



FIDIA GROUP

CONSOLIDATED QUARTERLY REPORT AS AT 31 MARCH 2014

(Translation from the Italian that is the original report. This translation has to be intended solely for the convenience of international readers)

Fidia S.p.A.

Registered office in San Mauro Torinese, corso Lombardia, 11

Paid-in share capital euro 5.123.000

Turin Register of Companies

Tax Code/VAT number 05787820017

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**Board of Directors
15 May 2014**

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

| | |
|--------------------------------|-----------------------------|
| Chairman and Managing Director | Giuseppe Morfino (a) |
| Vice Chairman | Carlos Maidagan (b) |
| Directors | Luigino Azzolin (c) (1) |
| | Anna Ferrero (c) (1) (2) |
| | Guido Giovando (c) (1) (2) |
| | Francesco Profumo (d) |
| | Mariachiara Zanetti (2) (c) |

(a) Appointed Chairman by the General Shareholders' Meeting on 29 April 2014 until the approval of the annual financial statements for 2016; appointed Managing Director by the Board of Directors on 29 April 2014.

(b) Appointed by the General Shareholders' Meeting on 29 April 2014 until the approval of the annual financial statements for 2016; appointed Vice Chairman by the Board of Directors on 29 April 2014.

(c) Appointed by the General Shareholders' Meeting on 29 April 2014 until the approval of the annual financial statements for 2016.

(d) Appointed by the General Shareholders' Meeting on 29 April 2014 until the approval of the annual financial statements for 2016; appointed *Lead Independent Director* by the Board of Directors on 29 April 2014.

(1) Member of the Internal Control and Risk Committee.

(2) Member of the Compensation Committee.

Board of Statutory Auditors (*)

| | |
|--------------------|-----------------------------|
| Statutory Auditors | Maurizio Ferrero – Chairman |
| | Michela Rayneri |
| | Elena Spagnol |
| Alternate Auditors | Gian Piero Balducci |
| | Giovanni Rayneri |
| | Chiara Olliveri Siccardi |

(*) Appointed by the General Shareholders' Meeting on 29 April 2014 until the approval of the annual financial statements for 2016.

Independent Auditors (**)

Reconta Ernst&Young S.p.A.

(**) Appointed by the Shareholders' Meeting on 27 April 2012 for the nine-year period 2012-2020

CHAIRMAN, VICE CHAIRMAN AND MANAGING DIRECTORS' POWERS

Chairman of the Board of Directors and Managing Director: Mr. Giuseppe Morfino

He is the company's legal representative in respect of third parties and courts of law, with sole signing authority, to exercise the fullest powers of ordinary and extraordinary administration, with the power to appoint and to dismiss special proxy-holders for single operations or groups of operations, with the sole exclusion of the powers and rights expressly reserved to the Board of Directors under the law or the company's Bylaws. The Board of the Directors retains the following powers:

- Purchase, sale, and conferment of equity investments;
- Assignment, conferment, and/or hire of the company or any branches thereof;
- Purchase of companies or branches of a company;
- Purchase and/or transfer of real estate and/or tangible rights and/or related easements;
- Registration of mortgages on corporate real estate;
- Definition of company strategies relating to the purchase/disposal of equity investments, business units and real estate.

Vice Chairman of the Board of Directors: Ing. Carlos Maidagan

He is the company's legal representative in respect of third parties and courts of law, with sole signing authority, to exercise the fullest powers of ordinary and extraordinary administration, with the power to appoint and to dismiss special proxy-holders for single operations or groups of operations, with the sole exclusion of the powers and rights expressly reserved to the Board of Directors under the law or the company's Bylaws. The Board of the Directors retains the following powers:

- Purchase, sale, and conferment of equity investments;
- Assignment, conferment, and/or hire of the company or any branches thereof;
- Purchase of companies or branches of a company;
- Purchase and/or transfer of real estate and/or tangible rights and/or related easements;
- Registration of mortgages on corporate real estate;
- Definition of company strategies relating to the purchase/disposal of equity investments, business units and real estate.

The Vice Chairman is vested with the capacity of "employer" as well as holder of the plants, emissions and wastes.

FIDIA GROUP STRUCTURE



FIDIA GROUP

RICLASSIFIED FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

Reclassified consolidated profit and loss statement

| (thousand euros) | 1 st Quarter 2014 | % | 1 st Quarter 2013 | % |
|--|---------------------------------|---------------|---------------------------------|---------------|
| Net revenues | 6.899 | 100% | 4.090 | 100% |
| Change in finished goods and W.I.P. stock | 2.183 | 31,6% | 2.927 | 71,6% |
| Other operating revenues | 308 | 4,5% | 643 | 15,7% |
| Value of production | 9.390 | 136,1% | 7.660 | 187,3% |
| Raw materials and consumables | (3.456) | -50,1% | (2.814) | -68,8% |
| Commissions, transport and subcontractors | (1.218) | -17,7% | (952) | -23,3% |
| Other services and operating costs | (2.192) | -31,8% | (2.185) | -53,4% |
| Added value | 2.524 | 36,6% | 1.709 | 41,8% |
| Personnel costs | (3.868) | -56,1% | (4.041) | -98,8% |
| Gross operating margin (EBITDA) | (1.344) | -19,5% | (2.332) | -57,0% |
| Allocation to provision for bad debts | (42) | -0,6% | (27) | -0,7% |
| Depreciation and amortization | (158) | -2,3% | (120) | -2,9% |
| Operating margin (EBIT) | (1.544) | -22,4% | (2.479) | -60,6% |
| Net financial income (expenses) | (56) | -0,8% | (93) | -2,3% |
| Profit/(loss) on exchange rates | 74 | 1,1% | (23) | -0,6% |
| Income/(loss) before taxes (EBT) | (1.526) | -22,1% | (2.595) | -63,4% |
| Income taxes (current and deferred) | (22) | -0,3% | 16 | 0,4% |
| Net income/(loss) for the accounting period | (1.548) | -22,4% | (2.579) | -63,1% |
| - (Income)/loss attributable to minority interest shareholders | (35) | -0,5% | (56) | -1,4% |
| - Income/(loss) attributable to the Group | (1.513) | -21,9% | (2.523) | -61,7% |

Reclassified consolidated statement of financial position

| (thousand euros) | 31/03/2014 | 31/12/2013 | 31/03/2013 |
|---|-----------------|-----------------|-----------------|
| Property, plant and equipment | 1.806 | 1.806 | 1.700 |
| Intangible fixed assets | 547 | 410 | 235 |
| Investments | 16 | 16 | 16 |
| Other financial assets | 2.283 | 2.311 | 2.239 |
| Fixed assets – (A) | 4.652 | 4.543 | 4.190 |
| Net trade receivables | 9.052 | 9.178 | 8.501 |
| Inventory | 19.485 | 16.661 | 23.772 |
| Other current assets | 1.749 | 1.525 | 1.374 |
| Current assets – (B) | 30.286 | 27.364 | 33.647 |
| Supplier payables | (8.983) | (8.409) | (9.073) |
| Other current liabilities | (11.492) | (10.091) | (12.213) |
| Current liabilities – (C) | (20.475) | (18.499) | (21.286) |
| Net working capital (D) = (B+C) | 9.811 | 8.865 | 12.361 |
| Provision for employee severance indemnities (E) | (2.255) | (2.263) | (2.307) |
| Other long-term liabilities (F) | (432) | (496) | (160) |
| Net invested capital (G) = (A+D+E+F) | 11.776 | 10.648 | 14.084 |
| Financial position | | | |
| Financial assets available for sale | - | - | - |
| Bank deposits and cash | (7.181) | (8.493) | (9.248) |
| Short-term loans | 5.655 | 4.302 | 8.335 |
| Other current financial liabilities | 539 | 140 | - |
| Current financial position (credit)/debt | (987) | (4.051) | (913) |
| Long-term loans, net of current portion | 1.677 | 1.852 | 2.540 |
| Net financial position (credit)/debt (H) | 690 | (2.199) | 1.627 |
| Share capital | 5.123 | 5.123 | 5.123 |
| Reserves | 5.025 | 6.613 | 7.119 |
| Net income/(loss) for the accounting period attributable to the Group | (1.513) | (1.435) | (2.523) |
| Total shareholders' equity attributable to the Group | 8.635 | 10.301 | 9.719 |
| Shareholders' equity attributable to minority interests | 2.451 | 2.546 | 2.738 |
| Shareholders' equity (I) | 11.086 | 12.847 | 12.457 |
| Shareholders' equity and net financial position (L) = (H+I) | 11.776 | 10.648 | 14.084 |

ANALYSIS OF OPERATING AND FINANCE PERFORMANCE OF THE GROUP

Profit and loss

Revenues

In the 1st Q. 2014 the Group has reported revenues for 6.899 thousand euros, an improvement by 68,7% in comparison with 4.090 thousand euros in the same 2013 Q.

The growth of the turnover has involved all the three business lines where the Group operates. The electronic sector (CNC) has grown by 20,4% (773 thousand euros vs 642 thousand euros in the 1st Q. 2013); the high speed milling machines sector (HSM) has grown by 228,7% with revenues amounting to 3.672 thousand euros (1.117 thousand euro as at 31 March 2013); finally the after sale Service sector has reached revenues for 2.454 thousand euros, in progress by 5,3% in comparison with 2.331 thousand euros reported in the same period of last year.

To be noted that the revenues in after sales Service sector have a regular trend during the year, whilst the revenues in HSM and CNC divisions, as historically experienced, are proportionally lower in the 1st Q. than the total annual turnover.

The revenues trend per business lines is shown below:

| (thousand euros) | 1 st Quarter 2014 | % | 1 st Quarter 2013 | % | Change % |
|---|------------------------------|-------------|------------------------------|-------------|--------------|
| Numerical controls, drives and software | 773 | 11,2% | 642 | 15,7% | 20,4% |
| High-speed milling systems | 3.672 | 53,2% | 1.117 | 27,3% | 228,7% |
| After-sales service | 2.454 | 35,6% | 2.331 | 57,0% | 5,3% |
| Total revenues | 6.899 | 100% | 4.090 | 100% | 68,7% |

The revenues by geographical region are illustrated in the following tables:

| (thousand euros) | NUMERICAL CONTROL AND SOFTWARE 1 st Quarter 2014 | % | NUMERICAL CONTROL AND SOFTWARE 1 st Quarter 2013 | % | Change % |
|-------------------------|--|-------------|--|-------------|--------------|
| ITALY | 221 | 28,6% | 217 | 33,8% | 1,8% |
| EUROPE | 454 | 58,7% | 304 | 47,4% | 49,3% |
| ASIA | 20 | 2,6% | 44 | 6,9% | -54,5% |
| NORTH and SOUTH AMERICA | 77 | 10,0% | 43 | 6,7% | 79,1% |
| REST OF THE WORLD | 1 | 0,1% | 34 | 5,3% | -97,1% |
| TOTAL | 773 | 100% | 642 | 100% | 20,4% |

| (thousand euros) GEOGRAPHIC AREA | HIGH SPEED MILLING SYSTEMS 1 st Quarter 2014 | | HIGH SPEED MILLING SYSTEMS 1 st Quarter 2013 | % | Change % |
|--|---|-------------|---|-------------|-----------------|
| ITALY | 49 | 1,3% | 13 | 1,2% | 276,9% |
| EUROPE | 2.433 | 66,3% | 558 | 50,0% | 336,0% |
| ASIA | 1.190 | 32,4% | 546 | 48,9% | 117,9% |
| NORTH and SOUTH AMERICA | - | - | - | - | - |
| REST OF THE WORLD | - | - | - | - | - |
| TOTAL | 3.672 | 100% | 1.117 | 100% | 228,7% |

| (thousand euros) GEOGRAPHIC AREA | AFTER SALES SERVICE 1 st Quarter 2014 | | AFTER SALES SERVICE 1 st Quarter 2013 | % | Change % |
|--|--|-------------|--|-------------|-----------------|
| ITALY | 438 | 17,8% | 355 | 15,2% | 23,4% |
| EUROPE | 960 | 39,1% | 766 | 32,9% | 25,3% |
| ASIA | 322 | 13,1% | 381 | 16,3% | -15,5% |
| NORTH and SOUTH AMERICA | 580 | 23,6% | 644 | 27,6% | -9,9% |
| REST OF THE WORLD | 154 | 6,3% | 185 | 7,9% | -16,8% |
| TOTAL | 2.454 | 100% | 2.331 | 100% | 5,3% |

| (thousand euros) GEOGRAPHIC AREA | TOTAL TURNOVER 1 st Quarter 2014 | | TOTAL TURNOVER 1 st Quarter 2013 | % | Change % |
|--|---|-------------|---|-------------|-----------------|
| ITALY | 708 | 10,3% | 585 | 14,3% | 21,0% |
| EUROPE | 3.847 | 55,8% | 1.628 | 39,8% | 136,3% |
| ASIA | 1.532 | 22,2% | 971 | 23,7% | 57,8% |
| NORTH and SOUTH AMERICA | 657 | 9,5% | 687 | 16,8% | -4,4% |
| REST OF THE WORLD | 155 | 2,2% | 219 | 5,4% | -29,2% |
| TOTAL | 6.899 | 100% | 4.090 | 100% | 68,7% |

Numerical controls and software (CNC)

The revenues of the electronic sector show an increase by 20,4% in comparison with the 1st Q. 2013 and reach 773 thousand euros vs 642 thousand euros in the same period of last year.

The revenues increase is mainly due to the European market where, despite a basically stable domestic market (however +1,8% slight increase in comparison with the 1st Q. 2013), the other countries show an important growth both in absolute terms (from 304 to 454 thousand euros) and in percentage (+49,3%). A good performance also in the American markets with an increase of 79,1% (from 43 thousand euros as at 31 March 2013 to 77 thousand euros as at 31 March 2014). On the

other hand both Asian and rest of the world markets decrease, but on the whole without reaching significant value of turnover.

High Speed Milling System (HSM)

The revenues of this business line are definitely higher in comparison with the same period of last year (+228,7%) and reach 3.672 thousand euros vs 1.117 thousand euros in the 1st Q. 2013. The revenues increase is mainly due to the European area (from 558 thousand euros in the 1st Q. 2013 to 2.433 thousand euros in the 1st Q. 2014), thanks in particular to the sales made in Germany. Also the domestic market increases, but with revenues in the 1st Q. without significant value. Very satisfactory the performance in the Asian markets too with revenues more than double in comparison with the same period of last year (from 546 to 1.190 thousand euros).

In the 1st Q. 2014 7 milling machines have been installed and accepted by the final users, in comparison with 3 in the same period of last year.

After-sales service

The turnover of the Service Division includes revenue from after-sales service, the sale of spare parts and scheduled maintenance contracts. Also the 1st Q. 2014 has confirmed the increasing trend already experienced in this business area since long and the revenues have been 2.454 thousand euros, so a growth by 5,3% in comparison with 2.331 thousand euros in the 1st Q. 2013.

Under a geographical point of view, the increase is due to the Italian market (+23,4%) and to the other European markets (+25,3%), whilst all the other markets where the Group operates are down.

Commercial activity

The following tables show the trend in the backlog orders and new orders in the two compared periods in the electronic sector (CNC) and the high speed milling machine sector (HSM).

With reference to the Service sector the commercial data (backlog orders and new orders) will not be shown because they almost match with the revenues as the time to fulfill the intervention requests is very short.

| (thousand euros) | NUMERICAL CONTROLS AND SOFTWARE 1 st Quarter 2014 | NUMERICAL CONTROLS AND SOFTWARE 1 st Quarter 2013 | Change % |
|---------------------------------|---|---|--------------|
| Order backlog as at 1/1 | 939 | 414 | 126,8% |
| New orders | 1.184 | 1.138 | 4,0% |
| Sales | (773) | (642) | 20,4% |
| Order backlog as at 31/3 | 1.350 | 910 | 48,4% |

| (thousand euros) | HIGH-SPEED MILLING SYSTEMS 1 st Quarter 2014 | HIGH-SPEED MILLING SYSTEMS 1 st Quarter 2013 | Change % |
|---------------------------------|--|--|--------------|
| Order backlog as at 1/1 | 26.276 | 21.244 | 23,7% |
| New orders | 10.693 | 5.847 | 82,9% |
| Sales | (3.672) | (1.117) | 228,7% |
| Order backlog as at 31/3 | 33.297 | 25.974 | 28,2% |

| (thousand euros) | TOTAL | | Change % |
|---------------------------------|------------------------------|------------------------------|--------------|
| | 1 st Quarter 2014 | 1 st Quarter 2013 | |
| Order backlog as at 1/1 | 27.215 | 21.658 | 25,7% |
| New orders | 11.877 | 6.985 | 70,0% |
| Sales | (4.445) | (1.759) | 152,7% |
| Order backlog as at 31/3 | 34.647 | 26.884 | 28,9% |

The order book as at 31 March 2014 is strongly higher than the 1st Q. 2013, in both business lines in which the Group operates and regardless the turnover increase. This is the result of the better order backlog at the beginning of the year 2014 and of the good trend in new orders in the 1st Q., strongly higher in comparison with the same period of last year.

New orders per geographic area follow:

Orders collection per business sector and geographic area follows:

| (thousand euros) | NUMERICAL CONTROLS AND SOFTWARE | | NUMERICAL CONTROLS AND SOFTWARE | | Change % |
|-------------------------|---------------------------------|-------------|---------------------------------|-------------|-------------|
| GEOGRAPHIC AREA | 1 st Quarter 2014 | | 1 st Quarter 2013 | % | |
| ITALY | 152 | 12,8% | 251 | 22,1% | -39,4% |
| EUROPE | 367 | 31,0% | 438 | 38,5% | -16,2% |
| ASIA | 457 | 38,6% | 313 | 27,5% | 46,0% |
| NORTH and SOUTH AMERICA | 207 | 17,5% | 93 | 8,2% | 122,6% |
| REST OF THE WORLD | 1 | 0,1% | 43 | 3,8% | -97,7% |
| TOTAL | 1.184 | 100% | 1.138 | 100% | 4,0% |

| (thousand euros) | HIGH-SPEED MILLING SYSTEMS | | HIGH-SPEED MILLING SYSTEMS | | Change % |
|-------------------------|------------------------------|-------------|------------------------------|-------------|--------------|
| GEOGRAPHIC AREA | 1 st Quarter 2014 | | 1 st Quarter 2013 | % | |
| ITALY | 27 | 0,3 | 505 | 8,6% | -94,7% |
| EUROPE | 435 | 4,1% | 1.363 | 23,3% | -68,1% |
| ASIA | 8.635 | 80,8% | 3.930 | 67,2% | 119,7% |
| NORTH and SOUTH AMERICA | 1.596 | 14,9% | 49 | 0,8% | 3.157,1% |
| REST OF THE WORLD | - | - | - | - | - |
| TOTAL | 10.693 | 100% | 5.847 | 100% | 82,9% |

| (thousand euros) GEOGRAPHIC AREA | TOTAL ORDERS 1 st Quarter 2014 | | TOTAL ORDERS 1 st Quarter 2013 | % | Change % |
|--|---|-------------|---|-------------|-----------------|
| ITALY | 179 | 1,5% | 756 | 10,8% | -76,3% |
| EUROPE | 802 | 6,8% | 1.801 | 25,8% | -55,5% |
| ASIA | 9.092 | 76,6% | 4.243 | 60,7% | 114,3% |
| NORTH and SOUTH AMERICA | 1.803 | 15,2% | 142 | 2,0% | 1.169,7% |
| REST OF THE WORLD | 1 | 0% | 43 | 0,6% | -97,7% |
| TOTAL | 11.877 | 100% | 6.985 | 100% | 70,0% |

Numerical Control and software (CNC)

In the 1st Q. 2014 the orders acquisition in this business line increases by approximately 4% in comparison with the same period of last year (1.184 thousand euros vs 1.138 thousand euros in the 1st Q. 2013).

Both Asian and American markets show an increase in the orders collection, respectively by 46% and 122,6%, whilst the European and domestic markets are down respectively by 16,2% and 39,4%.

High Speed Milling System (HSM)

In the 1st Q. 2014 the orders collection in the HSM business line is definitely higher than in the 1st Q. 2013 (+82,9%), reaches 10.693 thousand euros compared to 5.847 thousand euros at the end of the 1st Q. 2013 and confirms the positive trend started in the second half of the previous fiscal year.

The geographical areas that have contributed to this good result are Asia and North and South America where the new orders reach respectively 8.635 thousand euros and 1.596 thousand euros. In the European area decrease both the domestic market, in which new significant contracts have not been collected, and the other countries that decrease by 68,1%.

The order backlog as at 31 March 2014 per business sector and geographic area is detailed below:

| (thousand euros) GEOGRAPHIC AREA | NUMERICAL CONTROLS AND SOFTWARE 31/3/2014 | % | NUMERICAL CONTROLS AND SOFTWARE 31/3/2013 | % | Change % |
|--|---|-------------|---|-------------|-----------------|
| ITALY | 154 | 11,4% | 164 | 18,0% | -6,1% |
| EUROPE | 263 | 19,5% | 396 | 43,5% | -33,6% |
| ASIA | 719 | 53,3% | 286 | 31,4% | 151,4% |
| NORTH and SOUTH AMERICA | 214 | 15,9% | 50 | 5,5% | 328,0% |
| REST OF THE WORLD | - | - | 14 | 1,5% | -100,0% |
| TOTAL | 1.350 | 100% | 910 | 100% | 48,4% |

| (thousand euros) | HIGH-SPEED MILLING SYSTEMS | | HIGH-SPEED MILLING SYSTEMS | | Change % |
|-------------------------|----------------------------|-------------|----------------------------|-------------|--------------|
| GEOGRAPHIC AREA | 31/3/2014 | % | 31/3/2013 | % | |
| ITALY | 1.294 | 3,9% | 1.123 | 4,3% | 15,2% |
| EUROPE | 2.357 | 7,1% | 6.206 | 23,9% | -62,0% |
| ASIA | 23.621 | 70,9% | 16.436 | 63,3% | 43,7% |
| NORTH and SOUTH AMERICA | 6.025 | 18,1% | 2.209 | 8,5% | 172,7% |
| REST OF THE WORLD | - | - | - | - | - |
| TOTAL | 33.297 | 100% | 25.974 | 100% | 28,2% |

| (thousand euros) | TOTAL BACKLOG | | TOTAL BACKLOG | | Change % |
|-------------------------|---------------|-------------|---------------|-------------|--------------|
| GEOGRAPHIC AREA | 31/3/2014 | % | 31/3/2013 | % | |
| ITALY | 1.448 | 4,2% | 1.287 | 4,8% | 12,5% |
| EUROPE | 2.620 | 7,6% | 6.602 | 24,6% | -60,3% |
| ASIA | 24.340 | 70,3% | 16.722 | 62,2% | 45,6% |
| NORTH and SOUTH AMERICA | 6.239 | 18,0% | 2.259 | 8,4% | 176,2% |
| REST OF THE WORLD | - | - | 14 | 0,1% | -100,0% |
| TOTAL | 34.647 | 100% | 26.884 | 100% | 28,9% |

Other operating revenues

The other operating revenues in the 1st Q. 2014 have been 308 thousand euros (643 thousand euros in the same 2013 period). This figure includes the other incomes coming from the ordinary activity, but that cannot be included in the typical sale of goods and services.

This figure includes:

- grants provided by EU and Italy's Ministry of University (MUR) to Fidia S.p.A. on research and development activity (139 thousand euros; 321 thousand euros as at 31 March 2013);
- the release of the warranty provision and the bad debts provision for the part over accrued in comparison with the risk to be covered (18 thousand euros; 198 thousand euros as at 31 March 2013);
- tangible assets own built and capitalized product development costs (83 thousand euros; 43 thousand euros as at 31 March 2013);
- recovery of costs, extraordinary income, income on disposal of property, plant and equipment and other sundry incomes (68 thousand euros; 81 thousand euros in the same period of last year).

Value of production

The value of production reaches 9.390 thousand euros, an increase in comparison with the 1st Q. 2013 (+1.730 thousand euros), mainly thanks to the higher turnover and despite lower "Other operating revenues" and lower change in finished goods and W.I.P. stock.

Other services and operating costs

This item amounts in the first three months 2014 to 2.192 thousand euros, substantially in line with 2.185 thousand euros in the same period 2013.

Added value

The added value amounts to 2.524 thousand euros, up in comparison with the same 2013 period (1.709 thousand euros).

Personnel

The following tables show the workforce average trend and cost of labour.

| | 1 st Quarter 2014 | 1 st Quarter 2013 | Abs. change | Change % |
|-----------------------------------|------------------------------|------------------------------|-------------|----------|
| Executives | 9 | 9 | - | - |
| Clerks and supervisors | 272 | 297 | -25 | -8,4% |
| Workers | 41 | 41 | - | - |
| Total number of employees | 322 | 347 | -25 | -7,2% |
| Total average number of employees | 322,5 | 344,0 | -21,5 | -6,3% |

| | 1 st Quarter 2014 | 1 st Quarter 2013 | Abs. change | Change % |
|---------------------------------|------------------------------|------------------------------|-------------|----------|
| Cost of labour (thousand euros) | 3.868 | 4.041 | -173 | -4,3% |

The cost of labour shows a decrease of 173 thousand euros compared to the same period of last year (approx. 4,3%).

Gross operating margin (EBITDA)

The gross operating margin is negative by 1.344 thousand euros, thus better than the negative result of 2.332 thousand euros in the 1st Q. 2013. The persistence of a gross operating loss is due to a level of revenues that does not allow to the coverage of overheads.

Operating margin (EBIT)

The operating margin is a loss of 1.544 thousand euros, still negative but improved if compared to a loss of 2.479 thousand euros in the same period of last year.

Earning before taxes (EBT)

The finance area, on its whole, gives an overall positive contribution thanks to net financial income amounting to 18 thousand euros, instead of net financial expenses by 116 thousand euros as at 31 March 2013. The improvement is due to a better net financial position and to a different trend in the exchange rate (net profit in the amount of 74 thousand euros vs net losses in the amount of 23 thousand euros in the 1st Q. 2013); so the result before taxes is a loss by 1.526 thousand euros, in comparison with a loss by 2.595 thousand euros in the same period of last year.

Net consolidated result

The net consolidated result is a loss by 1.548 thousand euros (1.513 thousand euros attributable to the Group) compared to a loss by 2.579 thousand euros (2.523 thousand euros attributable to the Group) in the 1st Q. 2013.

Analysis of the financial data

Net financial position

| (thousand euros) | 31/03/2014 | 31/12/2013 | 31/03/2013 |
|---|--------------|--------------|----------------|
| Financial assets available for sale | - | - | - |
| Bank deposits and cash | 7.181 | 8.493 | 9.248 |
| Short-term loans | (5.655) | (4.302) | (8.335) |
| Other current financial liabilities | (539) | (140) | - |
| Current financial position (debt)/credit | 987 | 4.051 | 913 |
| Long-term loans, net of current portion | (1.677) | (1.852) | (2.540) |
| Net financial position (debt)/credit | (690) | 2.199 | (1.627) |

The detail of assets and liabilities composing the net financial position follows:

| (thousand euros) | 31/03/2014 | 31/12/2013 | 31/03/2013 |
|---|--------------|--------------|--------------|
| FINANCIAL ASSETS AVAILABLE FOR SALE | - | - | - |
| BANK DEPOSITS AND CASH | | | |
| Fidia S.p.A. | 3.143 | 3.531 | 3.796 |
| Fidia Co. | 524 | 716 | 398 |
| Fidia GmbH | 856 | 1.229 | 446 |
| Fidia Iberica S.A. | 473 | 404 | 408 |
| Fidia S.a.r.l. | 174 | 238 | 141 |
| Beijing Fidias Machinery & Electronics Co.,Ltd. | 1.323 | 1.790 | 2.720 |
| Fidia do Brasil Ltda. | 23 | 20 | 13 |
| Shenyang Fidias NC & M Co. Ltd. | 664 | 563 | 1.325 |
| OOO Fidias | - | - | - |
| Fidia India Private Ltd. | 1 | 2 | 1 |
| | 7.181 | 8.493 | 9.248 |
| TOTAL | 7.181 | 8.493 | 9.248 |

| (thousand euros) | 31/03/2014 | 31/12/2013 | 31/03/2013 |
|---|----------------|----------------|----------------|
| SHORT-TERM LOANS AND SHORT-TERM ADVANCES | | | |
| Fidia S.p.A. | (5.613) | (4.270) | (8.316) |
| Fidia GmbH | (39) | (29) | (10) |
| Fidia Co. | - | - | (1) |
| Fidia Iberica S.A. | (3) | (3) | (8) |
| TOTAL | (5.655) | (4.302) | (8.335) |

| (thousand euros) | 31/03/2014 | 31/12/2013 | 31/03/2013 |
|--|--------------|--------------|------------|
| OTHER CURRENT FINANCIAL LIABILITIES | | | |
| Fidia S.p.A. | (539) | (140) | - |
| TOTAL | (539) | (140) | - |

| (thousand euros) | 31/03/2014 | 31/12/2013 | 31/03/2013 |
|--|--------------|----------------|----------------|
| LONG-TERM LOANS, NET OF CURRENT PORTION | | | |
| Fidia S.p.A. | (1.616) | (1.801) | (2.523) |
| Fidia GmbH | (52) | (41) | (17) |
| Fidia Iberica S.A. | (9) | (10) | - |
| TOTAL | 1.677 | (1.852) | (2.540) |

As at 31 March 2014 the net financial position is a debit by 690 thousand euros. The variation in comparison with 31 December 2013 is due partly to the loss of the period and partly to the absorption of financial resources induced by the increase of working capital and particularly by the stock. The following table contains a summary of the cash flow statement as at 31 March 2014 showing the cash flows composing the net financial position.

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

| (thousand euros) | 1 st Quarter 2014 | Year 2013 | 1 st Quarter 2013 |
|--|------------------------------|--------------|------------------------------|
| A) Cash and cash equivalents at the beginning of the period | 5.883 | 4.694 | 4.694 |
| B) Cash from/(used in) operating activities during the period | (2.402) | 2.762 | (2.360) |
| C) Cash from/(used in) investing activities | (287) | (827) | (152) |
| D) Cash from/(used in) financing activities | 197 | (478) | 97 |
| Currency translation differences | (144) | (268) | 280 |
| E) Net change in cash and cash equivalents | (2.636) | 1.189 | (2.135) |
| F) Cash and cash equivalents at the end of the period | 3.247 | 5.883 | 2.559 |
| Breakdown of cash and cash equivalents: | | | |
| Cash and cash equivalents | 7.181 | 8.493 | 9.248 |
| Bank overdraft | (3.934) | (2.610) | (6.689) |
| | 3.247 | 5.883 | 2.559 |

Reconciliation between Parent Company's and Group's shareholders' equity and net income (loss)

In compliance with the Consob Communication dated 28 July 2006, the following table provides the reconciliation of the Group's net income (loss) and shareholders' equity as at 31 March 2014 (excluding minority interests) with those of the parent company Fidia S.p.A. (in thousand euros):

| | Shareholders' equity 31.12.2013 | Change in S.E. 2014 | Net income (loss) 31.3.2014 | Shareholders' equity 31.3.2014 |
|--|------------------------------------|------------------------|--------------------------------|-----------------------------------|
| Financial Statements of Fidia S.p.A. | 7.424 | 1 | (1.350) | 6.075 |
| Consolidation adjustments: | | | | |
| * Elimination of book value of investments | 3.191 | (150) | (87) | 2.954 |
| * Transactions between consolidated companies | (390) | - | (73) | (463) |
| * Tax effect on consolidation adjustments | 12 | - | 3 | 15 |
| * Other adjustments | 37 | - | (6) | 31 |
| * Exchange rate differences on infra-Group transactions | 27 | (4) | - | 23 |
| Consolidated Financial Statements (attributable to the Group) | 10.301 | (153) | (1.513) | 8.635 |

SEGMENT REPORTING

Earnings performance by business sector

The following table shows earning performance broken down by business segment. The Group data are presented broken down into three sectors: Numerical Controls - CNC -, High Speed Milling Systems - HSM - and after-sales servicing - Service.

The items that cannot be classified as CNC, HSM or SERVICE are reported in the last column of the income statement; these items are mainly general and administrative costs, advertising costs, promotion and exhibitions for the benefit of all three lines of business.

Inter-segment revenues consist of numerical controls, electrical control panels, drives and systems transferred from the electronics segment to the milling systems segment and of mechanical components and milling heads provided to the electronics segment for specific applications.

CONSOLIDATED INCOME STATEMENT per business sector

| Quarterly figures (thousand euros) | CNC 2014 | % | HSM 2014 | % | SERVICE 2014 | % | Unall. 2014 | TOTAL 2014 |
|---|--------------|---------------|--------------|---------------|-----------------|---------------|----------------|----------------|
| Revenues | 773 | 74,3% | 3.672 | 100,0% | 2.454 | 100,0% | - | 6.899 |
| Intersegment revenues | 268 | 25,7% | - | 0,0% | - | 0,0% | - | |
| Total revenues | 1.041 | 100,0% | 3.672 | 100,0% | 2.454 | 100,0% | - | 6.899 |
| Change in finished goods & W.I.P stock | 91 | 8,7% | 2.091 | 56,9% | 1 | 0,0% | - | 2.183 |
| Raw materials and consumables | (440) | -42,3% | (2.758) | -75,1% | (230) | -9,4% | (28) | (3.456) |
| Intersegment costs | (18) | -1,7% | (292) | -8,0% | 42 | 1,7% | - | |
| Commissions, transport and subcontractors | (116) | -11,1% | (1.013) | -27,6% | (88) | -3,6% | (1) | (1.218) |
| Other operating revenues | 166 | 15,9% | 64 | 1,7% | 17 | 0,7% | 61 | 308 |
| Other operating costs | (126) | -12,1% | (549) | -15,0% | (485) | -19,8% | (1.032) | (2.192) |
| Personnel costs | (744) | -71,5% | (1.173) | -31,9% | (1.030) | -42,0% | (921) | (3.868) |
| Depreciation and amortization | (14) | -1,3% | (79) | -2,2% | (21) | -0,9% | (86) | (200) |
| Operating income (loss) | (160) | -15,4% | (37) | -1,0% | 660 | 26,9% | (2.007) | (1.544) |

| Quarterly figures (thousand euros) | CNC 2013 | % | HSM 2013 | % | SERVICE 2013 | % | Unall. 2013 | TOTAL 2013 |
|---|--------------|---------------|--------------|---------------|-----------------|---------------|----------------|----------------|
| Revenues | 642 | 79,2% | 1.117 | 97,6% | 2.331 | 100,0% | - | 4.090 |
| Intersegment revenues | 169 | 20,8% | 27 | 2,4% | - | 0,0% | - | |
| Total revenues | 811 | 100,0% | 1.144 | 100,0% | 2.331 | 100,0% | - | 4.090 |
| Change in finished goods & W.I.P stock | 119 | 14,7% | 2.800 | 244,8% | 8 | 0,3% | - | 2.927 |
| Raw materials and consumables | (351) | -43,3% | (2.169) | -189,6% | (243) | -10,4% | (51) | (2.814) |
| Intersegment costs | (28) | -3,5% | (322) | -28,1% | 122 | 5,2% | 32 | |
| Commissions, transport and subcontractors | (188) | -23,2% | (690) | -60,3% | (74) | -3,2% | - | (952) |
| Other operating revenues | 289 | 35,6% | 212 | 18,5% | 60 | 2,6% | 82 | 643 |
| Other operating costs | (152) | -18,7% | (561) | -49,0% | (375) | -16,1% | (1.097) | (2.185) |
| Personnel costs | (883) | -108,9% | (1.073) | -93,8% | (1.116) | -47,9% | (969) | (4.041) |
| Depreciation and amortization | (18) | -2,2% | (63) | -5,5% | (2) | -0,1% | (64) | (147) |
| Operating income (loss) | (401) | -49,4% | (722) | -63,1% | 711 | 30,5% | (2.067) | (2.479) |

SUMMARY OF THE GROUP PERFORMANCE, SIGNIFICANT EVENTS AND BUSINESS OUTLOOK

The first quarter 2014 has been characterized by a substantial increase of revenues in comparison with the same period of last year (+68,7%), growth that has involved all the three business lines where the Group operates, as described in the first part of this reports.

Under a commercial point of view the orders intake confirms the positive trend started in the second half of the previous fiscal year. The performance has been definitely satisfactory in the HSM sector where the new orders increase by approx. 83% in comparison with the same period of last year.

The profitability, still negative because of a level of revenues that did not allow in the Quarter to the coverage of overheads, shows, however, a significant improvement. Considering the seasonality historically experienced in the Group revenues, the high order portfolio (more than 34,6 million euros) and the current negotiations, there are the conditions for a successful development of economic performance in the coming quarters and to achieve at the end of the year an higher turnover than in the fiscal year 2013.

On the behalf of the Board of Directors
The Chairman and Managing Director
Mr. Giuseppe Morfino

FIDIA GROUP
Consolidated Financial Statements
and
Notes
as at 31 March 2014

CONSOLIDATED PROFIT AND LOSS STATEMENTS

| (thousand euros) | Note | 1 st Quarter 2014 | 1 st Quarter 2013 |
|---|------|------------------------------|------------------------------|
| - Net sales | 1 | 6.899 | 4.090 |
| - Other operating revenues | 2 | 308 | 643 |
| Total revenues | | 7.207 | 4.733 |
| - Change in finished goods and W.I.P. stock | | 2.183 | 2.927 |
| - Raw materials and consumables | 3 | (3.456) | (2.814) |
| - Personnel costs | 4 | (3.868) | (4.041) |
| - Other operating costs | 5 | (3.410) | (3.137) |
| - Depreciation and amortization | 6 | (200) | (147) |
| Operating margin | | (1.544) | (2.479) |
| - Financial income (expenses) | 7 | 18 | (116) |
| Margin before taxes | | (1.526) | (2.595) |
| - Income taxes | 8 | (22) | 16 |
| Income/(loss) from continuing operations | | (1.548) | (2.579) |
| Income/(Loss) from discontinued operations | | - | - |
| Net income (loss) for the period | | (1.548) | (2.579) |
| Income/(loss) attributable to : | | | |
| - Shareholders of parent company | | (1.513) | (2.523) |
| - Minority interests | | (35) | (56) |

(in euro)

| | | | |
|----------------------------|---|--------|--------|
| Earnings per share | 9 | (0,30) | (0,49) |
| Diluted earnings per share | 9 | (0,30) | (0,49) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (thousand euros) | 1 st Quarter 2014 | 1 st Quarter 2013 |
|--|---------------------------------|---------------------------------|
| Income/(loss) for the period (A) | (1.548) | (2.579) |
| Other comprehensive income/(loss) that will be reclassified subsequently to profit and loss: | | |
| Gains/(losses) on cash flow hedge | 2 | 4 |
| Gains/(losses) on exchange differences on translating foreign operations | (210) | 379 |
| Income tax related to components of Other comprehensive income/losses that will be reclassified subsequently to profit and loss | (1) | (1) |
| Total Other comprehensive income/(loss) that will be reclassified subsequently to profit and loss, net of tax effect (B1) | (209) | 382 |
| Other comprehensive income/(loss) that will not be reclassified subsequently to profit and loss: | | |
| Actuarial gains/(losses) on employee benefit | - | - |
| Income tax related to components of Other comprehensive income/losses that will not be reclassified subsequently to profit and loss | - | - |
| Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit and loss, net of tax effect (B2) | 0 | 0 |
| Total Other comprehensive income/(loss), net of tax effect (B)=(B1)+(B2) | (209) | 382 |
| Total comprehensive income/(loss) for the period (A)+(B) | (1.757) | (2.197) |
| Total comprehensive income/(loss) attributable to: | | |
| Owners of the Parent | (1.662) | (2.223) |
| Non-controlling interests | (95) | 26 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (thousand euros) | Note | 31 March 2014 | 31 December 2013 |
|---|------|---------------|------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| - Property, plant and equipment | 10 | 1.806 | 1.806 |
| - Intangible assets | 11 | 547 | 410 |
| - Investments | 12 | 16 | 16 |
| - Other non-current financial assets | | - | - |
| - Other non-current receivables and assets | 13 | 1.451 | 1.479 |
| - Pre-paid tax assets | 8 | 832 | 832 |
| TOTAL NON-CURRENT ASSETS | | 4.652 | 4.543 |
| CURRENT ASSETS | | | |
| - Inventories | 14 | 19.485 | 16.661 |
| - Trade receivables | 15 | 9.052 | 9.178 |
| - Current tax receivables | 16 | 179 | 164 |
| - Other current receivables and assets | 16 | 1.561 | 1.342 |
| - Other current financial assets | 17 | 9 | 19 |
| - Cash and cash equivalents | 18 | 7.181 | 8.493 |
| TOTAL CURRENT ASSETS | | 37.467 | 35.857 |
| TOTAL ASSETS | | 42.119 | 40.400 |
| LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| - Share capital and reserves attributable to shareholders of the parent | | 8.635 | 10.301 |
| - Minority interests | | 2.451 | 2.546 |
| TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY | 19 | 11.086 | 12.847 |
| NON-CURRENT LIABILITIES | | | |
| - Other non-current payables and liabilities | 20 | 302 | 394 |
| - Provision for employee severance indemnities | 21 | 2.255 | 2.263 |
| - Deferred tax liabilities | 8 | 104 | 73 |
| - Other non-current financial liabilities | 22 | 26 | 29 |
| - Non-current financial liabilities | 23 | 1.677 | 1.852 |
| TOTAL NON-CURRENT LIABILITIES | | 4.364 | 4.611 |
| CURRENT LIABILITIES | | | |
| - Current financial liabilities | 23 | 5.655 | 4.302 |
| - Other current financial liabilities | 24 | 539 | 140 |
| - Trade payables | 25 | 8.983 | 8.409 |
| - Current tax payables | 26 | 725 | 1.138 |
| - Other current payables and liabilities | 26 | 9.764 | 8.051 |
| - Short-term provisions | 27 | 1.003 | 902 |
| TOTAL CURRENT LIABILITIES | | 26.669 | 22.942 |
| TOTAL LIABILITIES | | 42.119 | 40.400 |

CONSOLIDATED CASH FLOW STATEMENT

| (thousand euros) | 1 st Quarter 2014 | 1 st Quarter 2013 |
|--|------------------------------|------------------------------|
| A) Cash and cash equivalents at the beginning of the period | 5.883 | 4.694 |
| B) Cash from (used in) operating activities: | | |
| - Net income/(loss) attributable to the Group and minorities | (1.548) | (2.579) |
| - Depreciation | 158 | 120 |
| - Net capital losses (gains) on the disposal of property, plant and equipment | (14) | - |
| - Net change in the provision for employee severance indemnities | (7) | (28) |
| - Net change in current and non-current provisions for risks | 101 | (150) |
| - Net change in deferred tax (assets) liabilities | 31 | (4) |
| - Dividends paid | - | (70) |
| Net change in working capital: | | |
| - receivables | (81) | 3.246 |
| - inventory | (2.824) | (3.862) |
| - payables | 1.782 | 967 |
| | (2.402) | (2.360) |
| C) Cash from (used in) investing activities | | |
| - Investments in: | | |
| property, plant and equipment | (137) | (111) |
| intangible fixed assets | (173) | (41) |
| - Sale of: | | |
| property, plant and equipment | 23 | - |
| investments | - | - |
| | (287) | (152) |
| D) Cash from (used in) financing activities | | |
| - Change in loans | (146) | 187 |
| - Change in capital and reserves | (3) | (81) |
| - Change in portion attributable to minorities | (60) | (19) |
| - Net change in other current and non-current financial assets and liabilities | 406 | 10 |
| | 197 | 97 |
| Translation exchange differences | (144) | 280 |
| E) Net change in cash and cash equivalents | (2.636) | (2.135) |
| F) Cash and cash equivalents at the end of the period | 3.247 | 2.559 |
| Breakdown of cash and cash equivalents: | | |
| Cash and cash equivalents | 7.181 | 9.248 |
| Overdraft current accounts | (3.934) | (6.689) |
| | 3.247 | 2.559 |

STATEMENT OF CHANGES IN EQUITY

| (thousand euros) | Share capital | Treasury shares | Capital reserves | Earning reserves | Cash flow hedge reserve | Translation reserve | Reserve actuarial gains/losses on employee benefit | Other reserves | Total shareholders' equity of Group | Non-controlling interests | Total shareholders' equity |
|---------------------------------------|---------------|-----------------|------------------|------------------|-------------------------|---------------------|--|----------------|-------------------------------------|---------------------------|----------------------------|
| Balance as at 31 December 2012 | 5.123 | (45) | 1.240 | 4.708 | (16) | 769 | 34 | 213 | 12.026 | 2.812 | 14.838 |
| Total comprehensive income/(losses) | | | | (2.523) | 3 | 297 | | | (2.223) | 26 | (2.197) |
| Other changes | | | | (84) | | | | | (84) | (100) | (184) |
| Balance as at 31 March 2013 | 5.123 | (45) | 1.240 | 2.101 | (13) | 1.066 | 34 | 213 | 9.719 | 2.738 | 12.457 |
| Balance as at 31 December 2013 | 5.123 | (45) | 1.240 | 3.224 | (6) | 489 | 63 | 213 | 10.301 | 2.546 | 12.847 |
| Total comprehensive income/(losses) | | | | (1.513) | 1 | (150) | | | (1.662) | (95) | (1.757) |
| Other changes | | | | (4) | | | | | (4) | | (4) |
| Balance as at 31 March 2014 | 5.123 | (45) | 1.240 | 1.707 | (5) | 339 | 63 | 213 | 8.635 | 2.451 | 11.086 |

Notes

MAIN ACTIVITIES

Fidia S.p.A. is a legal entity organized under the laws of the Republic of Italy. Fidias S.p.A. and its subsidiaries (the "Group") operate in more than 20 countries.

Fidia S.p.A. is engaged in the manufacture of high speed milling machines, numerical control devices and the accessories, products, materials and components employed therein, including the associated software processes.

Fidia GmbH is involved in marketing and selling of numerical controls and milling machines and supplies after-sale technical support for all the Group's products in Germany, Austria, Netherlands, the Czech Republic and the German-speaking Cantons of Switzerland.

Fidia S.a.r.l. markets and sells numerical controls and milling systems and provides after-sale technical support for all the Group's products in France and Belgium.

Fidia Iberica S.A. sells numerical controls and milling systems and supplies after-sales technical support for all the Group's products in Spain, Portugal and Mexico.

OOO Fidias: this company has been incorporated to cover the Russian market, but at today it is only partially operative.

Fidia do Brasil Ltda. sells numerical controls and milling systems and supplies after-sales technical support for all the Group's products in Brazil and neighbouring countries.

Beijing Fidias M&E Co. Ltd (Fidias Jve), sells numerical controls and milling systems and supplies after-sales technical support for all of the Group's products in the People's Republic of China and neighbouring countries.

Shenyang Fidias NC & Machine Company Ltd is a joint-venture incorporated together with the biggest machine-tool builder in China - Shenyang Machine Tool Company Ltd. (SMTCL). The joint-venture produces and sells electronic components and high-speed milling systems.

Fidias India Private Ltd. carries commercial activity in India.

The Group headquarter and registered office is in San Mauro Torinese (Turin), Italy.

The Consolidated Financial Statements of Fidias Group is presented in euro, which is the accounting currency of the Parent Company, Fidias S.p.A.

SIGNIFICANT ACCOUNTING POLICIES

Principi per la predisposizione del Resoconto Intermedio di Gestione

This Quarterly Report as at 31 March 2014 has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. The designation "IFRS" also includes all currently valid International Accounting Standards ("IAS"), as well as all interpretations of the International Accounting Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

This Quarterly Report has been prepared in accordance with IAS 34 – *Interim Financial Reporting*, applying the same accounting principles and policies used in the preparation of the Consolidated Financial Statements as at 31 December 2013, with the exception of the contents of the next paragraph “Accounting standards, amendments and interpretations applied since 1 January 2014”.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management’s best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Moreover, certain valuation procedures, in particular those of a more complex nature such as the determination of the impairment of non-current assets, are only carried out in full during the preparation of the annual financial statements, when all the information required is available, unless there are signs of impairment that require an immediate assessment of possible loss.

In the same way the actuarial valuations that are required for the determination of employee benefit provisions are usually only carried out during the preparation of the half-year and the annual financial statements.

The Group business activity and the sales trend are subject to a seasonal cycle.

Taxes have been determined on the basis of the best estimate of the average rate expected for the whole financial year.

Accounting principles, amendments and interpretations applied since 1 January 2014

The following new standards and amendments have been adopted by the Group from 1 January 2014.

IFRS 11 – Joint arrangements

With IFRS 11, the IASB has provided a new criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangements, rather than their legal form. The adoption of this standard required the reclassification of investments previously classified as jointly controlled entities as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has right only to the net assets of an arrangement). Under the new standard, joint ventures are accounted for under the equity method while joint operations are accounted for by recognizing the Group’s share of assets, liabilities, revenues and expenses (these interests would have previously been accounted for using the equity method under IAS 31). The application of this amendment has not had any effect on this Quarterly Report.

IFRS 10 – Consolidated Financial Statements

With the introduction of the IFRS 10 the IASB aim to define a single control model to be applied to all situations, including specific application guides and other qualitative factors to be considered in the analysis. In addition, IFRS 10 also has filled a gap of previous documents referring to cases in which the investor, although it has the ability to exercise his power, in fact operates as a mere "agent" and not as a "principal".

In accordance with the transition provision in IFRS 10, the Group reassessed the conclusion on control for its investees on 1 January 2014 without reporting any significant effect on the adoption of the new standard.

IFRS 12 – Disclosure of Interests in Other Entities

With the new IFRS 12, the IASB has defined and merged into a single accounting principle, the information to be disclosed in the consolidated financial statements with respect to controlled entities, agreements to control (joint ventures and joint operations), related entities and structured entities not consolidated. In particular, the disclosures required by IFRS 12 aims to enable users of financial statements to evaluate the nature and risks associated with investments held in other entities and the effects of those interests on its financial position, results of operations and cash flows financial. The adoption of this new standard did not have any effect on this interim consolidated financial statement.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32– Financial Instruments: Presentation)

The amendments clarify the application of certain offsetting criteria for financial assets and financial liabilities described in the IAS 32. No significant effect arose on these Interim Consolidated Financial Statements from the first time adoption of these amendments.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 – Impairment of assets)

The Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets* - addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The application of these amendments has not reported any effect on these Interim Consolidated Financial Statements and will result in an expanded disclosure in the notes to the future annual consolidated financial statements.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)

These amendments to IAS 39 - *Financial Instruments: Recognition and Measurement* - allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. No effect arose on these Interim Consolidated Financial Statements from the first time adoption of these amendments.

Accounting principles, amendments and interpretations non yet effective and not early adopted by the Group

On 12 November 2009 the IASB issued IFRS 9 – *Financial Instruments*. The new standard was reissued in October 2010 and subsequently amended in November 2013. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting. It replaces the relevant parts of IAS 39 – *Financial Instruments: recognition and measurement*. As part of the November 2013 amendments, among other, the IASB removed the standard's mandatory effective date, previously set on 1 January 2015. This date will be added to the

standard when all phases of the IFRS 9 project are completed and a final complete version of the standard is issued.

On 20 May 2013 the IASB issued the IFRIC Interpretation 21 - *Levies*, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation sets out the accounting for an obligation to pay a levy that is not income tax.

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 – *Employee benefits* entitled “*Defined Benefit Plans: Employee Contributions*”. These amendments apply to contributions from employees or third parties to defined benefit plans in order to simplify their accounting in specific cases. The amendments are effective, retrospectively, for annual periods beginning on or after 1 July 2014 with earlier application permitted.

On 12 December 2013 the IASB issued the *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle*. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – *Share based payment*, the disclosure on judgment used in the aggregation of operating segments in IFRS 8 – *Operating Segments*, the identification and disclosure of a related party transaction that arise when a management entity provides key management personnel service to a reporting entity in IAS 24 – *Related Party disclosures*, the extension of the exclusion from the scope of IFRS 3 – *Business Combinations* to all types of joint arrangements (as defined in IFRS 11 – *Joint arrangements*) and to clarify the application of certain exceptions in IFRS 13 – *Fair value Measurement*.

Scope of consolidation

The scope of consolidation has not changed in comparison to the Consolidated Financial Statements as at 31 December 2013. The following table shows the companies falling within the consolidation area compared with the 31 December 2013 and the 31 March 2013 closing period:

| Name / Registered office | Currency | Share capital | Equity ownership as at 31/3/2014 | Equity ownership as at 31/12/2013 | Equity ownership as at 31/3/2013 |
|---|----------|---------------|----------------------------------|-----------------------------------|----------------------------------|
| Fidia GmbH, Dreieich – Germany | Euro | 520.000 | 100% | 100% | 100% |
| Fidia Co, Troy - U.S.A. | USD | 400.000 | 100% | 100% | 100% |
| Fidia Sarl, Emerainville – France | Euro | 300.000 | 100% | 100% | 100% |
| Fidia Iberica S.A., Zamudio - Spain | Euro | 180.300 | 99,993% | 99,993% | 99,993% |
| Fidia do Brasil Ltda, Sao Paulo – Brazil | Reais | 400.843 | 99,75% | 99,75% | 99,75% |
| Beijing Fidias M&E Co Ltd., Beijing - China | USD | 1.500.000 | 92 % | 92 % | 92 % |
| Shenyang Fidias NC & Machine Company Ltd., Shenyang – China | Rmb | 42.517.648 | 51% | 51% | 51% |
| OOO Fidias, Mosca - Russian Federation | Ruble | 3.599.790 | 100% | 100% | 100% |
| Fidia India Private Ltd. - Pune - India | Rupee | 100.000 | 99,99% | 99,99% | 99,99% |

COMPOSITION AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

An analysis of net sales to third parties (net of intra-Group transactions) by business sector follows:

| (thousand euros) | 1 st Quarter 2014 | % | 1 st Quarter 2013 | % |
|---|------------------------------|--------|------------------------------|--------|
| Numerical controls, drives and software | 773 | 11,2% | 642 | 15,7% |
| High-speed milling systems | 3.672 | 53,2% | 1.117 | 27,3% |
| After-sales service | 2.454 | 35,6% | 2.331 | 57,0% |
| Total sales | 6.899 | 100,0% | 4.090 | 100,0% |

The Group revenues on their whole increase by 68,7% in the comparison Q. to Q. The growth of the turnover involves all the three business lines where the Group operates.

2. OTHER OPERATING REVENUES

The other operating revenues in the 1st Q. 2014 have been 308 thousand euros (643 thousand euros in the same 2013 period). This figure includes the other incomes coming from the ordinary activity, but that cannot be included in the typical sale of goods and services.

This figure includes:

- grants provided by EU and Italy's Ministry of University (MUR) to Fidia S.p.A. on research and development activity (139 thousand euros; 321 thousand euros as at 31 March 2013);
- the release of the warranty provision and the bad debts provision for the part over accrued in comparison with the risk to be covered (18 thousand euros; 198 thousand euros as at 31 March 2013);
- tangible assets own built and capitalized product development costs (83 thousand euros; 43 thousand euros as at 31 March 2013);
- recovery of costs, extraordinary income, income on disposal of property, plant and equipment and other sundry incomes (68 thousand euros; 81 thousand euros in the same period of last year).

3. RAW MATERIALS AND CONSUMABLES

In the 1st Q. 2014 the material consumption amounts to 3.456 thousand euros, up compared to 2.814 thousand euros in the 1st Q. 2013 as a consequence of the turnover increase.

4. PERSONNEL COSTS

Personnel costs decrease by 4,3% and amount to 3.868 thousand euros vs 4.041 thousand euros in the same period 2013.

5. OTHER OPERATING COSTS

The other operating costs amount to 3.410 thousand euros, higher than the same period of last year (3.137 thousand euros); the increase is mainly due to the cost items directly linked to the turnover. A detail follows:

- costs for services related to the turnover (subcontractors, transports, duties and commissions): 1.218 thousand euros vs 952 thousand euros in the same period 2013;
- production costs: 730 thousand euros vs 601 thousand euros in the same period 2013;
- sales and marketing costs: 114 thousand euros vs 237 thousand euros in the same period 2013;
- R&D expenses: 223 thousand euros vs 159 thousand euros in the same period 2013;
- general and administrative expenses: 1.125 thousand euros vs 1.188 thousand euros in the same period 2013.

6. DEPRECIATION AND AMORTIZATION

| (thousand euros) | 1 st Quarter 2014 | 1 st Quarter 2013 |
|---|------------------------------|------------------------------|
| Amortization of intangible assets | 33 | 15 |
| Depreciation of property, plant and equipment | 125 | 105 |
| Bad debts | 42 | 27 |
| Totale | 200 | 147 |

7. FINANCIAL INCOME AND EXPENSES

The financial income and expenses are detailed below:

| (thousand euros) | 1 st Quarter 2014 | 1 st Quarter 2013 |
|---|------------------------------|------------------------------|
| Interest income from banks | 7 | 11 |
| Commercial interest and discounts | - | 2 |
| Gains on derivative financial instruments | 1 | 1 |
| Other financial income | 4 | 6 |
| Interest expenses on bank debt | (24) | (67) |
| Interest expenses on medium/long-term bank debt | (30) | (35) |
| Losses on derivative financial instruments | - | (4) |
| Other financial expenses | (14) | (7) |
| Gains (losses) due to exchange rate differences | 74 | (23) |
| Total financial income (expenses) | 18 | (116) |

At the end of the 1st Q. 2014 the balance of the financial income and expenses is positive by 18 thousand euros (negative by 116 thousand euros at the end of the 1st Q. 2013). That balance includes:

- interests receivables and payables whose net balance (net charge for 47 thousand euros) is better in comparison with the same period of last year (net charge for 91 thousand euros) mainly because of an average better net financial position of the period;
- the *fair value* evaluation of the derivative contracts at the end of the 1st Q. (some *forward* contracts to cover the currency rate risk, one *interest rate swap* contract and two *interest rate cap* contracts to cover the interest rate risk on the medium-long term loans signed by the parent company Fidia S.p.A.) that generates net income for approx.. 1 thousand euros (net charge for approx. 3 thousand euros in the 1st Q. 2013);
- income and loss on exchange on currency transactions, both already realized or coming from adjustments, for a net positive balance of 74 thousand euros (net negative balance of 23 thousand euros as at 31 March 2013);
- other sundry financial income and expenses with a net balance of -10 thousand euros (+1 thousand euros at the end of the 1st Q. 2013).

8. INCOME TAXES

The taxes, current and deferred, allocated in the Consolidated Income Statement amount to 22 thousand euros (-16 thousand euros as at 31 March 2013):

The following table shows the balance of deferred tax assets and liabilities as at 31 March 2014:

| (thousand euros) | 31 March 2014 | 31 December 2013 |
|--------------------------|---------------|------------------|
| Pre-paid tax assets | 832 | 832 |
| Deferred tax liabilities | (104) | (73) |
| Total | 728 | 759 |

9. EARNING PER SHARE

Earning/loss per share is determined on the basis of the following data:

| | | 1 st Quarter 2014 | 1 st Quarter 2013 |
|---|----------------|------------------------------|------------------------------|
| Net income (loss) attributable to the Group | thousand euros | (1.513) | (2.523) |
| Net income (loss) attributable to ordinary shares | thousand euros | (1.513) | (2.523) |
| Number of ordinary shares outstanding | number | 5.113.000 | 5.113.000 |
| Earnings (loss) per ordinary share | euro | (0,30) | (0,49) |
| Diluted earnings (loss) per ordinary share | euro | (0,30) | (0,49) |

No difference has been recorded between result per share and diluted result per share as Fidia S.p.A. does not have any outstanding financial instruments that would affect earning/loss per share.

STATEMENT OF FINANCIAL POSITION

10. PROPERTY, PLANT AND EQUIPMENT

| (thousand euros) | Buildings | Plant, machinery and equipment | Other assets | Asset in progress and down- payments | Total |
|-----------------------------------|------------|--------------------------------------|-----------------|---|--------------|
| Net value as at 31.12.2013 | 480 | 648 | 668 | - | 1.796 |
| Purchases | - | 16 | 130 | | 146 |
| Net value of disposals | - | (10) | - | - | (10) |
| Depreciation | (11) | (61) | (53) | | (125) |
| Exchange rate differences | - | | (1) | | (1) |
| Net value as at 31.3.2014 | 469 | 593 | 744 | - | 1.806 |

11. INTANGIBLE FIXED ASSETS

| (thousand euros) | Know-how right of use | Licenses | Software | Asset in progress and down- payments | Total |
|-----------------------------------|--------------------------|-----------|------------|---|------------|
| Net value as at 31.12.2013 | 77 | 1 | 70 | 262 | 410 |
| Purchases | - | 100 | 253 | 83 | 436 |
| Disposals/reclassifications | - | - | - | (262) | (262) |
| Depreciation | (9) | (5) | (19) | - | (33) |
| Exchange rate differences | (4) | - | | - | (4) |
| Net value as at 31.3.2014 | 64 | 96 | 304 | 83 | 547 |

12. INVESTMENTS

This figure amounts to 16 thousand euros (unchanged compared to 31 December 2013) and it is related to the investments in associated companies evaluated with the equity method and to investments in other companies evaluated with the cost method.

13. OTHER NON-CURRENT RECEIVABLES AND ASSETS

The other non current receivables and assets are detailed below:

| (thousand euros) | Balance as at 31 March 2014 | Balance as at 31 December 2013 |
|--|--------------------------------|-----------------------------------|
| Receivables for EU grants | 55 | 50 |
| Guarantee deposits | 52 | 53 |
| Trade receivables | 80 | 114 |
| Foreign VAT receivables | 7 | 6 |
| Withholding tax on foreign income | 1.157 | 1.157 |
| Tax receivables from Spanish tax authorities | 91 | 94 |
| Long term prepaid expenses | 9 | 5 |
| Total | 1.451 | 1.479 |

14. INVENTORY

| (thousand euros) | Balance as at 31 March 2014 | Balance as at 31 December 2013 |
|---|--------------------------------|-----------------------------------|
| Raw materials | 10.679 | 9.892 |
| Raw material write-down provision | (1.511) | (1.512) |
| | 9.168 | 8.380 |
| Work in progress and semi-finished products | 5.909 | 3.836 |
| Finished products and goods | 5.083 | 4.997 |
| Finished product write-down provision | (688) | (676) |
| | 4.395 | 4.321 |
| Down payments | 13 | 124 |
| Net value | 19.485 | 16.661 |

The stock reports in the 1st Q. an overall increase by 2.824 thousand euros; it is due to the product in progress, as the production rhythm is high. The stock of finished goods includes also machines already delivered to the final customers and still under installation for an amount of approx. 1.058 thousand euros.

15. TRADE RECEIVABLES

| (thousand euros) | Balance as at 31 March 2014 | Balance as at 31 December 2013 |
|--|--------------------------------|-----------------------------------|
| Trade receivables | 10.044 | 10.150 |
| Bad debts provision | (992) | (972) |
| Trade receivables towards associated companies | - | - |
| Total | 9.052 | 9.178 |

Trade receivables are substantially in line with those as at 31 December 2013, showing a variation of only 126 thousand euros.

16. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

| (thousand euros) | Balance as at 31 March 2014 | Balance as at 31 December 2013 |
|--|--------------------------------|-----------------------------------|
| VAT receivables | 101 | 94 |
| Current income tax receivables | 65 | 44 |
| Receivables for short-term foreign VAT | 7 | 8 |
| Others | 6 | 18 |
| Total current tax receivables | 179 | 164 |
| Research grants | 649 | 715 |
| Accrued income and prepaid expenses | 413 | 235 |
| Receivables from employees | 110 | 59 |
| Down payments to suppliers | 245 | 154 |
| Other | 144 | 179 |
| Total other current receivables | 1.561 | 1.342 |
| Total | 1.740 | 1.506 |

17. OTHER CURRENT FINANCIAL ASSETS

This item amounts to 9 thousand euros (19 thousand euros as at 31 December 2013) and includes the *fair value* evaluation of some forward contracts for sale of U.S. dollars, signed in order to reduce the currency rate risk. The evaluation has been performed according to the market parameters at the end of the 1st Q. 2014.

18. CASH AND EQUIVALENTS

The total amount of cash availability of the Group is 7.181 thousand euros (8.493 thousand euros as at 31 December 2013) and consists essentially of funds temporary available in current accounts. These figures are subject to a risk of fluctuation in value of an insignificant extent and their book value is in line with their fair value.

The related credit risk is not material too, because the Group operates with primary national and international banks.

19. NET EQUITY

The consolidated net equity reduces by 1.761 thousand euros in comparison with 31 December 2013, from 12.847 to 11.086 thousand euros, as a result of the loss of the period (-1.548 thousand euros), of the negative change in the translation reserve (-210 thousand euros), of a positive variation of the

cash flow hedge reserve (+1 thousand euros, net of tax effect) and of other sundry negative changes (-4 thousand euros).

As at 31 March 2014 the fully paid share capital is unchanged compared to 31 December 2013 and it is represented by 5.123.000 ordinary shares with a nominal value of euro 1 each.

20. OTHER NON-CURRENT PAYABLES AND LIABILITIES

This item, amounting to 302 thousand euros (394 thousand euros as at 31 December 2013) consists of advances paid by the EU and by the Italy's Ministry of University for R&D projects associated with outright grants and of non-current payables to employees of the French subsidiary Fidia Sarl.

21. PROVISION FOR EMPLOYEE SEVERANCE INDEMNITIES

Employee severance indemnities amount to 2.255 thousand euros (2.263 thousand euros as at 31 December 2013) and reflect the benefits accrued, according to law, by the employees of the Italian parent company as at the end of the 1st Q. 2014.

22. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item amounts to 26 thousand euros (29 thousand euro as at 31 December 2013) and it is represented by the *fair value* of an *interest rate swap* and of two *interest rate cap* signed in order to cover the risk on the interest rate change on three long term loans (*cash flow hedge*).

23. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

This figure amounts to 7.332 thousand euros as detailed below.

| (thousand euros) | Balance as at 31 March 2014 | Balance as at 31 December 2013 |
|--|--------------------------------|-----------------------------------|
| Bank overdraft and short-term advances | 3.935 | 2.610 |
| Accrued expenses on loans | 1 | 2 |
| Bank loans | 3.221 | 3.459 |
| Financial leasing | 175 | 83 |
| Total | 7.332 | 6.154 |

There are no liabilities longer than 5 years.

24. OTHER CURRENT FINANCIAL LIABILITIES

This item amounts to 539 thousand euros (140 thousand euros as at 31 December 2013) and it related to grants received by Fidia S.p.A. in its role of project leader on the behalf of the other companies participating to these projects and that will be redistributed among the partners in the coming months.

25. TRADE PAYABLES

| (thousand euros) | Balance as at 31 March 2014 | Balance as at 31 December 2013 |
|----------------------------------|--------------------------------|-----------------------------------|
| Payables to third suppliers | 8.981 | 8.407 |
| Payables to associated companies | 2 | 2 |
| Total trade payables | 8.983 | 8.409 |

Trade payables amount to 8.983 thousand euros as at 31 March 2014 and are substantially in line with those at the end of the last year.

26. TAX LIABILITIES AND OTHER CURRENT PAYABLES AND LIABILITIES

| (thousand euros) | Balance as at 31 March 2014 | Balance as at 31 December 2013 |
|---|--------------------------------|-----------------------------------|
| Payables to employees | 1.369 | 1.125 |
| Social security payables | 667 | 741 |
| Down payments from customers | 7.013 | 5.337 |
| Down payments for EU grants | - | - |
| Payables to administrators | 89 | 69 |
| Payables to Treasury Fund and other pension funds | 71 | 100 |
| Payables for dividends | 89 | 92 |
| Accrued expenses and deferred income | 302 | 299 |
| Payables to SMTCL company | 50 | 35 |
| Other payables | 114 | 253 |
| Total other payables | 9.764 | 8.051 |
| Payables to inland revenue withholding tax | 171 | 346 |
| Income tax payables | 211 | 434 |
| VAT payables | 302 | 295 |
| Other | 41 | 63 |
| Total tax payables | 725 | 1.138 |
| Total | 10.489 | 9.189 |

Advances from customers are represented by down payments received by clients and by the value of the milling systems already delivered, but not yet approved by the final customers.

27. SHORT-TERM PROVISIONS

Short term provisions amount to 1.003 thousand euros (902 thousand euros as at 31 December 2013). This item includes 930 thousand euros for the product warranty provision that represents the best estimate of the Group's contractual, legal or habitual commitments in the form of expenses associated with the warranties for its products for a given period of time from when they are sold to the end client, 39 thousand euros for a tax risk provision accrued to face a tax inspection related to the subsidiary Fidia do Brasil Ltda. and 34 thousand euros for a legal risk provision accrued to cover potential liabilities arising from litigation in progress.

28. GUARANTEES GRANTED, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

The total amount of the guarantees granted in the Group name to third parties is 2.135 thousand euros (1.823 thousand euros as at 31 March 2013).

This item consists primarily of performance/advance bonds for commercial transactions with some foreign customers in order to guarantee the successful completion of future supply arrangements and the correct fulfillment of the warranty commitments (2.077 thousand euros) and of guarantees covering contracts of building rental (58 thousand euros).

Contingent liabilities

As at 31 March 2014, Fidia Group, although it is exposed to various risks (product liability, legal and fiscal risks), is not aware of circumstances that might generate foreseeable contingent liabilities or contingent liabilities the amount of which may be estimated and therefore does not believe it necessary to make any further allocations.

29. INFORMATION FOR BUSINESS SECTOR

Income statement per business sector

Below are reported the consolidated economic results by business sector as at 31 March 2014 compared to those at 31 March 2013:

| (thousand euros) | Sector | | | | | | | Total |
|---|--------------|---------------|--------------|---------------|--------------|---------------|----------------|----------------|
| 1 st Quarter 2014 | CNC | % | HSM | % | SERVICE | % | Unall. | |
| Revenues | 773 | 74,3% | 3.672 | 100,0% | 2.454 | 100,0% | - | 6.899 |
| Intersegment revenues | 268 | 25,7% | - | 0,0% | - | 0,0% | - | |
| Total revenues | 1.041 | 100,0% | 3.672 | 100,0% | 2.454 | 100,0% | - | 6.899 |
| Change in finished goods & W.I.P. stock | 91 | 8,7% | 2.091 | 56,9% | 1 | 0,0% | - | 2.183 |
| Other operating revenues | 166 | 15,9% | 64 | 1,7% | 17 | 0,7% | 61 | 308 |
| Raw materials and consumables | (440) | -42,3% | (2.758) | -75,1% | (230) | -9,4% | (28) | (3.456) |
| Intersegment costs | (18) | -1,7% | (292) | -8,0% | 42 | 1,7% | - | |
| Other operating costs | (242) | -23,2% | (1.562) | -42,5% | (573) | -23,3% | (1.033) | (3.410) |
| Personnel costs | (744) | -71,5% | (1.173) | -31,9% | (1.030) | -42,0% | (921) | (3.868) |
| Depreciation and amortization | (14) | -1,3% | (79) | -2,2% | (21) | -0,9% | (86) | (200) |
| Operating Margin | (160) | -15,4% | (37) | -1,0% | 660 | 26,9% | (2.007) | (1.544) |

| (thousand euros) | Sector | | | | | | | Total |
|---|--------------|---------------|--------------|---------------|--------------|---------------|----------------|----------------|
| 1 st Quarter 2013 | CNC | % | HSM | % | SERVICE | % | Unall. | |
| Revenues | 642 | 79,2% | 1.117 | 97,6% | 2.331 | 100,0% | - | 4.090 |
| Intersegment revenues | 169 | 20,8% | 27 | 2,4% | - | 0,0% | - | |
| Total revenues | 811 | 100,0% | 1.144 | 100,0% | 2.331 | 100,0% | - | 4.090 |
| Change in finished goods & W.I.P. stock | 119 | 14,7% | 2.800 | 244,8% | 8 | 0,3% | - | 2.927 |
| Other operating revenues | 289 | 35,6% | 212 | 18,5% | 60 | 2,6% | 82 | 643 |
| Raw materials and consumables | (351) | -43,3% | (2.169) | -189,6% | (243) | -10,4% | (51) | (2.814) |
| Intersegment costs | (28) | -3,5% | (322) | -28,1% | 122 | 5,2% | 32 | |
| Other operating costs | (340) | -41,9% | (1.251) | -109,4% | (449) | -19,3% | (1.097) | (3.137) |
| Personnel costs | (883) | -108,9% | (1.073) | -93,8% | (1.116) | -47,9% | (969) | (4.041) |
| Depreciation and amortization | (18) | -2,2% | (63) | -5,5% | (2) | -0,1% | (64) | (147) |
| Operating Margin | (401) | -49,4% | (722) | -63,1% | 711 | 30,5% | (2.067) | (2.479) |

Herebelow are reported the consolidated statements of financial position per business sector comparing 31 March 2014 and 31 December 2013:

| As at 31 March 2014 | CNC | HSM | SERVICE | Not allocated | Total |
|---|--------------|---------------|----------------|----------------------|---------------|
| (thousand euros) | | | | | |
| Property, plant and equipment | 27 | 604 | 31 | 1.144 | 1.806 |
| Intangible fixed assets | 66 | 81 | - | 400 | 547 |
| Investments | - | - | - | 16 | 16 |
| Other non-current financial assets | - | - | - | - | - |
| Other receivables and non-current assets | 20 | 155 | 2 | 1.274 | 1.451 |
| Deferred tax assets | - | - | - | 832 | 832 |
| Total non-current assets | 113 | 840 | 33 | 3.666 | 4.652 |
| Inventories | 2.559 | 13.119 | 3.807 | - | 19.485 |
| Trade receivables and other current receivables | 1.351 | 6.550 | 2.174 | 538 | 10.613 |
| Current tax receivables | - | - | - | 179 | 179 |
| Other current financial assets | - | - | - | 9 | 9 |
| Cash and equivalents | - | - | - | 7.181 | 7.181 |
| Total current assets | 3.910 | 19.669 | 5.981 | 7.907 | 37.467 |
| Total assets | 4.023 | 20.509 | 6.014 | 11.573 | 42.119 |
| Other payables and non-current liabilities | 142 | 125 | 32 | 3 | 302 |
| Provision for employee severance indemnities | 575 | 1.137 | 155 | 388 | 2.255 |
| Deferred tax liabilities | - | - | - | 104 | 104 |
| Other non-current financial liabilities | - | - | - | 26 | 26 |
| Non-current financial liabilities | - | - | - | 1.677 | 1.677 |
| Total non-current liabilities | 717 | 1.262 | 187 | 2.198 | 4.364 |
| Current financial liabilities | - | - | - | 5.655 | 5.655 |
| Other current financial liabilities | - | - | - | 539 | 539 |
| Trade payables and other current liabilities | 1.358 | 13.711 | 948 | 2.730 | 18.747 |
| Current tax payables | - | - | - | 725 | 725 |
| Short-term provision | 115 | 760 | 55 | 73 | 1.003 |
| Total current liabilities | 1.473 | 14.471 | 1.003 | 9.722 | 26.669 |
| Total liabilities | 2.190 | 15.733 | 1.190 | 11.920 | 31.033 |
| Shareholders' equity | - | - | - | 11.086 | 11.086 |
| Total liabilities | 2.190 | 15.733 | 1.190 | 23.006 | 42.119 |

| As at 31 December 2013 | CNC | HSM | SERVICE | Not allocated | Total |
|---|--------------|---------------|----------------|----------------------|---------------|
| (thousand euros) | | | | | |
| Property, plant and equipment | 29 | 612 | 5 | 1.160 | 1.806 |
| Intangible fixed assets | - | 77 | - | 333 | 410 |
| Investments | - | - | - | 16 | 16 |
| Other receivables and non-current assets | 16 | 185 | - | 1.278 | 1.479 |
| Deferred tax assets | - | - | - | 832 | 832 |
| Total non-current assets | 45 | 874 | 5 | 3.619 | 4.543 |
| Inventories | 2.395 | 10.353 | 3.913 | - | 16.661 |
| Trade receivables and other current receivables | 1.394 | 6.669 | 2.057 | 400 | 10.520 |
| Current tax receivables | - | - | - | 164 | 164 |
| Other current financial assets | - | - | - | 19 | 19 |
| Cash and equivalents | - | - | - | 8.493 | 8.493 |
| Total current assets | 3.789 | 17.022 | 5.970 | 9.076 | 35.857 |
| Total assets | 3.834 | 17.896 | 5.975 | 12.695 | 40.400 |
| Other payables and non-current liabilities | 203 | 156 | 32 | 3 | 394 |
| Provision for employee severance indemnities | 573 | 1.133 | 171 | 386 | 2.263 |
| Deferred tax liabilities | - | - | - | 73 | 73 |
| Other non-current financial liabilities | - | - | - | 29 | 29 |
| Non-current financial liabilities | - | - | - | 1.852 | 1.852 |
| Total non-current liabilities | 776 | 1.289 | 203 | 2.343 | 4.611 |
| Current financial liabilities | - | - | - | 4.302 | 4.302 |
| Other current financial liabilities | - | - | - | 140 | 140 |
| Trade payables and other current liabilities | 1.198 | 11.613 | 932 | 2.717 | 16.460 |
| Current tax payables | - | - | - | 1.137 | 1.137 |
| Short-term provision | 106 | 679 | 46 | 71 | 902 |
| Total current liabilities | 1.304 | 12.292 | 978 | 8.367 | 22.941 |
| Total liabilities | 2.080 | 13.581 | 1.181 | 10.710 | 27.552 |
| Shareholders' equity | - | - | - | 12.848 | 12.848 |
| Total liabilities | 2.080 | 13.581 | 1.181 | 23.558 | 40.400 |

30. TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The following table shows the exchange rates used to translate the values of companies outside of the euro area into euro:

| Currency | 1st Quarter 2014 | | As at 31 December 2013 | | 1st Quarter 2013 | |
|-----------------|------------------------------------|-----------------------|-------------------------------|--------------------------|------------------------------------|-----------------------|
| | Average | As at 31 March | Average | As at 31 December | Average | As at 31 March |
| US dollar | 1,36971 | 1,37880 | 1,32812 | 1,37910 | 1,32036 | 1,28050 |
| Brazilian real | 3,24018 | 3,12760 | 2,86866 | 3,25760 | 2,63469 | 2,57030 |
| Chinese RMB | 8,35872 | 8,57540 | 8,16463 | 8,34910 | 8,21930 | 7,96000 |
| Russian ruble | 48,0778 | 48,7800 | 42,3370 | 45,3246 | 40,1507 | 39,7617 |
| Indian rupee | 84,5864 | 82,5784 | 77,9300 | 85,3660 | 71,5212 | 69,5660 |

31. OTHER INFORMATION

The average number of employees in the first three months 2014 is 322,5 people (344 in the first three months 2013).

32. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In the first three months 2014 the Group did not undertake any significant non-recurring transactions as defined by Consob Communication of July 28, 2006.

33. POSITIONS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with the CONSOB Communication dated 28 July 2006, it is hereby stated that no atypical and/or unusual transactions were undertaken during the 1st Q. 2014. As defined by said Communication, atypical and/or unusual transactions are those that, due to their significance, the nature of the counterparts, the object of the transaction, the methods of determination of the price of transfer, and timing (proximity to year-end) may give rise to doubts as to the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of an entity's assets or the protection of minority shareholders.

34. TRANSACTIONS WITH RELATED PARTIES

The Group is engaged in transaction with associated companies and other related parties on commercial terms that are normal in the respective markets considering the characteristics of the goods and services involved. In detail such transactions have been the following:

- commercial transaction with the company Shenyang Machine Tool Co. Ltd., local partner of Shenyang Fidia NC&Machine Company Ltd.;
- wages and salary paid to Mr. Paolo Morfino and Luca Morfino, both of them employed by Fidia S.p.A.;
- emoluments to the Board of Directors and to Statutory Auditors.

35. NET FINANCIAL POSITION

Pursuant to the Consob Communication issued on 28 July 2006 and according to the CESR recommendation dated 10 February 2005 for the consistent implementation of the European Commission's Regulation on Prospectuses, the net financial position of Fidia Group as at 31 March 2014 is the following:

| (thousand euros) | | 31 March 2014 | 31 December 2013 |
|------------------|---|---------------|------------------|
| A | Cash | 11 | 9 |
| B | Bank deposits | 7.170 | 8.484 |
| C | Other cash equivalents | - | - |
| D | Cash (A+B+C) | 7.181 | 8.493 |
| E | Current financial receivables | - | - |
| F | Overdraft current accounts | 4.694 | 3.341 |
| G | Short term part of non-current debt | 961 | 961 |
| H | Other current financial debt | 539 | 140 |
| I | Current financial debt (F+G+H) | 6.194 | 4.442 |
| J | Net current financial position (credit)/debt (I-E-D) | (987) | (4.051) |
| K | Non-current bank debt | 1.677 | 1.852 |
| L | Bonds issued | - | - |
| M | Other non-current financial debt | - | - |
| N | Non current financial debt (K+L+M) | 1.677 | 1.852 |
| O | Net financial position (credit)/debt (J+N) | 690 | (2.199) |

36. SUBSEQUENT EVENTS

On the 29 April 2014 the Ordinary Shareholders' meeting has approved the financial statement as at 31 December 2013.

In the same date the Shareholders' meeting has also appointed the Board of Directors and the Board of Statutory Auditors, in charge until the approval of the annual financial statements for 2016.

Pursuant to Art. 154-bis, paragraph 2 of the "Testo Unico della Finanza", the Financial Reporting Officer ("dirigente preposto") Eugenio Barone, declares that all the figures contained in the present quarterly report correspond to the company's records, books and accounting entries.