



**Half-year Consolidated
Financial Report
at 30 June 2022**

Investor Relator

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Tesmec S.p.A.

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Fully paid-up share capital as at 30 June 2022 Euro 15,702,162

Milan Register of Companies no. 314026

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TABLE OF CONTENTS

COMPOSITION OF THE CORPORATE BODIES.....	7
GROUP STRUCTURE.....	9
INTERIM CONSOLIDATED FINANCIAL REPORT	11
1. Introduction.....	12
2. Tesmec on the Stock Exchange Market	12
3. Macroeconomic Framework	13
4. Significant events during the period	14
5. Activity, reference market and operating performance for the first six months of 2022.....	16
6. Income statement	18
7. Summary of balance sheet figures as at 30 June 2022	21
8. Management and types of financial risks	23
9. Atypical and/or unusual and non-recurring transactions with related parties.....	24
10. Group Employees	24
11. Other information	24
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	27
Consolidated statement of financial position as at 30 June 2022 and as at 31 December 2021.....	28
Consolidated income statement for the half-year ended 30 June 2022 and 2021.....	30
Consolidated statement of comprehensive income for the half-year ended 30 June 2022 and 2021.....	31
Statement of consolidated cash flows as at 30 June 2022 and 2021.....	32
Statement of changes in consolidated shareholders' equity for the half-year ended 30 June 2022 and 2021.....	33
Explanatory notes.....	34
Certification pursuant to Article 154-bis of Italian Legislative Decree no. 58/98.....	55
INDEPENDENT AUDITOR'S REPORT	57

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 2024)

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 (*) Antongiulio Marti Nicola Iorio

(*) 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 2024)

Chairman	Simone Cavalli
Statutory auditors	Attilio Massimo Franco Marcozzi Laura Braga
Alternate auditors	Alice Galimberti Maurizio Parni

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 2024)

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 2024)

Chairman	Emanuela Teresa Basso Petrino
Members	Antongiulio Marti Simone Andrea Crolla

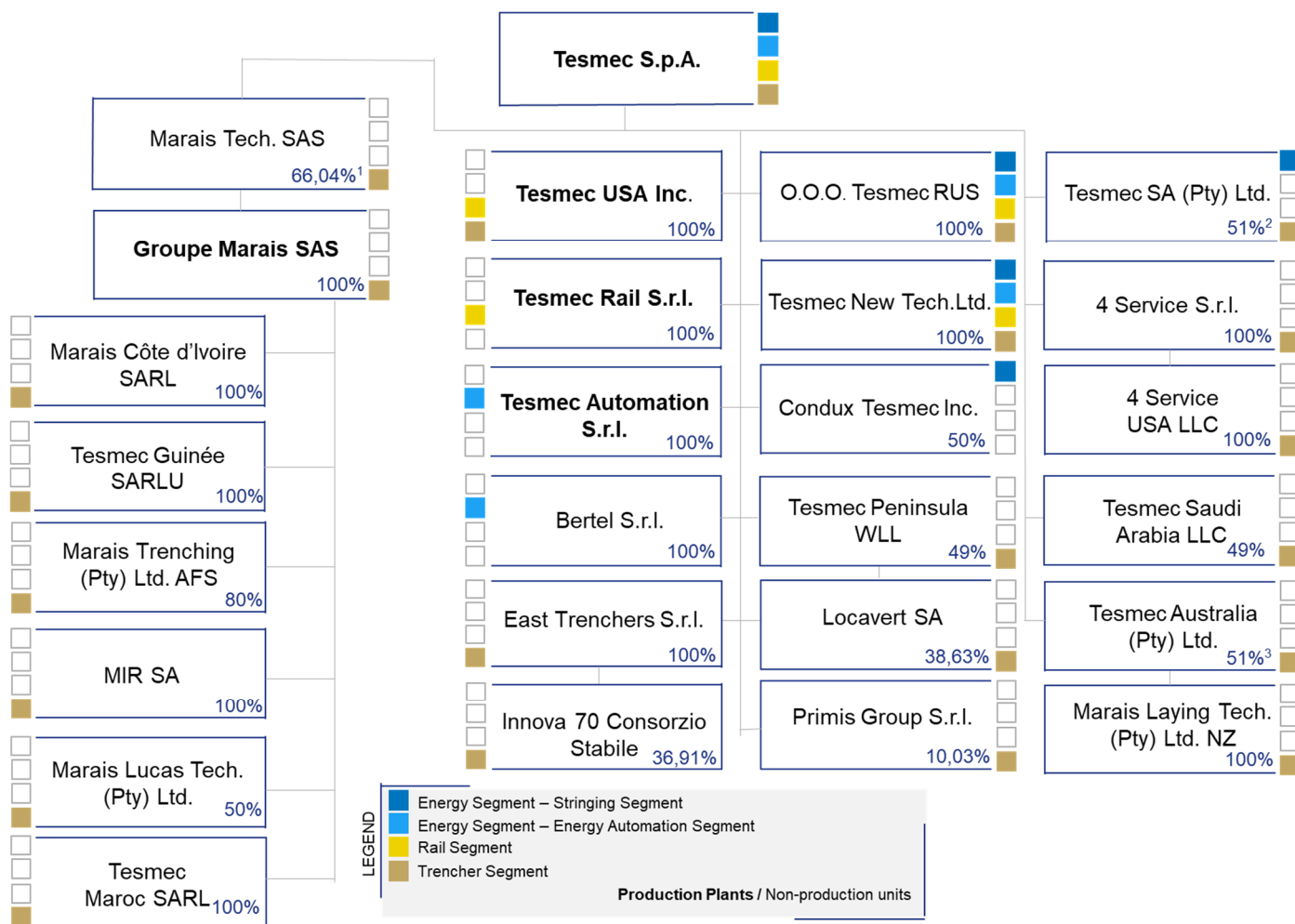
Lead Independent Director Paola Durante

Director in charge of the internal control and risk management system Ambrogio 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 line-by-line 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 line-by-line 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 line-by-line basis.

INTERIM CONSOLIDATED FINANCIAL REPORT

1. Introduction

The Parent Company Tesmec S.p.A. (hereinafter "Parent Company" or "Tescmec") 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 "Tescmec 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, 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), Sirono (Lecco) and Monopoli (Bari) in Italy, Alvarado (Texas) in the USA and Durtal in France. Furthermore, after the reorganisation of the Automation segment, 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, Côte d'Ivoire 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

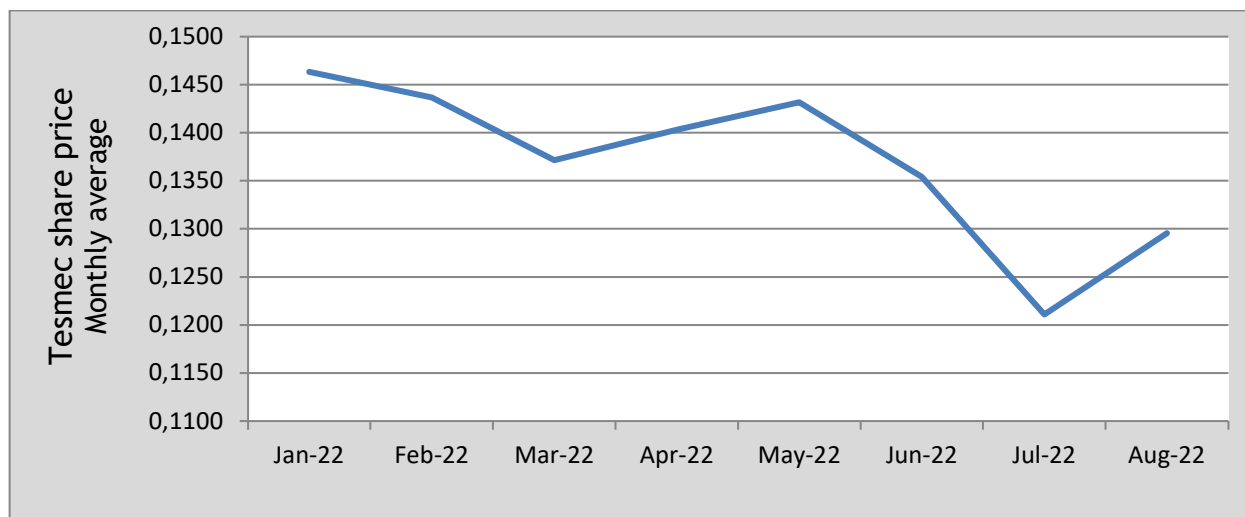
- high-efficiency crawler trenching machines for excavation with a set section for the construction of infrastructures for the transmission of data, raw materials and gaseous and liquid products in the various segments: energy, farming, chemical and public utilities;
- crawler trenching machines for 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. Tesmec on the Stock Exchange Market

As at 30 June 2022, the reference price of the Tesmec share was equal to Euro 0.1262 per share while market capitalisation as at 30 June 2022 amounted to Euro 76.5 million. At the date of this report, the reference price is Euro 0.1340 per share, and the capitalisation is approximately Euro 81.3 million. The following chart shows the listing price trend of the shares of the Parent Company from 1 January 2022 to 5 August 2022: Note that the book value of the consolidated shareholders' equity is higher than the market capitalisation at the reporting date. This circumstance represents an indicator of impairment of the assets owned by the Group, and therefore an impairment test was carried out in accordance with the relevant accounting standards when preparing this half-year report, as illustrated in the explanatory notes. As a result of the impairment test, no write-down was recognised.



Reference price as at 30 June 2022	0.1262
Reference price as at 5 August 2022	0.1340
Maximum price (27 January 2022) ¹	0.1878
Minimum Price (3 January 2022) ¹	0.1066

3. Macroeconomic Framework²

In the first half of 2022, the world economy continued to grow at a sustained pace, albeit, the economic situation has weakened in the main advanced countries since the first quarter of the year, initially because of the temporary worsening of the pandemic and then because of the consequences of Russia's invasion of Ukraine. The cyclical indicators point to downside risks for economic activity in most of the advanced and emerging economies. The latest forecasts of the international institutions for this year indicate a marked slowdown in the global economic cycle, according to the projections released in June by the OECD, growth in world GDP will be 3.0% in 2022, with a downward revision compared with last December's scenario. The repercussions of the war in Ukraine, difficulties in procuring commodities, bottlenecks in trade logistics and inflationary pressures are downward risks for all countries. Inflation has continued to rise, reaching the highest levels of the last forty years. The financial conditions on the international markets have worsened: share prices have fallen significantly, especially in the United States, and yields on long-term public sector securities have risen. The ban on oil imports and products from Russia has led to a rise in oil prices. The dollar has continued to appreciate against the euro, reaching parity in the first half of July, hitting its lowest level since the end of 2002.

The economic outlook of the Euro area continues to feel the effects of tensions connected with the conflict in Ukraine. Growth likely continued in the second quarter of the year at a moderate pace. Domestic demand is held back by the further rises in energy commodity prices and by the new procurement difficulties for firms. The prices of energy commodities have recorded exceptionally sharp increases, and this has affected inflation, which has reached new heights, in part pushed up by the prices of food products. The price of European natural gas rose suddenly upon the news of the reduction in gas flows from Russia to some European countries, to around 170 euro per megawatt hour in the first ten days of July. Consumer price inflation reached 8.6% per cent in June, and nearly two thirds of the new acceleration in prices is due to the energy component. The Eurosystem staff projections indicate that GDP will grow by 2.8% in 2022, and by 2.1% in the two following years, while euro-area price growth will reach 6.8% in 2022. Based on the new assessment of the outlook for the economy and for prices, the ECB Governing Council announced that it intends to proceed with an initial increase in the official interest rates in July and expects a further increase in September. Under the Recovery and Resilience Facility, the assessments of the achievement of the milestones and targets set by the national plans are continuing. The Commission updated the calculation of the maximum grant allocation that can be disbursed to each country and the figure has remained essentially unchanged at about 69 billion euro for Italy. The Commission also proposed that Member States include the interventions to achieve targets linked to REPowerEU in their

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

² Source: Bank of Italy - Economic Bulletin, Issue 3/2022 - July.

national recovery and resilience plans; this is the programme for reducing energy dependence on Russia and accelerating the green transition.

Following barely positive growth in the first quarter, GDP in Italy likely accelerated in the spring quarter, underlining its overall resilience against the backdrop of heightened uncertainty over the developments in the invasion of Ukraine, persistent supply chain difficulties, and sharp rises in food and energy prices. Economic activity appears to have accelerated in the second quarter, despite the rise in energy costs and the persistent difficulties in sourcing intermediate inputs, and industrial production likely grew by about 1.5%. Since mid-2021, consumer price inflation has increased sharply in Italy, as in the rest of the euro area, exceeding 8% driven by the rise in energy prices. The increase in costs along the entire supply chain and agricultural production problems arising from drought conditions drove up food prices. The consequent erosion of households' purchasing power has been mitigated by a series of government measures. The reduction in tariffs, the social welfare bonus for users of electricity and gas and the temporary cut in fuel taxes should sustain households' disposable income and increase their capacity to face the price rises. The growth in contractual wages remained subdued, despite the inflationary pressures. The use of wage supplementation schemes continued to decrease and the number of people employed rose slowly, translating into a reduction in the unemployment rate. The latest surveys of banks in Italy point to a slight tightening in their credit supply policies standards for firms, while those for households relaxed somewhat.

In line with the budget variance authorized by Parliament last April, the Government issued new measures for the primary purpose of softening the impact of rising energy commodity prices on households' and firms' budgets. At the same time, to partially cover the costs of these measures, it expanded the extraordinary tax on energy companies' profits. The Government also announced that it had achieved the milestones and targets set by the National Recovery and Resilience Plan (NRRP) for the first half of the year. A request was submitted to the European Commission for the disbursement of the second instalment of NRRP funds (21 billion euro in grants and loans, net of repayment of a portion of the pre-financing received in 2021). The Commission announced that the general escape clause for the EU countries will be extended through 2023. The clause, while not suspending the actual functioning of the Stability and Growth Pact, permits deviations from the customary adjustment path toward the medium-term budgetary objective and a redefinition of the deadlines recommended for correcting situations of excessive deficit or debt.

In perspective, the macroeconomic outlook is heavily influenced by the duration and intensity of the war in Ukraine and the effects on the Italian economy in the coming years remain highly uncertain. In the baseline scenario, prepared by Bank of Italy's experts, it can be assumed that the conflict will drag on through all of 2022 and that its impact on commodity prices will gradually lessen starting next year. GDP is expected to increase by 3.2% in 2022, 1.3% in 2023, and 1.7% in 2024. Inflation is projected to fall from 7.8% in 2022 to 4.0% and 2.0%, respectively, in 2023 and 2024. In an alternative, more adverse, scenario, the repercussions of a heightening of the tensions caused by the war would lead to a total ban on energy commodities from Russia for twelve months. The resulting erosion in the carryover effect for this year is expected to bring GDP growth below 1% in 2022 and to lead to a contraction of almost 2 percentage points next year; positive growth will likely only resume in 2024. Inflation is projected to reach 9.3% per cent in 2022 and remain high at 7.4% per cent in 2023 as well, decreasing markedly only in 2024. The scenario does not include possible economic policy responses that could be adopted to mitigate the impact of the assumed developments on households and firms.

4. Significant events during the period

The significant events occurred during the period are reported below:

- on 24 February 2022, with the beginning of the Russian-Ukrainian conflict, Tesmec took all necessary actions to mitigate the impact of this conflict and therefore limited its operations on the Russian territory while preserving the operation of the branch and its essentially commercial management. However, note that the conflict brought further tension and uncertainty to the markets, exacerbating the increase in energy and commodity prices. In relation to the specific emerging uncertainties regarding operations in Russia, note that Tesmec, over the years, has developed a commercial presence and service offering through the subsidiary O.O.O. Tesmec RUS, which, due to its commercial essence, does not have fixed assets and, consequently, is not exposed to their risk of impairment. In fact, the Group, as part of its well-established offering of products and services, developed specific solutions and technologies for the territory that nevertheless make a limited contribution to consolidated turnover in the last financial year 2021 (around 2%). Nevertheless, the Tesmec management team is constantly monitoring the situation in order to be able to make assessments on the future operations of the Russian subsidiary in full compliance with EU and international rules (with respect to which there are no relations with sanctioned parties) and believes it can maintain a minimum level of operations, despite the unfavourable geopolitical and currency context, thanks to the execution of some orders in progress without, however, this slowdown in operations determining significant impacts for the Group on the 2022 result and the 2022-2024 Plan lines. The value of net assets attributable to operations in Russia totalled a loss of about Euro 0.8 million, including an exposure to the Group's Italian companies of around Euro 3.4 million;

- on 13 April 2022, the subsidiary Tesmec Rail S.r.l. definitively acquired the business unit that was managed on a lease basis by the company Advanced Measuring Group S.r.l. (AMG) since July 2019. As this transaction had already been originally accounted for in accordance with IFRS 3, the outright acquisition will have no significant impact on the Group's statement of financial position.

On the same date, the Tesmec Rail S.r.l. Shareholders' Meeting approved the distribution of the 2021 dividends for the amount of Euro 1 million. The dividend was paid on 15 April 2022;

- on 21 April 2022, the Ordinary Shareholders' Meeting of Tesmec S.p.A. met electronically in a single call and approved the Financial Statements as at 31 December 2021 and the allocation of the Net Profit. During the Shareholders' Meeting, the Consolidated Financial Statements as at 31 December 2021 of the Tesmec Group and the related reports were presented, including the Consolidated Non-Financial Statement.

The Shareholders' Meeting also resolved favourably on the First Section of the Report on Remuneration and remuneration paid pursuant to article 123-ter of Italian Legislative Decree no. 58/1998 and article 84-quater of Consob Regulation no. 11971/1999 and authorised also the Board of Directors, for a period of 18 months, to purchase, on the regulated market, ordinary shares of Tesmec until 10% of the share capital of the Company and within the limits of the distributable profits and of the available reserves resulting from the last financial statements duly approved by the Company or the subsidiary company making the purchase.

The authorisation also includes the right to dispose of (in whole or in part and also in several times) the shares in the portfolio subsequently, even before having exhausted the maximum number of shares purchasable and to possibly repurchase the shares to the extent that the treasury shares held by the Company and, if necessary, by its subsidiaries, do not exceed the limit established by the authorisation. The quantity and the price at which transactions will be made will comply with the operating procedures laid down by the regulations.

Today's authorisation replaces the last authorisation resolved by the Shareholders' Meeting on 22 April 2021 and expiring in October 2022. The resolution concerning authorisation to purchase treasury shares was passed with the favourable vote of the majority of the Tesmec shareholders at the shareholders' meeting other than the majority shareholder and therefore, pursuant to Article 44-bis of the Issuers' Regulation, the shares that the Issuer will purchase in executing this resolution will be included in the share capital of the Issuer, on which the significant equity investment for the purpose of Article 106, paragraphs 1, 1-bis, 1-ter and 3 letter b) of the TUF will be calculated;

- on 21 April 2022, the Shareholders' Meeting of Tesmec S.p.A. resolved to:
 - appoint the new Board of Directors that will remain in office until the shareholders' meeting that will be called to approve the financial statements for the year ended 31 December 2024, composed of Gianluca Bolelli, Caterina Caccia Dominioni, Lucia Caccia Dominioni, Paola Durante, Simone Andrea Crolla, Emanuela Teresa Basso Petrino, Guido Luigi Traversa, Antongiulio Marti and Nicola Iorio as well as Ambrogio Caccia Dominioni, who was confirmed as Chairman of the Board of Directors;
 - appoint the new Board of Statutory Auditors that will also remain in office until the shareholders' meeting that will be called to approve the 2024 financial statements, composed of the Statutory Auditors Simone Cavalli (Chairman), Laura Braga and Attilio Massimo Franco Marcozzi and by the Alternate Auditors Maurizio Parni and Alice Galimberti;

- on 21 April 2022, the Board of Directors confirmed Ambrogio Caccia Dominioni as Chief Executive Officer and Gianluca Bolelli as Vice Chairman.

The Board of Directors decided to appoint:

- the directors Emanuela Teresa Basso Petrino (Chairman), Simone Andrea Crolla and Guido Traversa as members of the Control and Risk, Sustainability and Related Parties Transactions Committee;
 - the directors Emanuela Teresa Basso Petrino (Chairman), Antongiulio Marti and Caterina Caccia Dominioni as members of the new Remuneration and Appointments Committee;
 - the Chief Executive Officer Ambrogio Caccia Dominioni as director in charge of the internal control and risk management system and, subordinately, the Vice Chairman Gianluca Bolelli;
 - the Independent Director Paola Durante as Lead Independent Director;
- on 30 May 2022, 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 16 June 2022, the Board of Directors resolved to change the composition of the Remuneration and Appointments Committee in order to ensure maximum compliance with the recommendations of the Corporate Governance Code of Borsa Italiana S.p.A.

The Remuneration and Appointments Committee is composed as follows:

- Emanuela Teresa Basso Petrino as Chairman;
 - Antongiulio Marti;
 - Simone Andrea Crolla;
- on 29 June 2022, Tesmec officially became part of the special register of historical trademarks of national interest established by the Italian Ministry of Economic Development.

5. Activity, reference market and operating performance for the first six months of 2022

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 2022. The following table shows the Group's major economic and financial indicators as at June 2022 compared with the same period of 2021 and with 31 December 2021.

OVERVIEW OF RESULTS		
30 June 2021	Key income statement data (Euro in millions)	30 June 2022
96.9	Operating Revenues	113.3
13.7	EBITDA	18.7
2.9	Operating Income	8.0
1.1	Group Net Profit	7.9
932	Number of employees	945
31 December 2021	Key financial position data (Euro in millions)	30 June 2022
193.7	Net Invested Capital	216.6
72.6	Shareholders' Equity	83.5
121.0	Group net financial indebtedness	133.1
121.3	ESMA Net financial indebtedness	133.1
22.9	Net investments in property, plant and equipment, intangible assets and rights of use	9.7

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:

Subsidiaries

- 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 segment. In the first six months, it generated revenues of Euro 16,834 thousand.
- Tesmec Rail S.r.l., a 100% subsidiary of Tesmec S.p.A., operates in the Rail segment. During the first six months, the company continued production activities related to contracts in progress, recording revenues of Euro 22,885 thousand.
- Marais Technologies SAS, with registered office in Durtal (France), a company 66.04% owned by Tesmec S.p.A. and 33.96% by Simest S.p.A. (with option to repurchase this interest for Tesmec S.p.A. as at 22 December 2023). The French company, acquired on 8 April 2015, is the holding company of an international group, leader in rental services

and construction of machines for infrastructures in telecommunications, electricity and gas. During the first half of 2022, the Group generated revenues totalling Euro 30,469 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 8,125 thousand.
- Tesmec Automation S.r.l., a wholly-owned subsidiary of 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 7,888 thousand;
- 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.). During the financial period, the company generated revenues of Euro 423 thousand.

Joint Ventures

- 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 4,731 thousand;
- Tesmec Peninsula WLL, a joint venture that is 49% owned by Tesmec S.p.A. based in Doha (Qatar), is active in the business of renting and selling trenchers in the Middle Eastern market. The company has been consolidated using the equity method and during the 2022 financial period generated revenues totalling Euro 150 thousand;
- Tesmec Saudi Arabia LLC, a joint venture that is 49% owned by Tesmec S.p.A. based in Ryad (Saudi Arabia), is active in the business of renting and selling trenchers in the market of the Arabian Peninsula. The company has been consolidated using the equity method and during the 2022 financial period generated revenues totalling Euro 566 thousand.

5.1 Activity, market and trend of O.O.O. Tesmec RUS

O.O.O. Tesmec RUS, a wholly-owned company of Tesmec S.p.A., based in Moscow (Russia), over the years, has developed a commercial presence and service offering mainly for the Energy segment. In this regard, the Group, as part of its well-established offering of products and services, developed specific solutions and technologies for the territory that nevertheless make a limited contribution to consolidated turnover in the last financial year 2021 (around 2%). With regard to recent events and the consequent sanctions and restrictions on commercial operations with Russia, Tesmec's management team is constantly monitoring the situation in order to be able to make assessments on the future operations of the Russian subsidiary in full compliance with EU and international rules (with respect to which there are no relations with sanctioned parties). Despite the slowdown recorded in the half-year due to the situation of uncertainty caused by the war conflict, the Group intends to guarantee the continuity of its subsidiary's operations, always in full compliance with current national and international regulations, and therefore believes that it will be able to maintain a minimum level of operations in the very short term, despite the unfavourable geopolitical and currency context, thanks to the execution of certain orders in progress without, however, this slowdown in operations in Russia having a significant impact on the Group's 2022 result and the 2022-2024 Plan lines. Moreover, the current situation requires management to make an assessment in terms of the recoverability of the investment in Russia and the subsidiary's own net assets. In this regard, note that Tesmec, over the years, has developed a commercial presence and service offering through the subsidiary O.O.O. Tesmec RUS, which, due to its commercial essence, does not have fixed assets and, consequently, is not exposed to their risk of impairment. The value of net assets attributable to operations in Russia totalled a loss of about Euro 0.8 million, including an exposure of the Russian subsidiary to the Group's Italian companies of around Euro 3.4 million. As a result of the specific impairment test for the CGU related to the Russian market, no write-down was recognised owing to the absence of significant fixed assets, while the working capital items were assessed as fully recoverable considering the subsidiary's current operations and the confirmed reliability of the commercial counterparties with which the Group operates.

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 statement of financial position.
- Group net financial indebtedness: this is a good indicator of the Tesmec Group's financial structure. It is calculated as the sum of cash and cash equivalents, current financial assets, non-current financial liabilities (including right-of-use liabilities) and fair value of hedging instruments.
- Net financial indebtedness pursuant to ESMA 32-382-1138 communication: it corresponds to the Group's net financial indebtedness as defined above and also includes trade payables and other non-current payables, which have a significant implicit or explicit financing component (e.g. trade payables with a maturity of more than 12 months), and any other non-interest-bearing loans (as defined in the "Guidelines on disclosure requirements under the Prospectus Regulation" published by ESMA on 4 March 2021 with the "ESMA32- 382-1138" document and incorporated by Consob in its communication 5/21 of 29 April 2021).

6.2 Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 June 2022 with those as at 30 June 2021.

The main accounting figures for the first six months of 2022 and 2021 are presented in the table below:

<i>(Euro in thousands)</i>	Half-year ended 30 June			
	2022	% of revenues	2021	% of revenues
Revenues from sales and services	113,254	100.0%	96,902	100.0%
Cost of raw materials and consumables	(43,648)	-38.5%	(39,434)	-40.7%
Costs for services	(22,131)	-19.5%	(16,652)	-17.2%
Payroll costs	(29,845)	-26.4%	(27,340)	-28.2%
Other operating costs/revenues, net	(3,455)	-3.1%	(2,573)	-2.7%
Amortisation and depreciation	(10,702)	-9.4%	(10,861)	-11.2%
Development costs capitalised	4,636	4.1%	3,138	3.2%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(84)	-0.1%	(317)	-0.3%
Total operating costs	(105,229)	-92.9%	(94,039)	-97.0%
Operating income	8,025	7.1%	2,863	3.0%
Financial expenses	(6,045)	-5.3%	(5,394)	-5.6%
Financial income	9,355	8.3%	4,209	4.3%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	48	0.0%	78	0.1%
Pre-tax profit/(loss)	11,383	10.1%	1,756	1.8%

Income tax	(3,502)	-3.1%	(732)	-0.8%
Profit/(loss) for the period	7,881	7.0%	1,024	1.1%
Profit/(loss) attributable to non-controlling interests	(1)	0.0%	11	0.0%
Group profit/(loss)	7,882	7.0%	1,013	1.0%

Revenues

Total revenues as at 30 June 2022, compared to the corresponding period of the previous year, recorded an increase of 16.9%.

<i>(Euro in thousands)</i>	Half-year ended 30 June				2022 vs 2021
	2022	% of revenues	2021	% of revenues	
Sales of products	70,907	62.61%	62,317	64.31%	8,590
Services rendered	30,021	26.51%	26,685	27.54%	3,336
Changes in work in progress	12,326	10.88%	7,900	8.15%	4,426
Total revenues from sales and services	113,254	100.00%	96,902	100.00%	16,352

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 70.3% and, in particular, in non-EU countries. The revenue analysis by area is indicated below, comparing the first half of 2022 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 North and Central America. 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.

<i>(Euro in thousands)</i>	Half-year ended 30 June			
	2022	% change	2021	% change
Italy	33,683	29.7%	21,163	21.8%
Europe	23,129	20.4%	29,348	30.3%
Middle East	10,657	9.4%	8,451	8.7%
Africa	5,301	4.7%	5,231	5.4%
North and Central America	21,759	19.2%	13,834	14.3%
BRIC and Others	18,725	16.5%	18,875	19.5%
Total revenues	113,254	100.00%	96,902	100.00%

Operating costs net of depreciation and amortisation

Operating costs net of depreciation and amortisation as at 30 June 2022, compared to the corresponding period of the previous year, recorded an increase of 13.6%.

<i>(Euro in thousands)</i>	Half-year ended 30 June			
	2022	2021	2022 vs 2021	% change
Cost of raw materials and consumables	(43,648)	(39,434)	(4,214)	10.7%
Costs for services	(22,131)	(16,652)	(5,479)	32.9%
Payroll costs	(29,845)	(27,340)	(2,505)	9.2%
Other operating costs/revenues, net	(3,455)	(2,573)	(882)	34.3%
Development costs capitalised	4,636	3,138	1,498	47.7%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(84)	(317)	233	-73.5%
Operating costs net of depreciation and amortisation	(94,527)	(83,178)	(11,349)	13.6%

The table shows an increase in operating costs net of depreciation and amortisation of Euro 11,349 thousand (13.6%) lower than the increase in sales (16.9%).

In particular, cost of raw materials and consumables increased by Euro 4,214 thousand mainly due to an economic scenario characterised by difficulties in finding materials and increased purchase prices; however, in percentage terms the item has a lower impact due to a higher margin sales mix.

Payroll costs increased by Euro 2,505 thousand, but had a lower impact in percentage terms due to the higher margins realised.

Finally, the item related to development costs capitalised increased by Euro 1,498 thousand, mainly due to diagnostic projects related to the rail segment, where a new innovative vehicle is being developed.

EBITDA

In terms of margins, EBITDA amounted to Euro 18,727 thousand, up on the figure recorded in the first half of 2021 when it was equal to Euro 13,724 thousand.

A restatement of the income statement figures representing the performance of EBITDA is provided below:

<i>(Euro in thousands)</i>	Half-year ended 30 June				
	2022	% of revenues	2021	% of revenues	2022 vs 2021
Operating income	8,025	7.1%	2,863	3.0%	5,162
+ Amortisation and depreciation	10,702	9.4%	10,861	11.2%	(159)
EBITDA	18,727	16.5%	13,724	14.2%	5,003

Financial Management

<i>(Euro in thousands)</i>	Half-year ended 30 June			
	2022	2021	2022 vs 2021	% change
Net financial income/expenses	(2,432)	(2,373)	(59)	2.49%
Foreign exchange gains/losses	5,310	1,138	4,172	366.61%
Fair value adjustment of derivative instruments on exchange rates	432	50	382	764.00%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	48	78	(30)	-38.46%
Total net financial income/expenses	3,358	(1,107)	4,465	-403.3%

The net financial management increased compared to the same period in the previous financial year by a total of Euro 4,465 thousand, with the main changes reported:

- improvement of Euro 4,172 thousand due to the different exchange rate trend in the two periods of reference that resulted in the recording of net profit totalling Euro 5,310 thousand in the first half of 2022 (Euro 827 thousand realised and Euro 4,483 thousand unrealised) against a net profit of Euro 1,138 thousand in the first half of 2021;
- improvement in the fair value adjustment of derivative financial instruments of Euro 382 thousand.

6.3 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 30 June 2022 compared to those as at 30 June 2021, broken down into three operating segments.

<i>(Euro in thousands)</i>	Half-year ended 30 June				
	2022	% of revenues	2021	% of revenues	2022 vs 2021
Energy	23,629	20.9%	23,517	24.3%	112
Trencher	66,577	58.8%	58,879	60.8%	7,698

Rail	23,048	20.4%	14,506	15.0%	8,542
Total Revenues	113,254	100.0%	96,902	100.0%	16,352

In the first six months of 2022, the Group consolidated revenues of Euro 113,254 thousand, with an increase of Euro 16,352 thousand (equal to 16.9%) compared to Euro 96,902 thousand in the same period of the previous year.

The Rail segment recorded revenues of Euro 23,048 thousand, with an increase of 58.9% compared to the corresponding period of the previous year, when they amounted to Euro 14,506 thousand. The growth confirms the strengthening of the business generated by higher value-added projects related to diagnostic products and by the projects generated outside of national boundaries, with a consequent improvement in the product mix.

The turnover of the Trencher segment as at 30 June 2022 was Euro 66,577 thousand, with an increase of 13.1% compared to Euro 58,879 thousand as at 30 June 2021. The result is positively impacted by the American market recovery and more in general to the launch of development and recovery plans in the countries where the Group operates and in spite of an economic scenario characterized by difficulties in finding materials (which led to the need to build up an adequate strategic stock), the availability of transport by ship and the increase in purchase prices (not fully recovered at the level of sales prices but in any case offset at the mix level).

With reference to the Energy segment, revenues were Euro 23,629 thousand, with an increase of 0.5% compared to Euro 23,517 thousand as at 30 June 2021. In particular, the Energy-Automation segment achieved revenues of Euro 7,568 thousand, compared to Euro 7,458 thousand as at 30 June 2021. Growth in this sector is also confirmed in the year, but slowing down compared to initial estimates due to the difficulties in finding electronic components and semiconductors from the Far East.

EBITDA by segment

The tables below show the income statement figures as at 30 June 2022 compared to those as at 30 June 2021, broken down into three operating segments:

<i>(Euro in thousands)</i>	Half-year ended 30 June				
	2022	% of revenues	2021	% of revenues	2022 vs 2021
Energy	3,647	15.4%	3,738	15.9%	(91)
Trencher	8,959	13.5%	7,463	12.7%	1,496
Rail	6,121	26.6%	2,523	17.4%	3,598
EBITDA	18,727	16.5%	13,724	14.2%	5,003

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

- Rail: improvement in EBITDA from Euro 2,523 thousand in the first half of 2021 to Euro 6,121 thousand in 2022, it is attributable to the resumption of full operations in the sector as described in the previous paragraph, as well as to a strong improvement in the mix, now more oriented towards solutions with greater added value;
- Trencher: EBITDA increased from Euro 7,463 thousand as at 30 June 2021 to Euro 8,959 thousand as at 30 June 2022. This improvement is the result of an improvement in the mix and an initial contribution from the depreciation of the Euro, which together have more than offset the inflationary effect on raw materials and semi-finished products, the latter as already mentioned not entirely reflected in sales prices;
- Energy: EBITDA increased from Euro 3,738 thousand as at 30 June 2021 to Euro 3,647 thousand as at 30 June 2022, with values substantially aligned both in absolute and relative terms.

7. Summary of balance sheet figures as at 30 June 2022

Information is provided below on the Group's main equity indicators as at 30 June 2022 compared to 31 December 2021. In particular, the table shows the reclassified funding sources and uses from the consolidated balance sheet as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	As at 30 June 2022	As at 31 December 2021
USES		
Net working capital	98,135	76,536
Fixed assets	103,868	102,946
Other long-term assets and liabilities	14,561	14,172
Net invested capital	216,564	193,654
SOURCES		
Net financial indebtedness	133,107	121,012
Shareholders' equity	83,457	72,642
Total sources of funding	216,564	193,654

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	As at 30 June 2022	As at 31 December 2021
Trade receivables	68,719	54,392
Work in progress contracts	20,947	15,691
Inventories	91,819	81,293
Trade payables	(64,913)	(55,966)
Other current assets/(liabilities)	(18,437)	(18,874)
Net working capital	98,135	76,536

Net working capital amounted to Euro 98,135 thousand, marking an increase of Euro 21,599 thousand (equal to 28.2%) compared to 31 December 2021. This trend was mainly due to the increase in "Inventories" of Euro 10,526 thousand (equal to 12.9%) due to a greater use of strategically indispensable supply to cope with the expected growth in turnover in the second half of the year, as well as the need to secure inventories in anticipation of price increases and supply problems of "Trade receivables" of Euro 14,327 thousand (equal to 26.3%), offset by the increase in "Trade payables" of Euro 8,947 thousand (equal to 16.0%).

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	As at 30 June 2022	As at 31 December 2021
Intangible assets	26,002	23,896
Property, plant and equipment	47,072	47,607
Rights of use	22,321	23,352
Equity investments in associates	8,450	8,088
Other equity investments	23	3
Fixed assets	103,868	102,946

Total *fixed assets* recorded a net increase of Euro 922 thousand due to the increase in "Intangible assets" of Euro 2,106 thousand offset by the decrease in "Rights of Use" of Euro 1,031 thousand.

C) Net financial indebtedness

The table below shows a breakdown of "Net financial indebtedness" as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	As at 30 June 2022	<i>of which with related parties and group</i>	As at 31 December 2021	<i>of which with related parties and group</i>
Cash and cash equivalents	(33,405)		(50,189)	
Current financial assets	(17,815)	(9,866)	(16,777)	(9,270)
Current financial liabilities	70,022	4,759	59,220	2,620
Current financial liabilities from rights of use	7,232		6,484	
Current portion of derivative financial instruments	105		50	
Current financial indebtedness	26,139	(5,107)	(1,212)	(6,650)
Non-current financial liabilities	89,337	-	104,166	3,263
Non-current financial liabilities from rights of use	17,631		18,009	
Non-current portion of derivative financial instruments	-		49	
Trade payables and other non-current payables	-		254	
Non-current financial indebtedness	106,968	-	122,478	3,263
Net financial indebtedness pursuant to ESMA 32-382-1138 communication	133,107	(5,107)	121,266	(3,387)
Trade payables and other non-current payables	-		(254)	
Group net financial indebtedness	133,107	(5,107)	121,012	(3,387)

In the first six months of 2022, the Group's net financial indebtedness increased by Euro 12,095 thousand compared to the figure at the end of 2021, to service the increase in net working capital. The net financial indebtedness before the application of IFRS 16, as at 30 June 2022, amounted to Euro 108,244 thousand.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 27,351 thousand due to the:
 - decrease in cash and cash equivalents and current financial assets of Euro 15,746 thousand;
 - increase in current financial liabilities of Euro 10,802 thousand, mainly due to the short-term reclassification of the short-term portions of medium/long-term loans to current financial liabilities, including the loan obtained in 2020 from the related parties TTC S.r.l. and MTS-Officine Meccaniche di Precisione S.p.A. of Euro 3,263 thousand due in 2023;
- decrease in medium/long-term financial indebtedness of Euro 15,510 thousand related to the reclassification in current financial indebtedness of the short-term portions of medium/long-term loans.

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 loan agreement of the subsidiary Tesmec USA, Inc. provides for financial covenants to be calculated quarterly on local financial statement figures combined of the American subsidiaries of the Group. As at 30 June 2022, these parameters were met.

8. Management and types of financial risks

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 2021, 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 of 2022, including employees of fully consolidated companies, is 945 compared to 932 in the first half of 2021.

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 28 July 2022, Tesmec signed a loan agreement of Euro 10 million with Ver Capital. This loan has a duration of 6 years expiring on 3 August 2028, and bears an annual floating rate equal to the average of the 3-month and 6-month Euribor plus a 5.00% spread, with a pre-amortisation period of 3 years;
- on 1 August 2022, the subsidiary Tesmec Automation S.r.l. received the report on findings (PVC) from the Italian Inland Revenue at the end of the tax audit for the tax year 2018. The inspectors challenged the Company's undue utilisation of R&D credits totalling Euro 1.1 million. The Company believes that it has operated correctly and has mandated its consultants to analyse the documentation and produce their own counterclaims.

Business outlook

The first half of 2022 saw a recovery in economic activities and at the same time a constant and significant increase in the inflation rate, the latter mainly due to the difficulties in the supply chains, the Russian-Ukrainian conflict and the increases recorded in the energy and raw material. Major central banks, including the Federal Reserve, have planned and/or implemented restrictive monetary policies by reducing liquidity injections into the economic and financial system and periodically increasing interest rates in order to contain inflation. Given the current macro-economic context and monetary policies, the growth expectations of the global economy have been revised downwards, but always recovering given the pursuit of national plans to support the development of infrastructure projects, energy transition and digitalization.

In the light of the above and on the basis of the consolidation of the reference businesses and the results recorded in the first half, the Tesmec Group confirms the forecasts for the year 2022, already provided to the market on 10 May: consolidated turnover exceeding Euro 240 million, EBITDA percentage higher than 16% and reduction of Net Financial Debt. The Trencher sector continues its strengthening on the American and Middle Eastern market, taking advantage of the trend generated by the reference industrial sectors and in the second half of the year, it expects the resumption of mining activities in the African countries in which it operates. The Rail sector continues its process of geographic diversification and proposition of technologies with higher added value, while the Energy sector confirms its path of strengthening in geographic areas with a higher technological content and with a range of integrated solutions with higher margins.

Tesmec Group confirms its guidelines for the 2020-2023 Plan supported by the performance of the first half and by the current activities. Tesmec is active in sectors that are benefiting from new investments and development policies aimed at strengthening the key infrastructures of the main countries. The Group's business is concentrated in strategic sectors that are extremely lively and have significant growth prospects. In details, huge investments are planned in the Trencher segment to strengthen telecommunications networks and digitalization in addition to strong development in the mining sector. The Rail segment is benefiting from a significant increase in investments to reduce traffic congestion of road vehicles and increase sustainable mobility, as well as for the maintenance of lines with the aim of ensuring the safety of rail transport. In the Energy segment, the transition to the use of renewable energy sources is confirmed, with the power lines being adapted to the new requirements.

The above objectives were developed according to the logic that there is no worsening of the macroeconomic conditions or a drift in the Russian-Ukrainian conflict.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of financial position as at 30 June 2022 and as at 31 December 2021

<i>(Euro in thousands)</i>	Notes	30 June 2022	31 December 2021
NON-CURRENT ASSETS			
Intangible assets	6	26,002	23,896
Property, plant and equipment	7	47,072	47,607
Rights of use	8	22,321	23,352
Equity investments in associates evaluated using the equity method		8,450	8,088
Other equity investments		23	3
Financial receivables and other non-current financial assets		6,049	6,821
Derivative financial instruments	16	447	10
Deferred tax assets		16,450	15,839
Non-current trade receivables		2,845	1,761
Other non-current assets		1,266	1,266
TOTAL NON-CURRENT ASSETS		130,925	128,643
CURRENT ASSETS			
Work in progress contracts	9	20,947	15,691
Inventories	10	91,819	81,293
Trade receivables	11	68,719	54,392
<i>of which with related parties:</i>	<i>11</i>	<i>4,252</i>	<i>3,510</i>
Tax receivables		2,090	1,782
Other available-for-sale securities	16	-	2
Financial receivables and other current financial assets	12	17,815	16,775
<i>of which with related parties:</i>	<i>12</i>	<i>9,866</i>	<i>9,270</i>
Other current assets		12,477	9,365
Derivative financial instruments	16	54	-
Cash and cash equivalents		33,405	50,189
TOTAL CURRENT ASSETS		247,326	229,489
TOTAL ASSETS		378,251	358,132
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	13	15,702	15,702
Reserves/(deficit)	13	59,794	55,670
Group net profit/(loss)	13	7,882	1,195
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		83,378	72,567
Capital and reserves/(deficit) attributable to non-controlling interests		80	61
Net profit/(loss) for the period attributable to non-controlling interests		(1)	14
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		79	75
TOTAL SHAREHOLDERS' EQUITY		83,457	72,642
NON-CURRENT LIABILITIES			
Medium/long-term loans	14	86,848	100,439
<i>of which with related parties:</i>	<i>14</i>	<i>-</i>	<i>3,263</i>
Bond issue		2,489	3,727
Non-current financial liabilities from rights of use		17,631	18,009
Derivative financial instruments	16	-	49
Employee benefit liability		3,691	4,564

Deferred tax liabilities		8,341	6,707
Provisions for risks and charges		464	-
Other long-term liabilities		-	254
TOTAL NON-CURRENT LIABILITIES		119,464	133,749
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	15	67,548	56,753
<i>of which with related parties:</i>	15	4,759	2,620
Bond issue		2,474	2,467
Current financial liabilities from rights of use		7,232	6,484
Derivative financial instruments	16	159	50
Trade payables		64,913	55,966
<i>of which with related parties:</i>		1,238	1,310
Advances from customers		3,338	2,194
Income taxes payable		3,408	2,051
Provisions for risks and charges		3,331	3,171
Other current liabilities		22,927	22,605
TOTAL CURRENT LIABILITIES		175,330	151,741
TOTAL LIABILITIES		294,794	285,490
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		378,251	358,132

Consolidated income statement for the half-year ended 30 June 2022 and 2021

<i>(Euro in thousands)</i>	Notes	Half-year ended 30 June	
		2022	2021
Revenues from sales and services	17	113,254	96,902
<i>of which with related parties:</i>	17	4,086	7,510
Cost of raw materials and consumables		(43,648)	(39,434)
<i>of which with related parties:</i>		(8)	(49)
Costs for services		(22,131)	(16,652)
<i>of which with related parties:</i>		(17)	(141)
Payroll costs		(29,845)	(27,340)
Other operating costs/revenues, net		(3,455)	(2,573)
<i>of which with related parties:</i>		98	66
Amortisation and depreciation		(10,702)	(10,861)
Development costs capitalised		4,636	3,138
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		(84)	(317)
Total operating costs	18	(105,229)	(94,039)
Operating income		8,025	2,863
Financial expenses		(6,045)	(5,394)
<i>of which with related parties:</i>		(246)	(30)
Financial income		9,355	4,209
<i>of which with related parties:</i>		51	35
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method		48	78
Pre-tax profit/(loss)		11,383	1,756
Income tax		(3,502)	(732)
Profit/(loss) for the period		7,881	1,024
Profit/(loss) attributable to non-controlling interests		(1)	11
Group profit/(loss)		7,882	1,013
Basic and diluted earnings/(losses) per share		0.0130	0.0017

Consolidated statement of comprehensive income for the half-year ended 30 June 2022 and 2021

<i>(Euro in thousands)</i>	Notes	Half-year ended 30 June	
		2022	2021
PROFIT/(LOSS) FOR THE PERIOD		7,881	1,024
Other components of comprehensive income:			
<i>Other components of comprehensive income that will be subsequently reclassified to net income/(loss) for the year:</i>			
Exchange differences on conversion of foreign financial statements	13	2,427	1,047
<i>Other components of comprehensive income that will not be subsequently reclassified to net income/(loss) for the year:</i>			
Actuarial profit/(loss) on defined benefit plans		615	171
Income tax		(148)	(42)
		467	129
Total other income/(losses) after tax		2,894	1,176
Total comprehensive income (loss) after tax		10,775	2,200
<i>Attributable to:</i>			
Shareholders of Parent Company		10,776	2,189
Non-controlling interests		(1)	11

Statement of consolidated cash flows as at 30 June 2022 and 2021

<i>(Euro in thousands)</i>	Notes	Half-year ended 30 June	
		2022	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		7,881	1,024
<i>Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:</i>			
Amortisation and depreciation	6-7-8	10,702	10,861
Provisions for employee benefit liability		89	24
Provisions for risks and charges/inventory obsolescence/doubtful accounts		1,790	772
Employee benefit payments		(347)	(154)
Payments of provisions for risks and charges		(42)	(289)
Net change in deferred tax assets and liabilities		1,197	11
Change in fair value of financial instruments	16	(431)	(51)
<i>Change in current assets and liabilities:</i>			
Trade receivables	11	(17,519)	(3,688)
<i>of which with related parties:</i>	11	(742)	3,908
Inventories	10	(13,325)	(5,053)
Trade payables		8,811	(3,565)
<i>of which with related parties:</i>		(118)	329
Other current assets and liabilities		(1,864)	(1,512)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		(3,058)	(1,620)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	7	(5,089)	(6,629)
Investments in intangible assets	6	(6,416)	(5,095)
Investments in Rights of use	8	(3,099)	(1,764)
(Investments)/disposals of financial assets		(352)	(2,038)
<i>of which with related parties:</i>		(596)	(1,816)
Change in the consolidation area		-	(2,462)
Proceeds from sale of property, plant and equipment, intangible assets and	6-7-8	4,905	4,956
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		(10,051)	(13,032)
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	14	3,675	2,531
<i>of which with related parties:</i>	14	(3,623)	-
Recognition of financial liabilities from rights of use		4,145	2,651
Repayment of medium/long-term loans	14	(8,622)	(23,061)
Repayment of financial liabilities from rights of use		(3,775)	(3,097)
Net change in short-term financial debt	14	91	4,859
<i>of which with related parties:</i>		2,139	(337)
Change in the consolidation area		40	-
Other changes	13	-	(132)
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)		(4,446)	(16,249)
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		(17,555)	(30,901)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		771	160
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		50,189	70,426
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		33,405	39,685
Additional information:			
Interest paid		3,085	2,279
Income tax paid		264	326

Statement of changes in consolidated shareholders' equity for the half-year ended 30 June 2022 and 2021

	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Profit/(loss) for the period	Total shareholders' equity attributable to Parent Company shareholders	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
<i>(Euro in thousands)</i>										
Balance as at 1 January 2022	15,702	2,141	39,215	(2,341)	3,886	12,769	1,195	72,567	75	72,642
Profit/(loss) for the period	-	-	-	-	-	-	7,882	7,882	(1)	7,881
Other profits/(losses)	-	-	-	-	2,422	467	-	2,889	5	2,894
Total comprehensive income/(loss)	-	-	-	-	2,422	467	7,882	10,771	4	10,775
Change in the consolidation area	-	-	-	-	-	40	-	40	-	40
Allocation of profit for the period	-	-	-	-	-	1,195	(1,195)	-	-	-
Balance as at 30 June 2022	15,702	2,141	39,215	(2,341)	6,308	14,471	7,882	83,378	79	83,457

	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Profit/(loss) for the period	Total shareholders' equity attributable to Parent Company shareholders	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
<i>(Euro in thousands)</i>										
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
Profit/(loss) for the period	-	-	-	-	-	-	1,013	1,013	11	1,024
Other profits/(losses)	-	-	-	-	1,043	129	-	1,172	4	1,176
Total comprehensive income/(loss)	-	-	-	-	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	-	-	-
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

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 30 June 2022

1. Company information

The Parent Company Tesmec S.p.A. (hereinafter "Parent Company" or "Tescmec") 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 "Tescmec Group") is in Milan, Piazza S. Ambrogio 16.

2. Reporting standards

The consolidated financial statements as at 30 June 2022 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 2022 are those adopted for preparing the consolidated financial statements as at 31 December 2021, in compliance with IFRS, except as indicated in paragraph 4. New accounting standards, interpretations and amendments adopted by the Group.

It should be noted that the preparation of the interim condensed consolidated financial statements requires 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 that 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 2021. 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 2022 are compared with the corresponding final data as at 31 December 2021. 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 2021.

The consolidated financial statements as at 30 June 2022 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 2021 for the statement of financial position, and the first half-year of 2021 for the consolidated income statement, the consolidated comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows).

The interim condensed consolidated financial statements as at 30 June 2022 were prepared on a going concern basis, as the Directors checked the ability of the Company and the Group to meet their obligations in the foreseeable future of at least 12 months, developing for this purpose alternative forecast scenarios in which the effects of possible business slowdowns were

reflected compared to those already envisaged in the plan, to take into account the context of general uncertainty related to the increase in supply costs that are not immediately recoverable through the increase in sales prices and to the rigidity of the supply chain and logistics, further complicated by the Russian-Ukrainian conflict, as well as the pandemic situation, in relation to which it was assumed that it would not entail the adoption of new restrictive measures similar to those imposed in the first part of 2020 for the foreseeable future of the next 12 months. At the end of this analysis, the Directors concluded that the going concern assumption adopted in the preparation of the interim condensed consolidated financial statements as at 30 June 2022 is adequate in that there are no significant uncertainties as to the Company's ability to continue as a going concern. Trends differing from company forecasts, with special reference to increases in procurement costs exceeding the scenarios of further prudence incorporated in the aforementioned forecasts, could lead to the achievement of results that are lower than expected with possible effects that cannot be foreseen at present on the Company's and the Group's ability to comply with financial covenants.

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 Euro, except where specifically indicated.

The issue of the interim condensed consolidated financial statements of the Tesmec Group for the period ended 30 June 2022 was authorised by the Board of Directors on 5 August 2022.

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 Euro 1) are shown below:

	Average exchange rates for the		End-of-period exchange rate	
	half-year ended 30 June		as at 30 June	
	2022	2021	2022	2021
US Dollar	1.093	1.205	1.039	1.188
Russian Rouble	83.742	89.550	53.858	86.773
South African Rand	16.849	17.524	17.014	17.011
Renminbi	7.082	7.796	6.962	7.674
Qatari Riyal	3.980	4.388	3.781	4.326
Algerian Dinar	156.273	160.541	152.094	159.617
Tunisian Dinar	3.256	3.298	3.219	3.305
Australian Dollar	1.520	1.563	1.510	1.585
New Zealand Dollar	1.649	1.681	1.671	1.703
Saudi Riyal	4.100	4.520	3.895	4.457
CFA Franc	655.957	655.957	655.957	655.957
GNF Franc	9,629.016	11,975.354	8,973.399	11,604.949
Moroccan Dinar	10.604	10.748	10.542	10.591

3.Consolidation methods and area

As at 30 June 2022, the consolidation area did not change with respect to that as at 31 December 2021. There was only one non-significant change in non-controlling interests relating to the company R and E Contracting (Pty) Ltd., 20% owned by Tesmec SA (Pty) Ltd. in that it is in the process of being cancelled from the local register of companies.

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 2021, with the exception of the adoption as of 1 January 2022 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 2022 but have no impact on the Group's interim condensed consolidated financial statements.

Accounting standards, amendments and IFRS interpretations applied as from 1 January 2022

The following accounting standards, amendments and IFRS interpretations were applied by the Group for the first time on 1 January 2022:

On 14 May 2020, the IASB published the following amendments called:

- **Amendments to IFRS 3 Business Combinations:** the purpose of the amendments is to update the reference in IFRS 3 to the revised Conceptual Framework without this entailing changes to the provisions of the standard.
- **Amendments to IAS 16 Property, Plant and Equipment:** the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of property, plant and equipment. Therefore, these sales revenues and the related costs will be recognised in the income statement.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that all costs directly attributable to the contract must be considered in the estimate of the possible cost of a contract. Accordingly, the assessment of the possible cost of a contract includes not only incremental costs (such as, for example, the cost of direct material used in processing), but also all costs that the company cannot avoid in that it has entered into the contract (such as, for example, the portion of depreciation of machinery used for the performance of the contract).
- **Annual Improvements 2018-2020:** the amendments were made to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and to *Illustrative Examples* of IFRS 16 *Leases*.

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

Accounting standards, amendments and IFRS interpretations approved by the European Union, not yet mandatorily applicable and not early adopted by the group as at 30 June 2022

- On 18 May 2017, the IASB issued the standard **IFRS 17 – Insurance Contracts** that will replace standard IFRS 4 – Insurance Contracts.

The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from issued insurance contracts. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single standard-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds.

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

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

The main features of the General Model are:

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

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

cash flows if it is expected that the balance to be paid or received will occur within one year of the date on which the claim occurred.

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

The standard is effective beginning on 1 January 2023 but earlier application is permitted only for entities applying IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The directors do not expect a significant effect on the Group’s consolidated financial statements through the adoption of this standard.

- On 12 February 2021, the IASB published two amendments called “**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2**” and “**Definition of Accounting Estimates—Amendments to IAS 8**”. The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply beginning on 1 January 2023, but early application is permitted. The directors do not expect a significant effect on the Group’s consolidated financial statements through the adoption of these amendments.

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

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

- On 23 January 2020, the IASB published an amendment called “**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**”. The purpose of the document is to clarify how to classify payables and other short or long-term liabilities. The amendments are effective beginning on 1 January 2023; in any case, early application is permitted. The directors do not expect a significant effect on the Group’s consolidated financial statements through the adoption of this amendment.
- On 7 May 2021, the IASB published an amendment called “**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**”. The document clarifies how deferred taxes must be recognised on certain operations that can generate assets and liabilities of equal amounts, such as leases and dismantling obligations. The amendments will apply beginning on 1 January 2023, but early application is permitted. The directors do not expect a significant effect on the Group’s consolidated financial statements through the adoption of this amendment.
- On 9 December 2021, the IASB published an amendment called “**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information**”. The amendment is a transition option relating to comparative information on financial assets presented as at the date of initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus at improving the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17. The directors do not expect a significant effect on the Group’s consolidated financial statements through the adoption of this amendment.
- On 30 January 2014, the IASB published **IFRS 14 – Regulatory Deferral Accounts**, which allows only those who adopt IFRS for the first time to continue to recognise amounts relating to Rate Regulation Activities in accordance with the previously adopted accounting standards. Since the Company/Group is not a first-time adopter, this standard is not applicable.

5. Impairment Test

As envisaged by IAS 36, at the end of each reporting period, the Group verifies whether there is any indication that the value of fixed assets may have suffered an impairment loss, thus estimating the recoverable amount of such assets in such circumstances. In assessing the existence of an indication that one or more CGUs may have suffered an impairment loss, indications deriving from information sources both inside and outside the Group were considered. In particular, potential impairment indicators were identified in the changing market scenarios of the different and diversified geographical areas in which the Tescmec Group operates.

For the purpose of preparing these interim condensed consolidated financial statements, note that the book value of consolidated shareholders' equity (Euro 83.5 million) was higher than the market capitalisation at the end of the reporting period (Euro 76.5 million). This circumstance, which was also confirmed by the performance of the share after the end of the

half-year, was considered an indicator of impairment in accordance with IAS 36 and therefore the impairment test carried out for the purpose of preparing the financial statements as at 31 December 2021 was updated.

In accordance with the requirements of IAS 36, the book value of non-current assets was tested for impairment, a process that was specifically approved by the Board of Directors on 5 August 2022.

According to IAS 36, the recoverable amount is the higher between the market value (fair value) and the value in use.

Fair value is the income obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, net of directly attributable expenses. Depending on the circumstances, this value is determined on the basis of the agreed price if there is a binding sale agreement established in an uncontrolled transaction (net of disposal costs) or the market price, less selling costs, if the asset is traded in an active market. Conversely, the value in use is the discounting back of expected cash flows by applying an appropriate rate (equal to the weighted average cost of capital). The impairment loss resulting from the impairment test is measured by the excess of the carrying amount of the asset over its recoverable amount.

The operating cash flows used for the purpose of impairment testing derive from the plans of the single Cash Generating Unit drawn up by the Management in accordance with the guidelines of the 2022-2024 Business Plan. The estimate of those cash flows includes assumptions of the Directors consistent with the strategy of the Tesmec Group in the individual businesses and markets in which it operates and also depends on external variables not subject to the management's control, such as exchange rate and interest rate trends, infrastructure investments in the countries where the group operates, macro political or social factors of local or global impact.

Based on these operating cash flows, the value in use of the Cash Generating Unit was estimated using the Discounted Cash Flow (DCF) method, i.e. the discounting back of future operating cash flows until the end of its useful life. The net operating cash flows estimated for this purpose were derived from the plans according to the generally used "unlevered" approach, according to which flows are calculated regardless of the financial structure of the company.

The Weighted Average Cost of Capital (WACC) used for discounting operating cash flows for the explicit period and for calculating the terminal value was determined differently depending on the country of reference, as detailed in the table below, in comparison with the rates adopted for the impairment test on 31 December 2021:

<i>Subsidiaries</i>	30 June	31 December
	2022	2021
Tesmec USA, Inc. and 4 Service USA (United States)	12.57%	10.34%
Tesmec SA (South Africa)	16.71%	15.94%
Tesmec Automation S.r.l. and Bertel S.r.l. (Italy) (*)	9.30%	9.44%
OOO Tesmec RUS (Russia)	40.71%	14.39%
Tesmec New Technology (Beijing) LTD (China)	9.73%	10.50%
Marais Technologies SA (France)	9.85%	7.76%
Tesmec Australia (Australia) and Marais Laying NZ (New Zealand)	9.99%	8.98%
Tesmec Rail S.r.l. (Italy)	9.65%	7.44%
4 Service S.r.l. (Italy)	9.22%	9.07%
East Trenchers S.r.l. (Italy)	9.38%	9.07%
<i>Joint Ventures</i>		
Condux Tesmec Inc. (United States)	9.38%	9.24%
Tesmec Peninsula WLL (Qatar)	10.17%	10.08%
Tesmec Saudi Arabia (Saudi Arabia)	18.96%	10.81%

* For the purposes of the impairment test, a single CGU was considered for the subsidiaries Tesmec Automation and Bertel in consideration of the uniqueness of business and reference market, as well as the fact that Bertel's operating activity is managed by Tesmec Automation through a business lease agreement

For the estimate of cash flows beyond the explicit forecast period, the terminal value was determined on the basis of a g growth rate of 1%.

The estimate of the WACCs of reference compared with the same estimate made as at 31 December 2021 generally shows an increase in the discount rates adopted, resulting from the increased uncertainty of future scenarios also due to the Russian-Ukrainian conflict.

The impairment test did not reveal any impairment losses.

With reference to CGU O.O.O. Tesmec RUS (Russia), note that its reference market is directly affected by the uncertainties related to the ongoing Russian-Ukrainian conflict. This situation requires management to make a specific assessment in terms of the recoverability of the CGU's net assets. In this regard, note that Tesmec, over the years, has developed a commercial presence and service offering through the subsidiary O.O.O. Tesmec RUS, which, due to its commercial essence, does not have fixed assets and, consequently, is not exposed to their risk of impairment. The value of net assets attributable to operations in Russia totalled a loss of about Euro 0.8 million, including an exposure of the Russian subsidiary to the Group's Italian companies of around Euro 3.4 million. As a result of the specific impairment test for the CGU related to the Russian market, no write-down was recognised owing to the absence of significant fixed assets, while the working capital items were assessed as fully recoverable considering the subsidiary's current operations and the confirmed reliability of the commercial counterparties with which the Group operates. With regard to recent events and the consequent sanctions and restrictions on commercial operations with Russia, Tesmec's management team is constantly monitoring the situation in order to be able to make assessments on the future operations of the Russian subsidiary – which makes a limited contribution to Group revenues of 2% of the total – in full compliance with EU and international rules (with respect to which there are no relations with sanctioned parties).

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

6. Intangible assets

The breakdown and changes in “Intangible assets” for the period ended 30 June 2022 are shown in the table below:

<i>(Euro in thousands)</i>	1 January 2022	Increases due to purchases	Reclassifications	Decreases	Amortisation	Exchange rate differences	30 June 2022
Development costs	15,451	732	151	-	(3,162)	94	13,266
Rights and trademarks	4,364	493	-	(248)	(609)	12	4,012
Other intangible assets	40	(30)	-	-	4	-	14
Assets in progress and advance payments to suppliers	4,041	5,221	(151)	(401)	-	-	8,710
Total intangible assets	23,896	6,416	-	(649)	(3,767)	106	26,002

As at 30 June 2022, *intangible assets* totalled Euro 26,002 thousand, up Euro 2,106 thousand on the previous year. The change mainly refers to:

- assets in progress and advance payments to suppliers of Euro 5,221 thousand relating to development projects in progress of Euro 4,260 thousand, to costs incurred for the implementation of the new Group ERP for the portion not yet at go live of Euro 662 thousand and other software for Euro 299 thousand. Capitalised development costs mainly refer to diagnostic projects related to the rail segment, where a new innovative vehicle is being developed. In relation to the costs of ERP (Enterprise Resource Planning, consisting of a system that allows for the control and management of all company processes), capitalised under assets in progress and advance payments to suppliers, note that the investment is aimed at increasing the efficiency of company processes and from which the Group expects to obtain benefits in terms of quality and timeliness of information flows to support business management. On 1 January 2021, the go live took place for the parent company Tesmec S.p.A., after the end of the first half of 2022, the implementation took place for the other Italian subsidiaries and for the American and French subsidiaries, and therefore the relative capitalised costs will be amortised starting from the second half of 2022. The extension of the project to the rest of the Group is currently being defined;
- development costs, which increased by Euro 732 thousand in the first six months of 2022, and amortisation for the period of Euro 3,162 thousand. These costs are related to projects for the development of new products and equipment that are expected to generate positive cash flows in future years.

7. Property, plant and equipment

The breakdown and changes in “Property, plant and equipment” for the period ended 30 June 2022 are shown in the table below:

<i>(Euro in thousands)</i>	1 January 2022	Increases due to purchases	Reclassifications	Decreases	Depreciation	Exchange rate differences	30 June 2022
Land	4,388	-	-	-	-	19	4,407
Buildings	15,098	72	-	-	(327)	450	15,293
Plant and machinery	3,868	216	(127)	-	(379)	63	3,641
Equipment	1,140	215	246	(2)	(310)	9	1,298
Other assets	21,721	2,963	225	(3,870)	(2,442)	868	19,465
Assets in progress and advance payments to suppliers	1,392	1,623	-	(47)	-	-	2,968
Total property, plant and equipment	47,607	5,089	344	(3,919)	(3,458)	1,409	47,072

As at 30 June 2022, property, plant and equipment totalled Euro 47,072 thousand, down compared to the previous year by Euro 535 thousand.

The change is mainly due to the decrease in "Other assets" of Euro 3,870 thousand mostly related to the sale of trenching machines previously recorded in the fleet.

8. Rights of use

The breakdown and changes in "Rights of use" for the period ended 30 June 2022 are shown in the table below:

<i>(Euro in thousands)</i>	1 January 2022	Increases due to purchases	Reclassifications	Decreases	Amortisation	Exchange rate differences	30 June 2022
Buildings - rights of use	11,170	634	-	(301)	(1,360)	24	10,167
Plant and machinery - rights of use	266	-	(117)	-	(34)	1	116
Equipment - rights of use	11	-	-	-	(4)	-	7
Other assets - rights of use	11,905	2,465	(227)	(35)	(2,079)	2	12,031
Total rights of use	23,352	3,099	(344)	(336)	(3,477)	27	22,321

Rights of use as at 30 June 2022 amounted to Euro 22,321 thousand and decreased by Euro 1,031 thousand compared to the previous year, Euro 3,477 thousand in relation to the depreciation for the period.

9. Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	30 June 2022	31 December 2021
Work in progress (Gross)	43,724	31,489
Advances from contractors	(22,777)	(15,798)
Work in progress contracts	20,947	15,691

"Work in progress" refers exclusively to the Rail segment where the machinery is produced in accordance with specific customer requirements. "Work in progress" is recognised as an asset if, on the basis of an analysis carried out for each contract, the gross value of work in progress is greater than advances from customers; it is recognised as a liability if the advances are greater than the related work in progress.

If the advances are not collected at the reporting date, the corresponding amount is recognised as trade receivables.

10. Inventories

The following table provides a breakdown of Inventories as at 30 June 2022 compared to 31 December 2021:

<i>(Euro in thousands)</i>	30 June 2022	31 December 2021
Raw materials and consumables	61,544	53,427
Work in progress	14,021	12,452
Finished products and goods for resale	14,793	15,206
Advances to suppliers for assets	1,461	208
Total inventories	91,819	81,293

Compared to 31 December 2021, *inventories* increased by Euro 10,526 thousand as a result of increased supply in order to support the growth expected in the second half of the year and, as mentioned, to hedge against expected price increases and possible supply problems.

The changes in the provisions for inventory obsolescence for the half-year ended 30 June 2022 compared with that as at 31 December 2021 are shown below:

<i>(Euro in thousands)</i>	30 June 2022	31 December 2021
Value as at 1 January	6,646	5,883
Provisions	363	1,177
Uses	-	(533)
Exchange rate differences	149	119
Total provisions for inventory obsolescence	7,158	6,646

The value of the provisions for inventory obsolescence increased also by Euro 512 thousand compared to the amount as at 31 December 2021. The adequacy of the provision is assessed on a regular basis to constantly monitor the actual level of inventories recovered through sales.

11. Trade receivables

The following table provides a breakdown of "Trade receivables" as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	30 June 2022	31 December 2021
Trade receivables from third-party customers	64,467	50,882
Trade receivables from associates, related parties and joint ventures	4,252	3,510
Total trade receivables	68,719	54,392

The increase in the item is related to the growth in turnover and a slight delay in collections in the context of a generalized but limited need on the part of some of the Group's customers to overcome the operational difficulties caused by the pandemic. The situation is in any case monitored and is being absorbed.

The changes in the provisions for doubtful accounts for the half-year ended 30 June 2022 compared with that as at 31 December 2021 are shown below:

<i>(Euro in thousands)</i>	30 June 2022	31 December 2021
Value as at 1 January	3,754	3,147
Provisions	592	1,173
Uses	-	(646)
Reclassifications	868	-
Exchange rate differences	94	80
Total provisions for doubtful accounts	5,308	3,754

The value of the provisions for doubtful accounts also increased by Euro 1,554 thousand compared to the previous year, also as a result of the reclassification of certain credit positions of a financial nature - which were allocated to the provisions for doubtful accounts in previous years - to trade receivables. Uses and provisions related to the provisions for doubtful accounts are included in "other operating (costs)/revenues, net" of the income statement.

12. Financial receivables and other current financial assets

The following table provides a breakdown of financial receivables and other current financial assets as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	30 June 2022	31 December 2021
Financial receivables from associates, related parties and joint ventures	9,866	9,270
Financial receivables from third parties	7,866	7,403

Other current financial assets	83	102
Total financial receivables and other current financial assets	17,815	16,775

The increase in *current financial assets* from Euro 16,775 thousand to Euro 17,815 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.

13. Share capital and reserves

The following table provides a breakdown of Other reserves as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	30 June 2022	31 December 2021
Revaluation reserve	86	86
Extraordinary reserve	36,291	37,044
Consolidation reserve	990	1,004
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(96)	(563)
Network reserve	824	824
Future capital increase reserve	6	6
Retained earnings/(losses brought forward)	(23,139)	(25,141)
Total other reserves	14,471	12,769

As a result of the resolution of 21 April 2022, with the approval of the 2021 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to cover the loss of the parent company of Euro 753 thousand with the extraordinary reserve.

14. 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 2022 and as at 31 December 2021, with separate disclosure of total loans and current portion:

<i>(Euro in thousands)</i>	30 June 2022	of which current portion	31 December 2021	of which current portion
Domestic fixed-rate bank loans	40,620	7,818	39,389	3,356
Domestic floating-rate bank loans	48,882	14,551	53,426	13,479
Foreign fixed-rate bank loans	980	678	1,147	475
Foreign floating-rate bank loans	16,278	2,333	15,862	1,456
Shareholder loan	3,263	3,263	3,263	-
Total medium/long-term loans	110,023	28,643	113,087	18,766
less current portion	(28,643)		(18,766)	
Non-current portion of medium/long-term loans	81,380		94,321	
Medium/long-term loan due to Simest	6,768	1,300	7,418	1,300
less current portion	(1,300)		(1,300)	
Medium/long-term loan due to Simest	5,468		6,118	
Total medium/long-term loans	86,848	29,943	100,439	20,066

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 the Tesmec Group as at 31 December 2021, one financial covenant relating to the bond issue was not complied with. In relation to this non-compliance, the only contractually foreseen consequence would have been the step-up of the applicable interest rate, which, however, had already been applied in previous years, therefore, this event had no direct bearing on these financial statements.

The loan agreement of the subsidiary Tesmec USA, Inc. provides for financial covenants to be calculated quarterly on local financial statement figures combined of the American subsidiaries of the Group. As at 30 June 2022, these parameters were met.

Based on the available forecasts, the financial covenants as at 31 December 2022 related to the main loans will be met and therefore there are no significant uncertainties on the company's ability to continue as a going concern. Trends differing from company forecasts, with special reference to increases in procurement costs exceeding the scenarios of further prudence incorporated in the aforementioned forecasts, could lead to the achievement of results that are lower than expected with possible effects that cannot be foreseen at present on the Company's and the Group's ability to comply with financial covenants.

15. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 30 June 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	30 June 2022	31 December 2021
Advances from banks against invoices and bills receivables	30,279	27,648
Payables due to factoring companies	5,585	5,957
Financial payables due to SIMEST	1,300	1,300
Short-term loans to third parties	245	462
Current portion of medium/long-term loans	25,380	18,766
Financial payables due to associates, related parties and joint ventures	4,759	2,620
Total interest-bearing financial payables (current portion)	67,548	56,753

The increase in *interest-bearing financial payables (current portion)* of Euro 10,795 thousand is due to the reclassification in current financial indebtedness of the short-term portions of medium/long-term loans.

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.

<i>(Euro in thousands)</i>	Current/Non-current assets	
	30 June 2022	31 December 2021
NON-CURRENT ASSETS:		
Receivables and other financial assets	6,049	6,821

Derivative financial instruments	447	10
Non-current trade receivables	2,845	1,761
CURRENT ASSETS:		
Trade receivables	68,719	54,392
Other available-for-sale securities	-	2
Financial receivables and other current financial assets	17,815	16,775
Derivative financial instruments	54	-
Cash and cash equivalents	33,405	50,189

<i>(Euro in thousands)</i>	Current/non-current liabilities	
	30 June 2022	31 December 2021
NON-CURRENT LIABILITIES:		
Medium/long-term loans	86,848	100,439
Bond issue	2,489	3,727
Non-current financial liabilities and rights of use	17,631	18,009
Derivative financial instruments	-	49
Other long-term liabilities	-	254
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	67,548	56,753
Bond issue	2,474	2,467
Current financial liabilities and rights of use	7,232	6,484
Derivative financial instruments	159	50
Trade payables	64,913	55,966
Advances from customers	3,338	2,194

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 as far 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. With reference to the presence in Russia, a country affected by a war conflict, please refer to the specific considerations made in paragraph 5.1 "Activities, market and performance of O.O.O. Tesmec RUS" of the Report on Operations. 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 railway catenary wire system) 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 Segment, 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 segments 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 labor, 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 2022, divided into the three levels defined above:

<i>(Euro in thousands)</i>	Book value as at 30 June 2022	Level 1	Level 2	Level 3
Financial assets:				
Derivative financial instruments	447	-	447	-
Total non-current	447	-	447	-
Financial assets:				
Other available-for-sale securities	-	-	-	-
Derivative financial instruments	54	-	54	-
Total current	54	-	54	-

Total assets	501	-	501	-
Financial liabilities:				
Derivative financial instruments	-	-	-	-
Total non-current	-	-	-	-
Derivative financial instruments	159	-	159	-
Total current	159	-	159	-
Total liabilities	159	-	159	-

17. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 30 June 2022 and as at 30 June 2021:

<i>(Euro in thousands)</i>	Half-year ended 30 June	
	2022	2021
Sales of products	70,907	62,317
Services rendered	30,021	26,685
Changes in work in progress	12,326	7,900
Total revenues from sales and services	113,254	96,902

In the first six months of 2022, the Group consolidated revenues of Euro 113,254 thousand, with an increase of Euro 16,352 thousand (equal to 16.9%) compared to Euro 96,902 thousand in the same period of the previous year.

The Rail segment recorded revenues of Euro 23,048 thousand, with an increase of 58.9% compared to the corresponding period of the previous year, when they amounted to Euro 14,506 thousand. The growth confirms the strengthening of the business generated by higher value-added projects related to diagnostic products and by the projects generated outside of national boundaries, with a consequent improvement in the product mix.

The turnover of the Trencher segment as at 30 June 2022 was Euro 66,577 thousand, with an increase of 13.1% compared to Euro 58,879 thousand as at 30 June 2021. The result is positively impacted by the American market recovery and more in general to the launch of development and recovery plans in the countries where the Group operates and in spite of an economic scenario characterized by difficulties in finding materials (which led to the need to build up an adequate strategic stock), the availability of transport by ship and the increase in purchase prices (not fully recovered at the level of sales prices but in any case offset at the mix level).

With reference to the Energy segment, revenues were Euro 23,629 thousand, with an increase of 0.5% compared to Euro 23,517 thousand as at 30 June 2021. In particular, the Energy-Automation segment achieved revenues of Euro 7,568 thousand, compared to Euro 7,458 thousand as at 30 June 2021. Growth in this sector is also confirmed in the year, but slowing down compared to initial estimates due to the difficulties in finding electronic components and semiconductors from the Far East.

18. Operating costs

The item *operating costs* amounted to Euro 105,074 thousand, an increase of 11.7% compared to the previous year, a less than proportional increase with respect to the performance in revenues (+16.9%).

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.

<i>(Euro in thousands)</i>	Half-year ended 30 June							
	2022				2021			
	Energy	Trencher	Rail	Consolidated	Energy	Trencher	Rail	Consolidated
Revenues from sales and services	23,629	66,577	23,048	113,254	23,517	58,879	14,506	96,902
Operating costs net of depreciation and amortisation	(19,982)	(57,618)	(16,927)	(94,527)	(19,779)	(51,416)	(11,983)	(83,178)
EBITDA	3,647	8,959	6,121	18,727	3,738	7,463	2,523	13,724
Amortisation and depreciation	(2,332)	(6,420)	(1,950)	(10,702)	(2,763)	(6,230)	(1,868)	(10,861)
Total operating costs	(22,314)	(64,038)	(18,877)	(105,229)	(22,542)	(57,646)	(13,851)	(94,039)
Operating income	1,315	2,539	4,171	8,025	975	1,233	655	2,863
Net financial income/(expenses)				3,358				(1,107)
Pre-tax profit/(loss)				11,383				1,756
Income tax				(3,502)				(732)
Profit/(loss) for the period				7,881				1,024
Profit/(loss) attributable to non-controlling interests				(1)				11
Group profit/(loss)				7,882				1,013

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 2022 and as at 31 December 2021:

<i>(Euro in thousands)</i>	As at 30 June 2022					As at 31 December 2021				
	Energy	Trencher	Rail	Not allocated	Consolidated	Energy	Trencher	Rail	Not allocated	Consolidated
Intangible assets	11,670	6,272	8,060	-	26,002	10,062	5,833	8,001	-	23,896
Property, plant and equipment	3,077	35,031	8,964	-	47,072	2,980	36,554	8,073	-	47,607
Rights of use	845	20,764	712	-	22,321	817	21,945	590	-	23,352

Financial assets	4,416	4,128	3,293	3,132	14,969	3,858	4,334	3,293	3,437	14,922
Other non-current assets	1,758	6,666	657	11,480	20,561	1,936	6,595	727	9,608	18,866
Total non-current assets	21,766	72,861	21,686	14,612	130,925	19,653	75,261	20,684	13,045	128,643
Work in progress contracts	2,053	-	18,894	-	20,947	1,346	-	14,345	-	15,691
Inventories	23,955	60,025	7,839	-	91,819	17,766	59,542	3,985	-	81,293
Trade receivables	9,754	49,674	9,291	-	68,719	7,657	35,734	11,001	-	54,392
Other current assets	2,491	5,059	8,751	16,135	32,436	2,500	4,385	7,554	13,485	27,924
Cash and cash equivalents	4,130	9,198	6,395	13,682	33,405	5,205	9,807	7,135	28,042	50,189
Total current assets	42,383	123,956	51,170	29,817	247,326	34,474	109,468	44,020	41,527	229,489
Total assets	64,149	196,817	72,856	44,429	378,251	54,127	184,729	64,704	54,572	358,132
Shareholders' equity attributable to parent company shareholders	-	-	-	83,378	83,378	-	-	-	72,567	72,567
Shareholders' equity attributable to non-controlling interests	-	-	-	79	79	-	-	-	75	75
Non-current liabilities	2,543	18,972	8,357	89,592	119,464	2,983	19,414	8,338	103,014	133,749
Current financial liabilities	4,509	4,608	11,279	49,785	70,181	2,509	4,279	10,013	42,469	59,270
Current financial liabilities from rights of use	337	4,109	133	2,653	7,232	276	3,531	91	2,586	6,484
Trade payables	12,874	41,162	10,877	-	64,913	14,351	33,089	8,526	-	55,966
Other current liabilities	2,418	8,301	11,646	10,639	33,004	1,324	8,779	11,588	8,330	30,021
Total current liabilities	20,138	58,180	33,935	63,077	175,330	18,460	49,678	30,218	53,385	151,741
Total liabilities	22,681	77,152	42,292	152,669	294,794	21,443	69,092	38,556	156,399	285,490
Total shareholders' equity and liabilities	22,681	77,152	42,292	236,126	378,251	21,443	69,092	38,556	229,041	358,132

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 2022					Half-year ended 30 June 2021				
	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
<i>(Euro in thousands)</i>										
Associates:										
Locavert S.A.	71	-	-	-	-	114	-	-	-	-
Subtotal	71	-	-	-	-	114	-	-	-	-
Joint Ventures:										
Condux Tesmec Inc.	2,758	-	-	93	14	4,378	-	-	72	2
Tesmec Saudi Arabia	-	-	-	-	-	1,500	-	-	-	-
Tesmec Peninsula	234	-	-	-	30	262	(49)	-	-	24
Subtotal	2,992	-	-	93	44	6,140	(49)	-	72	26
Related parties:										
Ambrosio S.r.l.	-	-	-	(2)	(2)	-	-	-	(1)	-
TTC S.r.l.	-	-	(15)	-	-	-	-	(15)	-	-
Dream Immobiliare S.r.l.	-	-	-	(1)	(182)	-	-	-	(11)	(3)
FI.IND	-	-	-	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	1,003	(8)	(2)	8	(38)	1,126	-	-	6	(3)

ICS Tech. S.r.l.	17	-	-	-	-	109	-	-	-	-
COMATEL	3	-	-	-	-	21	-	-	-	-
Triskell Conseil Partner	-	-	-	-	-	-	-	(126)	-	-
RX S.r.l.	-	-	-	-	(17)	-	-	-	-	(15)
Subtotal	1,023	(8)	(17)	5	(239)	1,256	-	(141)	(6)	(21)
Total	4,086	(8)	(17)	98	(195)	7,510	(49)	(141)	66	5

	30 June 2022					31 December 2021				
	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
<i>(Euro in thousands)</i>										
Associates:										
Locavert S.A.	58	-	-	-	-	20	-	-	-	-
Primis Group S.r.l.	1	-	-	-	5	-	-	-	-	-
Subtotal	59	-	-	-	5	20	-	-	-	-
Joint Ventures:										
Condux Tesmec Inc.	2,282	1,698	-	-	-	2,782	1,707	-	-	3
Tesmec Peninsula	278	2,229	-	165	3	12	2,044	-	1,089	4
Tesmec Saudi Arabia	1,263	5,068	-	-	8	441	4,648	-	-	7
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	3,823	9,789	-	165	11	3,235	9,193	-	1,089	14
Related parties:										
Ambrosio S.r.l.	-	-	-	-	9	-	-	-	-	4
Dream Immobiliare S.r.l.	-	77	-	-	1,052	-	77	-	-	1,137
Fi.ind.	-	-	-	-	-	-	-	-	-	-
TTC S.r.l.	-	-	-	-	25	-	-	-	-	24
M.T.S. Officine meccaniche S.p.A.	216	-	-	3,050	35	123	-	3,050	-	63
RX S.r.l.	-	-	-	1,544	101	-	-	213	1,531	34
Triskell Conseil Partner	-	-	-	-	-	-	-	-	-	34
ICS Tech. S.r.l.	154	-	-	-	-	132	-	-	-	-
COMATEL	-	-	-	-	-	-	-	-	-	-
Subtotal	370	77	-	4,594	1,222	255	77	3,263	1,531	1,296
Total	4,252	9,866	-	4,759	1,238	3,510	9,270	3,263	2,620	1,310

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 scope of assessment for ongoing tax audits described below totals approximately Euro 4 million, with respect to which, with the support of the opinion of the appointed tax advisors, no provision has been made in the financial statements.

With reference to the arbitration award obtained at the China International Economic and Trade Arbitration Commission of Beijing (CIETAC), having obtained the final discharge of the amount paid, the Company is proceeding with the recovery action before the ordinary Court of Beijing for the residual accrued interest income equal to about Euro 200 thousand for which collection is expected in the short term, also based on the opinion of the lawyers assisting the Company, while it should be

noted that an amount of about Euro 2.1 million has already been collected in 2021 as reimbursement of the receivable and compensation for damages.

In April 2018, a debtor company notified the subsidiary Tesmec Rail, following the enforcement by the subsidiary of a 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 did not make any provision on the basis of the opinion expressed by the appointed lawyers, in particular with regard to the lack of adequate allegations in the introductory phase of the judgement by the debtor company. The preliminary investigation procedure is still ongoing; the next hearing for the examination of witnesses is scheduled for 13 October 2022.

During the half-year, the subsidiary Tesmec USA received an unfavourable dismissal ruling quantifying the damage as a maximum risk of approximately USD 1.2 million. The subsidiary promptly lodged an appeal, on the strength of its own evidence and the opinion of the appointed lawyers, based on which it believes it can obtain a fairer result, the best estimate of which has been set aside, together with the estimate of future legal expenses, for the purpose of preparing the interim condensed consolidated financial statements as at 30 June 2022. The estimated duration of the appeal is about two years.

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 received reveal disputes with respect to which the Company, supported by the opinion of its tax advisors, considers its behaviour to be well-founded and the related risk of incurring liabilities is consequently assessed as merely possible. For this reason, the Directors did not deem it necessary to recognise any provisions in the financial statements.

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 with the full payment of the relief sought.

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 advisors, considers its behaviour to be well-founded; however, considering the uncertainty related to the outcome of a judgement before the Administrative Court, a provision was made to mitigate the risk of losing the case.

Following a tax audit for the tax year 2018, on 1 August 2022, the subsidiary Tesmec Automation S.r.l. received the report on findings (PVC) from the Italian Inland Revenue. The inspectors challenged the Company's undue utilisation of R&D credits totalling Euro 1.1 million. The Company believes that it has operated correctly and has mandated its consultants to analyse the documentation and produce their own counterclaims.

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 131,066 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 28 July 2022, Tesmec signed a loan agreement of Euro 10 million with Ver Capital. This loan has a duration of 6 years expiring on 3 August 2028, and bears an annual floating rate equal to the average of the 3-month and 6-month Euribor plus a 5.00% spread, with a pre-amortisation period of 3 years;
- on 1 August 2022, the subsidiary Tesmec Automation S.r.l. received the report on findings (PVC) from the Italian Inland Revenue at the end of the tax audit for the tax year 2018. The inspectors challenged the Company's undue utilisation of R&D credits totalling Euro 1.1 million. The Company believes that it has operated correctly and has mandated its consultants to analyse the documentation and produce their own counterclaims.

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 2022.

2. We also certify that:

2.1 The Interim condensed consolidated financial statements as at 30 June 2022:

- 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 2022

Mr. Ambrogio Caccia Dominioni

Chief Executive Officer

Mr. Marco Paredi

Manager responsible for
preparing the Company's
financial statements

INDEPENDENT AUDITOR'S REPORT

**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 “Tescmec Group”), which comprise the statement of financial position as of June 30, 2022 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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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, 2022 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 10, 2022

*This report has been translated into the English language solely for the convenience of international readers.
Accordingly, only the original text in Italian language is authoritative.*



ATTRACTIVE TECHNOLOGIES

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