Interim consolidated financial report as at September 30, 2016

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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 2018)

Chairman and Chief Executive Officer	Ambrogio Caccia Dominioni
Vice Chairman	Gianluca Bolelli
Directors	Sergio Arnoldi (*) Gioacchino Attanzio (*) Guido Giuseppe Maria Corbetta (*) Caterina Caccia Dominioni Lucia Caccia Dominioni Paola Durante (*)

(*) Independent Directors

Board of Statutory Auditors (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2018)

Chairman	Simone Cavalli
Statutory Auditors	Stefano Chirico Alessandra De Beni
Alternate Auditors	Attilio Marcozzi Stefania Rusconi

Members of the Control and Risk Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2018)

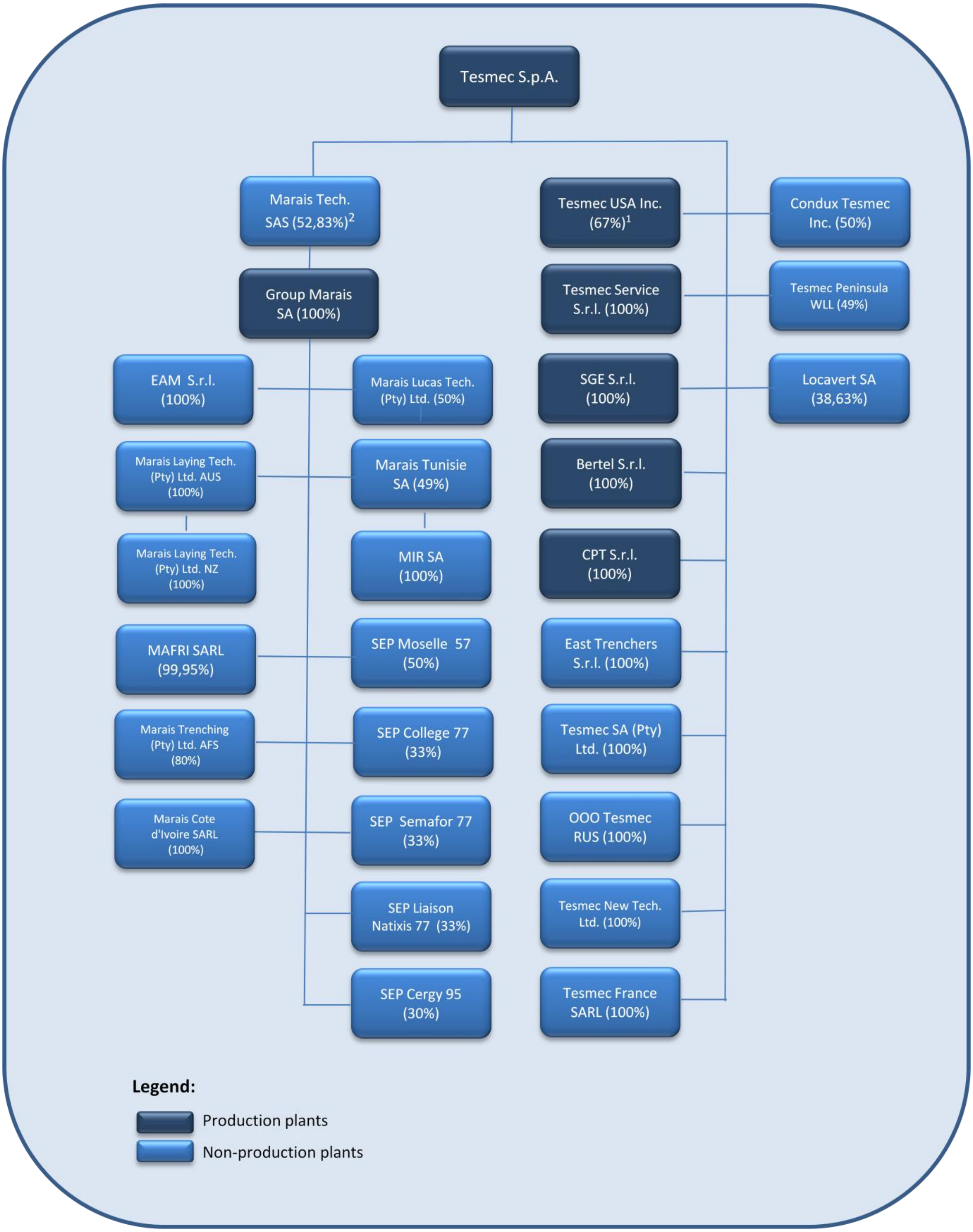
Chairman	Sergio Arnoldi
Members	Gioacchino Attanzio Gianluca Bolelli

Members of the Remuneration and Appointments Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2018)

Chairman	Gioacchino Attanzio
Members	Sergio Arnoldi Caterina Caccia Dominioni

Lead Independent Director	Gioacchino Attanzio
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Andrea Bramani
Independent Auditors	Ernst &Young S.p.A.

GROUP STRUCTURE



(1) The remaining 33% 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 shareholding of the Parent Company in Tesmec USA, Inc. is fully consolidated on a 100% basis.

(2) The remaining 47.17% is held by Simest S.p.A. for 33.96% and by C2D SAS (related party) for 13.21%. Since Tesmec has an obligation to buy it back from Simest S.p.A., from an accounting point of view the shareholding of the Parent Company in Marais Technologies SAS is consolidated on an 86.79% basis.

INTERIM 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 640 employees and nine production plants: four in Italy, Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco) and Monopoli (Bari), one in the USA, in Alvarado (Texas) and one in France, Durtal and as result of the recent acquisitions of Bertel, SGE and CPT, other three new Italian production plants in Fidenza, Padua and Patrica (FS), respectively.
The Group also has a global commercial presence, with a direct presence on different continents, constituted by foreign companies and sales offices in the USA, South Africa, Russia, Qatar, Bulgaria, China and France.
As a result of 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 grouped into three main areas of business: Stringing equipment, Trencher and Rail.

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

Stringing equipment segment
- stringing equipment for the installation of wires and laying of underground cables;
- electronic devices and sensors for the management, monitoring and automation of power lines.

Trencher segment
- high-powered crawler trenching machines for the linear excavation of oil pipelines, gas pipelines, water systems, telecommunication networks and drainage operations;
- surface miners for earthworks, quarries and surface mines;
- specialised excavation services;

Rail segment
- rail equipment for the installation and maintenance of catenary wire systems and for special operations such as, for example, removing snow from the track.
- last generation power unit.

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

The know-how achieved in the development of specific technologies and innovative solutions and the presence of a team of highly-skilled engineers and technicians allow the Tesmec Group to directly manage the entire production chain: from the design, production and marketing of machinery to the supply of know-how relating to the use of systems and optimisation of work, to all pre- and post-sales services related to machinery and the increase in site efficiency.

2. Macroeconomic Framework

The recovery in the Eurozone is continuing at a moderate pace also in the third quarter as in the previous quarter, in a scenario that continues to be affected by three factors favourable to the economy:

- low interest rates thanks to the expansionary monetary policies
- appreciation of the euro against the dollar
- low raw material prices led by oil affected by an oversupply.

In this context, to reinvigorate growth, the ECB's summit strongly hopes that the accommodating monetary policies are followed by the efforts towards structural reforms so as to reduce unemployment and increase the potential growth rate in the Eurozone. These efforts are expected to increase productivity even with the creation of public infrastructure networks that are crucial to increase investment and employment.

It is within this investment policy that the Tesmec Group believes it can rank well with an offer developed for the world of infrastructure, in the Energy and Telecommunications sector, in particular.

3. Significant events occurred during the period

The completion of the diversification strategy in the trencher segment for service activities started with the acquisition of the Marais Group on 8 April 2015 continued with the following investments:

- on 9 February 2016, the subsidiary Group Marais SA purchased the entire shareholding in the French company EAM SRL, with registered office in Carcassone, for Euro 450 thousand;

- on 1 August 2016, the company Marais Cote d'Ivoire, 100% owned by Group Marais SA, was set up. The company is based in Abidjan (Ivory Coast) and its purpose is the construction of energy telecommunications networks, sale and rental of Trencher machines.

Moreover, the completion of the range in the new automation segment of power lines continued with the following investments:

- on 3 March 2016, the parent company Tesmec S.p.A. purchased for Euro 0.3 million the remaining 60% of the share capital of Bertel S.r.l., company characterised as a highly innovative start-up in that operating in a market with a high technical profile such as that of streamlining systems of Transmission Power Lines. As a result of this operation, Tesmec holds the entire share capital of the company; as at June 30, 2016 Bertel increased Group's revenue for Euro 0.2 million.

- On 20 April 2016, the parent company Tesmec S.p.A. acquired 100% of CPT Engineering S.r.l., company specialised in the design and implementation of monitoring, protection and industrial automation solutions, which offers cutting-edge systems within the technologies of power lines. In detail, the transaction involved the purchase of the entire share capital of CPT against a price of Euro 300 thousand to which an earn-out up to a maximum of Euro 800 thousand is expected to be added related to the achievement of certain turnover results by the CPT and its economic balance. The payment of the price by Tesmec will be made by using own resources.
  As at 31 December 2015, CPT recorded a turnover of Euro 1.4 million, a negative EBITDA of Euro 200 thousand and net financial payables of Euro 1.7 million. As at 30 September 2016, CPT increased Group's revenue for Euro 0.7 million.

- On 28 April 2016, the subsidiary SGE S.r.l. finalised the acquisition by R&S Laboratorio S.r.l. of the business unit with effective date as from 1 July 2016, already rented since 2014, active in technology research, design, manufacture and sale of sensors and fault and basic electrical quantity detectors in substations and medium voltage power lines.

  The value of the transaction is Euro 1.4 million, and Euro 0.9 million was already paid upon acquisition and the remaining part will be paid in subsequent instalments. In 2015, the Business Unit subject-matter of the acquisition recorded revenues of Euro 3.6 million.

  The transaction is included in the more general development strategy in the Energy Automation sector, within which the Group recently concluded the acquisition of Bertel S.r.l. as a whole, active in the sector of streamlining systems of Transmission Power Lines (transaction completed and communicated last 3 March) and the acquisition of CPT Engineering S.r.l., company specialised in the design and implementation of monitoring, protection and industrial automation solutions, which offers cutting-edge systems within the technologies of power lines (transaction communicated on 1 April and completed on 20 April 2016).

- On 1 August 2016, Tesmec S.p.A. finalised the acquisition of Ampere S.r.l. in liquidation, of the business unit, including the Ampere trademark, involved in the sale of measuring and monitoring instruments and after-sales services for the production, transmission and distribution of electrical power for a fixed net price of Euro 106 thousand.

  This acquisition allows the Tesmec Group to strengthen its presence in Italy by benefiting from the strong relations that Ampere S.r.l. has with important customers. The transaction is part of the growth strategy in the sector of technologies for energy transport and confirms the Group's will to invest in the Energy Automation segment.

These acquisitions represent a significant step in the growth process of Tesmec in the world of energy, allowing the Group to complete the portfolio of solutions offered at the level of different voltage classes (high, medium, low) to meet the new technological challenges related to renewable energy sources and to distributed generation. In fact, the combination of the excellent skills in the development of sensors with the excellent skills in electronic devices will allow the Tesmec Group to offer a wide range of integrated systems to manage efficiently and in a sustainable manner the requests of a market characterised by the increase in energy consumption.

Other significant events during the period include:

- on 29 April 2016, upon approval of the financial statements for 2015, the Shareholders' Meeting of Tesmec S.p.A. resolved to:
  - allocate the profit of the Parent Company, amounting to Euro 7,412 thousand, as follows:
    - assign a dividend of Euro 0.025 to each outstanding ordinary share;
    - assign to the extraordinary reserve the amount of profit remaining after the allocation to dividend.
  - appoint the new Board of Directors that will remain in office until the shareholders' meeting that will be called to approve the financial statements for the year ended 31 December 2018, composed of Gianluca Bolelli, Sergio Arnoldi, Gioacchino Attanzio, Guido Giuseppe Maria Corbetta, Caterina Caccia Dominioni, Lucia Caccia Dominioni and Paola Durante as well as Ambrogio Caccia Dominioni who was confirmed as Chairman of the Board of Directors;
  - appoint the new Board of Statutory Auditors that will also remain in office until the shareholders' meeting called to approve the 2018 financial statements, composed of Statutory Auditors Simone Cavalli (Chairman), Alessandra De Beni and Stefano Chirico and Alternate Auditors Attilio Marcozzi and Stefania Rusconi;

- on 29 April 2016, the Board of Directors confirmed Ambrogio Caccia Dominioni as the Chief Executive Officer and Gianluca Bolelli as Vice Chairman.

  The Board of Directors decided to:
  - change the name of the current Remuneration Committee in "Remuneration and Appointments Committee" and to merge the function previously carried out by the Appointments Committee in the new Remuneration and Appointments Committee;
  - appoint the directors Gioacchino Attanzio (Chairman), Sergio Arnoldi and Caterina Caccia Dominioni as members of the new Remuneration and Appointments Committee;
  - appoint the directors Sergio Arnoldi (Chairman), Gianluca Bolelli and Gioacchino Attanzio as members of the Control and Risk Committee;
  - appoint Caterina Caccia Dominioni as director in charge of the internal control and risk management system;
  - appoint the Independent Director Gioacchino Attanzio as lead independent director;
  - appoint Lorenzo Pascali (Chairman), Maurizio Brigatti and Stefano Chirico as members of the Supervisory Body that will remain in office until the shareholders' meeting that will be called to approve the financial statements for the year ended 31 December 2018;

- on 22 May 2016, the subsidiary Marais Group signed a protocol for the sale of the 49% share held in Marais Algerie SARL at the price of Euro 40 thousand to the majority shareholder, in that this investment was no longer of strategic importance.

- On 16 September 2016, the subsidiary Tesmec Service S.r.l. ranked first in the tender by negotiated procedure called by RFI - Rete Ferroviaria Italiana S.p.A., company of the Ferrovie dello Stato Italiane Group responsible for the overall management of the national rail network, for the supply of 88 multipurpose ladder trucks for the maintenance of the Italian railway network.

  It is the result declared by the Commission during the public session held at the RFI Purchasing Department in Rome.

  The total value of the tender amounts to around Euro 91.8 million and, in the event of final awarding, the supply, to be completed within 4 years and also including a 6-year period of full maintenance service (FMS), is broken down as follows:
  - Lot 1: no. 26 multipurpose ladder trucks with axes;
  - Lot 2: no. 42 multipurpose boogie ladder trucks;
  - Lot 3: no. 20 multipurpose boogie ladder trucks.

This first result is due to the high technological content of the railway systems of the Tesmec Group that has been the key to the positive assessment.

Therefore, following the definition of the list, RFI must carry out the usual checks of Tesmec Service S.r.l., as the temporary winner of the tender, with regard to the possession of the legal requirements, the fairness of the prices offered and analyse the possible awarding to the one placed second of lot no. 3.

Only upon completion of the positive check of the aforementioned requirements, the awarding will be valid and the relating supply contract may be signed.

3.1 Impact of the acquisition of the remaining 60% of Bertel

As described above, on 3 March 2016, the parent company Tesmec S.p.A. purchased the remaining 60% of the share capital of Bertel S.r.l. (of which Tesmec already owned 40%).
The value of the transaction amounted to Euro 300 thousand corresponding to the nominal value and will be paid in two tranches: the first one of Euro 150 thousand within 12 months and the second one of Euro 150 thousand within 24 months. Moreover, following the acquisition, Bertel S.r.l. repaid the loan of Euro 260 thousand to the old majority shareholder.
The differential arising from this acquisition amounted to Euro 1,158 thousand and has been provisionally allocated among Assets in progress and advance payments to suppliers in that, as provided by IFRS 3, within 12 months after the transaction (i.e. March 2017), the recording of the acquisition will be completed through the final allocation of the arising differential.

3.2 Effects of the acquisition of CPT

As described above, on 20 April 2016, the parent company Tesmec S.p.A. purchased 100% of the share capital of *CPT Engineering S.r.l.* The transaction involved the purchase of the entire share capital of CPT against a price of Euro 300 thousand to which an earn-out up to a maximum of Euro 800 thousand is expected to be added related to the achievement of certain turnover results by the CPT and its economic balance. The payment of the price by Tesmec will be made by using own resources.
The differential arising from this acquisition amounted to Euro 116 thousand and has been provisionally allocated among Assets in progress and advance payments to suppliers in that, as provided by IFRS 3, within 12 months after the transaction (i.e. April 2017), the recording of the acquisition will be completed through the final allocation of the arising differential.

4. Activity, reference market and operating performance for the first nine months of 2016

In the first nine months of 2016, the demand for rental and service business with a high content for the customer increased confirming the validity of the strategic choice of Tesmec that, with the acquisition of the Marais Group and the recent developments in the automation and railway segment, is the provider of integrated solutions and complementary services. The widening from the traditional offer of the Group to the new offers required financial investments and technical developments that had a negative impact on the trend of major economic indicators. However, the validity of the strategic choices made is confirmed by the recovery of volume and margin indicators that characterised the performance of the third quarter of 2016 and by the collection of new important orders in the railway and automation segment that are an important basis for the end of this year and for the next quarters of 2017.
The interim consolidated financial statements of Tesmec have been prepared in accordance with the International Financial Reporting Standards – hereinafter the "IFRS" or the "International Accounting Standards", which were endorsed by the European Commission, in effect as at 30 September 2016. The following table shows the major economic and financial indicators of the Group as at September 2016 compared with the same period of 2015 for income statement data and with 31 December for financial position data.

	OVERVIEW OF THE FINANCIAL RESULTS	
30 September 2015	**Key income statement data** (Euro in millions)	**30 September 2016**
120.2	Operating Revenues	108.5
16.7	EBITDA	10.7
9.3	Operating Income	1.6
4.7	Group Net Profit	(1.4)
31 December 2015	**Key financial position data** (Euro in millions)	**30 September 2016**
145.8	Net Invested Capital	166.1
55.9	Shareholders' Equity	50.7
89.9	Net Financial Indebtedness	115.3
12.9	Investments in property, plant and equipment and intangible assets	17.2
569	Annual average employees	646

With reference to the above summarised figures, the information relating to the main subsidiary companies with operations during the period is shown below:

- Tesmec USA Inc., a company that is 67% owned by Tesmec S.p.A. and 33% by Simest S.p.A. (with an option of Tesmec S.p.A. to repurchase the Simest's shareholding interest), is based in Alvarado (Texas) and operates in the trencher segment and in the rail segment (as from 2012). In the first nine months of 2016, revenues achieved directly with customers/end users came to Euro 17.5 million. In the period, the decline in demand for capital goods in the traditional oil&gas segment continued partially offset by the first positive results of the sales of machinery in the civil construction industry.

- Tesmec Service S.r.l., company 100% owned by Tesmec S.p.A. with registered office in Grassobbio (BG) and operating unit in Monopoli (BA), carries out its activity of design and construction of machinery for the maintenance of rolling stock. During the first nine months of 2016, the company continued to develop the product range for the domestic market and recorded revenues of Euro 3.8 million.

  On 16 September 2016, the subsidiary Tesmec Service S.r.l. ranked first in the tender by negotiated procedure called by RFI - Rete Ferroviaria Italiana S.p.A., company of the Ferrovie dello Stato Italiane Group responsible for the overall management of the national rail network, for the supply of 88 multipurpose ladder trucks for the maintenance of the Italian railway network.

- Tesmec SA (Pty) Ltd, 100% owned by Tesmec S.p.A., with registered office in Johannesburg (South Africa), was set up in August 2011. In the first nine months, the company generated revenues of Euro 4.1 million confirming the positive trend achieved in the second half of last year.

- 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 5.7 million.

- 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. The activity of Tesmec Peninsula started in the second quarter of 2011. The company has been consolidated using the equity method and generated revenues totalling Euro 0.6 million.

- SGE S.r.l., company 100% owned by Tesmec S.p.A., with registered office in Grassobbio (BG), is specialised in the design and sales of sensors and fault detectors and measurement devices for medium voltage power lines. During the first nine months of 2016, revenues amounted to Euro 2.2 million.

- Marais Technologies SAS, with registered office in Durtal (France), company 52.83% owned by Tesmec S.p.A., 33.96% by Simest S.p.A. (with an option of Tesmec S.p.A. to repurchase this shareholding interest as at 30 June 2020) and 13.21% by C2D SAS. The French company, purchased on 8 April 2015, is the holding of an international group leader in rental services and construction of machines for infrastructures in telecommunications, electricity and gas. In the first nine months of the 2016, the Marais Group generated revenues of Euro 24.9 million, sharply up compared to 30 September 2015 during which it generated Euro 11.4 million in only 6 months.

Income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 30 September 2016 with those as at 30 September 2015.

The main profit and loss figures for the first nine months of 2016 and 2015 are presented in the table below:

	As at 30 September			
(Euro in thousands)	**2016**	**% of revenues**	**2015**	**% of revenues**
Revenues from sales and services	**108,477**	**100.0%**	**120,178**	**100.0%**
Cost of raw materials and consumables	(46,285)	-42.7%	(61,796)	-51.4%
Cost for services	(22,593)	-20.8%	(20,436)	-17.0%
Non-recurring costs for services	-	0.0%	(494)	-0.4%
Payroll costs	(29,190)	-26.9%	(24,499)	-20.4%
Other operating (costs)/ revenues, net	(3,312)	-3.1%	(2,494)	-2.1%
Gain on a bargain purchase (badwill)	-	0.0%	2,633	2.2%
Amortisation and depreciation	(9,115)	-8.4%	(7,476)	-6.2%
Development costs capitalised	3,513	3.2%	3,762	3.1%
Portion of losses/(gains) from the valuation of Joint Ventures using the equity method	85	0.1%	(120)	-0.1%
Total operating costs	**(106,897)**	**-98.5%**	**(110,920)**	**-92.3%**
Operating income	**1,580**	**1.5%**	**9,258**	**7.7%**
Financial expenses	(5,891)	-5.4%	(5,534)	-4.6%
Financial income	2,470	2.3%	3,468	2.9%
Portion of losses/(gains) from the valuation of equity investments using the equity method	(177)	-0.2%	(254)	-0.2%
Pre-tax profit	**(2,018)**	**-1.9%**	**6,938**	**5.8%**
Income tax	641	0.6%	(2,248)	-1.9%
Net profit for the period	**(1,377)**	**-1.3%**	**4,690**	**3.9%**
Profit / (loss) attributable to non-controlling interests	50	0.0%	6	0.0%
Group profit (loss)	**(1,427)**	**-1.3%**	**4,684**	**3.9%**

Revenues

Total revenues as at 30 September 2016 decreased by 9.7%, which is 1.6% for what concerns the performance of the third quarter only. The recovery of the current quarter is primarily influenced by revenues from services in the trencher sector which rose from Euro 5,354 thousand in the third quarter of 2015 to Euro 7,000 thousand in the third quarter of 2016.
The cumulative figure for the first nine months recorded a decrease in revenues for the Trencher segment partially offset by service activities of the Trencher segment where there has been a sharp increase that is attributable to the acquisition of the Marais Group in France. The first nine months of last year were also characterised by the progress in revenues of the order to Abengoa Group (Stringing equipment segment) that generated considerable revenues mainly in the Eurozone.

(Euro in thousands)	As at 30 September	
	2016	**2015**
Sales of products	84,817	103,941
Services rendered	21,572	13,835
	106,389	**117,776**
Changes in work in progress	2,088	2,402
Total revenues from sales and services	**108,477**	**120,178**

a) Revenues by geographic area

The turnover of the Group continues to be produced almost exclusively abroad and in non-EU countries, in particular. Also sales made to customers based in Europe are at times intended for use outside the European continent. The revenue analysis by area is indicated below, comparing the first nine months of 2016 with the first nine months of 2015, and indicates the growth of the African and BRIC markets, balanced by the downtrends recorded in the European and North and Central America markets. It is emphasised that the segmentation by geographic area is determined by the country where the customer is, regardless of the place where the project activities are organised.

(Euro in thousands)	As at 30 September	
	2016	**2015**
Italy	11,038	8,596
Europe	24,963	46,809
Middle East	13,478	17,432
Africa	16,808	9,924
North and Central America	21,549	24,932
BRIC and Others	20,641	12,485
Total revenues	**108,477**	**120,178**

As noted above, the decline in European sales was influenced by the work order of the Abengoa Group that generated its revenues mainly in the first nine months of 2015 and is therefore to be considered contingent.

b) Revenues by segment

(Euro in thousands)	As at 30 September				
	2016	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**
Stringing equipment	30,472	28.1%	58,190	48.4%	(27,718)
Trencher	74,276	68.5%	58,876	49.0%	15,400
Rail	3,729	3.4%	3,112	2.6%	617
Total revenues	**108,477**	**100.0%**	**120,178**	**100.0%**	**(11,701)**

In the first nine months of 2016, the Group consolidated revenues of Euro 108,477 thousand, marking a decrease of Euro 11,701 thousand compared to Euro 120,178 thousand in the same period of the previous year. In percentage terms, this decrease represents a negative difference of 9.7%, which is split unevenly between the Group's three business areas. More specifically, an increase of +19.8% was recorded for the Rail segment, +26.2% for the Trencher segment and -47.6% for the Stringing equipment segment.

The increase in revenues in the Trencher segment is mainly thanks to the positive impact of the service activities of the subsidiary Marais in France, in Africa and in Oceania. The sales in the US market and in the Middle East decreased, in line with a reduction in the propensity to invest by the customers of the Oil&Gas industry, due to the decline in oil price.

The already mentioned order of the Stringing equipment segment related to the Abengoa Group that characterised the revenues of the first nine months of 2015 is the main reason for the decline in revenues. Note, however, that the Energy Automation business, with the consolidation of recent developments in the sector of technologies for power lines, is contributing increasingly in the Stringing equipment segment .

For the Rail segment, the positive trade results related to the awarding of a major order for the supply of multi-purpose ladder trucks is added to the increase in revenues in the period linked to the performance of the orders in process.

Operating costs net of depreciation and amortisation

	As at 30 September			
(Euro in thousands)	**2016**	**2015**	**2016 vs. 2015**	**% change**
Cost of raw materials and consumables	(46,285)	(61,796)	15,511	-25.1%
Cost for services	(22,593)	(20,436)	(2,157)	10.6%
Non-recurring costs for services	-	(494)	494	100.0%
Payroll costs	(29,190)	(24,499)	(4,691)	19.1%
Other operating (costs)/revenues, net	(3,312)	(2,494)	(818)	32.8%
Gain on a bargain purchase (badwill)	-	2,633	(2,633)	100.0%
Development costs capitalised	3,513	3,762	(249)	-6.6%
Portion of losses/(gains) from the valuation of Joint Ventures using the equity method	85	(120)	205	-170.8%
Operating costs net of depreciation and amortisation	**(97,782)**	**(103,444)**	**5,662**	**-5.5%**

The table shows a decrease in operating costs of Euro 5,662 thousand (-5.5%) in a less than proportional way compared to the decrease in sales (-9.7%). The table shows that this reduction is accompanied by a the different mix of the Group's activities with a shift on service activities that resulted in a decrease (-25.1%) in the cost for the purchase of raw materials and consumables against an increase in costs of services by 10.6% and payroll costs by 19.1% resulting from the change in the consolidation area (Marais SARL and Bertel S.r.l.).

The first nine months of 2015 benefited from a positive net value of non-recurring costs and revenues of Euro 2,139 thousand (consisting of non-recurring costs for services of Euro 494 thousand and of Badwill of Euro 2,633 thousand) deriving from the acquisition of the Marais Group on 8 April 2015. Net of this item, the reduction would have been 7.4%.

EBITDA

As a result of the decrease in revenues (-9.7%) in a more than proportional way compared to the decrease in operating costs (-5.5%), in terms of margins, EBITDA amounted to Euro 10,695 thousand decreasing by 36.1% compared to what was recorded in the first nine months of 2015. Without the effect of badwill, the decrease would have been 26.7%.
It should be noted that the trend is improving with a result for the third quarter of 2016 of Euro 3,335 thousands compared with the figure of 2,490 thousand for the same period in 2015.

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

	As at 30 September				
(Euro in thousands)	**2016**	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**
Operating income	1,580	1.5%	9,258	7.7%	(7,678)
+ Depreciation and amortisation	9,115	8.4%	7,476	6.2%	1,639
EBITDA (*)	**10,695**	**9.9%**	**16,734**	**13.9%**	**(6,039)**
+ Non-recurring costs	-	0.0%	494	0.4%	(494)
+ Badwill	-	0.0%	(2,633)	-2.2%	2,633
adj EBITDA (*)	**10,695**	**9.9%**	**14,595**	**12.1%**	**(3,900)**

(*) EBITDA is represented by the operating income gross of amortisation/depreciation. 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.

The tables below show the income statement figures relating to EBITDA as at 30 September 2016 compared to those as at 30 September 2015, broken down into three operating segments:

	As at 30 September				
(Euro in thousands)	**2016**	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**
Stringing equipment	2,927	9.6%	9,369	16.1%	(6,442)
Trencher	7,494	10.1%	7,473	12.7%	21
Rail	274	7.3%	(108)	-3.5%	382
EBITDA (*)	**10,695**	**9.9%**	**16,734**	**13.9%**	**(6,039)**

(*) EBITDA is represented by the operating income gross of amortisation/depreciation. 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.

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

- Stringing equipment: the worsening of the EBITDA from Euro 9,369 thousand in the first nine months of 2015 to Euro 2,927 thousand in 2016 is mainly due to lower revenues for the traditional sales of machinery (affected in 2015 by the Abengoa work contract) that worsened the absorption of fixed costs. The acquisition of the entire share capital of Bertel and its consequent consolidation and the acquisition of CPT has also worsened the indicator of margins since these activities are still in the start-up phase.
- Trencher: the margin increased by 0.3% from Euro 7,473 thousand in the first half of 2015 to Euro 7,494 thousand in the same period of 2016. As already pointed out, the previous period was affected by an extraordinary positive item of Euro 2,139 thousand mainly related to Badwill generated by the Marais operation. Without the effects of this item, the margin would have increased by 40.5% more than proportionally to the increase in revenues due to a better absorption of fixed costs.
- Rail: advanced revenues in the period generated a positive absorption of overhead costs, generating a positive EBITDA of Euro 274 thousand against the negative figure of Euro 108 thousand of the same period last year.

Financial Management

	As at 30 September	
(Euro in thousands)	**2016**	**2015**
Net Financial Income/Expenses	(3,170)	(3,575)
Foreign exchange gains/losses	(308)	1,417
Fair value adjustment of derivative instruments	57	92
Portion of losses/(gains) from the valuation of equity investments using the equity method	(177)	(254)
Total net financial income/expenses	**(3,598)**	**(2,320)**

Net financial management decreased compared to the same period in 2015 of Euro 1,278 thousand due, for Euro 1.725 thousand, to the different USD/EUR exchange rate in the two periods of reference that resulted in the recording of net losses totalling Euro 308 thousand (realised profits for Euro 1 thousand and unrealised losses for Euro 309 thousand) in the first nine months of 2016 against net profits of Euro 1,417 thousand in the first nine months of 2015.

The net cost of borrowing decreased by 11.3% thanks to the benefits on the reduction of cost of short-term funding.

5.Summary of balance sheet figures as at 30 September 2016

Information is provided below on the Group's main equity indicators, as at 30 September 2016 compared to 31 December 2015. In particular, the following tables show the reclassified funding sources and uses from the consolidated balance sheet as at 30 September 2016 and as at 31 December 2015:

(Euro in thousands)	**As at 30 September 2016**	**As at 31 December 2015**
USES		
Net working capital [(1)]	76,510	63,505
Fixed assets	90,604	83,945
Other long-term assets and liabilities	(1,062)	(1,697)
Net invested capital [(2)]	**166,052**	**145,753**
SOURCES		
Net financial indebtedness [(3)]	115,349	89,876
Shareholders' equity	50,703	55,877
Total sources of funding	**166,052**	**145,753**

[(1)] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial 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)] The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available–for–sale securities, financial liabilities, 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 2016 and 31 December 2015 are as follows:

(Euro in thousands)	**As at 30 September 2016**	**As at 31 December 2015**
Trade receivables	57,644	50,882
Work in progress contracts	2,088	3,864
Inventories	54,687	58,891
Trade payables	(27,006)	(39,049)
Other current assets/(liabilities)	(10,903)	(11,083)
Net working capital [(1)]	**76,510**	**63,505**

[(1)] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial 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 76,510 thousand, marking an increase of Euro 13,005 thousand (equal to 20.5%) compared to 31 December 2015. This trend is mainly due to the increase in “Trade receivables” as a result of sales at the end of the third quarter that will generate cash in the coming months. Note also the decrease in the balance with suppliers for lower purchases and the sale of the existing warehouse.

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 30 September 2016 and 31 December 2015:

(Euro in thousands)	**As at 30 September 2016**	**As at 31 December 2015**
Intangible assets	19,080	13,827
Property, plant and equipment	67,781	65,352
Equity investments in associates	3,737	4,763
Other equity investments	6	3
Fixed assets	**90,604**	**83,945**

Total *fixed assets* recorded an increase of Euro 6,659 thousand due to the increase in property, plant and equipment of Euro 2,429 thousand due to the capitalisation of trencher machines registered in the fleet, especially by the American subsidiary following the drawing-up of new lease contracts and by the increase in intangible assets of Euro 5,253 thousand.

The increase in intangible assets is due to the change in the consolidation area for a total value of Euro 4,537 thousand related for Euro 839 thousand to the companies acquired during the period (EAM S.r.l. and C.P.T. Engineering S.r.l.) and for Euro 3,698 thousand to the line-by-line consolidation of the subsidiary Bertel S.r.l. as from 1 March 2016. This amount includes as *Assets in progress and advance payments to suppliers* the temporary differential of Euro 1,158 thousand generated by the acquisition of the remaining 60% of the equity investment in the company Bertel S.r.l. in March. As provided by IFRS 3, within 12 months after the transaction (i.e. March 2017), the recording of the acquisition will be completed through the final allocation of the emerging differential.

C) Net financial indebtedness

Details of the breakdown of Net financial indebtedness as at 30 September 2016 and 31 December 2015 are as follows:

(Euro in thousands)	**As at 30 September 2016**	**of which with related parties and group**	**As at 31 December 2015**	**of which with related parties and group**
Cash and cash equivalents	(14,732)		(21,204)	
Current financial assets [(1)]	(7,679)	*(6,766)*	(11,871)	*(11,499)*
Current financial liabilities	58,629	*1,334*	45,240	*1,241*
Current portion of derivative financial instruments	30		14	
Current financial indebtedness [(2)]	**36,248**	***(5,432)***	**12,179**	***(10,258)***
Non-current financial liabilities	78,834	*13,746*	77,347	*14,743*
Non-current portion of derivative financial instruments	267		350	
Non-current financial indebtedness [(2)]	**79,101**	***13,746***	**77,697**	**14,743**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**115,349**	***8,314***	**89,876**	***4,485***

[(1)] Current financial assets as at 30 September 2016 and 31 December 2015 include the market value of shares and warrants, which are therefore considered cash and cash equivalents.

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

In the first nine months of 2016, the Group's net financial indebtedness increased by Euro 25,473 thousand compared to the figure at the end of 2015. Without considering the notional debt of the building of Grassobbio, recognised due to the application of IAS 17, the net indebtedness as at 30 September 2016 would have been Euro 98,467 thousand. The change compared to 31 December 2015 is mainly attributable to the changes in the consolidation area with the acquisition of 100% and line-by-line consolidation of the subsidiary Bertel and the acquisition of 100% of the subsidiary CPT. The table below shows the breakdown of the following changes:

- increase in current financial indebtedness of Euro 24,069 thousand due to the:
  - increase in current financial liabilities of Euro 13,389 thousand mainly due to (i) Euro 8,962 thousand as a result of greater advances on export and to (ii) Euro 8,816 thousand as a result of the increase in current portion of medium/long-term loans;
  - decrease in current financial assets and cash and cash equivalents of Euro 10,664 thousand;
- increase in non-current financial indebtedness of Euro 1,404 thousand due to the drawing-up of new medium/long-term loan contracts amounting to Euro 17,657 thousand offset by the reclassification in the current financial indebtedness relating to the short-term portions.

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 2015, 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 2016, no transactions took place with related parties of an atypical or unusual nature with no bearing on 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 2016, including the employees of companies that are fully consolidated, is 646 persons compared to 569 in 2015 as a result of the acquisitions made in the period.

9. Other information

Treasury shares

On 29 April 2016, the Shareholders' Meeting resolved favourably on the First Section of the Report on Remuneration pursuant to Article 123-ter of Legislative Decree no. 58/98 and authorised also the Board of Directors, for a period of 18 months, to purchase, on the regulated market, ordinary shares of Tesmec until 10% of the share capital of the Company and within the limits of the distributable profits and of the available reserves resulting from the last financial statements duly approved by the Company or the subsidiary company making the purchase. The authorisation also includes the right to dispose of (in whole or in part and also in several times) the shares in the portfolio subsequently, even before having exhausted the maximum amount of shares purchasable and to possibly repurchase the shares to the extent that the treasury shares held by the Company and, if necessary, by the companies controlled by it, do not exceed the limit established by the authorisation. The quantity and the price at which transactions will be made will comply with the operating procedures laid down by the regulations. This authorisation replaces the last authorisation resolved by the Shareholders' Meeting on 30 April 2015 and expiring in October 2016.

In the period between 1 July 2015 and the date of this Report, the Company purchased 2,115,558 treasury shares (1.98% of Share Capital) at an average price of Euro 0.6355 for a total amount net of commissions of Euro 1,344,391. On the date of this report, the Company holds a total of 4,711,879 treasury shares, equal to 4.40% of the Share Capital.

Subsequent events and business outlook

Of events subsequent to the end of the quarter, the following are of note:

- On 3 October 2016, the company Tesmec Rail S.r.l., 100% owned by Tesmec S.p.A., was set up. The company is based in Monopoli (BA) and its purpose is the design, construction and maintenance of railway systems for electric traction and signalling and railway equipment.

- From November 7, 2016, Mrs Lucia Caccia Dominioni acts as Investor Relations Manager of the Company.

- Tesmec announces the award of a contract of a total value of around Euro 14 million for the supply of 25 complete systems (machines and equipment) for the stringing of overhead conductors for high voltage power transmission to PT PLN (Persero), the Indonesian State-owned Power Company that holds a monopoly and managed the distribution and transmission of electricity in the Country.

Business outlook

The Group confirms its internationalization strategy through intensive commercial activities also in new markets that recognize technological innovation and the high level of integrated solutions offered.
In confirmation of this strategy, the Group is already recording a positive trend in backlog as well as several ongoing negotiations, both in the traditional and new business, confirming an improvement compared to the first part of the year which will positively affect the performance of the next quarters in terms of volumes, operating margins and financial position.
The positive impact on the year-end result of negotiations whose outcome has already been confirmed may, however, be influenced by the timing of finalization sometimes slowed by particularly complex bureaucracy.

INTERIM REPORT ON OPERATIONS

Consolidated financial statements

Consolidated statement of financial position as at 30 September 2016 and as at 31 December 2015

(Euro in thousands)	Notes	30 September 2016	31 December 2015
NON-CURRENT ASSETS			
Intangible assets	6	19,080	13,827
Property, plant and equipment	7	67,781	65,352
Equity investments valued using the equity method		3,737	4,763
Other equity investments		6	3
Financial receivables and other non-current financial assets		219	473
Derivative financial instruments	15	2	11
Deferred tax assets		10,127	8,844
Non-current trade receivables		201	80
TOTAL NON-CURRENT ASSETS		**101,153**	**93,353**
CURRENT ASSETS			
Work in progress contracts	8	2,088	3,864
Inventories	9	54,687	58,891
Trade receivables	10	57,644	50,882
of which with related parties:	10	*2,149*	*4,050*
Tax receivables		1,310	486
Other available-for-sale securities		536	22
Financial receivables and other current financial assets	11	7,143	11,849
of which with related parties:	11	*6,766*	*11,499*
Other current assets		4,822	4,337
Cash and cash equivalents		14,732	21,204
TOTAL CURRENT ASSETS		**142,962**	**151,535**
TOTAL ASSETS		**244,115**	**244,888**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	12	10,708	10,708
Reserves / (deficit)	12	39,769	36,623
Group net profit / (loss)	12	(1,427)	6,931
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**49,050**	**54,262**
Minority interest in capital and reserves / (deficit)		1,603	1,385
Net profit / (loss) for the period attributable to non-controlling interests		50	230
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**1,653**	**1,615**
TOTAL SHAREHOLDERS' EQUITY		**50,703**	**55,877**
NON–CURRENT LIABILITIES			
Medium/long-term loans	13	64,116	62,675
of which with related parties:	13	*13,746*	*14,743*
Bond issue	13	14,718	14,672
Derivative financial instruments	15	267	350
Employee benefit liability		3,653	2,847
Deferred tax liabilities		7,805	8,255
Other non-current liabilities		150	3
Non-current trade payables		3	-
TOTAL NON-CURRENT LIABILITIES		**90,712**	**88,802**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	14	58,629	45,240
of which with related parties:	14	*1,334*	*1,241*
Derivative financial instruments	15	30	14
Trade payables		27,006	39,049
of which with related parties:		*19*	*200*
Advances from customers		1,348	1,694
Income taxes payable		2,349	2,933
Provisions for risks and charges		3,676	3,392
Other current liabilities		9,662	7,887
TOTAL CURRENT LIABILITIES		**102,700**	**100,209**
TOTAL LIABILITIES		**193,412**	**189,011**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**244,115**	**244,888**

Consolidated income statement as at 30 September 2016 and 2015

		As at 30 September	
(Euro in thousands)	**Notes**	**2016**	**2015**
Revenues from sales and services	16	**108,477**	**120,178**
of which with related parties:		*4,387*	*6,920*
Cost of raw materials and consumables		(46,285)	(61,796)
of which with related parties:		*(25)*	*(171)*
Cost for services		(22,593)	(20,436)
of which with related parties:		*(238)*	*(42)*
Non-recurring costs for services		-	(494)
Payroll costs		(29,190)	(24,499)
Other operating (costs)/ revenues, net		(3,312)	(2,494)
of which with related parties:		*187*	*11*
Gain on a bargain purchase (badwill)		-	2,633
Amortisation and depreciation		(9,115)	(7,476)
Development costs capitalised		3,513	3,762
Portion of losses/(gains) from the valuation of Joint Ventures using the equity method		85	(120)
Total operating costs	17	**(106,897)**	**(110,920)**
Operating income		**1,580**	**9,258**
Financial expenses		(5,891)	(5,534)
of which with related parties:		*(655)*	*(785)*
Financial income		2,470	3,468
of which with related parties:		*97*	*117*
Portion of losses/(gains) from the valuation of equity investments using the equity method		(177)	(254)
Pre-tax profit		**(2,018)**	**6,938**
Income tax		641	(2,248)
Net profit for the period		**(1,377)**	**4,690**
Profit / (loss) attributable to non-controlling interests		**50**	**6**
Group profit (loss)		**(1,427)**	**4,684**
Basic and diluted earnings per share		**(0.0133)**	**0.0437**

Consolidated statement of comprehensive income as at 30 September 2016 and 2015

(Euro in thousands)	Notes	As at 30 september 2016	2015
NET PROFIT FOR THE PERIOD		**(1,427)**	**4,684**
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	12	(827)	2,864
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		(251)	84
Income tax		69	(23)
	12	(182)	61
Total other income/(losses) after tax		**(1,009)**	**2,925**
Total comprehensive income (loss) after tax		**(2,436)**	**7,609**
Attributable to:			
Equity holders of parent		(3,813)	12,299
Minority interests		1,377	(4,690)

Statement of consolidated cash flows as at 30 September 2016 and 2015

		As at 30 September	
(Euro in thousands)	Notes	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		(1,377)	4,690
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation	6-7	9,115	7,476
Provisions for employee benefit liability		533	7
Provisions for risks and charges / inventory obsolescence / doubtful accounts		864	1,016
Gain on a bargain purchase (badwill)		-	(2,633)
Employee benefit payments		(423)	(165)
Payments of provisions for risks and charges		(22)	(271)
Net change in deferred tax assets and liabilities		(1,646)	(844)
Change in fair value of financial instruments	15	(58)	(94)
Change in current assets and liabilities:			
Trade receivables	10	(7,520)	(2,313)
Inventories	9	5,067	43
Trade payables		(11,976)	3,930
Other current assets and liabilities		598	1,610
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(6,845)**	**12,452**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	7	(11,376)	(8,780)
Investments in intangible assets	6	(5,538)	(4,705)
(Investments) / disposal of financial assets		5,326	(1,842)
Changes in the consolidation area		(6,538)	315
Proceeds from sale of property, plant and equipment and intangible assets	6-7	6,223	4,107
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(11,903)**	**(10,905)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	13	17,657	13,345
Repayment of medium/long-term loans	13	(17,008)	(13,712)
Changes in the consolidation area		930	-
Net change in short-term financial debt	13	13,500	112
Purchase of treasury shares	12	(316)	(564)
Other changes	12	87	48
Dividend distribution	12	(2,566)	(2,403)
NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES (C)		**12,284**	**(3,174)**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(6,464)**	**(1,627)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(8)	37
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		21,204	18,665
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)		**14,732**	**17,075**
Additional information:			
Interest paid		3,652	3,950
Income tax paid		2,411	1,343

Statement of changes in consolidated shareholders' equity as at 30 September 2016 and 2015

(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 2015	**10,708**	**2,004**	**10,915**	**(1,010)**	**2,114**	**18,524**	**4,909**	**48,164**	9	**48,173**
Profit for the period	-	-	-	-	-	-	4,684	4,684	6	4,690
Other profits / (losses)	-	-	-	-	2,864	61	-	2,925	-	2,925
Total comprehensive income / (loss)								**7,609**	6	**7,615**
Allocation of profit from the previous year	-	137	-	60	-	2,309	(2,506)	-		-
Dividend distribution	-	-	-	-	-	-	(2,403)	(2,403)	-	(2,403)
Change in the consolidation area	-	-	-	-	-	25	-	25	(25)	-
Other changes	-		-	(564)	-	(38)	-	(602)	-	(602)
Balance as at 30 September 2015	**10,708**	**2,141**	**10,915**	**(1,514)**	**4,978**	**20,881**	**4,684**	**52,793**	**(10)**	**52,783**

(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 2016	**10,708**	**2,141**	**10,915**	**(2,136)**	**5,731**	**19,972**	**6,931**	**54,262**	**1,615**	**55,877**
Profit for the period	-	-	-	-	-	-	(1,427)	(1,427)	50	(1,377)
Other profits / (losses)	-	-	-	-	(827)	(182)	-	(1,009)	7	(1,002)
Total comprehensive income / (loss)								**(2,436)**	57	**(2,379)**
Allocation of profit from the previous year	-	-	-	111	-	4,254	(4,365)	-	-	-
Dividend distribution	-	-	-	-	-	-	(2,566)	(2,566)	-	(2,566)
Change in the consolidation area	-	-	-	-	-	106	-	106	(19)	87
Purchase of treasury shares			-	(316)	-	-	-	(316)	-	(316)
Balance as at 30 September 2016	**10,708**	**2,141**	**10,915**	**(2,341)**	**4,904**	**24,150**	**(1,427)**	**49,050**	**1,653**	**50,703**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 30 September 2016

1. Company information

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

2. Reporting standards

The interim consolidated report on operations as at 30 September 2016 was 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 report on operations as at 30 September 2016 are those adopted for preparing the interim consolidated report on operations as at 31 December 2015 in compliance with IFRS.

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 Interim consolidated report on operations as at 31 December 2015. 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 as at 30 September 2016.

Since the interim consolidated report on operations does not disclose all the information required in preparing the consolidated annual financial statements, it must be read together with the consolidated financial statements as at 31 December 2015.

The interim consolidated report on operations as at 30 September 2016 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 2015 for the statement of financial position and 30 September 2015 for the consolidated income statement, consolidated statement of comprehensive income, statement of changes in shareholders’ equity and cash flow statement).

The interim consolidated report on operations is presented in Euro and all values are rounded to the nearest thousand, unless otherwise indicated.

Disclosure of the interim consolidated report on operations of the Tesmec Group for the period ended 30 September 2016 was authorised by the Board of Directors on 7 November 2016.

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 the period ended 30 September		End-of-period exchange rate as at 30 September	
	2016	2015	2016	2015
US Dollar	1.116	1.115	1.116	1.120
Bulgarian Lev	1.956	1.956	1.956	1.956
Russian Rouble	76.305	66.554	70.514	73.242
South African Rand	16.702	13.687	15.524	15.498
Renminbi	7.343	6.965	7.446	7.121
Qatar Riyal	4.062	4.057	4.063	4.078
Algerian Dinar	121.649	109.337	122.317	118.775
Tunisian Dinar	2.348	2.169	2.461	2.199
Australian Dollar	1.505	1.462	1.466	1.594
New Zealand Dollar	1.614	1.573	1.537	1.757
CFA Franc	655.957	655.957	655.957	655.957

3. Restatement of the figures of the previous financial year

To better represent the financial statement contents, the bond issue of Euro 15 million and with maturity date 31 December 2018, included in the item "Medium/long-term loans" was reclassified, also for the 2015 financial year, to the item "Bond issue".

The table below summarises the effect of the reclassification made:

(Euro in thousands)	31 December 2015 (restated)	31 December 2015
Medium-long term loan	62,675	77,409
Medium-long term loan	**62,675**	**77,409**
Bond issue	14,672	-
Total bond issue	**14,672**	**-**
Interest-bearing financial payables (current portion)	45,240	45,178
Interest-bearing financial payables (current portion)	**45,240**	**45,178**

4. Consolidation methods and area

As at 30 September 2016, the area of consolidation changed with respect to that as at 31 December 2015:

- on 9 February 2016, the subsidiary Group Marais SA purchased the entire shareholding in the French company EAM SRL, with registered office in Carcassone, for Euro 450 thousand;
- on 3 March 2016, the parent company Tesmec S.p.A. purchased the remaining 60% of the share capital of Bertel S.r.l. The subsidiary, previously consolidated with the equity method, as from that date is consolidated on a line-by-line basis;
- on 20 April 2016, the subsidiary Tesmec Balkani EAD was wound-up in that this investment was no longer of strategic importance;
- on 20 April 2016, the parent company Tesmec S.p.A. acquired 100% of CPT Engineering S.r.l., company specialised in the design and implementation of monitoring, protection and industrial automation solutions, which offers cutting-edge systems within the technologies of power lines, consolidated on a line-by-line basis as from that date;

- on 22 May 2016, the subsidiary Marais Group sold the 40% share held in JV Marais Algerie SARL at the price of Euro 40 thousand, consolidated in the financial statements using the equity method.

- on 1 August 2016, the company Marais Cote d'Ivoire, 100% owned by Group Marais SA, was set up. The company is based in Abidjan (Ivory Coast) and its purpose is the construction of energy telecommunications networks, sale and rental of Trencher machines.

5. New accounting standards

The accounting standards adopted for the preparation of the interim condensed consolidated financial statements are the same as those adopted for the preparation of the consolidated financial statements for the year ended 31 December 2015, with the exception of the adoption as of 1 January 2016 of the new standards, amendments and interpretations. The Group has not adopted in advance any new standard, interpretation or change issued but not yet in force.
The nature and effects of these changes are shown below. Albeit these new standards and amendments were applicable for the first time in 2016, they had no impact on the consolidated financial statements of the Group or on the interim consolidated report on operations of the Group. The nature and impact of each new standard/amendment is listed below:

Amendments to IAS 19 - Defined contribution plans: employee contributions
IAS 19 requires an entity to consider contributions from employees or third parties in the recording of defined benefit plans. When the contributions are related to the provided service, they should be attributed to the periods of service as a negative benefit. This amendment clarifies that, if the amount of contributions does not depend on the number of years of service, the entity is allowed to recognise these contributions as a reduction of the cost of service in the period in which the service is rendered, instead of allocating the contribution to the periods of service. This amendment is effective for annual periods beginning on or after 1 February 2015. This amendment is not relevant to the Group, given that none of the entities that are part of the Group have plans comprising contributions of employees or third parties.

Annual Improvements to IFRSs 2010–2012 Cycle

IFRS 2 Share-based payment
This improvement applies prospectively and clarifies various points related to the definition of performance and service conditions representing vesting conditions, including:
- a performance condition must include a service condition;
- an objective of performance must be achieved while the counterparty provides a service;
- an objective of performance can refer to the operations or activities of an entity, or to those of another entity within the same Group;
- a performance condition can be a market based performance condition or a non-market performance condition;
- if the counterparty, regardless of the reasons, ceases to provide service during the vesting period, the service condition is not met.

Therefore, these improvements did not affect the accounting standards of the Group, since none of the entities forming part of the Group have plans that require share-based remuneration.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment had no impact on the Group's accounting policy.

IFRS 8 Operating segments
The amendment applies prospectively and clarifies that:
- an entity should disclose information on the assessments made by the management in applying the aggregation criteria set forth in paragraph 12 of IFRS 8, including a short description of the operating segments that have been aggregated and of the economic characteristics (for example: sales, gross margin) used for defining whether the segments are "similar";
- it is necessary to present the reconciliation of the segment assets with the total assets only if the reconciliation is presented by the senior operating decision maker, as required for segment liabilities.

The Group did not apply the aggregation criteria provided by IFRS 8.12. In the previous periods, the Group presented the reconciliation of the segment's assets with total assets and continues to present it in Explanatory Notes, inasmuch as the reconciliation is provided to the highest decision-making level.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets
The amendment applies prospectively and clarifies that in IAS 16 and in IAS 38 an asset can be revalued with reference to observable data both by adjusting the gross book value of the asset to the market value and by determining the market value of the book value and adjusting proportionally the gross book value in such a way that the resulting book value is equal to the market value. Moreover, the accumulated amortisation and depreciation is the difference between the gross book value and the book value of the asset. The Group has not recorded any revaluation adjustment during the interim period of reference.

IAS 24 Related party disclosures
The amendment applies prospectively and clarifies that a management entity (entity providing key management personnel services) is a related party subject to related party disclosures. Moreover, an entity that makes use of a management entity must disclose the costs incurred for management services. This amendment is not relevant for the Group in that it does not receive management services from other entities.

Amendments to IFRS 11 - Accounting for Acquisitions of interests in Joint Operations
The amendments to IFRS 11 require that a joint operator that records the acquisition of a stake in a joint arrangement, whose assets represent a business, must apply the relevant principles of IFRS 3 regarding the accounting of business combinations.
The amendments also clarify that, if joint control is maintained, the interest previously held in a joint operation is not subject to re-measurement at the time of the acquisition of an additional interest in the same joint operation. Moreover, an exclusion from the scope of IFRS 11 was added to clarify that the amendments do not apply when the parties that share control, including the entity that prepares the financial statements, are under the share control of the same last controlling party.
The changes apply both to the acquisition of the initial stake in a joint arrangement and to the acquisition of further stakes in the same joint arrangement. The amendments must be applied from years starting 1 January 2016 or later; early application is permitted. These amendments have no impact on the Group in that during the period there were no acquisitions of interests in a joint operation.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable methods of depreciation and amortisation
The amendments clarify the principle contained in IAS 16 Property, plant and equipment and IAS 38 Intangible Assets: revenues reflect a model of economic benefits generated by the management of a business (to which the asset belongs), rather than economic benefits that are consumed with the use of the asset. This means that a revenue-based method cannot be used to depreciate property, plant and equipment and could be used only in very limited circumstances for the amortisation of intangible assets. The amendments must be applied from years starting 1 January 2016 or later; early application is permitted. These amendments have no impact on the Group in that the Group does not use methods based on revenues for the amortisation/depreciation of non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
These amendments have no impact on the Group in that the Group has no bearer plants.

Amendments to IAS 27 Equity Method in separate financial statements
The amendments will allow entities to use the net equity method to recognise investments in subsidiaries, joint ventures and associates in its separate financial statements. Entities that are already applying the IFRS and decided to change the accounting criteria by passing to the net equity method in their separate financial statements must apply the change retrospectively. In case of first adoption of the IFRS, the entity that decides to use the equity method in its own separate financial statements must apply it from the date of transition to the IFRSs. The amendments take effect for financial periods starting 1 January 2016 or later; early application is permitted. These amendments have no impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs - 2012–2014 Cycle
These amendments take effect for financial periods starting 1 January 2016 or later. They include:

IFRS 5 Non-current assets held for sale and discontinued operations
Assets or disposal groups are generally held for sale or for distribution to owners. The amendment states that the change from one to another of these methods of disposal should not be considered a new plan to sell, but rather a continuation of the original plan. Therefore, there is no interruption in the application of the requirements of IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts
The amendment states that a servicing contract that includes a fee can lead to a continuous involvement in a financial asset. An entity must define the nature of the fee and of the agreement on the basis of the guidance in IFRS 7 on continuous involvement to consider whether a disclosure is requested. The definition of which service contract involves continuous involvement must be made retrospectively. However, the disclosure required must not be presented for the financial years preceding the first-time application of this amendment.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the disclosure requirements on fees do not apply to condensed interim financial statements, unless this disclosure provides a significant updating of the information presented in the last financial statements. This amendment must be applied retrospectively.

IAS 19 Employee benefits
The amendment clarifies that the active market (market depth) of high-quality company bonds must be defined by reference to the currency of the bond, rather than the country in which the bond is located. When there is no active market for high-quality company bonds in that currency, the rates of the related Italian Government bonds must be used. This amendment must be applied prospectively.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify rather than amend significantly some of the already existing requirements of IAS 1
. The amendments clarify:

- the materiality requirement in IAS 1;
- the fact that specific lines in the statement of profit/(loss) for the year or of other components of the statement of comprehensive income or in the statement of financial position can be broken down;
- that the entities have flexibility with respect to the order in which they present the notes to the financial statements;
- that the portion of other components of the statement of comprehensive income related to associates and joint ventures accounted for with the equity method must be presented in aggregate on one line, and classified among those items that will not be reclassified subsequently to the income statement.

In addition, the amendments clarify the requirements that apply when sub-totals are presented in the statement of profit/(loss) for the year or of other components of the statement of comprehensive income or in the statement of financial position. These amendments take effect for financial periods starting 1 January 2016 or later; early application is permitted. These amendments have no impact on the Group.

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

6. Intangible assets

The breakdown and changes in "Intangible assets" as at 30 September 2016 and as at 31 December 2015 are shown in the table below:

(Euro in thousands)	01/01/2016	Increases due to purchases	Change in the consolidation area	Decreases	Amortisation	Exchange rate differences	30/09/2016
Development costs	11,612	4,023	2,854	-	(4,139)	(75)	14,275
Rights and trademarks	2,215	845	409	-	(608)	-	2,861
Assets in progress and advance payments to suppliers	-	670	1,274	-	-	-	1,944
Total intangible assets	**13,827**	**5,538**	**4,537**	**-**	**(4,747)**	**(75)**	**19,080**

As at 30 September 2016, *intangible assets* totalled Euro 19,080 thousand, up Euro 5,253 thousand on the previous year due to:

- *development costs* capitalised in the first nine months of 2016 for Euro 4,023 thousand, partially offset by amortisation for the period (Euro 4,139 thousand). These costs are related to projects for the development of new products and equipment that are expected to generate positive cash flows in future years;
- change in the consolidation area for a total value of Euro 4,537 thousand related for Euro 839 thousand to the companies acquired during the period (EAM S.r.l. and C.P.T. Engineering S.r.l.) and for Euro 3,698 thousand to the line-by-line consolidation of the subsidiary Bertel S.r.l. as from 1 March 2016; this amount includes as *assets in progress and advance payments to suppliers* the temporary differential of Euro 1,158 thousand generated by the acquisition of the remaining 60% of the equity investment in the company Bertel S.r.l. in March. The company is characterised as a highly innovative start-up in that operating in a market with a high technical profile such as that of streamlining systems of Transmission Power Lines; this justifies the differential arising from the acquisition.
  As provided by IFRS 3, within 12 months after the transaction (i.e. March 2017), the recording of the acquisition will be completed through the final allocation of the emerging differential.

7. Property, plant and equipment

The breakdown and changes in "Property, plant and equipment" as at 30 September 2016 and as at 31 December 2015 are shown in the table below:

(Euro in thousands)	01/01/2016	Increases due to purchases	Change in the consolidation area	Decreases	Reclassifications	Depreciations	Exchange rate differences	30/09/2016
Land	5,815	-	189	-	-	(6)	(5)	5,993
Buildings	24,613	31	856	-	2,468	(766)	(149)	27,053
Plant and machinery	7,898	288	54	(86)	(2,468)	(847)	(40)	4,799
Equipment	1,267	517	100	(125)	-	(354)	3	1,408
Other assets	25,219	10,262	802	(6,012)	-	(2,395)	(166)	27,710
Assets in progress and advance payments to suppliers	540	278	-	-	-	-	-	818
Total property, plant and equipment	**65,352**	**11,376**	**2,001**	**(6,223)**	**-**	**(4,368)**	**(357)**	**67,781**

As at 30 September 2016, property, plant and equipment totalled Euro 67,781 thousand, up compared to the previous year by Euro 2,429 thousand.

The increase is due to the capitalisation of trencher machines registered in the fleet, especially by the American subsidiary following the drawing-up of new lease contracts partially offset by the increase resulting from the change in consolidation area of Euro 2,001 thousand relating to the companies acquired during the period (EAM S.r.l. and C.P.T. Engineering S.r.l.).

8. Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 30 September 2016 and as at 31 December 2015:

(Euro in thousands)	30 September 2016	31 December 2015
Work in progress (Gross)	2,088	9,158
Advances from contractors	-	(5,294)
Work in progress contracts	**2,088**	**3,864**
Advances from contractors (Gross)	-	-
Work in progress (Gross)	-	-
Advances from contractors	**-**	**-**

"Work in progress" refers exclusively to the rail segment where the machinery is produced in accordance with specific customer requirements. "Work in progress" is recognised as an asset if, on the basis of an analysis carried out for each contract, the gross value of work in progress is greater than advances from customers; it is recognised as a liability if the advances are greater than the related work in progress.
If the advances are not collected at the reporting date, the corresponding amount is recognised as trade receivables.

9. Inventories

The following table provides a breakdown of "Inventories" as at 30 September 2016 compared to 31 December 2015:

(Euro in thousands)	30 September 2016	31 December 2015
Raw materials and consumables	32,120	32,886
Work in progress	13,435	9,824
Finished products and goods for resale	9,041	16,134
Advances to suppliers for assets	91	47
Total Inventories	**54,687**	**58,891**

Inventories compared to 31 December 2015 decreased by Euro 4,204 thousand mainly due to the sale of the existing warehouse.

10. Trade receivables

The following table provides a breakdown of "Trade receivables" as at 30 September 2016 and as at 31 December 2015:

(Euro in thousands)	30 September 2016	31 December 2015
Trade receivables from third-party customers	55,495	46,832
Trade receivables from associates, related parties and joint ventures	2,149	4,050
Total trade receivables	**57,644**	**50,882**

The increase in *trade receivables* (13.3%) reflects the trend of sales for the period concentrated in September in particular. The balance of Trade Receivables from related parties fell by Euro 1,901 thousand mainly due to deconsolidation of the Joint Venture Marais Algerie Sarl; the latter, amounting to Euro 1,092 thousand, was reclassified to trade receivables from third-parties.

11. 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 2016 and as at 31 December 2015:

(Euro in thousands)	**30 September 2016**	**31 December 2015**
Financial receivables due from associates, related parties and joint ventures	6,766	11,499
Financial receivables from third parties	315	285
Other current financial assets	62	65
Total financial receivables and other current financial assets	**7,143**	**11,849**

The decrease in current financial assets from Euro 11,849 thousand to Euro 7,143 thousand is mainly due to the decrease in credit positions relating to specific contracts signed with JV related parties on which an interest rate is applied and repayable within 12 months, and to the acquisition of the remaining 60% of the company Bertel S.r.l..

12. Share 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 each.

The following table provides a breakdown of Other reserves as at 30 September and as at 31 December 2015:

(Euro in thousands)	**30 September 2016**	**31 December 2015**
Revaluation reserve	86	86
Extraordinary reserve	25,294	20,559
Change in the consolidation area	106	(900)
Severance indemnity valuation reserve	(461)	(278)
Network Reserve	794	794
Retained earnings/(losses brought forward)	(1,669)	(289)
Total other reserves	**24,150**	**19,972**

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 827 thousand as at 30 September 2016.

As a result of the resolution of 29 April 2016, with the approval of the 2015 financial statements, the Shareholders' Meeting of Tesmec S.p.A. decided to allocate the profit of the Parent Company of Euro 7,412 thousand, as follows:

- assign a dividend of Euro 0.025 to each outstanding ordinary share;
- assign to the Extraordinary Reserve the amount of profit remaining after the allocation to the Legal reserve and dividend.

13. Medium-long term loans

During the first nine months of 2016, medium-long term loans (including the bond issue) increased from Euro 77,347 thousand to Euro 78,834 thousand mainly due to (i) the signing of new medium/long-term loans totalling Euro 17,657 thousand and to the (ii) reclassification in the current financial indebtedness relating to the short-term portion of loans and financial leases (Euro 15,636 thousand as at 30 September 2016 compared to Euro 16,953 thousand as at 31 December 2015).

14. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 30 September and as at 31 December 2015:

(Euro in thousands)	30 September 2016	31 December 2015
Advances from banks against invoices and bills receivables	27,365	18,403
Other financial payables (short-term leases)	2,424	2,455
Payables due to factoring companies	3,203	4,822
Current account overdrafts	274	22
Short-term loans to third parties	792	3,806
Current portion of medium/long-term loans	24,511	15,695
Other short-term financial payables	60	37
Total interest-bearing financial payables (current portion)	**58,629**	**45,240**

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.

15. Disclosure of derivative financial instruments

The following table shows a summary of the financial instruments, other than cash and cash equivalents, owned by the Group as at 30 September 2016:

(Euro in thousands)	Loans and receivables/ financial liabilities measured at amortised cost	Guarantee deposits	Cash and cash equivalents	Available-for-sale financial assets	Fair value recognised in the income statement
Financial assets:					
Guarantee deposits	-	219	-	-	-
Trade receivables	201	-	-	-	-
Derivative financial instruments	-	-	-	-	2
Total non-current	**201**	**219**	**-**	**-**	**2**
Trade receivables	57,644	-	-	-	-
Financial receivables from related parties	6,766	-	-	-	-
Financial receivables from third parties	377	-	-	-	-
Other available-for-sale securities	-	-	-	536	-
Cash and cash equivalents	-	-	14,732	-	-
Total current	**64,787**	**-**	**14,732**	**536**	**-**
Total	**64,988**	**219**	**14,732**	**536**	**2**
Financial liabilities:					
Loans	48,480	-	-	-	-
Bond issue	14,718	-	-	-	-
Non-current portion of finance leases, net	15,636	-	-	-	-

Derivative financial instruments	-	-	-	-	267
Trade payables	3	-	-	-	-
Total non-current	**78,837**	**-**	**-**	**-**	**267**
Loans	24,509	-	-	-	-
Derivative financial instruments	-	-	-	-	30
Other financial payables (short-term leases)	2,424	-	-	-	-
Other short-term payables	31,422	274	-	-	-
Trade payables	27,006	-	-	-	-
Total current	**85,361**	**274**	**-**	**-**	**30**
Total	**164,198**	**274**	**-**	**-**	**297**

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 2016, there were eight 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 equal to Euro 20.4 million, with a negative equivalent value of Euro 250 thousand. Moreover, there were four positions related to derivative instruments of Cap interest rate; the notional value of these positions was equal to Euro 7.4 million, with an overall negative net equivalent value of Euro 45 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 S.p.A., 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.

In the first nine months of 2016, the Group did not sign any forward cover contracts of the Euro/USD exchange rate.

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 also linked to the country risk.
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 loans, 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 medium-long term loans.

Some existing medium/long-term loans contain certain financial covenant clauses in relation to the financial statements of the Group and to the financial statements of Tesmec USA; they are verified on an annual basis.

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.

Disclosures: hierarchy levels of fair value measurement

In relation to financial instruments measured at fair value, the following table shows the classification of such instruments on the basis of the hierarchy of levels required by IFRS 13, which reflects the significance of the inputs used in measuring the fair value. The levels are broken down as follows:

- level 1 - quoted prices without adjustment recorded in an active market for measured assets or liabilities;
- level 2 - are inputs other than quoted prices included within Level 1, that are observable in the market, either directly (as in the case of prices) or indirectly (i.e. when derived from the prices);
- level 3 - inputs that are not based on observable market data.

The following table shows the assets and liabilities that are measured at fair value as at 30 September 2016, divided into the three levels defined above:

(Euro in thousands)	Book value as at 30 September 2016	Level 1	Level 2	Level 3
Financial assets:				
Derivative financial instruments	2	-	2	-
Total non-current	**2**	**-**	**2**	**-**
Other available-for-sale securities	536	-	-	536
Total current	**536**	**-**	**-**	**536**
Total	**538**	**-**	**2**	**536**
Financial liabilities:				
Derivative financial instruments	267	-	267	-
Total non-current	**267**	**-**	**267**	**-**
Derivative financial instruments	30	-	30	-
Total current	**30**	**-**	**30**	**-**
Total	**297**	**-**	**297**	**-**

16. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 30 September 2016 and as at 30 September 2015:

	As at 30 September	
(Euro in thousands)	**2016**	**2015**
Sales of products	84,817	103,941
Services rendered	21,572	13,835
	106,389	**117,776**
Changes in work in progress	2,088	2,402
Total revenues from sales and services	**108,477**	**120,178**

In the first nine months of 2016, the Group consolidated revenues of Euro 108,477 thousand, marking a decrease of Euro 11,701 thousand compared to Euro 120,178 thousand in the same period of the previous year. In percentage terms, this decrease represents a negative difference of 9.7%, which is split unevenly between the Group's three business areas. More specifically, an increase of +19.8% was recorded for the Rail segment, +26.2% for the Trencher segment and -47.6% for the Stringing equipment segment.

The increase in revenues in the Trencher segment is mainly thanks to the positive impact of the service activities of the subsidiary Marais in France, in Africa and in Oceania. The sales in the US market and in the Middle East decreased, in line with a reduction in the propensity to invest by the customers of the Oil&Gas industry, due to the decline in oil price.

The already mentioned order of the Stringing equipment segment related to the Abengoa Group that characterised the revenues of the first nine months of 2015 is the main reason for the decline in revenues. Note, however, that the Energy Automation business, with the consolidation of recent developments in the sector of technologies for power lines, is contributing increasingly in the Stringing equipment segment.

For the Rail segment, the positive trade results related to the awarding of a major order for the supply of multi-purpose ladder trucks is added to the increase in revenues in the period linked to the performance of the orders in process.

17. Operating costs

The item *Operating costs* amounted to Euro 106,897 thousand, a decrease of 3.6% compared to the previous year, a less than proportional decrease with respect to the decrease in revenues (9.7%).

In the first nine months of the previous financial year, they included non-recurring costs and revenues of Euro 2,139 thousand (consisting of non-recurring costs for services of Euro 494 thousand and Badwill of Euro 2,633 thousand) deriving from the acquisition of the Marais Group on 8 April 2015.

18. 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 three operating segments for disclosure purposes:

Stringing equipment segment

- stringing equipment for the installation of wires and laying of underground cables;
- electronic devices and sensors for the management, monitoring and automation of power lines.

Trencher segment

- high-powered crawler trenching machines for the linear excavation of oil pipelines, gas pipelines, water systems, telecommunication networks and drainage operations;
- surface miners for earthworks, quarries and surface mines;
- specialised excavation services;

Rail segment

- rail equipment for the installation and maintenance of catenary wire systems and for special operations such as, for example, removing snow from the track.
- last generation power unit.

The tables below show the income statement figures as at 30 September 2016 compared to those at 30 September 2015, broken down into three operating segments:

	As at 30 September							
	2016				2015			
(Euro in thousands)	**Stringing equipment**	**Trencher**	**Rail**	**Consolidated**	**Stringing equipment**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	30,472	74,276	3,729	108,477	58,190	58,876	3,112	120,178
Operating costs net of depreciation and amortisation	(27,545)	(66,782)	(3,455)	(97,782)	(48,821)	(51,403)	(3,220)	(103,444)
EBITDA	**2,927**	**7,494**	**274**	**10,695**	**9,369**	**7,473**	**(108)**	**16,734**
Amortisation and depreciation	(2,582)	(5,065)	(1,468)	(9,115)	(1,751)	(4,680)	(1,045)	(7,476)
Total operating costs	**(30,127)**	**(71,847)**	**(4,923)**	**(106,897)**	**(50,572)**	**(56,083)**	**(4,265)**	**(110,920)**
Operating income	**345**	**2,429**	**(1,194)**	**1,580**	**7,618**	**2,793**	**(1,153)**	**9,258**
Net financial income/(expenses)				(3,598)				(2,320)
Pre-tax profit				**(2,018)**				**6,938**
Income tax				641				(2,248)
Net profit for the period				**(1,377)**				**4,690**
Profit / (loss) attributable to non-controlling interests				50				6
Group profit (loss)				**(1,427)**				**4,684**

(*) EBITDA is represented by the operating income gross of amortisation/depreciation. 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 are managed at Group level and are not allocated to the individual operating segments.

The following table shows the consolidated statement of financial position by business segment as at 30 September 2016 and as at 31 December 2015:

(Euro in thousands)	As at 30 September 2016					As at 31 December 2015				
	Stringing equipment	**Trencher**	**Rail**	**Not allocated**	**Consolidated**	**Stringing equipment**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**
Intangible assets	10,773	3,606	4,701	-	19,080	4,537	3,664	5,626	-	13,827
Property, plant and equipment	12,486	55,172	123	-	67,781	11,456	53,792	104	-	65,352
Financial assets	3,192	679	-	93	3,964	4,187	692	371	-	5,250
Other non-current assets	1,019	3,088	105	6,116	10,328	146	2,775	78	5,925	8,924
Total non-current assets	**27,470**	**62,545**	**4,929**	**6,209**	**101,153**	**20,326**	**60,923**	**6,179**	**5,925**	**93,353**
Work in progress contracts	-	-	2,088	-	2,088	-	-	3,864	-	3,864
Inventories	14,472	39,717	498	-	54,687	12,580	45,865	446	-	58,891
Trade receivables	11,157	46,281	206	-	57,644	13,247	36,874	761	-	50,882
Other current assets	2,214	3,427	242	7,928	13,811	826	3,244	309	12,315	16,694
Cash and cash equivalents	-	-	-	14,732	14,732	-	-	-	21,204	21,204
Total current assets	**27,843**	**89,425**	**3,034**	**22,660**	**142,962**	**26,653**	**85,983**	**5,380**	**33,519**	**151,535**
Total assets	**55,313**	**151,970**	**7,963**	**28,869**	**244,115**	**46,979**	**146,906**	**11,559**	**39,444**	**244,888**
Shareholders' equity attributable to Parent Company Shareholders	**-**	**-**	**-**	**49,050**	**49,050**	**-**	**-**	**-**	**54,262**	**54,262**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**1,653**	**1,653**	**-**	**-**	**-**	**1,615**	**1,615**
Non-current liabilities	**1,046**	**11,218**	**466**	**77,982**	**90,712**	**35**	**9,086**	**372**	**79,309**	**88,802**
Current financial liabilities	-	-	-	58,659	58,659	-	-	-	45,254	45,254
Trade payables	7,386	17,775	1,845	-	27,006	15,820	22,248	981	-	39,049
Other current liabilities	1,739	7,991	321	6,984	17,035	531	6,135	277	8,963	15,906
Total current liabilities	**9,125**	**25,766**	**2,166**	**65,643**	**102,700**	**16,351**	**28,383**	**1,258**	**54,217**	**100,209**
Total liabilities	**10,171**	**36,984**	**2,632**	**143,625**	**193,412**	**16,386**	**37,469**	**1,630**	**133,526**	**189,011**
Total shareholders' equity and liabilities	**10,171**	**36,984**	**2,632**	**194,328**	**244,115**	**16,386**	**37,469**	**1,630**	**189,403**	**244,888**

19. 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 2016					As at 30 September 2015				
(Euro in thousands)	**Revenues**	**Cost of raw materials**	**Cost of services**	**Other operating (costs)/ revenues, net**	**Financial income and expenses**	**Revenues**	**Cost of raw materials**	**Cost of services**	**Other operating (costs)/ revenues, net**	**Financial income and expenses**
Associates:										
Locavert S.A.	602	-	-	-	-	47	-	-	-	-
Bertel S.p.A.	-	-	-	-	-	78	-	3	8	28
SEP Semofor 77	-	-	-	4	-					
Subtotal	**602**	**-**	**-**	**4**	**-**	**125**	**-**	**3**	**8**	**28**
Joint Ventures:										
Condux Tesmec Inc.	1,154	-	-	134	36	2,453	-	1	136	15
Tesmec Peninsula	-	-	-	81	61	2,759	(147)	(28)	82	74
Subtotal	**1,154**	**-**	**-**	**215**	**97**	**5,212**	**(147)**	**(27)**	**218**	**89**
Related parties:										
Ambrosio S.r.l.	-	-	-	(11)	-	-	-	-	(11)	-
TTC S.r.l.	-	-	(21)	-	-	-	-	(49)	-	-
CBF S.r.l.	-	-	-	1	-	-	-	-	-	-
Ceresio Tours S.r.l.	-	-	(4)	-	-	-	-	(8)	-	-
Dream Immobiliare S.r.l.	-	-	-	(244)	(655)	-	-	-	(272)	(785)
Eurofidi S.p.A.	-	-	-	-	-	-	-	-	-	-
CONAI	-	(2)	-	-	-	-	-	-	-	-
FI.IND. S.p.A.	-	-	-	-	-	-	-	-	-	-
Lame Nautica S.r.l.	-	-	-	-	-	71	-	1	-	-
M.T.S. Officine meccaniche S.p.A.	2,583	(1)	3	8	-	1,478	(5)	4	48	-
Reggiani Macchine S.p.A.	78	(22)	(216)	214	-	-	(19)	34	12	-
Finetis SARL	(30)	-	-	-	-	25	-	-	-	-
C2D	-	-	-	-	-	-	-	-	8	-
Comatel	-	-	-	-	-	9	-	-	-	-
Subtotal	**2,631**	**(25)**	**(238)**	**(32)**	**(655)**	**1,583**	**(24)**	**(18)**	**(215)**	**(785)**
Total	**4,387**	**(25)**	**(238)**	**187**	**(558)**	**6,920**	**(171)**	**(42)**	**11**	**(668)**

(Euro in thousands)	30 September 2016					31 December 2015				
	Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables	Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables
Associates:										
Locavert S.A.	535	-	-	-	-	12	-	-	-	-
Bertel S.p.A.	-	-	-	-	-	25	2,524	-	-	-
SEP Moselle	-	39	-	-	-	-	32	-	-	-
SEP Cergy	-	-	-	-	-	-	46	-	-	-
SEP Semofor 77	-	-	-	24	-	-	-	-	20	-
SEP Laison	-	-	-	10	-	-	-	-	10	-
SEP College	-	2	-	-	-	-	6	-	-	-
Subtotal	**535**	**41**	**-**	**34**	**-**	**37**	**2,608**	**-**	**30**	**-**
Joint Ventures:										
Condux Tesmec Inc.	91	1,479	-	-	-	576	2,307	-	-	1
Tesmec Peninsula	38	3,352	-	-	-	44	4,690	-	-	7
Marais Tunisie	-	2	-	-	-	-	2	-	-	-
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Marais Algerie SARL	-	-	-	-	-	1,102	-	-	-	-
Subtotal	**129**	**5,627**	**-**	**-**	**-**	**1,722**	**7,793**	**-**	**-**	**8**
Related parties:										
Ambrosio S.r.l.	-	-	-	-	4	-	-	-	-	-
TTC S.r.l.	-	-	-	-	-	-	-	-	-	42
Ceresio Tours S.r.l.	-	-	-	-	-	-	-	-	-	-
Dream Immobiliare S.r.l.	-	1,096	-	-	-	-	1,096	14,743	1,211	52
Eurofidi S.p.A.	-	2	-	-	-	-	2	-	-	-
CONAI	-	-	-	-	1	-	-	-	-	1
Lame Nautica S.r.l.	-	-	-	-	-	1	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	1,457	-	-	-	-	2,170	-	-	-	-
Reggiani Macchine S.p.A.	28	-	13,746	1,300	-	52	-	-	-	77
Fintetis S.r.l.	-	-	-	-	-	30	-	-	-	-
COMATEL	-	-	-	-	-	38	-	-	-	-
C2D	-	-	-	-	14	-	-	-	-	20
Subtotal	**1,485**	**1,098**	**13,746**	**1,300**	**19**	**2,291**	**1,098**	**14,743**	**1,211**	**192**
Total	**2,149**	**6,766**	**13,746**	**1,334**	**19**	**4,050**	**11,499**	**14,743**	**1,241**	**200**

- Locavert S.A.: the French associate purchases normally trenchers/spare parts for rental business and carrying-out of excavation works at market prices and terms of payment;
- Condux Tesmec, Inc.: the JV purchases stringing machines and equipment for sale on the American market 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;
- Marais Algerie SARL: as a result of the sale of the equity investment and of the ensuing deconsolidation of the Joint Venture Marais Algerie Sarl, as at 30 September 2016, economic and equity transactions were reclassified to third parties;
- Ambrosio S.r.l.: costs for services refer to the rental for the registered office of Milan;
- Dream Immobiliare S.r.l.: financial income and expenses includes notional interests payable deriving from the recognition in accordance with IAS 17 of the Building of Grassobbio of Euro 655;
- M.T.S. Officine meccaniche S.p.A.: revenues refer to sales of semi-finished products made by the Tesmec Workshop in Sirone;
- Reggiani Macchine S.p.A.: costs for services mainly refers to costs related to users for a total amount of Euro 216 thousand.

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, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the business and
   - the actual application of the administrative and accounting procedures adopted to prepare the Interim consolidated report on operations as at 30 September 2016.

2. We also certify that:

2.1 the Interim consolidated report on operations as at 30 September 2016:

- has been prepared in accordance with IFRS as 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;
- corresponds to the amounts shown in the Company's accounts, books and records;
- provides 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 consolidated report on operations, 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, 7 November 2016

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

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