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TESMEC

Half-year Consolidated Financial Report at 30 June 2021

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Tesmec S.p.A.
Registered Office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 30 June 2021 Euro 15,702,162
Milan Register of Companies no. 314026
Tax and VAT code: 10227100152

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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 Parties 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

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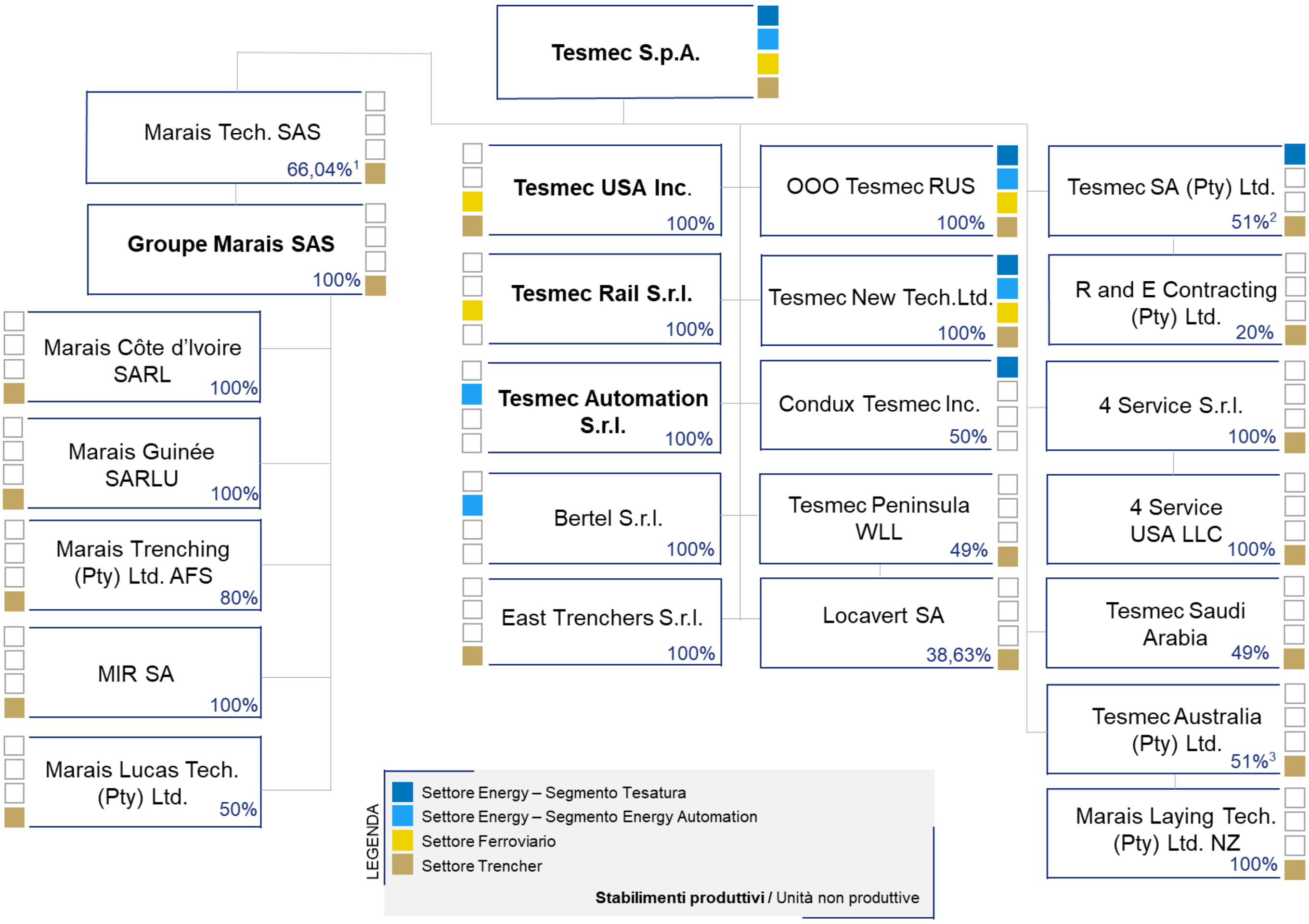
Lead Independent Director	Paola Durante
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Marco Paredi
Independent Auditors	Deloitte & Touche S.p.A.

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 subsidiary in Marais Technologies SAS is consolidated on a 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 Tesmec Australia (Pty) Ltd is consolidated on a 100% basis.

INTERIM CONSOLIDATED FINANCIAL REPORT

1. Introduction

The Tesmec S.p.A. Parent Company (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, has pursued the stated objective of diversification of the types of products in order to offer a complete range of integrated solutions grouped into three main areas of business: Energy, Trencher and Rail. The structure has more than 900 employees and has 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, France, Australia, New Zealand, Ivory Coast and Saudi Arabia.

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);
- rental of the trenching machines;
- 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.

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, or rental 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

The rapid progress of the vaccination campaigns has been matched by a robust recovery of global economic activity and of world trade. Proceeding with the vaccinations gave rise to a marked decline in the number of cases of COVID-19 at global level, allowing the social distancing measures to be gradually relaxed in the areas where a higher proportion of the population has been vaccinated, such as in the United States, the United Kingdom and the European Union. According to the projections released by the OECD in May, the world economy will grow by 5.8% in 2021, exceeding pre-pandemic levels, driven by the strong expansion of the economy in the United States and China. Prospects in the medium-term outlook are still uneven across countries: in some of the emerging economies the outlook is still weak. Furthermore, the risks linked to the evolution of the pandemic, in particular to the spread of new variants of the virus or to delays in the vaccination campaigns in some areas, continue to weigh on the entire global economy.
The sharp increase in consumer price inflation in the United States continued in June, reaching 5.4%. Inflation also rose moderately in the United Kingdom, to 2.5%. Oil prices have risen to more than $70/barrel. Monetary policy remains

expansionary in all the major countries. The improvement in the outlook for growth influenced the performance of equity prices, which rose in the second quarter in the United States, the euro area and the United Kingdom. After appreciating about 2% per cent against the dollar up to mid-June, the euro began to fall to just below mid-April values. Among non-commercial traders, long positions in euros prevail, signalling a possible strengthening of the euro against the dollar.

In the euro area, rising energy prices have led to an increase in inflation, although this should be temporary. The ECB staff projections released in June indicate that GDP will grow by 4.6% in 2021, 4.7% in 2022 and 2.1% 2023. Faced with a situation that is generally improving but is still characterized by uncertainty over the course of the pandemic and the re-opening of businesses, the ECB Governing Council confirmed it will maintain extremely expansionary monetary conditions, which are still essential to support the economy and safeguard price stability over the medium term. So far, 25 Member States have presented to the European Commission their national investment and reform plans under the Recovery and Resilience Facility, the main instrument of the *Next Generation EU* programme (NGEU). All these countries intend to use the full amount of accessible transfers while only 7 expect to apply for loans, with total requests corresponding to almost 45% of the available resources. On July 132th, on the proposal of the European Commission, the EU Council approved the plans of the first 12 countries, including Italy. After approval by the Council, the first instalment of funds can be disbursed, for an amount up to a cap equal to 13% of the value of each plan.

The stepping up of the vaccination campaign and the consequent easing of restrictions (Decree Law 52/2021) contributed to supporting the recovery of the Italian economy. GDP growth was slightly positive in the first quarter, unlike in the other main euro-area countries, where it fell. According to the available indicators, growth gained pace in the second quarter. Industrial production increased for the fifth straight month in April, to then decline again in May; bearing in mind the estimates, we expect it to have risen by around 1.3% in the second quarter. Firms indicated in the survey conducted between May and June that they expect planned investment to pick up during the year, buoyed by the abating of uncertainty about the course of the epidemic and by the stimulus provided under the National Recovery and Resilience Plan (NRRP). The recovery was in fact driven above all by investment: investment conditions were deemed to have improved markedly across all sectors and firms indicated that they expected investment to increase considerably in the second half of the year. Italian exports rose in the first quarter. The positive net international investment position has further increased. Imports rose against a backdrop of recovering national demand, in particular for investment and inventories. Foreign investors have continued to purchase Italian portfolio securities. Since mid-April, equity prices in Italy have risen in line with those of the euro area (2.8% and 4.0% respectively), thanks to the brighter outlook for company profits generated by expectations of a marked recovery in economic activity.
During the first half of the year, supply constraints in commodity markets, transport restrictions and the consequent delays in delivery times, partly reflecting ongoing measures to curb the pandemic across the globe, led to growing pressures in the initial stages of price formation. The increase in commodity prices pushed inflation upwards. The purchasing managers' index (PMI) of input costs in manufacturing hit a record high in June; the twelve-month increase in producer prices was 10.0%. Firms revised their consumer inflation expectations upward across all time horizons, though to levels that are still low by historical standards. Lending to firms has continued to expand, while demand for state-guaranteed loans remains strong. Demand for funds by firms rose again, both in connection with debt refinancing, restructuring and renegotiation, and with fixed investment, whose contribution turned positive for the first time since the start of the pandemic. The interest rate on new bank loans to firms continues to be very low. The Government approved new measures to support firms and workers in the second quarter. On July 13th, the Council of the European Union approved Italy's National Recovery and Resilience Plan (NRRP), submitted at the end of April. The plan envisages interventions amounting to €191.5 billion in the period 2021-26, of which €68.9 billion in the form of grants and €122.6 billion in loans. The disbursement of a first tranche of resources is envisaged by the summer, equal to 13% of the total amount (around €25 billion) made available in the form of pre-financing.

In the forecasting scenario for the Italian economy prepared by the Bank of Italy experts, following the recovery in the first half of 2021, GDP is projected to accelerate significantly starting from the third quarter. Looking at the year as a whole, GDP growth is currently estimated at 5.1% in 2021 and is forecast to remain high in the following two years (with point estimates of 4.4% in 2022 and 2.3% in 2023). The scenario presented is nevertheless heavily dependent on the effectiveness and timeliness of the measures introduced to support and relaunch the activities and to the course of the pandemic, which can affect consumption and investment.

3. Effects of the COVID-19 pandemic

Despite the restrictions on personal mobility and certain economic activities that were gradually tightened and extended to a large part of the country to contain the spread of infections and the worsening of the pandemic, following the spread of variants of the virus, during the first half-year of 2021 the Group managed to achieve results in line with forecasts, by virtue of the fact that there were no interruptions in operating activities. However, in the current pandemic context, which necessarily entails some uncertainties, the Group cannot exclude that in the very short term there may be slowdowns in production and service activities without, however, affecting the overall forecast related to the 2020-2023 Business Plan in the medium-long term. In fact, short-term objectives and the Plan are based on the assumption that the pandemic situation does not entail the adoption of new restrictive measures similar to those imposed in the first part of 2020 or a significant worsening of the international macroeconomic scenario.

4. Significant events during the period

The significant events occurred during the period are reported below:

- on 10 April 2021, the "Tesmec S.p.A. 6% 2014-2021" bond loan was repaid for the entire amount of Euro 15 million;

- on 21 April 2021, the Board of Directors of Simest S.p.A. extended until 22 December 2023 the deadline for the repurchase by Tesmec S.p.A. of the investment held by Simest in Marais Technologies S.A.S.;

- on 22 April 2021, the Ordinary Shareholders' Meeting of Tesmec S.p.A. met electronically in a single call and approved the Financial Statements as at 31 December 2020 and the allocation of the Net Profit. During the Shareholders' Meeting, the Consolidated Financial Statements as at 31 December 2020 of the Tesmec Group and the related reports were presented, including the Consolidated Non-Financial Statement. The Shareholders' Meeting also approved the resolutions regarding the report on the remuneration policy and remuneration paid pursuant to article 123-ter of Italian Legislative Decree 58/1998 and article 84-quater of Consob Regulation no. 11971/1999 and authorised the purchase and disposal of treasury shares;

- on 31 May 2021, Cerved Rating Agency, the Italian rating agency specialised in assessing creditworthiness of non-financial companies, communicated the Company's "B1.2" solicited rating. The evaluation confirms the solvency of the Tesmec Group and its qualification as "investment grade" and is the result of an in-depth analysis 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;

- on 1 June 2021, the subsidiary Tesmec Automation S.r.l. signed a framework agreement - which will become binding upon the positive outcome of the prototype and Terna's specific requests during the period - with a total value of Euro 12 million (Euro 8 million plus Euro 4 million in options) with Terna Rete Italia S.p.A. for the supply of AT station automation systems on SAS (ASAT-3) platform. In detail, each system performs the automation functions required to control the operating devices (e.g. switches, disconnectors, etc.) or groups of devices interfaced with the system by means of "intelligent" devices (IED - Intelligent Electronic Device) of the BCU (Bay Control Unit) type. The information and signals acquired in this way (either through a physical connection or via a communication protocol) are used by a SCADA (Supervisory Control And Data Acquisition) station which performs the functions of automation and control of field devices, monitoring of station assets and interfacing with the remote control centre;

- on 24 June 2021, the parent company Tesmec S.p.A. acquired 49% of the share capital of Tesmec Saudi Arabia, a company already operating in the trenchers rental business. The effects and methods of the acquisition were described in the next paragraph *4.1 Effects of the acquisition of 49% of the share capital of Tesmec Saudi Arabia*.

4.1 Effects of the acquisition of 49% of the share capital of Tesmec Saudi Arabia

As described above, on 24 June 2021 the parent company Tesmec S.p.A. acquired 49% of the share capital of Tesmec Saudi Arabia for a price of Euro 2,019 thousand, the remaining 51% was acquired by SAS Machineries. The operation aims to directly oversee the area by increasing Tesmec's presence in the Middle Eastern market.

The investment in Tesmec Saudi Arabia is configured as an associated investment and therefore is valued in the financial statements according to the equity method. The differential arising from this acquisition for consolidation purposes amounts to Euro 2,462 thousand and was provisionally allocated to Goodwill which remains implicitly recorded together with the value of the equity investment. Any adjustments arising from the completion of the purchase price allocation will be included in the Tesmec Group's consolidated financial statements as soon as this process is completed within 12 months of the acquisition date, as permitted by IFRS 3.

The assets and liabilities of Tesmec Saudi Arabia, measured at fair value, are broken down below:

(Euro in thousands)	Values of the acquired company
NON-CURRENT ASSETS	
Property, plant and equipment	3,262
TOTAL NON-CURRENT ASSETS	**3,262**
CURRENT ASSETS	
Inventories	1,812
Trade receivables	1,228
Other current assets	98
Cash and cash equivalents	170
TOTAL CURRENT ASSETS	**3,308**
TOTAL ASSETS	**6,570**
SHAREHOLDERS' EQUITY	
Share capital	45
Reserves / (deficit)	(950)
TOTAL SHAREHOLDERS' EQUITY	**(905)**
NON-CURRENT LIABILITIES	
Employee benefit liability	101
TOTAL NON-CURRENT LIABILITIES	**101**
CURRENT LIABILITIES	
Interest-bearing financial payables (current portion)	2,006
Trade payables	5,368
TOTAL CURRENT LIABILITIES	**7,374**
TOTAL LIABILITIES	**6,570**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**6,570**

The difference between the total consideration of the acquisition and the net value of the acquired assets and liabilities measured at fair value on the basis of the provisional data available at the date of acquisition was recognised as follows:

(Euro in thousands)	Goodwill calculation
Total consideration of the acquisition	2,019
Acquired shareholders' equity	(443)
Goodwill	**2,462**

This goodwill remains recognized in the value of the investment in Tesmec Saudi Arabia, valued in the financial statements according to the equity method and will be subjected to impairment tests for the purposes of preparing the financial statements as at 31 December 2021.

5. Activity, reference market and operating performance for the first six months of 2021

The consolidated financial statements of Tesmec have been prepared in accordance with the *International Financial Reporting Standards* (hereinafter "IFRS" or "International Accounting Standards") endorsed by the European Commission, in effect as at 30 June 2021. The following table shows the Group's major economic and financial indicators as at June 2021 compared with the same period of 2020 and with 31 December 2020.

OVERVIEW OF RESULTS

30 June 2020	**Key income statement data** (Euro in millions)	30 June 2021
70.8	Operating Revenues	96.9
8.2	EBITDA	13.7
(1.6)	Operating Income	2.9
(3.9)	Group Net Profit	1.0
914	Number of employees	932
31 December 2020	**Key financial position data** (Euro in millions)	**30 June 2021**
173.8	Net Invested Capital	189.9
69.4	Shareholders' Equity	71.4
104.4	Net Financial Indebtedness of the Group	118.5
105.0	Net Financial Indebtedness ESMA	119.0
36.9	Investments in property, plant and equipment, intangible assets and rights of use	11.0

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., is based in Alvarado (Texas) and operates in the Trencher segment and in the stringing equipment/rail sector. In the first six months, it generated revenues of Euro 7,358 thousand, in significant delay compared to the revenues expected for the first half, in the context of the modified guidelines of the infrastructural investment policy of the new presidency. This circumstance led the Management to update the subsidiary's plan forecasts, from which the confirmed recoverability of the value of the net assets emerged.

- Tesmec SA (Pty) LTD, with registered office in Johannesburg (South Africa), is 51% owned by Tesmec S.p.A and 49% owned by Simest S.p.A. (with option to repurchase this interest for Tesmec S.p.A.). In the first six months, it generated revenues of Euro 3,122 thousand.

- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec S.p.A. and 50% by American shareholder Condux, 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 1,977 thousand.

- Marais Technologies SAS, with registered office in Durtal (France), 66.04% owned by Tesmec S.p.A., 33.96% by Simest S.p.A. (with option to repurchase this interest for Tesmec S.p.A. on 22 December 2023). Acquired on 8 April 2015, the French company is at the head of a leading international group in rental services and construction of machines for infrastructures in telecommunications, electricity and gas. During the first half of 2021, the Group generated revenues totalling Euro 30,141 thousand.

- 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. In the first six months, it generated revenues of Euro 8,006 thousand.

- Tesmec Rail S.r.l., a 100% subsidiary of Tesmec S.p.A., operates in the Rail sector. During the first six months, the company continued production activities related to contracts in progress, recording revenues of Euro 14,126 thousand.

- 4 Service S.r.l. is a wholly-owned subsidiary of Tesmec S.p.A., based in Milan, which operates in the trencher rental business together with its subsidiary 4 Service USA, Inc., based in Alvarado (Texas). In the first six months, the 4 Service Group generated consolidated revenues of Euro 7,433 thousand.

6. Income statement

6.1 Alternative performance measures

In this section, a number of Alternative Performance Measures not envisaged by IFRS (non-GAAP measures) and used by the directors in order to allow a better assessment of the Group's operating performance are illustrated. The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015.

The Alternative Performance Measures shown below are not audited and should not be interpreted as indicators of the Group's future performance:

- EBITDA: it is represented by the operating income including amortisation/depreciation and can be directly inferred from the consolidated income statement.
- Net working capital: it is calculated as current assets net of current liabilities excluding financial assets and financial liabilities and can be directly inferred from the consolidated income statement.
- Net invested capital: it is calculated as net working capital plus fixed assets and other long-term assets less non-current liabilities and can be directly inferred from the consolidated income statement.
- Net financial indebtedness of the Group: represents a valid indicator of the financial structure of the Tesmec Group. It is determined as the sum of cash and cash equivalents, current financial assets, non-current financial liabilities (including rights of use liabilities) and the fair value of hedging financial instruments.
- Net financial indebtedness as per ESMA communication 32-382-1138: corresponds to the net financial debt of the Group as defined above and also includes trade payables and other non-current payables, which have a significant implicit or explicit financing component (for example trade payables with a maturity of more than 12 months), and any other non-interest bearing loans (as defined by the "Guidelines on disclosure obligations pursuant to the prospectus regulation" published by ESMA on 4 March 2021 with the document "ESMA32 - 382-1138 "and resumed by CONSOB in communication 5/21 of April 29, 2021.

6.2 Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 June 2021 with those as at 30 June 2020.

The main accounting figures for the first six months of 2021 and 2020 are presented in the table below:

	Half-year ended 30 June			
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**
Revenues from sales and services	**96,902**	**100.0%**	**70,793**	**100.0%**
Cost of raw materials and consumables	(39,434)	-40.7%	(28,010)	-39.6%
Costs for services	(16,652)	-17.2%	(13,356)	-18.9%
Payroll costs	(27,340)	-28.2%	(23,268)	-32.9%
Other operating (costs)/revenues, net	(2,573)	-2.7%	(949)	-1.3%
Amortisation and depreciation	(10,861)	-11.2%	(9,725)	-13.7%
Development costs capitalised	3,138	3.2%	2,853	4.0%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(317)	-0.3%	100	0.1%
Total operating costs	**(94,039)**	**-97.0%**	**(72,355)**	**-102.2%**
Operating income	**2,863**	**3.0%**	**(1,562)**	**-2.2%**
Financial expenses	(5,394)	-5.6%	(4,487)	-6.3%

Financial income	4,209	4.3%	782	1.1%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	78	0.1%	(24)	0.0%
Pre-tax profit/(loss)	**1,756**	**1.8%**	**(5,291)**	**-7.5%**
Income tax	(732)	-0.8%	1,385	2.0%
Profit/(loss) for the period	**1,024**	**1.1%**	**(3,906)**	**-5.5%**
Profit/(loss) attributable to non-controlling interests	11	0.0%	10	0.0%
Group profit/(loss)	**1,013**	**1.0%**	**(3,916)**	**-5.5%**

Revenues

Total revenues as at 30 June 2021, compared to the corresponding period of the previous year, recorded an increase of 36.9%.

	Half-year ended 30 June				
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**	**2021 vs 2020**
Sales of products	62,317	64.31%	47,523	67.13%	14,794
Services rendered	26,685	27.54%	18,338	25.90%	8,347
Changes in work in progress	7,900	8.15%	4,932	6.97%	2,968
Total revenues from sales and services	**96,902**	**100.00%**	**70,793**	**100.00%**	**26,109**

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 is produced abroad for 78.2% and, in particular, in non-EU countries. The revenue analysis by area is indicated below, comparing the first half of 2021 with the first half of 2021, showing that the Group maintains a percentage distribution of sales in line, with a focus on Italy, Europe, and 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 are organised.

	Half-year ended 30 June			
(Euro in thousands)	**2021**	**2020**	**2021 vs 2020**	**% change**
Italy	21,163	13,759	7,404	53.8%
Europe	29,348	17,499	11,849	67.7%
Middle East	8,451	3,979	4,472	112.4%
Africa	5,231	4,531	700	15.4%
North and Central America	13,834	19,590	(5,756)	-29.4%
BRIC and Others	18,875	11,435	7,440	65.1%
Total revenues	**96,902**	**70,793**	**26,109**	**36.9%**

Operating costs net of depreciation and amortisation

Operating costs net of depreciation and amortisation as at 30 June 2021, compared to the corresponding period of the previous year, recorded an increase of 32.8%.

	Half-year ended 30 June			
(Euro in thousands)	**2021**	**2020**	**2021 vs 2020**	**% change**
Cost of raw materials and consumables	(39,434)	(28,010)	(11,424)	40.8%

Costs for services	(16,652)	(13,356)	(3,296)	24.7%
Payroll costs	(27,340)	(23,268)	(4,072)	17.5%
Other operating (costs)/revenues, net	(2,573)	(949)	(1,624)	171.1%
Development costs capitalised	3,138	2,853	285	10.0%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(317)	100	(417)	-417.0%
Operating costs net of depreciation and amortisation	**(83,178)**	**(62,630)**	**(20,548)**	**32.8%**

EBITDA

In terms of margins, EBITDA amounted to Euro 13,724 thousand, up on the figure recorded in the first half of 2020 when it was equal to Euro 8,163 thousand.
A restatement of the income statement figures representing the performance of EBITDA is provided below:

	Half-year ended 30 June				
(Euro in thousands)	2021	% of revenues	2020	% of revenues	2021 vs 2020
Operating income	2,863	3.0%	(1,562)	-2.2%	4,425
+ Amortisation and depreciation	10,861	11.2%	9,725	13.7%	1,136
EBITDA	**13,724**	**14.2%**	**8,163**	**11.5%**	**5,561**

Financial Management

	Half-year ended 30 June			
(Euro in thousands)	2021	2020	2021 vs 2020	% change
Net financial income/expenses	(2,373)	(2,495)	122	-4.9%
Foreign exchange gains/losses	1,138	(1,046)	2,184	-208.8%
Fair value adjustment of derivative instruments on exchange rates	50	(164)	214	-130.5%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	78	(24)	102	-425.0%
Total net financial income/expenses	**(1,107)**	**(3,729)**	**2,622**	**-70.3%**

The net financial management increased compared to the same period in the previous financial year by a total of Euro 2,622 thousand, with the main changes reported:

- improvement of Euro 2,184 thousand due to the different exchange rate trend in the two periods of reference that resulted in the recording of net profits totalling Euro 1,138 thousand in the first half of 2021 (Euro -122 thousand realised and Euro 1,260 thousand unrealised) against a net loss of Euro 1,046 thousand in the first half of 2020;
- improvement in the fair value adjustment of derivative financial instruments of Euro 214 thousand;
- containment of net financial expenses in relation to the reduction in the cost of debt of Euro 122 thousand.

6.3 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 30 June 2021 compared to those as at 30 June 2020, broken down into three operating segments:

	Half-year ended 30 June				
(Euro in thousands)	2021	% of revenues	2020	% of revenues	2021 vs 2020
Energy	23,517	24.3%	16,770	23.7%	6,747
Trencher	58,879	60.8%	40,816	57.7%	18,063

Rail	14,506	15.0%	13,207	18.7%	1,299
Total Revenues	**96,902**	**100.0%**	**70,793**	**100.0%**	**26,109**

In the first six months of 2021, the Group consolidated revenues of Euro 96,902 thousand, with an increase of Euro 26,109 thousand (equal to 36.9%) compared to Euro 70,793 thousand in the same period of the previous year. This change, despite the persistence of a situation of uncertainty in the global context due to the pandemic, brings revenues back to pre-COVID levels with a better margin due to the actions taken during the 2020 financial year and the integration process of the 4service Group.

In detail, the turnover of the Trencher segment as at 30 June 2021 was Euro 58,879 thousand, with an increase of 44.3% compared to Euro 40,816 thousand as at 30 June 2020. Growth was mainly recorded in the energy sector and in the renewable energies sector, with an increase in the share of sustainable turnover. This performance is mainly due to the recovery of activities in this sector compared to the first half of the previous year, strongly influenced by the lock down period, as well as by the first signals of restart in the investments and infrastructure market.

With reference to the Energy segment, revenues were Euro 23,517 thousand, with an increase of 40.2% compared to Euro 16.770 thousand as at 30 June 2020. In particular, the Energy-Automation segment achieved revenues of Euro 7,458 thousand, compared to Euro 3,737 thousand as at 30 June 2020. Also in this sector there is a recovery driven by the growth of investments and therefore the first half recorded a clear improvement compared to the corresponding period of the previous year, strongly influenced by the lock down period.

The Rail segment recorded revenues of Euro 14,506 thousand, substantially in line compared to the corresponding period of the previous year, when they amounted to Euro 13,207 thousand. This sector was less affected in the previous year by the lock down period, therefore, revenues are in line with the Group expectations and are characterized by a different production mix compared to the first half of 2020, which contributed to better margins.

EBITDA by segment

The tables below show the income statement figures as at 30 June 2021 compared to those as at 30 June 2020, broken down into three operating segments:

	Half-year ended 30 June				
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**	**2021 vs 2020**
Energy	3,738	15.9%	1,747	10.4%	1,991
Trencher	7,463	12.7%	4,494	11.0%	2,969
Rail	2,523	17.4%	1,922	14.6%	601
EBITDA	**13,724**	**14.2%**	**8,163**	**11.5%**	**5,561**

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

- Trencher: the improvement of the EBITDA from Euro 4,494 thousand in the first half of 2020 to Euro 7,463 thousand in 2021, it is attributable to the resumption of full operations in the sector as described in the previous paragraph and to the positive contribution of the service and rental activities.
- Energy: EBITDA increased from a value of Euro 1,747 thousand as at 30 June 2020 to a value of Euro 3,738 thousand as at 30 June 2021, thanks to the positive contribution of the Energy-Automation segment.
- Rail: EBITDA increased from a value of Euro 1,922 thousand as at 30 June 2020 to a value of Euro 2,523 thousand as at 30 June 2021, thanks to a different production mix.

7. Summary of balance sheet figures as at 30 June 2021

Information is provided below on the Group's main equity indicators as at 30 June 2021 compared to 31 December 2020. In particular, the table shows the reclassified funding sources and uses from the consolidated balance sheet as at 30 June 2021 and as at 31 December 2020:

(Euro in thousands)	**As at 30 June 2021**	**As at 31 December 2020**
USES		
Net working capital	76,199	64,256
Fixed assets	100,074	99,530
Other long-term assets and liabilities	13,607	10,032
Net invested capital	**189,880**	**173,818**
SOURCES		
Net financial indebtedness of the Group	118,493	104,370
Shareholders' equity	71,387	69,448
Total sources of funding	**189,880**	**173,818**

In consideration of the recent ESMA32- 382-1138 orientation, which includes the other long-term non-financial liabilities within the net financial indebtedness, the total financial indebtedness would be equal to Euro 118,993 and the other long-term assets and liabilities term would be equal to Euro 13,107 thousand.

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 30 June 2021 and 31 December 2020:

(Euro in thousands)	**As at 30 June 2021**	**As at 31 December 2020**
Trade receivables	65,285	60,415
Work in progress contracts	10,833	11,216
Inventories	80,365	74,386
Trade payables	(57,876)	(61,385)
Other current assets/(liabilities)	(22,408)	(20,376)
Net working capital	**76,199**	**64,256**

Net working capital amounted to Euro 76,199 thousand, marking an increase of Euro 11,943 thousand (equal to 18.6%) compared to 31 December 2020. This trend is mainly due to the increase in the item "Inventories" of Euro 5,979 thousand (equal to 8.0%) increased due to greater use of strategically indispensable procurement to cope with the expected growth in turnover in the second half of the year and the item "Trade receivables" for Euro 4,870 thousand and to the decrease in the item "Trade payables" of Euro 3,509 thousand (equal to 5.7%).

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 30 June 2021 and 31 December 2020:

(Euro in thousands)	**As at 30 June 2021**	**As at 31 December 2020**
Intangible assets	23,335	22,487
Property, plant and equipment	49,021	49,831
Rights of use	21,205	22,825
Equity investments in associates	6,510	4,384
Other equity investments	3	3
Fixed assets	**100,074**	**99,530**

Total *fixed assets* recorded a net increase of Euro 544 thousand due to the increase in “Equity investments in associates” of Euro 2,126 thousand arising from the acquisition of the equity investment of 49% of the share capital of Tesmec Saudi Arabia of Euro 2,462 thousand.

C) Net financial indebtedness

The table below shows a breakdown of "Net financial indebtedness" as at 30 June 2021 and 31 December 2020:

(Euro in thousands)	As at 30 June 2021	of which with related parties and group	As at 31 December 2020	of which with related parties and group
Cash and cash equivalents	(39,685)		(70,426)	
Current financial assets	(14,399)	*(5,507)*	(13,777)	*(3,691)*
Current financial liabilities	65,137	*2,451*	85,799	*2,788*
Current financial liabilities from rights of use	5,446		5,218	
Current portion of derivative financial instruments	-		1	
Current financial indebtedness	**16,499**	***(3,056)***	**6,815**	***(903)***
Non-current financial liabilities	85,692	*3,263*	80,530	*3,263*
Non-current financial liabilities from rights of use	16,182		16,855	
Non-current portion of derivative financial instruments	120		170	
Trade payables and other long-term liabilities	500		625	
Non-current financial indebtedness	**102,494**	***3,263***	**98.180**	***3,263***
Net financial indebtedness pursuant to ESMA Communication no. 32-382-1138	**118,993**	***207***	**104,995**	***2,360***
Trade payables and other long-term liabilities	(500)		(625)	
Group Net financial indebtedness	**118,493**	***207***	**104.370**	***2,360***

In the first six months of 2021, the Group’s net financial indebtedness increased by Euro 14,123 thousand compared to the figure at the end of 2020, to service the increase in net working capital. The net financial indebtedness before the application of IFRS 16, as at 30 June 2021, amounts to Euro 96,865 thousand.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 9,684 thousand due to the:
  - decrease in cash and cash equivalents and current financial assets of Euro 30,741 thousand, mainly due to the reimbursement of the “Tesmec Spa” 6% 2014-2021” bond loan for the entire amount of Euro 15 million;
  - decrease in current financial liabilities of Euro 20,662 thousand mainly due to the restatement to non-current financial liabilities of the portions classified as current at the end of 2020 due to failure to comply with certain financial parameters;
- increase in medium/long-term financial indebtedness of Euro 4,439 thousand relating to new loans taken out in the first six months and to the reclassification to the long term of the portions classified as short term at the end of 2020, following the actual receipt of waivers.

The existing loan agreements and bond issues contractually provide for the calculation of the financial covenants based on net financial indebtedness calculated on the consolidated financial statements as at 31 December and prior to the application of IFRS 16.

The only covenant calculated on a half-yearly basis on the local financial statements of the subsidiary Tesmec USA Inc. towards the Comerica Credit Institute is not respected, therefore the residual portion in the medium / long term for Euro 1,589 thousand was reclassified in the short term.

With regard to the recent ESMA guidelines 32-382-1138 which required the disclosure within the net financial debt of trade and other non-current payables, which present a significant component of implicit or explicit financing and any other non-interest bearing loans, the amount of Euro 500 thousand has been added and corresponds to the amount still to be paid for the lease of the AMG business unit started in 2019.

With regard to reverse factoring, the Group assesses, for each supplier, the deferral conditions obtained from financial counterparties on these liabilities and, depending on the substance of the liabilities, records them as trade payables or reclassifies them as financial payables. This assessment is required to understand the substance of the deferral agreements and necessarily involves a subjective assessment of the elements to be considered for the purposes of whether or not the corresponding payable is included in the Group's financial liabilities.

8. Management and types of financial risk

For the management of financial risks, please see the paragraph "Financial risk management policy" contained in the Explanatory Notes to the Annual Consolidated Financial Statements for 2020, where the Group's policies in relation to the management of financial risks are presented.

9. 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, we specify that no transactions took place with related parties of an atypical or unusual nature that are far removed from the company’s normal operations or such as to harm the profits, balance sheet or financial results of the Group.
For significant intercompany and related party information, please see the paragraph "Related party transactions" in the Explanatory Notes.

10. Group Employees

Average Group employees in the first half-year of 2021, including employees of fully consolidated companies, is 932 compared to 914 in the first half of 2020.

11. Other information

Events occurring after the end of the reporting period

Among the events subsequent to the end of the half-year, the following are of note:

- on 20 July 2021, the parent company Tesmec S.p.A. signed a loan agreement with Intesa San Paolo S.p.A. of Euro 5 million. This loan has a duration of 6 years and expires on 30 June 2027. The floating interest rate was changed to fixed with an IRS contract signed on 20 July 2021 and is equal to 1.32%.

- on 29 July 2021, the parent company Tesmec S.p.A. signed a syndicated loan agreement of Euro 20 million with three banks: CdP (Cassa Depositi e Prestiti S.p.A.), Finlombarda S.p.A. and Banca del Mezzogiorno - Mediocredito Centrale S.p.A. This loan has a duration of 5 years, expiring on 2 August 2026, and bears a fixed annual interest rate of 2.75%, with a pre-amortisation period of one year.

Business outlook

Considering the current international economic framework characterized by strong public interventions to stimulate the economy and the persistence of the ongoing pandemic situation, Tesmec confirms the targets for the year 2021, expecting to achieve a total turnover of approximately Euro 220 million, an EBITDA higher than 16% and a reduction in Net Financial indebtedness compared to the end of 2020. The guidance of the Business Plan 2020-2023 is confirmed. In the second half, the Group expects to transfer on its selling prices the possible increase in costs caused by inflation. During the second half 2021, Tesmec expects to mitigate and reverse the change in working capital, which increased during the first quarter due to external factors linked to the trend of the procurement and freight market, within the targets defined in the Business Plan. This reduction will have a positive impact on the Net Financial Debt which is expected to improve thanks to the expected installments in the railway sector. The Group's priority remains the reduction of Financial Debt, bringing it to the levels defined by the Plan, before concentrating on the investments envisaged for the consolidation of the businesses in which Tesmec operates.

Tesmec operates in sectors that will benefit from new investments and development policies aimed at strengthening the key infrastructures of the main countries: the Group's business is focused on strategic sectors that have extreme vitality and significant growth prospects. Huge investments are planned in the Trencher sector to strengthen the telecommunications networks with the consequent increase in excavation and connection projects, as well as a strong development in the mining sector. The railway sector is benefiting from an important increase in investments to reduce congestion in the traffic of road vehicles and to increase sustainable mobility, together with important investments in the maintenance of railway lines aimed at assuring the safety of rail transport. The Energy sector is characterized by the transition to renewable energy sources, as well as by the growing importance of the efficiency of the power grids resulting in relevant investments to support these trends. The effects of these investments, both in terms of general macroeconomic recovery and impact on the Group's activities and volumes, will be all the more evident the faster the process of definition and assignment by the government authorities of the interventions related to the so-called Recovery fund, made available by the leaders of the European Union institutions.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of financial position as at 30 June 2021 and as at 31 December 2020

(Euro in thousands)	Notes	30 June 2021	31 December 2020
NON-CURRENT ASSETS			
Intangible assets	5	23,335	22,487
Property, plant and equipment	6	49,021	49,831
Rights of use	7	21,205	22,825
Equity investments in associates evaluated using the equity method		6,510	4,384
Other equity investments		3	3
Financial receivables and other non-current financial assets		8,077	5,196
Derivative financial instruments	16	1	1
Deferred tax assets		16,618	16,446
Non-current trade receivables		1,687	1,302
TOTAL NON-CURRENT ASSETS		**126,457**	**122,475**
CURRENT ASSETS			
Work in progress contracts	8	10,833	11,216
Inventories	9	80,365	74,386
Trade receivables	10	65,285	60,415
of which with related parties:	*10*	*5,498*	*1,590*
Tax receivables		1,445	1,444
Other available-for-sale securities	16	1	1
Financial receivables and other current financial assets	11	14,398	13,776
of which with related parties:	*11*	*5,507*	*3,691*
Other current assets		9,659	8,810
Cash and cash equivalents		39,685	70,426
TOTAL CURRENT ASSETS		**221,671**	**240,474**
TOTAL ASSETS		**348,128**	**362,949**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	12	15,702	15,702
Reserves / (deficit)	12	54,596	60,513
Group net profit / (loss)	12	1,013	(6,828)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**71,311**	**69,387**
Capital and reserves / (deficit) attributable to non-controlling interests		65	44
Net profit / (loss) for the period attributable to non-controlling interests		11	17
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**76**	**61**
TOTAL SHAREHOLDERS' EQUITY		**71,387**	**69,448**
NON-CURRENT LIABILITIES			
Medium/long-term loans	13	80,729	74,336
of which with related parties:	*13*	*3,263*	*3,263*
Bond issue	14	4,963	6,194
Non-current financial liabilities from rights of use	16	16,182	16,855
Derivative financial instruments	16	120	170
Employee benefit liability		4,530	4,660
Deferred tax liabilities		7,746	7,628
Other long-term liabilities		500	625

TOTAL NON-CURRENT LIABILITIES		**114,770**	**110,468**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	15	62,677	68,362
of which with related parties:	*15*	*2,451*	*2,788*
Bond issue	14	2,460	17,437
Current financial liabilities from rights of use	16	5,446	5,218
Derivative financial instruments	16	-	1
Trade payables		57,876	61,385
of which with related parties:		*1,794*	*1,465*
Advances from customers		5,725	3,185
Income taxes payable		1,183	626
Provisions for risks and charges		3,850	2,968
Other current liabilities		22,754	23,851
TOTAL CURRENT LIABILITIES		**161,971**	**183,033**
TOTAL LIABILITIES		**276,741**	**293,501**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**348,128**	**362,949**

Consolidated income statement for the half-year ended 30 June 2021 and 2020

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2021**	**2020**
Revenues from sales and services	17	**96,902**	**70,793**
of which with related parties:	*17*	*7,510*	*3,766*
Cost of raw materials and consumables		(39,434)	(28,010)
of which with related parties:		*(49)*	*(11)*
Costs for services		(16,652)	(13,356)
of which with related parties:		*(141)*	*(31)*
Payroll costs		(27,340)	(23,268)
Other operating (costs)/revenues, net		(2,573)	(949)
of which with related parties:		*66*	*(640)*
Amortisation and depreciation		(10,861)	(9,725)
Development costs capitalised		3,138	2,853
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		(317)	100
Total operating costs	18	**(94,039)**	**(72,355)**
Operating income		**2,863**	**(1,562)**
Financial expenses		(5,394)	(4,487)
of which with related parties:		*(30)*	*(205)*
Financial income		4,209	782
of which with related parties:		*35*	*48*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method		78	(24)
Pre-tax profit/(loss)		**1,756**	**(5,291)**
Income tax		(732)	1,385
Net profit/(loss) for the period		**1,024**	**(3,906)**
Profit/(loss) attributable to non-controlling interests		**11**	**10**
Group profit/(loss)		**1,013**	**(3,916)**
Basic and diluted earnings/(losses) per share		**0.0017**	**(0.037)**

Consolidated statement of comprehensive income for the half-year ended 30 June 2021 and 2020

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2021**	**2020**
NET PROFIT/(LOSS) FOR THE PERIOD		**1,024**	**(3,906)**
Other components of comprehensive income:			
Other components of comprehensive income that will be subsequently reclassified to net income/(loss) for the year:			
Exchange differences on conversion of foreign financial statements	12	1,047	(950)
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		171	-
Income tax		(42)	-
		129	-
Total other income/(losses) after tax		**1,176**	**(950)**
Total comprehensive income (loss) after tax		**2,220**	**(4,846)**
Attributable to:			
Shareholders of Parent Company		2,189	(4,856)
Non-controlling interests		11	-

Statement of consolidated cash flows as at 30 June 2021 and 2020

(Euro in thousands)	Notes	Half-year ended 30 June 2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the period		1,024	(3,906)
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	5-6-7	10,861	9,725
Provisions for employee benefit liability		24	-
Provisions for risks and charges / inventory obsolescence / doubtful		772	993
Employee benefit payments		(154)	114
Payments of provisions for risks and charges		(289)	(249)
Net change in deferred tax assets and liabilities		11	(1,289)
Change in fair value of financial instruments	16	(51)	164
Change in current assets and liabilities:			
Trade receivables	10	(3,688)	4,476
of which with related parties:	*10*	*3,908*	*2,574*
Inventories	9	(5,053)	(9,956)
Trade payables		(3,565)	(6,419)
of which with related parties:		329	*132*
Other current assets and liabilities		(1,512)	(765)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(1,620)**	**(7,112)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	6	(6,629)	(10,264)
Investments in intangible assets	5	(5,095)	(5,141)
Investments in Rights of use	7	(1,764)	(2,167)
(Investments) / disposals of financial assets		(2,038)	(989)
of which with related parties:		(1,816)	*151*
Change in the consolidation area		(2,462)	(17,521)
Proceeds from sale of property, plant and equipment and rights of use	5-6-7	4,956	8,086
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(13,032)**	**(27,996)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	13	2,531	27,103
of which with related parties:	*13*	-	*4,263*
Recognition of financial liabilities from rights of use		2,651	7,179
Repayment of medium/long-term loans	15	(23,061)	(2,594)
Repayment of financial liabilities from rights of use		(3,097)	(2,909)
Net change in short-term financial debt	15	4,859	4,250
of which with related parties:		(337)	*6,111*
Share Capital Increase		-	9.400
Other changes	12	(132)	-
NET CASH FLOW GENERATED BY / (USED IN) FINANCING ACTIVITIES (C)		**(16,249)**	**42,429**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(30,901)**	**7,321**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		160	(198)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		70,426	17,935
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**39,685**	**25,058**
Additional information:			
Interest paid		2,279	2,240
Income tax paid		326	265

Statement of changes in consolidated shareholders' equity for the half-year ended 30 June 2021 and 2020

(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 2021	**15,702**	**2,141**	**39,215**	**(2,341)**	**1,809**	**19,689**	**(6,828)**	**69,387**	**61**	**69,448**
Comprehensive income statement	-	-	-	-	1,043	129	1,013	2,185	15	2,200
Other changes	-	-	-	-	-	(261)	-	(261)		(261)
Allocation of profit for the period	-	-	-	-	-	(6,828)	6,828	-	-	-
Change in the consolidation area	-	-	-	-			-	-	-	-
Balance as at 30 June 2021	**15,702**	**2,141**	**39,215**	**(2,341)**	**2,852**	**12,729**	**1,013**	**71,311**	**76**	**71,387**

(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 2020	**10,708**	**2,141**	**10,915**	**(2,341)**	**5,028**	**16,684**	**2,967**	**46,102**	**50**	**46,152**
Comprehensive income statement	-	-	-	-	(940)	-	(3,916)	(4,856)	-	(4,856)
Future capital increase	-	-	-	-	-	9,400	-	9,400	-	9,400
Allocation of profit for the period	-	-	-	-	-	2,967	(2,967)	-	-	-
Balance as at 30 June 2020	**10,708**	**2,141**	**10,915**	**(2,341)**	**4,088**	**29,051**	**(3,916)**	**55,502**	**50**	**55,552**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 30 June 2021

1. Company information

The Tesmec S.p.A. Parent Company (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 2021 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 condensed consolidated financial statements as at 30 June 2021 are those adopted for preparing the consolidated financial statements as at 31 December 2020, in compliance with IFRS, except as indicated in paragraph 4. New accounting standards, interpretations and amendments adopted by the Group.

At 30 June 2021, in consideration of the results of the subsidiaries, no general impairment indicators were identified and therefore it was not necessary to update the impairment test carried out for the purpose of preparing the financial statements at 31 December 2020. However, as anticipated in the report on operations, the subsidiary Tesmec USA Inc. in the first six months generated revenues of Euro 7,358 thousand, a significant delay compared to the revenues expected for the first half, in the context of the modified guidelines of the infrastructural investment policy of the new presidency. In this difficult context and in consideration of the non-compliance with the covenant by the subsidiary itself in relation to the existing loan (residual debt equal to Euro 1,850 thousand, fully exposed in the short term), the forecasts of the plan of the subsidiary on the basis of which the impairment test was carried out which revealed the confirmed recoverability of the value of the subsidiary's net assets.

It should be noted that the preparation of the interim condensed consolidated financial statements requires Directors to make estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and the information regarding potential assets and liabilities on the date of the interim condensed consolidated financial statements. If in future these estimates and assumptions, which are based on the Directors' best assessments, should deviate from actual circumstances, they will be amended appropriately at the time the circumstances change. It should also be noted that some measurement processes relating to the estimate of revenues and progress of job orders, the calculation of any impairment of non-current assets and the estimate of adjustment funds of current assets are generally carried out in full only when the annual financial statements are prepared, when all of the information that may be required is available, unless - for what concerns the calculation of any impairment of non-current assets - there are impairment indicators, as the above-mentioned circumstances brought about by the COVID-19 pandemic, which require the immediate measurement of any impairment loss.

More precisely, the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity and the consolidated 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 2020. The explanatory notes to the financial statements indicated below are in condensed form and therefore do not include all the information required for annual financial statements. In particular, as provided by IAS 34, in order to avoid repeating already disclosed information, the notes refer exclusively to items of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flows whose breakdown or change, with regard to amount, type or unusual nature, are essential to understand 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 is compared with that for the same period of the previous year. The net financial position and the items of the consolidated statement of financial position as at 30 June 2021 are compared with the corresponding final data as at 31 December 2020.

Since the interim consolidated financial statements do not disclose all the information required in preparing the consolidated annual financial statements, it must be read together with the consolidated financial statements as at 31 December 2020.

The consolidated financial statements as at 30 June 2021 comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of consolidated cash flows and related explanatory notes. Comparative figures are disclosed as required by IAS 34 (31 December 2020 for the statement of financial position, and the first half-year of 2020 for the consolidated income statement, the consolidated comprehensive income statement, statement of changes in shareholders' equity and cash flow).

The interim condensed consolidated financial statements as at 30 June 2021 was prepared on a going concern basis. The Group, even in the current COVID-19 pandemic context that still persists, believes that the positive results of the half-year and the prospects of macro-economic recovery constitute suitable elements for the mitigation of uncertainties and therefore confirm the adequacy of the going concern assumption.

The interim condensed consolidated financial statements are presented in Euro. The balances in the financial statements and notes to the financial statements are expressed in thousands of Euros, except where specifically indicated.

The issue of the interim condensed consolidated financial statements of the Tesmec Group for the period ended 30 June 2021 was authorised by the Board of Directors on 5 August 2021.

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	
	2021	**2020**	**2021**	**2020**
US Dollar	1.205	1.114	1.188	1.120
Russian Rouble	89.550	73.849	86.773	79.630
South African Rand	17.524	18.311	17.011	19.443
Renminbi	7.796	7.741	7.674	7.922
Qatari Riyal	4.388	4.054	4.326	4.076
Algerian Dinar	160.541	136.995	159.617	144.530
Tunisian Dinar	3.298	3.151	3.305	3.201
Australian Dollar	1.563	1.678	1.585	1.634
New Zealand Dollar	1.681	1.760	1.703	1.748
Saudi Riyal	4.520	4.158	4.457	4.602
CFA Franc	655.957	655.957	655.957	655.957
GNF Franc	11,975.354	10,367.910	11,604.949	10,742.332

3. Consolidation methods and area

As at 30 June 2021, the consolidation area changed with respect to that as at 31 December 2020:

on 24 June 2021, the parent company Tesmec S.p.A. acquired 49% of the share capital of Tesmec Saudi Arabia, a company operating in the trenchers rental business, for a total consideration of Euro 2,019 thousand. The effects of the acquisition were described in the previous paragraph *4.1 Effects of the acquisition of 49% of the share capital of Tesmec Saudi Arabia* described in the report on operations.

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

The accounting standards adopted for the preparation of the interim condensed consolidated financial statements are the same as those adopted for the preparation of the consolidated financial statements for the year ended 31 December 2020, with the exception of the adoption as of 1 January 2021 of the new standards and amendments. The Group has not adopted in advance any new standard, interpretation or amendment issued but not yet in force.
Several amendments are applied for the first time in 2021 but have no impact on the Group's interim condensed consolidated financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments include the temporary easing of the requirements with respect to the effects on the financial statements when the interest rate offered in the interbank market (IBOR) is replaced by an alternative rate that is essentially risk-free (Risk Free Rate - RFR):

The amendments include the following practical expedients:

- A practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a floating interest rate, equivalent to a change in an interest rate in the market;
- Allow the changes required by the IBOR reform to be made within the scope of the hedging designation and documentation without the hedging relationship having to be discontinued;
- Provides temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

These amendments have no impact on the interim financial statements of the Group. The Group intends to use these practical expedients in future periods when they will be applicable.

Change in depreciation criteria
Starting from 1 January 2021, the Group adopted a new method of determining the depreciation of trencher machines in the fleet. Based on technical analyses carried out by the company's engineers, a period of 8 years was identified as the best representation of the average useful life of these machines, therefore, the new depreciation rate of 12.5% on an annual basis is in force. This new method represents a change in estimates and is therefore applied prospectively.

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COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

5. Intangible assets

The breakdown and changes in “Intangible assets” for the period ended 30 June 2021 are shown in the table below:

(Euro in thousands)	01/01/2021	Increases due to purchases	Decreases	Depreciation	Reclassifications	Exchange rate differences	30/06/2021
Development costs	16,779	2,345	-	(3,473)	-	45	15,696
Rights and trademarks	1,615	57	-	(689)	3,019	(1)	4,001
Other intangible assets	19	-	-	(2)	-	-	17
Assets in progress and advance payments to suppliers	3,945	2,693	-	-	(3,019)	2	3,621
Goodwill	129	-	-	-	(129)	-	-
Total intangible assets	**22,487**	**5,095**	**-**	**(4,164)**	**(129)**	**46**	**23,335**

As at 30 June 2021, *intangible assets* totalled Euro 23,335 thousand, up Euro 848 thousand on the previous year. The change mainly refers to:

- development costs, which increased by Euro 2,345 thousand in the first six months of 2021, and amortisation for the period of Euro 3,473 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;
- Assets in progress and advance payments to suppliers for Euro 2,693 thousand, mainly related to costs incurred for the implementation of the new Group ERP;
- the goodwill of Euro 129 thousand relating to the acquisition of the company 4 Service S.r.l. which took place in the previous year was allocated to the fleet of trencher machinery recorded under the item "other assets" among tangible assets when defining the purchase price allocation.

6. Property, plant and equipment

The breakdown and changes in “Property, plant and equipment” for the period ended 30 June 2021 are shown in the table below:

(Euro in thousands)	01/01/2021	Increases due to purchases	Decreases	Depreciation	Reclassifications	Exchange rate differences	30/06/2021
Land	3,160	1,213	2	-	-	4	4,379
Buildings	15,125	19	-	(311)	-	155	14,988
Plant and machinery	4,257	74	-	(435)	-	29	3,925
Equipment	770	122	-	(277)	229	2	846
Other assets	26,133	4,183	(4,913)	(2,605)	287	505	23,590
Assets in progress	386	1,018	(1)	-	(110)	-	1,293
Total tangible assets	**49,831**	**6,629**	**(4,912)**	**(3,628)**	**406**	**695**	**49,021**

As at 30 June 2021, property, plant and equipment totalled Euro 49,021 thousand, down compared to the previous year by Euro 810 thousand.
The change is mainly attributable to the decrease in the item “Other assets” for Euro 4,913 thousand relating mainly to the sale of trencher machinery previously registered in the fleet.

7. Rights of use

The breakdown and changes in “Rights of use” for the period ended 30 June 2021 are shown in the table below:

(Euro in thousands)	01/01/2021	Increases due to purchases	Decreases	Depreciation	Reclassifications	Exchange rate differences	30/06/2020
Buildings - rights of use	12,636	190	(39)	(1,309)	-	5	11,483
Plant and machinery - rights of use	327	-	-	(33)	-	1	295
Equipment - rights of use	17	-	-	(4)	-	1	14
Other assets - rights of use	9,845	1,574	(5)	(1,723)	(277)	(1)	9,413
Total rights of use	**22,825**	**1,764**	**(44)**	**(3,069)**	**(277)**	**6**	**21,205**

The item rights of use as at 30 June 2021 amounted to Euro 21,205 thousand and decreased by Euro 1,620 thousand compared to the previous year due to Euro 3,069 thousand to the depreciation of the period.

8. Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 30 June 2020 and as at 31 December 2020:

(Euro in thousands)	30 June 2021	31 December 2020
Work in progress (Gross)	26,068	18,379
Advances from contractors	(15,235)	(7,163)
Work in progress contracts	**10,833**	**11,216**

"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.

9. Inventories

The following table provides a breakdown of Inventories as at 30 June 2021 compared to 31 December 2020:

(Euro in thousands)	30 June 2021	31 December 2020
Raw materials and consumables	49,947	41,210
Work in progress	12,459	10,471
Finished products and goods for resale	17,646	21,592
Advances to suppliers for assets	313	1113
Total inventories	**80,365**	**74,386**

Compared to 31 December 2020, *inventories* increased by Euro 5,979 thousand followed by greater procurement in order to support the growth expected in the second half of the year.

10. Trade receivables

The following table provides a breakdown of “Trade receivables” as at 30 June 2021 and as at 31 December 2020:

(Euro in thousands)	30 June 2021	31 December 2020
Trade receivables from third-party customers	59,787	58,825

Trade receivables from associates, related parties and joint ventures	5,498	1,590
Total trade receivables	**65,285**	**60,415**

The increase is connected to a slight delay in collections in the context of a generalized need on the part of the Group's customers to restart after a period marked by operational difficulties caused by the pandemic and still present in some areas where the Group is present.

11. Financial receivables and other current financial assets

The following table provides a breakdown of financial Receivables and other current financial assets as at 30 June 2021 and as at 31 December 2020:

(Euro in thousands)	**30 June 2021**	**31 December 2020**
Financial receivables from associates, related parties and joint ventures	5,507	3,691
Financial receivables from third parties	8,807	9,983
Other current financial assets	84	102
Total financial receivables and other current financial assets	**14,398**	**13,776**

The increase *in current financial assets* from Euro 13,776 thousand to Euro 14,398 thousand is mainly due to the increase in credit positions relating to specific contracts signed with the related parties on which an interest rate is applied and repayable within 12 months.

12. Share capital and reserves

The following table provides a breakdown of Other reserves as at 30 June 2021 and as at 31 December 2020:

(Euro in thousands)	**30 June 2021**	**31 December 2020**
Revaluation reserve	86	86
Extraordinary reserve	37,044	37,499
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(550)	(679)
Network reserve	824	824
Future capital increase reserve	6	6
Retained earnings/(losses brought forward)	(24,190)	(17,556)
Total other reserves	**12,729**	**19,689**

As a result of the resolution of 22 April 2021, with the approval of the 2020 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to allocate the loss of the parent company of Euro 455 thousand to the extraordinary reserve.

13. Medium/long-term loans

Medium/long-term loans include medium/long-term loans from banks and payables towards other providers of finance. The following table shows the breakdown thereof as at 30 June 2021 and as at 31 December 2020, with separate disclosure of total loans and current portion:

(Euro in thousands)	31 December 2021	of which current portion	2020	of which current portion
Domestic fixed-rate bank loans	20,715	1,569	19,774	4,822
Domestic floating-rate bank loans	53,474	10,402	58,351	16,794
Foreign fixed-rate bank loans	1,070	366	1,059	578
Foreign floating-rate bank loans	9,870	2,094	9,618	253
Shareholder loan	3,263	-	3,263	-
Total medium/long-term loans	**88,392**	**14,431**	**92,065**	**22,447**
less current portion	(14,431)		(22,447)	
Non-current portion of medium/long-term loans	**73,961**		**69,618**	
Medium/long-term loan due to Simest	8,068	1,300	8,718	4,000
less current portion	(1,300)		(4,000)	
Medium/long-term loan due to Simest	**6,768**		**4,718**	
Total medium/long-term loans	**80,729**	**15,731**	**74,336**	**26,447**

Some loan contracts contain financial covenant provisions. In particular, they require that parameters, calculated on the basis of the financial statements of the Group, have to be met; they are verified on an annual basis.

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

- Net Financial Position / EBITDA;
- Net Financial Position/Shareholders' equity;
- Effective Net Worth;
- Debt Service Coverage Ratio.

Based on the results of the financial statements of the Company and of the Tesmec Group, as at 31 December 2020, a financial covenant relating to the Net Financial Position/EBITDA ratio towards four credit institutions, corresponding to a financial indebtedness of Euro 15.4 million, representing approximately 7.8% of the gross financial indebtedness, had not been met. This non-compliance resulted in the short-term recognition of the residual medium- and long-term portions for a total of Euro 10.0 million. Requests for waivers of the application of early repayment clauses were promptly submitted to and obtained by the credit institutions.

The only covenant calculated on a half-yearly basis on the local financial statements of the subsidiary Tesmec USA Inc. towards the Comerica Credit Institute is not respected, therefore the residual portion in the medium / long term for Euro 1,589 thousand was reclassified in the short term.

14. Current bond issue

The item related to the current bond issue amounted to Euro 2,460 thousand and decreased by Euro 14,977 thousand compared to the previous year following the repayment of the bond issue "Tesmec S.p.A. 6% 2014-2021" equal to Euro 15 million expired on 10 April 2021.

The item includes the “Tesmec S.p.A. 4.75% 2018-2024" bond issue of Euro 10 million placed on 27 July 2018 with professional investors. The 4.75% fixed rate Bond Issue, placed by Banca Finint, will expire on 30 June 2024 with half-yearly coupon and amortising repayment, and since the two-year pre-amortisation period has ended, the five-year amortisation plan is in progress and as at 30 June 2021 the residual debt is Euro 7,423 thousand.

The failure to comply with certain financial covenants, as previously described in note 19, has no effect on the outstanding bond issue as the interest rate step-up had already taken place in past years.

15. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 30 June 2021 and as at 31 December 2020:

(Euro in thousands)	30 June 2021	31 December 2020
Advances from banks against invoices and bills receivables	35,891	31,552
Payables due to factoring companies	8,120	7,173
Current account overdrafts	4	1
Financial payables due to SIMEST	1,300	4,000
Short-term loans to third parties	480	401
Current portion of medium/long-term loans	14,431	22,447
Financial payables due to associates, related parties and joint ventures	2,451	2,788
Total interest-bearing financial payables (current portion)	**62,677**	**68,362**

The decrease in the item *interest-bearing financial payables (current portion)* amounting to Euro 5,685 thousand is due to the reclassification among medium/long-term loans of the portions that had been reclassified as short-term at the end of 2020 due to the failure to comply with certain financial parameters for which a waiver was obtained.

16. Disclosures: categories of financial assets and liabilities according to IFRS 7

The following tables show the book values for each class of financial assets and liabilities identified by IFRS 9.

The value expressed in the financial statements of derivative financial instruments, whether assets or liabilities, corresponds to their fair value, as explained in these Notes.

The value expressed in the financial statements of cash and cash equivalents, financial receivables and trade receivables, suitably adjusted for impairment in accordance with IFRS 9, approximates the estimated realisable value and therefore the fair value.

All financial liabilities, including fixed-rate financial payables, are recognised in the financial statements at a value that approximates fair value.

	Current/Non-current assets	
(Euro in thousands)	**30 June 2021**	**31 December 2020**
NON-CURRENT ASSETS:		
Receivables and other financial assets	8,077	5,196
Derivative financial instruments	1	1
Non-current trade receivables	1,687	1,302
CURRENT ASSETS:		
Trade receivables	65,285	60,415
Other available-for-sale securities	1	1
Financial receivables and other current financial assets	14,398	13,776
Cash and cash equivalents	39,685	70,426

	Current/non-current liabilities	
(Euro in thousands)	**30 June 2021**	**31 December 2020**
NON-CURRENT LIABILITIES:		
Medium/long-term loans	80,729	74,336
Bond issue	4,963	6,194
Non-current financial liabilities and rights of use	16,182	16,855
Derivative financial instruments	120	170
Other non- current liabilities	500	625
CURRENT LIABILITIES:		

Interest-bearing financial payables (current portion)	62,677	68,362
Bond issue	2,460	17,437
Current financial liabilities and rights of use	5,446	5,218
Derivative financial instruments	-	1
Trade payables	57,876	61,385
Advances from customers	5,725	3,185

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.

Exchange rate risk

The Tesmec Group carries out a significant part of its activities in countries other than the Eurozone and, therefore, revenues and costs of part of the activities of the Tesmec Group are denominated in currencies other than the Euro.
The main transaction currencies used for the Group's sales are the Euro and the US dollar, although other currencies such as the Australian dollar, South African rand, Chinese renminbi and Russian rouble are also used. The Group also prepares its consolidated financial statements in Euro, although some subsidiaries prepare their financial statements and accounting documents in currencies other than the Euro.
Due to these circumstances, the Tesmec Group is exposed to the following risks related to variations in exchange rates:

i) the economic exchange rate risk, i.e. the risk that revenues and costs denominated in currencies other than the Euro take on different values with respect to the time at which the price conditions were defined;
ii) the translational exchange rate risk, deriving from the fact that the Parent Company, even though it prepares its financial statements in Euro, holds controlling interests in companies that prepare their financial statements in different currencies and, consequently, carries out conversions of assets and liabilities expressed in currencies other than the Euro;
iii) the transactional exchange rate risk, deriving from the fact that the Group carries out investment, conversion, deposit and/or financing transactions in currencies other than the reporting currency.

The fluctuation in currency markets has had, historically, a significant impact on the Group's results. In relation to the policies adopted for the management of exchange rate risks, the forward sale of foreign currency is adopted as the only hedging instrument. However, this hedging is carried out only for part of the total exposure in that the timing of the inflow of the receipts is difficult to predict at the level of the individual sales invoice.
Forward sale instruments for fixing the exchange rate at the moment of the order are mainly used for covering the risk of the US dollar exposure deriving from the marketing in the US or Middle Eastern countries of machines produced in Italy. Moreover, for part of the sales in US 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.

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 may affect the results of the Group.

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 structure of the balance sheet assets, in order to keep a very sound balance sheet structure.
Forms of financing most commonly used are represented by:

- medium/long-term loans with 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, and reverse factoring agreements to finance the working capital.

The Group uses various external sources of financing, obtaining both short and medium-long term loans and is therefore subject to the cost of money and to the volatility of interest rates, with a special reference to contracts that provide for variable interest rates, which, therefore, do not make it possible to predict the exact amount of the interest payable during the duration of the loan. 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. When taking out loans at variable rates, mainly in relation to medium-term loans, the Tesmec Group considers managing the risk of interest rate fluctuations through hedging transactions (in particular, through swaps, collars and caps), with a view to minimising any losses related to interest rate fluctuations. However, it is not possible to ensure that the hedging transactions entered into by the Group are suitable to fully neutralise the risk related to interest rate fluctuations, or that no losses will result from such transactions.

As mentioned above, existing loans envisage compliance with certain covenants, both income based and asset based, which are checked periodically throughout the entire duration of the related loans, thus exposing the Group to the risk of non-compliance with these parameters.

Credit risk

With reference to the credit risk, the same is closely related 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.

Operational risks

Risks related to the Group's international business

The Tesmec Group earns its revenues mainly abroad. The Group carries out its production in 6 industrial plants (4 of which are located in Italy, 1 in France and 1 in the United States) and carries out its commercial business in about 135 countries worldwide. In particular, the Tesmec Group operates in several countries in Europe, the Middle East, Africa, North and Central America as well as the BRIC area (Brazil Russia India China). Moreover, the Group not only has a strong international presence but intends to continue to expand its business geographically, exploring opportunities in markets that it believes can help improve its risk profile. When deciding whether to undertake initiatives or maintain its strategic presence in foreign markets, the Group assesses political, economic, legal, operational, financial and security risks and development opportunities.

The Group is exposed to risks typical of countries with unstable economic and political systems, including (i) social, economic and political instability; (ii) boycotts, sanctions and embargoes that could be imposed by the international community against the countries in which the Group operates; (iii) significant recession, inflation and depreciation of the local currency; (iv) internal social conflicts that result in acts of sabotage, attacks, violence and similar events; (v) various kinds of restrictions on the establishment of foreign subsidiaries or on the acquisition of assets or on the repatriation of funds; (vi) significant increase in customs duties and tariffs or, in general, in applicable taxes. The occurrence of the events subject to the above-mentioned risks could have significant negative impacts on the Group's operating results, financial position and cash flows.

Moreover, demand for the Group's products is related to the cycle of investments in infrastructure (in particular power lines, data transmission systems, aqueducts, gas pipelines, oil pipelines and rail catenary) in the various countries in which it operates. The annual amount of investments in infrastructures is related to the general macroeconomic scenario. Therefore, strong changes in the macroeconomic scenario in the Countries where the Group is present or other events that are able to adversely affect the level of infrastructure investments, such as changes in laws and regulations or unfavourable changes in government policies, can have an adverse effect on the Group's operating results, financial position and cash flows.

Risks related to operations through the awarding of tenders

The Group, in relation to the activities carried out in the Rail Segment and in the Energy Sector, is exposed to risks deriving from the amount, frequency, requirements and technical-economic conditions of the call for tenders for contracts issued by the public administration, by public law bodies and other contractors, as well as the possible failure to award them and/or the failure or delay in awarding the related work orders. Moreover, these sectors are structurally characterised by a limited number of customers, given that the Rail Segment is usually related to the existence, in each country, of a single national player managing the network and that, in the Energy-Automation Segment of the Energy Segment, the customers commissioning the work are the main owners of the individual national power networks or the main utility companies.

The limited number of customers commissioning work from the Group in these segments, as well as the fact that most of them are public entities, exposes the Group to the risk that these customers' investment programmes may be changed due to regulatory updates or emergency situations, resulting in possible changes in framework agreements with Group companies.

Risks related to the possible impairment of work in progress

In some multi-year tender contracts entered into by the Group in the Rail Segment, the consideration is determined during the tender process following a detailed and accurate budgeting exercise, both with reference to the supply of machines and to the maintenance service, further supplemented by risk assessments to cover any areas of uncertainty, carried out with the aim of mitigating any higher costs and contingencies (costs estimated in relation to operational risks). The correct determination of the consideration offered in such contracts is fundamental to the Group's profitability as it is required to bear the full amount of all costs for completing work orders, unless there are additional requests from the customer.

However, the costs and, consequently, the profit margins that the Group makes on multi-year work orders can vary, even significantly, from the estimates made during the tender process. As a result of this increase in work order operating costs, the Group may incur a reduction in or loss of estimated profits with reference to the individual work order.

The Group periodically monitors the costs related to the completion of work orders and the resulting profitability in order to minimise the risk of contingencies and to identify, where necessary, the need to enter into negotiations with customers for the signing of specific agreements supplementary to the tender contracts aimed at recognising increases in the consideration originally agreed upon.

Supply risk and risk of fluctuation in purchase prices

The Group, while retaining the management and organisation of the most important phases of its business model in-house, turns to suppliers for the purchase of semi-finished goods and finished components required for the manufacture of its products. The manufacture of some of the main products of the Group requires skilled labour, semi-finished goods, finished goods, components and high-quality raw materials. Therefore, the Group is exposed to the risk of encountering difficulties in obtaining the supplies it needs to carry out its activities, as well as the risk related to fluctuations in their prices.

In particular, in carrying out its production, the Group mainly uses semi-finished goods in steel and aluminium and semi-finished goods in nylon. The price of raw materials for these semi-finished goods - and, in particular, of steel - can be volatile due to several factors beyond the Group's control and are difficult to predict. Moreover, for the supply of some components, the Group uses high-end suppliers for which it is not a strategic customer.

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. The Group's price risk is mitigated by having multiple suppliers and by the inherent heterogeneity of raw materials and components used in the production of Tesmec machines. Moreover, in consideration of the nature of semi-finished goods and the importance of the technological content of the purchased components, their commodity price only partially affects the costs of purchase. However, in consideration of the current health crisis characterised by the spread of the COVID-19 virus, the Group cannot rule out that future price changes in these markets could have a negative impact on results.

Risks related to the legal and regulatory framework

Risks related to disputes

Any unfavourable outcome of disputes in which the Group is involved or the occurrence of new disputes (also regardless of the outcome), could have a possibly significant reputational impact on the Group, with possible significant negative effects on the operating results, financial position and cash flows of the Company and of the Group.

The estimate of charges that might reasonably be expected to occur as well as the extent of provisions are based on information available at the date of approval of the financial statements, but involve significant elements of uncertainty, not least because of the many variables linked to legal proceedings. Where it is possible to reliably estimate the amount of the possible loss and this is considered probable, provisions are made in the financial statements to an extent deemed appropriate in the circumstances, also with the support of specific opinions provided by the Group's consultants and in accordance with the international accounting standards applicable from time to time.

At the end of the reporting period, different types of legal and arbitration proceedings involving the Company and the Group's subsidiaries were pending, and two tax audits were in progress. The main cases are described in Note 21 Legal and tax disputes below.

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 2021, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 30 June 2021**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	1	-	1	-
Total non-current	**1**	**-**	**1**	**-**
Financial assets:				
Other available-for-sale securities	1	-	-	1
Total current	**1**	**-**	**-**	**1**
Total assets	**2**	**-**	**1**	**1**
Financial liabilities:				
Derivative financial instruments	120	-	120	-
Total non-current	**120**	**-**	**120**	**-**
Derivative financial instruments	-	-	-	-
Total current	**-**	**-**	**-**	**-**
Total liabilities	**120**	**-**	**120**	**-**

17. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 30 June 2021 and as at 30 June 2020:

	Half-year ended 30 June				
(Euro in thousands)	**2021**	**% of revenues**	**2020**	**% of revenues**	**2021 vs 2020**
Energy	23,517	24.3%	16,770	23.7%	6,747
Trencher	58,879	60.8%	40,816	57.7%	18,063

Rail	14,506	15.0%	13,207	18.7%	1,299
Total revenues	**96,902**	**100.0%**	**70,793**	**100.0%**	**26,109**

In the first six months of 2021, the Group consolidated revenues of Euro 96,902 thousand, with an increase of Euro 26,109 thousand (equal to 36.9%) compared to Euro 70,793 thousand in the same period of the previous year. This change, despite the persistence of a situation of uncertainty in the global context due to the pandemic, brings revenues back to pre-COVID levels with a better margin due to the actions taken during the 2020 financial year and the integration process of the 4service Group.

In detail, the turnover of the Trencher segment as at 30 June 2021 was Euro 58,879 thousand, with an increase of 44.3% compared to Euro 40,816 thousand as at 30 June 2020. Growth was mainly recorded in the energy sector and in the renewable energies sector, with an increase in the share of sustainable turnover. This performance is mainly due to the recovery of activities in this sector compared to the first half of the previous year, strongly influenced by the lock down period, as well as by the first signals of restart in the investments and infrastructure market.

With reference to the Energy segment, revenues were Euro 23,517 thousand, with an increase of 40.2% compared to Euro 16,770 thousand as at 30 June 2020. In particular, the Energy-Automation segment achieved revenues of Euro 7,458 thousand, compared to Euro 3,737 thousand as at 30 June 2020. Also in this sector there is a recovery driven by the growth of investments and therefore the first half recorded a clear improvement compared to the corresponding period of the previous year, strongly influenced by the lock down period

The Rail segment recorded revenues of Euro 14,506 thousand, substantially in line compared to the corresponding period of the previous year, when they amounted to Euro 13,207 thousand. This sector was less affected in the previous year by the lock down period, therefore, revenues are in line with the Group expectations and are characterized by a different production mix compared to the first half of 2020, which contributed to better margins.

18. Operating costs

The item *operating costs* amounted to Euro 94,040 thousand, an increase of 30.0% compared to the previous year, a less than proportional increase with respect to the performance in revenues (+36.94%).

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 works on surface mines and earth moving works (Rock Hawg);
- rental of the trenching machines;
- 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							
	2021				2020			
(Euro in thousands)	Energy	Trencher	Rail	Consolidated	Energy	Trencher	Rail	Consolidated
Revenues from sales and services	23,517	58,879	14,506	96,902	16,770	40,816	13,207	70,793
Operating costs net of depreciation and amortisation	(19,779)	(51,416)	(11,983)	(83,178)	(15,023)	(36,322)	(11,285)	(62,630)
EBITDA	**3,738**	**7,463**	**2,523**	**13,724**	**1,747**	**4,494**	**1,922**	**8,163**
Amortisation and depreciation	(2,763)	(6,230)	(1,868)	(10,861)	(2,745)	(5,375)	(1,605)	(9,725)
Total operating costs	**(22,542)**	**(57,646)**	**(13,851)**	**(94,0439)**	**(17,768)**	**(41,697)**	**(12,890)**	**(72,355)**
Operating income	**975**	**1,233**	**655**	**2,863**	**(998)**	**(881)**	**317**	**(1,562)**
Net financial income/(expenses)				(1,107)				(3,729)
Pre-tax profit/(loss)				**1,756**				**(5,291)**
Income tax				(732)				1,385
Net profit/(loss) for the period				**1,024**				**(3,906)**
Profit/(loss) attributable to non-controlling interests				11				10
Group profit/(loss)				**1,013**				**(3,916)**

The directors monitor separately the results achieved by the business units in order to make decisions on resources, 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 2021 and as at 31 December 2020:

	As at 30 June 2021					As at 31 December 2020				
(Euro in thousands)	Energy	Trencher	Rail	Not allocated	Consolidated	Energy	Trencher	Rail	Not allocated	Consolidated
Intangible assets	9,648	5,834	7,853	-	23,335	9,748	5,287	7,452	-	22,487
Property, plant and equipment	2,725	38,230	8,066	-	49,021	2,756	39,474	7,601	-	49,831
Rights of use	1,678	18,830	697	-	21,205	760	21,351	714	-	22,825
Financial Assets	3,145	3,468	1,926	6,052	14,591	3,523	965	1,925	3,171	9,584
Other non-current assets	1,854	6,234	661	9,556	18,305	1,736	7,197	841	7,974	17,748
Total non-current assets	**19,050**	**72,596**	**19,203**	**15,608**	**126,457**	**18,523**	**74,274**	**18,533**	**11,145**	**122,475**
Work in progress contracts	1,184	-	9,649	-	10,833	-	-	11,216	-	11,216
Inventories	21,060	53,774	5,531	-	80,365	18,316	50,030	6,040	-	74,386
Trade receivables	7,287	41,116	16,882	-	65,285	9,330	38,400	12,685	-	60,415
Other current assets	2,573	6,073	6,059	10,798	25,503	1,825	5,052	6,164	10,990	24,031
Cash and cash equivalents	4,928	6,710	9,629	18,418	39,685	3,565	7,145	7,721	51,995	70,426
Total current assets	**37,032**	**107,673**	**47,750**	**29,216**	**221,671**	**33,036**	**100,627**	**43,826**	**62,985**	**240,474**
Total assets	**56,082**	**180,269**	**66,953**	**44,824**	**348,128**	**51,559**	**174,901**	**62,359**	**74,130**	**362,949**
Shareholders' equity attributable to parent company shareholders	-	-	-	**71,311**	**71,311**	-	-	-	**69,387**	**69,387**
Shareholders' equity attributable to non-controlling interests	-	-	-	**76**	**76**	-	-	-	**61**	**61**
Non-current liabilities	**3,135**	**18,917**	**10,157**	**83,561**	**114,770**	**1,760**	**17,725**	**8,468**	**82,515**	**110,468**
Current financial liabilities	3,548	3,727	12,565	45,297	65,137	3,788	6,255	9,616	66,141	85,800

Current financial liabilities from rights of use	259	2,583	82	2,522	5,446	242	2,129	83	2,764	5,218
Trade payables	8,766	40,713	8,397	-	57,876	19,124	29,666	12,595	-	61,385
Other current liabilities	2,906	10,084	11,572	8,950	33,512	1,590	7,812	13,358	7,870	30,630
Total current liabilities	**15,479**	**57,107**	**32,616**	**56,769**	**161,971**	**24,744**	**45,862**	**35,652**	**76,775**	**183,033**
Total liabilities	**18,614**	**76,024**	**42,773**	**139,330**	**276,741**	**26,504**	**63,587**	**44,120**	**159,290**	**293,501**
Total shareholders' equity and liabilities	**18,614**	**76,024**	**42,773**	**210,717**	**348,128**	**26,504**	**63,587**	**44,120**	**228,738**	**362,949**

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:

	Half-year ended 30 June 2021					**Half-year ended 30 June 2020**				
(Euro in thousands)	**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.	114	-	-	-	-	(246)	-	-	-	-
Subtotal	**114**	**-**	**-**	**-**	**-**	**(246)**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	4,378	-	-	72	2	3,333	-	(2)	90	3
Tesmec Saudi Arabia	1,500	-	-	-	-	-	-	-	-	-
Tesmec Peninsula	262	(49)	-	-	24	92	-	-	-	26
Subtotal	**6,140**	**(49)**	**-**	**72**	**26**	**3,425**	**-**	**(2)**	**90**	**29**
Related parties:										
Ambrosio S.r.l.	-	-	-	(1)	-	-	-	-	(2)	(1)
TTC S.r.l.	-	-	(15)	-	-	-	-	(31)	-	-
Ceresio Tours S.r.l.	-	-	-	-	-	-	-	(2)	-	-
Dream Immobiliare S.r.l.	-	-	-	(11)	(3)	-	-	-	-	(185)
FI.IND	-	-	-	-	-	-	-	-	27	-
M.T.S. Officine meccaniche S.p.A.	1,126	-	-	6	(3)	586	(11)	4	(755)	-
ICS Tech. S.r.l.	109	-	-	-	-	-	-	-	-	-
COMATEL	21	-	-	-	-	1	-	-	-	-
Triskell Conseil Partner	-	-	(126)	-	-	-	-	-	-	-
RX S.r.l.	-	-	-	-	(15)	-	-	-	-	-
Subtotal	**1,256**	**-**	**(141)**	**(6)**	**(21)**	**587**	**(11)**	**(29)**	**(730)**	**(186)**
Total	**7,510**	**(49)**	**(141)**	**66**	**5**	**3,766**	**(11)**	**(31)**	**(640)**	**(157)**

	30 June 2021					**31 December 2020**				
(Euro in thousands)	**Trade receivables**	**Current financial receivables**	**Non-current financial payables**	**Current financial payables**	**Trade payables**	**Trade receivables**	**Current financial receivables**	**Non-current financial payables**	**Current financial payables**	**Trade payables**
Associates:										
Locavert S.A.	61	-	-	-	-	27	-	-	-	-
R&E Contracting	-	-	-	-	-	-	-	-	-	-
Subtotal	**61**	**-**	**-**	**-**	**-**	**27**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	3,057	681	-	-	-	1,345	933	-	-	25

Tesmec Peninsula	44	1,948	-	1,011	54	12	1,887	-	1,214	-
Tesmec Saudi Arabia	2,010	2,007	-	-	-	-	-	-	-	-
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**5,111**	**5,430**	**-**	**1,011**	**54**	**1,357**	**3,614**	**-**	**1,214**	**25**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	31	-	-	-	-	22
Dream Immobiliare S.r.l.	-	77	-	-	1,388	-	77	-	-	1,240
Fi.ind.	-	-	-	-	-	25	-	-	-	11
TTC S.r.l.	-	-	-	-	90	-	-	-	-	16
M.T.S. Officine meccaniche S.p.A.	192	-	3,050	1	65	181	-	3,050	43	59
ICS Tech. S.r.l.	133	-	-	-	-	-	-	-	-	-
COMATEL	1	-	-	-	-	-	-	-	-	-
Triskell Conseil Partner	-	-	-	-	40	-	-	-	-	-
RX S.r.l.	-	-	213	1,439	126	-	-	213	1,531	92
Subtotal	**326**	**77**	**3,263**	**1,440**	**1,740**	**206**	**77**	**3,263**	**1,574**	**1,440**
Total	**5,498**	**5,507**	**3,263**	**2,451**	**1,794**	**1,590**	**3,691**	**3,263**	**2,788**	**1,465**

21. Legal and tax disputes

At the end of the reporting period, the Tesmec Group is party to a number of civil and tax disputes. With regard to civil disputes, the Group, based on the advice of its lawyers, considers that the possibility of losing these cases is possible or remote and therefore it has not set aside any provision in the financial statements for any liabilities arising from such disputes, in accordance with the accounting standards of reference that require the allocation of liabilities for probable and quantifiable risks.

The perimeter of assessment of the tax audits in progress described below is for a total amount of approximately Euro 3 million, with respect to which, with the support of the opinion of the tax consultants in charge, no provisions have been set aside in the financial statements.

After obtaining the final discharge of the amount paid by the arbitration award obtained at the CIETAC Chinese Commission for International Trade Arbitration in Beijing, the Company is proceeding with the recovery action before the ordinary Court of Beijing for the interest of Euro 491 thousand paid in the course of the proceedings. while the credit of Euro 1,506 thousand was collected already in 2020.

In April 2018, a debtor company notified the subsidiary Tesmec Rail, following the enforcement by the subsidiary of an court order not opposed by the debtor, for an amount of Euro 41 thousand, for a writ of summons before the Court of Bari, by virtue of which the debtor asked the judge to ascertain the termination of an alleged contract pending between the parties, requesting that Tesmec Rail be ordered to pay the sum of Euro 587 thousand for an invoice issued and not paid and as compensation for the alleged damage suffered, as well as legal costs; amounts and objections not contested and/or enforced in the proceedings opposing the injunction, which, moreover, was never formulated by the debtor company. The Group had not made any provision on the basis of the opinion expressed by the appointed lawyers, based on the lack of allegations in the introductory phase of the proceedings by the debtor company.

During June 2019, a tax audit by the Italian Inland Revenue Agency began in relation to the parent company Tesmec S.p.A. for the 2016 tax year, with reference to alleged capital losses not deductible for IRES and IRAP purposes. The report on findings reveals objections with respect to which the Company, in this, supported by the opinion of its tax consultants, it believes that its behavior is well founded and the relative risk of incurring liabilities is consequently assessed as merely possible.

In December 2020, the Parent Company received a notice of assessment relating to the 2015 tax year, with a total finding for IRES, IRAP and VAT purposes of Euro 20 thousand. The position was closed in court with the full payment of the petitum.

Following a tax audit on the 2015, 2016 and 2017 tax years, subsequently extended to the 2018 tax year, in December 2019 the subsidiary Groupe Marais received an assessment from the French tax authority mainly concerning the calculation of the R&D tax credit. In particular, the French tax authority contested the inherent nature mainly of the applicability of the tax relief regulations of the projects for a total amount of around Euro 500 thousand, which were used to justify the recognition of the tax credit. The subsidiary believes that it has correctly applied the tax regulations also in relation to the validations obtained at the time of the accrual of the tax credit and has appealed against this assessment, with the help of its tax advisors. The Company, supported in this by the opinion of its tax consultants, believes that its behavior is well founded and the relative risk of incurring liabilities is consequently assessed as merely possible.

22. Guarantees given, commitments and risks

Guarantees
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 103,141 thousand.

Commitments
At the date of this report, the main investments being made by the Group are as follows:
- investments concerning activities related to research and development projects following the approved business plan;
- the implementation of a single Group ERP (Enterprise Resource Planning, consisting of a system to control and manage all business processes), aimed at increasing the efficiency of business processes.

Risks
There are no additional risks to report other than those indicated in paragraph 21 Legal and Tax Disputes above.

23. Significant events occurred after the end of the period.

Among the events subsequent to the end of the half-year, the following are of note:

- on 20 July 2021, the parent company Tesmec S.p.A. signed a loan agreement with Intesa San Paolo S.p.A. of Euro 5 million. This loan has a duration of 6 years and expires on 30 June 2027. The floating interest rate was changed to fixed with an IRS contract signed on 20 July 2021 and is equal to 1.32%.

- on 29 July 2021, the parent company Tesmec S.p.A. signed a syndicated loan agreement of Euro 20 million with three banks: CdP (Cassa Depositi e Prestiti S.p.A.), Finlombarda S.p.A. and Banca del Mezzogiorno - Mediocredito Centrale S.p.A. This loan has a duration of 5 years, expiring on 2 August 2026, and bears a fixed annual interest rate of 2.75%, with a pre-amortisation period of one year.

Certification pursuant to Article 154-bis of Italian Legislative Decree no. 58/98

1. The undersigned Ambrogio Caccia Dominioni and Marco Paredi, 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 2021.

2. We also certify that:

2.1 The Interim condensed consolidated financial statements as at 30 June 2021:

   - 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, 5 August 2021

Mr. Ambrogio Caccia Dominioni	Mr. Marco Paredi
Chief Executive Officer	Manager responsible for preparing the Company's financial statements

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INDEPENDENT AUDITOR'S REPORT

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**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, 2021 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, 2021 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.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
August 11, 2021

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

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ATTRACTIVE TECHNOLOGIES

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