-Regulatory Code of Conduct;
- we verified that independence requirements of the Statutory Auditors remain valid, already ascertained before the appointment, on the basis of the methods provided by law and by the Self-Regulatory Code of Conduct; we also comply with the limit on the number of tasks required by the Article of Associations and Art. 144-terdicies of the Consob Issuers Regulation 11971, fulfilling, if required, during the year to its disclosure obligations Consob;
- during the financial period, we attended the Shareholders’ meeting for the approving of the balance sheet and 10 meetings of the current Board of Directors. During the same period, the Board of Statutory Auditors met 9 times including 5 in joint session with the Control and Risk Committee;
- we obtained information and supervised, to the extent of our authority, compliance with the principles of correct administration and the adequacy of the organisational structure and of the instructions given by the Company to the subsidiaries pursuant to Article 114, paragraph 2, of the Consolidated Law on Finance, by means of direct observations, collecting information from department heads and meetings with the Independent Auditors, with the manager responsible for preparing the Company’s financial statements and with the Head of Internal Control in order to exchange relevant data and information.
- we have tested and evaluated the information and periodic press releases issued by the Company to the public, as well as the obligations to notify Consob;
- we ascertain that the information flows provided by the subsidiaries outside the European Union are adequate to conduct the auditing of annual and interim accounts as provided by Article 36 of the Market Regulation adopted with CONSOB Resolution no. 16191 of 29 October 2007;
- we obtained information and supervised, to the extent of our authority, also pursuant to Article 19 of Italian Legislative Decree 39/2010, the adequacy and effectiveness of the internal control system and risk management, as well as the activity carried out by the relevant manager responsible for preparing the Company's financial statements and the company's administrative-accounting system, the reliability of the latter in correctly representing operating performance, by obtaining information from the persons in charge of their respective functions, examining company documents and the work carried out by the Independent Auditors, the attendance to the meetings of the Control and Risk Committee and meetings with the Manager responsible for preparing the Company’s financial statements, and Executive Director in charge of supervising the functionality of the internal control system;
- during the meetings held with the Independent Auditors pursuant to Article 150, paragraph 3, of the Consolidated Law on Finance no relevant issues emerged that would require any particular comments;

- we supervised the concrete methods of implementing corporate governance regulations of the Self-Regulatory Code of Conduct for the Corporate Governance of listed companies, whose adoption was approved by the Board of Directors during the meeting of 23 February 2010. As described in the section of the Report of Board of Directors, the Group adheres to the Code of Conduct for listed companies approved in March 2006 (as amended in March 2010, December 2011, July 2014 and July 2015) by the Committee for the Corporate Governance Committee and promoted by Borsa Italian S.p.A. with additions and amendments related to the characteristics of the Group. Adherence to the rules laid down by the said code has been verified by us and has been the subject of the Report on Corporate Governance and Ownership Structure attached to the budget and subject to the same terms of advertising planned for the financial statement;
- during the meeting of 12 March 2015, the Board of Directors of Tesmec S.p.A. stated that the subsidiary company Tesmec USA is a "strategically important subsidiary" ;
- we verified, through direct audits and information received from the Independent Auditors and the Manager responsible for preparing the Company's financial statements, the compliance with the rules of law concerning the preparation and layout of the consolidated financial statements of the Tesmec Group, of the financial statements of Tesmec S.p.A. and of the report on operations. Moreover, nothing to be reported to the supervisory authorities or worth mentioning in this report was revealed by our supervisory activity;
- the Company adopted an Organizational Model in compliance with the Italian Legislative Decree n. 231/2001 (the "Organizational Model 231"), which the Code of Ethics is an integral part of; the aims is to prevent the offenses listed in the Decree and consequently the extension of the administrative liability to the Company. The Company started a process to update the Organizational Model 231 concerning the offence of self-laundering (Italian Law 186/2014), environmental offences (Italian Law 68/2015) and corporate crimes (Provisions on crimes against public administration, Mafia-like associations and false accounting, Italian Law 69/2015);
- the Directors, in the paragraph called “Main risks and uncertainties to which the Tesmec Group is exposed” on the Report on operations, point out the risk factors or uncertainties that may significantly affect the activity of the Tesmec Group. In particular, some information tending to illustrate the aims and policies of the Group on the management of the exchange-rate, price and financial risk, as well as tending to indicate the degree of exposure to credit risk, liquidity risk and cash-flow variation risks are provided.

Considering all the above, we find no reasons not to approve - to the extent of our authority - the financial statements as at 31 December 2015, or to make observations on the proposal of appropriation of the profit for the year, including the proposal for dividend distribution, contained in the report on management performance prepared by the Board of Directors.
We thank you for your confidence, please note that the Board of Statutory Auditors will be in office until the approval of the financial statements at December 31, 2015 and we invite the Shareholders Meeting to provide about this matter.

Grassobbio, 30 March 2016

The Board of Statutory Auditors

Simone Cavalli - Chairman

Alessandra De Beni - Statutory Auditor

Stefano Chirico - Statutory Auditor

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

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Independent auditor's report in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of Tesmec S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Tesmec S.p.A., which comprise the statement of financial position as at 31 December 2015, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors of Tesmec S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Reconta Ernst & Young S.p.A.
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Tesmec S.p.A. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. The Directors of Tesmec S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the financial statements of Tesmec S.p.A. as at 31 December 2015.

Milan, 29 March 2016

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.

ENCLOSURES

Enclosure A

List of investments held at 31 December 2015 by Tesmec S.p.A. and statement of changes during the financial period.

The following is the list of investments held as at 31 December 2015, which includes, under Article 126 of CONSOB Regulation 11971/99, the investments held in companies with unlisted shares or in limited liability companies, in more than 10% of the capital.

CHANGES IN INVESTMENTS MADE DURING FINANCIAL PERIOD ENDED 31 December 2015

	31 December 2014			**Increases**		**Decreases**		**Other changes**	**31 December 2015**		
Company	Quantity	%	Value	Quantity	Cost	Quantity	Cost	Write-down Revaluation	Quantity	%	Value
Subsidiaries consolidated											
Tesmec USA Inc.	10,450,000	67.00% [1]	21,261,434	-	-	-	-	-	10,450,000	67.00% [1]	21,261,434
Tesmec Service S.r.l.	100,000	100.00%	1,825,882	-	270,000	-	-	-	100,000	100.00%	2,095,882
OOO Tesmec RUS	10,590	100.00%	10,590	-		-	-		10,590	100.00%	10,590
Tesmec SA (Pty) Ltd.	100	100.00%	360,816	-		-	-	-	100	100.00%	360,816
Tesmec Balkani EAD	5,000	100.00%	-	-	19,759	-	-	(19,759)	5,000	100.00%	-
East Trenchers S.r.l.	91,200	91.20%	136,200	8,800	8,800	-	-	-	100,000	100.00%	145,000
SGE S.r.l.	10,000	100.00%	410,000	-		-	-	-	10,000	100.00%	410,000
Tesmec France EURL	3,000	100.00%	30,000	-	17,791	-	-	(47,791)	3,000	100.00%	-
Tesmec New Technology (Beijing)	200,000	100.00%	200,000			-	-	-	200,000	100.00%	200,000
Marais Technologies SAS	-	0.00%	-	378,576	9,563,664	50,010	1,000,000	-	328.566	52.83% [2]	8,563,664
Total			**24,234,922**								**33,047,386**
Associates consolidated under the equity method											
Tesmec Peninsula WLL	346,125	49.00%	729,748	-	-	-	-	-	346,125	49.00%	729,748
Bertel S.p.A.	200,000	40.00%	1,700,000	-	-	-	-	-	200,000	40.00%	1,700,000
Locavert S.A.	20,525	38.63%	52,000	-	-	-	-	-	20,525	38.63%	52,000
Condux Tesmec Inc.	250	50.00%	955,763	-	-	-	-	-	250	50.00%	955,763
Total			**3,437,511**								**3,437,511**

[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.

[2] The remaining 47.17% is held by Simest S.p.A. for 33.96% and by C2D SAS for 13.21%. 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 Marais Technologies SAS is consolidated on an 86.79% basis.

www.tesmec.com

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