HALF-YEAR CONSOLIDATED FINANCIAL REPORT
AT 30 JUNE 2023

Investor Relator
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Tesmec S.p.A.
Registered Office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 30 June 2023 Euro 15,702,162
Milan Register of Companies no. 314026
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COMPOSITION OF THE CORPORATE BODIES

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

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	Ruggero Gambini
Independent Auditors	Deloitte & Touche S.p.A.

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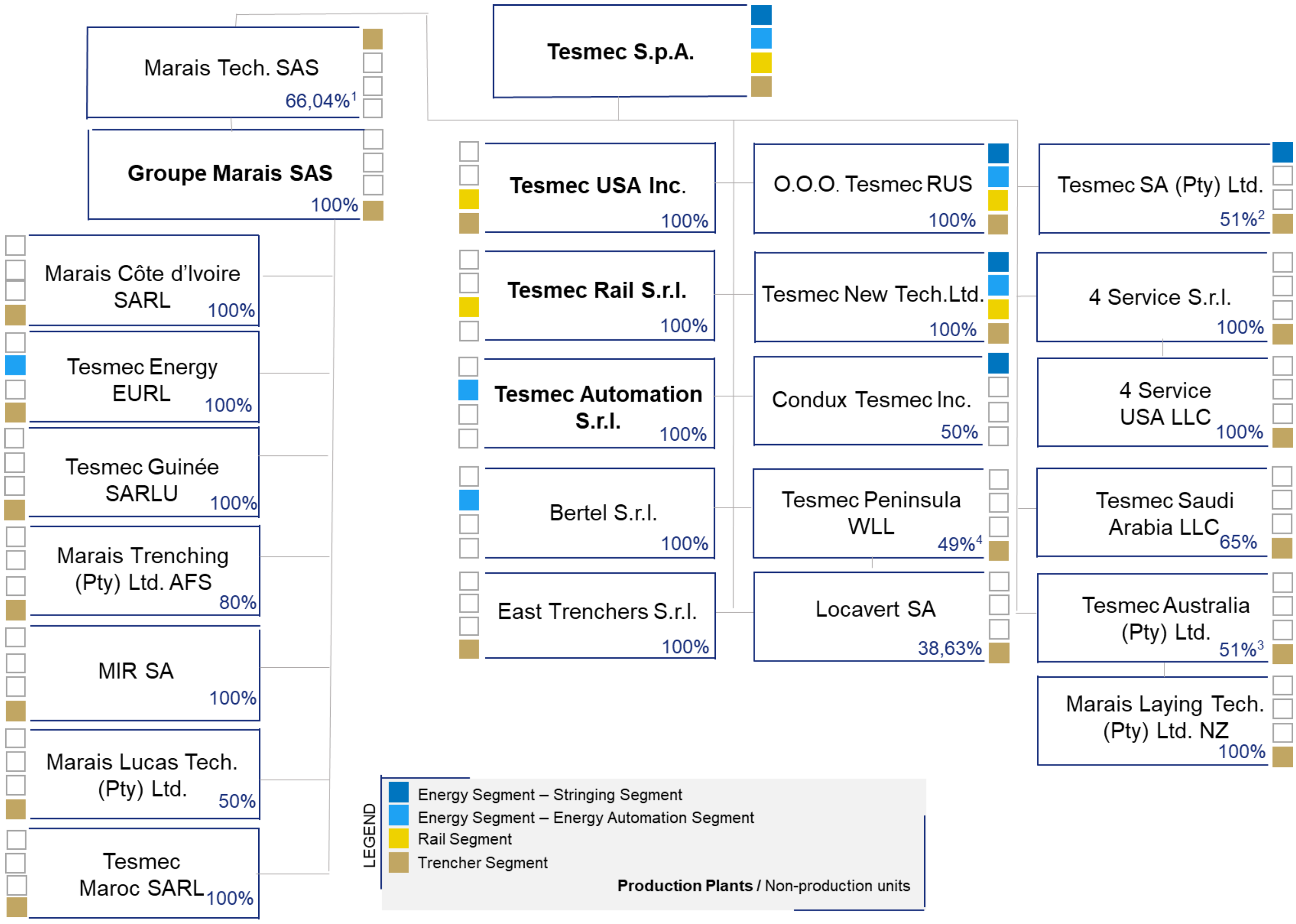
GROUP STRUCTURE



(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 in Marais Technologies SAS is consolidated on a 100% basis.

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

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

(4) The remaining 51% is held by Fusion Middle East Services WLL. By virtue of de facto control for accounting purposes, the equity investment in Tesmec Peninsula WLL is consolidated at 99%.

INTERIM CONSOLIDATED FINANCIAL REPORT

1. Introduction

1.1 The Tesmec Group

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

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

Founded in Italy in 1951 and managed by the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni, the Group, as from its listing on the Stock Exchange on 1 July 2010, has pursued the stated objective of diversification of the types of products in order to offer a complete range of integrated solutions grouped into three main areas of business: Energy, Trencher and Rail. The structure has more than 900 employees and has production plants located in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco) and Monopoli (Bari) in Italy, Alvarado (Texas) in the USA and Durtal in France. Furthermore, after the reorganisation of the Automation 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).
- The Trencher 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.

1.2 Strategic and economic/financial framework of the Tesmec Group as at 30 June 2023

A. The 2023 Budget: Rationale

After a 2022 characterised by strong growth in revenues and operating margins (such as to move the consolidated revenue baseline from approx. Euro 200 million in 2019-2021 to the new level of just under Euro 250 million), for 2023 the Tesmec Group has forecast further momentum in the growth of Revenues and income statement and statement of financial position results. This expectation, which is estimated to bring Revenues at the end of 2023 to the Euro 280-290 million range, is based:

(i) on the order backlog outstanding as at 31 December 2022, of more than Euro 400 million;

(ii) the commercial development underway in all of the Group's Business Units, both for the Trencher segment (with expected growth in the areas of North America and the Arabian Peninsula), for the Rail segment (due to the expected acquisition of new orders, particularly in the diagnostics segment), and for the Energy segment (with a special reference to the Energy Automation segment, also based on the positive effects of the NRRP).

In line with this vision, the Group's Budget for the current year envisages:

- in the first half of the year:
  - (a) in terms of the Income Statement, the substantial consolidation of the significant growth in Revenues achieved in the first half of 2022, with an acceleration from June onwards. Operating results are expected in the first period of the year to be below 2022, due to the "full year" impact of the strengthening of the commercial and business development structure that has started in 2022, and then to experience a gradual growth towards the end of the first half of the year;
  - (b) in terms of the Statement of financial position, a peak in Working Capital as at 30 June, due to the completion of the major production programme started at the Group's factories; and
- in the second half of the year:
  - (a) in terms of the Income Statement, a strong growth in Revenues and operating results, especially in North America and the Arabian Peninsula for the Trencher segment and in Italy for the Energy segment (as mentioned, also thanks to the contribution of the NRRP);
  - (b) in terms of the Statement of financial position, a progressive reduction in Working Capital to be created in the first part of the year and, specularly, in the Net Financial Position.

B. <u>The first half of 2023</u>

During the first half of 2023, the Group worked on the implementation of its strategic, technological, production and commercial development programmes, with the growth of Revenues accelerating in June, resulting in an increase in turnover for the first six months of the year of more than 10% (lower than the budget for the period) compared to the same period in 2022.

This increase in half-year Revenues was made possible by:

- a strong growth in sales in the Energy segment, with the Business Units dedicated to Stringing equipment and Energy Automation growing by more than 30% compared to 2022, and in the Rail segment, with Revenues increasing by 10%; these performances exceeded the budget for the period;
- a more limited development in the Trencher segment, where Revenues in the first half of 2023 increased by approximately 3% compared to the first half of 2022 - with the latter period having set an all-time seasonal turnover record for trenching machines, although not yet including the opportunities represented by the North American and Arabian Peninsula markets. In this regard, it should be noted that the level of turnover of Trenchers in the first half of 2023 was lower than the budget for the period, with a delay that the management is confident of catching up in the second half of the year. In line with this forecast, the Group continued decisively the important programme of production launches planned for the first half of the year, with a significant increase in inventories respect to 30 June of last year, which are expected to decrease in the course of the year, in line with the budget rationale.

  Again with reference to the Trencher segment, there was a strong development in sales in Saudi Arabia, a country that, as known, has launched significant infrastructure investment programmes and that the budget considered as one of the main contributors to the growth expected in 2023; this development more than offset the negative trend in Revenues on the French market, while the North American market was in line with 2022. It should be noted that the start of sales development in the Arabian Peninsula confirms the expectations of a further boost to growth in turnover in this area in the second half of the year, also in the light of the commercial initiatives underway in both Saudi Arabia and Qatar.

With reference to the Group's backlog, an important indicator of the prospective trend in Revenues, it should be noted that it continued to grow as at 30 June 2023, reaching a value of Euro 430 million, thanks above all to the acquisition of new orders in the Rail segment (where Tesmec's technologies are confirmed as a significant lever for growth, both in Italy and in foreign markets) and in the Energy Automation segment (thanks to the important investments made by the main players in the sector).

In terms of operating results, consolidated EBITDA amounted to Euro 15.2 million and, although in line with the budgets for the period excluding specific non-recurring expenses equal to approximately Euro 2.0 million and mainly attributable to the Trencher segment and, more specifically, to the final accounting of extra-costs in Australia linked to the closure of some contracts, appears to be down by approximately 19% compared to Euro 18.7 million in the first six months of 2022. More precisely:

- the Trencher segment achieved an EBITDA of Euro 6.5 million (or 9.4% of Revenues), down Euro 2.5 million from Euro 9 million in the first six months of 2022. This reduction of EBITDA in absolute terms, which occurred as seen in the presence of higher sales, was the result of expenses aimed at the organizational strengthening of the commercial and business development structures of the Group (especially in the United States and, due to changes in the scope of consolidation, in

Arabia and Qatar), estimated to bring increasing benefits in the second half of the year, in addition to the aforementioned non-recurring charges;
- the Rail segment had an EBITDA of Euro 3.9 million (15.2% of revenues), down by Euro 2.2 million compared to Euro 6.1 million at 30 June 2022. This reduction, already evident in the data for the first quarter, is due to the lower margins underlying the old work orders being completed, while the new work orders with higher margins have not yet fully shown their contribution in terms of relative weight in the product mix;
- the Stringing equipment segment achieved an EBITDA of Euro 3.3 million (15.9% of sales), up Euro 1.5 million from Euro 1.8 million in the first half of 2022. This increase was made possible by both improved margins (achieved by leveraging a better sales mix and supply chain efficiency) and a growing contribution of the Condux Tesmec JV operating in the United States;
- the Automation segment achieved an EBITDA of Euro 1.5 million (or 14.8% of Revenues), down Euro 0.3 million from Euro 1.8 million in the first six months of 2022. The lower EBITDA for the period was caused by a seasonally worse sales mix, which in turn depended on the completion of older supplies and an increase in commercial development costs, while the new work orders acquired in particular in the first half of 2023 have not yet had a chance to show their positive contribution to the sales mix.

In terms of financial management, financial expenses increased from Euro 2.0 million to Euro 5.1 million as a direct effect of the higher cost of debt, accompanied by a particularly negative effect, on a decreasing basis, of the result of exchange rate fluctuations, which went from income of Euro 5.3 million in the first half of 2022 to a loss of Euro 2.0 million (largely unrealised) as at 30 June 2023. Therefore, the decrease due to net financial expenses compared to 2022 was more than Euro -10 million, which affected the Net Result for the period with a loss of Euro 2.6 million, compared to the profit of Euro 7.9 million as at 30 June 2022.

In terms of statement of financial position figures, the Invested Capital as of 30 June 2023 increased by approximately Euro 18.6 million compared to 31 December 2022, entirely against the Net Working Capital, which increased by Euro 18.3 million. This change in working capital is mainly due to the higher level of inventories, which increased by Euro 15.8 million compared to the value as at 31 December last year, and was due to an accumulation of inventories of materials, semi-finished and finished products to meet the growing backlog, as well as the related Revenues expected in the second half of the year.

Specularly, the Net Financial Position as at 30 June 2023 was Euro 150.3 million compared to Euro 128.4 million as at 31 December 2022, an increase of Euro 21.9 million. It is important to point out that the Net Financial Position of Tesmec as at 30 June consists of:
- Euro 98.9 million of Operating Debt, entirely against consolidated Working Capital;
- Euro 22.8 million of the portion in connection with IFRS 16, which, as is well known, requires the inclusion under financial payables of future costs deriving from medium/long-term contracts (such as rents) but does not allow the inclusion of prospective margins deriving from work orders already acquired;
- Euro 28.6 million of Industrial Debt for the portion of the residual Fixed Assets not directly covered by Equity.

Then, with regard to the financial structure of Tesmec, it should be noted that, although the total value of Debt is high compared to Equity (beyond the level expected for 31 December 2023, subject to respect of the financial covenants), this level is nonetheless sustainable, both because it is largely related, as seen above, to working capital requirements - which by its very nature is self-liquidating and in any case is expected to decrease in the course of the year in line with the financial covenants envisaged by certain loan agreements - and because the portion of Industrial Debt represents about one quarter of total Fixed Assets and in any case one third of Shareholders' Equity.
In this regard, it should also be noted that the duration of the Net Financial Position, which includes medium/long-term payables of approximately Euro 93 million, appears more than adequate compared to the duration of the Assets, whose portion of Fixed Assets and other medium/long-term Net Assets not covered by Shareholders' Equity amounts to approximately Euro 50 million. Finally, it should be noted that the Group ended the first half of the year with a liquidity level of Euro 25.6 million, capable of guaranteeing full implementation of the development programmes underway. Given the above considerations, it is confirmed that the primary objective of the Group's management remains the significant reduction in the values of the Net Financial Position at the end of the year, in line with the objectives of the budget and the underlying guidance.

As a result of what has been illustrated above regarding the trend of Net Financial Position and operating margins (EBITDA), also in relation to the ratio between the two quantities, a value is recorded which, although recalculated algebraically over 12 months on the basis of the performance of the second half of 2022, would present values that are insufficient to comply with the financial covenants envisaged by certain loan agreements, also in consideration of the step-up contractually envisaged in the measurement of this parameter as at 31 December 2023. It is specified, however, that these values are affected by the seasonal impact of investments in Working Capital to meet orders and sales in the second half of the year, such that there is both an excess of Net Financial Position and a deficit of EBITDA at the same time, after which the management expects full compliance with the covenant by 31 December 2023, the effective date of contractual recognition of the covenants themselves.

C. ***Expectations for the entire year***

In consideration of the importance for the Group of compliance with the financial parameters, as well as the need to focus attention on the forecasts for the entire 2023 financial year in the light of the trends illustrated above, the Board of Directors meeting on 4 August 2023 examined the Forecast prepared by the Management in the months of June and July which, based on the economic and financial results of the first half of 2023, as well as the trend of the order book and the micro and macroeconomic variables of the various reference markets in which the Group operates, updated the forecasts of the 2023 Budget for the second half of the year based on a bottom-up approach which saw the active involvement of the management teams of all the Group's Italian and foreign companies. Having examined the results of this forecasting process for the current year and having thoroughly discussed the Forecast in all its main assumptions, the Board of Directors confirmed the results originally envisaged in the Budget, namely:

- a turnover in the range of Euro 280-290 million thanks to the estimated sales in the second half of the year in this regard, we highlight the expectation of a positive contribution on an incremental basis:
  - (a) for the Trencher segment, in the United States (especially in the micro-trenching segment and for the marketing of new ESG products/technologies), in France (due to the estimated recovery of sales activities, which will join those of rentals), in West and East Africa (for sales and services in various countries) and in the Arabian Peninsula (where a continuation of the positive trend started in the first part of the year is expected);
  - (b) in the Railway segment, thanks to the implementation of the orders acquired in 2022 and 2023 and the backlog;
  - (c) for the Stringing Machine segment, by the continuation of the positive trend in sales and margin recovery, already started in the first half;
  - (d) in the Energy Automation sector, from the implementation of backlog orders, with higher added value
- an EBITDA margin in the 16%-17% range thanks to an "operating leverage" of margins from the expected higher sales;
- an improved Net Financial Position compared to 31 December 2022, thanks to the gradual reduction in working capital, although the timing of the absorption is expected to be more pronounced in the fourth quarter, compared to the budget estimates, which foresaw a first significant reduction as early as 30 September.

Therefore, the guidance already communicated to the market on 5 May, on the occasion of the publication of data for the first quarter of 2023, is confirmed.

Having had regard to the relevance of compliance with the financial parameters envisaged by some loan agreements with reference to the ratio between Net Financial Debt and Shareholders' Equity, as well as between Net Financial Debt and EBITDA (which presents a further contractual step-up in the measurement as at 31 December 2023 compared expected value as at 31 December 2022), the Management prepared sensitivity analyses to assess compliance with the financial covenants as at 31 December 2023. In the light of the provisions of the Forecast and the related sensitivity analyses, the Board of Directors positively assessed the existence the requirement of business continuity based on which the half-yearly report was prepared and approved.

2. Macroeconomic Scenario[1]

Global economic activity is being curbed by high inflation and by tight financing conditions. World growth continues to lose momentum: economic activity in the United States slows down, and the recovery in China is now weakening after it had benefited from the lifting of pandemic containment policies. Consumer price inflation continues to decline, but core inflation remains high. Monetary policy stance in the leading advanced economies continues to be restrictive. The forecasts published by the OECD in June indicate that global GDP growth is expected to slow down, averaging just below 3% in 2023-24. The persistence of inflation and the resulting restrictive monetary policy stance in the leading advanced economies, as well as the uncertainty stemming from the ongoing war in Ukraine and other international tensions, continue to weigh on the outlook. Brent crude oil prices, temporarily risen above $85 per barrel in early April, fell at the end of the first week in July to just over $75, reflecting the weakness of the global cycle. The Title Transfer Facility (TTF) price of natural gas used as a reference for European markets has continued to decline to just below €35 per megawatt-hour in the first week of July from almost €50 per megawatt-hour at the end of March. Following the turmoil connected with the banking crisis episodes in the United States and in Switzerland, conditions normalized in the international financial markets. In the euro area, government bond yields increased slightly, while there were no significant changes in equity prices. The euro held broadly stable against the dollar.

The euro area is experiencing a period of cyclical weakness, reflecting the impact of high inflation and tighter financing conditions. In the first quarter of this year, GDP contracted slightly in the euro area, as it did at the end of 2022 and, according to Bank of Italy's estimates, remained broadly unchanged in the spring. The latest economic indicators suggest that growth

[1] Source: Bank of Italy - Economic Bulletin, Issue 3/2023 - July.

was virtually nil in the second quarter: manufacturing activity weakened further, while there continued to be positive momentum in services. More positive signs stem from consumers: according to the European Commission's surveys, consumer confidence has improved, mainly driven by more favourable assessments of the general state of the economy and more optimistic expectations regarding the consumers' own financial situation. Employment continued to increase and wage growth gathered pace. The Eurosystem staff projections indicate that GDP growth is likely to slow to 0.9% in 2023 (from 3.5% last year), and then accelerate to 1.5% and 1.6% in 2024 and 2025 respectively. Consumer price inflation continued to fall, but core inflation remains high. In June, consumer price inflation stood at 5.5% on an annual basis. Energy prices fell compared with the previous year, reflecting the normalization of wholesale prices. However, the past months' increases in energy prices continue to pass through indirectly to the prices of services and other goods, in particular food prices. The Eurosystem staff projections indicate that euro-area headline inflation is expected to decline to 5.4% in 2023 on average, to 3.0% in 2024 and to 2.2% in 2025. Between May and June, the Governing Council of the ECB raised its key interest rates by 50 basis points overall. Decisions on interest rates will continue to be made on a meeting-by-meeting basis, taking account of data as they become available, so as to achieve a timely return of inflation to the 2% medium-term target. The cost of lending to firms and households has been rising steadily since the first half of 2022, reflecting the start of the monetary policy normalization process and, since July of last year, also the increase in key interest rates. Between February and May 2023, the interest rate on new loans to euro-area non-financial corporations went up by around 70 basis points, to 4.6%. This year, the European Commission has disbursed around €15 billion (of which almost €13 billion in grants and €2 billion in loans) under the Recovery and Resilience Facility (more than €150 billion since the launch of the programme). For Italy, an additional investigation is underway for some projects relating to the third instalment (€19 billion). So far, 14 countries have submitted a request to amend their National Recovery and Resilience Plans, ten of which have included a new chapter of measures to access funds from the European programme to reduce energy dependency on Russia and accelerate the green transition.

GDP returned to growth in the first quarter, buoyed by the recovery in household spending and further expansion in investment. However, after rebounding in the first quarter, according to Bank of Italy's estimates, GDP remained broadly unchanged in the spring, above all because of the contraction in manufacturing activity, which was affected by the weakening of the industrial cycle at global level. In the update to the three-year baseline scenario, GDP is set to grow by 1.3% this year, 0.9% in 2024 and 1.0% in 2025. Over the next few quarters, recovery will likely be affected by the tightening of financing conditions and by weak international trade. Investment is expected to slow, only partially supported by the implementation of the projects included in the National Recovery and Resilience Plan. Investment was held back by the tightening of financing conditions and by a less favourable outlook for demand. The confidence of manufacturing firms worsened in the second quarter, owing, as in the rest of the euro area, to the orders in arrears gradually coming to an end and to the fall in demand, especially domestic demand. The decrease in lending to the non-financial private sector, under way since last December continued in May. Higher interest rates and lower financing needs related to fixed investment continue to be factors in the decline in lending, with stricter credit standards also playing a part. The latter are affected by the higher risk perception and the lower risk tolerance on the part of intermediaries. Compared with February, the average interest rate on new loans to non-financial corporations rose to 4.8% in May. Regarding households, having fallen towards the end of 2022, household consumption returned to growth in the first quarter of this year (to 0.5% compared with the previous quarter), thanks to the improvement in confidence and to the good performance of the labour market; the latter, together with expansionary measures for the tax and transfer system, led to an increase in household disposable income. Despite weakening somewhat, growth in household expenditure appears to have continued in the second quarter. The participation rate continues to rise and the unemployment rate has decreased, to below 8%. Wage growth gathered pace, as a result of the payment of considerable arrears in the public sector due to delayed contract renewals, and it is expected to strengthen mainly as a result of wage increases linked to the indexation clauses in some national bargaining agreements. In any case, these clauses would involve only a small number of workers, limiting the risk of a wage-price spiral. Consumer price inflation fell further in the second quarter, as a result of the sharp decline in the energy component, although it remains high, to stand at 6.7% in June. Inflation is expected to reach 6.0% on average this year and go down to 2.3% in 2024 and to 2.0%, reflecting the direct and indirect effects of the fall in energy commodity prices. Core inflation, which is expected to stand at 4.5% on average this year, will reach 2.0% at the end of the three-year forecasting period. Increases in energy prices and other raw materials have had a significant impact on the variable costs of production, leading firms to raise the selling prices for their goods to limit any adverse effects on corporate profits. According to Bank of Italy's calculations, in 2022 the significant increase in variable costs per unit of production (13.7% compared with 2021), was not fully offset by price adjustments (12.4%). This resulted in reduction in profit margins across all branches of manufacturing. Italian government bond yields have risen since the end of March by 26 basis points to stand at 4.4% as at July 7th. The yield spread with German public sector bonds narrowed by around 10 basis points to 172 points; the very positive outcome of Italian bond auctions in June, which helped to ease fears about Italy's capacity to refinance its public debt, contributed to this. The yields on bonds issued by Italian non-financial corporations and banks have risen by 34 and 17 basis points respectively, since the end of March. Since the start of April, equity prices have risen in Italy by 2.5%, while they have fallen in the euro area by 2.3%.

High uncertainty continues to be a key feature of the macroeconomic outlook. The evolution of the conflict in Ukraine, with its potential impact on commodity prices and on household and business confidence, remains a major threat. Another important risk stems from the global business cycle, which may be further affected by ongoing monetary tightening in most of the advanced economies. In Italy, GDP could also be held back by further tightening in credit supply conditions. Tighter monetary policy, in fact, will likely translate into higher funding costs and stricter conditions for access to credit. In contrast, the risks to inflation are balanced and include, on the upside, an a slower and only partial pass-through of the recent decrease in energy prices and, on the downside, a more marked and lasting deterioration in aggregate demand; the risk of a wage-price spiral remains low.

3. Significant events during the period

The significant events occurred during the period are reported below:

- on 20 April 2023, the Ordinary Shareholders' Meeting of Tesmec S.p.A. met electronically in a single call and approved the Financial Statements as at 31 December 2022 and the allocation of the Net Profit. During the Shareholders' Meeting, the Consolidated Financial Statements as at 31 December 2022 of the Tesmec Group and the related reports were presented, including the Consolidated Non-Financial Statement;

- on 2 May 2023, the Group unveiled its new corporate identity with a new logo to better reflect the Group's mission based on technological innovation and sustainability.
  A development that underlines the long history of growth of the Group - founded in the fifties as C.R.F. - Officina Meccanica di Precisione S.p.A., a company specialised in high-precision machining of mechanical parts - and today a true tech company, a leader in innovability, i.e. in projects that combine innovation and sustainability. Therefore, the new Corporate Identity is a further step along this process and is intended to provide a clear and unambiguous identification tool for all Group companies, through a single logo representing all Business Units and subsidiaries that also strengthens the internal sense of belonging;

- on 6 May 2023, the subsidiary Tesmec Rail S.r.l. announced the start of works for the industrial and organisational strengthening of the Monopoli hub to respond to a constantly growing market. Thanks to this new project, the Tesmec Group will have a positive impact on the territory in terms of increased qualified employment, development of advanced technological skills, and strengthening of the local supply-side industries;

- on 29 May 2023, the Group announced, through its subsidiary Tesmec Rail and the Škoda Group, one of Europe's leading manufacturers of components such as electric driving systems and electric motors as well as public transport vehicles, the signing of a technology cooperation agreement in the field of railway works vehicles and diagnostic vehicles to develop high-performance and sustainable products with world-leading technology in the rail market.
  Tesmec's development strategy is increasingly driven by sustainable innovation with a focus on electrification of works vehicles to minimise environmental impact and on diagnostics & digitalisation to increase predictive maintenance and safety of railway lines.

4. Activity, reference market and operating performance for the first six months of 2023

The consolidated financial statements of Tesmec have been prepared in accordance with the International Financial Reporting Standards (hereinafter the "IFRS" or the "International Accounting Standards"), endorsed by the European Commission, in effect as at 31 December 2022. The following table shows the Group's major economic and financial indicators of the first six months of 2023 and the financial indicators as at 30 June 2023 compared with the same period of 2022 and with 31 December 2022.

	OVERVIEW OF RESULTS	
30 June 2022	**Key income statement data** (Euro in millions)	**30 June 2023**
113.3	Operating Revenues	125.3
18.7	EBITDA	15.2
8.0	Operating Income	3.7
7.9	Group Net Profit	(3.0)

945	Number of employees	990
31 December 2022	**Key financial position data** (Euro in millions)	**30 June 2023**
211.7	Net Invested Capital	230.3
83.4	Shareholders' Equity	79.9
128.4	Net Financial Indebtedness	150.3
31.9	Net investments in property, plant and equipment, intangible assets and rights of use	10,7

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 half of 2023, it generated revenues of Euro 21,022 thousand. The presence in the United States is completed through the subsidiary 4 Service USA, Inc., also based in Alvarado (Texas) and operating in the trencher rental business.

- Tesmec Rail S.r.l., a 100% subsidiary of Tesmec S.p.A. and with registered office in Monopoli (BA), operates in the Rail segment. In the first half of 2023, it generated revenues of Euro 25,856 thousand.

- Groupe Marais SAS, with registered office in Durtal (France), indirectly controlled by Tesmec S.p.A., through the holding company Marais Technologies SAS, company 66.04% owned by Tesmec S.p.A. and 33.96% by Simest S.p.A. as at 30 June 2023. The French company is a leader in the construction of machines for infrastructures and in services for telecommunications, electricity and gas. In the first half of 2023, it generated revenues of Euro 12,079 thousand.

- Tesmec Automation S.r.l., a company 100% owned by Tesmec S.p.A. and with registered office in Grassobbio (BG), is specialised in the design and sale of integrated fault detectors and measurement sensors and devices for medium voltage power lines. In the first half of 2023, it generated revenues of Euro 10,178 thousand.

- Tesmec Peninsula WLL, a 99% de facto subsidiary of Tesmec S.p.A., based in Doha (Qatar), is active in the business of renting and selling trenchers in the Middle Eastern market. In the first half of 2023, it generated revenues of Euro 5,392 thousand.

- Tesmec Saudi Arabia LLC, a 65% owned subsidiary of Tesmec S.p.A. based in Ryad (Saudi Arabia), is active in the business of renting trenchers in the market of the Arabian Peninsula. In the first half of 2023, it generated revenues of Euro 11,286 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 stringing equipment products for the North American market. The company has been consolidated using the equity method and during the first half of 2023 generated revenues totalling Euro 11,024 thousand.

5. Income statement

5.1 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 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 "ESMA 32-382-1138" document and incorporated by CONSOB in its communication 5/21 of 29 April 2021).

5.2 Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 June 2023 with those as at 30 June 2022.

The main accounting figures for the first six months of 2023 and 2022 are presented in the table below:

	Half-year ended 30 June				
(Euro in thousands)	**2023**	**% of revenues**	**2022**	**% of revenues**	**2023 vs 2022**
Revenues from sales and services	**125,297**	**100.0%**	**113,254**	**100.0%**	**12,043**
Cost of raw materials and consumables	(52,139)	-41.6%	(43,648)	-38.5%	(8,491)
Costs for services	(28,330)	-22.6%	(22,131)	-19.5%	(6,199)
Payroll costs	(32,245)	-25.7%	(29,845)	-26.4%	(2,400)
Other operating costs/revenues, net	(4,168)	-3.3%	(3,455)	-3.1%	(713)
Amortisation and depreciations	(11,436)	-9.1%	(10,702)	-9.4%	(734)
Development costs capitalised	5,977	4.8%	4,636	4.1%	1,341
Portion of losses/(gains) deriving from the valuation of operational Joint Ventures	783	0.6%	(84)	-0.1%	867
Total operating costs	**(121,558)**	**-97.0%**	**(105,229)**	**-92.9%**	**(16,329)**
Operating income	**3,739**	**3.0%**	**8,025**	**7.1%**	**(4,286)**
Financial expenses	(8,912)	-7.1%	(6,045)	-5.3%	(2,867)
Financial income	1,834	1.5%	9,355	8.3%	(7,521)
Portion of losses/(gains) deriving from the valuation of associated companies and non-operational Joint Ventures	(14)	0.0%	48	0.0%	(62)
Pre-tax profit/(loss)	**(3,353)**	**-2.7%**	**11,383**	**10.1%**	**(14,736)**
Income tax	748	0.6%	(3,502)	-3.1%	4,250
Net profit/(loss) for the period	**(2,605)**	**-2.1%**	**7,881**	**7.0%**	**(10,486)**
Profit/(loss) attributable to non-controlling interests	407	0.3%	(1)	0.0%	408
Group profit/(loss)	**(3,012)**	**-2.4%**	**7,882**	**7.0%**	**(10,894)**

Revenues

Total revenues as at 30 June 2023, compared to the corresponding period of the previous year, recorded an increase of 10.6%.

(Euro in thousands)	Half-year ended 30 June				
	2023	% of revenues	2022	% of revenues	2023 vs 2022
Sales of products	97,029	77.4%	70,907	62.6%	26,122
Services rendered	26,878	21.5%	30,021	26.5%	(3,143)
Changes in work in progress	1,390	1.1%	12,326	10.9%	(10,936)
Total revenues from sales and services	**125,297**	**100.0%**	**113,254**	**100.0%**	**12,043**

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

In the first half of 2023, approximately 78.4% of the Group's turnover was realised on foreign markets, compared to approximately 70.3% in the same period of 2022, thus confirming the international vocation of the Tesmec Group.
The revenue analysis by geographic area is indicated below with a comparison of the figures for the first half of 2023 with those for the first half of 2022. It should be noted that the percentage drop in sales in Italy was due to the Trencher and Rail segments, for which the foreign component had a greater weight during the period.
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.

(Euro in thousands)	Half-year ended 30 June				
	2023	% of revenues	2022	% of revenues	2023 vs 2022
Italy	27,061	21.6%	33,683	29.7%	(6,622)
Europe	28,959	23.1%	23,129	20.4%	5,830
Middle East	20,799	16.6%	10,657	9.4%	10,142
Africa	3,396	2.7%	5,301	4.7%	(1,905)
North and Central America	24,541	19.6%	21,759	19.2%	2,782
BRIC and Others	20,541	16.4%	18,725	16.5%	1,816
Total revenues	**125,297**	**100.0%**	**113,254**	**100.0%**	**12,043**

Operating costs net of depreciation and amortisation

Operating costs net of depreciation and amortisation as at 30 June 2023, compared to the corresponding period of the previous year, recorded an increase of 16.5%.

(Euro in thousands)	Half-year ended 30 June				
	2023	% of revenues	2022	% of revenues	2023 vs 2022
Cost of raw materials and consumables	(52,139)	-41.6%	(43,648)	-38.5%	(8,491)
Costs for services	(28,330)	-22.6%	(22,131)	-19.5%	(6,199)
Payroll costs	(32,245)	-25.7%	(29,845)	-26.4%	(2,400)
Other operating costs/revenues, net	(4,168)	-3.3%	(3,455)	-3.1%	(713)
Development costs capitalised	5,977	4.8%	4,636	4.1%	1,341
Portion of losses/(gains) deriving from the valuation of operational Joint Ventures	783	0.6%	(84)	-0.1%	867
Operating costs net of depreciation and amortisation	**(110,122)**	**-87.9%**	**(94,527)**	**-83.5%**	**(15,595)**

The table shows an increase in operating costs of Euro 15,595 thousand. This increase in cost reflects:

- with regard to raw materials, consumables and services, the increase in sales, with different product mix;
- with regard to labour costs, the impact of inflation, remuneration policy and increase in the workforce;

- with regard to other operating costs/revenues, lower public contributions to research and development costs;
- with regard to increases in fixed assets, higher internal investments in research and development;
- with regard to results from Joint Ventures, the positive performance of the associate Condux Tesmec Inc.

EBITDA

As a result of the foregoing, EBITDA amounted to Euro 15,175 thousand, down on the figure recorded in the first half of 2022 when it was equal to Euro 18,727 thousand.
A restatement of the income statement figures representing the performance of EBITDA is provided below:

	Half-year ended 30 June				
(Euro in thousands)	**2023**	**% of revenues**	**2022**	**% of revenues**	**2023 vs 2022**
Operating income	3,739	3.0%	8,025	7.1%	(4,286)
+ Amortisation and depreciations	11,436	9.1%	10,702	9.4%	734
EBITDA	**15,175**	**12.1%**	**18,727**	**16.5%**	**(3,552)**

EBITDA is equal to Euro 15.2 million, down compared to Euro 18.7 million as at 30 June 2022. In particular, the Trencher sector is negatively impacted, compared to the first half of the previous year, by a different seasonal mix of sales and non-recurring charges attributable, in particular, to the final accounting of extra costs in Australia related to the closing phase of some orders. Investments aimed at organizational strengthening of the Group's commercial and business development structures also had an impact. The Railway sector also generated a lower contribution than the performance of the last few quarters, pending the contribution when fully operational from the latest orders acquired. Lastly, the Energy sector recorded a strongly recovering contribution thanks to a better sales mix.

Financial Management

	Half-year ended 30 June				
(Euro in thousands)	**2023**	**% of revenues**	**2022**	**% of revenues**	**2023 vs 2022**
Net financial income/expenses	(4,973)	-4.0%	(2,432)	-2.1%	(2,541)
Foreign exchange gains/losses	(1,964)	-1.6%	5,310	4.7%	(7,274)
Fair value adjustment of derivative instruments on exchange rates	(141)	-0.1%	432	0.4%	(573)
Portion of losses/(gains) deriving from the valuation of associated companies and non-operational Joint Ventures	(14)	0.0%	48	0.0%	(62)
Total net financial income/expenses	**(7,092)**	**-5.7%**	**3,358**	**3.0%**	**(10,450)**

The net financial management result decreased compared to the same period in the previous financial year by a total of Euro -10,450 thousand, due to:

- a negative impact from higher exchange losses of Euro -7,274 thousand, resulting from the unfavourable trend of exchange rates as at 30 June 2023 compared to 31 December 2022, which resulted in net losses totalling Euro 1,964 thousand in the first half of 2023 (largely unrealised) compared to net gains of Euro 5,310 thousand in the first half of 2022 (also largely unrealised);
- worsening of the fair value adjustment of financial instruments of Euro -573 thousand.

5.3 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 30 June 2023 compared to those as at 30 June 2022, broken down into three operating segments.

(Euro in thousands)	Half-year ended 30 June				
	2023	% of revenues	2022	% of revenues	2023 vs 2022
Energy	30,906	24.7%	23,629	20.9%	7,277
Trencher	68,892	55.0%	66,577	58.8%	2,315
Rail	25,499	20.4%	23,048	20.4%	2,451
Total Revenues	**125,297**	**100.0%**	**113,254**	**100.0%**	**12,043**

In the first six months of 2023, the Group consolidated revenues of Euro 125,297 thousand, with an increase of Euro 12,043 thousand (equal to 10.6%) compared to Euro 113,254 thousand in the same period of the previous year. This result is the combined effect of different trends in the three segments:

- Energy: revenues amounted to Euro 30,906 thousand, up by approximately 30.8% compared to the figure of Euro 23,629 thousand as at 30 June 2022. More specifically, it should be noted that the Energy Stringing segment achieved revenues of Euro 20,881 thousand in the first half of 2023 compared to Euro 19,892 thousand in the same period of 2022 (+5.0%), while the Energy-Automation segment achieved revenues of Euro 10,025 thousand, compared to Euro 3,737 thousand as at 30 June 2022 (+168.3%);
- Trencher: revenues of the Trencher segment as at 30 June 2023 was Euro 68,892 thousand, with a slight increase compared to Euro 66,577 thousand as at 30 June 2022. This increase is mainly due to the to the performance of the Middle Eastern and American markets, which, have compensated for the temporary contraction recorded in Europe, particularly in France;
- Rail: revenues amounted to Euro 25,499 thousand, a slight increase compared to the figure of Euro 23,048 thousand as at 30 June 2022. This result is mainly due to the seasonal execution of orders, while during the current year the orders acquired during the previous year with a higher added value will be put into execution, confirming the growth trend envisaged in the Plan.

EBITDA by segment

The tables below show the income statement figures as at 30 June 2023 compared to those as at 30 June 2022, broken down into three operating segments:

(Euro in thousands)	Half-year ended 30 June				
	2023	% of revenues	2022	% of revenues	2023 vs 2022
Energy	4,810	15.6%	3,647	15.4%	1,163
Trencher	6,497	9.4%	8,959	13.5%	(2,462)
Rail	3,868	15.2%	6,121	26.6%	(2,253)
EBITDA	**15,175**	**12.1%**	**18,727**	**16.5%**	**(3,552)**

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

- the Energy segment achieved an EBITDA of Euro 4,810 thousand (15.6% of sales), up Euro 1,163 thousand from Euro 3.6 million in the first half of 2022. In particular, the sector Energy-Stringing achieved an EBITDA of Euro 3.3 million, up Euro 1,5 million compared to Euro 1.8 million at 30 June 2022.This increase was made possible by both improved margins (achieved by leveraging a better sales mix and supply chain efficiency) and a growing contribution of the Condux Tesmec operating in the United States. The sector Energy-Automation achieved an EBITDA of Euro 1.5 million, down Euro 0.3 million from Euro 1.8 million in the first six months of 2022. The lower EBITDA for the period was caused by a seasonally worse sales mix, which in turn depended on the completion of older supplies and an increase in commercial development costs, while the new work orders acquired in particular in the first half of 2023 have not yet had a chance to show their positive contribution to the sales mix.

- the Trencher segment achieved an EBITDA of Euro 6,497 thousand (or 9.4% of Revenues), down Euro 2,462 thousand from Euro 9 million in the first six months of 2022. This reduction of EBITDA in absolute terms, which occurred as seen in the presence of higher sales, was the result of expenses aimed at the organizational strengthening of the commercial and business development structures of the Group (especially in the United States and, due to changes in the scope of consolidation, in Arabia and Qatar), estimated to bring increasing benefits in the second half of the year, in addition to the aforementioned non-recurring charges;

- the Rail segment had an EBITDA of Euro 3,868 thousand (15.2% of revenues), down by Euro 2,253 thousand compared to Euro 6.1 million at 30 June 2022. This reduction, already evident in the data for the first quarter, is due to the lower margins underlying the old work orders being completed, while the new work orders with higher margins have not yet fully shown their contribution in terms of relative weight in the product mix;

6. Summary of statement of financial position figures as at 30 June 2023

Information is provided below on the Group's main equity indicators as at 30 June 2023 compared to 31 December 2022. In particular, the table shows the reclassified funding sources and uses from the consolidated statement of financial position as at 30 June 2023 and as at 31 December 2022:

(Euro in thousands)	**As at 30 June 2023**	**As at 31 December 2022**	**2023 vs 2022**
USES			
Net working capital	98,901	80,631	18,270
Fixed assets	110,841	111,658	(817)
Other long-term assets and liabilities	20,521	19,452	1,069
Net invested capital	**230,263**	**211,741**	**18,522**
SOURCES			
Net financial indebtedness	150,317	128,364	21,953
Shareholders' equity	79,946	83,377	(3,431)
Total sources of funding	**230,263**	**211,741**	**18,522**

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 30 June 2023 and as at 31 December 2022:

(Euro in thousands)	**As at 30 June 2023**	**As at 31 December 2022**	**2023 vs 2022**
Trade receivables	50,956	56,229	(5,273)
Work in progress contracts	25,405	24,973	432
Inventories	116,817	101,411	15,406
Trade payables	(77,619)	(74,178)	(3,441)
Other current assets/(liabilities)	(16,658)	(27,804)	11,146
Net working capital	**98,901**	**80,631**	**18,270**

Net working capital amounted to Euro 98,901 thousand, marking an increase of Euro 18,270 thousand (equal to 27.7%) compared to 31 December 2022. This trend is mainly attributable to the increase in the item "Inventories" for Euro 15,406 thousand, against the important production program launched by the Group in the first half, which will also continue during the second half of the year. Moreover, it should be noted that the sharp decrease in Other current assets/liabilities is to be read together with the changes in Contract Work In Progress and Trade receivables; this following the closure in the first quarter of 2023 of the progress of the works relating to a Rail segment order and its simultaneous invoicing to the customer, with the consequent accounting reclassification which led to a decrease in work in progress of 12 million euros, at the same time an increase of trade receivables for 5 million euros and a decrease in other current liabilities for 7 million euros (against the invoiced portion subject to previous advance collection).

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 30 June 2023 and as at 31 December 2022:

(Euro in thousands)	As at 30 June 2023	As at 31 December 2022	2023 vs 2022
Intangible assets	35,264	32,293	2,971
Property, plant and equipment	48,592	51,759	(3,167)
Rights of use	20,734	21,939	(1,205)
Equity investments in associates	6,210	5,639	571
Other equity investments	41	28	13
Fixed assets	**110,841**	**111,658**	**(817)**

The total of *fixed assets* recorded a net decrease of Euro 817 thousand compared to 31 December 2022.

C) Net financial indebtedness

The table below shows a breakdown of "Net financial indebtedness" as at 30 June 2023 and as at 31 December 2022:

(Euro in thousands)	As at 30 June 2023	*of which with related parties and group*	As at 31 December 2022	*of which with related parties and group*
Cash and cash equivalents	(25,650)		(50,987)	
Current financial assets	(31,436)	*(2,376)*	(17,163)	*(2,596)*
Current financial liabilities	91,771	*1,081*	80,086	*4,144*
Current financial liabilities from rights of use	8,253		7,280	
Current portion of derivative financial instruments	-		-	
Current financial indebtedness	**42,938**	***(1,295)***	**19,216**	***1,548***
Non-current financial liabilities	92,852	*1,899*	92,376	-
Non-current financial liabilities from rights of use	14,527		16,772	
Non-current portion of derivative financial instruments	-		-	
Non-current financial indebtedness	**107,379**	**1,899**	**109,148**	**-**
Net financial indebtedness pursuant to ESMA 32-382-1138 Communication	**150,317**	***604***	**128,364**	***1,548***
Trade payables and other payables (non-current)	-		-	
Group net financial indebtedness	**150,317**	***604***	**128,364**	***1,548***

In the first six months of 2023, the Group's net financial indebtedness increased by Euro 21,953 thousand compared to the figure as at 31 December 2022. This change is due to the increase in net working capital of Euro 18,270 thousand and to the negative cash flow for the period of Euro 3,683 thousand including changes in financial items related to the application of IFRS 16.

The net financial indebtedness prior to the application of IFRS 16, as at 30 June 2023, is equal to Euro 127,537 thousand with an increase of Euro 23,225 thousand compared to the end of 2022.

With reference to cash and cash equivalents as at 30 June 2023, they amounted to Euro 25,650 thousand, a decrease of Euro 25,337 thousand compared to the value of Euro 50,987 thousand as at 31 December 2022, due to both the repayment of medium/long-term loans for the period and the financing of working capital requirements for the period. At the same time, current financial liabilities increased from Euro 80,086 thousand at 31 December 2022 to Euro 91,771 thousand as at 30 June 2023, while non-current financial liabilities amounted to Euro 92,852 thousand as at 30 June 2023, a slight increase from Euro 92,376 thousand, due to new medium/long-term lines obtained in the quarter, net of the amount reclassified among current liabilities for repayments in the next 12 months.

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 the combined financial statements of the Group's US subsidiaries. As at 30 June 2023, these parameters were met. Please refer to what was previously illustrated regarding the forward-looking assessment conducted to assess the Group's ability to comply with the financial parameters contractually envisaged as at 31 December 2023.

7. Management and types of financial risk

For the management of financial risks, please see the paragraph "Financial risk management policy" contained in the Explanatory Notes to the Annual Consolidated Financial Statements for 2022, where the Group's policies in relation to the management of financial risks are presented.

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

In compliance with the CONSOB communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, 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.

9. Group Employees

Average Group employees in the first half of 2023, including employees of fully consolidated companies, is 990 compared to 945 in the first half of 2022.

10. 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 July 27, 2023, the subsidiary Tesmec USA Inc. signed a loan agreement for USD 7.5 million with Worldbusiness Capital. This loan has a duration of 10 years with maturity on 1 July 2033 and with a floating rate according to the U.S. 3-Month Treasury Bill Rate plus a 3.75% spread.

Business outlook

In the first half of 2023, Tesmec continued along its growth path, thanks to its ability to adapt to external challenges and anticipate market trends. The Group has diversified its activities both geographically and by sector and has further invested in strategic sectors, with high vitality and growth prospects, such as Trencher, with solutions for the digitalization and implementation of telecommunications networks, as well as for the development of the mining sector. Furthermore, Tesmec can benefit from the new US IRA Plan - Inflation Reduction Act - is expected to further support US productions, contributing to the performance of the year 2023. In the Railway sector, investments to reduce road vehicle congestion, increase sustainable mobility and for diagnostics, are giving excellent results, together with the maintenance of the lines to ensure 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 needs.
For the 2023 financial year, despite a first half not perfectly in line in terms of margins and cash generation, Tesmec based on the forecast data examined by the Board of Directors on 4 August 2023, confirms the forecasts of the Budget and consequently expects revenues in the high range of the 2021-2023 Business Plan, between Euro 280-290 million a margin between 16% and 17% with an improvement compared to the previous year, thanks to sales forecasts supported by the current backlog and by the strengthening of the organizational structure. Furthermore, always on the basis of the data in the aforementioned forecast, the Net Financial Debt is expected to improve compared to the end of the 2022 financial year, with the Group's confirmed ability to comply with the financial parameters envisaged by some loan agreements, also following the application of sensitivity analysis forecasts aimed at estimating the effects of trends that differ from expectations.

In conclusion, Tesmec is a solid and growing company that can adapt to the market's challenges and anticipate future trends.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of financial position as at 30 June 2023 and as at 31 December 2022

(Euro in thousands)	Notes	30 June 2023	31 December 2022
NON-CURRENT ASSETS			
Intangible assets	6	35,264	32,293
Property, plant and equipment	7	48,592	51,759
Rights of use	8	20,734	21,939
Equity investments in associates evaluated using the equity method		6,210	5,639
Other equity investments		41	28
Financial receivables and other non-current financial assets	9	9,753	10,549
Derivative financial instruments	18	612	753
Deferred tax assets		18,443	16,349
Non-current trade receivables		2,751	1,754
Other non-current assets		1,211	1,204
TOTAL NON-CURRENT ASSETS		**143,611**	**142,267**
CURRENT ASSETS			
Work in progress contracts	10	25,405	24,973
Inventories	11	116,817	101,411
Trade receivables	12	50,956	56,229
of which with related parties:	*12*	*2,105*	*2,027*
Tax receivables		2,534	2,412
Financial receivables and other current financial assets	13	31,436	17,163
of which with related parties:	*13*	*2,376*	*2,596*
Other current assets		16,841	12,252
Cash and cash equivalents		25,650	50,987
TOTAL CURRENT ASSETS		**269,639**	**265,427**
TOTAL ASSETS		**413,250**	**407,694**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	14	15,702	15,702
Reserves/(deficit)	14	64,380	57,290
Group net profit/(loss)	14	(3,012)	7,862
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**77,070**	**80,854**
Capital and reserves/(deficit) attributable to non-controlling interests		2,469	2,469
Net profit/(loss) for the period attributable to non-controlling interests		407	54
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**2,876**	**2,523**
TOTAL SHAREHOLDERS' EQUITY		**79,946**	**83,377**
NON-CURRENT LIABILITIES			
Medium/long-term loans	15	92,852	91,130
of which with related parties:	*15*	*1,899*	*-*
Bond issue		-	1,246
Non-current financial liabilities from rights of use		14,527	16,772
Employee benefit liability		3,915	3,958
Deferred tax liabilities		8,334	7,199
TOTAL NON-CURRENT LIABILITIES		**119,628**	**120,305**
CURRENT LIABILITIES			

Interest-bearing financial payables (current portion)	16	89,283	76,369
of which with related parties:	*16*	*1,081*	*4,144*
Bond issue		2,488	3,717
Current financial liabilities from rights of use		8,253	7,280
Trade payables	17	77,619	74,178
of which with related parties:		*1,123*	*1,177*
Advances from customers		5,185	12,574
Income taxes payable		4,324	4,421
Provisions for risks and charges		3,766	3,759
Other current liabilities		22,758	21,714
TOTAL CURRENT LIABILITIES		**213,676**	**204,012**
TOTAL LIABILITIES		**333,304**	**324,317**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**413,250**	**407,694**

Consolidated income statement for the half-year ended 30 June 2023 and 2022

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2023**	**2022**
Revenues from sales and services	19	**125,297**	**113,254**
of which with related parties:	*19*	*5,256*	*4,086*
Cost of raw materials and consumables		(52,139)	(43,648)
of which with related parties:		*(102)*	*(8)*
Costs for services		(28,330)	(22,131)
of which with related parties:		*(31)*	*(17)*
Payroll costs		(32,245)	(29,845)
Other operating costs/revenues, net		(4,168)	(3,455)
of which with related parties:		*84*	*98*
Amortisation and depreciations		(11,436)	(10,702)
Development costs capitalised		5,977	4,636
Portion of losses/(gains) deriving from the valuation of operational Joint Ventures		783	(84)
Total operating costs	**20**	**(121,558)**	**(105,229)**
Operating income		**3,739**	**8,025**
Financial expenses		(8,912)	(6,045)
of which with related parties:		*(206)*	*(246)*
Financial income		1,834	9,355
of which with related parties:		*40*	*51*
Portion of losses/(gains) deriving from the valuation of associated companies and non-operational Joint Ventures		(14)	48
Pre-tax profit/(loss)		**(3,353)**	**11,383**
Income tax		748	(3,502)
Net profit/(loss) for the period		**(2,605)**	**7,881**
Profit/(loss) attributable to non-controlling interests		**407**	**(1)**
Group profit/(loss)		**(3,012)**	**7,882**
Basic and diluted earnings/(losses) per share		**(0.0050)**	**0.013**

Consolidated statement of comprehensive income for the half-year ended 30 June 2023 and 2022

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2023**	**2022**
NET PROFIT/(LOSS) FOR THE PERIOD		**(2,605)**	**7,881**
Other components of comprehensive income:			
Other components of comprehensive income that will be subsequently reclassified to net income/(loss) for the year:			
Exchange differences on conversion of foreign financial statements	14	(480)	2,427
Other changes		(346)	-
Other components of comprehensive income that will not be subsequently reclassified to net income/(loss) for the year:			
Actuarial profit/(loss) on defined benefit plans		-	615
Income tax		-	(148)
		-	467
Total other income/(losses) after tax		**(826)**	**(2,894)**
Total comprehensive income (loss) after tax		**(3,431)**	**10,775**
Attributable to:			
Shareholders of Parent Company		(3,838)	10,776
Non-controlling interests		407	(1)

Consolidated statement of cash flows for the half-year ended 30 June 2023 and 2022

		Half-year ended 30 June	
(Euro in thousands)	**Notes**	**2023**	**2022**
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the period		(2,605)	7,881
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciations	6-7-8	11,436	10,702
Provisions for employee benefit liability		745	89
Provisions for risks and charges/inventory obsolescence/doubtful accounts		1,216	1,790
Employee benefit payments		(787)	(347)
Payments of provisions for risks and charges		(187)	(42)
Net change in deferred tax assets and liabilities		(1,242)	1,197
Change in fair value of financial instruments	18	141	(431)
Change in current assets and liabilities:			
Trade receivables	12	(4,527)	(17,519)
of which with related parties:	*12*	*(79)*	*(742)*
Inventories	10-11	(17,390)	(13,325)
Trade payables	17	6,359	8,811
of which with related parties:		*(54)*	*(118)*
Other current assets and liabilities		(3,811)	(1,864)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(10,652)**	**(3,058)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	7	(4,772)	(5,089)
Investments in intangible assets	6	(6,960)	(6,416)
Investments in Rights of use	8	(2,691)	(3,099)
(Investments)/disposals of financial assets		(14,446)	(352)
of which with related parties:		*220*	*(596)*
Proceeds from sale of property, plant and equipment, intangible assets and rights of use	6-7-8	3,751	4,905
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(25,118)**	**(10,051)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	15	18,017	3,675
of which with related parties:	*15*	*1,899*	*(3,623)*
Recognition of financial liabilities from rights of use		3,343	4,145
Repayment of medium/long-term loans	15	(23,170)	(8,622)
Repayment of financial liabilities from rights of use		(4,081)	(3,775)
Net change in short-term financial debt	15	17,073	91
of which with related parties:		*3,063*	*2,139*
Change in the consolidation area		-	40
Other changes	14	(346)	-
NET CASH FLOW GENERATED BY/(USED IN) FINANCING ACTIVITIES (C)		**10,836**	**(4,446)**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(24,934)**	**(17,555)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(403)	771
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		50,987	50,189
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**25,650**	**33,405**
Additional information:			
Interest paid		5,998	3,085
Income tax paid		888	264

Statement of changes in consolidated shareholders’ equity for the half-year ended 30 June 2023 and 2022

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Net profit/(loss) for the period	Total shareholders' equity attributable to Parent Company shareholders	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as at 1 January 2023	**15,702**	**2,141**	**39,215**	**(2,341)**	**3,873**	**14,402**	**7,862**	**80,854**	**2,523**	**83,377**
Profit/(loss) for the period	-	-	-	-	-	-	(3,012)	(3,012)	407	(2,605)
Other changes	-	-	-	-	(346)	-	-	(346)	-	(346)
Other profits/(losses)	-	-	-	-	(426)	-	-	(426)	(54)	(480)
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**(772)**	**-**	**(3,012)**	**(3,784)**	**353**	**(3,431)**
Allocation of profit for the period	-	207	-	-	-	7,655	(7,862)	-	-	-
Balance as at 30 June 2023	**15,702**	**2,348**	**39,215**	**(2,341)**	**3,101**	**22,057**	**(3,012)**	**77,070**	**2,876**	**79,946**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Net profit/(loss) for the period	Total shareholders' equity attributable to Parent Company shareholders	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as at 1 January 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**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 30 June 2023

1. Company information

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

2. Reporting standards

The interim condensed consolidated financial statements as at 30 June 2023 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 2023 are those adopted for preparing the consolidated financial statements as at 31 December 2022, 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 statement of comprehensive income, 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 2022. 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 consolidated statement of changes in shareholders' equity and the consolidated statement of 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 2023 are compared with the corresponding final data as at 31 December 2022. 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 2022.

The interim condensed consolidated financial statements as at 30 June 2023 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 cash flows and related explanatory notes. Comparative figures are disclosed as required by IAS 34 (31 December 2022 for the statement of financial position, and the first half of 2022 for the consolidated income statement, the consolidated statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows).

EMARKET SDIR CERTIFIED

The interim condensed consolidated financial statements as at 30 June 2023 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 alternative forecast scenarios which reflected the effects of possible trends that differ from the forecasts examined by the Board of Directors on 4 August 2023 on the basis of which the Budget forecasts were confirmed. 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 2023 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 mentioned 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 2023 was authorised by the Board of Directors on 4 August 2023.

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 half-year ended 30 June		End-of-period exchange rate as at 30 June	
	2023	**2022**	**2023**	**2022**
US Dollar	1.0807	1.0934	1.0866	1.0387
Russian Rouble	83.6510	83.7419	95.1052	53.8580
South African Rand	19.6792	16.8485	20.5785	17.0143
Renminbi	7.4894	7.0823	7.8983	6.9624
Qatari Riyal	3.9336	3.9800	3.9552	3.7809
Algerian Dinar	147.0336	156.2732	147.2750	152.0941
Tunisian Dinar	3.3389	3.2561	3.3577	3.2186
Australian Dollar	1.5989	1.5204	1.6398	1.5099
New Zealand Dollar	1.7318	1.6491	1.7858	1.6705
Saudi Riyal	4.0525	4.1002	4.0748	3.8951
CFA Franc	655.9570	655.9570	655.9570	655.9570
GNF Franc	9,209.3886	9,629.0164	9,251.3029	8,973.3986
Moroccan Dinar	11.0210	10.6040	10.7560	10.5420

3. Consolidation methods and area

As at 30 June 2023, the consolidation area did not change with respect to that as at 31 December 2022.

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 2022, with the exception of the adoption as of 1 January 2023 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 2023 but have no impact on the Group's interim condensed consolidated financial statements.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts that considers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features; some exceptions apply with regard to the scope of application. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. Contrary to the requirements of IFRS 4, which are largely based on maintaining previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adjustment for contracts with direct participation characteristics (the variable commission approach)
- A simplified approach (the premium allocation approach) mainly for short-term contracts.

These amendments are not relevant to the interim condensed consolidated financial statements of the Group.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and corrections of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments are not relevant to the interim condensed consolidated financial statements of the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to the disclosure of accounting standards. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and by adding guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions.

The amendments had no impact on the Group's interim condensed consolidated financial statements but are expected to have an impact on the disclosure of accounting policies in the Group's consolidated annual financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and dismantling liabilities. These amendments are not relevant to the interim condensed consolidated financial statements of the Group.

5. Impairment Test

As envisaged by IAS 36, at least at the end of each reporting period, the Group verifies whether the value of fixed assets may have been impaired, thus estimating the recoverable amount of such assets in such circumstances and any difference from the carrying amount. In assessing the case that one or more CGUs may have suffered an impairment loss, indications deriving from information sources both inside and outside the Group are considered.
For the purposes of preparing these interim condensed consolidated financial statements, in consideration of the results of the main subsidiaries that correspond to the CGUs identified in the consolidated financial statements, no general indicators of impairment were identified and it was therefore not necessary to carry out a general impairment test on all non-current assets held by the Group.

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 of significant value and, consequently, is not exposed to a significant risk of impairment thereof. The value of net assets attributable to operations in Russia totalled negative Euro 1.5 million, including an exposure of the Russian subsidiary to the Group's Italian companies of around Euro 2.5 million. With regard to recent events and the resulting sanctions and restrictions on commercial operations with Russia, Tesmec's management team is constantly monitoring the situation in order to assess the future operations of the subsidiary in full compliance with EU and international regulations (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 2023 are shown in the table below:

(Euro in thousands)	1 January 2023	Increases due to purchases	Reclassifications	Decreases	Amortisation and depreciation	Exchange rate differences	30 June 2023
Start-up and expansion costs	12	-	(12)	-	-	-	-
Development costs	13,675	978	3,639	(17)	(3,022)	(13)	15,240
Rights and trademarks	5,820	361	303	(81)	(914)	(4)	5,485
Other intangible assets	31	9	12	-	(5)	-	47
Goodwill	3,014	-	-	-	-	-	3,014
Assets in progress	9,741	5,612	(3,872)	(3)	-	-	11,478
Total intangible assets	**32,293**	**6,960**	**70**	**(101)**	**(3,941)**	**(17)**	**35,264**

As at 30 June 2023, *intangible assets* totalled Euro 35,264 thousand, up Euro 2,971 thousand on the previous year. The change mainly refers to:

- assets in progress for Euro 5,612 thousand mainly relating to development projects in progress. These costs mainly refer to diagnostic projects relating to the railway sector where a new innovative vehicle is being developed;
- development costs, which increased by Euro 978 thousand in the first six months of 2023, and amortisation for the period of Euro 3,022 thousand. The increases for the period relate to fixed assets in progress completed and entering depreciation.

7. Property, plant and equipment

The breakdown and changes in "Property, plant and equipment" for the period ended 30 June 2023 are shown in the table below

(Euro in thousands)	1 January 2023	Increases due to purchases	Reclassifications	Decreases	Amortisation and depreciation	Exchange rate differences	30 June 2023
Land	4,401	-	-	-	-	(4)	4,397
Buildings	15,081	34	-	(12)	(331)	(97)	14,675
Plant and machinery	6,002	378	842	(71)	(663)	(9)	6,479
Equipment	1,395	160	7	-	(309)	(15)	1,238
Other assets	21,206	3,003	51	(3,461)	(2,447)	(448)	17,904
Assets in progress	3,674	1,197	(970)	-	-	(2)	3,899
Total property, plant and equipment	**51,759**	**4,772**	**(70)**	**(3,544)**	**(3,750)**	**(575)**	**48,592**

As at 30 June 2023, property, plant and equipment totalled Euro 48,592 thousand, down compared to the previous year by Euro 3,167 thousand.
The change is mainly due to the decrease in "Other assets" of Euro 3,461 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 2023 are shown in the table below:

(Euro in thousands)	1 January 2023	Increases due to purchases	Reclassifications	Decreases	Amortisation and depreciation	Exchange rate differences	30 June 2023
Buildings - rights of use	9,030	647	-	(4)	(1,399)	(35)	8,239

Plant and machinery - rights of use	97	599	-	-	(20)	-	676
Equipment - rights of use	3	-	-	-	(3)	-	-
Other assets - rights of use	12,809	1,445	-	(102)	(2,323)	(10)	11,819
Total rights of use	**21,939**	**2,691**	**-**	**(106)**	**(3,745)**	**(45)**	**20,734**

Rights of use as at 30 June 2023 amounted to Euro 20,734 thousand and decreased by Euro 1,205 thousand compared to the previous year, Euro 3,745 thousand in relation to the depreciation for the period.

9. Financial receivables and other non-current financial assets

The following table sets forth the breakdown of the item financial receivables and other non-current financial assets as at 30 June 2023 compared with 31 December 2022:

(Euro in thousands)	**30 June 2023**	**31 December 2022**
Guarantee deposits	96	100
Receivables due from factoring companies	4,358	4,358
Financial receivables from third parties	5,299	6,091
Financial receivables and other non-current financial assets	**9,753**	**10,549**

The item Financial receivables from third parties decreased by Euro 796 thousand compared to the previous financial year and is mainly related to the recognition of financial receivables generated by sales of trenching machines with extended terms and which provide for the accrual of interest income.

Financial receivables from third parties are shown net of a write-down of Euro 409 thousand due to the partial write-down of certain receivables from certain counterparties in the trencher segment operating in countries in the African area, whose positions had been the subject matter in previous years of the definition of financially onerous payment plans that were not fully or partially fulfilled, also in connection with the operational and financial difficulties of the counterparties themselves due to the pandemic. In this regard, actions are underway to recover outstanding receivables as well as - more generally - to monitor the Group's exposure to this type of counterparty.

10. Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 30 June 2023 and as at 31 December 2022:

(Euro in thousands)	**30 June 2023**	**31 December 2022**
Work in progress (Gross)	60,832	59,017
Advances from contractors	(35,427)	(34,044)
Work in progress contracts	**25,405**	**24,973**

"Work in progress" refers mainly 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.

11. Inventories

The following table provides a breakdown of Inventories as at 30 June 2023 compared to 31 December 2022:

(Euro in thousands)	**30 June 2023**	**31 December 2022**
Raw materials and consumables	82,290	69,686
Work in progress	9,732	9,663
Finished products and goods for resale	21,283	20,096
Advances to suppliers for assets	3,112	1,966
Total inventories	**116,817**	**101,411**

Compared to 31 December 2022, *inventories* increased by Euro 15,406 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 2023 compared with that as at 31 December 2022 are shown below:

(Euro in thousands)	**30 June 2023**	**31 December 2022**
Value as at 1 January	7,708	6,646
Provisions	549	974
Uses	-	-
Exchange rate differences	(49)	88
Total provisions for inventory obsolescence	**8,208**	**7,708**

The value of the provisions for inventory obsolescence increased also by Euro 500 thousand compared to the amount as at 31 December 2022. The adequacy of the provision is assessed on a regular basis to constantly monitor the actual level of inventories recovered through sales.

12. Trade receivables

The following table provides a breakdown of "Trade receivables" as at 30 June 2023 and as at 31 December 2022:

(Euro in thousands)	**30 June 2023**	**31 December 2022**
Trade receivables from third-party customers	48,851	54,202
Trade receivables from associates, related parties and joint ventures	2,105	2,027
Total trade receivables	**50,956**	**56,229**

The changes in the provisions for doubtful accounts for the half-year ended 30 June 2023 compared with that as at 31 December 2022 are shown below:

(Euro in thousands)	**30 June 2023**	**31 December 2022**
Value as at 1 January	5,875	3,754
Change in the consolidation area	-	468
Provisions	381	1,247
Uses	(18)	(460)
Reclassifications	(899)	818
Exchange rate differences	(32)	48
Total provisions for doubtful accounts	**5,307**	**5,875**

The value of the provisions for doubtful accounts also decreased by Euro 568 thousand compared to the previous year, also as a result of the reclassification of certain credit positions of a commercial nature - which were allocated to the provisions for doubtful accounts in previous years - to financial receivables. Uses and provisions related to the provisions for doubtful accounts are included in "other operating (costs)/revenues, net" of the income statement.

13. 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 2023 and as at 31 December 2022:

(Euro in thousands)	30 June 2023	31 December 2022
Financial receivables from associates, related parties and joint ventures	2,376	2,596
Receivables due from factoring companies	5,226	2,443
Financial receivables from third parties	23,772	12,053
Other current financial assets	62	71
Total financial receivables and other current financial assets	**31,436**	**17,163**

The increase in *current financial assets* from Euro 17,163 thousand to Euro 31,436 thousand is mainly due to the increase in credit positions relating to specific contracts signed with third parties on which an interest rate is applied and repayable within 12 months.

14. Share capital and reserves

The following table provides a breakdown of Other reserves as at 30 June 2023 and as at 31 December 2022:

(Euro in thousands)	30 June 2023	31 December 2022
Revaluation reserve	86	86
Extraordinary reserve	36,291	36,291
Consolidation reserve	973	973
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(112)	(112)
Network reserve	824	824
Reserves for retained earnings/(losses)	(15,514)	(23,169)
Total other reserves	**22,057**	**14,402**

As a result of the resolution of 20 April 2023, with the approval of the 2022 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to carry forward the profit for the year of the Parent Company of Euro 3,927 thousand and allocate it to the legal reserve of Euro 207 thousand.

15. 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 2023 and as at 31 December 2022, with separate disclosure of total loans and current portion:

(Euro in thousands)	30 June 2023	of which current portion	31 December 2022	of which current portion
Domestic fixed-rate bank loans	32,317	9,542	38,808	10,677
Domestic floating-rate bank loans	69,507	18,354	62,314	17,520

Foreign fixed-rate bank loans	1,341	255	1,379	428
Foreign floating-rate bank loans	14,293	3,072	16,027	3,491
Shareholder loan	2,099	200	3,263	3,263
Total medium/long-term loans	**119,557**	**31,423**	**121,791**	**35,379**
less current portion	(31,423)		(35,379)	
Non-current portion of medium/long-term loans	**88,134**		**86,412**	
Medium/long-term loan due to Simest	5,468	750	6,118	1,400
less current portion	(750)		(1,400)	
Medium/long-term loan due to Simest	**4,718**		**4,718**	
Total medium/long-term loans	**92,852**	**32,173**	**91,130**	**36,779**

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 ratios:

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

The loan agreement of the subsidiary Tesmec USA, Inc. provides for financial covenants to be calculated quarterly on the combined financial statements of the Group's US subsidiaries. As at 30 June 2023, these parameters were met.

With regard to the financial structure of Tesmec, it should be noted that, although the total value of Debt is high compared to Equity, this level is nonetheless sustainable, both because it is largely related, as seen above, to working capital requirements - which by its very nature is self-liquidating and in any case is expected to decrease in the course of the year in line with the financial covenants envisaged by certain loan agreements - and because the portion of Industrial Debt represents about one quarter of total Fixed Assets and in any case one third of Shareholders' Equity.

In consideration of the importance for the Group of compliance with the financial parameters, as well as the need to focus attention on the forecasts for the entire 2023 financial year in the light of the trends illustrated above, the Board of Directors meeting on 4 August 2023 examined the Forecast prepared by the Management in the months of June and July which, based on the economic and financial results of the first half of 2023, as well as the trend of the order book and the micro and macroeconomic variables of the various reference markets in which the Group operates, updated the forecasts of the 2023 Budget for the second half of the year based on a bottom-up approach which saw the active involvement of the management teams of all the Group’s Italian and foreign companies. Having examined the results of this forecasting process for the current year and having thoroughly discussed the Forecast in all its main assumptions, the Board of Directors confirmed the results originally envisaged in the Budget.

Having had regard to the relevance of compliance with the financial parameters envisaged by some loan agreements with reference to the ratio between Net Financial Debt and Shareholders' Equity, as well as between Net Financial Debt and EBITDA (which presents a further contractual step-up in the measurement as at 31 December 2023 compared expected value as at 31 December 2022), the Management prepared sensitivity analyses to assess compliance with the financial covenants as at 31 December 2023. In the light of the provisions of the Forecast and the related sensitivity analyses, the Board of Directors positively assessed the existence the requirement of business continuity based on which the half-yearly report was prepared and approved.

16. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 30 June 2023 and as at 31 December 2022:

(Euro in thousands)	30 June 2023	31 December 2022
Advances from banks against invoices and bills receivables	46,886	30,900

Bank current accounts payable	184	8
Accrued liabilities	1,334	1,153
Payables due to factoring companies	7,397	6,295
Financial payables due to SIMEST	750	1,400
Short-term loans to third parties	429	353
Current portion of medium/long-term loans	31,222	32,116
Financial payables to related parties	1,081	4,144
Total interest-bearing financial payables (current portion)	**89,283**	**76,369**

The increase in *interest-bearing financial payables (current portion)* of Euro 12,914 thousand is due to the greater use of the advance lines and discounting of bills.

17. Trade payables

The breakdown of *Trade payables* as at 30 June 2023 and as at 31 December 2022, respectively, is indicated in the table below:

(Euro in thousands)	**30 June 2023**	**31 December 2022**
Trade payables due to third-parties	76,496	73,001
Trade payables due to associates, related parties and joint ventures	1,123	1,177
Total trade payables	**77,619**	**74,178**

Trade payables as at 30 June 2023 increased by Euro 3,441 thousand, 4.6% compared to the previous financial period as a result of a greater procurement in the last part of the year.
This figure includes payables related to the Group's normal course of business, in particular the purchase of raw materials and outsourced works.
This item also includes payables originating from supplies received and sold in accordance with the reverse factor that maintain commercial deferment conditions.

Note also that there are no payables with maturity exceeding five years at the above dates.

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

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

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

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

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

	Current/Non-current assets	
(Euro in thousands)	**30 June 2023**	**31 December 2022**
NON-CURRENT ASSETS:		
Receivables and other financial assets	9,753	10,549
Derivative financial instruments	612	753
Non-current trade receivables	2,751	1,754
CURRENT ASSETS:		

Trade receivables	50,956	56,229
Financial receivables and other current financial assets	31,436	17,163
Cash and cash equivalents	25,650	50,987

	Current/non-current liabilities	
(Euro in thousands)	**30 June 2023**	**31 December 2022**
NON-CURRENT LIABILITIES:		
Medium/long-term loans	92,852	91,130
Bond issue	-	1,246
Non-current financial liabilities and rights of use	14,527	16,772
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	89,283	76,369
Bond issue	2,488	3,717
Current financial liabilities and rights of use	8,253	7,280
Trade payables	77,619	74,178
Advances from customers	5,185	12,574

Management and types of risks

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 one of the assets, in order to keep a very sound statement of financial position structure.
Forms of financing most commonly used are represented by:

- medium/long-term loans with multi-year redemption plan to cover the investments in fixed assets and to finance expenses related to several development projects;
- short-term loans, advances on export, transfers of trade receivables, and reverse factoring agreements to finance the working capital.

The Group uses various external sources of financing, obtaining both short and medium-long term loans and is therefore subject to the cost of money and to the volatility of interest rates, with a special reference to contracts that provide for variable interest rates, which, therefore, do not make it possible to predict the exact amount of the interest payable during the duration of the loan. The average cost of indebtedness is benchmarked to the trend of the 1/3-month Euribor rates for short-term loans and the 3/6-month Euribor rates for medium to long-term loans. When taking out loans at variable rates, mainly in relation to medium-term loans, the Tesmec Group considers managing the risk of interest rate fluctuations through hedging transactions (in particular, through swaps, collars and caps), with a view to minimising any losses related to interest rate fluctuations. However, it is not possible to ensure that the hedging transactions entered into by the Group are suitable to fully neutralise the risk related to interest rate fluctuations, or that no losses will result from such transactions.

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

Credit risk

With reference to the credit risk, the same is closely related to the sale of products on the market. In particular, the extent of the risk depends on both technical and commercial factors and the purchaser's solvency.

From a commercial viewpoint, the Group is not exposed to high credit risk insofar as it has been operating for years in markets where payment on delivery or letter of credit issued by a prime international bank are usually used as payment methods. For customers located in the European region, the Group mainly uses factoring without recourse. The provisions for doubtful accounts are considered to be a good indication of the extent of the overall credit risk.

Operational risks

Risks related to the Group's international business

The Tesmec Group earns its revenues mainly abroad. The Group carries out its production in 6 industrial plants (4 of which are located in Italy, 1 in France and 1 in the United States) and carries out its commercial business in about 135 countries worldwide. In particular, the Tesmec Group operates in several countries in Europe, the Middle East, Africa, North and Central America as well as the BRIC area (Brazil Russia India China). Moreover, the Group not only has a strong international presence but intends to continue to expand its business geographically, exploring opportunities in markets that it believes can help improve its risk profile. When deciding whether to undertake initiatives or maintain its strategic presence in foreign markets, the Group assesses political, economic, legal, operational, financial and security risks and development opportunities. With reference to the presence in Russia, a country affected by a war conflict, please refer to the specific considerations made in paragraph 5 "Impairment". 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 in winning them and/or the failure or delay in the awarding of 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 labour, semi-finished goods, finished goods, components and high-quality raw materials. Therefore, the Group is exposed to the risk of encountering difficulties in obtaining the supplies it needs to carry out its activities, as well as the risk related to fluctuations in their prices.

In particular, in carrying out its production, the Group mainly uses semi-finished goods in steel and aluminium and semi-finished goods in nylon. The price of raw materials for these semi-finished goods – and, in particular, of steel – can be volatile due to several factors beyond the Group's control and which 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 23 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 2023, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 30 June 2023**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	612	-	612	-
Total non-current	**612**	**-**	**612**	**-**

19. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 30 June 2023 and as at 30 June 2022:

	Half-year ended 30 June	
(Euro in thousands)	**2023**	**2022**
Sales of products	97,029	70,907
Services rendered	26,878	30,021
Changes in work in progress	1,390	12,326
Total revenues from sales and services	**125,297**	**113,254**

In the first six months of 2023, the Group consolidated revenues of Euro 125,297 thousand, with an increase of Euro 12,043 thousand (equal to 10.6%) compared to Euro 113,254 thousand in the same period of the previous year. This result is the combined effect of different trends in the three segments:

- Energy: revenues amounted to Euro 30,906 thousand, up by approximately 30.8% compared to the figure of Euro 23,629 thousand as at 30 June 2022. More specifically, it should be noted that the Energy Stringing segment achieved revenues of Euro 20,881 thousand in the first half of 2023 compared to Euro 19,892 thousand in the same period of 2022 (+5.0%), while the Energy-Automation segment achieved revenues of Euro 10,025 thousand, compared to Euro 3,737 thousand as at 30 June 2022 (+168.3%);
- Trencher: revenues of the Trencher segment as at 30 June 2023 was Euro 68,892 thousand, with a slight increase compared to Euro 66,577 thousand as at 30 June 2022. This increase is mainly due to the to the performance of the Middle Eastern and American markets, which, have compensated for the temporary contraction recorded in Europe, particularly in France;
- Rail: revenues amounted to Euro 25,499 thousand, a slight increase compared to the figure of Euro 23,048 thousand as at 30 June 2022. This result is mainly due to the seasonal execution of orders, while during the current year the orders acquired during the previous year with a higher added value will be put into execution, confirming the growth trend envisaged in the Plan.

20. Operating costs

The item *operating costs* amounted to Euro 121,558 thousand, an increase of 15.5% compared to the previous year, more than the performance in revenues (+10.6%).

21. 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 machines for working in the mines, surface works and earth moving works (RockHawg);
- rental of the trenching machines;
- specialised consultancy and excavation services on customer request;
- multi-purpose site machinery (Gallmac).

Rail segment

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

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

	Half-year ended 30 June							
	2023				**2022**			
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	30,906	68,892	25,499	125,297	23,629	66,577	23,048	113,254
Operating costs net of depreciation and amortisation	(26,096)	(62,395)	(21,631)	(110,122)	(19,982)	(57,618)	(16,927)	(94,527)
EBITDA	**4,810**	**6,497**	**3,868**	**15,175**	**3,647**	**8,959**	**6,121**	**18,727**
Amortisation and depreciations	(2,299)	(7,129)	(2,008)	(11,436)	(2,332)	(6,420)	(1,950)	(10,702)

Total operating costs	**(28,395)**	**(69,524)**	**(23,639)**	**(121,558)**	**(22,314)**	**(64,038)**	**(18,877)**	**(105,229)**
Operating income	**2,511**	**(632)**	**1,860**	**3,739**	**1,315**	**2,539**	**4,171**	**8,025**
Net financial income/(expenses)				(7,092)				3,358
Pre-tax profit/(loss)				**(3,353)**				**11,383**
Income tax				748				(3,502)
Net profit/(loss) for the period				**(2,605)**				**7,881**
Profit/(loss) attributable to non-controlling interests				407				(1)
Group profit/(loss)				**(3,012)**				**7,882**

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 operating segment as at 30 June 2023 and as at 31 December 2022:

	As at 30 June 2023					As at 31 December 2022				
(Euro in thousands)	Energy	Trencher	Rail	Not allocated	Consolidated	Energy	Trencher	Rail	Not allocated	Consolidated
Intangible assets	15,061	8,888	11,315	-	35,264	11,612	10,143	10,538	-	32,293
Property, plant and equipment	3,180	35,282	10,130	-	48,592	3,148	38,731	9,880	-	51,759
Rights of use	920	19,219	595	-	20,734	660	20,591	688	-	21,939
Financial assets	5,519	1,473	4,899	4,725	16,616	4,935	2,545	5,208	4,281	16,969
Other non-current assets	1,610	9,340	835	10,620	22,405	1,693	7,528	639	9,447	19,307
Total non-current assets	**26,290**	**74,202**	**27,774**	**15,345**	**143,611**	**22,048**	**79,538**	**26,953**	**13,728**	**142,267**
Work in progress contracts	4,345	-	21,060	-	25,405	2,908	-	22,065	-	24,973
Inventories	30,674	77,568	8,575	-	116,817	24,903	68,744	7,764	-	101,411
Trade receivables	9,903	33,688	7,365	-	50,956	9,270	37,700	9,259	-	56,229
Other current assets	2,776	19,016	16,286	12,733	50,811	1,646	9,021	10,436	10,724	31,827
Cash and cash equivalents	3,222	4,925	3,787	13,716	25,650	3,947	8,685	14,227	24,128	50,987
Total current assets	**50,920**	**135,197**	**57,073**	**26,449**	**269,639**	**42,674**	**124,150**	**63,751**	**34,852**	**265,427**
Total assets	**77,210**	**209,399**	**84,847**	**41,794**	**413,250**	**64,722**	**203,688**	**90,704**	**48,580**	**407,694**
Shareholders' equity attributable to Parent Company shareholders	**-**	**-**	**-**	**77,070**	**77,070**	**-**	**-**	**-**	**80,854**	**80,854**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**2,876**	**2,876**	**-**	**-**	**-**	**2,523**	**2,523**
Non-current liabilities	**2,527**	**15,571**	**12,613**	**88,917**	**119,628**	**2,536**	**17,760**	**11,474**	**88,535**	**120,305**
Current financial liabilities	9,067	4,235	12,657	65,812	91,771	3,158	5,397	13,950	57,581	80,086
Current financial liabilities from rights of use	264	5,253	125	2,611	8,253	263	4,210	142	2,665	7,280
Trade payables	19,811	44,579	13,229	-	77,619	21,760	39,611	12,807	-	74,178
Other current liabilities	2,086	8,644	12,334	12,969	36,033	1,662	8,668	18,613	13,525	42,468
Total current liabilities	**31,228**	**62,711**	**38,345**	**81,392**	**213,676**	**26,843**	**57,886**	**45,512**	**73,771**	**204,012**
Total liabilities	**33,755**	**78,282**	**50,958**	**170,309**	**333,304**	**29,379**	**75,646**	**56,986**	**162,306**	**324,317**
Total shareholders' equity and liabilities	**33,755**	**78,282**	**50,958**	**250,255**	**413,250**	**29,379**	**75,646**	**56,986**	**245,683**	**407,694**

22. Related party transactions

The following tables give 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 2023					Half-year ended 30 June 2022				
(Euro in thousands)	Revenues	Cost of raw materials	Costs for services	Other operating costs/revenues, net	Financial income and expenses	Revenues	Cost of raw materials	Costs for services	Other operating costs/revenues, net	Financial income and expenses
Associates:										
Locavert S.A.	81	-	-	-	-	71	-	-	-	-
Subtotal	**81**	**-**	**-**	**-**	**-**	**71**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	4,605	(102)	(1)	137	31	2,758	-	-	93	14
Tesmec Peninsula	-	-	-	-	-	234	-	-	-	30
Subtotal	**4,605**	**(102)**	**(1)**	**137**	**31**	**2,992**	**-**	**-**	**93**	**44**
Related parties:										
Ambrosio S.r.l.	-	-	-	(2)	(2)	-	-	-	(2)	(2)
TTC S.r.l.	-	-	(18)	16	-	-	-	(15)	-	-
Dream Immobiliare S.r.l.	-	-	-	(92)	(149)	-	-	-	(1)	(182)
FI.IND	-	-	-	7	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	539	-	(12)	8	(35)	1,003	(8)	(2)	8	(38)
ICS Tech. S.r.l.	31	-	-	3	-	17	-	-	-	-
COMATEL	-	-	-	-	-	3	-	-	-	-
TCB Sport S.r.l.	-	-	-	2	-	-	-	-	-	-
RX S.r.l.	-	-	-	5	(11)	-	-	-	-	(17)
Subtotal	**570**	**-**	**(30)**	**(53)**	**(197)**	**1,023**	**(8)**	**(17)**	**5**	**(239)**
Total	**5,256**	**(102)**	**(31)**	**84**	**(166)**	**4,086**	**(8)**	**(17)**	**98**	**(195)**

	30 June 2023					31 December 2022				
(Euro in thousands)	Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables	Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables
Associates:										
Locavert S.A.	77	-	-	-	1	11	-	-	-	1
Subtotal	**77**	**-**	**-**	**-**	**1**	**11**	**-**	**-**	**-**	**1**
Joint Ventures:										
Condux Tesmec Inc.	1,655	1,499	-	-	-	1,284	1,725	-	-	14
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**1,655**	**2,293**	**-**	**-**	**-**	**1,284**	**2,519**	**-**	**-**	**14**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	29	-	-	-	-	19
Dream Immobiliare S.r.l.	9	77	-	-	924	-	77	-	-	990
Fi.ind.	9	-	-	-	-	-	-	-	-	-
TTC S.r.l.	20	-	-	-	44	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	284	6	1,686	200	44	650	-	-	3,050	72
RX S.r.l.	6	-	213	881	81	-	-	-	1,094	71

TCB Sport S.r.l.	2	-	-	-	-	-	-	-	-	-
Triskell Conseil Partner	-	-	-	-	-	-	-	-	-	10
ICS Tech. S.r.l.	43	-	-	-	-	82	-	-	-	-
COMATEL	-	-	-	-	-	-	-	-	-	-
Subtotal	**373**	**83**	**1,899**	**1,081**	**1,122**	**732**	**77**	**-**	**4,144**	**1,162**
Total	**2,105**	**2,376**	**1,899**	**1,081**	**1,123**	**2,027**	**2,596**	**-**	**4,144**	**1,177**

23. Legal and tax disputes

At the end of the reporting year, 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 of the ongoing tax audits described below is for a total amount of approximately Euro 2.2 million, with respect to which, with the support of the opinion of the appointed tax consultants, provisions of approximately Euro 200 thousand have been set aside.

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 27 November 2023 following adjournment.

During the year 2022, 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 filed an appeal. On 6 July 2023, following negotiations between the parties, a settlement agreement was signed, subject to the waiver of the appeal judgment by the counterparty, which was duly formalized, and the case was definitively abandoned on 9 June 2023.

On 30 June 2022, Amtrak sued Tesmec USA for damages suffered from a fire on 1 July 2019, which affected a maintenance vehicle supplied by the American subsidiary. Amtrak claims that the fire was caused by alleged vehicle faults. On 26 September 2022, Tesmec Usa filed preliminary objections through its lawyers, which led Amtrak to amend its claims and to exclude claims for certain items of damage. On 28 October 2022, Tesmec USA filed its statement of defence in which, rejecting all opposing claims, it filed a counterclaim for violation of the obligations undertaken by the opposite party in performance of a post-sale settlement agreement. Tesmec opened the claim under the local insurance policy in the US and master in Italy.
The case is still at an early stage and the vehicle has been inspected, the outcome of which is expected in the coming months.

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 700 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. During 2023, the Italian Inland Revenue issued a recovery deed for undue use in compensation of the tax credit for Research and Development activities relating to the tax years 2015 and 2016 for a total of Euro 191 thousand, plus fines and interest. The company, deeming its actions to be correct also on the basis of the opinions received, promptly filed an appeal against the aforementioned recovery deed.

24. 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 168,351 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 23 Legal and tax disputes above.

25. 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 July 27, 2023, the subsidiary Tesmec USA Inc. signed a loan agreement for USD 7.5 million with Worldbusiness Capital. This loan has a duration of 10 years with maturity on 1 July 2033 and with a floating rate according to the U.S. 3-Month Treasury Bill Rate plus a 3.75% spread.

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

1. The undersigned Ambrogio Caccia Dominioni and Ruggero Gambini, 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 2023.

2. We also certify that:

2.1 The Interim condensed consolidated financial statements as at 30 June 2023:

- 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, 4 August 2023

Mr. Ambrogio Caccia Dominioni	Mr. Ruggero Gambini
Chief Executive Officer	Manager responsible for preparing the Company’s financial statements

EMARKET SDIR CERTIFIED

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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REPORT ON REVIEW
OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Tesmec S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Tesmec S.p.A. and subsidiaries (the "Tesmec Group"), which comprise the statement of financial position as of June 30, 2023 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 half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the half-yearly financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly 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 half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly 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.

Deloitte.

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, 2023 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, 2023

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.

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TESMEC

draw the way forward

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