TESMEC

Interim Financial Report at March 31, 2013

Investor Relator
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Tesmec S.p.A.
Registered office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid up share capital as at 31 March 2013 Euro 10,708,400
Milan Register of Companies no. 314026
Tax and VAT code 10227100152

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COMPOSITION OF THE CORPORATE BODIES

Board of Directors (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31.12.15)

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)

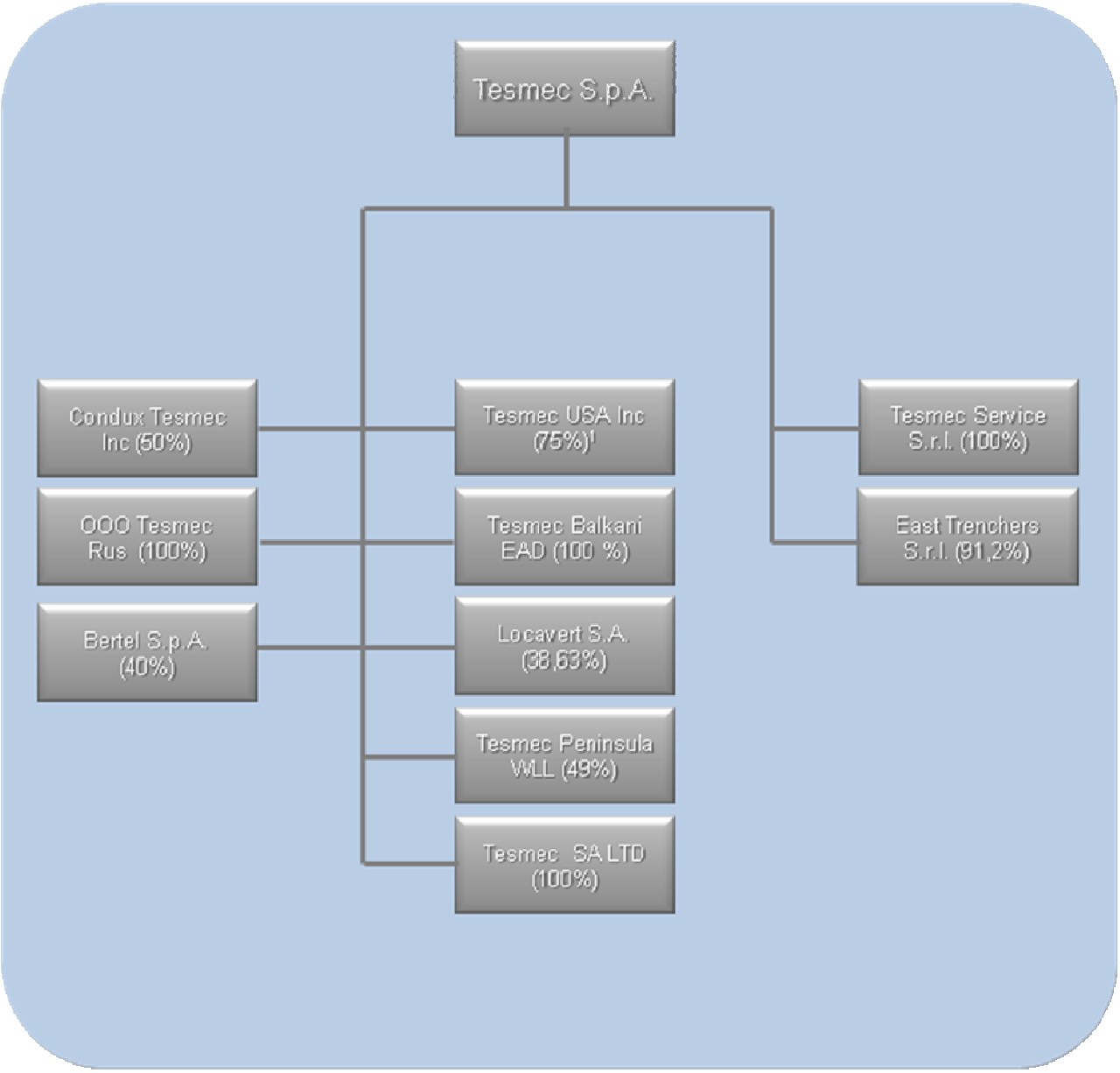
(1) Independent Directors
(2) Members of the Control and Risk Committee
(3) Members of the Remuneration Committee
(4) Members of the Appointments Committee
(5) Lead Independent Director

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 CONSOLIDATED REPORT ON OPERATIONS

(Not audited by the Independent Auditors)

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 400 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.

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

The economic context in the quarter saw, on one hand, deterioration in the economic growth indicators for Italy and for the majority of Eurozone countries, with the exception of Germany, and on the other, an accentuation of expansive monetary policies also in countries like the USA and Japan, where economic growth now seems to have assumed a certain level of consistency. However, the abundance of liquidity generated by the banking system struggles to reach companies and private entities through traditional bank credit channels.

The widespread coverage and internationalisation of the Tesmec Group's sales structure represents significant leverage for exploiting the trends in the development of infrastructural projects wherever they appear.

3. Significant events occurred during the period

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

- on 4 January 2013, Tesmec Service S.r.l. acquired, for a consideration of Euro 850 thousand, a receivable of Euro 1,969 thousand 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 objective of the transaction is to re-open sales channels with the Norwegian railway authority and to facilitate the finalisation of the arrangement with creditors of AMC2 Srl in liquidation, in which Tesmec Service S.r.l, should the arrangement be approved, holds the role of assignee. It should be noted that Tesmec Service S.r.l. rents two business units of AMC2 in liquidation which are fully operational.

- 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 Annex 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 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.;

- on 14 March 2013, Tesmec S.p.A.'s Board of Directors adjusted the Articles of Association into line with certain legislative provisions contained in Italian Legislative Decree no. 91 of 18 June 2012, according to the methods set out in art. 2365, subsection 2, of the Italian Civil Code and art.19, subsection 2 of the Articles of Association. More specifically, the amendments to the Articles of Association established that the single call represents the predefined method for organising shareholders' meetings;

- on 31 March 2013, the share capital increase of Tesmec Peninsula WLL was subscribed for a total of USD 1,000,000 which, as a result of the above transaction, is now USD 2,000,000. 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 490,000, equal to its 49% stake. The payment for the subscription was made in full in the first few days of April.

4. Activity, reference market and operating performance for the first three months of 2013

In the first three months of 2013, the Group consolidated revenues of Euro 25,881 thousand, marking an increase of Euro 2,541 thousand compared to Euro 23,340 thousand in the same period of the previous year. In percentage terms, said increase is equal to 10.8%, and is shaped by an increase of 12.1% for the stringing segment and 8.9% for the trencher segment.

Revenues in the stringing segment benefitted from the performance of the US market and the positive contribution from orders acquired for the electrification and maintenance of railway networks.
The Trencher segment recorded stability in sales on the US market with respect to the same period in the previous year and an increase in sales on the Middle Eastern market.

In connection with this trend in revenues, in terms of margins, EBITDA amounts to Euro 5,067 thousand, which represents 19.6% of the sales for the period, compared to 20.8% recorded in the first quarter of 2012.
This result is the combined effect of different trends in the two segments:

- stringing equipment: the margin, in percentage terms, on revenues rises to 23.1% in the first quarter of 2013, compared to 20.1% recorded in the first quarter of 2012. The increase is mainly the result of a favourable mix of products sold/target markets in the period;

- trencher: the margin, in percentage terms, on revenues falls to 13.4% in the first quarter of 2013, compared to 22.0% recorded in the first quarter of 2012. This trend is attributable to the higher volume of sales in the first quarter of 2013 compared to the same period of the previous year, relating to the JV Tesmec Peninsula, distributor for the Middle East, with margins only recognised for the part realised with third parties.

The turnover of the Group continues to be produced almost exclusively abroad and also sales made to Groups based in Europe are actually intended for use outside the European continent. The revenue analysis by area is indicated below, compared with the first quarter of 2013 and the first quarter of 2012.

	Quarter ended 31 March	
(Euro in thousands)	**2013**	**2012**
Italy	1,061	2,332
Europe	3,613	5,112
Middle East	5,071	2,901
Africa	1,331	2,571
North and Central America	6,277	4,815
BRIC and Others	8,528	5,609
Total revenues	**25,881**	**23,340**

The consolidated financial statements of Tesmec have been prepared in accordance with International Financial Reporting Standards – (hereinafter the "IFRS" or the "International Accounting Standards"), which were endorsed by the European Commission, in effect as at 31.12.12. The following table shows the main economic and financial indicators of the Group in March 2013, compared with those in the same period in 2012.

31 March 2012	OVERVIEW OF RESULTS	31 March 2013
	Key income statement data (Euro in millions)	
23.3	Operating Revenues	25.9
4.9	EBITDA	5.1
3.4	Operating Income	3.6
0.9	Group Net Profit	2.4
	Key financial position data (Euro in millions)	
101.1	Net Invested Capital	107.5
39.2	Shareholders' equity	45.8
61.9	Net Financial Indebtedness	61.7
1.5	Investments in property, plant and equipment and intangible fixed assets	1.4
375	Annual average employees	429

The information relating to the main companies that carried out operations during the quarter is shown below:

- Tesmec USA Inc., a company which 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 three months of 2013, revenues achieved directly with customers/end users, came to Euro 3.9 million. The traditional distributors' channel used almost exclusively in the past is no longer present in branch sales.

- Tesmec Service S.r.l., a company wholly-owned by Tesmec S.p.A. with registered office in Grassobbio (BG) is focused on service activities, primarily for the trencher segment. In 2012, thanks to the rental of the AMC2

Progetti e Prototipi S.r.l business unit, it acquired significant orders in the rail sector for the production of wagons for the maintenance of railway lines. In the first few months of 2013, the company concentrated on progressing orders started in the second half of last year.

- 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 an important market owing to strong development of projects in the telecommunications and pipelines sector in general. During the reference period, the company did not generate significant revenues due to the postponement of the start of telecommunications project activities, which the machines managed were set aside for;

- OOO Tesmec Rus, with registered office in Moscow (Russia), wholly-owned by Tesmec S.p.A., was incorporated in November 2011. The company operates in the stringing segment and, on 31 March 2013, completed the programme for the intake of the expected staff numbers, generating revenues 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 5.6 million during the financial period. The profits added to the Group's consolidated financial statements amount to Euro 415 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 quarter of 2013, the company generated revenues of Euro 0.7 million.

5. Summary of income statement and balance sheet figures as at 31 March 2013

Balance sheet

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

(Euro in thousands)	As at 31 March 2013	As at 31 December 2012
USES		
Net working capital [1]	54,741	48,817
Fixed assets	50,837	49,644
Other long-term assets and liabilities	1,964	1,029
Net invested capital[2]	**107,542**	**99,490**
SOURCES		
Net financial indebtedness [3]	61,744	56,545
Shareholders' equity	45,798	42,945
Total sources of funding	**107,542**	**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

The breakdown of "Net Working Capital" as at 31 March 2013 and 31 December 2012 is as follows:

(Euro in thousands)	As at 31 March 2013	As at 31 December 2012
Trade receivables	38,932	43,554
Inventories	52,854	44,836
Trade payables	(30,744)	(32,082)
Other current assets/(liabilities)	(6,301)	(7,491)
Net working capital [1]	**54,741**	**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 54,741 thousand, marking an increase of Euro 5,924 thousand (equal to 12.1%) compared to 31 December 2012. This performance is mainly due to an improvement in receivables due from customers and a worsening in inventories.
The decrease in *trade receivables* (10.6%) is determined by the performance of receipts that exceeded the revenues generated during the period.
By contrast, *inventories* rose by 17.9%, primarily in anticipation of the increase in sales over the coming quarters.

B) Fixed assets and other long-term assets

The breakdown of the item "Fixed assets and other long term assets" as at 31 March 2013 and 31 December 2012 is shown below:

(Euro in thousands)	As at 31 March 2013	As at 31 December 2012
Intangible assets	7,733	7,620
Property, plant and equipment	39,900	39,776
Equity investments in associates	3,201	2,245
Other equity investments	3	3
Fixed assets	**50,837**	**49,644**

Total fixed assets and other long-term assets recorded an increase of Euro 1,193 thousand due to the increase in the value of the equity investment in the company Bertel S.p.A. (Euro 380 thousand) and in the value of the equity investment in the Joint Venture Tesmec Peninsula WLL (Euro 384 thousand).

C) Net financial indebtedness

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

(Euro in thousands)	As at 31 March 2013	of which with related parties and group	As at 31 December 2012	of which with related parties and group
Cash and cash equivalents	(7,623)		(17,144)	
Current financial assets [1]	(8,527)	*(6,568)*	(5,181)	*(3,306)*
Current financial liabilities	31,872	*922*	29,652	*897*
Current portion of derivative financial instruments	42		1	
Current financial indebtedness [2]	**15,764**	***(5,646)***	**7,328**	***(2,409)***
Non-current financial liabilities	45,328	*17,800*	48,404	*18,049*
Non-current portion of derivative financial instruments	652		813	
Non-current financial indebtedness [2]	**45,980**	***17,800***	**49,217**	**18,049**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**61,744**	***12,154***	**56,545**	***15,640***

[1]Current financial assets as at 31 March 2013 and 31 December 2012 include the market value of shares and warrants listed on the Italian Stock Exchange (Borsa Italiana), which are therefore considered 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 three months of 2013, the Group's net financial indebtedness increased by Euro 5,199 thousand compared to the figure at the end of 2012, due to the combined effect of the following changes:

- decrease in current financial assets and cash and cash equivalents from Euro 22,325 thousand to Euro 16,150 thousand, as a result of, among other things, the increase in credit positions relating to specific contracts signed with counterparties which are interest-bearing and repayable within 12 months, and the reclassification of the short-term portion of receivables deriving from the recognition of the rental contract by subsidiary Tesmec USA, Inc. according to IAS 17;
- increase in current financial liabilities from Euro 29,652 thousand to Euro 31,872 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 45,328 thousand mainly due to: (i) reclassification under the current financial indebtedness of Euro 3,968 thousand relating to the short-term portion of medium/long-term loans (ii) decrease in financial leases (Euro 20,075 thousand as at 31 March 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 580 thousand.

Income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 31 March 2013 with those as at 31 March 2012.

The main profit and loss figures for the first three months of 2013 and 2012 are presented in the table below:

(Euro in thousands)	Quarter ended 31 March			
	2013	% of revenues	2012	% of revenues
Revenues from sales and services	**25,881**	**100,0%**	**23,340**	**100.0%**
Cost of raw materials and consumables	(10,423)	-40,3%	(8,878)	-38.0%
Cost of services	(4,899)	-18,9%	(4,856)	-20.8%
Payroll costs	(5,917)	-22,9%	(4,943)	-21.2%
Other operating (costs)/revenues, net	(644)	-2,5%	(573)	-2.5%
Depreciation and amortisation	(1,437)	-5,6%	(1,447)	-6.2%
Development costs capitalised	717	2,8%	858	3.7%
Portion of gains/(losses) deriving from the valuation of Joint Ventures using the equity method	352	1,4%	(97)	-0.4%
Total operating costs	**(22,251)**	**-86,0%**	**(19,936)**	**-85.4%**
Operating income	**3,630**	**14,0%**	**3,404**	**14.6%**
Financial expenses	(1,641)	-6,3%	(2,565)	-11.0%
Financial income	1,800	7,0%	588	2.5%
Portion of gains/(losses) from the valuation of equity investments using the equity method	(25)	-0,1%	(7)	0.0%
Pre-tax profit	**3,764**	**14,5%**	**1,420**	**6.1%**
Income tax	(1,392)	-5,4%	(517)	-2.2%
Net profit for the period	**2,372**	**9,2%**	**903**	**3.9%**
Profit / (loss) attributable to non-controlling interests	(2)	0,0%	-	0.0%
Group profit (loss)	**2,374**	**9,2%**	**903**	**3.9%**

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

(Euro in thousands)	Quarter ended 31 March				
	2013	% of revenues	2012	% of revenues	2013 vs. 2012
Operating income	3,630	14.0%	3,404	14.6%	226
+ Depreciation and amortisation	1,437	5.6%	1,447	6.2%	(10)
EBITDA (*)	**5,067**	**19.6%**	**4,851**	**20.8%**	**216**

(*) 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 the EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

Net financial management shown an improvement, when compared to the same period in 2012, by Euro 2,136 thousand in that it is affected:

- for Euro 1,828 thousand by the different USD/EUR exchange rate in the two periods of reference that resulted in the recording of net profits totalling Euro 841 thousand in the first quarter of 2013 (realised for Euro 67 thousand and unrealised for Euro 774 thousand) against net losses of Euro 987 thousand in the first quarter of 2012;

- for Euro 241 thousand by the fair value adjustment of the financial instruments that recorded a profit of Euro 161 thousand compared to a loss of Euro 80 thousand recorded in the first quarter of 2012.

The tables below show the income statement figures as at 31 March 2013 compared to those at 31 March 2012, broken down by the two operating segments:

Revenues by segment

	Quarter ended 31 March				
(Euro in thousands)	2013	% of revenues	2012	% of revenues	2013 vs. 2012
Stringing equipment	16,566	64.0%	14,784	63.3%	1,782
Trencher	9,315	36.0%	8,556	36.7%	759
Total revenues	**25,881**	**100.0%**	**23,340**	**100.0%**	**2,541**

Revenues as at 31 March 2013 recorded an increase in both the Stringing equipment segment (12.1%) and the Trencher segment (8.9%), compared to the same period in the previous year.

In the Stringing equipment segment, market demand confirmed growth in the North American area for existing power line maintenance projects, and a recovery in the BRIC countries, with particular regarding to the Asian continent.

In the Trencher segment, the results of the first three months confirmed the expectations, particularly in the Middle Eastern market, which continued with the development of the offer through the Joint Venture Tesmec Peninsula WLL.

EBITDA

	Quarter ended 31 March				
(Euro in thousands)	2013	% of revenues	2012	% of revenues	2013 vs. 2012
Stringing equipment	3,820	23.1%	2,967	20.1%	853
Trencher	1,247	13.4%	1,884	22.0%	(637)
EBITDA (*)	**5,067**	**19.6%**	**4,851**	**20.8%**	**216**

(*) 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 the EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

Margins in relative terms, with respect to sales, were essentially stable at around 20%, with a greater contribution from Stringing equipment thanks to a favourable product/market mix and a decrease for the Trencher segment where sales to distributor Tesmec Peninsula rose during the period and while awaiting the completion of the sale to the end customer, a margin of just 51% was recorded.

6. Management and types of financial risks

For the management of financial risks, please see the paragraph "Financial risk management policy" contained in the Explanatory Notes to the Annual Consolidated Financial Statements for 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, it should be noted that during the first quarter of the 2013 financial year, no transactions took place with related parties of an atypical or unusual nature, outside of normal company operations or such as to harm the profits, balance sheet or financial results of the Group.
For significant intercompany and related parties information please see the paragraph "Related party transactions" in the Explanatory Notes.

8. Group Employees

The average number of Group employees in the first quarter of 2013, including the employees of companies which are fully consolidated, is 429 persons compared to 375 in 2012.

9. Other information

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

Pursuant to Italian Legislative Decree no. 196 of 30 June 2003 "Code regarding the protection of personal data", the Company 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 buy-back plan of treasury shares. Authorisation for the same was granted for a period of 18 months; 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, 31 March 2013, a total of 1,577,000 shares (1.47% of Share Capital) have been purchased at an average price of Euro 0.3923 (net of commission) for a total equivalent value of Euro 619 thousand. The total of 1,577,000 shares is given by total shares acquired equal to 1,740,000 net of shares sold to employees totalling 163,000.
The authorisation of 30 April 2013 replaces the last authorisation resolved by the Shareholders' Meeting on 10 January 2012 and expiring in June 2013.

Subsequent events and business outlook

On 30 April 2013, upon approval of the financial statements for 2012, the Shareholders' Meeting of Tesmec S.p.A. resolved to:

- allocate the profit of the Parent Company, amounting to Euro 6,186 thousand, as follows:
  - allocate Euro 308 thousand to the legal reserve;
  - assign a dividend of Euro 0.035 to each outstanding ordinary share;
  - allocate Euro 1 million to the mutual equity fund, pursuant to art. 42 of Italian Decree Law 78/2010, in relation to the "Green Technologies" network contract;
  - assign to the Extraordinary Reserve the amount of profit remaining after the allocation to the Legal reserve and dividend;
- appoint the new Board of Directors which shall remain in office until the shareholders' meeting called to approve the financial statements for the year ended 31 December 2015, composed of Alfredo Brignoli, Caterina Caccia Dominioni, Lucia Caccia Dominioni, Gianluca Bolelli, Leonardo Marseglia, Guido Corbetta, Gioacchino Attanzio, Sergio Arnoldi and Luca Poggi, as well as Ambrogio Caccia Dominioni who was confirmed as Chairman of the Board of Directors;
- appoint the new Board of Statutory Auditors which shall also remain in office until the shareholders' meeting called to approve the financial statements for the year ended 31 December 2015, composed of Statutory Auditors Simone Cavalli (Chairman), Alessandra De Beni and Stefano Chirico and Alternate Auditors Attilio Marcozzi and Stefania Rusconi.

On 30 April 2013, the Board of Directors confirmed Ambrogio Caccia Dominioni 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, composed of directors Sergio Arnoldi (Chairman), Gioacchino Attanzio and Gianluca Bolelli.
- the Remuneration Committee, composed of directors Sergio Arnoldi (Chairman), Gioacchino Attanzio and Caterina Caccia Dominioni.

- the Appointments Committee, composed of directors Sergio Arnoldi and Gioacchino Attanzio.

On 6 May 2013, AMC2 Progetti e Prototipi S.r.l. filed an appeal before the Court of Bari, in respect of the application for an arrangement with creditors, signed by Tesmec Service S.r.l. as assignee.

With regard to the authorisation to purchase treasury shares approved by the Shareholders' meeting of 10 January 2012 (already disclosed under article 144 bis of the Consob regulation no. 11971/99), we hereby inform you that:

in the period between 1 April 2013 and the date of approval of this Report included, 77,321 shares (0.07% of Share Capital) were purchased at an average price of Euro 0.63347 for a total amount net of commission of Euro 49 thousand.

These results are even more positive given that they were recorded in the first half of the year which is historically less significant for Group business. In fact, revenues increased more than proportionately in subsequent quarters, given that in the infrastructures segment, projects commence at the start of the year and budgets are only effectively spent starting in subsequent months.

Therefore, in light of the positive results achieved in the first quarter of the year, and the trend in the mix of markets and products offered, as well as new activities carried out, which will produce better results in the second half of the year, the Group's top management believes that it is reasonable to confirm the 2013 guidelines in terms of revenues, margins and the net financial position.

CONSOLIDATED FINANCIAL STATEMENTS OF THE TESMEC GROUP

Consolidated financial statements

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

(Euro in thousands)	Notes	31 March 2013	31 December 2012
NON-CURRENT ASSETS			
Intangible assets		7,733	7,620
Property, plant and equipment		39,900	39,776
Equity investments valued using the equity method		3,201	2,245
Other equity investments		3	3
Financial receivables and other non-current financial assets		1,289	1,650
Derivative financial instruments		-	-
Deferred tax assets		3,736	3,761
Non-current trade receivables		1,585	-
TOTAL NON-CURRENT ASSETS		**57,447**	**55,055**
CURRENT ASSETS			
Inventories	1	52,854	44,836
Trade receivables	2	38,932	43,554
of which with related parties:	2	*7,301*	*10,886*
Tax receivables		477	465
Other available-for-sale securities		104	106
Financial receivables and other current financial assets	3	8,423	5,075
of which with related parties:	3	*6,568*	*3,306*
Other current assets		2,977	1,675
Cash and cash equivalents		7,623	17,144
TOTAL CURRENT ASSETS		**111,390**	**112,855**
TOTAL ASSETS		**168,837**	**167,910**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	4	10,708	10,708
Reserves / (deficit)	4	32,709	24,104
Group net profit / (loss)		2,374	8,133
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**45,791**	**42,945**
Non-controlling interest in capital and reserves / (deficit)		9	-
Net profit / (loss) for the period attributable to non-controlling interests		(2)	-
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**7**	**-**
TOTAL SHAREHOLDERS' EQUITY		**45,798**	**42,945**
NON-CURRENT LIABILITIES			
Medium-long term loans	5	45,328	48,404
of which with related parties:	5	*17,800*	*18,049*
Derivative financial instruments		652	813
Employee benefit liability		2,655	2,666
Provisions for risks and charges		14	11
Deferred tax liabilities		1,977	1,705
TOTAL NON-CURRENT LIABILITIES		**50,626**	**53,599**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	6	31,872	29,652
of which with related parties:	6	*922*	*897*
Derivative financial instruments		42	1
Trade payables		30,744	32,082
of which with related parties:		*45*	*289*
Advances from customers		2,619	2,253
Income taxes payable		635	1,097
Provisions for risks and charges		1,452	1,773
Other current liabilities		5,049	4,508
TOTAL CURRENT LIABILITIES		**72,413**	**71,366**
TOTAL LIABILITIES		**123,039**	**124,965**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**168,837**	**167,910**

Consolidated income statement for the quarter ended 31 March 2013 and 2012

(Euro in thousands)	Notes	Quarter ended 31 March 2013	Quarter ended 31 March 2012
Revenues from sales and services	7	**25,881**	**23,340**
of which with related parties:		*3,389*	*2,216*
Cost of raw materials and consumables		(10,423)	(8,878)
of which with related parties:		-	*(540)*
Cost of services		(4,899)	(4,856)
of which with related parties:		*(92)*	*(49)*
Payroll costs		(5,917)	(4,943)
Other operating (costs)/revenues, net		(644)	(573)
of which with related parties:		*(89)*	*(176)*
Depreciation and amortisation		(1,437)	(1,447)
Development costs capitalised		717	858
Portion of gains/(losses) from the valuation of Joint Ventures using the equity method		352	(97)
Total operating costs	8	**(22,251)**	**(19,936)**
Operating income		**3,630**	**3,404**
Financial expenses		(1,641)	(2,565)
of which with related parties:		*(304)*	*(255)*
Financial income		1,800	588
of which with related parties:		*16*	-
Portion of gains/(losses) from the valuation of equity investments using the equity method		(25)	(7)
Pre-tax profit		**3,764**	**1,420**
Income tax		(1,392)	(517)
Net profit for the period		**2,372**	**903**
Profit / (loss) attributable to non-controlling interests		**(2)**	**-**
Group profit (loss)		**2,374**	**903**
Basic and diluted earnings per share		**0.0222**	**0.0084**

Consolidated statement of comprehensive income for the quarter ended 31 March 2013 and 2012

(Euro in thousands)	Notes	Quarter ended 31 March 2013	Quarter ended 31 March 2012
NET PROFIT FOR THE PERIOD		**2,374**	**903**
Other components of comprehensive income:			
Exchange differences on conversion of foreign financial statements	4	616	(565)
Total other income/(losses) after tax		**616**	**(565)**
Total comprehensive income (loss) after tax		**2,990**	**338**
Attributable to:			
Shareholders of the Parent Company		2,992	338
Minority interests		(2)	-

Statement of consolidated cash flows for the quarter ended 31 March 2013 and 2012

(Euro in thousands)	Notes	Quarter ended 31 March 2013	Quarter ended 31 March 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		2,374	903
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Depreciation and amortisation		1,437	1,447
Provisions for employee benefit liability		-	-
Provisions for risks and charges / inventory obsolescence / doubtful accounts		-	2
Employee benefit payments		(11)	62
Payments of provisions for risks and charges		(322)	-
Net change in deferred tax assets and liabilities		286	(398)
Change in fair value of financial instruments		(119)	79
Change in current assets and liabilities:			
Trade receivables	2	3,173	1,676
Inventories	1	(7,459)	(2,658)
Trade payables		(1,407)	(513)
Other current assets and liabilities		(1,265)	(1,039)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(3,313)**	**(439)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		(536)	(788)
Investments in intangible assets		(862)	(916)
(Investments) / disposal of financial assets	3	(3,791)	(575)
Proceeds from sale of property, plant and equipment and intangible assets		24	177
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(5,165)**	**(2,102)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long- term loans	5	890	2,997
Repayment of medium/long- term loans	5	(2,187)	(1,787)
Net change in short-term financial debt	5	401	247
Other changes	4	(144)	(36)
Dividend distribution		-	-
Capital injection for share capital increase		-	-
NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES (C)		**(1,040)**	**1,421**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(9,518)**	**(1,120)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(3)	4
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		17,144	13,817
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**7,623**	**12,701**
Additional information:			
Interest paid		619	955
Income tax paid		1,557	-

Statement of changes in consolidated shareholders' equity for the quarter ended 31 March 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 1.01.13	**10,708**	**1,502**	**10,915**	**(466)**	**(334)**	**12,487**	**8,133**	**42,945**	-	**42,945**
Profit for the period	-	-	-	-	-	-	2,374	2,374	(2)	2,372
Other profits / (losses)	-	-	-	-	616	-	-	616	-	616
Total comprehensive income / (loss)								**2,990**	(2)	**2,988**
Allocation of net income for the period	-	-	-	-	-	8,133	(8,133)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	(144)	-	-	-	(144)	9	(135)
Balance as at 31 March 2013	**10,708**	**1,502**	**10,915**	**(610)**	**282**	**20,620**	**2,374**	**45,791**	**7**	**45,798**

(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 1.01.12	**10,708**	**1,126**	**10,915**	**-**	**63**	**9,485**	**6,590**	**38,887**	-	**38,887**
Profit for the period	-	-	-	-	-	-	2,374	2,374	-	2,374
Other profits / (losses)	-	-	-	-	(565)	-	-	(565)	-	(565)
Total comprehensive income / (loss)								**1,809**	-	**1,809**
Allocation of net income for the period	-	-	-	-	-	6,590	(6,590)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	(36)	-	-	-	(36)	-	(36)
Balance as at 31 March 2012	**10,708**	**1,126**	**10,915**	**(36)**	**(502)**	**16,075**	**2,374**	**40,660**	**-**	**40,660**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 31 March 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. The ordinary shares of Tesmec have been listed on the MTA (screen-based share market) STAR Segment of the Milan Stock Exchange since 1 July 2010. The registered office of the Tesmec Group (hereinafter "Group" or "Tesmec Group") is in Milan, Piazza S. Ambrogio no. 16.

2. Reporting standards

The consolidated financial statements as at 31 March 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.

The accounting standards adopted in preparing the interim consolidated financial statements as at 31 March 2013 are those adopted for preparing the consolidated financial statements as at 31 December 2012 in compliance with IFRS.

More precisely, the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in consolidated shareholders' equity and statement of consolidated 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 consolidated financial statements do not disclose all the information required in preparing the consolidated annual financial statements, they must be read together with the consolidated financial statements as at 31 December 2012.

The consolidated financial statements as at 31 March 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 quarter of 2012 for the consolidated income statement, consolidated statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement).

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

Disclosure of the quarterly consolidated financial statements of the Tesmec Group for the period ended 31 March 2013 was authorised by the Board of Directors on 10 May 2013.

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

1) Condux Tesmec Inc
2) Tesmec Peninsula WLL

for a more representation that is more consistent with the group's business and which 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 have to the Group, considering the object and characteristics of their activities.

For a better comparison of the financial statement figures, 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)	31 March 2012
Tesmec Peninsula WLL	(133)
Condux Tesmec Inc	36
Reclassified portion of gains/(losses) from the valuation of Joint Ventures using the equity method	**(97)**

Translation of foreign currency financial statements and of foreign currency items

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

	Average exchange rates for quarter ended 31 March		End-of-period exchange rate as at 31 March	
	2013	2012	2013	2012
US Dollar	1.320	1.311	1.281	1.336
Bulgarian Lev	1.956	1.956	1.956	1.956
Russian Rouble	40.151	39.548	39.762	39.295
South African Rand	11.831	10.173	11.820	10.232
Qatar Riyal	4.807	4.773	4.662	4.863

3. Consolidation methods and area

As at 31 March 2013, no changes have taken place in the consolidation area compared to 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 31 March 2012, 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 and income statement.

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1.Inventories

The following table sets forth the breakdown of Inventories as at 31 March 2013 compared to 31 December 2012:

(Euro in thousands)	31 March 2013	31 December 2012
Raw materials and consumables	24,571	22,899
Work in progress	12,824	8,958
Finished products and goods for resale	12,604	11,061
Contract work	2,364	1,745
Advances to suppliers for assets	491	173
Total Inventories	**52,854**	**44,836**

Inventories compared to 31 December 2012 increased by Euro 8,018 thousand mainly in the category work in progress needed to generate the expected increase in revenues over the coming quarters.

2.Trade receivables

The following table sets forth the breakdown of Trade receivables as at 31 March 2013 compared with 31 December 2012:

(Euro in thousands)	31 March 2013	31 December 2012
Trade receivables from third-party customers	31,631	32,668
Trade receivables from related parties	7,301	10,886
Total trade receivables	**38,932**	**43,554**

The decrease in the item *trade receivables* (10.6%) is due to the strong performance of collections in the period.
The balance of trade receivables due from related parties fell by Euro 3,585 thousand due to collections received from said parties.

3. Financial receivables and other current financial assets

The following table sets forth the breakdown of financial receivables and other current financial assets as at 31 March 2013 and as at 31 December 2012:

(Euro in thousands)	31 March 2013	31 December 2012
Financial receivables due from related parties	6,568	3,306
Financial receivables from third parties	1,796	1,678
Other current financial assets	59	91
Total financial receivables and other current financial assets	**8,423**	**5,075**

The increase in *current financial assets* from Euro 5,075 thousand to Euro 8,423 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 305 thousand) and to credit positions relating to specific contracts signed with counterparties that are interest-bearing and repayable within 12 months (Euro 3,483 thousand).

4. Capital and reserves

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

The following table sets forth the breakdown of Other reserves as at 31 March 2013 and as at 31 December 2012:

(Euro in thousands)	31 March 2013	31 December 2012
Revaluation reserve	86	86
Extraordinary reserve	13,654	13,654
Retained earnings/(losses brought forward)	10,928	2,795
Bills charged directly to shareholders' equity on operations with entities under common control	(4,048)	(4,048)
Total other reserves	**20,620**	**12,487**

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 the difference from translations of financial statements has a positive impact on shareholders' equity of Euro 616 thousand as at 31 March 2013.

As at 31 March 2012, the increase in Retained earnings/(losses brought forward) is due to the 2012 net income that was allocated by the Shareholders' Meeting on 30 April 2013.

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 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, 31 March 2013, a total of 1,577,000 shares (1.47% of Share Capital) have been purchased at an average price of Euro 0.3923 (net of commission) for a total equivalent value of Euro 619 thousand.
The authorisation of 30 April 2013 replaces the last authorisation resolved by the Shareholders' Meeting on 10 January 2012 and expiring in June 2013.

5. Medium/long-term loans

During the first three months of 2013, the item medium/long-term loans decreased from Euro 48,404 thousand to Euro 45,328 thousand mainly due to: (i) reclassification under the current financial indebtedness of Euro 3,968 thousand relating to the short-term portion of medium/long-term loans (ii) decrease in financial leases (Euro 20,075 thousand as at 31 March 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 580 thousand.

6.Interest-bearing financial payables (current portion)

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

(Euro in thousands)	31 March 2013	31 December 2012
Advances from banks against invoices and bills receivables	13,953	14,329
Other financial payables (short-term leases)	1,830	1,708
Payables due to factoring companies	2,033	1,102
Short-term loans to third parties	2,243	2,365
Current portion of medium/long-term loans	11,813	10,148
Total interest-bearing financial payables (current portion)	**31,872**	**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.

7. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 31 March 2013 compared with 31 March 2012:

	Quarter ended 31 March	
(Euro in thousands)	**2013**	**2012**
Sales of products	25,480	22,794
Services rendered	401	546
Total revenues from sales and services	**25,881**	**23,340**

Revenues as at 31 March 2013 recorded an increase in both the Stringing equipment segment (12.1%) and the Trencher segment (8.9%), compared to the same period in the previous year.

In the Stringing equipment segment, market demand confirmed growth in the North American area for existing power line maintenance projects, and a recovery in the BRIC countries.

In the Trencher segment, the results of the first three months confirmed the expectations, particularly in the Middle Eastern market, which continued with the development of the offer through the Joint Venture Tesmec Peninsula WLL.

8. Operating costs

The item operating costs amounted to Euro 22,251 thousand, an increase of 11.6% compared to the previous year, a more than proportional increase with respect to the performance in revenues (10.8%). This trend is attributable to the rise in payroll costs, especially in the technical and sales areas, connected to both the Group's internationalisation process and to the extension of the offering to new areas such as rolling stock maintenance and streamlining of the electricity network.

Segment Reporting

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

- stringing equipment: this segment is involved in the design, production and marketing of integrated solutions for the stringing and maintenance of underground and aerial very high, high and medium voltage electric power lines, stringing equipment for underground and overhead optic fibre cables, as well as integrated solutions for the stringing and maintenance of electric power lines for railways. The Stringing equipment segment machines are produced at the Italian production plants of Grassobbio (Bergamo), Endine Gaiano (Bergamo), 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.

	Quarter ended 31 March					
	2013			2012		
(Euro in thousands)	Stringing equipment	Trencher	Consolidated	Stringing equipment	Trencher	Consolidated
Revenues from sales and services	16,566	9,315	25,881	14,784	8,556	23,340
Operating costs net of depreciation and amortisation	(12,746)	(8,068)	(20,814)	(11,817)	(6,672)	(18,489)
EBITDA	**3,820**	**1,247**	**5,067**	**2,967**	**1,884**	**4,851**
Depreciation and amortisation	(557)	(880)	(1,437)	(483)	(964)	(1,447)
Total operating costs	**(13,303)**	**(8,948)**	**(22,251)**	**(12,300)**	**(7,636)**	**(19,936)**
Operating income	**3,263**	**367**	**3,630**	**2,484**	**920**	**3,404**
Net financial income/(expenses)			134			(1,984)
Pre-tax profit			**3,764**			**1,420**
Income tax			(1,392)			(517)
Net profit for the period			**2,372**			**903**
Profit / (loss) attributable to non-controlling interests			(2)			-
Group profit (loss)			**2,374**			**903**

(*) 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 the EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

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 31 March 2013 and as at 31 December 2012:

	As at 31 March 2013				As at 31 December 2012			
(Euro in thousands)	**Stringing equipment**	**Trencher**	**Not allocated**	**Consolidated**	**Stringing equipment**	**Trencher**	**Not allocated**	**Consolidated**
Intangible assets	3,713	4,020	-	7,733	3,583	4,037	-	7,620
Property, plant and equipment	13,137	26,763	-	39,900	13,256	26,520	-	39,776
Financial assets	3,180	1,313	-	4,493	2,197	1,701	-	3,898
Other non-current assets	24	2,731	2,566	5,321	15	1,009	2,737	3,761
Total non-current assets	**20,054**	**34,827**	**2,566**	**57,447**	**19,051**	**33,267**	**2,737**	**55,055**
Inventories	16,465	36,389	-	52,854	13,418	31,418	-	44,836
Trade receivables	15,473	23,459	-	38,932	14,266	29,288	-	43,554
Other current assets	1,723	1,883	8,375	11,981	1,322	4,298	1,701	7,321
Cash and cash equivalents	-	-	7,623	7,623	-	-	17,144	17,144
Total current assets	**33,661**	**61,731**	**15,998**	**111,390**	**29,006**	**65,004**	**18,845**	**112,855**
Total assets	**53,715**	**96,558**	**18,564**	**168,837**	**48,057**	**98,271**	**21,582**	**167,910**
Shareholders' equity attributable to Parent Company Shareholders	**-**	**-**	**45,791**	**45,791**	**-**	**-**	**42,945**	**42,945**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**7**	**7**	**-**	**-**	**-**	**-**
Non-current liabilities	**319**	**1,528**	**48,779**	**50,626**	**291**	**1,304**	**52,004**	**53,599**
Current financial liabilities	-	1,314	30,600	31,914	-	-	29,652	29,652
Trade payables	15,413	15,331	-	30,744	20,960	11,121	1	32,082
Other current liabilities	2,931	3,001	3,823	9,755	2,436	2,815	4,381	9,632
Total current liabilities	**18,344**	**19,646**	**34,423**	**72,413**	**23,396**	**13,936**	**34,034**	**71,366**
Total liabilities	**18,663**	**21,174**	**83,202**	**123,039**	**23,687**	**15,240**	**86,038**	**124,965**
Total shareholders' equity and liabilities	**18,663**	**21,174**	**129,000**	**168,837**	**23,687**	**15,240**	**128,983**	**167,910**

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:

	Quarter ended 31 March 2013						31 March 2013					
(Euro in thousands)	Reve-nues	Cost of raw mate-rials	Cost of servi-ces	Other Operat. (costs)/ reve-nues, net	Financial income and expenses	Non-current financial assets	Trade receiva-bles	Current financial receiva-bles	Other current assets	Non-current financial payables	Current financial liabilities	Trade payables
Associates:												
Locavert S.A.	37	-	-	-	-	-	37	-	-	-	-	-
Bertel	-	-	-	-	-	-	-	-	-	-	-	17
Subtotal	**37**	**-**	**-**	**-**	**-**	**-**	**37**	**-**	**-**	**-**	**-**	**17**
Joint ventures:												
Condux Tesmec Inc.	2,243	-	-	39	1	-	3,447	4	-	-	-	-
Tesmec Peninsula	785	-	(125)	30	12	-	1,350	5,493	-	-	-	24
Subtotal	**3,028**	**-**	**(125)**	**69**	**13**	**-**	**4,797**	**5,497**	**-**	**-**	**-**	**24**
Related parties:												
Ambrosio S.r.l.	-	-	-	(3)	-	-	-	-	-	-	-	-
CBF S.r.l.	-	-	-	(97)	-	-	-	-	-	-	-	2
Ceresio Tours S.r.l.	-	-	(5)	-	-	-	-	-	-	-	-	2
Dream Immobiliare S.r.l.	-	-	-	(78)	(304)	-	-	1,069	-	17,800	922	-
Eurofidi S.p.A.	-	-	-	-	-	-	-	2	-	-	-	-
FI.IND. S.p.A.	-	-	-	-	-	-	79	-	-	-	-	-
Lame Nautica S.r.l.	3	-	-	-	-	-	3	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	321	-	3	-	-	-	2,095	-	-	-	-	-
Reggiani Macchine S.p.A.	-	-	35	20	3	-	290	-	-	-	-	-
Subtotal	**324**	**-**	**33**	**(158)**	**(301)**	**-**	**2,467**	**1,071**	**-**	**17,800**	**922**	**4**
Total	**3,389**	**-**	**(92)**	**(89)**	**(288)**	**-**	**7,301**	**6,568**	**-**	**17,800**	**922**	**45**

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

   of the administrative and accounting procedures for preparing the Condensed Consolidated Financial Statements as at 31 March 2012.

2. We also certify that:

2.1 the Condensed Consolidated Financial Statements as at 31 March 2013:

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

2.2 the interim report on operations includes a reliable analysis of the important events that took place during the first three months of the financial period and their impact on the condensed consolidated financial statements, together with a description of the main risks and uncertainties for the nine 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, 10 May 2013

Ambrogio Caccia Dominioni
Chief Executive Officer

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

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