TESMEC

Interim consolidated financial report as at 30 September 2013

Investor Relator
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Fully paid up share capital as at 30 September 2013 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 2015)

Chairman and Chief Executive Officer	Ambrogio Caccia Dominioni
Vice Chairman	Alfredo Brignoli Gianluca Bolelli (2)
Directors	Sergio Arnoldi (1) (2) (3) (4) Gioacchino Attanzio (1) (2) (3) (4) (5) Caterina Caccia Dominioni (3) Guido Giuseppe Maria Corbetta (1) Lucia Caccia Dominioni Luca Poggi (1) Leonardo Giuseppe Marseglia (1)

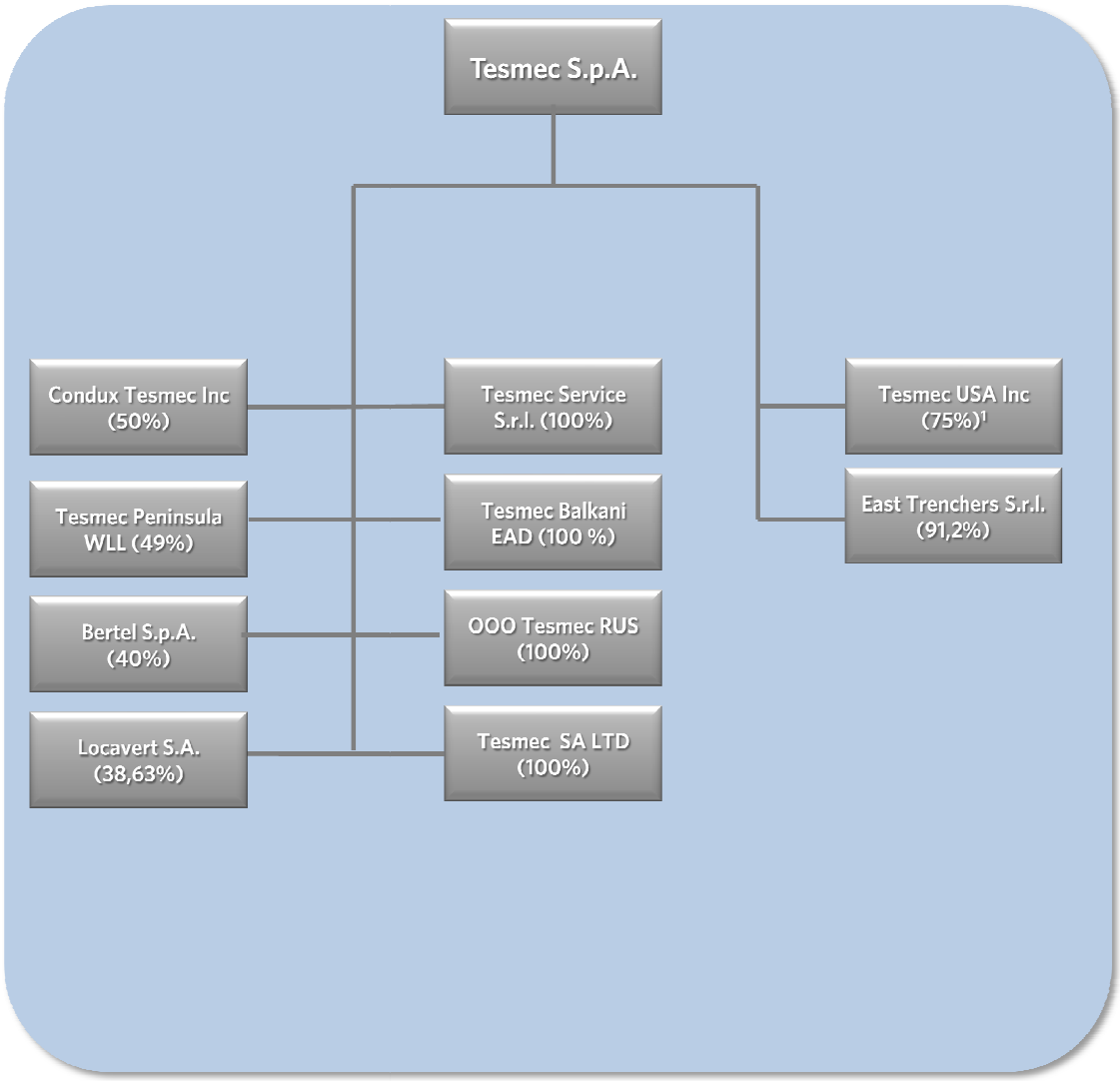
(1) Independent Directors
(2) Members of the Control and Risk Committee
(3) Members of the Remuneration Committee
(4) Members of the Appointments Committee
(5) Lead Independent Director

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

Board of Statutory Auditors

Chairman	Simone Cavalli
Statutory auditors	Stefano Chirico Alessandra De Beni
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 fully 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 (screen-based share market) STAR Segment of the Milan Stock Exchange. The registered office of the Tesmec Group (hereinafter "Group" or "Tesmec Group") is in Milan, Piazza S. Ambrogio 16.

The Tesmec Group is a leader in the design, production and marketing of special products and integrated solutions for the construction, maintenance and streamlining of infrastructures relating to the transmission of electrical power and data and material transport.
Founded in Italy in 1951 and managed by the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni, the Group has more than 440 employees and five production plants, four in Italy, Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco) and Monopoli (Bari), and one in the USA, in Alvarado (Texas).
Since its listing on the Stock Exchange on 1 July 2010, the Parent Company has pursued the stated objective of diversification of the types of products in order to offer a complete range of integrated solutions, which has resulted in the Group having six different types of product.

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

- *Stringing segment*

- machines and integrated systems for overhead and underground stringing of power lines and fibre optic cables;
- machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line;
- integrated solutions for the streamlining, management and monitoring of low, medium and high voltage power lines (smart grid solutions).

- *Trencher segment*

- high-efficiency crawler trenching machines for excavation with a set section for the construction of infrastructures for the transmission of data, raw materials and gaseous and liquid products in the various segments; energy, farming, chemical and public utilities, crawler trenching machines for works on surface mines and earth moving works (RockHawg);
- specialised consultancy and excavation services on customer request;
- multipurpose site machinery (Gallmac).

All types of product are developed according to the ISEQ approach (Innovation, Safety, Efficiency and Quality), in observance of environmental sustainability and energy saving.

The know-how acquired in developing specific technologies and innovative solutions and the presence of a team of highly specialised engineers and technicians allows the Tesmec Group to directly manage the entire production chain: from the design, production and marketing of machinery, to the supply of know-how relating to the use of systems and optimisation of work, to all pre- and post-sales services related to machinery and the increase in site efficiency. A combination of leading edge products and in-depth knowledge on the use of innovative technologies, for tackling the new requirements of the market, therefore allows the Group to offer a successful mix with the objective of ensuring high work performances.
Today, the Group not only sells cutting edge machines, but genuine integrated electrification and excavation systems, which provide advanced solutions during the work performance phase. This is a result of the constant pursuit of innovation, safety, efficiency and quality, which has led to the development of software for making machines safer, more reliable and high-performance.
The Group also has a global commercial presence throughout the majority of foreign countries, with a direct presence on different continents, constituted by foreign companies and sales offices in the USA, South Africa, Russia, Qatar, Bulgaria and China.

2. Macroeconomic Framework

We are witnessing macroeconomic data that marks the end of the period of recession which had an impact on all industrialised countries, at different times and to different extents from 2008/2009. With regard to Italy in particular, the recession that began mid 2011 should end with the last quarter of 2013, when the downtrend of GDP should stop. A negative figure (-1.8%) has been confirmed for 2013, but this is expected to be followed by a positive figure for 2014 of between 0.7% and 1%. The rate of inflation has remained low also thanks to the falling prices of energy and non-energy commodities. The fall in commodity prices and outflows of capital towards the markets of industrialised nations had a negative influence on the economies of emerging countries, to the detriment of previously announced Development Plans,

also due to currency devaluation against the US dollar and against the Euro in particular. In general, a higher level of volatility was recorded, which the Group responded to by intensifying its efforts to improve the internationalisation of its assets and to expand its range of products by entering sectors for the production of machinery for rolling stock maintenance and of devices to render the Power System more efficient.

3. Significant events occurred during the period

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

- on 4 January 2013, the subsidiary company Tesmec Service S.r.l. acquired, for a consideration of Euro 850 thousand, a receivable of Euro 2 million due to Norwegian company Mantena AS (incorporating entity of Mitrans AS), a Norwegian railway authority services company, from AMC2 S.r.l. in liquidation. The aim of the transaction was to reactivate commercial channels with the Norwegian railway authority. It should be noted that Tesmec Service S.r.l. signed an agreement to rent two business units of AMC2 in liquidation that are currently fully operational. Later, in July, the Court of Bari has upheld the application for an arrangement with creditors submitted by AMC2 Progetti e Prototipi S.r.l. with the subscription by Tesmec Service S.r.l. as assumptor. In December 2013, Tesmec Service S.r.l. will submit a request for admission to the creditors' hearing to cast its vote on the arrangement with creditors;

- on 30 January 2013, pursuant to art. 3 of Consob Resolution no. 18079 of 20 January 2012, Tesmec S.p.A.'s Board of Directors resolved to adhere to the opt-out system set forth by art. 70, subsection 8 and art. 71, subsection 1-bis, of Consob Regulation no. 11971/99 (and subsequent amendments and additions), therefore availing itself of the right of exemption from the obligations to publish the information documents required by Annexe 3B of said Consob Regulation, on completion of significant mergers, splits, share capital increases through the contribution of goods in kind, acquisitions and transfers;

- on 31 March 2013, the share capital increase of Tesmec Peninsula WLL was subscribed for a total of USD 1 million that, as a result of the above transaction, is now USD 2 million. As part of said transaction, all shareholders subscribed the shares within their respective competence. In particular, Tesmec S.p.A. subscribed the share capital increase for an amount of USD 490 thousand, equal to its 49% stake;

- the Shareholders' Meeting held on 30 April 2013 re-elected the management and control bodies, confirming Mr. Ambrogio Caccia Dominioni as Group Chairman;

- the Board of Directors' meeting held after the Shareholders' Meeting, chaired by Ambrogio Caccia Dominioni, confirmed the same as the Chief Executive Officer and Alfredo Brignoli and Gianluca Bolelli as Vice Chairmen. The Board of Directors also established, pursuant to the Self-Regulatory Code of Conduct, the Control and Risk Committee, the Remuneration Committee and the Appointments Committee. Directors Sergio Arnoldi (Chairman), Gioacchino Attanzio and Gianluca Bolelli are all members of the Control and Risk Committee. Directors Sergio Arnoldi (Chairman), Gioacchino Attanzio and Caterina Caccia Dominioni are all members of the Remuneration Committee. Directors Sergio Arnoldi and Gioacchino Attanzio are members of the Appointments Committee;

- on 24 May 2013 dividends of Euro 3,690 thousand, corresponding to Euro 0.035 per share, were paid, up on the dividends distributed in 2012 of Euro 0.030 per share;

- on 10 July 2013, having come to its natural end, the loan granted to Eracle Finance by JP Morgan Chase Bank on 13 July 2006 for a total amount of Euro 4,000 thousand was repaid in full;
- on 24 September 2013, the Board of Directors of Simest S.p.A. approved the investment proposal relating to Tesmec USA, which is based on an increase of the investee company's share capital of USD 10,000,000 from USD 21,200,000 to USD 31,200,000, USD 5,000,000 of which will be subscribed by Tesmec S.p.A. and the same amount by Simest S.p.A. After the operation, Simest S.p.A. will hold a share of 33% of the share capital of Tesmec USA.

4. Business activities, reference market and operational performance in the first nine months of 2013

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 31 December 2012. The following table shows the major economic and financial indicators of the Group as at September 2013 compared with the same period of 2012. More specifically, the interim consolidated report has been prepared in compliance with IAS 34 on interim financial reporting.

	OVERVIEW OF RESULTS	
As at 30 September 2012	**Key income statement data** (Euro in millions)	**As at 30 September 2013**
80.8	Operating Revenues	85.1
16.3	EBITDA	15.9
11.6	Operating Income	11.2
5.2	Group Net Profit	5.1
388	Average employees in the period	441
31 December 2012	**Key financial position data** (Euro in millions)	**30 September 2013**
99.5	Net Invested Capital	106.1
42.9	Shareholders' Equity	43.2
56.5	Net Financial Indebtedness	62.9
8.1	Investments in property, plant and equipment and intangible fixed assets	6.8

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

- Tesmec USA Inc., a company that is 75% owned by Tesmec S.p.A. and 25% by Simest S.p.A. (Tesmec S.p.A. has the option to repurchase the latter shareholding), is based in Alvarado (Texas) and operates in both the trencher segment and, since 2012, in the stringing segment, in particular due to orders opened in the rail sector. In the first nine months of 2013, revenues achieved directly with customers/end users came to Euro 15.1 million with a profit of Euro 1.6 million. The traditional distributors' channel used almost exclusively in the past is no longer present in branch sales, and this made a substantial contribution to improving the company's profitability.

- In 2012, Tesmec Service S.r.l., a company wholly-owned by Tesmec S.p.A. with registered office in Grassobbio (BG), acquired significant orders in the rail sector for the production of wagons for the maintenance of railway lines thanks to the rental of the AMC2 Progetti e Prototipi S.r.l business units. In the first few months of 2013, the company concentrated on progressing orders started in the second half of last year and revenues amounted to Euro 1 million.

- Tesmec SA (Pty) Ltd, with registered office in Johannesburg (South Africa), 100% owned by Tesmec S.p.A., was set up in August 2011. The South African market is considered a market with a strong growth of projects in the telecommunications and pipelines sector in general. In the reporting period, although the Company had not yet achieved a development in line with expectations, it generated revenues of Euro 0.3 million.

- OOO Tesmec Rus, with registered office in Moscow (Russia), 100% owned by Tesmec S.p.A., was set up in November 2011. The company operates in the Stringing equipment segment and on 30 September 2013 completed its recruitment plan generating revenues of Euro 2.4 million with a profit of Euro 0.3 million.
- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec S.p.A. 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 totalling Euro 10.9 million during the financial period with a profit equal to Euro 1,370 thousand. The profits added to the Group's consolidated financial statements amount to Euro 685 thousand.

- Tesmec Peninsula WLL, a Joint Venture with registered office in Doha (Qatar) 49% owned by Tesmec S.p.A., is the hub through which the Tesmec Group is present on the Arabian peninsula. Tesmec Peninsula commenced operations in the second quarter of 2011; in the first nine months of 2013, the company generated revenues of Euro 5.7 million.

Income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 September 2013 with those as at 30 September 2012.

The main income figures for the first nine months of 2013 and 2012 are presented in the table below:

	As at 30 September			
(Euro in thousands)	2013	% of revenues	2012	% of revenues
Revenues from sales and services	**85,051**	**100.0%**	**80,753**	**100.0%**
Cost of raw materials and consumables	(38,151)	-44.9%	(35,578)	-44.1%
Cost of services	(14,999)	-17.6%	(14,843)	-18.4%
Payroll costs	(17,294)	-20.3%	(14,600)	-18.1%
Other operating (costs)/revenues, net	(1,599)	-1.9%	(1,527)	-1.9%
Depreciation and amortisation	(4,721)	-5.6%	(4,697)	-5.8%
Development costs capitalised	2,500	2.9%	2,190	2.7%
Portion of gains/(losses) from the valuation of Joint Ventures using the equity method	387	0.5%	(128)	-0.2%
Total operating costs	**(73,877)**	**-86.9%**	**(69,183)**	**-85.7%**
Operating income	**11,174**	**13.1%**	**11,570**	**14.3%**
Financial expenses	(4,725)	-5.6%	(5,218)	-6.5%
Financial income	1,763	2.1%	1,891	2.3%
Portion of gains/(losses) from the valuation of equity investments using the equity method	37	0.0%	(54)	-0.1%
Pre-tax profit	**8,249**	**9.7%**	**8,189**	**10.1%**
Income tax	(3,179)	-3.7%	(2,978)	-3.7%
Net profit for the period	**5,070**	**6.0%**	**5,211**	**6.5%**
Profit / (loss) attributable to non-controlling interests	(4)	0.0%	-	0.0%
Group profit (loss)	**5,074**	**6.0%**	**5,211**	**6.5%**

The turnover of the Group continues to be produced almost exclusively abroad and also sales made to Groups based in Europe are in many cases intended for use outside the European continent. The revenue analysis by area is indicated below with a comparison between the first nine months of 2013 and the first nine months of 2012.

	As at 30 September	
(Euro in thousands)	**2013**	**2012**
Italy	3,903	4,858
Europe	12,718	18,787
Middle East	20,550	11,728
Africa	4,691	4,667
North and Central America	20,736	17,815
BRIC and Others	22,453	22,898
Total revenues	**85,051**	**80,753**

In the first nine months of 2013, the Group consolidated revenues of Euro 85,051 thousand, marking an increase of Euro 4,298 thousand compared to Euro 80,753 thousand in the same period of the previous year. In percentage terms, said increase is equal to 5.3%, and is shaped by an increase of 34.8% for the Trencher segment and a decrease of -10.9% for the Stringing equipment segment.

Revenues by segment

	As at 30 September				
(Euro in thousands)	**2013**	**% of revenues**	**2012**	**% of revenues**	**2013 vs. 2012**
Stringing equipment	46,375	54.5%	52,057	64.5%	(5,682)
Trencher	38,676	45.5%	28,696	35.5%	9,980
Total revenues	**85,051**	**100.0%**	**80,753**	**100.0%**	**4,298**

In the third quarter, the Stringing equipment segment recorded lower revenues than those of the same period of the previous year, due to the volatility of several of its major reference markets, with repercussions on the time needed to finish infrastructure projects in progress. This slowdown is believed to have a contingent nature.

In the Trencher segment, the results for the first nine months of the year recorded a rise against the previous year, resulting from good performances in the traditional areas of the Middle East and the USA and from sales in several countries on the African continent.

Operating costs net of depreciation and amortisation

	As at 30 September			
(Euro in thousands)	**2013**	**2012**	**2013 vs. 2012**	**% change**
Cost of raw materials and consumables	(38,151)	(35,578)	(2,573)	7.2%
Cost of services	(14,999)	(14,843)	(156)	1.1%
Payroll costs	(17,294)	(14,600)	(2,694)	18.5%
Other operating (costs)/revenues, net	(1,599)	(1,527)	(72)	4.7%
Development costs capitalised	2,500	2,190	310	14.2%
Portion of gains/(losses) from the valuation of Joint Ventures using the equity method	387	(128)	515	-402.3%
Operating costs net of depreciation and amortisation	**(69,156)**	**(64,486)**	**(5,185)**	**8.0%**

Operating costs net of depreciation and amortisation amount to Euro 69,156 thousand, recording a rise of 8.0% against the previous year; this result is due to business start-up costs relating to the extension of the range to new areas, such as rolling stock maintenance, making the electrical system more efficient and start-up costs for foreign branches.

EBITDA

In connection with this trend in revenues, in terms of margins, EBITDA amounts to Euro 15,895 thousand, which represents 18.7% of the sales for the period, compared to 20.1% recorded in the same period of 2012.

Payroll costs of Euro 17,294 thousand had a negative impact on EBITDA and represent 20.3% of the sales for the period, compared to 18.1% recorded in the same period of 2012. The increase is substantially due to the increase in the average number of employees, corresponding to 441 against 388 in 2012, with a view to strengthening the technical/production and sales areas.

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

	As at 30 September				
(Euro in thousands)	2013	% of revenues	2012	% of revenues	2013 vs. 2012
Operating income	11,174	13.1%	11,570	14.3%	(396)
+ Depreciation and amortisation	4,721	5.6%	4,697	5.8%	24
EBITDA (*)	**15,895**	**18.7%**	**16,267**	**20.1%**	**(372)**

(*) EBITDA is represented by operating income before depreciation and amortisation. EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of 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 table below shows EBITDA figures as at 30 September 2013 compared to those at 30 September 2012, broken down by the two operating segments:

	As at 30 September				
(Euro in thousands)	2013	% of revenues	2012	% of revenues	2013 vs. 2012
Stringing equipment	9,111	19.6%	10,634	20.4%	(1,523)
Trencher	6,784	17.5%	5,633	19.6%	1,151
EBITDA (*)	**15,895**	**18.7%**	**16,267**	**20.1%**	**(372)**

If the figures are analysed separately by segment, they show the following:

- stringing equipment: the margin, in terms of a percentage of revenues, falls to 19.6% in the first nine months of 2013, compared to 20.4% recorded in the same period of 2012. This decrease is mainly due to volumes and to the different mix of products/markets relating to sales in the period;
- trencher: the margin, in terms of a percentage of revenues, was 17.5% in the first nine months of 2013, compared to 19.6% recorded in the same period of 2012. This trend is attributable to the higher volume of sales in the first nine months of 2013 compared to the same period of the previous year, to the JV Tesmec Peninsula, distributor for the Middle East, and while awaiting the completion of the sale to the end customer, a margin of just 51% was recorded, and to an unfavourable exchange rate.

Financial Situation

(Euro in thousands)	As at 30 September	
	2013	2012
Net financial income/(expenses)	(2,528)	(2,750)
Foreign exchange gain/(losses)	(705)	(122)
Fair value adjustment of derivative instruments	271	(455)
Portion of gains/(losses) from the valuation of equity investments using the equity method	37	(54)
Total Net financial income/(expenses)	**(2,925)**	**(3,381)**

The net financial situation recorded an improvement against the same period of 2012, of Euro 456 thousand, due to the combined effect of the following factors:

- Euro 222 thousand, due to the lower cost of indebtedness recorded in the period;
- Euro 726 thousand, due to the adjustment to fair value of financial instruments that led to the recognition of a gain of Euro 271 thousand compared to a loss of Euro 455 thousand in the first nine months of 2012.

  offset by a negative variance of:

- Euro 583 thousand on the result of "foreign exchange" management, due to the EUR/USD exchange rate trend in the two periods compared, which resulted in net losses totalling Euro 705 thousand in the first nine months (a profit of Euro 180 thousand against unrealised losses of Euro 885 thousand) against a net profit of Euro 122 thousand in the first nine months of 2012.

5. Balance sheet situation as at 30 September 2013

Information is provided below on the Group's main equity indicators, as at 30 September 2013 compared to 31 December 2012. In particular, the following tables show the reclassified funding sources and uses from the consolidated balance sheet as at 30 September 2013 and as at 31 December 2012:

(Euro in thousands)	As at 30 September 2013	As at 31 December 2012
USES		
Net working capital[1]	54,284	48,817
Fixed assets	51,639	49,644
Other long-term assets and liabilities	130	1,029
Net invested capital[2]	**106,053**	**99,490**
SOURCES		
Net financial indebtedness [3]	62,897	56,545
Shareholders' equity	43,156	42,945
Total sources of funding	**106,053**	**99,490**

[1] The net working capital is calculated as current assets net of current liabilities excluding financial assets and liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.
[2] The net invested capital is calculated as net working capital plus fixed assets and other long-term assets less long-term liabilities. The net invested capital is not recognised as a measure of performance under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.
[3] Net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available-for-sale securities, non-current financial liabilities, the fair value of hedging instruments and other non-current financial assets.

A) Net working capital

Details of the composition of the "Net Working Capital" as at 30 September 2013 and 31 December 2012 are as follows:

(Euro in thousands)	As at 30 September 2013	As at 31 December 2012
Trade receivables	37,861	43,554
Inventories	53,028	44,836
Trade payables	(28,738)	(32,082)
Other current assets/(liabilities)	(7,867)	(7,491)
Net working capital[1]	**54,284**	**48,817**

[1] The net working capital is calculated as current assets net of current liabilities excluding financial assets and liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

Net working capital amounted to Euro 54,284 thousand, marking an increase of Euro 5,467 thousand (11.2%) compared to 31 December 2012.
The decrease in the item *trade receivables* (13.1%) is due to the strong performance of collections in the period. The increase in *inventories* (18.3%) is due to the forecast of revenues of the last quarter of the year that led to the need for supplies and also to the work-in-progress measurement of the machinery related to orders of the rail sector, which was substantially completed on 30 September and whose sale is expected to be completed in the last quarter of the 2013 financial year.

B) Fixed assets and other long-term assets

The table below shows a breakdown of "Fixed assets and other long term assets" as at 30 September 2013 and 31 December 2012:

(Euro in thousands)	As at 30 September 2013	As at 31 December 2012
Intangible assets	8,142	7,620
Property, plant and equipment	39,624	39,776
Equity investments in associates	3,870	2,245
Other equity investments	3	3
Fixed assets	**51,639**	**49,644**

Fixed assets and other long-term assets increased from Euro 49,644 thousand as at 31 December 2012 to Euro 51,639 thousand as at 30 September 2013, up 4.0%. A more detailed analysis of changes in the main categories of fixed assets is provided below:

- an increase in i*ntangible assets* of Euro 522 thousand, mainly due to the effect of the development costs capitalised during 2013 of Euro 2,749 thousand, which were partially offset by the amortisation effect of the period (Euro 2,438 thousand). These 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 segment on the basis of customer's expressed requests in key markets; however, the increase for the period is mainly due to development costs burned and capitalised with reference to machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line.
- an increase in *equity investments in associates* of Euro 1,625 thousand due to the adjustment of the value of equity investments consolidated using the equity method as well as the increase in the value of the equity investment in Bertel S.p.A. of Euro 630 thousand and in the value of the equity investment in the Joint Venture Tesmec Peninsula WLL of Euro 384 thousand as a result of capital injections carried out in the first nine months of 2013.

C) Net financial indebtedness

Details of the breakdown of "Net financial indebtedness" as at 30 September 2013 and 31 December 2012 are as follows:

(Euro in thousands)	As at 30 September 2013	of which with related parties and group	As at 31 December 2012	of which with related parties and group
Cash and cash equivalents	(8,275)		(17,144)	
Current financial assets[1]	(10,011)	*(6,663)*	(5,181)	*(3,306)*
Current financial liabilities	36,684	*970*	29,652	*897*
Current portion of derivative financial instruments	-		1	
Current financial indebtedness [2]	**18,398**	***(5,693)***	**7,328**	***(2,409)***
Non-current financial liabilities	44,011	*17,302*	48,404	*18,049*
Non-current portion of derivative financial instruments	488		813	
Non-current financial indebtedness[2]	**44,499**	***17,302***	**49,217**	**18,049**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**62,897**	***11,609***	**56,545**	***15,640***

[1]The current financial assets as at 30 September 2013 and 31 December 2012 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 are not identified as an accounting measurement under IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balances obtained by the Group may not be comparable therewith.

In the first nine months of 2013, the Group's net financial indebtedness increased by Euro 6,352 thousand compared to the figure recorded at the end of 2012, also following the payment of dividends of Euro 3,690 thousand.

The increase is due to the combined effect of the following changes:

- decrease in *cash and cash equivalents and current financial assets* from Euro 22,325 thousand to Euro 18,286 thousand mainly due tocontingent factors;
- increase in *current financial liabilities* from Euro 29,652 thousand to Euro 36,684 thousand also due to the reclassification of the current portion of medium/long-term loans pursuant to the paragraph below;
- decrease in *non-current financial liabilities* from Euro 48,404 thousand to Euro 44,011 thousand mainly due to: i) reclassification under the current financial indebtedness of Euro 9,473 thousand relating to the short-term portion of medium/long-term loans (ii) decrease in financial leases (Euro 19,473 thousand as at 30 September 2013 compared to Euro 20,313 thousand as at 31 December 2012) net of (iii) the drawing-up of new medium/ long-term loan agreements amounting to Euro 4,376 thousand and new leasing agreements totalling Euro 805 thousand.
  The new loans relate to:
  - the first tranche of Euro 580 thousand of a loan for a total of Euro 1,934 thousand obtained by Simest pursuant to Law 394 for the opening of the Russian branch of the Tesmec Group. This loan will expire on 14 February 2020 and has a special interest rate of 0.4994%;
  - the loan obtained by Comerica for a total of USD 4,656 thousand, which expires on 3 July 2018.

6. Management and types of financial risk

For the management of financial risks, please see the paragraph "Financial risk management policy" contained in the Explanatory Notes to the Annual Consolidated Financial Statements for 2012, 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 first nine months of 2013, no transactions took place with related parties of an atypical or unusual nature that are far removed from the company's normal operations or such as to harm the income statement, balance sheet or financial results of the Group.

For significant intercompany and related party information please see the paragraph "Related party transactions" in the Explanatory Notes.

8. Group Employees

The average number of Group employees in the first nine months of 2013, including the employees of companies that are fully consolidated, is 441 persons compared to 388 in 2012.

9. Related party transactions

For a breakdown of the transactions performed in the first nine months of 2013, reference is made to the content of the explanatory notes of these interim consolidated financial statements as at 30 September 2013.

10. 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 reviewed and adjusted its security systems in light of the standards set by the relevant legislation.
Within the timeframe set by the law, Tesmec prepared and updated the Security Policy Document 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 will be periodically updated by 31 March each year, in relation to progress in science and technology or to the development of its own organisation, so as to ensure data safety and relevant processing.

Treasury shares

On 30 April 2013, the Shareholders' Meeting authorised the treasury share buy-back plan, the authorisation was granted for a period of 18 months; the authorisation dated 30 April 2013 replaces the last authorisation resolved by the Shareholders' Meeting dated 10 January 2012 expiring in June 2013.
The meeting of the Board of Directors, held on the same day, launched the plan and set the initial maximum quantity as 5% of Share Capital. From the launch of the buy-back plan resolved on 10 January 2012 (and renewed on 30 April 2013) to the date of the period covered by this report, 30 September 2013, a total of 1,946,321 shares (1.82% of Share Capital) have been purchased at an average price of Euro 0.4418 (net of commission) for a total equivalent value of Euro 860 thousand.

Significant events occurring after the close of the financial period

Please refer to the content of note 18 "Significant events occurring after 30 September 2013" of the explanatory notes to the interim consolidated financial statements as at 30 September 2013.

Business outlook

Based on the results achieved in the first nine months of the year, on the order portfolio and on current negotiations, top management reasonably retains that at the end of 2013, the Group will be able to confirm higher revenues and profit with respect to that recorded in 2012, and it also believes that indebtedness can be brought down as a result of a reduction of net working capital. In 2013, fluctuations of the Euro/USD exchange rate could have an impact on closing figures.

INTERIM REPORT ON OPERATIONS

Consolidated financial statements

Consolidated statement of financial position as at 30 September 2013 and as at 31 December 2012

(Euro in thousands)	Notes	30 September 2013	31 December 2012
NON-CURRENT ASSETS			
Intangible assets	1	8,142	7,620
Property, plant and equipment	2	39,624	39,776
Equity investments valued using the equity method		3,870	2,245
Other equity investments		3	3
Financial receivables and other non-current financial assets		665	1,650
Deferred tax assets		3,777	3,761
Non-current trade receivables		585	-
TOTAL NON-CURRENT ASSETS		**56,666**	**55,055**
CURRENT ASSETS			
Inventories	3	53,028	44,836
Trade receivables	4	37,861	43,554
of which with related parties:	5	*9,204*	*10,886*
Tax receivables		425	465
Other available-for-sale securities		114	106
Financial receivables and other current financial assets	5	9,897	5,075
of which with related parties:	5	*6,663*	*3,306*
Other current assets		2,889	1,675
Cash and cash equivalents	12	8,275	17,144
TOTAL CURRENT ASSETS		**112,489**	**112,855**
TOTAL ASSETS		**169,155**	**167,910**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	6	10,708	10,708
Reserves / (deficit)	6	27,369	23,930
Group net profit / (loss)	6	5,074	8,307
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**43,151**	**42,945**
Non-controlling interest in capital and reserves / (deficit)	6	9	-
Net profit / (loss) for the period attributable to non-controlling interests	6	(4)	-
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**5**	**-**
TOTAL SHAREHOLDERS' EQUITY		**43,156**	**42,945**
NON-CURRENT LIABILITIES			
Medium-long term loans	7	44,011	48,404
of which with related parties:	7	*17,302*	*18,049*
Derivative financial instruments	9-12	488	813
Employee benefit liability		2,748	2,666
Provisions for risks and charges		22	11
Deferred tax liabilities		2,127	1,705
TOTAL NON-CURRENT LIABILITIES		**49,396**	**53,599**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	8-12	36,684	29,652
of which with related parties:	8-12	*970*	*897*
Derivative financial instruments	12	-	1
Trade payables	10	28,738	32,082
of which with related parties:	10	*1,361*	*289*
Advances from customers		3,006	2,253
Income taxes payable	9	1,620	1,097
Provisions for risks and charges		2,274	1,773
Other current liabilities		4,281	4,508
of which with related parties:		3	-
TOTAL CURRENT LIABILITIES		**76,603**	**71,366**
TOTAL LIABILITIES		**125,999**	**124,965**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**169,155**	**167,910**

Consolidated income statement as at 30 September 2013 and 2012

(Euro in thousands)	Notes	As at 30 September 2013	As at 30 September 2012
Revenues from sales and services	13	**85,051**	**80,753**
of which with related parties:	13	*11,796*	*1,801*
Cost of raw materials and consumables		(38,151)	(35,578)
of which with related parties:		*(1,186)*	*(89)*
Cost of services		(14,999)	(14,843)
of which with related parties:		*(413)*	*79*
Payroll costs		(17,294)	(14,600)
of which with related parties:		(27)	-
Other operating (costs)/revenues, net		(1,599)	(1,527)
of which with related parties:		*(327)*	*(360)*
Depreciation and amortisation		(4,721)	(4,697)
Development costs capitalised		2,500	2,190
Portion of gains/(losses) from the valuation of Joint Ventures using the equity method		387	(128)
Total operating costs	14	**(73,877)**	**(69,183)**
Operating income		**11,174**	**11,570**
Financial expenses		(4,725)	(5,218)
of which with related parties:		*(911)*	*(919)*
Financial income		1,763	1,891
of which with related parties:		*70*	*36*
Portion of gains/(losses) from the valuation of equity investments using the equity method		37	(54)
Pre-tax profit		**8,249**	**8,189**
Income tax		(3,179)	(2,978)
Net profit for the period		**5,070**	**5,211**
Profit / (loss) attributable to non-controlling interests		**(4)**	**-**
Group profit (loss)		**5,074**	**5,211**
Basic and diluted earnings per share		**0.047**	**0.049**

Consolidated statement of comprehensive income as at 30 September 2013 and 2012

(Euro in thousands)	Notes	As at 30 September 2013	As at 30 September 2012
NET PROFIT FOR THE PERIOD		**5,074**	**5,211**
Other components of comprehensive income			
Other components of comprehensive income that will be subsequently reclassified to net income/(loss) for the year:			
Exchange differences on conversion of foreign financial statements	6	(482)	(1)
Other components of comprehensive income that will not be subsequently reclassified to net income/(loss) for the year:			
Actuarial profit (loss) on defined benefit plans		(15)	-
Income tax		4	-
	6	(11)	-
Total other income/(losses) after tax		**(493)**	**(1)**
Total comprehensive income (loss) after tax		**4,581**	**5,210**
Attributable to:			
Shareholders of the Parent Company		4,577	5,210
Minority interests		4	-

Statement of consolidated cash flows as at 30 September 2013 and 2012

(Euro in thousands)	Notes	As at 30 September 2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		5,070	5,211
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Depreciation and amortisation	1-2	4,721	4,697
Provisions for employee benefit liability		120	526
Provisions for risks and charges / inventory obsolescence / doubtful accounts		-	107
Employee benefit payments		(38)	(568)
Payments/use of provisions for risks and charges		515	(529)
Net change in deferred tax assets and liabilities		423	465
Change in fair value of financial instruments		(325)	382
Change in current assets and liabilities:			
Trade receivables	4	5,714	(2,238)
Inventories	3	(8,758)	(1,434)
Trade payables	10	(2,988)	3,655
Other current assets and liabilities		(869)	(300)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**3,585**	**9,974**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(3,680)	(5,689)
Investments in intangible assets	1	(3,153)	(2,388)
(Investments) / disposal of financial assets		(5,608)	(5,896)
Proceeds from sale of property, plant and equipment and intangible assets	1-2	1,348	1,306
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(11,093)**	**(12,667)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long- term loans	7-12	5,180	7,142
Repayment of medium/long- term loans	12	(12,351)	(5,924)
Net change in short-term financial debt	12	10,256	(1,427)
Other changes	6	(1,177)	(327)
Dividend distribution	6	(3,205)	(3,205)
Capital injection for share capital increase		-	-
NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES (C)		**(1,297)**	**(3,741)**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(8,805)**	**(6,434)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(64)	(13)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)	12	17,144	13,817
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**8,275**	**7,370**
Additional information:			
Interest paid		2,308	2,923
Income tax paid		2,413	3,030

Statement of changes in consolidated shareholders' equity as at 30 September 2013 and 2012

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Translation reserve	Other reserves	Profit for the period	Total Shareholders' Equity Attributable to Parent Company Shareholders	Total Shareholders' Equity Attributable to Non-Controlling Interests	Total Shareholders' Equity
Balance as at 1 January 2013	**10,708**	**1,502**	**10,915**	**(466)**	**(334)**	**12,313**	**8,307**	**42,945**	**-**	**42,945**
Profit for the period	-	-	-	-	-	-	5,074	5,074	(4)	5,070
Other profits / (losses)	-	-	-	-	(482)	(11)	-	(493)	-	(493)
Total comprehensive income/(loss)								**4,581**	(4)	**4,577**
Allocation of profit from the previous year	-	308	-	57	-	3,951	(4,316)	-	-	-
Dividend distribution	-	-	-	-	-	-	(3,690)	(3,690)	-	(3,690)
Distribution for Network Reserve	-	-	-	-	-	-	(301)	(301)	-	(301)
Other changes	-	-	-	(384)	-	-	-	(384)	9	(375)
Balance as at 30 September 2013	**10,708**	**1,810**	**10,915**	**(793)**	**(816)**	**16,253**	**5,074**	**43,151**	**5**	**43,156**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of Treasury Shares	Translation reserve	Other reserves	Profit for the period	Total Shareholders' Equity Attributable to Parent Company Shareholders	Total Shareholders' Equity Attributable to Non-Controlling Interests	Total Shareholders' Equity
Balance as at 1 January 2012	**10,708**	**1,126**	**10,915**	**-**	**63**	**9,485**	**6,590**	**38,887**	**-**	**38,887**
Profit for the period	-	-	-	-	-	-	5,211	5,211	-	5,211
Other profits / (losses)	-	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income / (loss)	-	-	-	-	-	-	-	**5,210**	-	**5,210**
Allocation of profit from the previous year	-	376	-	7	-	3,002	(3,385)	-	-	-
Dividend distribution	-	-	-	-	-	-	(3,205)	(3,205)	-	(3,205)
Other changes	-	-	-	(327)	-	-	-	(327)	-	(327)
Balance as at 30 September 2012	**10,708**	**1,502**	**10,915**	**(320)**	**62**	**12,487**	**5,211**	**40,565**	**-**	**40,565**

Explanatory notes

Accounting policies adopted in preparing the interim condensed consolidated financial statements as at 30 September 2013

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. Starting from 1 July 2010, 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 16.

2. Reporting standards

The consolidated financial statements as at 30 September 2013 have been prepared in condensed form in accordance with International Financial Reporting Standards (IFRS), by using the methods for preparing interim financial reports provided by IAS 34 Interim financial reporting. IAS 34 requires the preparation of financial statements in the "condensed" form, and i.e. on the basis of a minimum reporting level significantly less than that required by the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union (EU-IFRS), if financial statements complete with disclosures prepared in accordance with EU-IFRS have been previously made available to the public. The interim condensed consolidated financial statements as at 30 September 2013 was prepared in "condensed" form and therefore it must be read together with the consolidated financial statements of the Group for the year ended 31 December 2012, prepared in accordance with EU-IFRS.

The accounting standards adopted in preparing the interim financial statements as at 30 September 2013 are those adopted for preparing the consolidated financial statements as at 31 December 2012 in compliance with IFRS with the exception of new standards, amendments and interpretations in force as from 1 January 2013 and described below.
More precisely, the consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows are drawn up in extended form and are in the same format adopted for the consolidated financial statements as at 31 December 2012. The explanatory notes to the financial statements indicated below are in condensed form and therefore do not include all the information required for annual financial statements. In particular, as provided by IAS 34, in order to avoid repeating already disclosed information, the notes refer exclusively to items of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flows whose breakdown or change, with regard to amount, type or unusual nature, are significant to understanding the economic and financial situation of the Group.

Since the interim 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 2012.

The interim financial statements as at 30 September 2013 comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, statement of consolidated cash flows and related explanatory notes. Comparative figures are disclosed as required by IAS 34 (31 December 2012 for the statement of financial position and the first half year of 2012 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.

Disclosure of the interim consolidated financial statements of the Tesmec Group for the period ended 30 September 2013 was authorised by the Board of Directors on 8 November 2013.

2.1 Restatement of the figures of the previous financial year

Given the fully operational nature of the Joint Ventures held by Tesmec S.p.A. and, in particular, of the following companies:

1) Condux Tesmec Inc
2) Tesmec Peninsula WLL

for a representation that is more consistent with the group's business and that better reflects the Group's economic-financial performance, effective from the consolidated financial statements for the year ended 31 December 2012, the result of companies valued using the equity method, and therefore, essentially that of the two Joint Ventures listed above, has been included in the Group's Operating Income. This classification is largely justified:

- by the important function of distributor the Joint Ventures have;
- by the operational contribution these JVs give to the Group, considering the object and characteristics of their activities.

As required by IAS 1, the aforementioned classification was also applied with reference to the result of companies valued using the equity method for the previous year (2012).

The table below summarises the effects of the reclassification made:

(Euro in thousands)	30 September 2012
Tesmec Peninsula WLL	(333)
Condux Tesmec, Inc	205
Reclassified portion of gains/(losses) from the valuation of Joint Ventures using the equity method	**(128)**

It should also be noted that, following the amendment to IAS 19 described in the following paragraph, actuarial gains and losses were recorded retroactively, as from 1 January 2012, directly in the statement of comprehensive income.

The application of this method would determine as at 31 December 2012 a net profit of Euro 8,307 thousand.

The table below summarises the effects on the consolidated statement of financial position and income statement:

(Euro in thousands)	30 September 2013	31 December 2012
Actuarial profit (loss) on defined benefit plans	(15)	(240)
Income tax	4	66
Net effect on Shareholders' Equity	**(11)**	**(174)**
Attributable to:		
Shareholders of the Parent Company	(11)	(174)
Minority interests	-	-

Translation of foreign currency financial statements and of foreign currency items

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

	Average exchange rate as at 30 September		End-of-period exchange rate	
			as at 30 September	as at 31 December
	2013	2012	2013	2012
US Dollar	1.317	1.282	1.351	1.293
Qatar Riyal	4.796	4.667	4.917	4.708
South Africa Rand	12.495	10,313	13,599	10,713
Bulgarian Lev	1.956	1.956	1.956	1.956
Russian Rouble	41,659	39.796	43.824	40.140

3. Consolidation methods and area

On 30 September 2013, the area of consolidated changed with respect to that as at 31 December 2012: on 30 January 2013, the Extraordinary shareholders' meeting of East Trenchers S.r.l. resolved a share capital increase of Euro 70 thousand. This increase was fully subscribed by Tesmec S.p.A. and paid on the same date (Euro 35 thousand). On the same date, the East Trenchers S.r.l. shareholder sold a 14% stake to Tesmec S.p.A. As a result of said transaction, as of 30 January 2013, Tesmec S.p.A. owns 91.2% of the share capital of East Trenchers S.r.l.; therefore, as at 30 September 2013, East Trenchers S.r.l. was consolidated on a line-by-line basis.
This variation did not have a significant impact on the Group's balance sheet or income statement.

4. New accounting standards

The accounting standards adopted for the preparation of the interim financial statements are the same as those adopted for the preparation of the consolidated financial statements for the year ended 31 December 2012, with the exception of the adoption as of 1 January 2013 of the new standards, amendments and interpretations.
The Group adopted for the first time some standards and amendments that led to the restatement of the previous financial statements; these include IAS 19 Employee benefits, IFRS 13 Fair Value Measurement and the amendments to IAS 1 Presentation of financial statements. The nature and effects of these changes are shown below, in accordance with what is required by IAS 34.
Several other new standards and amendments came into force for the first time in 2013. However, these have no impact on the consolidated financial statements or on the interim condensed consolidated financial statements of the Tesmec Group.

The nature and impact of each new standard/amendment is listed below:

- IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income. The amendments to IAS 1 introduces the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now must be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment concerned only the methods of presentation and led to the amendment of the related consolidated statement of comprehensive income but had no impact on the financial position of the Group or on the results.

- IAS 12 - Deferred Tax: Recovery of underlying assets. This amendment clarifies the calculation of deferred taxes on investment property measured at fair value. This amendment introduces the refutable assumption that the carrying value of an investment property, measured using the fair value model envisaged by IAS 40 will be recovered through its sale and that, consequently, the related deferred tax asset should be measured on a sale basis. This assumption is refuted if the investment property is depreciated and held for the purpose of using substantially all of the benefits resulting from said investment property over time, instead of realising said benefits through its sale. The amendment had no impact on the financial position, results or disclosures of the Group.

- IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures will provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: presentation. The disclosures also apply to recognised financial instruments that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments did not impact the Group's financial position or performance.

- IAS 19 (2011) Employee Benefits (IAS 19R). IAS 19R includes several amendments to the recording of defined benefit plans, including actuarial gains and losses that are currently recognised under other comprehensive income and permanently excluded from the income statement; expected returns on plan assets that are no longer recognised in the income statement, while it is necessary to recognise in the income statement the interests on net (assets) liabilities of the plan, interests that must be calculated using the same interest rate applied to discount the bond, and; costs relating to past supply of personal services that are now recognised in the income statement on the date i) on which the plan is changed or reduced, or on date ii) on which the related restructuring costs or termination benefits are recognised, whichever occurs first. Other amendments include new disclosures, such as quality disclosure of sensitivity. In the case of the Group, the transition to IAS 19R impacted on the

exposure of actuarial gains/losses recognised in the statement of comprehensive income. The effects of this application are described in paragraph 2.1 – "Restatement of the figures of the previous financial year".

- IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted by the international accounting standards themselves. The application of IFRS 13 did not have a significant impact on the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair value, part of which replaces the disclosure requirements currently provided by other standards, including IFRS 7 Financial Instruments: disclosures. Some of this information is specifically required for financial instruments by IAS 34.16A (j), but did not have significant impacts on the interim condensed consolidated financial statements of the Group.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. This interpretation applies to stripping costs borne in the production phase of a surface mine. The interpretation deals with the recording of the benefits deriving from the stripping activity. The new interpretation had no impact on the Group**.**

In addition to the amendments and new standards summarised above, IFRS 1 First-time Adoption of International Financial Reporting Standards was also amended. This standard is effective for annual periods beginning on or after 1 January 2013. This amendment is not relevant to the Group that is not a first-time adopter of IFRS.

4.1 New standards, amendments and interpretations if existing standards not yet compulsory or not adopted in advance by the Group.

The Group has not adopted in advance new standards, interpretations or amendments issued but not yet in force.

5. Significant events occurred during the period

On 4 January 2013, the subsidiary company Tesmec Service S.r.l. acquired, for a consideration of Euro 850 thousand, a receivable of Euro 2 million due to Norwegian company Mantena AS (incorporating entity of Mitrans AS), a Norwegian railway authority services company, from AMC2 S.r.l. in liquidation. The aim of the transaction was to reactivate commercial channels with the Norwegian railway authority. It should be noted that Tesmec Service S.r.l. signed an agreement to rent two business units of AMC2 S.r.l. in liquidation that are currently fully operational. Later, in July, the Court of Bari has upheld the application for an arrangement with creditors submitted by AMC2 Progetti e Prototipi S.r.l. with the subscription by Tesmec Service S.r.l. as assumptor. In December 2013, Tesmec Service S.r.l. will submit a request for admission to the creditors' hearing to cast its vote on the arrangement with creditors.

On 31 March 2013, the share capital increase of Tesmec Peninsula WLL was subscribed for a total of USD 1 million which, as a result of the above transaction, is now USD 2 million. As part of said transaction, all shareholders subscribed the shares within their respective competence. In particular, Tesmec S.p.A. subscribed the share capital increase for an amount of USD 490 thousand, equal to its 49% stake. The payment for the subscription was made in full in the first few days of April.

On 24 May 2013 dividends of Euro 3,690 thousand, corresponding to Euro 0.035 per share, were paid, up on the dividends distributed in 2012 of Euro 0.030 per share;

On 10 July 2013, having come to its natural end, the loan granted to Eracle Finance by JP Morgan Chase Bank on 13 July 2006 for a total amount of Euro 4,000 thousand was repaid in full;

On 24 September 2013, the Board of Directors of Simest S.p.A. approved the investment proposal relating to Tesmec USA, which is based on an increase of the investee company's share capital of USD 10,000,000 from USD 21,200,000 to USD 31,200,000, USD 5,000,000 of which will be subscribed by Tesmec S.p.A. and the same amount by Simest S.p.A. After the operation, Simest S.p.A. will hold a share of 33% of the share capital of Tesmec USA.

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Intangible assets

The breakdown and changes in "Intangible assets" as at 30 September 2013 and as at 31 December 2012 are shown in the table below:

(Euro in thousands)	01/01/2013	Increases due to purchases	Change in the scope of consolidation	Decreases	Reclassifications	Depreciation and amortisation	Exchange rate differences	30/09/2013
Development costs	6,932	2,749	-	(6)	26	(2,438)	(7)	7,256
Rights and Trademarks	688	66	-	-	(26)	(174)	(5)	549
Assets in progress and advance payments to suppliers	-	266	78	-	-	-	(7)	337
Total intangible assets	**7,620**	**3,081**	**78**	**(6)**	**-**	**(2,612)**	**(19)**	**8,142**

Intangible assets amounted to Euro 8,142 thousand as at 30 September 2013, and were up by Euro 522 thousand against the previous year mainly due to development costs capitalised during the first nine months of 2013 of Euro 2,749 thousand, partially offset by the amortisation for the period (Euro 2,438 thousand). These 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 segment on the basis of customer's expressed requests in key markets; however, the increase for the period is mainly due to development costs borne and capitalised with reference to machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line.

Where signs of impairment and the result of impairment tests suggest 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 changes in "Property, plant and equipment" as at 30 September 2013 and as at 31 December 2012 are shown in the table below:

(Euro in thousands)	01/01/2013	Increases due to purchases	Change in the scope of consolidation	Decreases	Reclassifications	Depreciation and amortisation	Exchange rate differences	30/09/2013
Land	4,192	-	-	-	-	-	(4)	4,188
Buildings	22,402	19	-	-	-	(549)	(117)	21,755
Plant and machinery	6,132	855	-	(44)	57	(779)	(38)	6,183
Equipment	475	158	-	-	-	(180)	-	453
Other assets	6,033	2,586	5	(1,303)	38	(601)	(217)	6,541
Assets in progress and advance payments to suppliers	542	57	-	-	(95)	-	-	504
Total property, plant and equipment	**39,776**	**3,675**	**5**	**(1,347)**	**-**	**(2,109)**	**(376)**	**39,624**

As at 30 September 2013, property, plant and equipment totalled Euro 39,624 thousand, down Euro 152 thousand on the previous year.
The decrease was due to the following factors: (i) investments of the period amounting to Euro 3,675 thousand, of which Euro 2,537 thousand linked to the increase in the trencher fleet to cover the new lease contacts in Tesmec USA and Euro 855 thousand in the category of "plant and machinery" related to the acquisition of new plants required for the

internationalisation of some production processes outsourced to third party suppliers and (ii) depreciation for the period of Euro 2,109 thousand.

3. Inventories

The following table provides a breakdown of "Inventories" as at 30 September 2013 compared to 31 December 2012:

(Euro in thousands)	30 September 2013	31 December 2012
Raw materials and consumables	26,232	22,899
Work in progress	11,169	8,958
Finished products and goods for resale	12,270	11,061
Contract work	2,880	1,745
Advances to suppliers for assets	477	173
Total Inventories	**53,028**	**44,836**

The increase in *inventories* (18.3%) is due to the forecast of revenues of the last quarter of the year that led to the need for supplies and also to the work-in-progress measurement of the machinery related to orders of the rail sector, which was substantially completed on 30 September and whose sale is expected to be completed in the last quarter of the 2013 financial year.

4. Trade receivables

The following table provides a breakdown of "Trade receivables" as at 30 September 2013 and as at 31 December 2012:

(Euro in thousands)	30 September 2013	31 December 2012
Trade receivables from third-party customers	28,657	32,668
Trade receivables from related parties	9,204	10,886
Total trade receivables	**37,861**	**43,554**

The decrease in the item *trade receivables* (13.1%) is due to the strong performance of collections in the period.
The balance of trade receivables due from related parties fell by Euro 1,682 thousand due to collections received from said parties (the main collections concern Tesmec Peninsula WLL and Condux Tesmec Inc.).

5. Financial receivables and other current financial assets

The following table provides a breakdown of "Financial receivables and other current financial assets" as at 30 September 2013 and as at 31 December 2012:

(Euro in thousands)	30 September 2013	31 December 2012
Financial receivables due from related parties	6,663	3,306
Financial receivables from third parties	3,184	1,678
Other current financial assets	50	91
Total financial receivables and other current financial assets	**9,897**	**5,075**

The increase in *current financial assets* from Euro 5,075 thousand to Euro 9,879 thousand is due to the recognition of the short-term portion of financial receivables due from third parties generated by the subsidiary Tesmec USA (Euro 1,506 thousand) and to credit positions relating to specific contracts signed with counterparties (mainly Tesmec Peninsula amounting to Euro 3,357 thousand.

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 each..

The following table provides a breakdown of "Other reserves" as at 30 September 2013 and as at 31 December 2012:

(Euro in thousands)	30 September 2013	31 December 2012
Revaluation reserve	86	86
Extraordinary reserve	14,766	13,654
Actuarial profit (loss) on defined benefit plans	(11)	(174)
Retained earnings/(losses brought forward)	5,460	2,795
Bills charged directly to shareholders' equity		
on operations with entities under common control	(4,048)	(4,048)
Total other reserves	**16,253**	**12,313**

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 value of translation differences has a negative impact on Shareholders' Equity of Euro 482 thousand as at 30 September 2013.

Following the resolution of 30 April 2013, the Shareholders' Meeting approved the allocation of 2012 profits of Euro 6,186 thousand as follows:

- to allocate Euro 308 thousand to the legal reserve;
- to assign a dividend of Euro 0.035 to each outstanding ordinary share;
- to allocate Euro 1 million to the mutual equity fund, pursuant to art. 42 of Italian Law Decree 78/2010, in relation to the "Green Technologies" network contract;
- to assign to the Extraordinary Reserve the amount of profit remaining after the allocation to the Legal reserve and dividend;

Subsequently, pursuant to art. 42 of Italian Law Decree 78/2010, the Network Reserve decreased by Euro 301 thousand (of which Euro 275 thousand related to Tesmec S.p.A. and Euro 26 thousand to Tesmec Service S.r.l.) in order to calculate the related provision for deferred taxes and take advantage of the tax benefit.

Following the amendment to the accounting standard IAS 19R, actuarial gains and losses of Euro 11 thousand were not recorded in the income statement but recognised under other comprehensive income.

On 30 April 2013, the Shareholders' Meeting authorised the treasury share buy-back plan, the authorisation was granted for a period of 18 months; the authorisation dated 30 April 2013 replaces the last authorisation resolved by the Shareholders' Meeting dated 10 January 2012 expiring in June 2013.

The meeting of the Board of Directors, held on the same day, launched the plan and set the initial maximum quantity as 5% of Share Capital. From the launch of the buy-back plan resolved on 10 January 2012 (and renewed on 30 April 2013) to the date of the period covered by this report, 30 September 2013, a total of 1,946,321 shares (1.82% of Share Capital) have been purchased at an average price of Euro 0.4418 (net of commission) for a total equivalent value of Euro 860 thousand.

7. Medium-long term loans

Medium-long term loans fell from Euro 48,404 thousand to Euro 44,011 thousand mainly due to: i) the reclassification under the current financial indebtedness of Euro 9,473 thousand relating to the short-term portion of medium/long-term loans (ii) the decrease in financial leases (Euro 19,473 thousand as at 30 September 2013 compared to Euro 20,313 thousand as at 31 December 2012) net of (iii) the drawing-up of new medium/ long-term loan agreements amounting to Euro 4,376 thousand and new leasing agreements totalling Euro 805 thousand.

The new loans relate to:

- the first tranche of Euro 580 thousand of a loan for a total of Euro 1,934 thousand obtained by Simest pursuant to Law 394 for the opening of the Russian branch of the Tesmec Group. This loan will expire on 14 February 2020 and has a special interest rate of 0.4994%;
- the loan obtained by Comerica for a total of USD 4,656 thousand, which expires on 3 July 2018.

8. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 30 September 2013 and as at 31 December 2012:

(Euro in thousands)	30 September 2013	31 December 2012
Advances from banks against invoices and bills receivables	20,804	14,329
Other financial payables (short-term leases)	1,953	1,708
Payables due to factoring companies	2,219	1,102
Short-term loans to third parties	3,471	2,365
Current portion of medium/long-term loans	8,163	10,148
Financial payables	74	-
Total interest-bearing financial payables (current portion)	**36,684**	**29,652**

The increase in the *current portion of medium/long-term loans* refers to the reclassification of the short-term portion of the loans described in the previous paragraph and to the disbursement of new short-term loans totalling Euro 3,800 thousand.

9. Derivative financial instruments and disclosure of financial instruments (IAS 34.16)

The following table shows a summary of the financial instruments, other than cash and cash equivalents, owned by the Group as at 30 September 2013:

(Euro in thousands)	Loans and receivables/payables	Guarantee deposits	Available-for-sale financial assets	Fair value recognised in the income statement
Financial assets:				
Financial receivables	395	-	-	-
Guarantee deposits	-	270	-	-
Trade receivables	585	-	-	-
Total non-current	**980**	**270**	**-**	**-**
Financial receivables due from related parties	6,663	-	-	-
Financial receivables from third parties	3,234	-	-	-
Shares	-	-	114	-
Derivatives	-	-	-	-
Trade receivables	37,861	-	-	-
Total current	**47,758**	**-**	**114**	**-**
Total	**48,738**	**270**	**114**	**-**

Finfdancial liabilities:				
Loans	24,538	-	-	-
Other long-term payables	19,473	-	-	-
Derivatives	-	-	-	488
Total non-current	**44,011**	**-**	**-**	**488**
Loans	11,634	-	-	-
Other short-term payables	25,050	-	-	-
Trade payables	28,738	-	-	-
Total current	**65,422**	**-**	**-**	**-**
Total	**109,433**	**-**	**-**	**488**

Management and types of risk

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

Interest rate risk

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

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

As at 30 September 2013, there were four positions related to derivative instruments of interest rate swap hedging the risk related to the potential increase in interest bearing financial payables (current portion) due to fluctuating market rates. The notional value of these positions was Euro 23.3 million, with a negative equivalent value of Euro 488 thousand.

Exchange rate risk

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

The main transaction currencies used for the Group's sales are the Euro and the US Dollar. The Group believes that if the exchange rate fluctuations of these two currencies are low, there is no risk to operating margins, insofar as the sale price could be adapted on each occasion to the exchange rate. However, if the US dollar were to depreciate significantly against the Euro, we cannot exclude negative effects on margins to the extent that a good portion of sales in US dollars concerns the productions of Italian factories that operate with costs in the Eurozone.

With regard to net exposure that is mainly represented by loans in US Dollars of Tesmec spa, the forward buying of the American currency is adopted as the only hedging instrument. However, these hedges are carried out only for one part of the total exposure in that the timing of the inflow of the receipts in dollars is difficult to predict at the level of each sales invoice. Besides, for a good part of the sales in dollars, the Group uses the production of the American factory with costs in US dollars by creating in this way a sort of natural hedging of the currency exposure.

Forward sale instruments for fixing the exchange rate at the moment of the order are mainly used for covering the risk of the dollar exposure deriving from:
i) selling trenchers produced in Italy in Middle-East Countries;
ii) selling stringing machines produced in Italy in the USA where purchases are in Euro, and sales in US dollars;

Despite the adoption of the above strategies aimed at reducing the risks arising from fluctuation of exchange rates, the Group cannot exclude that future changes thereof might affect the results of the Group. Fluctuations in exchange rates could also significantly affect the comparability of the results of each financial period.

During 2013, Tesmec S.p.A. concluded five forward hedge contracts of the Euro/USD and Euro/GBP exchange rate (flexible/swap). As at 30 September 2013 all positions are closed.

Credit risk

For the Group, credit risk is closely linked to the sale of products on the market. In particular, the extent of the risk depends on both technical and commercial factors and the purchaser's solvency.
From a commercial viewpoint, the Group is not exposed to a high credit risk insofar as it has been operating for years in markets where payment on delivery or letter of credit issued by a prime international bank are usually used as payment methods. For customers located in the European region, the Group mainly uses factoring without recourse. The provisions for doubtful accounts are considered to be a good indication of the extent of the overall credit risk.

Price risk

In general, price risk is linked to the fluctuation of commodity prices.
Specifically, the price risk of the Group is mitigated by the presence of many suppliers of raw materials as well as by the need to be sure on the supply volumes, in order not to affect the warehouse stock.
In reality, this risk seems remote for two fundamental reasons:
1. the existence and use of alternative suppliers.
2. the heterogeneity of raw materials and components used in the production of the Tesmec machinery: it is unlikely for all of them to be affected by increasing price tensions at the same time.

In particular, in the current market situation, this risk seems particularly weakened by the situation of oversupply in many markets.

Liquidity/cash flow variation risks

The management of financial requirements and related risks (mainly interest rate risks, liquidity and exchange rate risks) is carried out by the Group on the basis of guidelines defined by the Group General Management and approved by the Chief Executive Officer of the Parent Company.
The main purpose of these guidelines is to guarantee the presence of a liability structure always in equilibrium with the structure of the balance sheet assets, in order to keep a very sound balance sheet structure.
Forms of financing most commonly used are represented by:

- interest bearing financial payables with multiyear redemption plan, to cover the investments in fixed assets and to finance expenses related to several development projects;
- short-term financial payables, advances on export, transfers of trade receivables, to finance the working capital.

The average cost of indebtedness is benchmarked to the trend of the 1/3-month Euribor rates for short-term loans and of the 3/6-month Euribor rates for medium to long-term loans. Some interest rate hedges have been set in place for floating interest-rate bearing financial payables. Existing loans contemplate the observance of financial covenants, commented below.

Risks related to transactions with suppliers

The Tesmec Group adopts a supply policy aimed at diversifying the suppliers of components that are characterised by purchased volumes or by high added value. However, the termination for any reason of these supply relations could imply for the Group supply problems of such raw materials, semi-finished and finished goods as for quantity and time suitable for ensuring the continuity of production, or the provisioning could lead to time issues for achieving quality standards already acquired with the old supplier.

This table shows the comparison between the book value and the fair value of the financial instruments as at 30 September 2013:

(Euro in thousands)	Book value	Fair value
Financial assets:		
Financial receivables	395	395
Guarantee deposits	270	270
Total non-current	**665**	**665**
Financial receivables due from related parties	6,663	6,663
Financial receivables from third parties	3,234	3,234
Shares	114	114

Derivatives	-	-
Total current	**10,011**	**10,011**
Total	**10,676**	**10,676**
Financial liabilities:		
Loans	24,538	24,538
Other long-term payables	19,473	19,473
Derivatives	488	488
Total non-current	**44,499**	**44,499**
Loans	11,634	11,634
Other short-term payables	25,050	25,050
Total current	**36,684**	**36,684**
Total	**81,183**	**81,183**

10. Trade payables

The following table provides a breakdown of "Trade payables" as at 30 September 2013 and as at 31 December 2012:

(Euro in thousands)	30 September 2013	31 December 2012
Trade payables due to third-parties	27,377	31,793
Trade payables due to related parties	1,361	289
Total trade payables	**28,738**	**32,082**

Trade payables as at 30 September 2013 of Euro 28,738 thousand were down by Euro 3,344 thousand compared to the figure as at 31 December 2012. This figure includes payables related to the normal course of business by the Group, in particular the purchase of raw materials and outsourced works.
Note also that there are no payables with maturity exceeding five years at the above dates.

11. Income taxes payable

The following table provides details of "Income taxes payable" as at 30 September 2013 and as at 31 December 2012:

(Euro in thousands)	30 September 2013	31 December 2012
Current IRES tax liabilities	900	1,046
Current IRAP tax liabilities	477	15
Other current taxes	243	36
Total income taxes payable	**1,620**	**1,097**

Income taxes payable as at 30 September 2013 increased against the prior period by Euro 523 thousand following the increase in current IRES and IRAP tax liabilities related to the first nine months of the period.
The item "other current taxes" contains the income taxes payable of the subsidiary Tesmec USA accrued in the first nine months of the period.

12. Net financial indebtedness

Details of the breakdown of "Net financial indebtedness" as at 30 September 2013 and 31 December 2012 are as follows:

(Euro in thousands)	As at 30 September 2013	of which with related parties and group	As at 31 December 2012	of which with related parties and group
Cash and cash equivalents	(8,275)		(17,144)	
Current financial assets[1]	(10,011)	*(6,663)*	(5,181)	*(3,306)*
Current financial liabilities	36,684	*970*	29,652	*897*
Current portion of derivative financial instruments	-		1	
Current financial indebtedness [2]	**18,398**	***(5,693)***	**7,328**	***(2,409)***
Non-current financial liabilities	44,011	*17,302*	48,404	*18,049*
Non-current portion of derivative financial instruments	488		813	
Non-current financial indebtedness[2]	**44,499**	***17,302***	**49,217**	**18,049**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**62,897**	***11,609***	**56,545**	***15,640***

[1]The current financial assets as at 30 September 2013 and 31 December 2012 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 are not identified as an accounting measurement under IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balances obtained by the Group may not be comparable therewith.

In the first nine months of 2013, the Group's net financial indebtedness increased by Euro 6,352 thousand against the figure recorded at the end of 2012, as a result of the payment of dividends of Euro 3,690 thousand.

The increase is due to the combined effect of the following changes:

- decrease in *cash and cash equivalents and current financial assets* from Euro 22,325 thousand to Euro 18,286 thousand mainly due to contingent factors;
- increase in *current financial liabilities* from Euro 29,652 thousand to Euro 36,684 thousand also due to the reclassification of the current portion of medium/long-term loans pursuant to the paragraph below;
- decrease in *non-current financial liabilities* from Euro 48,404 thousand to Euro 44,011 thousand mainly due to: i) reclassification under the current financial indebtedness of Euro 9,473 thousand relating to the short-term portion of medium/long-term loans (ii) decrease in financial leases (Euro 19,473 thousand as at 30 September 2013 compared to Euro 20,313 thousand as at 31 December 2012) net of (iii) the drawing-up of new medium/ long-term loan agreements amounting to Euro 4,376 thousand and new leasing agreements totalling Euro 805 thousand.
  The new loans relate to:
  - the first tranche of Euro 580 thousand of a loan for a total of Euro 1,934 thousand obtained by Simest pursuant to Law 394 for the opening of the Russian branch of the Tesmec Group. This loan will expire on 14 February 2020 and has a special interest rate of 0.4994%;
  - the loan obtained by Comerica for a total of USD 4,656 thousand, which expires on 3 July 2018.

13. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 30 September 2013 and as at 30 September 2012:

(Euro in thousands)	As at 30 September	
	2013	2012
Sales of products	82,001	77,598
Services rendered	3,050	3,155
Total revenues from sales and services	**85,051**	**80,753**

In the first nine months of 2013, the Group consolidated revenues of Euro 85,051 thousand, marking an increase of Euro 4,298 thousand compared to Euro 80,753 thousand in the same period of the previous year. In percentage terms, said increase is equal to 5.3%, and is shaped by an increase of +34.8% for the Trencher segment and a decrease of -10.9% for the Stringing equipment segment.

In the third quarter, the Stringing equipment segment recorded lower revenues than those of the same period of the previous year, due to the volatility of several of its major reference markets, with repercussions on the time needed to finish infrastructure projects in progress. This slowdown is believed to have a contingent nature.

In the Trencher segment, the results for the first nine months of the year recorded a rise against the previous year, resulting from good performances in the traditional areas of the Middle East and the USA and from sales in several countries on the African continent.

14. Operating costs

Operating costs amounted to Euro 73,877 thousand, marking an increase of 6.8% compared to the previous year, higher than the increase in revenues (5.3%). This result is due to business start-up costs relating to the extension of the range to new areas, such as rolling stock maintenance, making the electrical system more efficient and start-up costs for foreign branches.

15. Segment Reporting

For management purposes, the 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), Sirone (Lecco) and Monopoli (Bari) and the US plant of Alvarado (Texas);

- 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, multipurpose site machines (Gallmac). 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.

	As at 30 September					
	2013			2012		
(Euro in thousands)	Stringing equipment	Trencher	Consolidated	Stringing equipment	Trencher	Consolidated
Revenues from sales and services	46,375	38,676	85,051	52,057	28,696	80,753
Operating costs net of depreciation and amortisation	(37,264)	(31,892)	(69,156)	(41,423)	(23,063)	(64,486)
EBITDA	**9,111**	**6,784**	**15,895**	**10,634**	**5,633**	**16,267**
Depreciation and amortisation	(1,823)	(2,898)	(4,721)	(1,670)	(3,027)	(4,697)
Total operating costs	**(39,087)**	**(34,790)**	**(73,877)**	**(43,093)**	**(26,090)**	**(69,183)**
Operating income	**7,288**	**3,886**	**11,174**	**8,964**	**2,606**	**11,570**
Net financial income/(expenses)			(2,925)			(3,381)
Pre-tax profit			**8,249**			**8,189**
Income tax			(3,179)			(2,978)
Net profit for the period			**5,070**			**5,211**
Profit / (loss) attributable to non-controlling interests			(4)			-
Group profit (loss)			**5,074**			**5,211**

(*) The EBITDA is represented by the operating income before depreciation and amortisation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of 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.

Management monitors the operating income of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is assessed on the basis of operating income.
Group financial management (including financial income and charges) and income tax is 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 September 2013 and as at 31 December 2012:

	As at 30 September 2013				As at 31 December 2012			
(Euro in thousands)	Stringing equipment	Trencher	Not allocated	Consolidated	Stringing equipment	Trencher	Not allocated	Consolidated
Intangible assets	4,433	3,709	-	8,142	3,583	4,037	-	7,620
Property, plant and equipment	12,543	27,081	-	39,624	13,256	26,520	-	39,776
Financial assets	3,861	677	-	4,538	2,197	1,701	-	3,898
Other non-current assets	3	1,551	2,808	4,362	15	1,009	2,737	3,761
Total non-current assets	**20,840**	**33,018**	**2,808**	**56,666**	**19,051**	**33,267**	**2,737**	**55,055**
Inventories	16,733	36,295	-	53,028	13,418	31,418	-	44,836
Trade receivables	10,923	26,938	-	37,861	14,266	29,288	-	43,554
Other current assets	1,172	8,471	3,682	13,325	1,322	4,298	1,701	7,321
Cash and cash equivalents	-	-	8,275	8,275	-	-	17,144	17,144
Total current assets	**28,828**	**71,704**	**11,957**	**112,489**	**29,006**	**65,004**	**18,845**	**112,855**
Total assets	**49,668**	**104,722**	**14,765**	**169,155**	**48,057**	**98,271**	**21,582**	**167,910**
Shareholders' equity attributable to Parent Company Shareholders	**-**	**-**	**43,151**	**43,151**	**-**	**-**	**42,945**	**42,945**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**5**	**5**	**-**	**-**	**-**	**-**
Non-current liabilities	**429**	**5,297**	**43,670**	**49,396**	**291**	**1,304**	**52,004**	**53,599**
Current financial liabilities	-	-	36,684	36,684	-	-	29,652	29,652
Trade payables	14,936	13,802	-	28,738	20,960	11,121	1	32,082
Other current liabilities	3,290	3,087	4,804	11,181	2,436	2,815	4,381	9,632
Total current liabilities	**18,226**	**16,889**	**41,488**	**76,603**	**23,396**	**13,936**	**34,034**	**71,366**
Total liabilities	**18,655**	**22,186**	**85,158**	**125,999**	**23,687**	**15,240**	**86,038**	**124,965**
Total shareholders' equity and liabilities	**18,655**	**22,186**	**128,314**	**169,155**	**23,687**	**15,240**	**128,983**	**167,910**

16. Related party transactions

The following table gives details of economic and equity transactions with related parties. The companies listed below have been identified as related parties as they are linked directly or indirectly to the current shareholders:

	As at 30 September 2013					30 September 2013								
(Euro in thousands)	Revenues	Cost of raw materials	Cost of services	Payroll Costs	Other operating (costs)/ revenues, net	Financial income and expenses	Non-current financial assets	Trade receivables	Current financial receivables	Other current assets	Non current financial liabilities	Current financial liabilities	Trade payables	Other current liabilities
Associates:														
Locavert S.A.	123	-	(5)	-	-	-	-	83	-	-	-	-	-	-
Bertel S.p.A.	-	-	(364)	-	-	-	-	-	-		-		139	-
Subtotal	**123**	**-**	**(369)**	**-**	**-**	**-**	**-**	**83**	**-**	**-**	**-**	**-**	**139**	**-**
Joint Venture:														
Condux Tesmec Inc.	4.100	-	-	-	91	1	-	1.201	169	-	-	-	-	-
Tesmec Peninsula WLL	6.399	(1.172)	(119)	-	88	61	-	5.522	5.240	-	-	-	1.214	-
Subtotal	**10.499**	**(1.172)**	**(119)**	**-**	**179**	**62**	**-**	**6.723**	**5.409**	**-**	**-**	**-**	**1.214**	**-**
Related parties:														
Ambrosio S.r.l.	-	-	-	-	(10)	-	-	-	-	-	-	-	4	-
Carlo Caccia	-	-	-	(27)	-	-	-	-	-	-	-	-	-	3
Eurofidi S.p.A.	-	-	-	-	-	-	-	-	2	-	-	-	-	-
CBF S.r.l.	-	-	-	-	(294)	-	-	-	183	-	-	-	-	-
Ceresio Tours S.r.l.	-	-	(14)	-	-	-	-	-	-	-	-	-	1	-
Dream Immobiliare S.r.l.	-	-	-	-	(233)	(911)	-	-	1.069	-	17.302	970	-	-
FI.IND. S.p.A.	-	-	-	-	-	-	-	63	-	-	-	-	-	-
Lame Nautica S.r.l.	3	-	-	-	-	-	-		-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	1.171	-	4	-	-	-	-	2.213	-	-	-	-	2	-
Reggiani Macchine S.p.A.	-	(14)	85	-	31	8	-	122	-	-	-	-	1	-
Subtotal	**1.174**	**(14)**	**75**	**(27)**	**(506)**	**(903)**	**-**	**2.398**	**1.254**	**-**	**17.302**	**970**	**8**	**3**
Total	**11.796**	**(1.186)**	**(413)**	**(27)**	**(327)**	**(841)**	**-**	**9.204**	**6.663**	**-**	**17.302**	**970**	**1.361**	**3**

Bertel S.p.A.: this associated company is a start-up, operating in a market with a high technical profile such as that of streamlining systems of High-Voltage Power Networks and offers highly innovative technological solutions that are increasingly requested by the international customers already served by Tesmec S.p.A. today. The costs refer to services provided by Bertel S.p.A. to Tesmec Group in relation to projects in the field of improving the efficiency of energy transfer;

Condux Tesmec Inc.: the JV purchases stringing machines and equipment for sale on the American market booming in the 2012 financial period at market prices and terms of payment;

Tesmec Peninsula WLL: the JV operates on the Saudi Arabian market supplying trencher machinery produced by the Group as well as on-site and after-sale support services. The income and cost items relate to the normal marketing activities of trenching machines;

Dream Immobiliare S.r.l.: financial income and expenses includes interests payable deriving from the recognition in accordance with IAS 17 of the Building in Grassobbio of Euro 911 thousand; other operating costs include the cost for the lease of the building in Endine of Euro 233 thousand;

M.T.S. Officine Meccaniche S.p.A.: revenues refer to sales of semi-finished products for the textile industry made by the Tesmec Workshop in Sirone.

CBF S.r.l.: the financial receivable of Euro 183 thousand was paid by means of a loan to renovate the roof of the Sirone plant and to install a photovoltaic system.

(Euro in thousands)	As at 30 September 2012					30 September 2012					
	Revenues	Cost of raw materials	Cost of services	Other operating (costs)/ revenues, net	Financial income and expenses	Trade receivables	Current financial receivables	Other current assets	Non current financial liabilities	Current financial liabilities	Trade payables
Associates:											
East Trencher S.r.l.	12	-	(42)	-	4	14	203	-	-	-	-
Locavert S.A.	269	-	-	-	-	29	-	-	-	-	-
Sibtechmash	-	-	-	-	-	15	-	-	-	-	-
Subtotal	**281**	**-**	**(42)**	**-**	**4**	**58**	**203**	**-**	**-**	**-**	**-**
Joint ventures:											
Condux Tesmec Inc.	4,639	(83)	-	-	3	2,739	48	-	-	-	79
Tesmec Peninsula	(4,400)	-	69	-	-		4,938	-	-	-	-
Subtotal	**239**	**(83)**	**69**	**-**	**3**	**2,739**	**4,986**	**-**	**-**	**-**	**79**
Related parties:											
Ambrosio S.r.l.	-	-	-	(10)	-	-	-	-	-	-	4
Avv. Caterina Caccia Dominioni	-	-	(16)	-	-	-	-	-	-	-	-
CBF S.r.l.	-	-	-	(195)	-	-	-	-	-	-	-
Ceresio Tours S.r.l.	-	-	(12)	-	-	-	-	-	-	-	1
Dream Immobiliare S.r.l.	-	-	-	(155)	(919)		1,069		18,273	875	
Eurofidi S.p.A.	-	-	-	-	-	-	2	-	-	-	-
FI.IND. S.p.A.	-	-		-	-	42	-	-	-	-	
Lame Nautica S.r.l.	1	-	-	-	-	1	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	1,280	(6)	(4)		-	1,820	-	-	-	-	-
Reggiani Macchine S.p.A.		-	84		29	285	-	-	-	-	5
Subtotal	**1,281**	**(6)**	**52**	**(360)**	**(890)**	**2,148**	**1,071**	**-**	**18,273**	**875**	**10**
Total	**1,801**	**(89)**	**79**	**(360)**	**(883)**	**4,945**	**6,260**	**-**	**18,273**	**875**	**89**

17. Commitments and risks

The Group uses guarantees provided by primary banking institutions and insurance companies on behalf of the operating companies for the requirements relating to the execution of contracts in progress. This generally regards guarantees for the satisfactory performance of contracts (known as performance bonds) or guarantees issued upon receipt of payment by the contractor in the form of advance / down payment on contracts in progress (advanced payment bonds). As at 30 September, the value of these guarantees amounted to Euro 14,818 thousand, an increase compared to the value of Euro 11,882 thousand as at December 2012.

18. Significant events occurring after the close of the financial period

With regard to the authorisation to purchase treasury shares approved by the Shareholders' meeting, renewed on 30 April 2013 (already disclosed under article 144 bis of the Consob regulation no. 11971/99), we hereby inform you that in the period between 1 October 2013 to the date of approval of these Financial Statements, no treasury shares were purchased.

On 3 October 2013, Tesmec S.p.A. purchased the entire shareholding held by FI.IND. S.p.A. in Tesmec France S.A. for Euro 30 thousand. As a result of said transaction, as of 3 October 2013, Tesmec S.p.A. owns 100% of the share capital of Tesmec France S.A..

Certification 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 of Tesmec S.p.A., respectively, hereby certify, also taking into consideration the provisions of Article 154-bis, sub-sections 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

   - the adequacy of the same, in view of the characteristics of the business and the
   - proper application

   of the administrative and accounting procedures adopted to prepare the Interim Financial Statements as at 30 September 2013.

2. We also certify that:

2.1 the Interim Financial Statements as at 30 September 2013:

- have been prepared in accordance with international accounting standards endorsed by the European Union, as provided by the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a true and fair view of the equity, income and cash flow situation of the issuer and of its consolidated companies.

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

Grassobbio, 8 November 2013

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

www.tesmec.com

Watch the corporate video on your Smartphone

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