Half-year Consolidated Financial Report at 30 June 2019

Investor Relator
Marco Paredi
Tel: 035.4232840 - Fax: 035.3844606
e-mail: ir@tesmec.com

Tesmec S.p.A.
Registered office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 30 June 2019 Euro 10,708,400
Milan Register of Companies no. 314026
Tax and VAT code: 10227100152

Website: www.tesmec.com
Switchboard: 035.4232911

TABLE OF CONTENTS

COMPOSITION OF THE CORPORATE BODIES

Board of Directors (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021)

Chairman and Chief Executive Officer	Ambrogio Caccia Dominioni
Vice Chairman	Gianluca Bolelli
Directors	Caterina Caccia Dominioni Lucia Caccia Dominioni Paola Durante (*) Simone Andrea Crolla (*) Emanuela Teresa Basso Petrino (*) Guido Luigi Traversa (*)

(*) 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 2021)

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

Members of the Control and Risk, Sustainability and Related Party Transactions Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021)

Chairman	Emanuela Teresa Basso Petrino
Members	Simone Andrea Crolla Guido Luigi Traversa

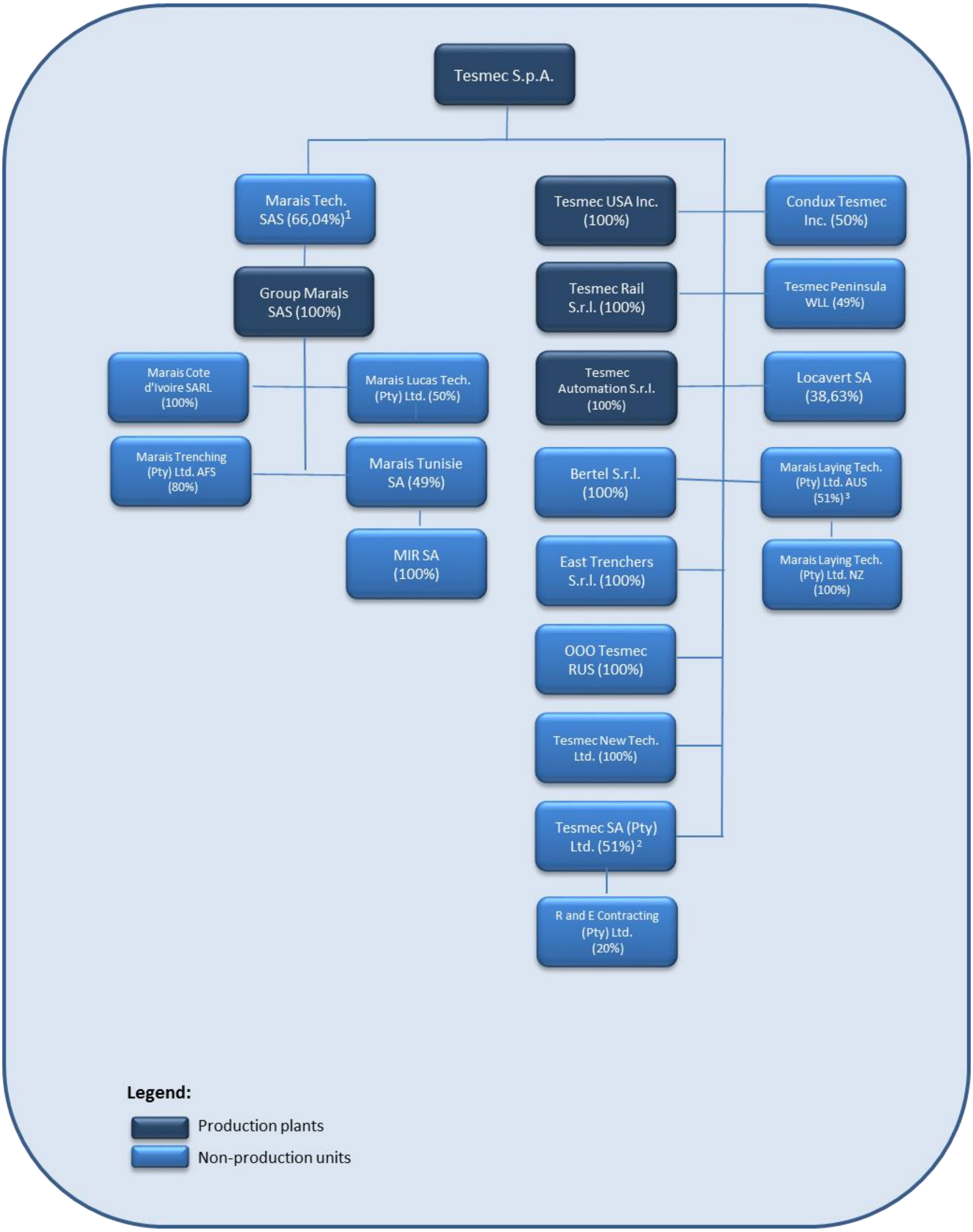
Members of the Remuneration and Appointments Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021)

Chairman	Simone Andrea Crolla
Members	Emanuela Teresa Basso Petrino Caterina Caccia Dominioni

---

Lead Independent Director	Paola Durante
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Gianluca Casiraghi
Independent Auditors	Deloitte & Touche S.p.A.

GROUP STRUCTURE



(1) The remaining 33.96% is held by Simest S.p.A. Since Tesmec has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholding of the Parent Company in Marais Technologies SAS is consolidated on an 100% basis.

(2) The remaining 49% is held by Simest S.p.A. Since Tesmec has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholding of the subsidiary Tesmec SA is consolidated on a 100% basis.

(3) The remaining 49% is held by Simest S.p.A. Since Tesmec has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholding of the subsidiary Marais Laying Tech. (Pty) Ltd Australie is consolidated on a 100% basis.

INTERIM CONSOLIDATED FINANCIAL REPORT

1. Introduction

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

The Tesmec Group is a leader in the design, production and marketing of special products and integrated solutions for the construction, maintenance and streamlining of infrastructures relating to the transmission of electrical power and data and material transport.

Founded in Italy in 1951 and managed by the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni, the Group as from its listing on the Stock Exchange on 1 July 2010, 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: Energy, Trencher and Rail. The structure has more than 850 employees and production plants located in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco) and Monopoli (Bari) in Italy, Alvarado (Texas) in the USA and Durtal in France. Furthermore, after the reorganisation of the Automation sector, Tesmec Automation has 3 additional operating units available in Fidenza, Padua and Patrica (Frosinone). The Group has a global commercial structure, with a direct presence on different continents, through foreign companies and sales offices in the USA, South Africa, Russia, Qatar, China and France.

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

Energy 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 works on surface mines and earth moving works (Rock Hawg);
- specialised consultancy and excavation services on customer request;
- multi-purpose site machinery (Gallmac);
- this segment also includes the excavation services for power lines and fibre optic cables that constitute the core business of the Marais Group.

Rail segment

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

The know-how achieved in the development of specific technologies and innovative solutions and the presence of a team of highly-skilled engineers and technicians allow the Tesmec Group to directly manage the entire production chain: from the design, production and marketing of machinery to the supply of know-how relating to the use of systems and optimisation of work, to all pre- and post-sales services related to machinery and the increase in site efficiency.

2. Macroeconomic Framework

Over the past few months, the global economy maintained the risks arising from continuing international trade tensions and the slowdown in activity in China. The data showed less positive trends than expected in both emerging and advanced countries. Medium/long-term yields decreased due to the deterioration of growth prospects and the approach of the main central banks refocused on supporting the economy with possible reductions in interest rates. American consumer confidence fell to its lowest level in 2017. The Eurozone remains weak and subject to downside risks and the prospects for the coming months remains modest; therefore, the ECB too extended the horizon within which it expects to keep interest rates low and announced that, in the absence of improvements, further monetary support will be required. The decline in industrial production and the indications deriving from the analysis of qualitative data confirmed the weakness of the industrial sector. The exchange rate of the euro strengthened against the dollar, averaging 1.13 dollars, and during the same period, the price of Brent crude oil fell to 60 dollars per barrel, consistent with the weakening of the cyclical phase and the growth prospects in the presence of oversupply. In Italy, the economic cycle was weak and steady; however, despite the decline in international trade, exports grew moderately and the current account surplus and the debt position abroad widened. From the beginning of the year, foreign investors purchased Italian public securities. The slowdown in energy prices and the weakness of the economic cycle drove down inflation and expectations of its growth remain low. The spread between Italian and German securities decreased following the European Commission's decision not to take action against Italy for excessive deficits, and projections are for growth close to zero in the coming months and a recovery in the following two years.

3. Significant events during the period

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

- on 22 March 2019, the company Simest S.p.A. paid its share of Euro 1,843 thousand in the company Marais Laying Tech. (Pty) Ltd. as per agreements signed in 2018.

  Following this payment, the company Marais Laying Tech. (Pty) Ltd. and its subsidiary Marais Laying Tech. (Pty) Ltd. New Zealand are 51% controlled by Tesmec S.p.A. and the remaining 49% by Simest S.p.A.

  Since Tesmec S.p.A. has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholdings are consolidated on a 100% basis;

- on 1 May 2019, Tesmec Service S.r.l. was merged into Tesmec Rail S.r.l.;

- on 16 April 2019, the Ordinary Shareholders' Meeting of Tesmec met in single call and approved all items on the agenda. In detail, the Shareholders' Meeting approved the 2018 financial statements of the Parent Company Tesmec S.p.A., which closed with a Net Profit of Euro 4,331 thousand and resolved to allocate this Net Profit for the year to Extraordinary Reserve. The Shareholders' Meeting also resolved favourably on the First Section of the Report on Remuneration pursuant to Article 123-ter of Legislative Decree no. 58/98 and authorised also the Board of Directors, for a period of 18 months, to purchase, on the regulated market, ordinary shares of Tesmec until 10% of the share capital of the Company and within the limits of the distributable profits and of the available reserves resulting from the last financial statements duly approved by the Company or the subsidiary company making the purchase. The authorisation also includes the right to dispose of (in whole or in part and also in several times) the shares in the portfolio subsequently, even before having exhausted the maximum number of shares purchasable and to possibly repurchase the shares to the extent that the treasury shares held by the Company and, if necessary, by the companies controlled by it, do not exceed the limit established by the authorisation. The quantity and the price at which transactions will be made will comply with the current operating procedures. This authorisation replaces the last authorisation resolved by the Shareholders' Meeting on 6 April 2018 and expiring in October 2019. The resolution concerning authorisation to purchase treasury shares was passed with the favourable vote of the majority of the Tesmec Shareholders at the Shareholders' Meeting other than the majority shareholder and therefore, pursuant to Article 44-bis of the Issuer Regulation, the shares that the Issuer will purchase in executing this resolution will be included in the share capital of the Issuer, on which the significant equity investment for the purpose of Article 106, paragraphs 1, 1-bis, 1-ter and 3 of the TUF will be calculated;

- on 16 April 2019, the Shareholders' Meeting of Tesmec S.p.A. resolved to:
  - appoint the new Board of Directors that will remain in office until the Shareholders' Meeting that will be called to approve the financial statements for the year ended 31 December 2021, composed of Gianluca Bolelli, Caterina Caccia Dominioni, Lucia Caccia Dominioni, Paola Durante, Simone Andrea Crolla, Emanuela Teresa Basso Petrino and Guido Luigi Traversa as well as Ambrogio Caccia Dominioni who was confirmed as Chairman of the Board of Directors;
  - appoint the new Board of Statutory Auditors that will also remain in office until the Shareholders' Meeting called to approve the 2021 financial statements, composed of Statutory Auditors Simone Cavalli (Chairman), Alessandra De Beni and Stefano Chirico and Alternate Auditors Attilio Marcozzi and Stefania Rusconi;
  - assign the task of external audit for the 2019-2027 financial periods to Deloitte & Touche S.p.A.;

- on 16 April 2019, the Board of Directors confirmed Ambrogio Caccia Dominioni as the Chief Executive Officer and Gianluca Bolelli as Vice Chairman.

  The Board of Directors decided to appoint:
  - the directors Simone Andrea Crolla (Chairman), Emanuela Teresa Basso Petrino and Caterina Caccia Dominioni as members of the new Remuneration and Appointments Committee;
  - the directors Emanuela Teresa Basso Petrino (Chairman), Simone Andrea Crolla and Guido Traversa as members of the Control and Risk, Sustainability and Related-Party Transactions Committee;

- Caterina Caccia Dominioni as director in charge of the internal control and risk management system;
- the Independent Director Paola Durante as Lead Independent Director;
- Lorenzo Pascali (Chairman), Giampaolo Grasso and Stefano Chirico as members of the Supervisory Body that will remain in office until the shareholders' meeting that will be called to approve the financial statements for the year ended 31 December 2021;

▪ on 23 April 2019, Cerved Rating Agency, the Italian rating agency specialised in assessing creditworthiness of non-financial companies, confirmed the “B1.1” solicited rating of the Company. This result substantiates the financial soundness of Tesmec Group and is the result of an in-depth evaluation process that combines rigorous quantitative models to forecast credit risk and accurate qualitative analyses by the agency, which also considers the Company's competitive position in the industry;

▪ with reference to an ongoing dispute with a former French distributor, on 14 February 2019 the Lyon *Cour d’appel*, with a significant review of a favorable first level ruling, sentenced Tesmec to the payment of Euro 2.1 million for various reasons, including the alleged violation of the exclusivity clause and the alleged unjustified breach of the distribution contract. On 22 July 2019 Tesmec filed an appeal with the French *Cour de cassation*, for which the counterparty will not be able to object on the non-payment of the sums in execution of the sentence of appeal – this because Tesmec, after the end of the semester, has initiated the payment to a purpose-made escrow account. The payment, according to French practice, will be completed during the second semester. With reference to this case, no provision has been recognized in the half-year financial statements for risks; this is by the opinion of the legal consultants appointed to assist Tesmec, according to which the Company's position is well founded, there being reasonable expectations about the recognition of the Company's correct behavior;

▪ during the month of June 2019, a tax inspection was initiated by the Tax Authority concerning the 2016 tax year still in progress since the date of this Financial Report.

4. Activity, reference market and operating performance for the first six months of 2019

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 30 June 2019. The following table shows the major economic, and financial indicators of the Group in June 2019, in June 2018 and 31 December 2018.

	OVERVIEW OF RESULTS	
30 June 2018	**Key income statement data** (Euro in millions)	**30 June 2019**
91.1	Operating Revenues	97.5
9.3	EBITDA	12.1
2.4	Operating Income	3.3
0.5	Group Net Profit	0.5
831	Average headcount for the period	879
31 December 2018	**Key financial position data** (Euro in millions)	**30 June 2019**
121.0	Net Invested Capital	156.4
43.3	Shareholders' Equity	43.9
77.7	Net Financial Indebtedness	112.5
13.8	Investments in property, plant and equipment, intangible assets and right of use	8.4

The same indicators are shown below, highlighting the effect due to the application of IFRS 16 starting from 1 January 2019:

EFFECT FIRST TIME APPLICATION IFRS 16			
Key income statement data (Euro in millions)	**30 June 2019 Before IFRS 16**	**Effect IFRS 16**	**30 June 2019**
Operating Revenues	97.5	-	97.5
EBITDA	10.3	1.8	12.1
Operating Income	3.1	0.1	3.3
Group Net Profit	0.7	(0.2)	0.5
Key financial position data (Euro in millions))	**30 June 2019 Before IFRS 16**	**Effect IFRS 16**	**30 June 2019**
Net Invested Capital	156.4	-	156.4
Shareholders' Equity	44.1	(0.2)	43.9
Net Financial Indebtedness	94.1	18.4	112.5

With Regards to the existing loan agreements, the covenants are contractually calculated on an annual basis based on the previous accounting standards, and therefore are not affected by the application of IFRS 16. As a result of this, the information provided above shows the net financial position and the EBITDA calculated based on the previous accounting standards in relation to the data as at 30 June 2019.

The information on the operations of the main subsidiaries in the reference period is shown. In order to provide a clearer picture of the production volume of the individual subsidiaries, the following turnover values are reported at the aggregate level, also including intercompany transactions:

- Tesmec USA Inc., a company that is 100% owned by Tesmec S.p.A. and based in Alvarado (Texas), operates in the Trencher segment and in the stringing equipment/rail sector. In the first six months of 2019, revenues achieved directly with customers/end users came to Euro 17.2 million.

- Tesmec SA (Pty) LTD, with registered office in Johannesburg (South Africa), is 51% owned by Tesmec S.p.A. and 49% by Simest S.p.A. (with repurchase option by Tesmec S.p.A.). In the first six months, the company generated revenues of Euro 3.9 million.

- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec S.p.A. and 50% by American shareholder Condux, which is based in Mankato (USA), has been active since June 2009 in selling products for the North American stringing equipment market. The company has been consolidated using the equity method and in the first six months of the year generated revenues totalling Euro 2.3 million.

- Marais Technologies SAS, with registered office in Durtal (France), 66.04% owned by Tesmec S.p.A. and 33.96% by Simest S.p.A. (with repurchase option by Tesmec S.p.A.). The French company, acquired on 8 April 2015, is the holding company of an international group, leader in rental services and construction of machines for infrastructures in telecommunications, electricity and gas. Overall, the Marais companies (including Marais Australia and Marais New Zealand) generated revenues totalling Euro 21.4 million during the first half-year of 2019.

- Tesmec Automation S.r.l., a company 100% owned by Tesmec S.p.A., with registered office in Grassobbio (BG) and specialised in the design and sale of sensors, integrated fault detectors and measurement devices for medium voltage power lines. During the first six months of 2019, revenues amounted to Euro 5.0 million;

- Tesmec Rail S.r.l., a 100% subsidiary of Tesmec S.p.A., operates in the Rail sector; on 1 May 2019, the company incorporated Tesmec Service S.r.l. In the first six months, the company generated revenues of Euro 14.9 million.

5. Income statement

5.1 Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 June 2019 with those as at 30 June 2018.
It should be noted that the “non-recurring other operating (costs)/revenues, net” line includes non-recurring revenues relating to the insurance refund paid for an accident that occurred at an Australian site in 2018 of Euro 1,328 thousand and that had an economic impact in 2018 (revenue amounting to Euro 287 thousand was recognised in the 2018 financial year; the total amount paid by the insurance in July 2019 amounts to Euro 1,615 thousand).
Non-recurring costs also include Euro 214 thousand (service costs of Euro 189 thousand and other operating costs of Euro 25 thousand) related to reorganization costs in the Marais Group.

The main profit and loss figures for the first six months of 2019 and 2018 are presented in the table below:

	Half-year ended 30 June			
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**
Revenues from sales and services	**97,455**	**100.0%**	**91,099**	**100.0%**
Cost of raw materials and consumables	(43,202)	-44.3%	(39,287)	-43.1%
Costs for services	(17,732)	-18.2%	(15,438)	-16.9%
Non-recurring costs for services	(189)	-0.2%	-	0.0%
Payroll costs	(25,588)	-26.3%	(24,371)	-26.8%
Other operating (costs)/revenues, net	(3,642)	-3.7%	(5,787)	-6.4%
Non-recurring other operating (costs)/revenues, net	1,303	1.3%	-	0.0%
Amortisation and depreciation	(8,821)	-9.1%	(6,963)	-7.6%
Development costs capitalised	3,786	3.9%	3,052	3.4%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(106)	-0.1%	57	0.1%
Total operating costs	**(94,191)**	**-96.7%**	**(88,737)**	**-97.4%**
Operating income	**3,264**	**3.3%**	**2,362**	**2.6%**
Financial expenses	(3,326)	-3.4%	(3,386)	-3.7%
Financial income	1,080	1.1%	1,792	2.0%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	42	0.0%	18	0.0%
Pre-tax profit/(loss)	**1,060**	**1.1%**	**786**	**0.9%**
Income tax	(531)	-0.5%	(251)	-0.3%
Net profit/(loss) for the period	**529**	**0.5%**	**535**	**0.6%**
Profit/(loss) attributable to non-controlling interests	4	0.0%	(1)	0.0%
Group profit/(loss)	**525**	**0.5%**	**536**	**0.6%**

Revenues

Total revenues as at 30 June 2019 increased by 7.0% compared to those recorded in the first half of the previous year. The three business segments contributed to these results in different ways, with particularly significant growth in the Rail business.

	Half-year ended 30 June				
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**	**2019 vs 2018**
Sales of products	64,040	65.71%	65,999	72.45%	(1,959)
Services rendered	18,873	19.37%	20,658	22.68%	(1,785)
	82,913	**85.08%**	**86,657**	**95.12%**	**(3,744)**
Changes in work in progress	14,542	14.92%	4,442	4.88%	10,100
Total revenues from sales and services	**97,455**	**100.00%**	**91,099**	**100.00%**	**6,356**

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

Revenues by geographic area

The Group's turnover continues to be produced almost predominantly abroad and in particular, in non-EU countries. The revenue analysis by area is indicated below, compared with the first half of 2019 and the first half of 2018, which indicates the growth of the European and North and Central America markets, partially balanced by the downtrends recorded in the Italian market and in BRIC and Others. It is emphasised that the segmentation by geographic area is determined by the country where the customer is located, regardless of where project activities/sales are organised.

	Half-year ended 30 June	
(Euro in thousands)	**2019**	**2018**
Italy	22,203	22,441
Europe	18,573	14,636
Middle East	7,684	6,111
Africa	8,785	8,992
North and Central America	19,461	14,538
BRIC and Others	20,749	24,381
Total revenues	**97,455**	**91,099**

Operating costs

Operating costs amounted to Euro 94,286 thousand and increased by 6.3% compared to the previous year, in line with the trend in revenues.

EBITDA

In terms of margins, EBITDA amounted to Euro 12,085 thousand, up by 29.6% over the figure recorded in the first half of 2018. The variation is mainly due to the first application of IFRS 16: without considering this, the Group's EBITDA would have been equal to Euro 10,316 thousand (with a 10.6% improvement compared to the first half of 2018, with the same accounting principles).
It should be noted that the "non-recurring other operating (costs)/revenues, net" line includes non-recurring revenues relating to the insurance refund paid for an accident that occurred at an Australian site in 2018 of Euro 1,328 thousand and that had an economic impact in 2018 (revenue amounting to Euro 287 thousand was recognised in the 2018 financial year; the total amount paid by the insurance in July 2019 amounts to Euro 1,615 thousand).
Non-recurring costs also include Euro 214 thousand (service costs of Euro 189 thousand and other operating costs of Euro 25 thousand) related to reorganization costs in the Marais Group.
The following table provides a reconciliation between income statement figures and EBITDA, with separate indication of non-recurring costs and revenues:

(Euro in thousands)	Half-year ended 30 June 2019	% of revenues	2018	% of revenues	2019 vs 2018
Operating income	3,264	3.3%	2,362	2.6%	902
+ Amortisation and depreciation	8,821	9.1%	6,963	7.6%	1,858
EBITDA (*)	**12,085**	**12.4%**	**9,325**	**10.2%**	**2,760**
+ Non-recurring costs and revenues	(1,114)	-1.1%	-	0.0%	(1,114)
adj EBITDA (*)	**10,971**	**11.3%**	**9,325**	**10.2%**	**1,646**

(*****) The Half-year Consolidated Financial Report at 30 June 2019 includes consolidated Alternative Performance Measures which are used by Tesmec Group's management in monitoring the Group's operating and financial performance. These financial measures are defined or specified in the applicable financial reporting framework. As such, their determination criteria by Tesmec Group might differ from other groups', and therefore might not be comparable.
Alternative Performance Measures (APM) are exclusively derived from the Group's historical financial performance, and are determined in compliance with ESMA/2015/1415 guidelines and the CONSOB communication n.92543 dated 3 December 2015. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

EBITDA: it is the Operating Income before depreciation, as clearly reconcilable with the Consolidated Profit and Loss Statement.

The period's results might take into account one-time items, not related to the past performance or future expectations for the business. These might not allow a proper interpretation of the Group's financial performance, when compared with the same period of the past year. In light of that, the following Alternative Performance Measure is provided:

EBITDA adj (EBITDA adjusted): it is the EBITDA as defined above, minus unusual, non-recurring items which can be grouped as follows:
- Non recurring, net raw material costs incurred in 2018, and related insurance income recognized during the first half of 2019;
- Reorganization costs.

Financial Management

(Euro in thousands)	Half-year ended 30 June 2019	2018
Net financial income/expenses	(2,598)	(1,649)
Foreign exchange gains/losses	337	18
Fair value adjustment of derivative instruments on exchange rates	15	37
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	42	18
Total net financial income/expenses	**(2,204)**	**(1,576)**

The net financial management decreased compared to the same period of the previous financial year by Euro 628 thousand; we report the following changes:

- an increase of Euro 319 thousand due to the different USD/EUR exchange rate trend in the two periods of reference that resulted in the recording of net profits totalling Euro 337 thousand in the first half of 2019 (Euro 116 thousand realised and Euro 221 thousand unrealised) against a net profit of Euro 18 thousand in the first half of 2018; the change is mainly associated with the USD / Euro exchange rate trend in the two reference periods;
- a total decrease of Euro 949 thousand in the Net financial income/expenses due for Euro 252 thousand to interest expense on medium/long-term loans and for Euro 378 thousand to the recognition under IFRS 16 of operating leases as from 1 January 2019 .

5.2 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 30 June 2019 compared to those as at 30 June 2018, broken down into three operating segments.

	Half-year ended 30 June				
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**	**2019 vs 2018**
Energy	21,939	22.5%	20,784	22.8%	1,155
Trencher	59,179	60.7%	59,982	65.8%	(803)
Rail	16,337	16.8%	10,333	11.3%	6,004
Total Revenues	**97,455**	**100.0%**	**91,099**	**100.0%**	**6,356**

In the first six months of 2019, the Group consolidated revenues of Euro 97,455 thousand, marking an increase of Euro 6,356 thousand compared to Euro 91,099 thousand in the same period of the previous year. In percentage terms, this increase represents a positive difference of 7.0%, which is split unevenly between the Group's three business areas. More specifically, an increase of +58.1% was recorded for the Rail segment, +5.6% for the Energy segment, and a decrease of -1.3% for the Trencher segment.

With regard to the Energy segment, revenues as at 30 June 2019 amounted to Euro 21,939 thousand, an increase of 5.6% compared to Euro 20,784 thousand as at 30 June 2018; in particular, in the first half-year, the Energy-Automation segment achieved revenues of Euro 5,041 thousand, an increase of 24.5% compared to Euro 4,051 thousand as at 30 June 2018, in line with the growth prospects for the year for this segment.

Revenues in the Trencher segment decreased by 1.3% compared to 30 June 2018. The slight decrease, mainly related to the different business model for Australian projects, will be offset by the performance expected in the second half of the year. The revenues of the Trencher segment are in line in the Group's different geographical areas of reference: the performance of the American market - which continues its growth - and the start of activities in the mining sector are worthy of note.

The Railway segment recorded revenues as at 30 June 2019 of Euro 16,337 thousand, an increase of 58.1% compared to the Euro 10,333 thousand recorded as at 30 June 2018. The improvement is due to the performance of the existing contract with RFI and that on the French market with TSO.

EBITDA by segment

The tables below show the income statement figures as at 30 June 2019 compared to those as at 30 June 2018, broken down into three operating segments:

	Half-year ended 30 June				
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**	**2019 vs 2018**
Energy	2,841	12.9%	2,557	12.3%	284
Trencher	6,382	10.8%	5,211	8.7%	1,171
Rail	2,862	17.5%	1,557	15.1%	1,305
EBITDA (*)	**12,085**	**12.4%**	**9,325**	**10.2%**	**2,760**

(*****) The Half-year Consolidated Financial Report at 30 June 2019 includes consolidated Alternative Performance Measures which are used by Tesmec Group's management in monitoring the Group's operating and financial performance. These financial measures are defined or specified in the applicable financial reporting framework. As such, their determination criteria by Tesmec Group might differ from other groups', and therefore might not be comparable.
Alternative Performance Measures (APM) are exclusively derived from the Group's historical financial performance, and are determined in compliance with ESMA/2015/1415 guidelines and the CONSOB communication n.92543 dated 3 December 2015. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

EBITDA: it is the Operating Income before depreciation, as clearly reconcilable with the Consolidated Profit and Loss Statement.

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

- Energy: EBITDA increased from Euro 2,557 thousand as at 30 June 2018 to Euro 2,841 thousand as at 30 June 2019 thanks to the trend in sales volumes, the Energy-Automation segment, in particular;

- Trencher: improvement in EBITDA from Euro 5,211 thousand in the first half of 2018 to Euro 6,382 thousand in the first half of 2019 is mainly related to the performance of the American market and the launch of the Mining segment. However, the sector has not yet benefited from the reorganisation of the Marais Group since the previous year;
- Rail: improvement in EBITDA from Euro 1,557 thousand in the first quarter of 2018 to Euro 2,862 thousand in 2019 is related to the increase in business activities and the better absorption of fixed costs.

For more details on sector information, see the Explanatory note 19 "Segment Reporting" of this report.

6. Summary of balance sheet figures as at 30 June 2019

Information is provided below on the Group's main equity indicators as at 30 June 2019 compared to 31 December 2018. In particular, the table shows the reclassified funding sources and uses from the consolidated balance sheet as at 30 June 2019 and as at 31 December 2018:

(Euro in thousands)	**As at 30 June 2019**	**As at 31 December 2018**
USES		
Net working capital (1)	66,260	48,897
Fixed assets	85,448	67,314
Other long-term assets and liabilities	4,648	4,804
Net invested capital (2)	**156,356**	**121,015**
SOURCES		
Net financial indebtedness (3)	112,495	77,677
Shareholders' equity	43,861	43,338
Total sources of funding	**156,356**	**121,015**

The Half-year Consolidated Financial Report at 30 June 2019 includes consolidated Alternative Performance Measures which are used by Tesmec Group's management in monitoring the Group's operating and financial performance. These financial measures are defined or specified in the applicable financial reporting framework. As such, their determination criteria by Tesmec Group might differ from other groups', and therefore might not be comparable.
Alternative Performance Measures (APM) are exclusively derived from the Group's historical financial performance and are determined in compliance with ESMA/2015/1415 guidelines and the CONSOB communication n.92543 dated 3 December 2015. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

(1) **Net working capital** is calculated as current assets net of current liabilities excluding financial assets and financial liabilities.
(2) **Net invested capital** is calculated as net working capital plus fixed assets and other long-term assets less long-term liabilities.
(3) **Net financial indebtedness** is calculated as the sum of cash and cash equivalents, current financial assets including available-for-sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 30 June 2019 and 31 December 2018:

(Euro in thousands)	**As at 30 June 2019**	**As at 31 December 2018**
Trade receivables	52,456	52,562
Work in progress contracts	25,563	11,023
Inventories	72,226	62,576
Trade payables	(57,889)	(54,350)
Other current assets/(liabilities)	(26,096)	(22,914)
Net working capital (1)	**66,260**	**48,897**

The Half-year Consolidated Financial Report at 30 June 2019 includes consolidated Alternative Performance Measures which are used by Tesmec Group's management in monitoring the Group's operating and financial performance. These financial measures are defined or specified in the applicable financial reporting framework. As such, their determination criteria by Tesmec Group might differ from other groups', and therefore might not be comparable.
Alternative Performance Measures (APM) are exclusively derived from the Group's historical financial performance and are determined in compliance with ESMA/2015/1415 guidelines and the CONSOB communication n.92543 dated 3 December 2015. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

[(1)] **Net working capital** is calculated as current assets net of current liabilities excluding financial assets and financial liabilities.

Net working capital amounted to Euro 66,260 thousand, marking an increase of Euro 17,363 thousand (equal to 35.5%) compared to 31 December 2018. This trend is mainly due to the increase in “Work in progress contracts" of Euro 14,540 thousand (131.9%) related to the orders of the Rail sector and in “Inventories” of Euro 9,650 thousand necessary to cover the sales expected in the coming months of the year, offset by the increase in "Trade payables" of Euro 3,539 thousand.

B) Fixed assets

The table below shows a breakdown of “Fixed assets” as at 30 June 2019 and 31 December 2018:

(Euro in thousands)	**As at 30 June 2019**	**As at 31 December 2018**
Intangible assets	18,500	17,998
Property, plant and equipment	44,744	45,337
Rights of use	18,220	-
Equity investments in associates	3,981	3,976
Other equity investments	3	3
Fixed assets	**85,448**	**67,314**

Total *fixed assets* recorded a net increase of Euro 18,134 thousand mainly due to the increase in “Rights of use” of Euro 18,220 thousand. This item represents the effect of right of use recognition, as required by IFRS 16, for contracts previously accounted for as operating leases in line with the provisions of IAS 17.

C) Net financial indebtedness

The table below shows a breakdown of "Net financial indebtedness" as at 30 June 2019 and 31 December 2018:

(Euro in thousands)	**As at 30 June 2019**	**of which with related parties and group**	**As at 31 December 2018**	**of which with related parties and group**
Cash and cash equivalents	(21,424)		(42,793)	
Current financial assets [(1)]	(9,934)	*(4,222)*	(10,391)	*(4,373)*
Current financial liabilities	74,148	*2,092*	80,504	*2,325*
Current financial liabilities from rights of use	3,011		-	
Current portion of derivative financial instruments	10		-	
Current financial indebtedness [(2)]	**45,811**	***(2,130)***	**27,320**	***(2,048)***
Non-current financial liabilities	51,254		50,322	
Non-current financial liabilities from rights of use	15,415		-	
Non-current portion of derivative financial instruments	15		35	
Non-current financial indebtedness [(2)]	**66,684**	-	**50,357**	-
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006 [(3)]	**112,495**	***(2,130)***	**77,677**	***(2,048)***
Current financial liabilities from rights of use	(3,011)		-	
Non-current financial liabilities from rights of use	(15,415)		-	
Net financial indebtedness before IFRS 16	**94,069**	***(2,130)***	**77,677**	***(2,048)***

The Half-year Consolidated Financial Report at 30 June 2019 includes consolidated Alternative Performance Measures which are used by Tesmec Group’s management in monitoring the Group’s operating and financial performance. These financial measures are defined or specified in the applicable financial reporting framework. As such, their determination criteria by Tesmec Group might differ from other groups’, and therefore might not be comparable.
Alternative Performance Measures (APM) are exclusively derived from the Group’s historical financial performance, and are determined in compliance with ESMA/2015/1415 guidelines and the CONSOB communication n.92543 dated 3 December 2015. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

(1) **Current financial assets** as at 30 June 2019 and 31 December 2018 include the market value of shares and warrants, which are therefore considered cash and cash equivalents.

(2) **Current and non-current financial indebtedness** are not identified as an accounting measure under 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 necessarily be comparable therewith.

(3) Having been published in 2006, the aforementioned **CONSOB communication** does not provide a clear indication on lease liabilities arising from the recognition of rights of use according to IFRS 16. The inclusion of these liabilities is in line with the goal, at the core of IFRS 16, of providing a single lessee accounting model for lease agreements.

In the first six months of 2019, the Group's net financial indebtedness increased by Euro 34,818 thousand compared to the figure at the end of 2018, of which Euro 18,426 thousand refers to the application of the new IFRS 16 and therefore represents a notional debt. Without the application of IFRS 16, net financial indebtedness as at 30 June 2019 amounted to Euro 94,069 thousand, an increase of Euro 16,392 thousand compared to the end of 2018, mainly due to the increase in net working capital to support growth.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 18,491 thousand due to the:
  - decrease in current financial liabilities of Euro 3,345 thousand mainly due to (i) Euro 3,011 thousand relating to the increase due to the recognition of financial payables for rights of use in accordance with IFRS 16 and (ii) Euro 6,520 thousand relating to the decrease in advances on export;
  - decrease in current financial assets and cash and cash equivalents of Euro 21,826 thousand;
- increase in medium/long-term financial indebtedness of Euro 16,327 thousand relating to the recognition of lease liabilities due to IFRS 16 of Euro 15,415 thousand.

7. Management and types of financial risk

For the management of financial risks, please see Explanatory Notes 4 "Financial risk management policy" contained in the Annual Consolidated Financial Statements for 2018, where the Group's policies in relation to the management of financial risks are presented. The Group has not identified changes with respect to the risks identified in the financial statements for 2018. A brief summary of these is contained in the paragraph "Management and types of risks" of the Explanatory Notes to this report.

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

In compliance with the Consob communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, it should be noted that during the first half of the 2019 financial year, no transactions took place with related parties of an atypical or unusual nature, outside of normal company operations or such as to harm the profits, balance sheet or financial results of the Group.

For significant intra-group and related party information, please see the paragraph "Related-party transactions" in the Explanatory Notes.

9. Group Employees

The average number of Group employees in the first half-year of 2019, including the employees of companies that are fully consolidated, is 879 persons compared to 831 in the first half-year of 2018.

10. Other information

Treasury shares

On 16 April 2019, the Shareholders' Meeting authorised the treasury share buy-back plan; the authorisation was granted for a period of 18 months; the authorisation of 16 April 2019 replaces the last authorisation resolved by the Shareholders' Meeting on 6 April 2018 and expiring in October 2019. The plan set the maximum quantity as 10% of Share Capital; from the launch of the buy-back plan resolved on 10 January 2012 to the date of the period covered by this report, 30 June 2019, a total of 4,711,879 shares (4.40% of Share Capital) have been purchased at an average price of Euro 0.5543 (net of commissions) for a total equivalent value of Euro 2,612 thousand.

Events occurring after the end of the reporting period

Events occurring after the end of the reporting period included:

- With regards to a dispute brought by Tesmec before the ordinary Beijing Court for the payment of Euro 491 thousand, on 8 July 2019 the Company was informed that the applicable jurisdiction is the China International Economic and Trade Arbitration Commission of Beijing (CIETAC), which has already issued a favorable award as for previous contracts.

  This ruling is certainly to be considered "positive" since the activation of a second CIETAC arbitration that has already analyzed the case of an incidental contract in the first proceeding, recognizing the execution of the Tesmec supply, will probably lead to confirmation of the analysis already carried out by the college with sentence for CMCEC to pay the principal plus penalties;

- on 9 July 2019, the company Marais Guinée SARLU, 100% owned by Group Marais SA, was set up. The company is based in Conakry (Guinea) and its purpose is the construction of energy telecommunications networks, electricity etc., sale and rental of Trencher machines and mining excavation works.

Business outlook

The development of integrated and green solutions related to new stringing methods, the implementation of certified solutions in the field of smart grids and cybersecurity, the creation of proper value chains in the 5G, FTTH and mining segments and the new diagnostic and maintenance systems are driving the Group towards the confirmation of the forecasted targets for the year. The expected performance in the remaining part of the year, double digits in terms of turnover, will generate the needed profitability to confirm the further increase in margins and set the improvement in Net Financial Debt. The United States, Europe and Africa will be the areas the most impacted by this diversified growth in the several sectors of reference, particularly in the 5G, Mining & Energy. For the latter sector we highlight the consolidation of the new stringing products and the opportunities in the field of Energy Automation related to participation in highly innovative projects. The integration process of the Tesmec / Marais sales network and the efficiency actions undertaken since last year will support the improvement of the profitability indicators. Therefore, the Group believes that the proper actions have been undertaken to achieve important economic and financial targets over the next twelve months.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of financial position as at 30 June 2019 and as at 31 December 2018

(Euro in thousands)	Notes	30 June 2019	31 December 2018
NON-CURRENT ASSETS			
Intangible assets	6	18,500	17,998
Property, plant and equipment	7	44,744	45,337
Rights of use	8	18,220	-
Equity investments in associates evaluated using the equity method		3,981	3,976
Other equity investments		3	3
Financial receivables and other non-current financial assets		1,670	1,922
Derivative financial instruments	16	5	-
Deferred tax assets		12,061	11,816
Non-current trade receivables		648	831
TOTAL NON-CURRENT ASSETS		**99,832**	**81,883**
CURRENT ASSETS			
Work in progress contracts	9	25,563	11,023
Inventories	10	72,226	62,576
Trade receivables	11	52,456	52,562
of which with related parties:	11	*2,490*	*2,712*
Tax receivables		1,098	932
Other available-for-sale securities		1	1
Financial receivables and other current financial assets	12	9,933	10,390
of which with related parties:	12	*4,222*	*4,373*
Other current assets		11,208	13,249
Cash and cash equivalents		21,424	42,793
TOTAL CURRENT ASSETS		**193,909**	**193,526**
TOTAL ASSETS		**293,741**	**275,409**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	13	10,708	10,708
Reserves / (deficit)	13	32,589	32,567
Group net profit / (loss)	13	525	28
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**43,822**	**43,303**
Capital and reserves / (deficit) attributable to non-controlling interests		35	19
Net profit / (loss) for the period attributable to non-controlling interests		4	16
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**39**	**35**
TOTAL SHAREHOLDERS' EQUITY		**43,861**	**43,338**
NON–CURRENT LIABILITIES			
Medium/long-term loans	14	26,572	25,671
Bond issue	16	24,682	24,651
Non-current financial liabilities from rights of use	16	15,415	-
Derivative financial instruments	16	15	35
Employee benefit liability		4,075	3,770
Deferred tax liabilities		5,583	5,927
Provisions for risks and charges		78	67
Non-current trade payables		-	1
TOTAL NON-CURRENT LIABILITIES		**76,420**	**60,122**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	15	74,148	80,504
of which with related parties:	15	*2,092*	*2,325*
Current financial liabilities from rights of use	16	3,011	-
Derivative financial instruments	16	10	-
Trade payables		57,889	54,350
of which with related parties:		*2,072*	*2,377*
Advances from customers		5,594	4,145
of which with related parties:		20	55
Income taxes payable		2,120	1,295
Provisions for risks and charges		2,819	3,152
Other current liabilities		27,869	28,503
TOTAL CURRENT LIABILITIES		**173,460**	**171,949**
TOTAL LIABILITIES		**249,880**	**232,071**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**293,741**	**275,409**

Consolidated income statement for the half-year ended 30 June 2019 and 2018

(Euro in thousands)	Notes	Half-year ended 30 June 2019	2018
Revenues from sales and services	17	**97,455**	**91,099**
of which with related parties:		*6,564*	*10,526*
Cost of raw materials and consumables		(43,202)	(39,287)
of which with related parties:		-	*(310)*
Costs for services		(17,732)	(15,438)
of which with related parties:		*(65)*	*(209)*
Non-recurring costs for services		(189)	-
Payroll costs		(25,588)	(24,371)
Other operating (costs)/revenues, net		(3,642)	(5,787)
of which with related parties:		*(2,232)*	*(2,150)*
Non-recurring other operating (costs)/revenues, net		1,303	-
Amortisation and depreciation		(8,821)	(6,963)
Development costs capitalised		3,786	3,052
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		(106)	57
Total operating costs	18	**(94,191)**	**(88,737)**
Operating income		**3,264**	**2,362**
Financial expenses		(3,326)	(3,386)
of which with related parties:		*(61)*	*(8)*
Financial income		1,080	1,792
of which with related parties:		*44*	*90*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method		42	18
Pre-tax profit/(loss)		**1,060**	**786**
Income tax		(531)	(251)
Net profit/(loss) for the period		**529**	**535**
Profit/(loss) attributable to non-controlling interests		**4**	**(1)**
Group profit/(loss)		**525**	**536**
Basic and diluted earnings/(losses) per share		**0.005**	**0.005**

Consolidated statement of comprehensive income for the half-year ended 30 June 2019 and 2018

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2019**	**2018**
NET PROFIT/(LOSS) FOR THE PERIOD		**529**	**535**
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	13	197	722
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		(265)	122
Income tax		62	(30)
	13	(203)	92
Total other income/(losses) after tax		**(6)**	**814**
Total comprehensive income (loss) after tax		**523**	**1,349**
Attributable to:			
Shareholders of Parent Company		519	1,358
Non-controlling interests		4	(9)

Statement of consolidated cash flows as at 30 June 2019 and 2018

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2019**	**2018**
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the period		529	535
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	6-7	8,821	6,963
Provisions for employee benefit liability		179	147
Provisions for risks and charges / inventory obsolescence / doubtful accounts		915	695
Employee benefit payments		(139)	(112)
Payments of provisions for risks and charges		(80)	(12)
Net change in deferred tax assets and liabilities		(554)	(1,027)
Change in fair value of financial instruments	16	(15)	(177)
Change in current assets and liabilities:			
Trade receivables	11	801	(12,102)
of which with related parties:	*11*	*187*	*(3,704)*
Inventories	10	(24,507)	(1,600)
Trade payables		3,475	9,254
of which with related parties:		*(305)*	*(549)*
Other current assets and liabilities		2,082	348
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(8,493)**	**2,912**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	7	(4,194)	(8,073)
Investments in intangible assets	6	(4,553)	(3,385)
Investments in Rights of use	8	(1,545)	-
(Investments) / disposals of financial assets		736	5,072
of which with related parties:		*151*	*5,730*
Proceeds from sale of property, plant and equipment and rights of use	6-7-8	1,857	3,154
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(7,699)**	**(3,232)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	16	7,103	2,964
Recognition Current financial liabilities from rights of use		1,545	-
Repayment of medium/long-term loans	16	(3,808)	(8,139)
Repayment of financial liabilities from rights of use		(1,511)	-
Net change in short-term financial debt	15	(8,751)	2,504
of which with related parties:		*(233)*	*1,399*
Change in the consolidation area	13	-	(1,500)
Other changes	13	-	(315)
NET CASH FLOW GENERATED BY/ (USED IN) FINANCING ACTIVITIES (C)		**(5,422)**	**(4,486)**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(21,614)**	**(4,806)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		245	29
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		42,793	21,487
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**21,424**	**16,710**
Additional information:			
Interest paid		2,648	3,131
Income tax paid		196	88

Statement of changes in consolidated shareholders' equity for the half-year ended 30 June 2019 and 2018

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Net profit/(loss) 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 2019	**10,708**	**2,141**	**10,915**	**(2,341)**	**4,335**	**17,517**	**28**	**43,303**	**35**	**43,338**
Net profit/(loss) for the period	-	-	-	-	-	-	525	525	4	529
Other profits/(losses)	-	-	-	-	197	(203)	-	(6)	-	(6)
Total comprehensive income/(loss)								**519**	**4**	**523**
Allocation of profit for the period	-	-	-	-	-	28	(28)	-	-	-
Balance as at 30 June 2019	**10,708**	**2,141**	**10,915**	**(2,341)**	**4,532**	**17,342**	**525**	**43,822**	**39**	**43,861**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Net profit/(loss) 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 2018	**10,708**	**2,141**	**10,915**	**(2,341)**	**3,185**	**19,929**	**(1,430)**	**43,107**	**1,725**	**44,832**
Net profit/(loss) for the period	-	-	-	-	-	-	536	536	(1)	535
First-time adoption of IFRS 9	-	-	-	-	-	(315)	-	(315)	-	(315)
Other profits/(losses)	-	-	-	-	730	92	-	822	(8)	814
Total comprehensive income/(loss)								**1,043**	**(9)**	**1,034**
Allocation of profit for the period	-	-	-	-	-	(1,430)	1,430	-	-	-
Change in the consolidation area	-	-	-	-	-	197	-	197	(1,697)	(1,500)
Balance as at 30 June 2018	**10,708**	**2,141**	**10,915**	**(2,341)**	**3,915**	**18,473**	**536**	**44,347**	**19**	**44,366**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 30 June 2019

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 as from 1 July 2010. The registered office of the Tesmec Group (hereinafter "Group" or "Tesmec Group") is in Milan, Piazza S. Ambrogio 16.

2. Reporting standards

The consolidated financial statements as at 30 June 2019 were prepared in condensed form in accordance with International Financial Reporting Standards (IFRS), by using the methods for preparing interim financial reports provided by IAS 34 "Interim Financial Reporting".

The accounting standards adopted in preparing the interim consolidated financial statements as at 30 June 2019 in compliance with IFRS are those adopted for preparing the consolidated financial statements as at 31 December 2018, except as indicated in paragraph 4. New accounting standards, interpretations and amendments adopted by the Group.

It should be noted that the preparation of the interim condensed consolidated financial statements requires the Directors to make estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and the information relating to assets and contingent liabilities at the date of the condensed interim consolidated financial statements. If these estimates and assumptions, which are based on the best evaluation by the Directors themselves, should differ from the future actual circumstances, they will be modified appropriately in the period in which the circumstances themselves change. It should also be noted that certain valuation processes relating to the estimate of revenues and completion status of work in progress contracts, the determination of any impairment of non-current assets and the estimate of the adjustment provisions of current assets are generally carried out comprehensively only for the preparation of the annual financial statements, when all the necessary information is available, except in cases where – with regards to the determination of any impairment of non-current assets - there are impairment indicators that require an immediate valuation of any impairment losses.

More precisely, the consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows are drawn up in extended form and are in the same format adopted for the consolidated financial statements as at 31 December 2018. The explanatory notes to the financial statements indicated below are in condensed form and therefore do not include all the information required for annual financial statements. In particular, in compliance with IAS 34, in order to avoid repeating already disclosed information, the notes refer exclusively to items of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flows whose breakdown or change, with regard to amount, type or unusual nature, are significant to understanding the economic and financial situation of the Group.

In the interim condensed consolidated financial statements, the income statement and cash flow statement data for the half year are compared with those for the same half of the previous year. The net financial position and the items of the consolidated statement of financial position at June 30, 2019 are compared with the corresponding data at December 31, 2018.

Since the consolidated financial statements do not disclose all the information required in preparing the consolidated annual financial statements, they must be read together with the consolidated financial statements as at 31 December 2018.

The consolidated financial statements as at 30 June 2019 comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, statement of consolidated cash flows and related explanatory notes. Comparative figures are disclosed as required by IAS 34 (31 December 2018 for the statement of financial position and the first half-year of 2018 for the consolidated income statement, consolidated comprehensive income statement, statement of changes in shareholders' equity and cash flow).

The interim condensed consolidated financial statements at June 30, 2019 are prepared on a going concern basis and adopt the Euro as the presentation currency. The interim consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand, unless otherwise indicated.

The issue of the interim condensed consolidated financial statements of the Tesmec Group for the period ended 30 June 2019 was authorised by the Board of Directors on 2 August 2019.

Translation of foreign currency financial statements and of foreign currency items

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

	Average exchange rates for the half-year ended 30 June		End-of-period exchange rate as at 30 June	
	2019	**2018**	**2019**	**2018**
US Dollar	1.130	1.219	1.138	1.166
Russian Rouble	73.722	71.718	71.598	73.158
South African Rand	16.044	14.762	16.122	16.048
Renminbi	7.667	7.742	7.819	7.717
Qatari Riyal	4.112	4.439	4.142	4.244
Algerian Dinar	134.454	139.573	135.145	137.133
Tunisian Dinar	3.394	2.973	3.272	3.052
Australian Dollar	1.600	1.572	1.624	1.579
New Zealand Dollar	1.682	1.693	1.696	1.725
CFA Franc	655.957	655.957	655.957	655.957

3. Consolidation methods and area

As at 30 June 2019, the consolidation area changed with respect to that as at 31 December 2018:

- on 22 March 2019, the company Simest S.p.A. paid its share of Euro 1,843 thousand in the company Marais Laying Tech. (Pty) Ltd. as per agreements signed in 2018.
  Following this payment, the company Marais Laying Tech. (Pty) Ltd. and its subsidiary Marais Laying Tech. (Pty) Ltd. New Zealand are 51% controlled by Tesmec S.p.A. and the remaining 49% by Simest S.p.A.
  Since Tesmec S.p.A. has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholdings are consolidated on a 100% basis;

- on 1 May 2019, Tesmec Service S.r.l. was merged into Tesmec Rail S.r.l..

4. New accounting standards, interpretations and amendments adopted by the Group

Accounting standards, amendments and IFRS interpretations applied as from 1 January 2019

The following accounting standards, amendments and IFRS interpretations were applied by the Group for the first time on 1 January 2019:

- **Impacts of applying IFRS 16 - Leases**

  As from 1 January 2019, the new international accounting standard IFRS 16 "Leases" came into force; it defines a single model for the recognition of lease contracts, eliminating the distinction between operating and finance leases and

based on the recognition by the lessee of an asset representing the right of use of the asset as a contra entry to a liability representing the obligation to make lease payments ("lease liability").
The accounting of the new standard envisages in short, for the lessee:
- in the balance sheet: the recognition of an asset representing the right of use and a lease liability representing the obligation to make lease payments;
- in the income statement: operating costs include the recognition of depreciation of the right-of-use asset and the financial section includes interest expense accrued on lease liability; the income statement also includes lease payments that meet short-term and low-value requirements and variable payments linked to the use of the asset, not included in the determination of the right of use/lease liability, as allowed by the standard;

On first-time adoption of the new standard, Tesmec adopted the "modified retrospective approach" method that:
- envisages the retrospective restatement of values in shareholders' equity as at 1 January 2019 without making a restatement of the previous years being compared;
- allows the non-application of IFRS 16 to leases for which the residual term to 1 January 2019 is less than 12 months for all types of assets and "low value";
- recognised a right-of-use asset equal to an amount corresponding to lease liabilities and any prepaid expenses incurred in years prior to 1 January 2019;
- renewal or early termination options have been analysed, where present, for the purpose of determining the overall duration of the contract.

The application of IFRS 16 introduces elements of professional judgment involving the definition of accounting policies and use of assumptions and estimates, for example, in relation to the determination of the lease term. During the second quarter of 2019, following a more in-depth and precise analysis of the Group's contracts, the value of the lease liabilities and the corresponding right of use assets was reduced by Euro 2,129 thousand compared to the calculations included in the closing at March 31, 2019.
However, it should be noted that the application of this principle may incorporate additional changes, both in light of clarifications provided by the IASB and actual industry practices.

As at 30 June 2019, the adoption of the new standard had a significant impact on the Group's balance sheet, income statement and cash flows:

i. an increase in fixed assets for the right to use the assets among assets of Euro 18,220 thousand;
ii. an impact on net financial indebtedness deriving from the increase in financial liabilities for lease liabilities of Euro 18,426 thousand;
iii. an increase in EBITDA of Euro 1,769 thousand, and to a lesser extent of EBIT, due to the reversal of rents currently included in operating costs, and a simultaneous increase in depreciation of Euro 1,625 thousand;
iv. a negative change in the net result of Euro 214 thousand including the recognition of financial expenses and the fiscal effect.

As stated above, the net financial indebtedness calculation for the purpose of the covenants for the existing loan agreements and bond issues, is calculated prior to the application of IFRS 16.

The following table shows the impact on the Group's balance sheet as at 30 June 2019:

(Euro in thousands)	**As at 30 June 2019**
NON-CURRENT ASSETS	
Rights of use	
- of which Buildings	16,169
- of which Motor vehicles	1,057
- of which Hardware	891
- of which Plant and machinery	103
Deferred tax assets	20
TOTAL NON-CURRENT ASSETS	**18,240**

CURRENT ASSETS	
Other current assets	(28)
TOTAL CURRENT ASSETS	**(28)**
TOTAL ASSETS	**18,212**
SHAREHOLDERS' EQUITY	
Group net profit / (loss)	(214)
TOTAL SHAREHOLDERS' EQUITY	**(214)**
NON–CURRENT LIABILITIES	
Medium/long-term loans	15,415
TOTAL NON-CURRENT LIABILITIES	**15,415**
CURRENT LIABILITIES	
Interest-bearing financial payables (current portion)	3,011
TOTAL CURRENT LIABILITIES	**3,011**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**18,212**

The discount rate used for the application of new accounting standard IFRS 16 indicated above is the incremental borrowing rate on 1 January 2019. The measurement also excludes, as allowed by the standard, short-term leases and leases of low-value assets. For the Group, the effect of the application of the new standard mainly concerned operating leases relating to property, plant and equipment: such as buildings, motor vehicles and trucks, plant and machinery and IT equipment.
The adoption of IFRS 16 resulted in the recognition as at 30 June 2019 of Fixed assets for rights of use of Euro 18,220 thousand and lease liabilities of Euro 18,426 thousand (including both current and non-current).
Without considering the application of IFRS 16, the Group's financial indebtedness would have amounted to Euro 94,069 thousand.

The economic effects on the first half of 2019 are shown below:

(Euro in thousands)	**Half-year ended 30 June 2019**
Other operating (costs)/revenues, net	1,769
Depreciations	(1,625)
Financial expenses	(378)
TOTAL PRE-TAX EFFECT ON THE RESULT FOR THE PERIOD	**(234)**
Income tax	20
TOTAL EFFECT ON THE RESULT FOR THE PERIOD	**(214)**

The adoption of IFRS 16 resulted in an improvement in the Group's EBITDA in the first half of 2019 of Euro 1,769 thousand and a worsening of the net result for the period of Euro 214 thousand.
Without considering the application of IFRS 16, the Group's EBITDA would have amounted to Euro 10,316 thousand.

- On 12 October 2017, the IASB issued an amendment to IFRS 9 "***Prepayment Features with Negative Compensation"***. This document specifies that the instruments that envisage early repayment could comply with the *Solely Payments of Principal and Interest ("SPPI") test even if the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation"* for the lender. The adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On 7 June 2017, the IASB issued the interpretation ***"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)***". The interpretation deals with the issue of uncertainties on the tax treatment of income taxes. In particular, interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics) on the assumption that the tax authority will examine the tax position in question, with full knowledge of all relevant information. If the entity believes that it is not probable for the tax authority to accept the followed tax treatment, the entity will reflect the effect of the uncertainty in measuring its current and deferred income taxes. Moreover, the document does not contain any new disclosure requirement but emphasises that an entity will have to determine whether it will be necessary to disclose information on management considerations and on the uncertainty relating to tax accounting in accordance with IAS 1.
  The new standard was applied beginning on or after 1 January 2019. The adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On 12 December 2017, the IASB issued the document **"*Annual Improvements to IFRSs 2017–2015 Cycle***", which implements the amendments to the standards as part of their annual process of improvement. The main amendments refer to:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must re-measure the previously held interest in that business. On the other hand, this process is not envisaged in the event of joint control being obtained.
  - IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as equity) should be accounted for in a manner consistent with the transaction that generated those profits (income statement, OCI or shareholders' equity).
  - IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in place even after the qualifying asset in question is ready for use or sale, they become part of the set of loans used to calculate financing costs.

  The adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On 7 February 2018, the IASB issued the document "***Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"***. The document clarifies how an entity should recognise an amendment (i.e. a curtailment or settlement) in a defined benefit plan. The amendments require the entity to update its assumptions and re-measure the net liability or asset arising from the plan. The amendments clarify that after the occurrence of such an event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reporting period following the event. The adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On 12 October 2017, the IASB issued the document "***Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)***". This document clarifies the need to apply IFRS 9, including the requirements of impairment, to other long-term interests in associate companies and joint ventures that are not accounted for under the equity method. The adoption of this amendment did not have any effect on the Group's consolidated financial statements.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the date of this Report, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and standards described below.

- On 18 May 2017, the IASB issued the standard **IFRS 17 – *Insurance Contracts*** that will replace standard IFRS 4 – Insurance Contracts.
  The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from issued insurance contracts. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds.

The new standard also includes presentation and disclosure requirements to improve comparability between entities in this sector.

The new standard measures an insurance contract on the basis of a General Model, or its simplified version, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;
- the estimates envisage an extensive use of observable information on the market;
- there is a current and explicit measurement of the risk;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and,
- the expected profit is recognised during the contractual hedging period, taking into account the adjustments resulting from changes in the assumptions relating to the cash flows for each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or received will occur within one year of the date on which the claim occurred.

The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard is effective beginning on 1 January 2021 but earlier application is permitted only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of this standard.

- On 22 October 2018, the IASB issued the document "***Definition of a Business (Amendments to IFRS 3)***". The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an acquired set of activities/processes and assets. However, it clarifies that to be considered a business, an acquired set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To this end, the IASB replaced the term "ability to create outputs" with "contribute to the ability to create outputs" in order to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

  The amendment also added an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business or not. If the test is successful, the acquired set of activities/processes and assets is not a business and the standard does not require further testing. If the test fails, the entity must carry out further analyses of the acquired activities/processes and assets to identify the presence of a business. To this end, the amendment added a number of illustrative examples to IFRS 3 in order to help entities understand the practical application of the new definition of business in specific cases. The amendments are effective for business combinations and acquisitions of assets beginning on or after 1 January 2020, but earlier application is permitted.

  The directors do not expect effects on the Group's consolidated financial statements through the adoption of this amendment.

- On 31 October 2018, IASB issued the document "***Definition of Material (Amendments to IAS 1 and IAS 8)***". The document introduced a change in the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims at making the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it has been described in such a way that it has an effect on primary readers of financial statements similar to that which would have resulted had the information been omitted or misstated.

The amendments introduced by the document apply to all operations after 1 January 2020.

The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of this amendment.

- On 11 September 2014, the IASB issued an amendment to ***IFRS 10 and to IAS 28*** "***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***". The document was issued in order to resolve the current conflict between IAS 28 and IFRS 10.
  According to the provisions of IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share in the capital of the latter is limited to the shareholding in the joint venture or associate by other investors extraneous to the transaction. In contrast, IFRS 10 requires the recording of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in it, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments introduced require that for a sale/transfer of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognised in the financial statements of the seller/transferor depends on whether the assets or subsidiary sold/transferred constitute a business, under the meaning of IFRS 3. If the assets or the subsidiary sold/transferred represent a business, the entity must recognise the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the share still held by the entity must be eliminated. At the moment, IASB has suspended the application of this amendment. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these changes.

5. Significant events during the period

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

- on 22 March 2019, the company Simest S.p.A. paid its share of Euro 1,843 thousand in the company Marais Laying Tech. (Pty) Ltd. as per agreements signed in 2018.

  Following this payment, the company Marais Laying Tech. (Pty) Ltd. and its subsidiary Marais Laying Tech. (Pty) Ltd. New Zealand are 51% controlled by Tesmec S.p.A. and the remaining 49% by Simest S.p.A.

  Since Tesmec S.p.A. has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholdings are consolidated on a 100% basis;

- on 1 May 2019, Tesmec Service S.r.l. was merged into Tesmec Rail S.r.l.;

- on 16 April 2019, the Ordinary Shareholders' Meeting of Tesmec met in single call and approved all items on the agenda. In detail, the Shareholders' Meeting approved the 2018 financial statements of the Parent Company Tesmec S.p.A., which closed with a Net Profit of Euro 4,331 thousand and resolved to allocate this Net Profit for the year to Extraordinary Reserve. The Shareholders' Meeting also resolved favourably on the First Section of the Report on Remuneration pursuant to Article 123-ter of Legislative Decree no. 58/98 and authorised also the Board of Directors, for a period of 18 months, to purchase, on the regulated market, ordinary shares of Tesmec until 10% of the share capital of the Company and within the limits of the distributable profits and of the available reserves resulting from the last financial statements duly approved by the Company or the subsidiary company making the purchase. The authorisation also includes the right to dispose of (in whole or in part and also in several times) the shares in the portfolio subsequently, even before having exhausted the maximum number of shares purchasable and to possibly repurchase the shares to the extent that the treasury shares held by the Company and, if necessary, by the companies controlled by it, do not exceed the limit established by the authorisation. The quantity and the price at which transactions will be made will comply with the current operating procedures. This authorisation replaces the last authorisation resolved by the Shareholders' Meeting on 6 April 2018 and expiring in October 2019. The resolution concerning authorisation to purchase treasury shares was passed with the favourable vote of the majority of the Tesmec Shareholders at the Shareholders' Meeting other than the majority shareholder and therefore, pursuant to Article 44-bis of the Issuer Regulation, the shares that the Issuer will purchase in executing this resolution will be included in the share capital of the Issuer, on which the significant equity investment for the purpose of Article 106, paragraphs 1, 1-bis, 1-ter and 3 of the TUF will be calculated;

- on 16 April 2019, the Shareholders' Meeting of Tesmec S.p.A. resolved to:
    - appoint the new Board of Directors that will remain in office until the Shareholders' Meeting that will be called to approve the financial statements for the year ended 31 December 2021, composed of Gianluca Bolelli, Caterina Caccia Dominioni, Lucia Caccia Dominioni, Paola Durante, Simone Andrea Crolla, Emanuela Teresa Basso Petrino and Guido Luigi Traversa as well as Ambrogio Caccia Dominioni who was confirmed as Chairman of the Board of Directors;
    - appoint the new Board of Statutory Auditors that will also remain in office until the Shareholders' Meeting called to approve the 2021 financial statements, composed of Statutory Auditors Simone Cavalli (Chairman), Alessandra De Beni and Stefano Chirico and Alternate Auditors Attilio Marcozzi and Stefania Rusconi;
    - assign the task of external audit for the 2019-2027 financial periods to Deloitte & Touche S.p.A.;

- on 16 April 2019, the Board of Directors confirmed Ambrogio Caccia Dominioni as the Chief Executive Officer and Gianluca Bolelli as Vice Chairman.

  The Board of Directors decided to appoint:
    - the directors Simone Andrea Crolla (Chairman), Emanuela Teresa Basso Petrino and Caterina Caccia Dominioni as members of the new Remuneration and Appointments Committee;
    - the directors Emanuela Teresa Basso Petrino (Chairman), Simone Andrea Crolla and Guido Traversa as members of the Control and Risk, Sustainability and Related-Party Transactions Committee;
    - Caterina Caccia Dominioni as director in charge of the internal control and risk management system;
    - the Independent Director Paola Durante as Lead Independent Director;
    - Lorenzo Pascali (Chairman), Giampaolo Grasso and Stefano Chirico as members of the Supervisory Body that will remain in office until the shareholders' meeting that will be called to approve the financial statements for the year ended 31 December 2021;

- on 23 April 2019, Cerved Rating Agency, the Italian rating agency specialised in assessing creditworthiness of non-financial companies, confirmed the "B1.1" solicited rating of the Company. This result substantiates the financial soundness of Tesmec Group and is the result of an in-depth evaluation process that combines rigorous quantitative models to forecast credit risk and accurate qualitative analyses by the agency, which also considers the Company's competitive position in the industry;

- with reference to an ongoing dispute with a former French distributor, on 14 February 2019 the Lyon *Cour d'appel*, with a significant review of a favorable first level ruling, sentenced Tesmec to the payment of Euro 2.1 million for various reasons, including the alleged violation of the exclusivity clause and the alleged unjustified breach of the distribution contract. On 22 July 2019 Tesmec filed an appeal with the French *Cour de cassation*, for which the counterparty will not be able to object on the non-payment of the sums in execution of the sentence of appeal – this because Tesmec, after the end of the semester, has initiated the payment to a purpose-made escrow account. The payment, according to French practice, will be completed during the second semester. With reference to this case, no provision has been recognized in the half-year financial statements for risks; this is by the opinion of the legal consultants appointed to assist Tesmec, according to which the Company's position is well founded, there being reasonable expectations about the recognition of the Company's correct behavior;

- during the month of June 2019, a tax inspection was initiated by the Tax Authority concerning the 2016 tax year still in progress since the date of this Financial Report.

6. Intangible assets

The breakdown and changes in "Intangible assets" for the period ended 30 June 2019 are shown in the table below:

(Euro in thousands)	**01/01/2019**	**Increases due to purchases**	**Decreases**	**Amortisation**	**Reclassifications**	**Exchange rate differences**	**30/06/2019**
Development costs	14,941	4,154	-	(3,401)	-	8	15,702
Rights and trademarks	2,286	240	(43)	(611)	-	-	1,872
Other intangible assets	28	-	-	(2)	-	-	26
Assets in progress and advance payments to suppliers	743	159	-	-	(2)	-	900
Total intangible assets	**17,998**	**4,553**	**(43)**	**(4,014)**	**(2)**	**8**	**18,500**

As at 30 June 2019, *intangible assets* totalled Euro 18,500 thousand, Euro 502 thousand more than the previous year.
The increase is mainly due to development costs capitalised in the first six months of 2019 for Euro 4,154 thousand, to the amortisation for the period for Euro 3,401 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.

7. Property, plant and equipment

The breakdown and changes in "Property, plant and equipment" for the period ended 30 June 2019 are shown in the table below:

(Euro in thousands)	**01/01/2019**	**Increases due to purchases**	**Decreases**	**Depreciations**	**Reclassifications**	**Exchange rate differences**	**30/06/2019**
Land	2,985	-	-	-	-	1	2,986
Buildings	15,271	191	-	(310)	-	34	15,186
Plant and machinery	4,637	93	(40)	(495)	-	7	4,202
Equipment	1,759	297	(47)	(205)	4	-	1,808
Other assets	19,839	3,608	(1,500)	(2,172)	2	73	19,850
Assets in progress and advance payments to suppliers	846	5	(135)	-	(4)	-	712
Total property, plant and equipment	**45,337**	**4,194**	**(1,722)**	**(3,182)**	**2**	**115**	**44,744**

As at 30 June 2019, property, plant and equipment totalled Euro 44,744 thousand, down compared to the previous year by Euro 593 thousand.
The change is mainly due to the increase in trencher machines registered in the fleet of Euro 3,096 thousand, following the drawing-up of new lease contracts offset by depreciations for the period of Euro 1,836 thousand and by the sale of Euro 1,445 thousand.

8. Rights of use

The breakdown and changes in "Rights of use" for the period ended 30 June 2019 are shown in the table below:

(Euro in thousands)	IFRS 16 FTA	Other	Increases	Decreases	Depreciations	Exchange rate differences	30/06/2019
Buildings - rights of use	19,084	(2,140)	539	(92)	(1,223)	(9)	16,169
Motor vehicles - rights of use	1,215	11	103	-	(270)	(2)	1,057
Hardware - rights of use	95	11	903	-	(118)	-	891
Operating machinery - rights of use	129	(11)	-	-	(14)	(1)	103
Total rights of use	**20,533**	**(2,129)**	**1,545**	**(92)**	**(1,625)**	**(12)**	**18,220**

The item rights of use refers to the accounting required by IFRS 16 for operating leases as from 1 January 2019, as described in paragraph "4. New accounting standards, interpretations and amendments adopted by the Group". As at 30 June 2019, it amounted to Euro 18,220 thousand.
The application of IFRS 16 introduces elements of professional judgment involving the definition of accounting policies and use of assumptions and estimates, for example, in relation to the determination of the lease term.
During the second quarter of 2019, following a more in-depth and precise analysis of the Group's contracts, the value of the lease liabilities and the corresponding right of use assets was reduced by Euro 2,129 thousand compared to the calculations included in the closing at March 31, 2019.
However, it should be noted that the application of this principle may incorporate additional changes, both in light of clarifications provided by the IASB and actual industry practices.

The increase of the period is due to lease agreements signed during the first six months.

9. Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 30 June 2019 and as at 31 December 2018:

(Euro in thousands)	30 June 2019	31 December 2018
Work in progress (Gross)	28,413	13,873
Advances from contractors	(2,850)	(2,850)
Work in progress contracts	**25,563**	**11,023**

"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.

10. Inventories

The following table provides a breakdown of Inventories as at 30 June 2019 compared to 31 December 2018:

(Euro in thousands)	30 June 2019	31 December 2018
Raw materials and consumables	42,284	37,174
Work in progress	14,948	11,377
Finished products and goods for resale	13,363	13,459
Advances to suppliers for assets	1,631	566
Total inventories	**72,226**	**62,576**

Compared to 31 December 2018, *inventories* recorded an increase of Euro 9,650 thousand thanks to an increased supply in order to be able to cope with the expected sales for the coming months of the year.

11. Trade receivables

The following table sets forth the breakdown of Trade Receivables as at 30 June 2019 and as at 31 December 2018:

(Euro in thousands)	30 June 2019	31 December 2018
Trade receivables from third-party customers	49,966	49,850
Trade receivables from associates, related parties and joint ventures	2,490	2,712
Total trade receivables	**52,456**	**52,562**

Trade receivables decreased by Euro 106 thousand compared to 31 December 2018 thanks to the collections received in the period.

12. Financial receivables and other current financial assets

The following table provides a breakdown of financial receivables and other current financial assets as at 30 June 2019 and as at 31 December 2018:

(Euro in thousands)	30 June 2019	31 December 2018
Financial receivables from associates, related parties and joint ventures	4,222	4,373
Financial receivables from third parties	5,677	5,986
Other current financial assets	34	31
Total financial receivables and other current financial assets	**9,933**	**10,390**

The decrease in *current financial assets* from Euro 10,390 thousand to Euro 9,933 thousand is mainly due to the decrease in credit positions relating to specific contracts signed with related parties on which an interest rate is applied and repayable within 12 months.

13. Share capital and reserves

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

The following table provides a breakdown of Other reserves as at 30 June 2019 and as at 31 December 2018:

(Euro in thousands)	30 June 2019	31 December 2018
Revaluation reserve	86	86
Extraordinary reserve	33,265	28,935
Change in the consolidation area	-	(555)
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(701)	(498)
Network reserve	824	824
Retained earnings/(losses brought forward)	(15,641)	(10,784)
Total other reserves	**17,342**	**17,517**

The *revaluation reserve* is a reserve in respect of which tax has been deferred, set up in accordance with Italian Law 72/1983.

The value of the difference from translation of financial statements has a positive impact on shareholders' equity of Euro 197 thousand as at 30 June 2019.

As a result of the resolution of 16 April 2019, with the approval of the 2018 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to allocate the profit of the parent company of Euro 4,331 thousand to the extraordinary reserve.

14. Medium/long-term loans

During the first six months of 2019, medium-long term loans increased from Euro 25,671 thousand to Euro 26,572 thousand mainly due to the stipulation of new medium/long-term loans offset by reclassification in current financial indebtedness of the current portion of medium/long-term loans.

15. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 30 June 2019 and as at 31 December 2018:

(Euro in thousands)	30 June 2019	31 December 2018
Advances from banks against invoices and bills receivables	41,403	47,923
Other financial payables (short-term leases)	956	1,183
Payables due to factoring companies	9,192	11,275
Current account overdrafts	1,748	1,825
Financial payables due to SIMEST	4,000	-
Short-term loans to third parties	431	187
Current portion of medium/long-term loans	14,326	15,733
Other short-term financial payables	2,092	2,378
Total interest-bearing financial payables (current portion)	**74,148**	**80,504**

The decrease in the current portion of Total interest-bearing financial payables, for a total effect of Euro 6,356 thousand, is mainly related to a reduction in volume of advances from banks and factoring agreements (amounting to, respectively, Euro 6,520 and 2,083 thousand). These effects are partially compensated by a Euro 4,000 thousand increase of the financial debt to Simest S.p.A. following the loan transaction carried out in Marais Technologies SAS in 2015 and expiring on 30 June 2020.

16. 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 and owned by the Group as at 30 June 2019:

(Euro in thousands)	Loans and receivables/financial liabilities measured at amortised cost	Guarantee deposits	Cash and cash equivalents	Available-for-sale financial assets	Fair value recognised in the income statement
Financial assets:					
Financial receivables	1,670	-	-	-	-
Trade receivables	648	-	-	-	-
Derivative financial instruments	-	-	-	-	5
Total non-current	**2,318**	**-**	**-**	**-**	**5**
Trade receivables	52,456	-	-	-	-
Financial receivables from third parties	9,933	-	-	-	-
Other available-for-sale securities	-	-	-	1	-
Cash and cash equivalents	-	-	21,424	-	-
Total current	**62,389**	**-**	**21,424**	**1**	**-**
Total	**64,707**	**-**	**21,424**	**1**	**5**
Financial liabilities:					
Loans	25,082	-	-	-	-
Non-current portion of finance leases, net	1,490	-	-	-	-
Bond issue	24,682	-	-	-	-
Non-current financial liabilities from rights of use	15,415	-	-	-	-
Derivative financial instruments	-	-	-	-	15
Total non-current	**66,669**	**-**	**-**	**-**	**15**
Loans	14,757	-	-	-	-
Other financial payables (short-term leases)	956	-	-	-	-
Other short-term financial payables	58,435	-	-	-	-
Current financial liabilities from rights of use	3,011	-	-	-	-
Derivative financial instruments	-	-	-	-	10
Trade payables	57,889	-	-	-	-
Total current	**135,048**	**-**	**-**	**-**	**10**
Total	**201,717**	**-**	**-**	**-**	**25**

Management and types of risk

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

Interest rate risk

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

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

As at 30 June 2019, there were three positions of interest rate swap derivatives 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 3.8 million, with a negative equivalent value of Euro 14 thousand. Moreover, there were five interest rate cap positions; the notional value of these positions was equal to Euro 6.5 million, with a negative equivalent value of Euro 6 thousand.

Exchange rate risk

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

The main transaction currencies used for the Group's sales are the euro and the US dollar. The Group believes that if the exchange rate fluctuations of these two currencies are low, there is no risk to operating margins, insofar as the sale price could be adapted on each occasion to the exchange rate. However, if the US dollar were to depreciate significantly against the euro, we cannot exclude negative effects on margins to the extent that a good portion of sales in US dollars concerns the productions of Italian factories that operate with costs in the Eurozone.
With regard to net exposure that is mainly represented by receivables in US dollars of Tesmec S.p.A., the only hedging instrument adopted is the purchasing of forwards on the US currency. 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 Eastern 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.

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 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 receive absolute guarantees on 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 assortment 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

Financial requirements and related risks (mainly interest rate risks, liquidity and exchange rate risks) are managed by the Group based on 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 composition of balance sheet assets, in order to maintain a very sound balance sheet structure.
Forms of financing most commonly used are represented by:

- medium/long-term loans with multi-year redemption plan, to cover the investments in fixed assets and to finance expenses related to several development projects;
- short-term loans, 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 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 loan contracts contain certain financial covenant clauses.

Risks related to transactions with suppliers

The Tesmec Group put in place a purchasing policy aimed at diversifying the suppliers of components that have unique characteristics in terms of purchased volumes or high added value. However, the termination for any reason of these supply relations could imply for the Group provisioning problems for these raw materials, semi-finished and finished goods, in relation to the quantity and time suitable for ensuring the continuity of production, or purchasing could lead to time issues in order to achieve quality standards already acquired with the old supplier.

Disclosures: hierarchy levels of fair value measurement

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

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

The following table shows the assets and liabilities that are measured at fair value as at 30 June 2019, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 30 June 2019**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	5	-	5	-
Total non-current	**5**	**-**	**5**	**-**
Other available-for-sale securities	1	-	-	1
Total current	**1**	**-**	**-**	**1**
Total	**6**	**-**	**5**	**1**
Financial liabilities:				
Derivative financial instruments	15	-	15	-
Total non-current	**15**	**-**	**15**	**-**
Derivative financial instruments	10	-	10	-

Total current	**10**	**-**	**10**	**-**
Total	**25**	**-**	**25**	**-**

17. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 30 June 2019 and as at 30 June 2018:

	Half-year ended 30 June	
(Euro in thousands)	**2019**	**2018**
Sales of products	64,040	65,999
Services rendered	18,873	20,658
	82,913	**86,657**
Changes in work in progress	14,542	4,442
Total revenues from sales and services	**97,455**	**91,099**

In the first six months of 2019, the Group consolidated revenues of Euro 97,455 thousand, marking an increase of Euro 6,356 thousand compared to Euro 91,099 thousand in the same period of the previous year. In percentage terms, this increase represents a positive difference of 7.0%, which is split unevenly between the Group's three business areas. More specifically, an increase of +58.1% was recorded for the Rail segment, +5.6% for the Energy segment, and a decrease of -1.3% for the Trencher segment.

With regard to the Energy segment, revenues as at 30 June 2019 amounted to Euro 21,939 thousand, an increase of 5.6% compared to Euro 20,784 thousand as at 30 June 2018; in particular, in the first half-year, the Energy-Automation segment achieved revenues of Euro 5,041 thousand, an increase of 24.5% compared to Euro 4,051 thousand as at 30 June 2018, in line with the growth prospects for the year for this segment.

Revenues in the Trencher segment decreased by 1.3% compared to 30 June 2018. The slight decrease, mainly related to the different business model for Australian projects, will be offset by the performance expected in the second half of the year. The revenues of the Trencher segment are in line in the Group's different geographical areas of reference: the performance of the American market - which continues its growth - and the start of activities in the mining sector are worthy of note.

The Railway segment recorded revenues as at 30 June 2019 of Euro 16,337 thousand, an increase of 58.1% compared to the Euro 10,333 thousand recorded as at 30 June 2018. The improvement is due to the performance of the existing contract with RFI and that on the French market with TSO.

18. Operating costs

The item *operating costs* amounted to Euro 94,286 thousand, an increase of 6.3% compared to the previous year, in line with respect to the performance in revenues.

19. Segment Reporting

For management purposes, the Tesmec Group is organised into strategic business units identified based on the goods and services provided, and presents three operating segments for disclosure purposes:

Energy 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 (Rock Hawg);
- specialised consultancy and excavation services on customer request;
- multi-purpose site machinery (Gallmac);
- this segment also includes the excavation services for power lines and fibre optic cables that constitute the core business of 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.

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

	Half-year ended 30 June							
	2019				2018			
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	21,939	59,179	16,337	97,455	20,784	59,982	10,333	91,099
Operating costs net of depreciation and amortisation	(19,098)	(52,797)	(13,475)	(85,370)	(18,227)	(54,771)	(8,776)	(81,774)
EBITDA (*)	**2,841**	**6,382**	**2,862**	**12,085**	**2,557**	**5,211**	**1,557**	**9,325**
Depreciations	(2,842)	(4,400)	(1,579)	(8,821)	(2,127)	(3,711)	(1,125)	(6,963)
Total operating costs	**(21,940)**	**(57,197)**	**(15,054)**	**(94,191)**	**(20,354)**	**(58,482)**	**(9,901)**	**(88,737)**
Operating income	**(1)**	**1,982**	**1,283**	**3,264**	**430**	**1,500**	**432**	**2,362**
Net financial income/(expenses)				(2,204)				(1,576)
Pre-tax profit/(loss)				**1,060**				**786**
Income tax				(531)				(251)
Net profit/(loss) for the period				**529**				**535**
Profit/(loss) attributable to non-controlling interests				4				(1)
Group profit/(loss)				**525**				**536**

(*****) The Half-year Consolidated Financial Report at 30 June 2019 includes consolidated Alternative Performance Measures which are used by Tesmec Group's management in monitoring the Group's operating and financial performance. These financial measures are defined or specified in the applicable financial reporting framework. As such, their determination criteria by Tesmec Group might differ from other groups', and therefore might not be comparable.
Alternative Performance Measures (APM) are exclusively derived from the Group's historical financial performance and are determined in compliance with ESMA/2015/1415 guidelines and the CONSOB communication n.92543 dated 3 December 2015. In this table of the Half-year Consolidated Financial Report, the following APMs are represented:

EBITDA: it is the Operating Income before depreciation, as clearly reconcilable with the Consolidated Profit and Loss Statement.

The directors monitor separately the results achieved by the business units in order to make decisions on resource, allocation and performance assessment. Segment performance is assessed based on operating income.
Group financial management (including financial income and charges) and income tax are managed at Group level and are not allocated to the individual operating segments.

The following table shows the consolidated statement of financial position by business segment as at 30 June 2019 and as at 31 December 2018:

(Euro in thousands)	As at 30 June 2019					As at 31 December 2018				
	Energy	Trencher	Rail	Not allocated	Consolidated	Energy	Trencher	Rail	Not allocated	Consolidated
Intangible assets	9,295	4,397	4,808	-	18,500	9,674	4,258	4,066	-	17,998
Property, plant and equipment	1,971	34,727	8,046	-	44,744	2,005	35,354	7,978	-	45,337
Rights of use	5,389	8,476	4,355	-	18,220	-	-	-	-	-
Financial assets	3,059	2,262	1	337	5,659	3,123	2,329	1	448	5,901
Other non-current assets	1,304	4,740	144	6,521	12,709	1,271	4,146	92	7,138	12,647
Total non-current assets	**21,018**	**54,602**	**17,354**	**6,858**	**99,832**	**16,073**	**46,087**	**12,137**	**7,586**	**81,883**
Work in progress contracts	-	-	25,563	-	25,563			11,023	-	11,023
Inventories	19,375	48,307	4,544	-	72,226	16,920	43,444	2,212	-	62,576
Trade receivables	12,128	33,244	5,044	2,040	52,456	11,370	34,605	6,587	-	52,562
Other current assets	2,029	4,835	7,205	8,171	22,240	2,397	3,859	8,953	9,363	24,572
Cash and cash equivalents	2,997	2,129	3,008	13,290	21,424	880	1,487	18,517	21,909	42,793
Total current assets	**36,529**	**88,515**	**45,364**	**23,501**	**193,909**	**31,567**	**83,395**	**47,292**	**31,272**	**193,526**
Total assets	**57,547**	**143,117**	**62,718**	**30,359**	**293,741**	**47,640**	**129,482**	**59,429**	**38,858**	**275,409**
Shareholders' equity attributable to parent company shareholders	-	-	-	**43,822**	**43,822**	-	-	-	**43,303**	**43,303**
Shareholders' equity attributable to non-controlling interests	-	-	-	**39**	**39**	-	-	-	**35**	**35**
Non-current liabilities	**2,192**	**7,463**	**5,570**	**61,195**	**76,420**	**1,153**	**5,834**	**3,047**	**50,088**	**60,122**
Current financial liabilities	2,231	6,862	6,243	61,833	77,169	986	7,045	8,604	63,869	80,504
Trade payables	15,371	31,602	10,860	56	57,889	12,896	28,653	12,801	-	54,350
Other current liabilities	2,104	7,602	17,487	11,209	38,402	1,688	9,898	17,592	7,917	37,095
Total current liabilities	**19,706**	**46,066**	**34,590**	**73,098**	**173,460**	**15,570**	**45,596**	**38,997**	**71,786**	**171,949**
Total liabilities	**21,898**	**53,529**	**40,160**	**134,293**	**249,880**	**16,723**	**51,430**	**42,044**	**121,874**	**232,071**
Total shareholders' equity and liabilities	**21,898**	**53,529**	**40,160**	**178,154**	**293,741**	**16,723**	**51,430**	**42,044**	**165,212**	**275,409**

20. 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:

(Euro in thousands)	Half-year ended 30 June 2019					Half-year ended 30 June 2018				
	Revenues	Cost of raw materials	Costs for services	Other operating costs/revenues, net	Financial income and expenses	Revenues	Cost of raw materials	Costs for services	Other operating costs/revenues, net	Financial income and expenses
Associates:										
Locavert S.A.	581	-	-	-	**6**	90	-	-	-	-
Subtotal	**581**	**-**	**-**	**-**	**6**	**90**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	1,168	-	-	88	3	2,478	-	(9)	83	-
Tesmec Peninsula	101	-	-	-	21	40	(310)	(35)	-	26
Subtotal	**1,269**	**-**	**-**	**88**	**24**	**2,518**	**(310)**	**(44)**	**83**	**26**
Related parties:										
Ambrosio S.r.l.	-	-	-	(8)	-	-	-	-	(7)	-
TTC S.r.l.	-	-	(64)	-	-	-	-	-	-	-
Ceresio Tours S.r.l.	-	-	(4)	-	-	-	-	(3)	-	-

Dream Immobiliare S.r.l.	-	-	-	(969)	(42)	-	-	-	(1,169)	-
FI.IND	-	-	-	-	-	-	-	-	27	-
M.T.S. Officine meccaniche S.p.A.	2,038	-	3	(1,135)	(5)	3,708	-	5	(913)	36
MTS4SERVICE USA LLC	2,594	-	-	(208)	-	4,167	-	-	(171)	20
COMATEL	82	-	-	-	-	43	-	-	-	-
C2D	-	-	-	-	-	-	-	(167)	-	-
Subtotal	**4,714**	**-**	**(65)**	**(2,320)**	**(47)**	**7,918**	**-**	**(165)**	**(2,233)**	**56**
Total	**6,564**	**-**	**(65)**	**(2,232)**	**(17)**	**10,526**	**(310)**	**(209)**	**(2,150)**	**82**

	30 June 2019					**31 December 2018**				
(Euro in thousands)	**Trade receivables**	**Current financial receivables**	**Current financial payables**	**Trade payables**	**Advances from customers**	**Trade receivables**	**Current financial receivables**	**Current financial payables**	**Trade payables**	**Advances from customers**
Associates:										
Locavert S.A.	88	-	-	-	-	43	-	-	3	-
R&E Contracting	-	184	-	-	-	-	180	-	-	-
Subtotal	**88**	**184**	**-**	**-**	**-**	**43**	**180**	**-**	**3**	**-**
Joint Ventures:										
Condux Tesmec Inc.	389	567	-	-	-	394	656	-	-	-
Tesmec Peninsula	88	2,034	1,798	-	-	174	2,022	1,995	-	-
Marais Tunisie	-	2	-	-	-	-	1	-	-	-
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**477**	**3,397**	**1,798**	**-**	**-**	**568**	**3,473**	**1,995**	**-**	**-**
Related parties:										
TTC S.r.l.	-	-	-	24	-	-	-	-	113	-
Ceresio Tours S.r.l.	-	-	-	1	-	-	-	-	4	-
Dream Immobiliare S.r.l.	-	641	-	396	-	-	720	-	273	-
Ambrosio S.r.l.	-	-	-	4	-	-	-	-	-	-
Fi.ind.	-	-	-	-	-	27	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	64	-	294	1,647	-	145	-	330	1,459	-
MTS4SERVICE USA LLC	1,806	-	-	-	20	1,874	-	-	525	55
Comatel	55	-	-	-	-	55	-	-	-	-
Subtotal	**1,925**	**641**	**294**	**2,072**	**20**	**2,101**	**720**	**330**	**2,374**	**55**
Total	**2,490**	**4,222**	**2,092**	**2,072**	**20**	**2,712**	**4,373**	**2,325**	**2,377**	**55**

At the date of this report, the company C2D was no longer a related party.

21. Commitments and risks

The Group uses guarantees issued by banks and insurance companies in favour of the operating companies for the requirements relating to the performance of contracts in progress. In general, these are guarantees for the satisfactory performance of contracts (known as performance bonds) or guarantees issued upon receipt of payment by the contractor in the form of advance/down payment on contracts in progress (advanced payment bonds). As at 30 June, the value of these guarantees was Euro 39,934 thousand.

With regards to the ongoing tax inspections in Italy and France, at the date of approval of this Half-year Consolidated Financial Report, no certain or probable risk of outflow have been identified, according to IAS 37. Therefore, no provision has been accrued related to these events.

22. Significant events occurring after the end of the reporting period

Events occurring after the end of the reporting period included:

- With regards to a dispute brought by Tesmec before the ordinary Beijing Court for the payment of Euro 491 thousand, on 8 July 2019 the Company was informed that the applicable jurisdiction is the China International Economic and Trade Arbitration Commission of Beijing (CIETAC), which has already issued a favorable award as for previous contracts.

  This ruling is certainly to be considered "positive" since the activation of a second CIETAC arbitration that has already analyzed the case of an incidental contract in the first proceeding, recognizing the execution of the Tesmec supply, will probably lead to confirmation of the analysis already carried out by the college with sentence for CMCEC to pay the principal plus penalties;

- on 9 July 2019, the company Marais Guinée SARLU, 100% owned by Group Marais SA, was set up. The company is based in Conakry (Guinea) and its purpose is the construction of energy telecommunications networks, electricity etc., sale and rental of Trencher machines and mining excavation works.

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

1. The undersigned Ambrogio Caccia Dominioni and Gianluca Casiraghi, 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 Condensed Consolidated Financial Statements as at 30 June 2019.

2. We also certify that:

2.1 the Condensed Consolidated Financial Statements as at 30 June 2019:

   - have been prepared in accordance with IFRS as endorsed by the European Union, as provided by 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;
   - give a true and fair view of the financial position, the results of the operations and of the cash flows of the issuer and of its consolidated companies.

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

Grassobbio, 2 August 2019

Ambrogio Caccia Dominioni	Gianluca Casiraghi
Chief Executive Officer	Manager responsible for preparing the Company’s financial statements

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

REPORT ON REVIEW
OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
TESMEC S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Tesmec S.p.A. and subsidiaries (the "Tesmec Group"), which comprise the statement of financial position as of June 30, 2019 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the interim financial statements under Resolution n° 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of the Tesmec Group as at June 30, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Other Matters

The consolidated financial statements for the period ended as at December 31, 2018 and the interim condensed consolidated financial statements as at June 30, 2018 have been respectively audited and reviewed by other auditors that on March 15, 2019 expressed an unmodified opinion on those consolidated financial statements and on August 8, 2018 expressed an unmodified conclusion on those interim condensed consolidated financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
August 8, 2019

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

www.tesmec.com

Tesmec S.p.A.
Registered Office
Piazza S. Ambrogio, 16 - 20123 Milano - Italy

Share Capital Euro 10.708.400 fully paid
VAT identification code IT10227100152