TESMEC

Half-year Financial Report at 30 June 2011

60 YEARS
ANNIVERSARY
1951 - 2011

Investor Relator
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Fully paid up share capital as at 30 June 2011 Euro 10,708,400
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 2012)

Chairman and Chief Executive Officer	Ambrogio Caccia Dominioni
Vice Chairman	Alfredo Brignoli Gianluca Bolelli (2)
Directors	Sergio Arnoldi (1) (2) (3) Gioacchino Attanzio (1) (2) (3) Caterina Caccia Dominioni (3) Guido Giuseppe Maria Corbetta (1) Michele Carlo Felice Milani Luca Poggi Gianluca Vacchi

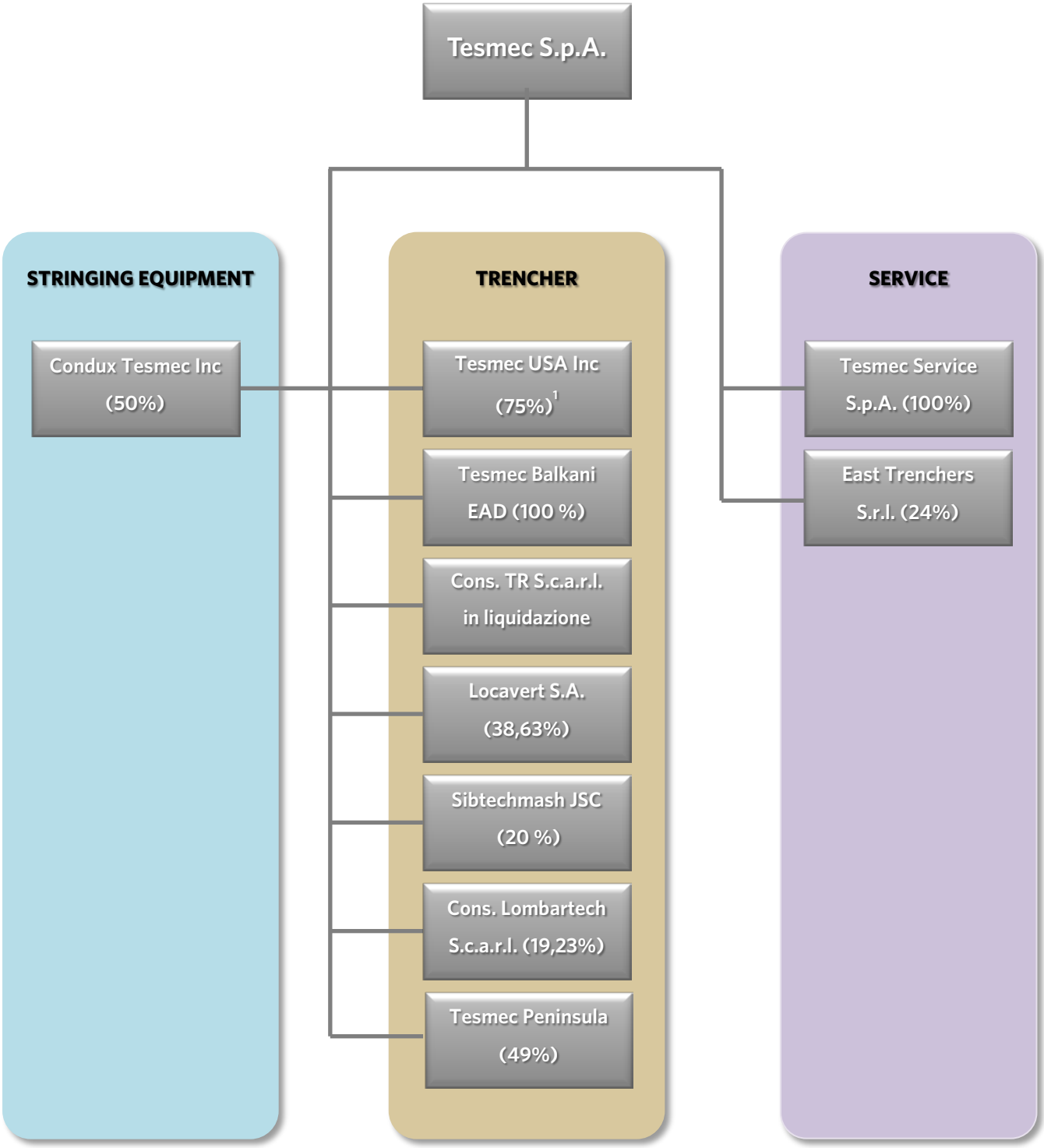
(1) Independent Directors
(2) Member of the Internal Audit Committee
(3) Members of the Compensation Committee

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

Board of Statutory Auditors

Chairman	Simone Cavalli
Statutory Auditors	Stefano Chirico Claudio Melegoni
Alternate Auditors	Attilio Marcozzi Stefania Rusconi
Independent Auditors	Reconta Ernst & Young S.p.A.

GROUP STRUCTURE



(1) The remaining 25% is held by Simest S.p.A. Since Tesmec has an obligation to buy it back from Simest S.p.A., from an accounting point of view the participation of the Parent Company in Tesmec S.p.A. is consolidated on a 100% basis.

INTERIM REPORT ON OPERATIONS

1. Introduction

The parent company Tesmec S.p.A. (hereinafter "Parent Company" or "Tesmec") is a legal entity organised in accordance with the legal system of the Italian Republic. The ordinary shares of Tesmec are listed on the MTA 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 no. 16.

The Group is mainly active in designing, manufacturing and selling integrated solutions for the construction and maintenance of infrastructures such as: aerial and underground networks and pipes *(pipelines)*.

In particular, the Group operates through two product lines for the design, production and sale of:

- machines and integrated systems for stringing power lines and fibre optic cables and the stringing of railway power networks; the products for the stringing segment are manufactured at the Italian production plants of Grassobbio (Bergamo), Endine Gaiano (Bergamo) and Sirone (Lecco);
- high-powered crawler trencher for the linear excavation of underground laying of fibre optic and energy cables and pipes (pipelines) or for earth moving works and, to a lesser extent, multi-purpose construction equipment (Gallmac). The products for the *trencher* segment are manufactured at the production plants located in Grassobbio (Bergamo) and Sirone (Lecco) in Italy and Alvarado (Texas) in the United States of America.

The infrastructures market for the transmission of electrical power and data and material transport (oil and oil derivatives, gas, water) is our leading market, which covers an area that is strategic for the growth and modernisation of any country.

In particular, with reference to stringing equipment, the main sector in which the integrated solutions made by the Group are used, consists of construction of infrastructures for the transmission of electrical power and, in particular, construction of power lines; construction and maintenance of electricity lines on existing power lines and construction of infrastructures for the transmission of data and voice and, in particular, works involving the stringing and maintenance of optical fibre cables.

Starting form 2009 Tesmec Group has coupled the traditional machine sales activities with a new service activity. This activity comprises the provision of trenchers to the construction companies by means of long or short term renting contracts on which it is possible the inclusion of a purchase option at the end of the renting contract. These activities are organised in dedicated Companies to better meet the requirement of a service business.

2. Macroeconomic framework

Macro-economically, the first-half of 2011 was expected as a period of consolidation of the global economic recovery in more or less different terms compared to the major world economic powers.

In political terms, unforeseeable events also occurred:

- the area of North Africa and part of the Middle East have been characterised by social, economic and political tensions that have resulted in riots and wars like the one still in progress in Libya;
- the economic crisis of Greece has affected during the whole half-year the financial structures of the countries of the euro area.

In this context, the macroeconomic trends in the first half year showed:

- the substantial solidity of the economic expansion in the BRIC countries (today BRICST, with the addition of South Africa and Turkey);
- the modest expansive phase of America and Europe, which has been influenced by specialised American rating institutions. These ratings - which cannot always be shared - on the economic and financial situation of European countries and banks, have heavily influenced the stock market values and exchange rates.

More specifically:

- an increase in the inflation index (in Europe as at 30 June 2011 amounting to 2.3%);
- the resulting initial rise in interest rates (Euribor 3 months from 1.008 as at 31 December 2010 to 1.547 as at 30 June 2011);
- the decline of European stock-market indexes (FIISE MIB – 7.1% in the second quarter of 2011);
- the significant rise in oil prices from the one hand (BRENT + 18.7%) and of the value of gold (+5.6%) from the other;
- a weakening of the dollar compared to major currencies;
- protraction of the real-estate sector crisis;
- a substantial slowdown in the execution of projects of major works in infrastructures.

3. Significant events occurred during the period

In the first half of 2011, the Group consolidated a number of important projects for the implementation of the strategic lines of development that focused on the following main areas:

- opening of foreign branches:

- on March 2011 a joint-venture was established in Qatar with TME, local operator that has a consolidated experience in the field, already exclusive concessionaire - for a few years - of the trenchers of the Tesmec Group on the market of Qatar. The objective for the JV company is to increase the commercial presence for the Trencher segment in the countries of the Arabian peninsula and for the development of the related service activities;
- for the sales of the Stringing equipment in Russia, the establishment of a local company wholly owned by Tesmec spa was started with a view to facilitating the increase in volumes also thanks to the direct entry in the secondary market;
- for the Trencher segment, was also initiated the process of creating a subsidiary in South Africa where the agreements for major projects in the telecom area are being executed.
- the activity of the representation office of China and of the American Joint Venture, Condux Tesmec, was reinforced, always for the Stringing equipment segment;

- development of new products/technological solutions:

- In particular, with regard to the stringing equipment segment, the Group thanks to the strategy of further expansion of its range of machinery and equipment, through the provision of related services, achieved an increase in Revenues (+13,3%) and margins (24%), higher than expected. The Group, thanks to its introduction on the international markets, has been developing an activity with subjects of primary importance both foreign, such as FSK - the Russian Agency that manages 125,000 km of high voltage electric transmission network - and on the national territory as A2A operator that manages the distribution of energy in large areas of Northern Italy, consultancy and provision of equipment and systems for the "intelligent" network management.

  To support these initiatives, collaboration agreements with some prestigious Italian universities began during the half year and partnership agreements and acquisitions with companies that have developed expertise in the field of innovation communication technology are being finalised. The first of such initiatives was finalised by the Subsidiary, Tesmec Service, with I-Light, a company operating nation-wide in the smart grid market through the acquisition of the related line of business.

  It is believed that similar developments may be of interest to a growing number of Countries and can be considered a necessary prerequisite for the development of intelligent networks (smart grid).

- the development of an integrated system for the micro-trench laying of optical fibres continued in collaboration with other Italian and foreign technological partners; the development of this activity was boosted by the number of new telecommunication projects that in the short term are still suffering because of issues related to financing;
- significant adjustments were made to trenchers used in the extraction of shale gas in which the subsidiary Tesmec USA. participated from the beginning to the extraction activities by opening a subsidiary in Pennsylvania;

As regards sales channels in line with the strategic objective of shortening the distribution channel, the commercial organizations of Tesmec S.p.A and Tesmec USA were strengthened with the recruitment of four new sellers. As a result of this decision and of the opening and consolidation of offices abroad, Tesmec acquired directly or through a Joint Venture a direct presence on the local market and, hence, the percentage of sales made by the indirect network (distributors for the Trencher segment) decreased considerably.

Among the significant events occurring during the first half year, it should be noted also that:

3.1 New lease contract

On 31 January 2011 Tesmec S.p.A. signed with Dream Immobiliare S.r.l. a new contract with a period of validity until 31 January 2025.
The renewal of this contract implied for the Company an immediate rental cost saving compared to the amount paid in 2010 of Euro 245 thousand annually.

When signing the new Lease contract, Tesmec signed with Dream Immobiliare S.r.l. an option contract for the purchase of the Leasing contract (the Option Contract assigns Tesmec the right to take over the Lease contract against an initial consideration already paid of Euro 2,700 thousand. This value may be increased according to the period within which the Company will exercise the option valid until 31 December 2016).
Even if the operation is not legally qualifiable as acquisition, in view of the fact that such Lease contract belongs to the case provided by IAS 17, it will be represented in the financial statements, as from the current financial period. Therefore, this implied the registration of the value of the industrial complex - for the part of its area covered by the Company and subject-matter of the said Lease contract - in the consolidated and separate financial statements of Tesmec based on the present value of future payments due (equal to Euro 22.5 million), with the corresponding entry of its financial debt. At the end of the year, this recording will improve the EBITDA by around Euro 2 million and have a positive effect on the net income of around Euro 200 thousand.
Considering that the Operation started on 1 February 2011, during the first six months of the year, it improved the EBITDA by around Euro 830 thousand and had a positive effect on the pre-tax profit of around Euro 90 thousand.

Below we explain the economic and financial effects of the Operation as at 30 June 2011:

Consolidated statement of financial position as at 30 June 2011

(Euro in thousands)	Impacts deriving from the New lease contract	Notes
NON-CURRENT ASSETS		
Property, plant and equipment	22,074	A
TOTAL NON-CURRENT ASSETS	22,074	
CURRENT ASSETS		
Financial receivables and other current financial assets	864	B
Cash and cash equivalents	(2,700)	B
TOTAL CURRENT ASSETS	(1,836)	
TOTAL ASSETS	20,238	
SHAREHOLDERS ' EQUITY		
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
Net income (loss) for the period	62	
TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	62	
NON-CURRENT LIABILITIES		
Interest bearing financial payables	19,350	C
TOTAL NON-CURRENT LIABILITIES	19,350	
CURRENT LIABILITIES		
Interest bearing financial payables (current portion)	798	C
Income taxes payable	28	D
TOTAL CURRENT LIABILITIES	826	
TOTAL LIABILITIES	20,176	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	20,238	

The effects on each item of the consolidated statement of financial position are described below:

(A) The change of Euro 22,074 thousand represents net effects deriving from the recording, as required by IAS 17, of the Industrial Complex of the Company on the basis of its lower fair value at the date of reference and the present value of the minimum lease payments payable. The share of the Industrial Complex is represented by the area subject-matter of the Lease Contract between the Company and Dream Immobiliare S.r.l. (equivalent to about 68% of the total surface area of the Industrial Complex). Euro 4,016 thousand is related to Land and Euro 18,058 thousand to Buildings.

(B) The decrease of Euro 2,700 thousand represents the initial disbursement carried out by the company as an advance payment/deposit to secure the right of option of takeover in the original contract of financial lease

signed by Dream Immobiliare S.r.l. This financial disbursement has been classified, in proportion to the share of the Industrial Complex subject-matter of the lease contract between Tesmec S.p.A. and Dream Immobiliare S.r.l., as a decrease in the overall loan represented by the future payments payable, while the remaining part, not referable to the lease contract, was classified among the financial receivables.

(C) The decrease of Euro 20,148 thousand represents the registration of the corresponding imputed loan in the face of the recording of the Lease Contract pursuant to IAS 17. This value was prorated between the short-term portion (represented by the principal that will be repaid within 12 months from the date of reference on the basis of implementation of future payments) and medium to long term portion (represented by the remaining discounted back portion of future payments payable on the basis of the Lease Contract.)

(D) The effect of Euro 28 thousand reflects the tax effect on the adjustments applied to the income statement.

Consolidated Income statement as at 30 June 2011

(Euro in thousands)	Impacts deriving from the New lease contract	Notes
Other operating (costs)/revenues, net	830	A
Amortisation and depreciation	(238)	B
Total operating costs	**592**	
Operating income	**592**	
Financial expenses	(502)	C
Pre-tax profits	**90**	
Income taxes	(28)	D
Net profit for the period	**62**	

The effects on each item of the consolidated income statement are described below:

(A) The positive effect of Euro 830 thousand represents the effect deriving from the recording, as required by IAS 17, of the Industrial Complex of Tesmec. This amount is related to five rentals paid in the first half-year of 2011.

(B) The negative effect of Euro 238 thousand represents the depreciation charge calculated on the portion of the Industrial Complex property recorded in accordance with IAS 17. This depreciation charge was calculated on the basis of the useful life of the Industrial Complex, identified in a total of 40 years but determined by its date of construction (2003) and represents the depreciation charge of five months. This charge was also calculated considering that 18% of the portion of the Industrial Complex is represented by lands not subject to depreciation.

(C) The portion recorded in financial expenses represents the financial components resulting from the redemption plan of the loan for the purposes of accounting representation of the Lease Contract in accordance with IAS 17, for the period of six months.

(D) The decrease of Euro 28 thousand reflects the tax effect on the adjustments applied to the income statement.

3.2 Payment of dividends

Dividends of Euro 2,998 thousand (Euro 0.028 per share) were paid on 26 May 2011.

3.3 Sale of equity investment

On 27 May 2011, the subsidiary, Tesmec Service S.p.A., sold its entire stake in the Consorzio Stabile Energie Locali S.c.a.r.l. in that deemed no longer strategic for the objectives of the Group.

4. Activity, reference market and operations for the first-halfof 2011

The protraction of the turbulent market situation had a negative impact on the Group with regard to the maintenance of the customers' low propensity to invest and the performance of the Eur/USD exchange rate, which stood in the second quarter of 2011 at 1.439 against 1.273 in the same period last year.

In this context, however, the Group, thanks to its position of technological leadership and strong geographic diversification of its business activities, achieved revenues of Euro 56,143 thousand as at 30 June 2011 against Euro 53,360 thousand as at 30 June 2010, with a percentage improved by 5.2%. This result was reached thanks to the positive performance of the second quarter during which sales exceeded 23.1% compared to the same period in the previous year. The trend of the second quarter of 2011 then helped to absorb the result of the first quarter where revenues were lower than 9.4% compared to the previous year.
The sales trend of the Trencher segment in the American market and in the Middle East had a decisive role on the volume recovery recorded in the second quarter.
In the American market, signs of improvement already shown at the end of the first quarter start to come about, whereas in the Middle Eastern market, the result is positively affected by the starting of the activities of the Joint Venture Tesmec Peninsula, which carried out the first sales in the important market of Saudi Arabia.
The contracting activities of the Trencher segment were mainly carried out in Saudi Arabia (Riyadh Financial District) by means of an external structure in that the procedure for setting up a Joint Venture operating in that territory was extended due to complex administrative and tax obligations.
In the first six months of 2011, the Stringing equipment segment experienced a 13.3% increase in revenues compared to the same period last year thanks to the positive contribution that was made by several investment projects in the countries of BRIC area.

The margins shown by EBITDA after eliminating the positive effects generated by the new lease contract (17.6%) are lower than those of the first half year last year (19.4%) due to a decrease in revenues related to service activities - which traditionally have higher margins - for the reasons stated above and due to the Usd/Eur exchange rate trend. The EBITDA, resulting from the turnover of the first half 2011 calculated using the first half 2010 exchange rate, would have been greater for 0.8 million euro.

The need to cover the various major markets in accordance with the significant investment plans made for infrastructures for the transmission of electrical power and data and material transport, led the Group to carry on during the first half year a strategy based on geographical expansion oriented towards emerging countries (BRIC), especially in South America and Russia.
The following table provides - as a confirmation of this - an analysis of revenues by main geographical areas:

	Half year ended 30 June	
(Euro in thousands)	2011	2010
Italy	4,546	2,920
Europe	8,686	11,350
Middle East	12,412	9,992
Africa	2,164	7,662
North and Central America	6,161	5,310
BRIC and others	22,174	16,126
Total revenues	**56,143**	**53,360**

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"), which were endorsed by the European Commission, in effect as at 30 June 2011.

The following table shows the major economic and financial indicators of the Group in June 2011 and in June 2010.

1st half 2010	OVERVIEW OF THE FINANCIAL RESULTS	1st half 2011
	Key income statement data (–in millions)	
53.4	Operating income	56.1
10.4	EBITDA	10.7
10.4	EBITDA (excluding the New lease contract)	9.9
7.9	Operating income	8.0
4.7	Net income of the Parent	3.3
	Key financial position data (–in millions)	
71.2	Net invested capital	91.2
26.0	Shareholders' equity (*)	33.7
45.2	Net financial indebtedness	57.5
45.2	Net financial indebtedness (excluding the New lease contract)	38.2
1.1	Investments in tangible and intangible fixed assets	25.0
333	Annual average employees	349

*The change includes among other things the effects of the increase in capital occurred on 1 July 2010 following the Public Subscription Offer of Euro 10,011 thousand, gross of expenses recorded under Shareholders' equity and of their taxes (Euro 2,070 thousand) according to IAS 32.

The information relating to the main companies with operations during the half year is shown below:

- Tesmec USA Inc., a company which is 75% owned by Tesmec S.p.A. and 25% by Simest S.p.A. (with an option of Tesmec to repurchase the Simest's shareholding interest), is based in Alvarado (Texas) and operates in the trencher segment. In the first half year, revenues amounted to Euro 5 million with a loss equal to Euro 0.6 million; the performance of the subsidiary reflects the first signs of market recovery and the benefits of the well-timed positioning in the field of Shale Gas, which is going through a phase of development in different areas of the United States;

- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec SpA and 50% by US shareholder Condux, which is based in Mankato (USA), has been active since June 2009 in selling products for the North American stringing equipment market. The company has been consolidated using the equity method and generated revenues for a total of Euro 0.9 million and a loss equal to Euro 0.2 million during the first half of the year;

- Tesmec Peninsula, a joint venture, which is 49% owned by Tesmec S.p.A., set up in March 2011 with TME. The objective for the JV company - operational from May 2011 - is to increase the commercial presence for the Trencher segment in the countries of the Arabian peninsula and for the development of the related service activities, Tesmec Peninsula. The company has been consolidated using the equity method and generated revenues for a total of Euro 1.4 million and a loss equal to Euro 0.1 million during the first half of the year;

5. Income statement and balance sheet situation as at 30 June 2011

Balance sheet

Following is the information regarding the Group's main equity indicators, as at 30 June 2011 compared to 31 December 2010. In particular, the reclassified sources of uses and funds statement from the consolidated balance sheet as at 30 June 2011 and as at 31 December 2010 are shown below:

(Euro in thousands)	As at 30 June 2011	As at 31 December 2010
USES		
Net working capital [1]	43,001	40,236
Fixed assets	46,442	26,064
Other long-term assets and liabilities	1,712	1,146
Net invested capital [2]	**91,155**	**67,446**
SOURCES		
Net financial indebtedness [3]	57,492	32,707
Shareholders' equity	33,663	34,739
Total sources of financing	**91,155**	**67,446**

[1] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. The net working capital is not identified as an accounting element by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by others and therefore not necessarily comparable therewith.
[2] The net invested capital is calculated as net working capital plus non-current assets less non-current liabilities excluding non-current financial liabilities. The net invested capital is not a recognised measure of financial performance or liquidity under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by others and therefore not necessarily comparable therewith.
[3] The net financial indebtedness is calculated as the amount of cash and cash equivalents, current financial assets including available-for-sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.

The effects of the new lease contract influence significantly the changes in some of the items of the table above. A table showing the data as at 30 June 2011 excluding these effects is indicated below for a better understanding of the changes in the items below.

(Euro in thousands)	As at 30 June 2011 excluding the effects of the New lease contract	As at 31 December 2010
USES		
Net working capital	43,029	40,236
Fixed assets	24,368	26,064
Other long-term assets and liabilities	1,712	1,146
Net invested capital	**69,109**	**67,446**
SOURCES		
Net financial indebtedness	35,508	32,707
Shareholders' equity	33,601	34,739
Total sources of financing	**69,109**	**67,446**

A) Net working capital

Following is a detail of the composition of the "Net Working Capital" as at 30 June 2011 and 31 December 2010:

(Euro in thousands)	As at 30 June 2011	As at 31 December 2010
Trade receivables	33,985	32,482
Inventories	43,006	42,220
Trade payables	(26,831)	(26,291)
Other current assets (liabilities)	(7,159)	(8,175)
Net working capital [1]	**43,001**	**40,236**

[1] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. The net working capital is not identified as an accounting element by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by others and therefore not necessarily comparable therewith.

The *Net working capital* of Euro 43,001 thousands increased by Euro 2,765 thousands compared to 31 December 2010 (6.9%).
The increase in *inventories* (1.9%) and the increase in *trade receivables* (4.6%) are lower than the increase in revenues for the period and hence confirm the efficiency recovery trend that was already shown on the results as at 31 December 2010 compared to the previous year.

Liabilities for *trade payables* increased by 2% in line with the increase in inventories.

Liabilities for *other current assets and liabilities* decreased by 12.4% mainly as a result of (i) the increase in the VAT credit, with a balance of Euro 1,186 thousand, (ii) the increase of advances to suppliers of Euro 529 thousand requested for important supplies and (iii) the increase in prepaid expenses of Euro 561 thousand.

B) Fixed assets and other long-term assets

Following is a detail of the composition of the item "Fixed assets and other long term assets" as at 30 June 2011 and 31 December 2010:

(Euro in thousands)	As at 30 June 2011	As at 31 December 2010
Intangible assets	7,063	6,813
Property, plant and equipment	38,014	17,993
Equity investments in subsidiaries, associates and joint ventures.	1,363	1,256
Other equity investments	2	2
Fixed assets	**46,442**	**26,064**

The *fixed assets and other long-term assets* increased from Euro 26,064 thousand as at 31 December 2010 to Euro 46,442 thousand as at 30 June 2011 with a 78% increase. This change is mainly determined by the inclusion among property, plant and equipment of the value of the property of Grassobbio widely described in paragraph 3.1 of this report. Net of such inclusion, the value of the capital invested in fixed assets would be reduced by 7% mainly due to the depreciations booked in the period. Here is a more detailed analysis of the changes for the main categories of fixed assets:

- an increase in *intangible assets* of Euro 250 thousand, mainly due to the effect of the development costs capitalised during 2011 of Euro 1,699 thousand, which were partially offset by the amortization effect of the period (Euro 1,336 thousand). The development costs refer to costs incurred by the Group's technical office for developing new models for the stringing equipment segment as well as the trencher equipment segment on the basis of customer's expressed requests in key markets.
- an increase in *property, plant and equipment* of Euro 20,021 thousand due to: (i) investments of the period amounting to Euro 23,267 thousand including Euro 22,312 thousand linked to the New lease contract; (ii) a negative exchange rate effect generated by the conversion of the values in dollars of Tesmec U.S.A. fixed assets of Euro 578 thousand, (iii) the depreciation for the period amounting to Euro 1,289 thousand.

- Increase in *investments in subsidiaries* of Euro 107 thousand due to the combined effect deriving from the setting up of the Joint Venture Tesmec Peninsula in the Arabic peninsula recorded in the financial statements of Euro 346 thousand and the adjustment of the value of consolidated investments by using the equity method.

C) Net financial indebtedness

Following is a detail of the composition of the "Net financial indebtedness" as at 30 June 2011 and 31 December 2010:

(Euro in thousands)	As at 30 June 2011	of which with related parties and group	As at 31 December 2010	of which with related parties and group
Cash and cash equivalents	(9,028)		(7,767)	
Current financial assets [1]	(3,032)	*(2,825)*	(404)	*(226)*
Current financial liabilities	24,758	*(798)*	20,773	-
Current portion of derivative financial instruments	41		90	
Current financial indebtedness [2]	**12,739**	***(2,027)***	**12,692**	***(226)***
Non-current financial liabilities	44,736	*19,350*	19,981	-
Non-current portion of derivative financial instruments	17		34	
Non-current financial indebtedness [2]	**44,753**	***19,350***	**20,015**	**-**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**57,492**	***17,323***	**32,707**	***(226)***

[1] The current financial assets as at 30 June 2011 and 31 December 2010 include the market value of shares and warrants listed on the Italian Stock Exchange (Borsa Italiana), which are therefore accounted as cash and cash equivalents.

[2] Current and non-current financial indebtedness is not identified as an accounting element by the IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore not necessarily comparable therewith.

In the first half of 2011, the Group's *net financial indebtedness* increased compared to 2010 by Euro 24,785 thousand, due to the combined effect of the following changes:

- decrease in *current financial assets* from Euro 404 thousand to Euro 3,032 thousand mainly due to (i) the recording of a short-term borrowing from the subsidiary JV Condux Tesmec of Euro 1,754, the reimbursement of this financial receivable is scheduled at year-end, and (ii) the classification in accordance with IAS 17 of the portion not referable to the Lease Contracts between Tesmec S.p.A. and Dream Immobiliare S.r.l. of the initial disbursement carried out by the Company of Euro 864 thousand as an advance payment/deposit to secure the right of option of takeover in the original contract of financial lease signed by Dream Immobiliare S.r.l. (see paragraph 3.1 of this report);
- increase in *current financial liabilities* from Euro 20,773 thousand to Euro 24,758 thousand mainly due to a greater use of advances on discounted export invoices;

  increase in *non-current financial liabilities* from Euro 19,981 thousand to Euro 44,736 thousand mainly due to: (i) increase in financial leases (Euro 20,728 thousand as at 30 June 2011 against Euro 1,611 thousand as at 31 December 2010), Euro 19,350 thousand as a consequence of the New Lease Contract described in paragraph 3.1 of this report, (ii) use of Euro 8 million from the new loan agreement granted by BNL and (iii) reclassification in the current financial indebtedness of the short-term portion of interest bearing financial payables amounting to of Euro 9,250 thousand; net of the effects of the operation described in paragraph 3.1, net financial indebtedness increased to Euro 35.5 million reflecting in parallel changes in the working capital described above.

Income statement

The comments provided below refer to the comparison of the consolidated profit and loss figures as at 30 June 2011 to those as at 30 June 2010.

The main profit and loss figures for the first half of 2011 and 2010 are presented in the table below:

(Euro in thousands)	Half year ended 30 June			
	2011	% on revenues	2010	% on revenues
Revenues from sales and services	**56,143**	**100.0%**	**53,360**	**100.0%**
Cost of raw materials and consumables	(26,833)	-47.8%	(24,169)	-45.3%
Costs for services	(10,330)	-18.4%	(10,164)	-19.0%
Payroll costs	(9,060)	-16.1%	(8,828)	-16.5%
Other operating (costs)/revenues, net	(862)	-1.5%	(1,682)	-3.2%
Amortisation and depreciation	(2,727)	-4.9%	(2,427)	-4.5%
Development costs capitalised	1,633	2.9%	1,845	3.5%
Total operating costs	**(48,179)**	**-85.8%**	**(45,425)**	**-85.1%**
Operating income	**7,964**	**14.2%**	**7,935**	**14.9%**
Financial expenses	(2,789)	-5.0%	(2,483)	-4.7%
Financial income	293	0.5%	1,743	3.3%
Portion of gains/(losses) from equity investments evaluated using the equity method	(182)	-0.3%	26	0.0%
Pre-tax profits	**5,286**	**9.4%**	**7,221**	**13.5%**
Income taxes	(2,024)	-3.6%	(2,531)	-4.7%
Net profit for the period	**3,262**	**5.8%**	**4,690**	**8.8%**
Non-controlling interests	-	0.0%	**(13)**	0.0%
Equity holders of the parent	**3,262**	**5.8%**	**4,703**	**8.8%**

Following is a restatement of the profit and loss figures that represents the performance of EBITDA:

(Euro in thousands)	Half year ended 30 June				
	2011	% on revenues	2010	% on revenues	2011 vs. 2010
Operating income	7,964	14.2%	7,935	14.9%	29
+ Amortisation and depreciation	2,727	4.9%	2,427	4.5%	300
EBITDA (*)	**10,691**	**19.0%**	**10,362**	**19.4%**	**329**

(*) The EBITDA is represented by the operating income gross of amortisation/depreciation. The EBITDA thus defined represents a measurement used by the company's management to monitor and assess the company's operating performance. The EBITDA is not identified as an accounting element by the IFRS and thus is not to be considered as an alternative measurement for the assessment of the performance of the Group's operating income. As the composition of the EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

The following table analyses the breakdown of operating revenues and costs gross of amortisation/depreciation by segment. For a better understanding, rental costs (Euro 830 thousand), which were reclassified as a result of the application of IAS 17 to the new lease contract referred to in paragraph 3.1, were added to the operating costs of the first half year of 2011:

	Half year ended 30 June					
	2011			2010		
(Euro in thousands)	Stringing equipment	Trencher	Consolidated	Stringing equipment	Trencher	Consolidated
Revenues from sales and services	34,556	21,587	56,143	30,499	22,861	53,360
Operating costs net of depreciation and amortisation and of the effects related to the New lease contract	(26,690)	(19,593)	(46,283)	(24,169)	(18,829)	(42,998)
EBITDA	7,866	1,994	9,860	6,330	4,032	10,362
Effect on revenues	*22.8%*	*9.2%*	*17.6%*	*20.8%*	*17.6%*	*19.4%*

The change in revenues as at 30 June 2011 compared to the figure as at 30 June 2010 is affected by the positive trend of the Stringing equipment segment that records a 13.3% increase and by the negative trend of the Trencher segment that reaches a result lower than 5.6% compared to the previous year.

Based on the six-month summary, it should be pointed out however that the negative result of the half year for the Trencher segment is the combined effect of a 35.3% decrease in the first quarter and a 46.6% recovery in the second quarter. The recovery recorded in the second quarter mainly derives from the sales trend in the American and Saudi Arabian markets.

The revenues of the stringing equipment BU report a 13.3% increase compared to last year thanks to the important flow of sales carried out during the quarter in the BRIC countries, in Brazil and Russia in particular.

In terms of percentage margins, the reclassified EBITDA net of positive effects of Euro 830 thousand in the first half year of 2011 represents 17.6% of revenues, down by 19.4% compared to the first half year of 2010, with a decline in absolute terms of Euro 502 thousand mainly explained by lower sales volumes due to the contracting activity and the Eur/Usd exchange rate trend that penalised the margins of the Trencher segment.

For the Stringing equipment segment, the sales achieved in the Russian and South American markets have helped to improve margins together with the incidence of sales on the Indian market where traditionally, in connection with significant sales volumes, the results are lower than the average in terms of margins.

The net financial management that decreased by Euro 1,964 thousand is affected:

- for Euro 1,265 thousand by the different Eur/USD exchange rate in the two periods of reference that resulted in the recording of net losses (realised or not) totalling Euro 948 thousand in the first half year of 2011 against a net profit of Euro 317 thousand in the first half of 2010;
- for Euro 502 thousand by the reclassification to financial expenses of the amount of interests payable related to the operation set forth in paragraph 3.1;
- a higher cost of borrowing mainly due to the increase of the Euribor 3 months on which the major sources of financing used in the short term are benchmarked.

6. Management and types of financial risks

For the management of financial risks, please see the paragraph "Financial risk management policy" that is contained in the Explanatory Notes to the Annual Consolidated Financial Statements as at 31 December 2010, where the Group's policies in relation to the management of financial risks are presented.

7. 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 during the 2011 financial year, the New lease contract with

Dream Immobiliare S.r.l. is reported as a transaction with related parties of an atypical or unusual nature that is far removed from the company's normal operations or such as to harm the profits, balance sheet or financial results of the Group.
The remaining transactions with related parties are part of normal operations, within the context of the activity of each individual involved, and were carried out at arm's length.
As a result of the Consob Communication issued on 24 September 2010 containing provisions on related party transactions pursuant to Consob resolution no. 17221 of 12 March 2010 as amended, the Board of Directors of Tesmec S.p.a. approved the Procedure for the regulation of related party transactions, coming into force on 1 January 2011.

8. Group Employees

The average number of employees of the Group in the first half year of 2011, including the employees of consolidated companies, is 349 persons compared to 333 in 2010. We note that the increase occurred mainly due to the gradual support of direct sales structures to traditional indirect channels (agents/distributors) both in the parent company and in the already consolidated or recently set-up foreign companies (Tesmec Usa).

9. Other information

Italian Legislative Decree No. 196/2003 -The Privacy Act

Pursuant to Italian Legislative Decree no. 196 of 30 June 2003 "Code regarding the protection of personal data" the company proceeded to reassess and adjust its security systems in the light of the standards required by the relevant legislation.
Within the timeframe set by the law, the company prepared and updated the Program Document on Security in which the measures protecting the processing of personal data and the operating structure in charge of processing and managing this data are described.
The security measures adopted by the company are periodically updated each year, in relation to the advances in the science and technology or the evolution of the organisation itself, so as to ensure the safety of the data and the relative processing thereof.

Treasury shares

We hereby inform you that Tesmec S.p.A. does not hold, nor did it hold during the period, whether directly or indirectly or through subsidiaries, trust companies or through third parties, any treasury share or share of the parent company.

Subsequent events and business outlook

There are no significant events to report, apart from the acquisition of I-Light line of Business, already mentioned in paragraph no. 3. Based on the positive trend reported in the second quarter, the Directors confirm revenue growth projections for 2011.

A reinforcement of the increase in revenues for the Stringing equipment segment is expected for the next few months thanks to the positive sales effect on the markets of the BRIC area (Brazil and Russia). With regard to the *trencher* segment, the recovery in sales recorded in the second quarter is expected to continue thanks to the positive contribution of the United States and the Middle East. For service activities, agreements for important data transmission and "construction" projects in South Africa and in the Middle East, respectively, are being finalised.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of financial position as at 30 June 2011 and as at 31 December 2010

(Euro in thousands)	Notes	30 June 2011	31 December 2010
NON-CURRENT ASSETS			
Intangible assets	1	7,063	6,813
Property, plant and equipment	2	38,014	17,993
Equity investments evaluated using the equity method		1,363	1,256
Other equity investments		2	2
Financial receivables and other non-current financial assets		17	7
of which with subsidiaries, related parties and joint ventures:		-	-
Derivative financial instruments		151	131
Deferred tax assets		5,085	4,912
TOTAL NON-CURRENT ASSETS		51,695	31,114
CURRENT ASSETS			
Inventories	3	43,006	42,220
Trade receivables	4	33,985	32,482
of which with subsidiaries, related parties and joint ventures:	4	*3,550*	*2,979*
Tax receivables		58	435
Available-for-sale securities		107	101
financial receivables and other current financial assets	5	2,925	303
of which with subsidiaries, related parties and joint ventures:	5	*2,825*	*226*
Other current assets		3,025	1,542
of which with subsidiaries, related parties and joint ventures:		-	*427*
Cash and cash equivalents		9,028	7,767
TOTAL CURRENT ASSETS		92,134	84,850
TOTAL ASSETS		143,829	115,964
SHAREHOLDERS' EQUITY			
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	6	10,708	10,708
Reserves	6	19,693	18,779
Net income (loss) for the period	6	3,262	5,243
TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		33,663	34,730
NON-CONTROLLING INTERESTS			
Minority interest in capital and reserves / (deficit)		-	38
Net income / (loss) for the period attributable to minority interests		-	(29)
TOTAL NON-CONTROLLING INTERESTS		-	9
TOTAL SHAREHOLDERS' EQUITY		33,663	34,739
NON-CURRENT LIABILITIES			
Interest bearing financial payables	7	44,736	19,981
of which with subsidiaries, related parties and joint ventures:	7	*19,350*	-
Derivative financial instruments	12	17	34
Employee benefit liability		2,643	2,968
Deferred tax liabilities		898	936
TOTAL NON-CURRENT LIABILITIES		48,294	23,919
CURRENT LIABILITIES			
Interest bearing financial payables (current portion	8	24,758	20,773
of which with subsidiaries, related parties and joint ventures:	8	*798*	-
Derivative financial instruments	12	41	90
Trade payables	9	26,831	26,291
of which with subsidiaries, related parties and joint ventures:	9	*10*	*84*
Advances from customers	10	1,028	2,105
Income taxes payable	11	4,763	3,937
Provisions for risks and charges		859	836
Other current liabilities		3,592	3,274
TOTAL CURRENT LIABILITIES		61,872	57,306
TOTAL LIABILITIES		110,166	81,225
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES'		143,829	115,964

Consolidated income statement for the half year ended 30 June 2011 and 2010

(Euro in thousands)	Notes	Half year ended 30 June 2011	Half year ended 30 June 2010
Revenues from sales and services	13	**56,143**	**53,360**
of which with subsidiaries, related parties and joint ventures:		*3,885*	*2,397*
Cost of raw materials and consumables		(26,833)	(24,169)
of which with subsidiaries, related parties and joint ventures:		*(16)*	*(1)*
Costs for services		(10,330)	(10,164)
of which with subsidiaries, related parties and joint ventures:		*(32)*	*(8)*
Payroll costs		(9,060)	(8,828)
Other operating (costs)/revenues, net		(862)	(1,682)
of which with subsidiaries, related parties and joint ventures:		*(14)*	*(1,013)*
Amortisation and depreciation		(2,727)	(2,427)
Development costs capitalised		1,633	1,845
Total operating costs	14	**(48,179)**	**(45,425)**
Operating income		**7,964**	**7,935**
Financial expenses		(2,789)	(2,483)
of which with subsidiaries, related parties and joint ventures:		*(502)*	-
Financial income		293	1,743
of which with subsidiaries, related parties and joint ventures:		*26*	*40*
Portion of gains/(losses) from equity investments evaluated using the equity method		(182)	26
Pre-tax profits		**5,286**	**7,221**
Income taxes		(2,024)	(2,531)
Net profit for the period		**3,262**	**4,690**
Non-controlling interests		**-**	**(13)**
Equity holders of the parent		**3,262**	**4,703**
Basic and diluted earnings per share		**0.030**	**0.044**

Consolidated statement of comprehensive income for the half year ended 30 June 2011 and 2010

(Euro in thousands)	Half year ended 30 June	
	2011	2010
NET PROFIT FOR THE PERIOD	3,262	4,690
Other components of comprehensive income:		
Exchange differences on translation of foreign operations	(1,310)	3,029
Total other income/(losses) net of taxation	(1,310)	3,029
Total comprehensive income (loss) net of taxation	1,952	7,719
Attributable to:		
Equity holders of the parent company	1,952	7,722
Non-controlling interests	-	(3)

Statement of consolidated cash flows for the half year ended 30 June 2011 and 2010

(Euro in thousands)	Notes	Half year ended 30 June 2011	2010
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		3,262	4,690
Adjustments to reconcile net income for the period to the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	1-2	2,727	2,427
Unrealised exchange gains on Simest operation		-	860
Provisions for employee benefits		69	(4)
Provisions for risks and charges / inventory obsolescence / doubtful accounts		181	865
Employee benefit payments		(394)	(234)
Payments of provisions for risks and charges		(3)	5
Net change in deferred tax assets and liabilities		(270)	206
Change in fair value of financial instruments		(86)	(118)
Change in current assets and liabilities:			
Trade receivables	4	(2,888)	(8,563)
Inventories	3	(1,991)	(2,485)
Trade payables	9	720	12,106
Other current assets and liabilities		60	(3,078)
NET CASH FLOWS GENERATED BY OPERATING ACTIVITIES (A)		1,387	6,677
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditures in property, plant and equipment		(955)	(1,154)
Investments in intangible assets	1	(1,739)	(1,991)
Investments /(disposal) of financial assets	5	(2,841)	4,266
Proceeds from sale of property, plant and equipment and intangible assets		1,394	643
NET CASH FLOW (USED IN) INVESTING ACTIVITIES (B)		(4,141)	1,764
NET CASH FLOW FROM FINANCING ACTIVITIES			
Long-term loans received	7	8,221	9,810
Repayment of long-term loans	7	(9,250)	(907)
Net change in short-term financial debt	7	8,079	(4,769)
Other changes	6	(30)	-
Dividend distribution	6	(2,998)	(2,582)
Capital injection for share capital increase		-	-
NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES (C)		4,022	1,552
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		1,268	9,993
EFFECT OF EXCHANGE-RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(7)	1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		7,767	1,443
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		9,028	11,437
Additional information:			
Interests paid		1,340	784
Income tax paid		1,432	981

Statement of changes in consolidated shareholders' equity for the half year ended 30 June 2011 and 2010

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Statutory reserve	Translation reserve	Other reserves	Net income for the period	Total Equity attributable to Parent Company Shareholders	Total non-controlling interests	Total shareholders' equity
Balance as at 1 January 2011	**10,708**	**798**	**10,915**	**-**	**(517)**	**7,583**	**5,243**	**34,730**	**9**	**34,739**
Net income for the period	-	-	-	-	-	-	3,262	3,262	-	3,262
Change in the Consolidation area	-	-	-	-	-	(21)	-	(21)	(9)	(30)
Other income (loss)	-	-	-	-	(1,310)	-	-	(1,310)	-	(1,310)
Total comprehensive income/(loss)	-	-	-	-	-	-	-	**1,931**	**(9)**	**1,922**
Allocation of net income for the period	-	328	-	-	-	1,917	(2,245)	-	-	-
Dividend distribution	-	-	-	-	-	-	(2,998)	-	-	(2,998)
Increase in share capital	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2011	**10,708**	**1,126**	**10,915**	**-**	**(1,827)**	**9,479**	**3,262**	**33,663**	**-**	**33,663**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Statutory reserve	Translation reserve	Other reserves	Net income for the period	Total Equity attributable to Parent Company Shareholders	Total non-controlling interests	Total shareholders' equity
Balance as at 1 January 2010	**9,058**	**617**	**2,554**	**295**	**(1,898)**	**2,852**	**7,368**	**20,846**	**13**	**20,859**
Net income for the period	-	-	-	-	-	-	4,703	4,703	(13)	4,690
Other income (loss)	-	-	-	-	3,032	-	-	3,032	-	3,032
Total comprehensive income/(loss	-	-	-	-	-	-	-	**7,735**	**(13)**	**7,722**
Allocation of net income for the period	-	181	-	-	-	4,605	(4,786)	-	-	-
Dividend distribution	-	-	-	-	-	-	(2,582)	(2,582)	-	(2,582)
Other movements	-	-	-	(295)	-	295	-	-	(3)	(3)
Balance as at 30 June 2010	**9,058**	**798**	**2,554**	**-**	**1,134**	**7,752**	**4,703**	**25,999**	**(3)**	**25,996**

Explanatory Notes

Accounting policies adopted in preparing the consolidated financial statements as at 30 June 2011

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 no. 16.

2. Reporting standards

The interim consolidated financial statements as at 30 June 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) in condensed form, by using the methods for preparing the interim financial reporting provided by IAS 34 Interim financial reporting.

The financial statement reporting formats adopted by the Group, the accounting standards and the consolidation methods, the consolidation of foreign companies and the translation methods of foreign currency items and the measurement bases adopted in the preparation of the Interim condensed consolidated financial statements are in compliance with those used for the Consolidated Financial Statements as at 31 December 2010, to which reference is made for completeness of treatment.
More precisely, the consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity and cash flow statement are drawn up in extended form and are the same statements adopted for the consolidated financial statements as at 31 December 2010. 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. More precisely, as provided by IAS 34, in order to avoid repeating already disclosed information, the notes exclusively refer to the items of the consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity and cash flow statement whose mix or change, with regard to amount, type or unusual, are significant to an understanding of the economic and financial situation of the Group.

Since the interim consolidated financial statements do not disclose all the information required in preparing the consolidated annual financial statements, they must be read together with the consolidated financial statements as at 31 December 2010.

The interim consolidated financial statements as at 30 June 2011 comprise the consolidated statement of financial position, consolidated income statement, consolidated income statement of comprehensive income, statement of changes in consolidated shareholders' equity, statement of consolidated cash flows and the related explanatory notes. Comparative figures are disclosed as required by IAS 34 (31 December 2010 for the statement of financial position and the first half year of 2010 for the consolidated income statement, consolidated comprehensive income statement, statement of changes in equity and cash flow).

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

The issue of the interim consolidated financial statements of the Tesmec Group for the period ended 30 June 2011 was authorised by the Board of Directors on 4 August 2011.

The exchange rates used for the determination of the counter-value in Euros of the foreign currency financial statements of subsidiary companies (currency for 1 Euro) are shown below:

	Average exchange rates for the half year ended 30 June		Period end exchange rate as at 30 June	
	2011	2010	2011	2010
US Dollar	1.403	1.328	1.445	1.227
Qatari Riyal	5.109	4.836	5.263	4.468
New Bulgarian Lev	1.956	1.956	1.956	1.956
Russian Rouble	40.145	39.92	40.400	38.282

3. New accounting principles

As from 1 January 2011, certain changes have been applied to the international accounting standards and interpretations, none of which affected the Group significantly. The main changes are shown below:

- IAS 24 Related Party Transactions (Amendment)

  The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

- IAS 32 Financial Instruments: Presentation (Amendment)

  The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements in Europe. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group:

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value;

- IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context;

- IAS 1 Presentation of Financial Statements: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements;

- IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations — Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005);

- IFRS 3 Business Combinations — Unreplaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination;

- IAS 27 Consolidated and Separate Financial Statements — applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards;

- IFRIC 13 Customer Loyalty Programmes — in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme).

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. Consolidation methods and area

As at 30 June 2011, changes have taken place in the consolidation area in comparison with 31 December 2010:

- on 18 January 2011, Tesmec S.p.A. acquired the share of Euro 26,692 held by Mela Verde OOD in Tesmec Beta AD, becoming the sole shareholder. On the same day, following the Shareholders' Meeting regularly convened, it changed its name in Tesmec Balkani EAD;
- on 27 May 2011, Tesmec Service S.p.A. sold its entire stake in Consorzio Stabile Energie Locali S.c.a.r.l. and left the consolidation area of the Tesmec Group;
- in April 2011, the Joint Venture agreement with the already distributor of the Arabian Peninsula, Tesmec Middle East, has been formalised by setting up Tesmec Peninsula, to directly control the Middle Eastern market. This company, 49% controlled by Tesmec S.p.A., has been consolidated using the equity method.

5. Significant events occurred during the period

On 31 January 2011 Tesmec S.p.A. signed with Dream Immobiliare S.r.l. a new contract with a period of validity until 31 January 2025.
The renewal of this contract implied for the Company an immediate rental cost saving compared to the amount paid in 2010 of Euro 245 thousand annually.
When signing the new Lease contract, Tesmec signed with Dream Immobiliare S.r.l. an option contract for the purchase of the Leasing contract (the Option Contract assigns Tesmec the right to take over the Lease contract against an initial consideration already paid of Euro 2,700 thousand. This value may be increased according to the period within which the Company will exercise the option valid until 31 December 2016).
Even if the operation is not legally qualifiable as acquisition, in view of the fact that such Lease contract belongs to the case provided by IAS 17, it will be represented as a leasing in the financial statements, as from the current financial period. Therefore, this implied the registration of the value of the industrial complex - for the part of its area covered by the Company and subject-matter of the said Lease contract - in the consolidated and separate financial statements of Tesmec based on the present value of future payments due (equal to Euro 22.5 million), with the corresponding entry of its financial debt.

During the first half, thanks to long-term loan granted to Tesmec S.p.A by BNL-BNP Paribas Group amounted to Euro 21 million (used by Euro 8 million), the Group reimbursed the revolving credit facility granted to the subsidiary Tesmec USA by Southwest Securities.

EXPLANATORY NOTES TO MAIN FIGURES ON THE FINANCIAL STATEMENTS

1. Intangible assets

The breakdown and change in "Intangible assets" as at 30 June 2011 and as at 31 December 2010 are indicated in the table below:

(Euro in thousands)	01/01/2011	Increases due to purchases	Decreases	Reclassifications	Amortisation and depreciation	Exchange-rate differences	30/06/2011
Development costs	6,000	1,699	(10)	-	(1,336)	(34)	6,319
Rights and trademarks	632	40	(6)	-	(102)	(1)	563
Assets in progress and advance payments to supplier	181	-	-	-	-	-	181
Total intangible assets	**6,813**	**1,739**	**(16)**	**-**	**(1,438)**	**(35)**	**7,063**

Intangible assets amounts to Euro 7,063 thousand as at 30 June 2011. It increased by Euro 250 thousand compared to the prior period mainly due to development costs capitalised during the first half year of 2011 of Euro 1,699 thousand, partially offset by the amortisation for the period (Euro 1,336 thousand). These costs are related to projects for the development of new products and equipment that are expected to generate positive cash flows in future financial periods.
In case of impairment signs and as a result of impairment tests there are results suggesting that the value of a project will not be recovered by the generation of future cash flows, it is fully amortised in the financial period.

2. Property, plant and equipment

The breakdown and change in "Property, plant and equipment" as at 30 June 2011 and as at 31 December 2010 are indicated in the table below:

(Euro in thousands)	01/01/2011	Increases due to purchases	Decreases	Reclassifications	Amortisation and depreciation	Exchange-rate differences	30/06/2011
Land	174	4,016	-	-	-	(13)	4,177
Buildings	5,381	18,300	-	-	(336)	(402)	22,943
Plant and machinery	5,797	41	(5)	-	(474)	(61)	5,298
Equipment	440	98	-	-	(100)	-	438
Other assets	6,161	807	(1,374)	-	(379)	(102)	5,113
Assets in progress and advance payments to supplier	40	5	-	-	-	-	45
Total property, plant and equipment	**17,993**	**23,267**	**(1,379)**	**-**	**(1,289)**	**(578)**	**38,014**

Property, plant and equipment as at 30 June 2011 amounts to Euro 38,014 thousand, up by Euro 20,021 thousand compared to the prior period. The increase is mainly related to the effect of the New lease contract described in paragraph 5 of Euro 22,312 thousand (consisting of Lands of Euro 4,016 thousand and Buildings of Euro 18,296 thousand), partially offset by the sale of a Trencher previously recorded in the fleet in the American market.

3. Inventories

The following table sets forth the breakdown of "Inventories" as at 30 June 2011 and as at 31 December 2010:

(Euro in thousands)	30 June 2011	31 December 2010
Raw materials and consumables	26,698	27,416
Work in progress	8,051	7,828
Finished goods and merchandise	7,911	6,540
Advance to suppliers for assets	346	436
Total Inventories	**43,006**	**42,220**

Inventories increased of Euro 786 thousand compared to 31 December 2010 due to the supply of raw materials during the months of May and June 2011 necessary for covering the expected revenues in the second half year.

4. Trade receivables

The following table sets forth the breakdown of "Trade receivables" as at 30 June 2011 and as at 31 December 2010:

(Euro in thousands)	30 June 2011	31 December 2010
Trade receivables from third-party customers	30,435	29,503
Trade receivables from associates, related parties and joint ventures	3,550	2,979
Total trade receivables	**33,985**	**32,482**

Trade receivables increase by 4.6% compared to 31 December 2010, substantially in line with the revenues generated in the first half year.
During the first six months of 2011 trade receivables from associates and related parties improved as Euro 571 thousand.

5. Financial receivables and other current financial assets

The following table sets forth the breakdown of "financial receivables and other current financial assets" as at 30 June 2011 and as at 31 December 2010:

(Euro in thousands)	30 June 2011	31 December 2010
Financial receivables due from associates, related parties and joint ventures	2,825	226
Guarantee deposits	43	15
Other current financial assets	57	62
Total financial receivables and other current financial assets	**2,925**	**303**

The increase in *financial receivables and other current financial assets* (Euro 2,622 thousand) is due (i) for Euro 864 thousand to the classification in accordance with IAS 17 of the portion not referable to the lease contract between Tesmec S.p.A. and Dream Immobiliare S.r.l. of the initial disbursement carried out by the Company of Euro 2,700 thousand as an advance payment/deposit to secure the right of option of takeover in the original contract of financial lease signed by Dream Immobiliare S.r.l. as described in paragraph 5 of the explanatory notes, (ii) for Euro 1,754 due to the recording of a short-term borrowing from the subsidiary JV Condux Tesmec, the reimbursement of this financial receivable is scheduled at year-end.

6. Equity

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

The following table sets forth the breakdown of "Other reserves" as at 30 June 2011 and as at 31 December 2010:

(Euro in thousands)	30 June 2011	31 December 2010
Revaluation reserve	86	86
Extraordinary reserve	9,728	6,502
Change in the Consolidation area	(21)	-
Retained earnings/(losses brought forward)	3,734	5,043
Bills charged directly to net equity on operations with entities under common control	(4,048)	(4,048)
Total other reserves	**9,479**	**7,583**

The *revaluation reserve* is a reserve in respect of which tax has been deferred, set up in accordance with Italian Law No. 72/1983.

The *change in the consolidation area* that has led to a decrease in other reserves of Euro 21 thousand is related to the purchase of the share owned by Mela Verde OOD in the Tesmec Balkani EAD company.

As a result of the decision of 28 April 2011, the Shareholders' Meeting approved the allocation of the 2010 net income, of Euro 6,552 thousand as follows:

- Euro 328 thousand to the legal reserve;
- Euro 3,226 thousand to the extraordinary reserve;
- dividend distribution of Euro 2,998 thousand (Euro 0.028 per share).

7. Interest-bearing financial payables

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

The following table shows the breakdown thereof as at 30 June 2011 and as at 31 December 2010, with separate disclosure of the current portion:

(Euro in thousands)	2011	of which current portion	2010	of which current portion
Efibanca - loan reformulated on 27 January 2011, value Euro 3,75 million with maturity date 26 July 2012; variable interest rate equivalent to Euribor 3 months + spread of 1.70%.	3.125	2.500	3.750	1.875
Eracle Finance – non-preferential unsecured loan drawn down on 13 July 2006 from JP Morgan Chase Bank and transferred on 2 August 2006 to Eracle Finance; original value Euro 4 million; repayable in a single installment on 31 July 2013; fixed interest rate of 7.61% + variable interest rate <0.0% and 0.1%>.	3.948	-	3.930	-
Banca Popolare di Lodi – non-preferential loan with Sace guarantee for 50% of the amount; original value Euro 2 million, drawn down on 16 January 2008 with maturity date 31 March 2013; variable interest rate equivalent to Euribor 3 monthly rate + spread of 1.50%.	700	400	900	400

Iccrea Banca – Istituto Centrale del Credito Cooperativo – non-preferential loan in pool assisted by Sace guarantee for 70% of amount; original value Euro 2 million; drawn down on 6 August 2009 with maturity date 30 September 2014; variable interest rate equivalent to Euribor 3 monthly rate + spread of 1.70%.	1.298	387	1.487	381
Banca Popolare dell'Emilia Romagna – non-preferential loan with Sace guarantee for 70% of the amount; original value Euro 2 million; drawn down on 20 October 2009 with maturity date 31 December 2014; fixed annual interest rate of 4.2%.	1.443	391	1.633	383
Banca Nazionale del Lavoro – loan at variable interest rate, with a 2-year pre-amortization; original value Euro 6 million; drawn down on 1 July 2010 with maturity date 31 May 2018; variable interest rate equivalent to Euribor 6 monthly rate + spread of 2.25%.	6.000	-	6.000	-
Banca Popolare di Milano loan at variable interest rate; original value Euro 2 million; drawn down on 16 June 2010 with maturity date 30 June 2011; variable interest rate equivalent to Euribor 3 monthly rate + spread of 2%.	-	-	1.007	1.007
Credito Bergamasco - loan at variable rate; original value Euro 0,5 million; drawn down on 31 may 2011 with maturity date 31 may 2012; variable interest rate equivalent to Euribor 3 monthly rate + Medium % M.p..	459	459	-	-
BNL-Gruppo BNP Paribas - loan in pool; original value Euro 21 milion, drawn down on 11 march 2011 Euro 8 million with maturity date 4 march 2016.	7.686	633	-	-
Southwest Securities - loan received by TESMEC USA and linked to and guaranteed by a building owned by this company; original value USD 2.6 million; drawn down in 2005; renegotiated in 2007 and repayable by July 2012 (with renewal option); interest rate equivalent to US Prime Rate + spread of 0.5%. Closed in the first half of 2011.	-	-	1.533	1.533
Southwest Securities - loan drawn down in 2009 by TESMEC USA; original value USD 2.9 million; with the possibility of reviewing the terms of the contract every 5 years; variable interest rate equivalent to the US Prime Rate + spread of 1%. The loan contract specifies a minimum 6% interest rate. Closed in the first half of 2011.	-	-	3.078	3.078
Total interest-bearing financial payables	**24,659**	**4,770**	**23,318**	**8,657**
Less current portion	(4,770)		(8,657)	
Non-current portion of interest-bearing financial payables	**19,889**		**14,661**	
Loan due to Simest	3,696		3,696	
Total medium/long term loans	**23,585**		**18,357**	
Non-current portion of finance leases	22,476	1,325	2,045	421
Less current portion	(1,325)		(421)	
Non-current portion of finance leases, net	**21,151**		**1,624**	
Total current portion		**1,325**		**9,078**
Interest-bearing financial payables	**44,736**		**19,981**	

During the first six months of 2011, *interest-bearing financial payables* is increased by Euro 24,755 thousand due to the following operations:

- the New lease contract described in paragraph 5 of the explanatory notes, recorded in accordance with IAS 17, led to the entry of Interest bearing financial payables of Euro 19,350 thousand;

- during the first six months of the year, a new loan agreement was signed with BNL-BNP PARIBAS Group of Euro 21 million, of which Euro 8 million repayable in half-yearly instalments until March 2016;

8. Interest-bearing financial payables (current portion)

The following table sets forth the breakdown thereof as at 30 June 2011 and as at 31 December 2010:

(Euro in thousands)	30 June 2011	31 December 2010
Advances from banks against invoices and bills receivables	18,138	7,040
Short-term portion of financial leases	1,325	421
Advances from factors	525	760
Current accounts overdraft	-	3,895
Current portion of interest-bearing loans and borrowings	4,770	8,657
Total interest-bearing financial payables (current portion)	**24,758**	**20,773**

The *advances from banks* amounts to Euro 18,138 thousand and increases by Euro 11,098 thousand as a result of a greater use of advances on discounted export invoices with more extended payment terms compared to the standard terms of the Group.

The decrease in the current accounts overdraft and current portion of interest-bearing loans and borrowings is due to the repayment both of the loans and of the revolving credit line granted to Tesmec USA by *Southwest Securities*.

9. Trade payables

The following table sets forth the breakdown of "Trade Payables" as at 30 June 2011 and as at 31 December 2010:

(Euro in thousands)	30 June 2011	31 December 2010
Trade payables due to third-party suppliers	26,821	26,207
Trade payables due to associates, related parties and joint ventures	10	84
Total trade payables	**26,831**	**26,291**

Trade payables as at 30 June 2011 increases compared to the previous year of Euro 540 thousand, in line with the increase in inventories following the supply of raw materials during May and June 2011, necessary for covering the expected revenues in the second half year.

10. Advances from customers

The decrease in this item is related to the fact that during the first six months of 2011 the supply orders for which the Group received advances in the prior period were acquired.

11. Income taxes payable

The following table sets forth the breakdown thereof as at 30 June 2011 and as at 31 December 2010:

(Euro in thousands)	30 June 2011	31 December 2010
IRPEF for employees due to the revenue	213	512
Current IRES tax liabilities	3,583	2,809
Current IRAP tax liabilities	622	495
Other current taxes	328	90
Withholding taxes	17	31
Total income taxes payable	**4,763**	**3,937**

Income taxes payable as at 30 June 2011 increases compared to the prior period of Euro 826 thousand following the increase in current IRES and IRAP tax liabilities related to the first six months of the period.

12. Net financial indebtedness

Following is a detail of the composition of the "Net financial indebtedness" as at 30 June 2011 and 31 December 2010:

(Euro in thousands)	As at 30 June 2011	of which with related parties and group	As at 31 December 2010	of which with related parties and group
Cash and cash equivalents	(9,028)		(7,767)	
Current financial assets [1]	(3,032)	*(2,825)*	(404)	*(226)*
Current financial liabilities	24,758	*(798)*	20,773	-
Current portion of derivative financial instruments	41		90	
Current financial indebtedness [2]	**12,739**	***(2,027)***	**12,692**	***(226)***
Non-current financial liabilities	44,736	*19,350*	19,981	-
Non-current portion of derivative financial instruments	17		34	
Non-current financial indebtedness [2]	**44,753**	***19,350***	**20,015**	**-**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**57,492**	***17,323***	**32,707**	***(226)***

[1] The current financial assets as at 30 June 2011 and 31 December 2010 include the market value of shares and warrants listed on the Italian Stock Exchange (Borsa Italiana), which are therefore accounted as cash and cash equivalents.

[2] Current and non-current financial indebtedness is not identified as an accounting element by the IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore not necessarily comparable therewith.

In the first half of 2011, the Group's *net financial indebtedness* increased compared to 2010 by Euro 24,785 thousand, due to the combined effect of the following changes:

- increase in *current financial assets* from Euro 404 thousand to Euro 3,032 thousand mainly due to (i) the recording of a short-term borrowing from the subsidiary JV Condux Tesmec of Euro 1,754, the reimbursement of this financial receivable is scheduled at year-end and (ii) the classification in accordance with IAS 17 of the portion not referable to the Lease Contracts between Tesmec S.p.A. and Dream Immobiliare S.r.l. of the initial disbursement carried out by the Company of Euro 864 thousand as an advance payment/deposit to secure the right of option of takeover in the original contract of financial lease signed by Dream Immobiliare S.r.l. (see paragraph 5);
- increase in *current financial liabilities* from Euro 20,773 thousand to Euro 24,758 thousand mainly due to a greater use of advances on discounted export invoices;
- increase in non-current financial liabilities from Euro 19,981 thousand to Euro 44,736 thousand mainly due to: (i) increase in financial leases (Euro 20,728 thousand as at 30 June 2011 against Euro 1,611 thousand as at 31 December 2010), Euro 19,350 thousand as a consequence of the New Lease Contract described in paragraph 5, (ii) used of Euro 8 million from the new loan agreement granted by BNL and (iii) reclassification in the current financial indebtedness of the short-term portion of interest bearing financial payables amounting to of Euro 9,250 thousand; net of the effects of the operation described in paragraph 5, net financial indebtedness increased to Euro 35.5 million reflecting in parallel changes in the working capital described above.

13. Revenues from sales and services

The table below shows the breakdown of "Revenues from sales and services" as at 30 June 2011 compared with the 2010 half year:

	Half year ended 30 June	
(Euro in thousands)	2011	2010
Sales of products	55,214	50,794
Services rendered	929	2,566
Total revenues from sales and services	**56,143**	**53,360**

Breakdown of *revenues from sales and services* shows an increase of Euro 2,783, thanks to the increase in the volumes in the Stringing equipment segment that offset both the negative trend of the first quarter of the Trencher segment, and the negative effect of the Usd/Eur exchange rate.
As for the service, the activities of the first half focused on several major projects in Saudi Arabia. Due to the time required for the establishment of a company in JV with partner Tesmec Peninsula, revenues have been realized by an outer perimeter of the Group Tesmec.

14. Operating costs

The following table sets forth the breakdown of Operating costs as at 30 June 2011 and as at 30 June 2010:

	Half year ended 30 June	
(Euro in thousands)	2011	2010
Cost of raw materials and consumables	(26,833)	(24,169)
Costs for services	(10,330)	(10,164)
Payroll costs	(9,060)	(8,828)
Other operating (costs)/revenues, net	(862)	(1,682)
Amortisation and depreciation	(2,727)	(2,427)
Development costs capitalised	1,633	1,845
Total operating costs	**(48,179)**	**(45,425)**

Operating costs amounts to Euro 48,179 thousand and is greater than the previous year by 6% and in line with the increase in turnover. The effect of such costs on revenues for the period amounts to 85% in line with the same period of the previous year.

Segment Reporting

For management purposes, Tesmec Group is organised into strategic business units on the basis of the nature of the goods and services supplied, and presents two operating segments for disclosure purposes:

- stringing equipment: this segment is involved in the design, production and marketing of integrated solutions for the stringing and maintenance of underground and aerial very high, high and medium voltage electric power lines, stringing equipment for underground and overhead optic fibre cables, as well as integrated solutions for the stringing and maintenance of electric power lines for railways. The stringing equipment segment machines are produced at the Italian production plants of Grassobbio (Bergamo), Endine Gaiano (Bergamo) and Sirone (Lecco);
- trencher: this segment is involved in the design, production and marketing of integrated solutions that entail the use of high powered crawler trenching machines for the linear excavation of underground power lines and pipelines or for other excavation operations and, on a smaller scale, Gallmac multipurpose machines. The trencher segment products are manufactured at the Grassobbio (Bergamo) and Sirone (Lecco) production plants in Italy, and at the Alvarado plant in Texas in the USA.

	Half year ended 30 June					
	2011			2010		
(Euro in thousands)	Stringing equipment	Trencher	Consolidated	Stringing equipment	Trencher	Consolidated
Revenues from sales and services	34,556	21,587	56,143	30,499	22,861	53,360
Operating costs net of depreciation and amortisation	(26,274)	(19,178)	(45,452)	(24,169)	(18,829)	(42,998)
EBITDA	**8,282**	**2,409**	**10,691**	**6,330**	**4,032**	**10,362**
Amortisation and depreciation	(795)	(1,932)	(2,727)	(592)	(1,835)	(2,427)
Total operating costs	**(27,069)**	**(21,110)**	**(48,179)**	**(24,761)**	**(20,664)**	**(45,425)**
Operating income	**7,487**	**477**	**7,964**	**5,738**	**2,197**	**7,935**
Financial expenses and share of profit/(loss)			(2,678)			(714)
Pre-tax profits			**5,286**			**7,221**
Income taxes			(2,024)			(2,531)
Net profit for the period			**3,262**			**4,690**
Non-controlling interests			-			(13)
Equity holders of the parent			**3,262**			**4,703**

(*) The EBITDA is represented by the operating income gross of amortisation/depreciation. The EBITDA thus defined represents a measurement used by the company's management to monitor and assess the company's operating performance. The EBITDA is not identified as an accounting element by the IFRS and thus is not to be considered as an alternative measurement for the assessment of the performance of the Group's operating income. As the composition of the EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

Revenues in the Stringing equipment segment, after a 46% increase in 2010, further increased by 13.3% in the half year of 2011. The main markets were Russia and South America where margins above the historical average were achieved.
For what concerns the Trencher segment, revenues decreased by 5.6% compared to the first half of 2010. Thanks to the first signs of recovery in the American market and the start of the commercial activities of JV Tesmec Peninsula, the second quarter reported a 47% increase that offset the 35% decrease of the first quarter.

Administrators monitors the operating income of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on the basis of operating income.
The Group financial management (including financial income and charges) and income taxes are managed at Group level and are not allocated to the individual operating segments.

The following table shows the consolidated statement of financial position by business segment as at 30 June 2011 and as at 31 December 2010:

	As at 30 June 2011				As at 31 December 2010			
(Euro in thousands)	Stringing equipment	Trencher	Not allocated	Consolidated	Stringing equipment	Trencher	Not allocated	Consolidated
Intangible assets	2,730	4,333	-	7,063	2,454	4,359	-	6,813
Property, plant and equipment	12,390	25,624	-	38,014	487	17,506	-	17,993
Financial assets	883	479	171	1,533	1,044	216	136	1,396
Other non-current assets	-	1,566	3,519	5,085	-	1,404	3,508	4,912
Total non-current assets	**16,003**	**32,002**	**3,690**	**51,695**	**3,985**	**23,485**	**3,644**	**31,114**
Inventories	12,177	30,829	-	43,006	10,518	31,702	-	42,220
Trade receivables	12,791	21,194	-	33,985	13,506	18,976	-	32,482
Other current assets	1,753	509	3,853	6,115	468	624	1,289	2,381
Cash and cash equivalents	-	-	9,028	9,028	-	-	7,767	7,767
Total current assets	**26,721**	**52,532**	**12,881**	**92,134**	**24,492**	**51,302**	**9,056**	**84,850**
Total assets	**42,724**	**84,534**	**16,571**	**143,829**	**28,477**	**74,787**	**12,700**	**115,964**
Equity attributable to parent company shareholders	**-**	**-**	**33,663**	**33,663**	**-**	**-**	**34,730**	**34,730**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**
Non-current liabilities	**-**	**1,252**	**47,042**	**48,294**	**-**	**945**	**22,974**	**23,919**
Current financial liabilities	-	-	24,799	24,799	-	-	20,863	20,863
Trade payables	14,116	12,715	-	26,831	16,563	9,728	-	26,291
Other current liabilities	764	2,000	7,478	10,242	2,159	4,146	3,847	10,152
Total current liabilities	**14,880**	**14,715**	**32,277**	**61,872**	**18,722**	**13,874**	**24,710**	**57,306**
Total liabilities	**14,880**	**15,967**	**79,319**	**110,166**	**18,722**	**14,819**	**47,684**	**81,225**
Total shareholders' equity and liabilities	**14,880**	**15,967**	**112,982**	**143,829**	**18,722**	**14,819**	**82,423**	**115,964**

Related party transactions

The following schedule gives details of transactions in income statement and balance sheet due from/towards 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 2011						30 June 2011					
(Euro in thousands)	Revenues	Costs of raw materials	Costs for services	Other operating (costs)/revenues, net	Financial expenses and share of profit/loss	Non-current financial assets	Trade receivables	Current financial receivables	Other current assets	Non current financial payables	Current financial payables	Trade payables
Associated companies:												
East Trencher S.r.l.	-	-	17	-	-	-	-	-	-	-	-	-
Locavert S.A.	107	-	-	-	-	-	70	-	-	-	-	-
Sibtechmash	-	-	-	-	-	-	14	-	-	-	-	-
Subtotal	**107**	**-**	**17**	**-**	**-**	**-**	**84**	**-**	**-**	**-**	**-**	**-**
Joint ventures:												
Condux Tesmec Inc.	897	-	-	-	(23)	-	429	1,756	-	-	-	-
Tesmec Peninsula	1,899	-	-	-	-	-	1,867	-	-	-	-	-
Subtotal	**2,796**	**-**	**-**	**-**	**(23)**	**-**	**2,296**	**1,756**	**-**	**-**	**-**	**-**
Related parties:												
Ambrosio S.r.l.	-	-	-	6	-	-	-	-	-	-	-	8
Matteo Caccia Dominioni	-	-	-	-	-	-	-	-	-	-	-	24
CBF S.r.l.	-	-	-	188	-	-	-	-	-	-	-	-
Ceresio Tours S.r.l.	-	-	9	-	-	-	-	-	-	-	-	1
Dream Immobiliare S.r.l.	-	-	-	-	499	-	3	1,069	-	19,350	798	(24)
FI.IND S.p.A.	-	-	-	-	-	-	16	-	-	-	-	4
Jaeggli Meccanotessile S.r.l.	-	-	1	-	-	-	-	-	-	-	-	(3)
Jaeggli S.p.A.	-	-	-	-	-	-	4	-	-	-	-	-
M.T.S. Officine Meccaniche S.p.A.	979	16	73	2	-	-	1,093	-	-	-	-	-
Reggiani Macchine S.p.A.	3	-	(68)	(182)	-	-	54	-	-	-	-	-
Subtotal	**982**	**16**	**15**	**14**	**499**	**-**	**1,170**	**1,069**	**-**	**19,350**	**798**	**10**
Total	**3,885**	**16**	**32**	**14**	**476**	**-**	**3,550**	**2,825**	**-**	**19,350**	**798**	**10**

(Euro in thousands)	Half year ended 30 June 2010						30 June 2010					
	Revenues	Costs of raw materials	Costs for services	Other operating (costs)/revenues, net	Financial expenses and share of profit/loss	Non-current financial assets	Trade receivables	Current financial receivables	Other current assets	Non current financial payables	Current financial payables	Trade payables
Associated companies:												
Locavert S.A.	76	-	-	-	-	-	42	-	-	-	-	-
Sibtechmash	-	-	-	-	-	-	19	-	-	-	-	-
Sub total	**76**	**-**	**-**	**-**	**-**	**-**	**61**	**-**	**-**	**-**	**-**	**-**
Joint Venture:												
Condux Tesmec Inc.	1,947	-	66	-	-	-	2,145	-	-	-	-	-
Sub total	**1,947**	**-**	**66**	**-**	**-**	**-**	**2,145**	**-**	**-**	**-**	**-**	**-**
Related parties:												
Ambrosio S.r.l.	-	-	-	(6)	-	-	-	-	-	-	-	-
Avv. Caterina Caccia Dominioni	-	-	(4)	-	-	-	-	-	-	-	-	-
Dott. Geom. Matteo Caccia Dominioni	-	-	(20)	-	-	-	-	-	-	-	-	20
CBF S.r.l.	-	-	-	(191)	1	-	1	-	-	-	-	4
Ceresio Tours S.r.l.	-	-	(1)	-	-	-	-	-	-	-	-	2
Dream Immobiliare S.r.l.	-	-	-	(155)	-	-	-	-	-	-	-	-
FI.IND S.p.A.	-	-	-	1	14	-	14	-	-	-	-	35
Jaeggli Meccanotessile S.r.l.	-	-	-	-	-	-	4	-	-	-	-	-
Jaeggli S.p.A.	-	-	-	-	2	-	4	-	-	-	-	-
Lame Nautica S.r.l.	5	-	-	-	-	-	4	-	-	-	-	-
M.T.S. Officine Meccaniche S.p.A.	369	(1)	(105)	(1)	2	-	267	-	-	-	-	51
Reggiani Macchine S.p.A.	-	-	56	(661)	21	-	459	-	-	-	-	-
Sub total	**374**	**(1)**	**(74)**	**(1,013)**	**40**	**-**	**753**	**-**	**-**	**-**	**-**	**112**
Total	**2,397**	**(1)**	**(8)**	**(1,013)**	**40**	**-**	**2,959**	**-**	**-**	**-**	**-**	**112**

Subsequent events and business outlook

There are no significant events to report, apart from the acquisition of I-Light line of Business, already mentioned in paragraph no. 3. Based on the positive trend reported in the second quarter, the Directors confirm revenue growth projections for 2011.

A reinforcement of the increase in revenues for the Stringing equipment segment is expected for the next few months thanks to the positive sales effect on the markets of the BRIC area (Brazil and Russia). With regard to the *trencher* segment, the recovery in sales recorded in the second quarter is expected to continue thanks to the positive contribution of the United States and the Middle East. For service activities, agreements for important data transmission and "construction" projects in South Africa and in the Middle East, respectively, are being finalised.

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

1. The undersigned Ambrogio Caccia Dominioni and Andrea Bramani, as the Chief Executive Officer and the Manager responsible for preparing the Company's financial statements, respectively, attest, considering also what is provided under Article 154-bis, sub-sections 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the business and
   - actual application

   of the administrative and accounting procedures for preparing the consolidated financial statements as at 30 June 2011.

2. We also attest that:

2.1 the condensed consolidated financial statements as at 30 June 2011:

- have been prepared in accordance with IFRS as endorsed by the European Union, as provided by the EC Regulation No. 1606/2002 issued by the European Parliament and by the European Council on 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash-flow of the Company and its consolidated subsidiaries;

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 Interim 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 the information on significant transactions with related parties.

Grassobbio, 4 August 2011

Ambrogio Caccia Dominioni	Andrea Bramani
Chief Executive Officer	The Manager responsible for preparing the Company's financial statements

INDIPENDENT AUDITOR'S REPORT

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Tesmec S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, income, comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes, of Tesmec S.p.A. and its subsidiaries (the "Tesmec Group") as of June 30, 2011. Management of Tesmec S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 29, 2011 and on August 9, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Tesmec Group as of June 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 5, 2011

Reconta Ernst & Young S.p.A.
Signed by: Paolo Zocchi, Partner

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

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