Annual financial report

As at 31 December 2012

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
Capital paid in €5,123,000
Turin Register of Companies
Taxpayer's Code 05787820017
Website: http://www.fidia.it - http://www.fidia.com
e-mail: info@fidia.it

TABLE OF CONTENTS

Board of Directors
15 March 2013

Administrative and supervisory bodies

FIDIA S.p.A.	Issued and paid-in share capital €5,123,000.00 Entered under No. 05787820017 in the Turin Register of Companies Turin Business Code R.E.A. No. 735673 Registered office in San Mauro Torinese (Turin) 11, Corso Lombardia Website: http://www.fidia.it - http://www.fidia.com e-mail: info@fidia.it

Board of Directors

Chairman and Managing Director	Giuseppe Morfino (a)
Deputy Chairman	Luigino Azzolin (b) (1) (2)
Chief Executive Officer	Paolo Morfino (c)
Directors	Guido Giovando (d) (1) (2)
	Luca Mastromatteo (d) (1) (2)
	Luca Morfino (d)
	Mariachiara Zanetti (e)

(a) Appointed Chairman at the General Shareholders' Meeting on 28 April 2011 up to the approval of the FY2013 Financial Statements; appointed Managing Director by the Board of Directors on 28 April 2011.

(b) Appointed at the General Shareholders' Meeting on 28 April 2011 up to the approval of the FY2013 Financial Statements; appointed Deputy Chairman by the Board of Directors on 28 April 2011; appointed *Lead Independent Director* by the Board of Directors on 15 March 2012.

(c) Appointed at the General Shareholders' Meeting on 28 April 2011 up to the approval of the FY2013 Financial Statements; appointed Managing Director by the Board of Directors on 28 April 2011.

(d) Appointed at the General Shareholders' Meeting on 28 April 2011 up to the approval of the FY2013 Financial Statements

(e) Appointed at the General Shareholders' Meeting on 27 April 2012 until the approval of the FY2013 Financial Statements

(1) Member of the Compensation Committee.

(2) Member of the Internal Control Committee.

Board of Statutory Auditors (*)

Statutory Auditors	Roberto Panero – Chairman (**)
	Giovanni Rayneri
	Michela Rayneri
Alternate Auditors	Marcello Rabbia
	Luca Bolognesi

(*) Appointed at the General Shareholders' Meeting on 28 April 2011 until the approval of the FY2013 Financial Statements.
(**) Appointed at the General Shareholders' Meeting on 27 April 2012 until the approval of the FY2013 Financial Statements.

Independent Auditors (***) Reconta Ernst&Young S.p.A.

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

POWERS OF THE CHAIRMAN, VICE CHAIRMAN AND MANAGING DIRECTORS

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

He is the legal representative of the company with regard to third parties and courts of law, with separate signature, to exercise any and all, and the amplest powers of ordinary and extraordinary administration; he is entitled to appoint and revoke special attorneys for specific transactions, with the sole exclusion of the powers and rights expressly reserved to the Board of Directors, under the law or the company By-laws. The Board of the Directors retains the following powers:

- Purchase, sale, and conferment of equity interests,
- 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 and sale of equity interests, company branches and real estate.

In his position of Managing Director, the Chairman is vested with the capacity of "employer" as well as holder of the plants, emissions and wastes.

Deputy Chairman of the Board of Directors: Mr. Luigino Azzolin

He is the legal representative of the company in case of absence of or impediment to the Chairman of the Board of Directors.

Chief Executive Officer: Mr. Paolo Morfino

He is the legal representative of the company with regard to third parties and courts of law, with separate signature, to exercise any and all, and the amplest powers of ordinary and extraordinary administration; he is entitled to appoint and revoke special attorneys for specific transactions, with the sole exclusion of the powers and rights expressly reserved to the Board of Directors, under the law or the company By-laws. The Board of the Directors retains the following powers:

- Purchase, sale, and conferment of equity interests,
- 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 and sale of equity interests, company branches and real estate.

FIDIA GROUP Structure

FIDIA S.p.A.
Italy

FIDIA GmbH
Germany

100% Fidia S.p.A.

FIDIA S.a.r.l.
France

93.19% Fidia S.p.A.
6.81% Fidia GmbH

FIDIA IBERICA S.A.
Spain

99,993% Fidia S.p.A
0,007% others

FIDIA Co.
USA

100% Fidia S.p.A.

FIDIA DO BRASIL Ltda
Brazil

99.75% Fidia S.p.A.
0.25% others

Beijing Fidia M. & E. Co.
China

92% Fidia S.p.A.
4% Bamtri - 4% Catic

Shenyang Fidia NC & M Co. Ltd.
China

51% Fidia S.p.A.
49% Shenyang M.T. Co. Ltd.

FIDIA INDIA Private Ltd.
India

99,99% Fidia S.p.A.
0,01% others

OOO FIDIA
Russia

100% Fidia S.p.A.

Consolidated Financial Statements of Fidia S.p.A. 2012

Report on Operations

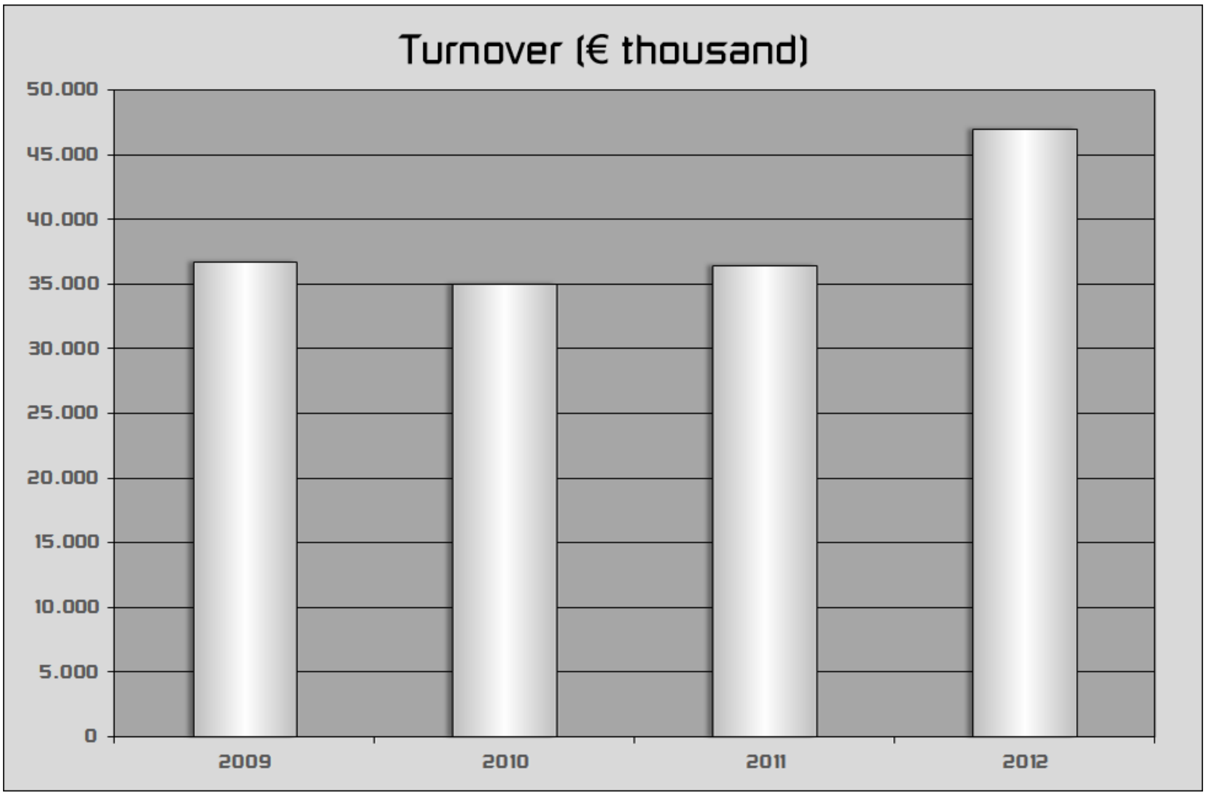
Overview of results

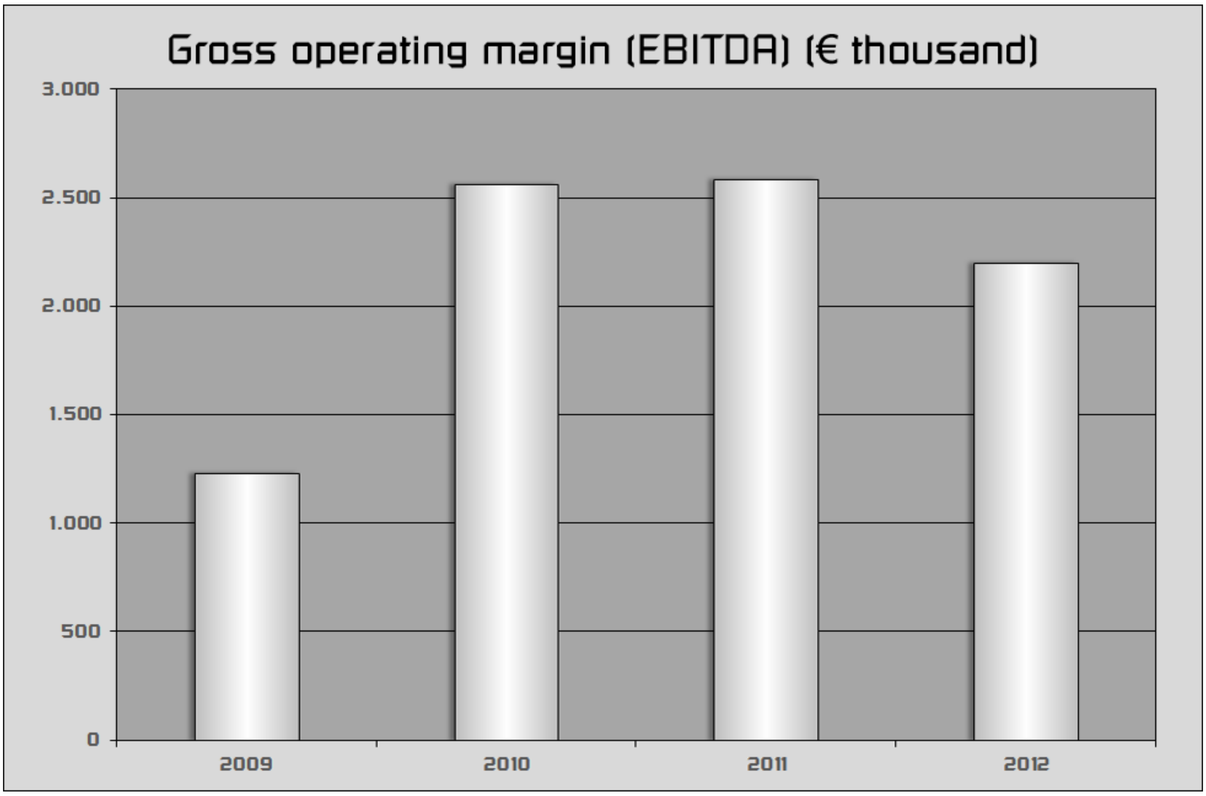
Despite a very difficult international scenario, year 2012 was characterized by a strong increase in revenues, as was the case also in the first three quarters of the year. This increase, which amounted to almost 30% compared to 2011, covered all three business lines in which the Group operates; the electronics sector (CNC) grew by 22.9%; the high-speed milling systems sector (HSM) by 38.9% and the after-sales service sector (Service) by 7%, confirming the steady growth trend that has characterized this sector for years now.
The increase in revenue was mainly the result of the high order backlog at the start of the year that made it possible to schedule timely interventions to increase production capacity.
From a commercial point of view, the fiscal year was characterized, particularly in the mechanical sector, by a two-speed trend. In the first part of the year, new orders remained very satisfactory and this made it possible to reach levels near the Group's best results; the second half of the year registered a stabilization first and then a slowdown, which did not make it possible to confirm the excellent results achieved in 2011.
The final backlog, though lower compared to the end of 2011, was still at high levels. Taking into account the new orders received in the first two months of 2013, production will be fully covered up to and beyond the third quarter of 2013.
On this basis, there are realistic expectations that the trend in revenues in 2013 will be similar to the year that has just ended.
Profitability was affected by the expected significant decrease in other operating revenues, which resulted in a decrease in both EBITDA (from 7.1% in 2011 to 4.7% in 2012) and EBIT (from 3.8% 2011 to 2.9% in 2012). The pre-tax result is in line with that of the previous year (2.5%) due to the lower financial expenses.
From a financial point of view, there was strong cash absorption induced by higher production volumes and the resulting increase in working capital. The NFP is still positive and amounted to €695 thousand.
Finally, from an organizational point of view, it should be noted that the Polish subsidiary Fidia Spolka z.o.o. was closed as planned. Through this further restructuring measure, Group management sought to streamline its distribution network by giving up its direct presence through a local company in favor of a more cost-effective and flexible organization better suited to the volumes achievable in this geographic area.

In short, the trends in the 2012 results are as follows:

- revenues in the amount of €47,001 thousand as opposed to €36,422 thousand in 2011 (+29.0%),
- value of production in the amount of €49,721 thousand as opposed to €45,526 thousand in 2011 (+9.2%),
- EBITDA in the amount of €2,199 thousand (4.7% of turnover) as opposed to €2,588 thousand in 2011 (7.1% of turnover),
- EBIT in the amount of €1,383 thousand (2.9% of turnover) as opposed to €1,386 thousand in 2011 (3.8% of turnover),
- EBT in the amount of €1,172 thousand as opposed to €928 thousand in 2011 (2.5% of turnover in both years),
- consolidated net profit in the amount of €324 thousand (-€45 thousand posted by the Group and +€369 thousand posted by NCIs) as opposed to a net profit of €586 thousand in 2011 (€407 thousand posted by the Group and €179 thousand posted by NCIs),
- positive net financial position in the amount of €695 thousand as opposed to a positive amount of €5,397 thousand as at 31 December 2011,
- new orders in the amount of €27,600 thousand as opposed to €42,000 thousand in 2011 (-34.3%),
- final order backlog in the amount of €21,700 thousand as opposed to €31,000 thousand in 2011 (-30.2%),

The trends in turnover and EBITDA in the 2009 - 2012 period are illustrated in the charts below:





Other main economic and equity data:

(€thousand)	2012	2011
Result before taxes	1,172	928
Profit/(loss) of period	324	586
Attributable to:		
- Group	(45)	407
- Non-controlling interests	369	179
Basic earnings per ordinary share	(0.009)	0.079
Diluted earnings per ordinary share	(0.009)	0.079
R&D expenditure (€mil)	3.1	4.3
Total assets	47,562	48,825
Net financial position - (payables)/receivables	695	5,397
Shareholders' equity of Group and non-controlling interests	14,838	14,730
Shareholders' equity of Group	12,026	12,229
Number of employees at year-end	341	343

Shareholders

Fidia constantly informs its shareholders and investors through the Investor Relations function and the Company website at www.fidia.it - www.fidia.com under Investor Relations where you can find economic and financial data, company presentations, and periodic reports and updates on Company shares. Furthermore, in order to maintain an ongoing relationship with investors based on dialogue, the company regularly participates in events and meetings with the financial community (such as Star Conferences organized by Borsa Italiana SpA, which are held annually in Milan and London) and, in certain cases, organizes presentations and company visits.

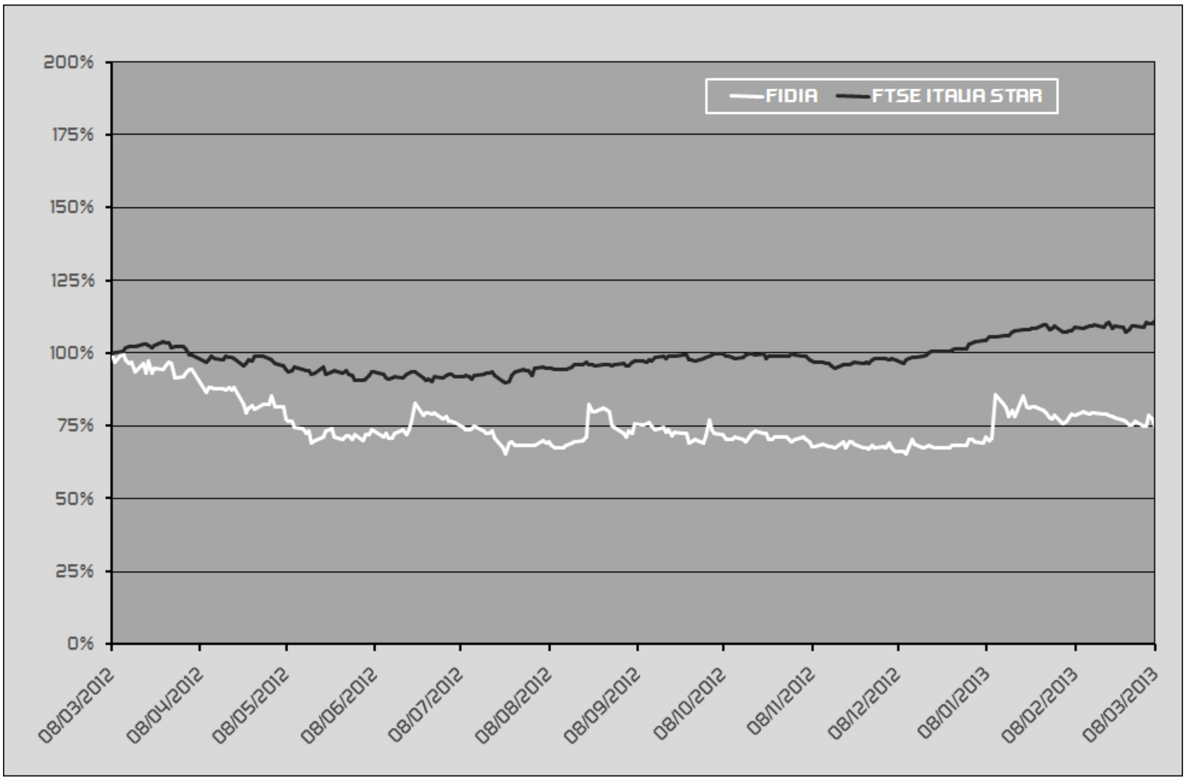
The following contacts are also available for shareholders:

Telephone number:	+390112227111;
E-mail:	investor.relation@fidia.it;
	info@fidia.it

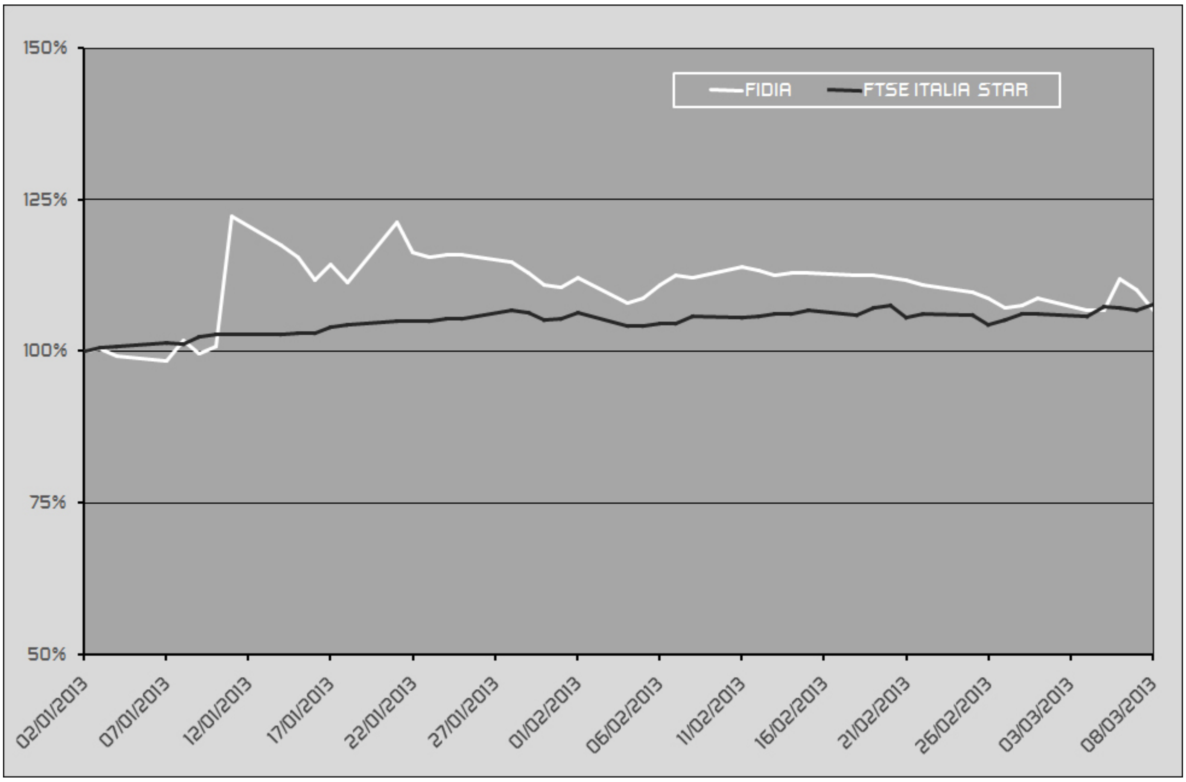
Trend of Fidia stock vs. Star Index

FIDIA S.p.A. is listed at the Italian Stock Exchange under the STAR - High Requirement Securities Segment - Index.

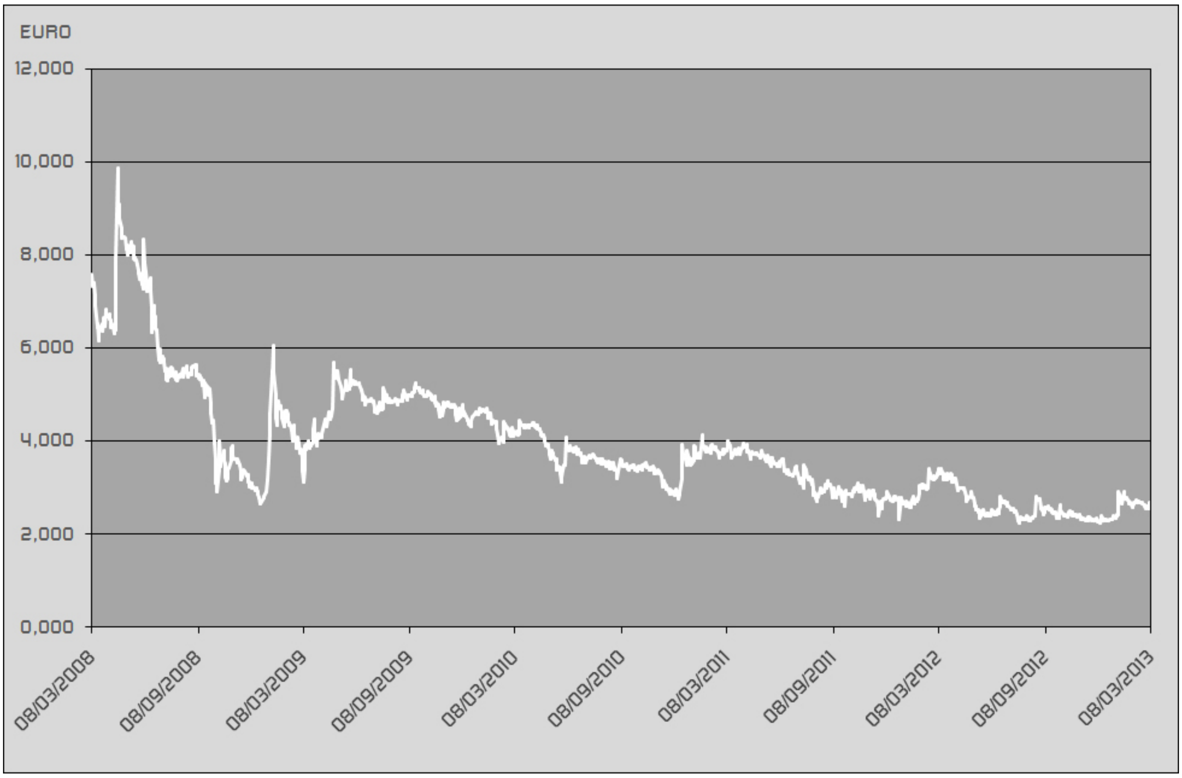
The following chart shows the share price performance (closing price) from 8 March 2012 to 8 March 2013 in comparison with the FTSE Italia STAR Index.



Please note the share price performance (closing price) in the early months of 2013 (as at 8 March 2012) in comparison with the FTSE Italia STAR Index.



Trend in stock quotes over the last 5 years (closing prices)

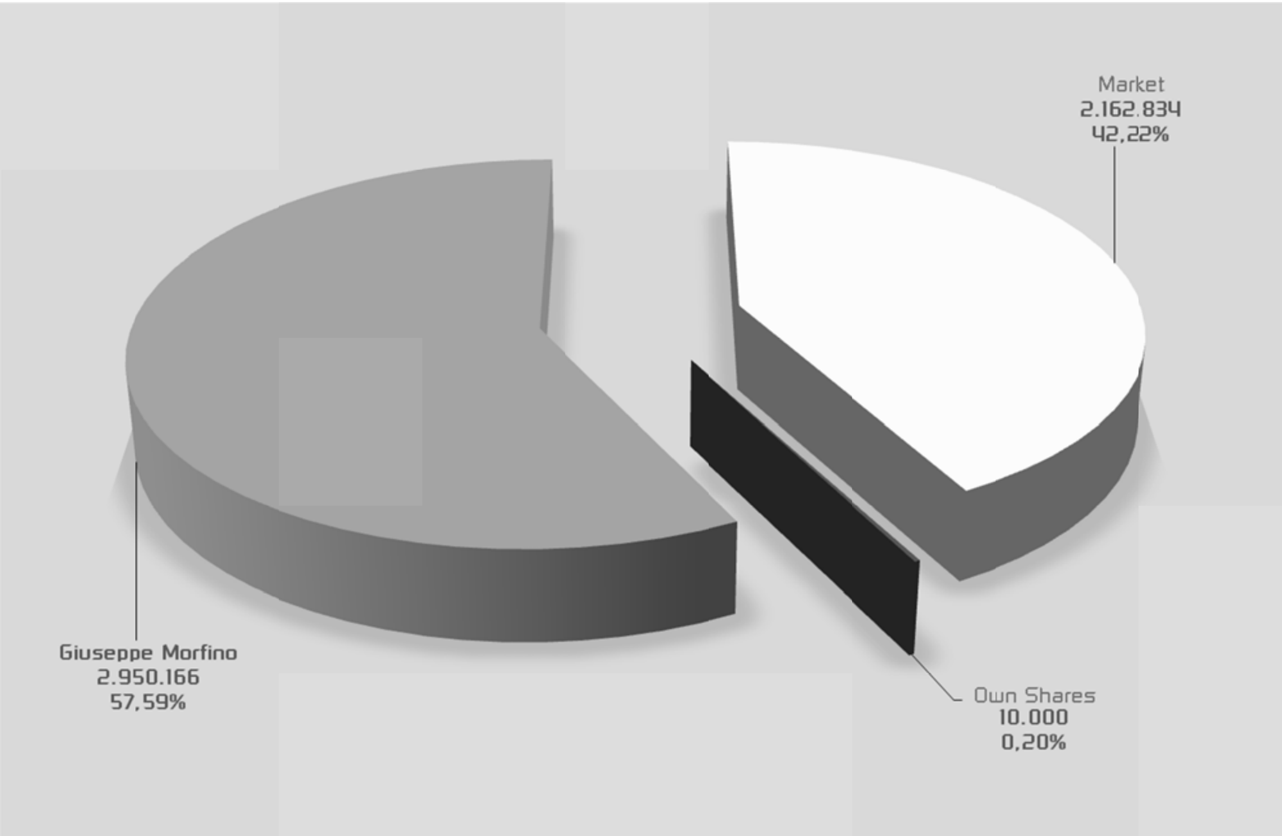


Main shareholders

No variation of the share capital was registered during 2012. Therefore, the number of ordinary shares, equal to 5,123,000, was unchanged compared to 31 December 2011. The holders of ordinary shares as at 8 March 2013 are:

Giuseppe Morfino	2,950,166 equal to 57.59%;
Market	2,162,834 equal to 42.22%;
Own shares	10,000 equal to 0.20%.

No categories of stock other than ordinary shares or bonds were issued.



Main data per share (Euro)	2012	2011
Mean number of shares on date of reference	5,113,000	5,113,000
Face value per share	1.00	1.00
Base earnings per ordinary share (1)	(0.009)	0.079
Diluted earnings per ordinary share (2)	(0.009)	0.079
Shareholders' equity of Group per share	2.352	2.392

(1) and (2): calculated by dividing the earnings to Parent Company shareholders by the weighted mean of the ordinary shares in circulation during the period.

Closing price per share as at:	(euro) 30.12.2012	(euro) 30.12.2011	(euro) 30.12.2010	(euro) 30.12.2009	(euro) 30.12.2008
Ordinary shares	2.320	2.310	3.698	4.625	2.820

In 2012, no purchases of own shares were made; on 8 March 2013, own shares held in the portfolio amounted to 10,000 (equal to 0.20% of share capital), thus totaling €46 thousand.

Main risks and uncertainties to which Fidia S.p.A. and the Group are exposed

The main types of risk which the Group is exposed to are listed below. The analysis of said risks is also illustrated in the notes in which the hypothetical quantitative effects linked to fluctuations in market indicators are examined and a more detailed description of the main policies adopted to face market risks is provided.

The considerations regarding the Group also apply to Fidia S.p.A., which, as Parent Company, is basically exposed to the same risks and uncertainties.

Risks related to the general economic outlook

The Group economic and financial position is affected by various factors that constitute the macro-economic scenario, among which the trend in the GDP of the countries where the Group conducts business, the trend in interest and exchange rates, the cost of commodities, the unemployment rate, etc.

In 2012, financial markets were characterized by high volatility driven mainly by concerns about the reliability of some major economies of countries outside the euro area in the light of the increasing level of their sovereign debt and of the continuing crisis that has weighed heavily on their GDP.

Fidia Group was not affected significantly in 2012 by the effects of the global macroeconomic environment, while having a commercial performance lower than that of 2011. The continued difficult market conditions and the tensions registered in main economic indicators, among which, first and foremost, interest rates, make it more difficult for potential customers to plan and implement new investment projects. This is reflected in many sectors, including those in which the Group operates, contributing, often due to inadequate industrial policies, to maintaining these conditions of weak demand and great uncertainty.

If this situation of uncertainty were to last any longer, the Group's business and outlook could be negatively affected with strategic implications and negative consequences on its economic and financial position.

Risks linked to Group results

Fidia Group operates in sectors that are historically marked by cyclical behavior, such as the automotive sector, and in others characterized by greater inertia in reacting to economic trends (aerospace and power generation).

It is difficult to forecast the scope and duration of business cycles. Clearly, like any exogenous event, such as a significant drop in one of the main markets of reference, the volatility of financial markets and the resulting worsening of the situation in capital markets, an increase in the cost of commodities, negative fluctuations in interest and exchange rates, government policies, etc., could negatively impact the sectors in which the Group is active and prejudice the outlook and business, thus affecting its economic and financial results. The profitability of the Group's business is also linked to the risk of fluctuation in interest rates and to the solvency and ability of commercial partners to raise funds as well as to the general economic situation of the countries in which the Group is active.

Risks linked to the need for financial means

The trend in the Group's financial standing depends on several variables, among which trends in the general economy, financial markets and sectors in which the Group is active. Fidia Group intends to cover the needs resulting from financial payables falling due, planned investments and other current assets that imply an effect on the working capital through the flows deriving from operations, cash on hand and the renewal or refinancing of bank loans.

The measures adopted to curb fixed overheads and production costs and the synergies resulting from the reorganization implemented in recent years have made it possible to keep the demand for working capital in check, thus avoiding situations of financial stress. However, events that hinder the maintenance of normal sales volumes, or that may cause contractions, may have negative effects on the ability to generate cash flow from operations.

It is the Group policy to keep the cash on hand in sight deposits by allocating it among an adequate number of leading banks. However, considering also tensions in financial markets, it cannot be ruled out that situations in the banking and money markets can be an obstacle to normal operations in financial transactions.

Finally, despite the Group has hitherto continued to receive the support of banking partners and has reached a good degree of financial independence, the current conditions for access to credit and the restrictive policies applied by several banks could lead the Group to a situation of having to resort to loans in an unfavorable market situation, with a limited availability of some sources and a possible worsening in borrowing costs.

Please refer to the notes for a more detailed account of the policies adopted by the Group to tackle liquidity risk and for an analysis of financial payables by maturity.

Risks linked to fluctuations in exchange and interest rates

Fidia Group operates in a number of world markets and is obviously exposed to market risks linked to fluctuations in exchange and interest rates. Exposure to exchange rate risks is mainly related to the different geographical distribution of its commercial activities by which a part of its turnover is realized in currencies other than the Euro. In particular, the Group is exposed for exports to other currency areas (mainly USD) and, given its strong presence in China, the Group is also exposed to changes in the local currency.

Fidia Group uses various forms of financing to cover the needs of its industrial operations. Variations in interest rates can lead to an increase or decrease in the cost of loans and hence have financial repercussions and general consequences on the Group's profitability.

Consistently with its risk hedging policies, Fidia Group is engaged in tackling exchange rate fluctuations by resorting to appropriate hedging instruments.

Despite these financial transactions, sudden changes in exchange rates could negatively affect the Group's economic and financial results.

The notes comprise a dedicated section in which said risks are further analyzed and the potential impact of hypothetical fluctuations in interest and exchange rates is examined based on simplified scenarios.

Risks linked to relations with employees and suppliers

In the various countries in which the Group is present, employees are protected by laws and/or collective labor agreements that grant them, through trade unions, the right to be consulted on specific issues, among which reorganization and lay-offs. Said laws and/or collective labor agreements applicable to the Group could affect its ability to strategically redefine and reposition its operations in a flexible manner. Fidia's ability to cut staff or adopt other measures to interrupt employer-employee relationships also on a temporary basis is hence contingent on restraints set by the law and by procedures involving trade unions. In addition to the ordinary processes that govern relations with employees, Fidia Group has been engaged in recent years in a reorganization effort that involved the renegotiation of some labor agreements, the cutting of some positions (including executives) and extensive recourse to social "shock absorbers" within the limits of current regulations. Said operations were carried out to reduce the risk of possible litigation to a minimum and the possible scenarios were carefully assessed by management, which worked with the constant support of experts in labor law. The labor reform recently adopted in Italy (Law No. 92/2012) should lead to a simplification of procedures, providing companies greater flexibility in the outward movement of employees. However, in the event of lay-offs, caution is still needed, considering the novelty of the provisions adopted and the consequent lack of labor law rulings.

Moreover, the Group purchases raw materials and components from a large number of suppliers and is dependent on outsourced services and processing. Close cooperation between the Group and some strategic suppliers is now common practice and, while on the one hand this brings major benefits in economic and quality terms, on the other, the Group heavily relies on said suppliers. Therefore, any difficulties they may experience (due either to endogenous factors or macro-economic variables) can negatively impact the Group.

Management-related risks

The performance of the Group heavily depends on the ability of its executives and other managers to effectively run the Group and its single companies. The loss of the services of some key resources without being duly replaced or the inability to draw and retain new and qualified resources could hence have negative effects on the outlook, production and commercial operations and economic and financial results of the Group.

Risks linked to the high degree of competition in the Group's business sectors

The markets in which the Group operates are extremely competitive in terms of product quality, technological innovation, economic terms, reliability, safety and after-sales technical service. The Group is competing in all the markets in which it is active with other leading international companies and various local players.

The success of Fidia Group's operations depends on its ability to maintain and increase its shares in the markets in which it is currently active and to expand into new markets with innovative products with high technological and quality standards and to ensure adequate levels of profitability. In particular, if Fidia Group were not able to develop and offer new and competitive products compared to the competition in terms of price, performance, quality and technology, the Group's market shares could shrink, thus having a negative impact on the Group's economic and financial results.

Risks linked to sales on international markets and to exposure to uncertain local conditions

A substantial part of the Group's turnover is realized on international markets and most of the sales are made outside of the European Union. Therefore, the Group is exposed to risks linked to worldwide operations, including the risks associated with:

- exposure to local economic situations and policies;
- implementation of restrictive or penalizing policies on imports or exports;
- multiple tax regimes and particularly transfer pricing and the application of withholding tax or other taxes on remittances and other payments of or by subsidiaries;
- enactment of limiting or restrictive policies on foreign investments and/or trade as well as policies on exchange rates and restrictions on the repatriation of capital.

In particular, Fidia operates in several emerging countries, among which India, Brazil and China where it has a direct presence through two companies and some major technical and production cooperation agreements are in force. The exposure of the Group to trends in these countries has increasingly grown and, in particular, China is currently the main market outlet for the Group's products.

Unfavorable political or economic events in these regions could have consequences on the Group outlook and business as well as on its economic results and financial standing.

Risks linked to manufacturer's liability

Being a manufacturer of highly automated machinery, the Group is exposed to the risk of various types of malfunction, which can cause damage to users and, more in general, to third parties. The Group protects itself against such cases during the planning and design of its machinery and by adopting appropriate manufacturing procedures that also comprise strict quality control tests. Moreover, it is a well-established practice to cover this risk with product liability policies taken out with leading insurance companies. Nonetheless, it is not possible to exclude that the Group can be exposed to liabilities resulting from issues of this nature despite the procedures adopted.

Risks linked to environmental policy

The Group's operations comply with the local, national and supranational rules and regulations on environmental protection with regard both to its products and its production cycles. Please be noted that the type of business conducted has limited consequences in environmental terms and in terms of emissions into the atmosphere, waste disposal and water treatment. Maintaining these characteristics implies, however, that costs are incurred by the Group and does not exclude that the Group will be exposed to liabilities arising from environmental issues.

R&D

The R&D activities that are carried out mainly by the parent company Fidia S.p.A. have always been one of the strengths of the Group and received substantial investments over the years. A team of 42 people supported by specialized consultants is currently dedicated to R&D activities.

The costs incurred by the Group during the year totaled €3.1 million, equal to about 6.7% of revenues.

The R&D activities were carried out mainly by in-house resources and a substantial part of the expenses incurred consisted of costs for personnel (about €2.3 million). These costs, in part funded through grants, are posted in full in the income statement in the period in which they are incurred, since not all of the conditions for capitalization subsist.

R&D allows the Group to pursue the goal of constantly adapting its products to customer needs, to always be at the forefront in its commodity sector thanks to technological innovation and to enhance its offering in those market sectors with a great driving force and potential for growth. Investment in R&D in recent years has enabled the Group to strengthen its presence in the aerospace sector and to receive orders for machinery for processing of components for the energy industry and of new materials (e.g., carbon fiber and titanium). Research covers both business lines of the Group.

In the numerical controls and drives sectors, the main R&D lines that characterized activities during 2012 were:

- ViMill - Look-ahead Virtual Milling - development of enhanced anti-collision functions during the manual movements in JOG mode and with handwheel to supplement the online operating mode. This feature extends the usability of the application to all types of movement on machine tools, making the product more complete and competitive.

- HMS (Head Measuring System): development and extension of the Head Error Compensation (HEC) function to several table points. This new feature is especially useful on large machines, where the deviations of the linear axes significantly affect the kinematic equivalent of the head; development of a new compensation function designed for gantries with a long X-axis stroke. With this new feature, the HEC is also calculated as a function of the position of the X axis, making it possible to correct any errors in the flatness of the head that are not constant along the length of the axis.

- Look Ahead - implementation of a filter algorithm for superfluous positioning blocks, which in some cases can cause an abnormal slowing of the machine during milling. This condition frequently occurs when the CAM generates the tool path starting from a mathematical one whose surfaces are not perfectly facing each other, a condition in which the CAM misinterprets the small space between the surfaces as an angle subtended by segments of a few micrometers in length.

- Axis Control: implementation of a new control strategy that dynamically manages tracking error recovery of the axis, allowing optimal management of gain in both static and dynamic conditions; improvement of the accuracy and dynamic response of the position ring of the control axes through the inclusion of nonlinear control components optimized for joint use with the feed forward control. This development provides a position error of less than a hundredth of a millimeter even during axis acceleration.

- Customer Virtual Machine - development and implementation of a virtual machine on IPC Fidia, with the goal of limiting interference between the Fidia application software and third-party applications that customers install on the control unit (production management, CAD/CAM,...). Customers can install their own applications on it and apply their own custom configurations. In this way, only Fidia applications are installed on the "real" machine, including the numerical control user interface. The result is an increase in the overall reliability of the system, simplifying service activity, which is done on systems with standard configuration and software.

- Linux-based Numerical Control for lathes - kernel upgrade from version 2.6 to version 3.4, and subsequent re-implementation of the real-time software layer using the PREEMPT_RT technology, abandoning the now obsolete RTAI. This development allows for greater flexibility and speed of deployment, combined with better compatibility and optimization of software on new generation hardware.

- FFB fieldbus - in 2012 a new version of the FFB fieldbus protocol was developed and implemented; it manages communication between the drives, I/O units and the CNC. The new version of the protocol extends the previous one, implementing the management of complex packages that are transferred in a single communication frame, reducing transfer time by 80% on the physical level. This development makes it possible to reduce the CNC sampling time from 2 to 1 ms.

- HPW wireless pushbutton strip - design and development of a new user-interface, using the same graphic layout of the new user interface of the numerical control system and adding new information displayed and new operator functions.

- X-Power drives: improved performance of the X-Power 8050 bi-axis drive, with higher current output limit, going from today's 8-16A to 12-24A; innovations designed to increase the sampling and PWM frequency from 8 kHz to 12 kHz without changing the DSP and the hardware architecture, with the aim of controlling high-speed electrospindles.

In the high-speed milling systems sector, the Group has continued along the path taken in 2011, pursuing a development strategy centered on broadening its range of machines and researching cutting-edge solutions for processing new materials and gaining access to new sectors and fields of application.

The main projects that characterized 2012 are described below.

- GTF/M - Gantry machine with compact structure for rapid deployment. This machine model has started to meet with success in Europe mainly in the automotive sector. In the light of this, a project has been started to make it more competitive in terms of performance and ergonomics. In parallel, studies have been started to include all the accessories already available for other models in the model's portfolio.

- GTF/R - Large-sized gantry machine equipped with high-torque milling head. This model has been designed to mount two versions of the new 5-axis milling head. One has a high-torque electrospindle suitable for machining structural elements made of aluminum, steel or titanium; the other has a high-torque mechanical cartridge for machining aerospace-grade titanium. For this machine model, a morphology has also been conceived that makes it possible to replace the milling units, the head or single spindle automatically. Through this approach, Fidia is entering the milling systems market with models that can perform increasingly complex as well as totally automated operations. Two pilot projects for major Chinese aerospace customers have allowed Fidia to gain access to application sectors marked by high levels of power and torque and hence to projects for titanium machining as well as to the general mechanics and energy sectors. Activities then followed to develop a series of milling accessories to complete the range and make this machine model more versatile. In order to strengthen Fidia's presence in the aluminum milling sector and especially in the milling of aircraft structural parts, new projects have been started to achieve two additional milling heads for this type of machine. One aims to equip the GTF/R with the same spindles available on the other models. Another project aims instead to create a high-power milling head, but primarily designed for the removal of the quantity of aluminum chips up to 4 times faster than the current state of the art. Having broadened the range of applications of this machine model to general engineering, aerospace, energy and printing presses, studies have also been carried out for all the accessories to allow the automatic interchange of various accessories and milling units. In 2013, a pilot contract has been launched for the construction of a prototype of these innovations.

- GTF/Q - There is continued interest in this type of machine for the processing of composite materials. The machine is equipped with a 5-axis head and sophisticated suction and storage systems for highly toxic and flammable powdered fiber resulting from machining work. Year 2012 saw the Group engaged in the implementation of projects of increasing complexity characterized by the integration of different technologies such as 5-axis laser cutting of composites using accessories to be mounted on the milling head and milling techniques using cold fluids that freeze the material for easy cutting and contouring. On this machine model, it was decided to meet the market's demand for compact, efficient, high-technology and high-performance milling systems that feature also simple and limited configurability in order to offer a price and hence an hourly rate that is economical for customers. A project has been launched for extensive review called "MiniQ" which will materialize in 2013. It aims at channeling the know-how gained from the extreme configurability of this machine model towards the development of a size and a package that meet these requirements.

- K Line - In 2012, a special milling head for motor components designed to work in very narrow spaces was developed for a major customer of the US aerospace and energy industry. The project has the potential of bringing about a tremendous change in the working methods in this sector.

- GTFL - New line of machines for machining large parts made of materials that require limited cutting forces. This project was completed in 2012. It is a new type of milling machine that has made it possible to find the right solution for handling large volumes of work, especially in the vertical direction, while keeping weight down. The excellent dynamic performance and low cost complete the picture. Typical applications are fiber and composite materials processing in the aerospace industry and the construction of life-size models in plasticine or other soft materials for the automotive industry. Precisely for this type of application, Fidia is building a machine for a major French car manufacturer and for a strategic supplier of aircraft parts in South America. There is great interest in this model in the European automotive industry and in the US and Asian aerospace industry. With this machine model, Fidia has also started to explore application fields where it is essential to provide a solution for both the handling and the clamping of the workpiece in the machine.

Through the use of new design and product management systems, whose introduction was completed in 2012, activities have been started to standardize the components and accessories designed by Fidia. The growing number of machine models and the explosion of combinations of options has made this activity necessary to be able to manage the planning of configurations and production launches in a more streamlined and simple manner.

Finally, in 2012, the Group continued its activities in the financed research field. Fidia has taken part in 12 projects co-funded by the European Commission, 2 projects co-funded by the Ministry for Economic Development and 4 projects co-funded by the Piedmont Region. An overview follows below of the application areas in which there are major financed projects.

- COMETA - Advanced Polymeric COmpounds and Metal Matrix Composites for Excellent Performances in Machine Tools applications: new manufacturing techniques for the use of innovative materials (short fiber and metal matrix composites) in the machine tool sector.

- INTEG-micro - New production technologies of complex 3D Micro-devices through multi-process integration of ultra-precision engineering techniques: development of innovative ultra-precision production technologies precise through multi-process integration for the manufacture of micro-components with complex shapes.

- In-Time - In-time delivery in non-hierarchical manufacturing networks: development of innovative methods for the optimization of customer-supplier relations in the non-hierarchical manufacturing networks.

- SOMMACT - Self Optimising Measuring Machine Tool: development and validation of an innovative system for analyzing, evaluating and monitoring the performance of large machine tools.

- ESTOMAD - Energy Software Tools for Sustainable Machine Design: development of methodologies and tools to support the manufacturer of machine tools that take into account energy efficiency characteristics during the design cycle.

- FoFdation - Foundation for the Factory of the Future: universal information system for production environments based on data exchange and sharing standards.

- HARCO - Hierarchical Adaptive smaRt COmponents for precision production systems application: development of smart machine components based on modular "plug-and-produce" adaptronic devices that integrate multi-function actuators and sensors capable of performing a wide range of functions (high and adaptable stiffness and damping, integrated measurement and control functions) to achieve the high thermal/dynamic stability required for precise and fast machining.

- AIMACS - Advanced Intelligent Adaptive Machine Control System: Development of adaptive, active and self-optimizing control systems that can continuously analyze a wide range of monitored processing parameters and adapt automatically the processing in real time, maximizing efficiency.

- DYNXPERTS - Plug and Produce Components for Optimum Dynamic Performance Manufacturing Systems: Self-sufficient and intelligent "plug-and-produce" components that integrate advanced perceptual and implementation functions.

- TRANSPARENCY - Adaptive Business Collaboration by progressive knowledge sharing and engineering: the integration of the machine tool life cycle - design, implementation, use, dismantling, reuse - in an integrated system that maximizes the development and preservation of knowledge.

- SUSTAINVALUE - Sustainable value creation in manufacturing networks: development of systems and methodologies that include the monitoring and control of vital parameters of machines and industrial processes in view of zero-defect manufacturing.

- IFaCOM - Intelligent Fault Correction and self Optimizing Manufacturing systems: development of industrial models, solutions and standards for more efficient and sustainable production networks and services. The project will develop business models, governance and methodologies to support sustainable decision-making processes along the life cycle of products.

- MICHELANGELO - increase in the level of automation, self-diagnosis, accuracy and functional integration of Italian machine tools by means of artificial cognitive systems that create perception-decision processes.

- SIGI-X - implementation of a SW application for companies operating on a single job order: increased efficiency and effectiveness of the management of individual orders, through the use of original and especially developed organizational, management and information models.

- MECHEXP - Mechatronic Expert: development of a prototype IT environment for the integrated management of the design and testing know-how of advanced mechatronic products.

- AMICO - Advanced Monitoring and Intelligent Control: development of a process monitoring system based on the use of low-cost CCD cameras.

- AD-HOC - Advanced design procedures for tailor-made high performance and flexible open control systems: development of a general-purpose environment for the design and implementation of open control systems.

The results of these projects have significantly contributed to defining the Group's main lines of product development in the medium and long term.

The Group allocates a substantial part of its investment budget in said R&D activities. Investment in capital assets was made to the extent deemed necessary to keep the production and commercial structure at a level appropriate to the business targets and needs of single markets.

Economic and financial status of the Group

INTRODUCTION

Alternative performance indicators

In this Report on Operations, in the consolidated financial statements of Fidia Group and in the separate financial statements of the parent company Fidia S.p.A. for the years closed on 31 December 2012 and 31 December 2011, in addition to the conventional IFRS financial indicators, a number of alternative performance indicators have been provided in order to allow for a better assessment of the economic and financial trends.

Said indicators, which are also found in the Report on Operations of other periodic reports, do not replace in any way whatsoever the mandatory IFRS indicators.

The Group uses alternative performance indicators, such as:

- EBIT,
- Operating income from ordinary operation, which is obtained by adding any extraordinary cost items not falling under EBIT,
- EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), which is the sum of the EBIT as per the financial statement, the item "Amortization" and the item "*Impairment* and Depreciation".

Other parameters mentioned:

- "Value of production", which is given by the algebraic addition of the items "Net revenue from sales and services", "Other operating revenue", "Change in finished goods and W.I.P." and "Increases for internal work" and
- "Value added", which is the result of the algebraic addition of the items "Value of production", "Raw materials and consumables used", "Commissions, transport and subcontractors" and "Other services and overheads".

Scope of consolidation

The companies comprised in the consolidation area are listed below:

Name	Registered office	Percentage held by Parent Company on 31.12.2012
Fidia S.p.A. (Parent Company)	San Mauro Torinese (Turin, Italy)	-
Fidia Co.	Troy (USA)	100%
Fidia GmbH	Dreiech (Germany)	100%
Fidia Iberica S.A.	Zamudio (Spain)	99.993%
Fidia S.a.r.l.	Emerainville (France)	93.19%
Fidia India Private Ltd.	Pune (India)	99.99%
Beijing Fidia Machinery & Electronics Co.,Ltd	Beijing (China)	92%
Fidia do Brasil Ltda.	São Paulo (Brazil)	99.75%
Shenyang Fidia NC&M Co., Ltd	Shenyang (China)	51%
OOO Fidia	Moscow (Russia)	100%

The scope of consolidation has changed with respect to the consolidated financial statements at 31 December 2011 due to the exit of the Polish company Fidia Spolka z.o.o, liquidated during FY2012.

Group financial performance

Reclassified consolidated income statement (€thousand)	2012	%	2011	%
Net revenues	**47,001**	**100%**	**36,422**	**100%**
Change in finished goods and W.I.P.	(555)	-1.2%	2,381	6.5%
Other operating revenue	3,275	7.0%	6,723	18.5%
Value of production	**49,721**	**105.8%**	**45,526**	**125.0%**
Raw materials and consumables	(16,924)	-36.0%	(14,556)	-40.0%
Commissions, transport and subcontractors	(5,215)	-11.1%	(4,532)	-12.4%
Other services and overheads	(9,877)	-21.0%	(9,742)	-26.7%
Value added	**17,705**	**37.7%**	**16,696**	**45.8%**
Personnel expenses	(15,506)	-33.0%	(14,108)	-38.7%
EBITDA	**2,199**	**4.7%**	**2,588**	**7.1%**
Bad debts provision	(289)	-0.6%	(163)	-0.4%
Depreciation & amortization	(527)	-1.1%	(663)	-1.8%
Operating income from ordinary operation	**1,383**	**2.9%**	**1,762**	**4.8%**
Restructuring costs	-	0.0%	(376)	-1.0%
EBIT	**1,383**	**2.9%**	**1,386**	**3.8%**
Net financial income (expenses)	(198)	-0.4%	(286)	-0.8%
Profit/(Loss) on exchange rates	(13)	-0.0%	(172)	-0.5%
EBT	**1,172**	**2.5%**	**928**	**2.5%**
Income taxes (current, paid and deferred)	(848)	-1.8%	(342)	-0.9%
Profit/(loss) of period	**324**	**0.7%**	**586**	**1.6%**
- (Profit)/Loss of non-controlling interests	369	-0.8%	179	-0.5%
- Profit/(Loss) of Group	(45)	-0.1%	407	1.1%

The economic and financial data of the Group by sector are presented with a breakdown of the three sectors (Numerical Controls - CNC -, High Speed Milling - HSM - and Service). With reference to the Service sector, data of a commercial nature relating to the backlog and new orders are not shown, as these basically coincide with the turnover, given that the time to process any requests for intervention is extremely low.

The detailed description of said trends is provided below.

NET REVENUES

Year 2012 ended with a strong increase in turnover compared to the previous year (+29%), i.e., €47,001 thousand compared to €36,422 thousand in 2011. All three sectors in which the Group operates recorded significant progress: the electronics division - CNC - grew by 22.9% reaching a total turnover of €4,666 thousand; the mechanical sector - HSM - grew by 38.9% reaching €32,324 thousand in revenues; and the Service sector, though historically characterized by greater stability, continued to grow in 2012, reaching €10 million in revenues (+7% compared to 2011).

The trend in revenues by business line is illustrated more in detail in the following table:

Revenues by business line (€ thousand)	2012	%	2011	%	Change in %
Numerical controls, drives and software	4,666	9.9%	3,798	10.4%	22.9%
High-speed milling systems	32,324	68.8%	23,267	63.9%	38.9%
After-sales service	10,011	21.3%	9,357	25.7%	7.0%
Grand total	**47,001**	**100%**	**36,422**	**100%**	**29.0%**

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

Numerical controls and software (€ thousand)	2012	%	2011	%	Change in %
ITALY	772	16.5%	1,044	27.5%	-26.1%
EUROPE	1,386	29.7%	1,191	31.4%	16.4%
ASIA	1,495	32.0%	780	20.5%	91.7%
NORTH and SOUTH AMERICA	926	19.8%	702	18.5%	31.9%
REST OF THE WORLD	87	1.9%	81	2.1%	7.4%
Total	**4,666**	**100%**	**3,798**	**100%**	**22.9%**

High-speed milling systems (€thousand)	2012	%	2011	%	Change in %
ITALY	2,676	8.3%	1,026	4.4%	160.8%
EUROPE	4,503	13.9%	3,420	14.7%	31.7%
ASIA	20,636	63.8%	16,461	70.7%	25.4%
NORTH and SOUTH AMERICA	4,509	13.9%	2,360	10.2%	91.1%
REST OF THE WORLD	-	-	-	-	-
Total	**32,324**	**100%**	**23,267**	**100%**	**38.9%**

After-sales (€thousands)	2012	%	2011	%	Change in %
ITALY	1,826	18.2%	2,005	21.4%	-8.9%
EUROPE	3,341	33.4%	3,417	36.5%	-2.2%
ASIA	1,898	19.0%	1,427	15.3%	33.0%
NORTH and SOUTH AMERICA	2,546	25.4%	2,076	22.2%	22.6%
REST OF THE WORLD	400	4.0%	432	4.6%	-7.4%
Total	**10,011**	**100%**	**9,357**	**100%**	**7.0%**

Net total sales (€thousand)	2012	%	2011	%	Change in %
ITALY	5,274	11.2%	4,075	11.2%	29.4%
EUROPE	9,230	19.6%	8,028	22.0%	15.0%
ASIA	24,029	51.1%	18,668	51.3%	28.7%
NORTH and SOUTH AMERICA	7,981	17.0%	5,138	14.1%	55.3%
REST OF THE WORLD	487	1.0%	513	1.4%	-5.1%
Total	**47,001**	**100%**	**36,422**	**100%**	**29.0%**

Numerical controls and software

Revenues from the electronics sector (CNC) showed a marked increase compared to 2011 (+22.9%), from €3,798 thousand in 2011 to €4,666 thousand in 2012.

The growth in turnover affected all the geographic areas where the Group operates, with the only exception of the domestic market, which registered a 26.1% contraction.

High-speed milling systems

The high-speed milling systems sector (HSM) recorded strong growth in revenues compared to FY2011, as a result of a high initial order backlog. Turnover rose by €23,267 thousand in 2011 to €32,324 thousand in 2012, representing an increase of 38.9%.

Revenue is recognized in the income statement according to IAS 18 at the moment of the transfer of the risks and rewards of ownership of the goods. As at 31 December 2012, 74 machines were delivered and accepted, as opposed to 64 the year before.

From a geographical point of view, all markets in which the Group is present recorded good performance; the domestic market, which traditionally accounts for a rather marginal part of the consolidated turnover, also showed a significant increase (+160.8%) thanks to some orders for major players in the aviation industry.

After-sales service

The Service Division comprises the revenues resulting from after-sales technical service, the sale of spare parts and scheduled maintenance contracts. The offer of a widespread and effective service network is deemed to be strategic for the Group's growth policies and is becoming an increasingly decisive element in guiding the investment decisions of potential customers. As noted in previous years, for some time now this area of business has been showing a trend of steady growth little affected by changes in the economic cycle. Year 2012 continued to have these characteristics and the revenues attained amounted to €10,011 thousand, up by 7.0% compared to €9,357 thousand the year before.

Revenues generated by the Service sector showed strong growth in the Americas (revenues of €2,546 thousand, compared to €2,076 thousand in the previous year, representing an increase of more than 22%) and in Asia (€1,898 thousand, compared to €1,427 thousand in 2011, corresponding to an increase of 33%), while they were basically stable in Europe (revenues of €3,341 thousand, compared to €3,417 thousand the previous year, representing a 2.2% decrease) and the Rest of World (€400 thousand in revenue, compared to €432 thousand in 2011). The picture is completed by the domestic market, which decreased by about 9% in turnover, which amounted to €1,826 thousand compared to €2,005 thousand in 2011.

COMMERCIAL ACTIVITY

The following tables show the trend in the order backlog and in the new orders in the two periods under consideration. The commercial data referring to order backlog and new orders in the Service sector are not shown, as these coincide with the turnover, given that the time to process any requests for intervention is extremely low.

Numerical controls and software (€ thousand)	**2012**	**2011**	**Change in %**
Order backlog as at 01.01	553	942	-41.3%
New orders	**4,527**	**3,409**	**32.8%**
Net revenues	(4,666)	(3,798)	22.9%
Order backlog as at 31.12	**414**	**553**	**-25.1%**

High-speed milling systems (€thousand)	**2012**	**2011**	**Change in %**
Order backlog as at 01.01	30,478	15,121	101.6%
New orders	**23,090**	**38,624**	**-40.2%**
Net revenues	(32,324)	(23,267)	38.9%
Order backlog as at 31.12	**21,244**	**30,478**	**-30.3%**

Total (€thousand)	**2012**	**2011**	**Change in %**
Order backlog as at 01.01	31,031	16,063	93.2%
New orders	**27,617**	**42,033**	**-34.3%**
Net revenues	(36,990)	(27,065)	36.7%
Order backlog as at 31.12	**21,658**	**31,031**	**-30.2%**

Fiscal year 2012 closed with a backlog decrease compared to the end of 2011 as a result of the dual effect of increasing revenues and a reduction in new orders in the mechanical sector. The portfolio is still at high levels, which allows for the high-speed milling systems business unit to have a visibility extending beyond the first half of 2013.

Please be noted that in the first two months of 2013 new orders were received in the mechanical sector amounting to approximately €3.6 million.

The order backlog comprises orders in the amount of €2 million with scheduled delivery in 2014.

New orders by geographical region:

Numerical controls and software (€thousand)	2012	%	2011	%	Change in %
ITALY	770	17.0%	992	29.1%	-22.4%
EUROPE	1,519	33.6%	1,317	38.6%	15.3%
ASIA	1,367	30.2%	196	5.7%	597.4%
NORTH and SOUTH AMERICA	824	18.2%	779	22.9%	5.8%
REST OF THE WORLD	47	1.0%	125	3.7%	-62.4%
Total	**4,527**	**100%**	**3,409**	**100%**	**32.8%**

High-speed milling systems (€ thousand)	2012	%	2011	%	Change in %
ITALY	1,747	7.6%	1,906	4.9%	-8.3%
EUROPE	5,807	25.1%	6,146	15.9%	-5.5%
ASIA	14,444	62.6%	23,493	60.8%	-38.5%
NORTH and SOUTH AMERICA	1,085	4.7%	7,079	18.4%	-84.7%
REST OF THE WORLD	7	0.0%	-	-	-
Total	**23,090**	**100%**	**38,624**	**100%**	**-40.2%**

Total new orders (€thousand)	2011	%	2010	%	Change in %
ITALY	2,517	9.1%	2,898	6.9%	-13.1%
EUROPE	7,326	26.5%	7,463	17.8%	-1.8%
ASIA	15,811	57.3%	23,689	56.4%	-33.3%
NORTH and SOUTH AMERICA	1,909	6.9%	7,858	18.7%	-75.7%
REST OF THE WORLD	54	0.2%	125	0.3%	-56.8%
Total	**27,617**	**100%**	**42,033**	**100%**	**-34.3%**

Numerical controls and software

New orders in the electronics sector grew by 32.8% compared to the same figure of the previous year and totaled €4,527 thousand. The increase was achieved mainly thanks to the positive contribution of the Asian market (+597.4%) which, however, in the previous year had recorded results far below expectations. Europe too showed good progress (with the sole exception of Italy where, on the contrary, there was a contraction in orders of about 22%) and the Americas (+5.8% compared to 2011, i.e., new orders amounting to €824 thousand).

New orders in the rest of the world dropped, but to a much lesser extent.

High-speed milling systems

The mechanical sector was characterized in 2012 by a two-speed trend. Earlier in the year, the Group was able to pull off a very satisfactory commercial performance by recording new orders near historic highs, while in the second half there was a gradual slowdown in demand that led to a year closing with an overall decline in orders of about 40%. Compared with new orders amounting to €38,624 thousand in 2011, 2012 recorded new orders in the amount of about €23,090 thousands.

From a geographical point of view, the US market and the Asian market were the areas most affected by the slowdown in demand and registered a decline of 84.7% and 38.5% respectively compared to the 2011 orders.

Despite this trend, new orders in Asia continued to prevail and still account for about 60% of demand, like last year, while the European area grew more compared to the American market and now stands at over 25% (which becomes almost 33% including Italy) compared to slightly less than 5% for the Americas.

The distribution of the order backlog by geographical region was as follows on 31 December 2012:

Numerical controls and software (€ thousand)	2012	%	2011	%	Change in %
ITALY	130	31.4%	132	23.9%	-1.5%
EUROPE	262	63.3%	128	23.1%	104.7%
ASIA	17	4.1%	147	26.6%	-88.4%
NORTH and SOUTH AMERICA	-	-	102	18.4%	-100.0%
REST OF THE WORLD	5	1.2%	44	8.0%	-88.6%
Total	**414**	**100%**	**553**	**100%**	**-25.1%**

High-speed milling systems (€ thousand)	2012	%	2011	%	Change in %
ITALY	632	3.0%	1,560	5.1%	-59.5%
EUROPE	5,399	25.4%	4,089	13.4%	32.0%
ASIA	13,053	61.4%	19,245	63.1%	-32.2%
NORTH and SOUTH AMERICA	2,160	10.2%	5,584	18.3%	-61.3%
REST OF THE WORLD	-	-	-	-	-
Total	**21,244**	**100%**	**30,478**	**100%**	**-30.3%**

Total order backlog (€thousand)	2012	%	2011	%	Change in %
ITALY	762	3.5%	1,692	5.5%	-55.0%
EUROPE	5,661	26.1%	4,217	13.6%	34.2%
ASIA	13,070	60.3%	19,392	62.5%	-32.6%
NORTH and SOUTH AMERICA	2,160	10.0%	5,686	18.3%	-62.0%
REST OF THE WORLD	5	0%	44	0.1%	-88.6%
Total	**21,658**	**100%**	**31,031**	**100%**	**-30.2%**

Other operating revenues

Other operating revenues in 2012 amounted to €3,275 thousand as opposed to €6,723 thousand in FY2011. Said item comprises revenues from ordinary activity, but not from sales of goods and services.

This item includes:

- grants provided by the local government in Shenyang (China) to the subsidiary Shenyang Fidia NC&M Co. Ltd. for the project developed jointly with the Chinese partner Shenyang Machine Tool Co. Ltd. - SMTCL - (€1,366 thousand at 31 December 2012: €4,073 thousand as at 31 December 2011);
- grants for operating expenses allocated to Fidia S.p.A. for research projects funded by the Italian University and Research Ministry or the European Union (€1,133 thousand as at 31 December 2012; €1,290 thousand as at 31 December 2011);
- increases in tangible assets built within the Group and devoted solely to demonstrations for customers (€200 thousand as at 31 December 2012; €270 thousand as at 31 December 2011);
- capital gains from transfers (€71 thousand as at 31 December 2012; €452 thousand as at 31 December 2011);
- release of the warranty provision and bad debts provision and/or any accruals in excess in comparison with the risk to be covered (€250 thousand vs. €143 thousand as at 31 December 2011);
- contingent assets, damages from insurance companies, recovery of costs incurred and others (€255 thousand as at 31 December 2012; €495 thousand as at 31 December 2011).

Value of production

At year-end, the value of production reached €49,721 thousand, up by 9.2% compared to the year before (€45,526 thousand). This is due to strong growth on turnover (+€10,579 thousand compared to 2011) despite a decrease in inventories of finished goods and work in progress (- € 2,936 thousand compared to 2011) and a reduction in other operating revenues (-€3.448 thousand, from €6,723 thousand in 2011 to €3,275 thousand in 2012).

Other services and overheads

This item, equal to €9,877 thousand, is more or less in line with the previous year (€9,742 thousand).

In detail, these costs can be broken down as follows:

production costs and expenses for miscellaneous technical service, €3,142 thousand at 31 December 2012, as opposed to €2,512 thousand at 31 December 2011 (+€630 thousand);

expenses incurred for trade fairs, entertainment expenses, travel expenses and commercial services, €1,147 thousand at 31 December 2012, as opposed to €932 thousand as at 31 December 2011 (+€215 thousand);

R&D costs and related refund of expenses, €845 thousand at 31 December 2012, as opposed to €1,902 thousand at 31 December 2011 (-€69 thousand);

overheads, technical and administrative consulting, utilities, rent, legal expenses, contingent liabilities and other expenses, €4,743 thousand at 31 December 2012, as opposed to €4,396 thousand at 31 December 2011 (+€348 thousand).

Value added

At year-end, it amounted to €17,705 thousand as opposed to €16,696 thousand of FY2011. The increase in absolute terms reflects the combined effect of the opposite sign of the increased volume of activity that has allowed us to absorb the negative impact given by the reduction in "Other operating revenues". There was a reduction of the percentage of the added value compared to revenues (37.7% in 2012, 45.8% in 2011), mainly due to the impact on margins of the lower value of "Other operating revenues".

Personnel

The following tables illustrate the trends in workforce and cost of labor.

Personnel	**2012**	**2011**	**Abs. change**	**Change in %**
Executives	9	11	-2	-18.2%
Clerks and supervisors	297	298	-1	-0.3%
Workers	35	34	1	2.9%
Total number of employees	341	343	-2	-0.6%
Total average number of employees	342.0	348.0	-6	-1.7%
Cost of labor (€thousand)	**2012**	**2011**	**Abs. change**	**Change in %**
Cost of labor - ordinary part	15,506	14,108	1,398	9.9%
Cost of labor – restructuring expenses	-	376	-376	-100%
Total cost of labor	15,506	14,484	1,022	7.1%

Cost of labor was up to a total of €1,022 thousand compared to the previous year (+7.1%), despite a slight reduction in the average workforce (-1.7%) and also includes costs for temporary staff, which amounted to approximately €453 thousand (€140 thousand in 2011).

The increased costs and the hiring of temporary staff are justified by the higher levels of production that resulted in an increase in the costs for direct and indirect production personnel. Please be noted also that last year the parent company Fidia S.p.A. had benefited in part to the recourse to public redundancy funds that made it possible to curb overall personnel costs.

EBITDA

EBITDA was positive and amounted to €2,199 thousand (4.7% of turnover) and was lower compared to the result of the previous year (€2,588 thousand, equal to 7.1% of turnover).

EBIT

EBIT too was positive and amounted to €1,383 thousand, more or less in line with the result of the previous year (€1,386 thousand). During 2012, no reorganization costs were incurred, so EBIT coincides with the operating margin from ordinary activity.

EBT

Earnings before tax registered a profit of €1,172 thousand compared to €928 thousand in 2011. The improvement is due above all to lower financial expenses and loss on exchange rates.

Income taxes

The net operating result is due to current, deferred and paid taxes totaling €848 thousand, which can be summarized as follows:

- IRAP (Italian Regional Production Tax) €226 thousand;
- Income tax of foreign subsidiaries €587 thousand;
- Paid and deferred taxes amounted to €35 thousand (net).

Net result of the fiscal year

The net result was a profit of €324 thousand, of which -€45 thousand for the Group and €369 thousand for non-controlling interests, as opposed to a profit of €586 thousand, of which €407 thousand for the Group and €179 thousand for the non-controlling interests, for year 2011.

Group consolidated statement of financial position

On 31 December 2012, the reclassified consolidated statement of financial position was as follows:

Group statement of financial position (€thousand)	**31.12.2012**	**31.12.2011**
Net tangible assets	1,685	1,921
Intangible assets	200	195
Financial assets	16	18
Other financial assets	2,105	2,352
Fixed assets – (A)	**4,006**	**4,486**
Net trade receivables	11,943	11,187
Closing inventories	19,910	19,391
Other current assets	1,324	2,113
Short-term (current) assets – (B)	**33,177**	**32,691**
Trade payables to suppliers	(9,237)	(9,386)
Other current liabilities	(11,300)	(15,680)
Short-term (current) liabilities – (C)	**(20,537)**	**(25,066)**
Net working capital (D) = (B+C)	**12,640**	**7,625**
Termination benefits (E)	(2,335)	(2,538)
Other long-term liabilities (F)	(168)	(240)
Net invested capital (G) = (A+D+E+F)	**14,143**	**9,333**
Financial position		
Available-for-sale financial assets		-
Cash on hand, bank deposits	(10,379)	(11,648)
Short-term loans	6,902	5,195
Short-term financial position	**(3,477)**	**(6,453)**
Long-term loans, net of current portion	2,782	1,056
Net financial position (H)	**(695)**	**(5,397)**
Share capital	5,123	5,123
Reserves	6,948	6,699
Profit/(loss) of the period for Group	(45)	407
Total shareholders' equity of Group	**12,026**	**12,229**
Total shareholders' equity of non-controlling interests	2,812	2,501
Total shareholders' equity (I)	**14,838**	**14,730**
Shareholders' equity and net financial position (L) = (H+I)	**14,143**	**9,333**

Compared to 31 December 2011, the Group statement of financial position registered the following changes:

- a decrease in fixed assets (from €4,486 thousand to €4,006 thousand) mainly due to some disposals of plant and equipment, the partial absorption of paid taxes, and to a reduction in receivables due beyond the next fiscal year for research projects funded by the European Union or the Italian Ministry of University and Scientific Research;
- substantial stability of trade receivables (from €11,187 thousand to €11,943 thousand) despite a strong increase in turnover. Trade receivables were posted net of bad debts provision in the amount of €1,038 thousand;
- substantial stability in inventory levels, which grew by only €519 thousand (€19,391 thousand to €19,910 thousand) despite the particularly high levels in production activity. Inventories were posted net of provision for obsolete inventories in the amount of €1,621 thousand;
- a decrease in other current assets (from €2,113 thousand to €1,324 thousand) as a result largely of VAT receivables and receivables from INPS for redundancy pay and other social "shock absorbers" paid in advance by the company;
- substantial stability of trade payables to suppliers (from €9,386 thousand to €9,237 thousand) despite a increased purchase volumes;
- strong decrease in other current liabilities (from €15,680 thousand to €11,300 thousand), in particular due to lower advances from customers (advances accounted in part for advances received and in part for machines already delivered but not yet accepted) and to lower accruals for personnel for deferred wage and welfare components;
- slight decrease in the provisions for termination benefits (from €2,538 thousand to €2,335 thousand) due to normal dynamics related to personnel;
- slight decrease in other long-term liabilities, due to the change in dynamics of the advances received for Long-term European and Italian funded research projects.

With reference to financial items, there still was a positive net financial position at the end of 2012 with a net cash position of €695 thousand compared to the positive balance of €5,397 thousand in 2011. The trend in the net financial position is illustrated below.

Trend in net financial position

Financial position (€thousand)	31.12.2012	31.12.2011
Available-for-sale financial assets	-	-
Cash on hand, bank deposits	10,379	11,648
Short-term loans	(6,902)	(5,195)
Short-term financial position	**3,477**	**6,453**
Long-term loans, net of current portion	(2,782)	(1,056)
Net financial position	**695**	**5,397**

The detailed credit items of the net financial position are illustrated below.

Cash on hand, bank deposits (€thousand)	31.12.2012	31.12.2011
Fidia S.p.A.	3,879	4,432
Fidia Co.	651	485
Fidia GmbH	491	748
Fidia Iberica S.A.	523	570
Fidia S.a.r.l.	666	112
Beijing Fidia Machinery & Electronics Co.,Ltd	3,312	3,396
Fidia do Brasil Ltda.	27	125
Shenyang Fidia NC & M Co., Ltd	829	1,776
OOO Fidia	-	-
Fidia Sp.z o.o.	N/A	2
Fidia India Private Ltd.	1	2
Total cash on hand	**10,379**	**11,648**

Loans (€thousand)	31.12.2012	31.12.2011
Short-term loans		
Fidia S.p.A.	(6,882)	(5,168)
Fidia GmbH	(10)	-
Fidia Co.	(2)	(12)
Fidia Iberica S.A.	(8)	(15)
Total	**(6,902)**	**(5,195)**
Long-term loans, net of current portion		
Fidia S.p.A.	(2,763)	(1,038)
Fidia GmbH	(19)	-
Fidia Co.	-	(10)
Fidia Iberica S.A.	-	(8)
Total	**(2,782)**	**(1,056)**
Total loans	**(9,684)**	**(6,251)**

A brief cash flow statement is provided below to illustrate the flows that generated the net financial position. The exhaustive statement is provided among the Consolidated Financial Statements.

Short consolidated cash flow statement (€thousand)	2012	2011
A) Cash and cash equivalents at beginning of period	7,051	9,805
B) Cash from/(used in) operating activities	(4,142)	(2,495)
C) Cash from/(used in) investing activities	(297)	172
C) Cash from/(used in) financing activities	2,226	(1,008)
Differences in exchange rates	(144)	577
E) Net change in cash and cash equivalents	(2,357)	(2,754)
F) Cash and cash equivalents at year-end	4,694	7,051
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	10,379	11,648
Bank overdraft	(5,685)	(4,597)
	4,694	7,051

In addition to the foregoing, the table below illustrates the main economic and financial indicators.

FINANCIAL RATIOS

INVESTMENT MIX RATIOS

RATIOS	2012			2011		
1) Weight of fixed assets						
Capital assets / Total assets	4,006 / 47,562	=	8.4%	4,486 / 48,825	=	9.2%
2) Weight of working capital						
Current assets / Total assets	43,556 / 47,562	=	91.6%	44,339 / 48,825	=	90.8%

LOAN MIX RATIOS

RATIOS	2012			2011		
1) Weight of current liabilities						
Current liabilities / Total liabilities (except shareholders' equity)	27,440 / 32,724	=	83.9%	30,261 / 34,095	=	88.8%
2) Weight of non-current liabilities						
Non-current liabilities / Total liabilities (except shareholders' equity)	5,285 / 32,724	=	16.1%	3,834 / 34,095	=	11.2%
3) Weight of shareholders' equity						
Shareholders' equity / Net invested capital	14,838 / 14,143	=	104.9%	14,730 / 9,333	=	157.8%

The analysis of the invested capital mix indicators shows a prevalence of short-term net assets in the total assets. This result is basically consistent with that of FY2011.

The loans mix indicator shows:

- a prevalence of short-term loans, which is consistent with the level of investing activities;
- hedging of the net invested capital from own resources, by maintaining a positive financial position.

FINANCIAL POSITION RATIOS

LIQUIDITY RATIOS

TABLE OF CONTENTS	2012			2011		
Current assets / Current liabilities	43,556 / 27,440	=	1.59	44,339 / 30,261	=	1.47

CAPITAL ASSETS COVERAGE RATIO

TABLE OF CONTENTS	2012			2011		
Shareholders' equity / Capital assets	14,838 / 4,006	=	3.70	14,730 / 4,486	=	3.28

CASH RATIO

TABLE OF CONTENTS	2012			2011		
Short-term assets / Short-term liabilities	33,177 / 20,538	=	1.62	32,691 / 25,066	=	1.30

The analysis of the financial ratios shows a substantial balance between sources and releases in line with the previous fiscal year.

In particular, the liquidity ratio shows the Group's ability to easily meet short-term financial obligations.

The capital assets coverage ratio shows strong coverage of capital assets with shareholders' equity.

Finally, the cash ratio shows a short-term prevalence of current assets over current liabilities of the fiscal year.

ECONOMIC POSITION RATIOS

ROE

	2012			2011		
Net income pertaining to Group / Shareholders' equity of Group	(45) / 12,026	=	-0.4%	407 / 12,229	=	3.3%

ROI

	2012			2011		
Operating income / Invested capital	1,383 / 37,183	=	3.7%	1,386 / 37,177	=	3.7%

ROS

	2012			2011		
Operating income / Sales	1,383 / 47,001	=	2.9%	1,386 / 36,422	=	3.8%

ROE is slightly negative due to the loss attributable to shareholders of the Group in 2012.

ROI, which measures profitability from operations, remains positive and is in line with the value of the previous fiscal year, underscoring the Group's propensity to reap earnings from ordinary production factors.

ROS is the average operating income per unit of revenue; there was a slight decrease compared to the same indicator last year due to the stable operating profit in the presence of a strong growth in sales.

Disclosure by business line

Economic and financial trend by business line

The following table shows the consolidated results broken down into the three traditional sectors in which the Group operates (Numerical Controls - CNC -, High Speed Milling Systems - HSM -, and Service).

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

Cross-sector revenues consist of numerical controls, switchboards and components and electromechanical systems transferred by the electronics sector to the milling systems sector and of the milling heads manufactured by the milling systems sector and transferred to the electronics sector for sale.

Consolidated income statement by sector

Data by year - 2012 (€thousand)		**CNC**		**HSM**		**SERVICE**	**N/A**	**Total**
Revenues	4,666	66.3%	32,324	99.1%	10,011	100%	-	47,001
Cross-sector revenues	2,371	33.7%	293	0.9%	-	-	-	
Total revenues	**7,037**	**100%**	**32,617**	**100%**	**10,011**	**100%**	**-**	**47,001**
Change in finished goods and W.I.P.	38	0.5%	(770)	2.4%	177	1.8%	-	(555)
Raw materials and consumables	(2,002)	-28.4%	(13,757)	-42.2%	(971)	-9.7%	(194)	(16,924)
Cross-sector expenses	(355)	-5.0%	(2,827)	-8.7%	332	3.3%	186	
Commissions, transport and subcontractors	(725)	-10.3%	(4,152)	-12.7%	(336)	-3.4%	(2)	(5,215)
Sales margin	**3,993**	**56.7%**	**11,111**	**34.1%**	**9,213**	**92.0%**	**(10)**	**24,307**
Other operating revenue	2,210	31.4%	628	1.9%	214	2.1%	223	3,275
Other operating expenses	(600)	-8.5%	(2,133)	-6.5%	(2,062)	-20.6%	(5,082)	(9,877)
Personnel expenses	(3,525)	-50.1%	(4,374)	-13.4%	(4,170)	-41.7%	(3,437)	(15,506)
Depreciation and amortization	(98)	-1.4%	(367)	-1.1%	(63)	-0.6%	(288)	(816)
Operating income from ordinary activity	**1,980**	**28.1%**	**4,865**	**14.9%**	**3,132**	**31.3%**	**(8,594)**	**1,383**

Data by year - 2011 (€thousand)		CNC		HSM		SERVICE	N/A	Total
Revenues	3,798	66.3%	23,267	99.2%	9,357	100%	-	36,422
Cross-sector revenues	1,934	33.7%	192	0.8%	-	-	-	
Total revenues	**5,732**	**100%**	**23,459**	**100%**	**9,357**	**100%**	**-**	**36,422**
Change in finished goods and W.I.P.	(31)	-0.5%	2,310	9.8%	102	1.1%	-	2,381
Raw materials and consumables	(1,898)	-33.1%	(11,715)	-49.9%	(673)	-7.2%	(270)	(14,556)
Cross-sector expenses	(14)	-0.2%	(2,525)	-10.8%	360	3.8%	53	
Commissions, transport and subcontractors	(639)	-11.1%	(3,575)	-15.2%	(314)	-3.4%	(4)	(4,532)
Sales margin	**3,150**	**55.0%**	**7,954**	**33.9%**	**8,832**	**94.4%**	**(221)**	**19,715**
Other operating revenue	4,920	85.8%	1,208	5.1%	90	1.0%	505	6,723
Other operating expenses	(1,981)	-34.6%	(1,650)	-7.0%	(1,741)	-18.6%	(4,370)	(9,742)
Personnel expenses	(3,378)	-58.9%	(3,998)	-17.0%	(3,691)	-39.4%	(3,041)	(14,108)
Depreciation and amortization	(105)	-1.8%	(315)	-1.3%	(23)	-0.2%	(383)	(826)
Operating income from ordinary activity	**2,606**	**45.5%**	**3,199**	**13.6%**	**3,467**	**37.1%**	**(7,510)**	**1,762**

The electronics sector (CNC), as noted in the first part of this Report, closed 2012 with revenues up from the previous year (also due to the greater cross-sector revenues resulting from the growth in HSM sector), which resulted in an increase in sales margin from €3,150 thousand in 2011 to €3,993 thousand in 2012. There was also an increase in margins (from 55% to 56.7%). "Other operating revenue" below the 2011 value (€2,210 thousand compared to €4,920 thousand in 2011) and higher personnel expenses (€3,525 thousand compared to €3,378 thousand in 2011), partially offset by lower "Other operating expenses" (€600 thousand compared to €1,981 thousand in 2011) led to a worsening of the operating income from ordinary activity, which dropped from €2,606 thousand (45.5% of turnover) to €1,980 thousand (28.1% of turnover).

High-speed milling (HSM) systems also registered an increase in revenues, which rose from €23,459 thousand in 2011 to €32,617 thousand in 2012, and an improvement of both the margin and profitability on sales from 33.9% to 34.1%. The improved margin on sales also allowed for a better operating margin of ordinary activity, which rose from €3,199 thousand to €4,865 thousand, with an increase also in margins from 13.6% to 14.9%.

Finally, Service showed, as has been the case for several years now, an increase in turnover (€10,011 thousand compared to €9,357 thousand in 2011) with a slightly lower margin on sales, though (92.0% in 2012 as opposed to 94.4% in 2011). The other items that contribute to the operating income decreased, resulting in an operating margin from ordinary activity in the amount of €3,132 thousand compared to €3,467 thousand in the previous year, down from 37.1% in 2011 to 31.3% in 2012.

Consolidated Statement of Financial Position by sector

31.12.2012 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	40	521	4	1,120	1,685
Intangible assets	-	115	-	85	200
Investments	-	-	-	16	16
Other non-current financial assets	-	-	-	-	-
Other non-current receivables and assets	127	352	-	1,113	1,592
Pre-paid tax assets	-	-	-	513	513
Total non-current assets	**167**	**988**	**4**	**2,847**	**4,006**
Inventories	2,883	12,813	4,214	-	19,910
Trade receivables and other current receivables	2,705	7,840	2,153	394	13,092
Current tax receivables	-	-	-	155	155
Other current financial receivables	-	-	-	20	20
Cash and cash equivalents	-	-	-	10,379	10,379
Total current assets	**5,588**	**20,653**	**6,367**	**10,948**	**43,556**
Total assets	**5,755**	**21,641**	**6,371**	**13,795**	**47,562**
Other non-current payables and liabilities	45	3	-	-	48
Termination benefits	596	1,153	199	387	2,335
Deferred tax liabilities	-	-	-	71	71
Other non-current financial liabilities	-	-	-	49	49
Non-current financial liabilities	-	-	-	2,782	2,782
Total non-current liabilities	**641**	**1,156**	**199**	**3,289**	**5,285**
Current financial liabilities	-	-	-	6,902	6,902
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	2,016	12,605	900	3,141	18,662
Current tax payables	-	-	-	1,072	1,072
Short-term provisions	102	509	99	93	803
Total current liabilities	**2,118**	**13,114**	**999**	**11,208**	**27,439**
Total liabilities	**2,759**	**14,270**	**1,198**	**14,497**	**32,724**
Shareholders' equity	-	-	-	14,838	14,838
Total liabilities	**2,759**	**14,270**	**1,198**	**29,335**	**47,562**

31.12.2011 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	49	625	6	1,241	1,921
Intangible assets	-	153	-	42	195
Investments	-	-	-	18	18
Other non-current financial assets	-	-	-	3	3
Other non-current receivables and assets	171	525	-	992	1,688
Pre-paid tax assets	-	-	-	661	661
Total non-current assets	**220**	**1,303**	**6**	**2,957**	**4,486**
Inventories	2,863	12,533	3,995	-	19,391
Trade receivables and other current receivables	2,623	6,707	2,337	1,193	12,860
Current tax receivables	-	-	-	414	414
Other current financial receivables	-	-	-	26	26
Cash and cash equivalents	-	-	-	11,648	11,648
Total current assets	**5,486**	**19,240**	**6,332**	**13,281**	**44,339**
Total assets	**5,706**	**20,543**	**6,338**	**16,238**	**48,825**
Other non-current payables and liabilities	37	99	-	-	136
Termination benefits	742	1,182	306	308	2,538
Deferred tax liabilities	-	-	-	86	86
Other non-current financial liabilities	-	-	-	18	18
Non-current financial liabilities	-	-	-	1,056	1,056
Total non-current liabilities	**779**	**1,281**	**306**	**1,468**	**3,834**
Current financial liabilities	-	-	-	5,195	5,195
Other current financial liabilities	-	-	-	93	93
Trade payables and other current payables	3,807	16,267	855	2,396	23,325
Current tax payables	-	-	-	1,011	1,011
Short-term provisions	64	277	256	40	637
Total current liabilities	**3,871**	**16,554**	**1,111**	**8,735**	**30,261**
Total liabilities	**4,650**	**17,825**	**1,417**	**10,203**	**34,095**
Shareholders' equity	-	-	-	14,730	14,730
Total liabilities	**4,650**	**17,825**	**1,417**	**24,993**	**48,825**

Corporate Governance

Fidia Group complies with and applies the Self-Discipline Code for Italian listed companies in all its activities.

In compliance with the regulatory requirements of the Italian Stock Exchange and legislation (Article 123*b* of Italian Legislative Decree no. 58/1998 - Consolidated Law on Finance) the report on corporate governance and ownership structure is drawn up every year. The report is made available to the public on the occasion of the publication of the financial statements and can be found on the website:

www.fidia.it - www.fidia.com, section *Investor Relations*, subsection *Corporate Governance*.

Starting from last year, the Report on Directors' Remuneration is also drawn up. This document too will be made available to the public on the aforementioned website, within the set time, i.e., twenty-one days before the date set for the General Shareholders' Meeting to approve the financial statements.

For the purpose of this Report on Operation, please be noted:

Management and Coordination

Fidia S.p.A. is not managed or coordinated by other companies or entities.

Subsidiaries conduct their business with complete management and operating autonomy.

Internal control system

The internal control and risk management system consists of various components of the organization chart and procedures, among which the Board of Directors, the Control and Risks Committee (former Internal Control Committee), the controller, the director in charge as per article 154b of the TUF (Consolidated Finance Act) and the Organization Model as per Italian Legislative Decree No. 231/2001 and works thanks to a set of processes aimed to monitor, for instance, the efficiency of company operations, reliability of financial information, compliance with laws and regulations and the safeguard of company assets.

Alongside of the implementation of the Organization Model as per Italian Legislative Decree No. 231/2001, a Supervisory Board was appointed in order to ensure the required information flows. The Supervisory Board informs the Board of Directors of its activities through periodic reports and through the Control and Risks Committee (former Internal Control Committee) and the Board of Auditors.

On the date of these financial statements, the Supervisory Board was composed of a Company executive, an independent non-executive Director and a non-executive Director.

Certification pursuant to Article 2.6.2, paragraph 12, of the Rules of the Markets organized and managed by Borsa Italiana

Fidia S.p.A. controls a number of companies established in countries outside the European Union which are of significant importance pursuant to Article 36 of Consob Regulation No. 16191/2007 as amended by Consob Resolution No. 18214/2012 concerning the regulation of the markets ("Regulation of Markets").

With reference to 31 December 2012, it is reported that the regulatory provision regards three Group companies (Beijing Fidia M & E Co. Ltd. - China, Shenyang Fidia NC & Machine Company Ltd. - China; Fidia Co. - USA), that adequate procedures have been adopted to ensure compliance with said regulation and that the conditions as per the above-mentioned Article 36 subsist.

* * *

Interests held by members of administration and control bodies, general managers and executives with strategic responsibilities

Name and last name	Company	No. shares held at 31.12.2011	No. shares purchased in 2012	No. shares sold in 2012	No. shares held at 31.12.2012
Giuseppe Morfino	Fidia ordinary shares	2,950,166	-	-	2,950,166
Paolo Morfino	Fidia ordinary shares	6,877	-	-	6,877
Luca Morfino	Fidia ordinary shares	20,710	-	-	20,710

Intra-group relations and relations with related parties

Relations among the Group's companies are governed by competitive conditions compared to those of the market, considering the nature of the goods and services provided. These relations are basically of a commercial nature.

The Meeting of the Board of Directors on 11 November 2010 drew up and approved specific internal procedures called "*Guidelines and rules of conduct on "extremely significant, atypical or unusual" transactions and with "related parties"*" ("*Guidelines*"). These procedures implement both the criteria of the Self-Discipline Code and the Regulation on related parties adopted by Consob Resolution No. 17221 of 12 March 2010 as amended by the following Consob Resolution No. 17389 of 23 June 2010.

These procedures can be found at the company website www.fidia.com, under section **Investor Relations** www.fidia.com, subsection corporate governance.

The manufacturing of milling systems, mechanical components and electrical systems is carried out entirely by Fidia S.p.A. following the mergers in previous fiscal years.

The foreign subsidiaries of Fidia deal with the sales and service of the Group's products in the relevant markets and for this purpose they purchase directly from the Parent Company. Intra-group sales relations are carried out based on transfer pricing applied in a continuous and uniform manner between companies. Supply relations are carried out based on normal market prices.

With regard to the joint-venture Shenyang Fidia NC & M Co. Ltd., it manufactures and sells numerical controls and milling systems designed by Fidia for the Chinese market. The strategic components are purchased from the parent company Fidia S.p.A. at normal market conditions and the remaining parts from local suppliers.

The economic and financial relations in the fiscal year between the parent company Fidia S.p.A. and its subsidiaries are illustrated in Note 31 of the Notes to the Financial Statements.

Information on relations with related parties whose definition was extended according to Accounting Standard IAS 24, as required by Consob Resolution of 28 July 2006, is illustrated in Note 33 to the Consolidated Financial Statements and Note 30 of the Financial Statements respectively.

Based on the information received from the Group companies, there were no atypical or unusual transactions as defined by Consob.

Article 7.2, item c) of the above-mentioned "*Guidelines*" states that in 2012 there were no transactions with related parties that can be defined as having "major significance".

In 2012, two high speed milling systems were supplied between the subsidiaries Shenyang Fidia NC & M Co. Ltd and Beijing Fidia M&E Co. Ltd. for a value of approximately 7.7 million RMB (just under €1 million) and one high speed milling system between the parent company Fidia S.p.A. and the German subsidiary Fidia GmbH for a value of approximately €0.7 million. The above operations, included among the ordinary transactions concluded at terms equivalent to those of the market, were excluded from the application of the rules on transactions with related parties transactions pursuant to Article 7.2, item f), of the above-mentioned "*Guidelines*" although they exceed the threshold defined in accordance with Annex 3 of Consob Regulation No. 17221.

Economic and financial situation of the Parent Company Fidia S.p.A.

ECONOMIC TRENDS

The reclassified Income Statement is illustrated below:

Economic trend (€thousand)	2012	%	2011	%
Net revenues	31,778	100%	26,233	100%
Changes in inventories of finished goods and W.I.P.	649	2.0%	1,406	5.4%
Other operating revenue	1,652	5.2%	3,642	13.9%
Value of production	**34,079**	**107.2%**	**31,281**	**119.2%**
Raw materials and consumables	(13,593)	-42.8%	(11,709)	-44.6%
Commissions, transport and subcontractors	(4,648)	-14.6%	(4,372)	-16.7%
Other services and overheads	(7,024)	-22.1%	(5,804)	-22.1%
Value added	**8,814**	**27.7%**	**9,396**	**35.8%**
Personnel expenses	(10,144)	-31.9%	(9,387)	-35.8%
EBITDA	**(1,330)**	**-4.2%**	**9**	**0.0%**
Bad debts provision	(201)	-0.6%	(96)	-0.4%
Depreciation	(279)	-0.9%	(262)	-1.0%
Operating income from ordinary activity	**(1,810)**	**-5.7%**	**(349)**	**-1.3%**
Restructuring costs	-	-	(376)	-1.4%
Impairment (losses)/reversals	1,848	5.8%	(41)	-0.2%
EBIT	**38**	**0.1%**	**(766)**	**-2.9%**
Net financial income (expenses)	450	1.4%	405	1.5%
Profit/(Loss) on exchange rates	(13)	0.0%	60	0.2%
EBT	**475**	**1.5%**	**(301)**	**-1.1%**
Income taxes (current, paid and deferred)	(229)	-0.7%	55	0.2%
Net operating result	**246**	**0.8%**	**(246)**	**-0.9%**

FY2012 closed with a great increase in revenue compared to the previous year (€31,778 thousand compared to €26,233 in 2011, equal to a +21.1% increase). Said increase was recorded in all three business lines in which the Company operates.

As for the Group consolidated financial statements, the economic data of Fidia S.p.A. are also presented broken down into three sectors (Numerical Controls - CNC -, High Speed Milling Systems - HSM -, and Service).

With reference to the Service sector, data of a commercial nature relating to order backlog and new orders are not shown, as these basically coincide with the turnover, given that the time to process any requests for intervention is extremely low.

The following tables illustrate the trends in revenues by business line and geographical region.

Business line (€ thousand)	2012	%	2011	%	Change in %
Numerical controls, drives and software	3,220	10.1%	2,794	10.7%	15.2%
High-speed milling systems	23,327	73.4%	18,637	71.0%	25.2%
After-sales service	5,231	16.5%	4,802	18.3%	8.9%
Grand total	**31,778**	**100%**	**26,233**	**100 %**	**21.1%**

Numerical controls and software (€ thousand)	2012	%	2011	%	Change in %
ITALY	772	24.0%	1,044	37.4%	-26.1%
EUROPE	964	29.9%	707	25.3%	36.4%
ASIA	981	30.5%	757	27.1%	29.6%
NORTH and SOUTH AMERICA	426	13.2%	206	7.4%	106.8%
REST OF THE WORLD	77	2.4%	80	2.8%	-3.8%
Total	**3,220**	**100%**	**2,794**	**100%**	**15.2%**

High-speed milling systems (€thousand)	2012	%	2011	%	Change in %
ITALY	2,674	11.5%	1,026	5.5%	160.6%
EUROPE	4,093	17.5%	3,488	18.7%	17.3%
ASIA	13,030	55.9%	12,246	65.7%	6.4%
NORTH and SOUTH AMERICA	3,530	15.1%	1,877	10.1%	88.1%
REST OF THE WORLD	-	-	-	-	-
Total	**23,327**	**100%**	**18,637**	**100%**	**25.2%**

After-sales (€thousand)	2012	%	2011	%	Change in %
ITALY	1,826	34.9%	2,004	41.7%	-8.9%
EUROPE	1,522	29.1%	1,143	23.8%	33.2%
ASIA	904	17.3%	761	15.8%	18.8%
NORTH and SOUTH AMERICA	859	16.4%	501	10.4%	71.5%
REST OF THE WORLD	120	2.3%	393	8.3%	-69.5%
Total	**5,231**	**100%**	**4,802**	**100%**	**8.9%**

Total revenues (€thousand)	2012	%	2011	%	Change in %
ITALY	5,272	16.6%	4,074	15.5%	29.4%
EUROPE	6,579	20.7%	5,338	20.3%	23.2%
ASIA	14,915	46.9%	13,764	52.5%	8.4%
NORTH and SOUTH AMERICA	4,815	15.2%	2,584	9.9%	86.3%
REST OF THE WORLD	197	0.6%	473	1.8%	-58.4%
Total	**31,778**	**100%**	**26,233**	**100%**	**21.1%**

As already mentioned, the turnover of Fidia S.p.A. increased tremendously compared to 2011 in all three business lines, up from €26,233 thousand in 2011 to €31,778 thousand in 2012, equal to +21.1%.

More specifically, as shown in the tables above, the electronics sector registered a 15.2% increase in turnover compared to the previous year and turnover amounted to €3,220 thousand. All markets recorded significant gains with the exception of the Italian market which, in turn, recorded a decrease in sales of about 26% with revenues, which dropped from €1,044 thousand to €772 thousand. Revenues from residual markets (Rest of World) were basically stable.

As for high-speed milling systems, the increase in revenues compared to the previous year amounted to 25.2% (€23,327 thousand in 2012 as opposed to €18,637 thousand in 2011). During the year there was a marked increase in sales in all markets. On the Italian market, revenues more than doubled (+160.6%) due to the execution of some important orders for the aircraft sector; in the rest of Europe growth reached 17.3% and in the Americas the recovery led to an increase in revenues of over 88%. In Asia, where the company had already achieved excellent results in 2011, turnover grew by 6.4%. These different trends resulted in a better balance in the distribution of turnover between the various areas in which the company operates; Asia continued to be the main market with just over 55%, but Europe, thanks also to excellent performance in Italy, is growing and in 2012 represented approximately 30% of turnover; finally, the Americas now account for about 15% of the total turnover.

Finally, the after-sales service sector, which comprises the sale of spare parts, repair services and routine maintenance contracts, registered once again an increase in turnover over the previous year (+8.9%), with revenues amounting to €5,231 thousand, compared to €4,802 thousand in 2011. Apart from the drop in Italy (-8.9%) and the "Rest of the World" (-69.5%), all the other markets are growing.

The following tables show the trend in the order backlog and new orders by business line. As already illustrated above, the commercial data referring to order backlog and new orders in the Service sector are not shown, as these coincide with the turnover, given that the time to process any requests for intervention is extremely low.

Numerical controls and software (€ thousand)	**2012**	**2011**	**Change in %**
Order backlog as at 01.01	519	421	23.3%
New orders	**3,114**	**2,892**	**7.7%**
Net revenues	(3,220)	(2,794)	15.2%
Order backlog as at 31/12	**413**	**519**	**-20.4%**

High-speed milling systems (€thousand)	**2012**	**2011**	**Change in %**
Order backlog as at 01.01	22,040	9,272	137.7%
New orders	**20,467**	**31,405**	**-34.8%**
Net revenues	(23,327)	(18,637)	25.2%
Order backlog as at 31/12	**19,180**	**22,040**	**-13.0%**

Total order backlog (€thousand)	**2012**	**2011**	**Change in %**
Order backlog as at 01.01	22,559	9,693	132.7%
New orders	**23,581**	**34,297**	**-31.2%**
Net revenues	(26,547)	(21,431)	23.9%
Order backlog as at 31/12	**19,583**	**22,559**	**-13.2%**

The final order backlog as at 31 December 2012 was down 13.2% over the previous year. This is due to the higher turnover in this year and the decline in orders in the mechanical sector.

The gross operating margin (EBITDA) was negative amounting to about €1,330 thousand, compared to breakeven (€9 thousand) in 2011. The decrease is mainly attributable to the sharp contraction in "Other operating revenue".

The operating margin from ordinary activity was also negative and amounted to -€1,810 thousand (-€349 thousand at 31 December 2011).

EBIT was positive amounting to €38 thousand (-€766 thousand at 31 December 2011) due to the recovery in the value of the investment in the U.S. subsidiary Fidia Co. (€2,005 thousand) and the devaluation of the investment in the subsidiary Shenyang Fidia NC&M Co. Ltd. (€157 thousand). With reference to Fidia Co., given the consolidation of a trend of positive economic results and the economic and financial prospects evaluated over a period of three years, the company's management deemed at the end of the impairment test carried out on this investment that the conditions that led to the write-down of the investment in past years no longer subsist.

Financial management made an overall positive contribution to the income statement of Fidia S.p.A., thanks to dividends distributed by subsidiaries (€778 thousand) and the substantially constant financial charges (totaling €406 thousand in 2012 and €402 thousand euro in 2011). By contrast, foreign currency management, which the previous year had contributed positively (net gains of approximately €60 thousand), have generated losses of around €13 thousand in the current year.

The net profit after taxes of €229 thousand amounted to €246 thousand (loss of €246 thousand at 31 December 2011).

The following tables shows the workforce average trend and cost of labor.

Staffing	**2012**	**2011**	**Abs. change**	**Change in %**
Executives	7	9	-2	-22.2%
Clerks and supervisors	130	129	1	0.8%
Workers	35	34	1	2.9%
Total number of employees	172	172	0	0%
Total average number of employees	172.0	176.0	-4	-2.3%

Cost of labor (€thousand)	**2012**	**2011**	**Abs. change**	**Change in %**
Labor costs - ordinary part	10,144	9,387	757	8.1%
Cost of labor – restructuring expenses	-	376	-376	-100%
Total cost of labor	10,144	9,763	381	3.9%

Cost of labor was up a total of €381 thousand compared to the previous year (+3.9%) and also includes costs for temporary staff, which amounted to approximately €453 thousand (€140 thousand in 2011).

The increased costs and the hiring of temporary staff are justified by the higher levels of production that resulted in an increase in the costs for direct and indirect production personnel. Please be noted also that fiscal year 2011 was marked by recourse to public redundancy funds that made it possible to curb overall personnel costs.

Due to the higher turnover, the overall incidence of cost of labor in relation to turnover decreased from 35.8% in 2011 to 31.9% in the current year.

Statement of Financial Position

The reclassified statement of financial position was as follows:

Statement of Financial Position (€ thousand)	31.12.2012	31.12.2011
Net tangible assets	813	888
Intangible assets	56	29
Financial assets	8,797	6,951
Other financial assets	1,634	1,743
Fixed assets – (A)	**11,300**	**9,611**
Net trade receivables	9,336	8,399
Closing inventories	14,359	11,748
Other current assets	1,689	1,367
Short-term (current) assets – (B)	**25,384**	**21,514**
Trade payables to suppliers	(12,659)	(11,851)
Other current liabilities	(6,942)	(6,181)
Short-term (current) liabilities – (C)	**(19,601)**	**(18,032)**
Net working capital (D) = (B+C)	**5,783**	**3,482**
Termination benefits (E)	(2,335)	(2,538)
Other long-term liabilities (F)	(98)	(157)
Net invested capital (G) = (A+D+E+F)	**14,650**	**10,398**
Financial position		
Available-for-sale financial assets	-	-
Cash, bank deposits and short-term loans made	(3,879)	(4,462)
Short-term loans	7,033	5,320
Short-term financial position	3,154	858
Long-term loans, net of current portion	2,763	1,038
Net financial position (H)	**5,917**	**1,896**
Share capital	5,123	5,123
Reserves	3,364	3,625
Profit/(loss) of period	246	(246)
Total shareholders' equity (I)	**8,733**	**8,502**
Shareholders' equity and net financial position (L) = (H+I)	**14,650**	**10,398**

Compared to 31 December 2011, the fixed assets show increases primarily related to the write-back on the investment in the subsidiary Fidia Co.

The net working capital grew due to the combined effect of the increase in trade receivables, inventories and other current assets, partially offset by growth in trade payables and other current liabilities. These effects are largely attributable to the increase in production, which resulted in an increase in inventory, sales and purchase volume.

As for medium to long term liabilities, please be noted that there was a slight decrease in the provision for termination benefits, linked to the normal dynamics of staff management.

The foregoing resulted in a negative net financial position of €5,917 thousand as at 31 December 2012 compared to a negative balance of €1,896 thousand as at 31 December 2011.

Trend in net financial position

Financial position (€thousand)	31.12.2012	31.12.2011
Available-for-sale financial assets	-	-
Cash, bank deposits and short-term loans made	3,879	4,462
Short-term loans	(7,033)	(5,320)
Short-term financial position	(3,154)	(858)
Long-term loans, net of current portion	(2,763)	(1,038)
Net financial position	(5,917)	(1,896)

The complete cash flow statement is illustrated below in the Accounting Schedules of the Notes. A short version is provided here.

Short cash flow statement (€ thousand)	2012	2011
A) Cash and cash equivalents at beginning of period	(165)	1,427
B) Cash from/(used in) operating activities during period	(3,698)	(663)
C) Cash from/(used in) investing activities	(226)	(313)
C) Cash from/(used in) financing activities	2,283	(616)
E) Net change in cash and cash equivalents	(1,641)	(1,592)
F) Cash and cash equivalents at year-end	(1,806)	(165)

Breakdown of cash and cash equivalents:		
Cash and cash equivalents	3,879	4,432
Bank overdraft	(5,685)	(4,597)
	(1,806)	(165)

COMPARISON OF OPERATING RESULT AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AND EQUIVALENT VALUES OF THE GROUP

According to Consob Notice of 28 July 2006, the comparison between the operating result of FY2012 and the shareholders' equity as at 31 December 2012 of the Group (share pertaining to the Group) with the equivalent values of the parent company Fidia S.p.A. is provided.

Comparison of operating result and shareholders' equity of the Parent Company and Group (€ thousand)	**Shareholders' equity at 31.12.2011**	**Changes in shareholders ' equity 2012**	**Result at 31.12.2012**	**Shareholders' equity at 31.12.2012**
Financial Statements of Fidia S.p.A.	**8,502**	**(15)**	**246**	**8,733**
Consolidation adjustments				
* Elimination of book value of investments	8,556	110	1,921	10,587
* Conversion difference	880	(150)	-	730
* Dividends collected by Fidia Spa	(8,068)	-	(778)	(8,846)
* Write-down of investments (2005, 2006, 2008 and 2010)	3,793	-	-	3,793
* Write-down/(reversal) of investments (2009)	(666)	-	-	(666)
* Write-down/(reversal) of investments (2012)	-	-	(1,848)	(1,848)
* Reversal of gain on transfer and amortization	(194)	-	53	(141)
* Reversal of intra-group profit 2012	-	(21)	(327)	(348)
* Reversal of intra-group profit 2011	(746)	21	725	-
* Pre-paid taxes on intra-group profit	46	2	(34)	14
* Other adjustments	143	(128)	(3)	12
* Exchange rate differences on intra-group transactions	(17)	23	-	6
Consolidated Financial Statements (share pertaining to Group)	**12,229**	**(158)**	**(45)**	**12,026**

Trends in Group Companies

A brief overview of the performance of the Group companies during the fiscal year is provided below. For the sake of clarity of the general overview of the companies, the amounts are expressed in thousands of euros. The mean exchange rates of the currency of origin in the fiscal years of reference were applied for the non-European subsidiaries. Data refers to the financial statements drawn up according to international accounting standards ("IFRS").

Fidia GmbH

The turnover of FY2012 was equal to €5,724 thousand, up compared to €3,852 thousand of FY2011 (+48.6%). FY2012 closed with a net profit of €30 thousand, as opposed to net profits in the amount of €47 thousand in 2011. Staff increased from 22 units as at 31 December 2011 to 24 units as at 31 December 2012.

Fidia Iberica S.A.

The turnover for 2012 amounted to €788 thousand, down from €2,536 thousand the previous year (-68.9%). The decrease in revenue was mainly due to the failed realization of sales of milling systems. Year 2012 closed with a net profit of €47 thousand as opposed to a net profit of €99 thousand in 2011. Staff went from 9 to 8 people.

Fidia S.a.r.l.

The turnover for 2012 amounted to €1,940 thousand, a substantial increase compared to €896 thousand of the previous year (+116.5%); year 2012 closed with a net profit of €17 thousand compared to a net loss of €20 thousand in 2011. Staff was unchanged compared to 2011 and amounted to 6 employees as at 31 December 2012.

OOO Fidia

The company has not actually done any business during 2012.

Fidia Co.

The turnover for 2012 amounted to €5,492 thousand (USD 7,056 thousand) up by €4,148 thousand (USD 5,774 thousand) compared to the previous year. FY2012 closed with a profit (€349 thousand in 2012, €422 thousand in 2011), due to the recovery in the North American market and the reorganization of the company implemented in recent two fiscal years. Staff grew by three employees and amounted to 16 units as at 31 December 2012.

Beijing Fidia Machinery & Electronics Co. Ltd.

FY2012 turnover amounted to €11,827 thousand (RMB 95.9 million), up from €8,220 thousand (RMB 73.9 million) the previous year. Net profit further improved compared to the already excellent result for FY2011 and amounted to €1,550 thousand compared to €1,203 thousand the year before. Staff remained unchanged and, therefore, consists of 29 people.

Shenyang Fidia NC&M Co. Ltd.

The turnover for FY2012 amounted to €5,746 thousand (46.6 million RMB) as opposed to €5,377 thousand (48.4 million RMB); year 2012 closed with a net profit of €163 thousand compared to a net profit of €296 thousand in 2011. Staff dropped from 84 units as at 31 December 2011 to 77 units as at 31 December 2012.

Fidia do Brasil Ltda

The FY2012 turnover amounted to €747 thousand (1,874 thousand real) compared to €641 thousand (1,492 thousand real) the previous year. FY2012 closed with a profit of €24 thousand compared to a net loss of €46 thousand in 2011; staff was increased by two units and consists of 7 people.

Fidia India Private Ltd.

During 2012 the company had a turnover of about €3 thousand (€7 thousand in 2011) consisting of intercompany services related to promotion and marketing in the Indian market. The result at 31 December 2012 was a loss of about €2 thousand, as in the previous year. The company closes the fiscal year on March 31st of every year.

AFFILIATED COMPANIES

Prometec Consortium

Shareholders' equity as at 31 December 2012 amounted to €10 thousand (interest of Fidia S.p.A.: 20%); FY2012 closed with a break-even.

Noteworthy facts after year-end and business outlook

FY2012 closed with an order backlog which, though lower than at the end of 2011, allows visibility for almost the entire year. New orders for the first two months of 2013 reaped €3.6 million for the mechanical sector; in this case too, the result is a lower than that achieved in the corresponding period of last year, but allows for a consolidation of the current commercial position.

From a financial point of view, the stability gained for some time now affords continuity to a rather aggressive commercial policy, which last year made it possible to obtain satisfactory results and to continue with plans to develop new products in order to maintain the Group's technological standing, which is essential to compete in global markets that are increasingly demanding in terms of performance and quality.

There were no significant events after year-end 2012.

Proposal for approval of Financial Statements and allocation of operating result

Dear Shareholders,

We invite you to approve the Financial Statements as at 31 December 2012.

We also propose that the profit of the fiscal year, amounting to €246,492.80 be allocated as follows:

• 5% to the legal reserve amounting to	€12,324.64;
• to the extraordinary reserve	€234,168.16
	€246,492.80

San Mauro Torinese, 15 March 2013

On behalf of the Board of Directors

The Chairman and Chief Executive Officer

Mr. Giuseppe Morfino

Fidia Group

Consolidated Financial Statements as at 31 December 2012

FIDIA GROUP: Consolidated financial statements as at 31 december 2012

Consolidated income statement (*)

€ thousand	Notes	FY2012	FY2011
- Net sales	1	47,001	36,422
- Other operating revenue	2	3,275	6,723
- Total revenues		**50,276**	**43,145**
- Change in finished goods and W.I.P.		(555)	2,381
- Raw materials	3	(16,924)	(14,556)
- Personnel expenses	4	(15,506)	(14,108)
- Other operating expenses	5	(15,092)	(14,274)
- Depreciation and amortization	6	(816)	(826)
- Profit/(loss) of ordinary activity		**1,383**	**1,762**
- Restructuring expenses	7	-	(376)
- Operating profit/(loss)		**1,383**	**1,386**
- Finance revenue (expenses)	8	(211)	(458)
- Profit/(loss) before tax		**1,172**	**928**
- Income tax	9	(848)	(342)
- Profit/(loss) for continuing operations		**324**	**586**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**324**	**586**
Profit/(loss) attributable to:			
Shareholders of parent company		(45)	407
Non-controlling interests		369	179
EUR			
Basic earnings per ordinary share	10	(0.01)	0.08
Diluted earnings per ordinary share	10	(0.01)	0.08

(*) According to Consob Resolution No. 15519 of July 27, 2006, the effects of relations with related parties on the Consolidated Income Statement are posted in the relevant Income Statement Schedule illustrated below and are further defined in Note No. 33.

FIDIA GROUP: Consolidated financial statements as at 31 december 2012

Consolidated comprehensive income statement

€ thousand	Notes	FY2012	FY2011
- Profit/(loss) (A)		**324**	**586**
Profit/(loss) on cash flow hedges	20	(5)	(16)
Profit(loss) on translation of financial statements of foreign companies	20	(173)	797
Actuarial gains/(losses) on defined benefit plans	20	(16)	(87)
Tax effect of Other profit/(loss)	20	6	28
Total other profit/(loss), net of tax effect (B)		**(188)**	**722**
Total comprehensive profit/(loss) (A)+(B)		**136**	**1,308**
Total comprehensive profit/(loss) attributable to:			
Shareholders of parent company		(210)	938
Non-controlling interests		346	370

FIDIA GROUP: Consolidated financial statements as at 31 december 2012

Consolidated statement of financial position (*)

€ thousand	Notes	31.12.2012	31.12.2011
ASSETS			
- Property, plant and equipment	11	1,685	1,921
- Intangible assets	12	200	195
- Investments	13	16	18
- Other non-current financial assets		-	3
- Other non-current receivables and assets	14	1,592	1,688
- Pre-paid tax assets	9	513	661
TOTAL NON-CURRENT ASSETS		**4,006**	**4,486**
- Inventories	15	19,910	19,391
- Trade receivables	16	11,943	11,187
- Current tax receivables	17	155	414
- Other current receivables and assets	17	1,149	1,673
- Other current financial assets	18	20	26
- Cash and cash equivalents	19	10,379	11,648
TOTAL CURRENT ASSETS		**43,556**	**44,339**
Total assets		**47,562**	**48,825**
LIABILITIES			
SHAREHOLDERS' EQUITY			
- Share capital and reserves attributable to shareholders of parent company		12,026	12,229
- Non-controlling interests		2,812	2,501
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**20**	**14,838**	**14,730**
- Other non-current payables and liabilities	21	48	136
- Termination benefits	22	2,335	2,538
- Deferred tax liabilities	9	72	86
- Other non-current financial liabilities	23	48	18
- Non-current financial liabilities	24	2,782	1,056
TOTAL NON-CURRENT LIABILITIES		**5,285**	**3,834**
- Current financial liabilities	24	6,902	5,195
- Other current financial liabilities	25	-	93
- Trade payables	26	9,237	9,386
- Current tax payables	27	1,072	1,011
- Other current payables and liabilities	27	9,425	13,939
- Short-term provisions	28	803	637
TOTAL CURRENT LIABILITIES		**27,439**	**30,261**
Total liabilities		**47,562**	**48,825**

(*) According to Consob Resolution No. 15519 of 27 July 2006, the effects of relations with related parties on the Consolidated Statement of Financial Position are posted in the relevant Statement of Financial Position Schedule illustrated below and are further defined in Note No. 33.

FIDIA GROUP: Consolidated financial statements as at 31 december 2012

Consolidated cash flow statement (*)

€ thousand	2012	2011
A) Cash and cash equivalents at beginning of period	**7,051**	**9,805**
B) Cash from/(used in) operating activities during the period		
- Profit/(loss)	324	586
- Depreciation and amortization	554	657
- Write-down/(recovery in value) of investments	-	6
- Net losses (gains) on disposal of tangible assets	(30)	(420)
- Net change in provisions for termination benefits	(203)	45
- Net change in provisions for risks and expenses	166	112
- Net change (assets) liabilities for (pre-paid) deferred taxes	134	(378)
Net change in working capital:		
- receivables	122	(3,997)
- inventories	(519)	(5,421)
- payables	(4,690)	6,315
Total	**(4,142)**	**(2,495)**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible assets	(395)	(663)
intangible assets	(73)	(31)
- Profit on sale of:		-
tangible assets	169	866
Financial assets	2	-
Total	**(297)**	**172**
D) Cash from/(used in) financing activities		
- New loans	2,950	163
- Loans paid	(605)	(1,244)
- Change in capital and reserves	(8)	(155)
- Net change in amounts due by other interests	(58)	110
- Net change in current and non-current financial assets and liabilities	(53)	118
Total	**2,226**	**(1,008)**
Differences in exchange rates	(144)	577
E) Net change in cash and cash equivalents	**(2,357)**	**(2,754)**
F) Cash and cash equivalents at year-end	**4,694**	**7,051**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	10,379	11,648
Bank overdraft	(5,685)	(4,597)
	4,694	**7,051**

(*) According to Consob Resolution No. 15519 of 27 July 2006, the effects of relations with related parties on the Consolidated Cash Flow Statement are posted in the relevant Cash Flow Statement Schedule illustrated below.

FIDIA GROUP: Consolidated financial statements as at 31 december 2012

Statement of changes in consolidated shareholders' equity

€thousand	Share capital	Own shares	Capital reserves	Retained earnings	Cash flow hedge reserve	Translation reserve	Reserve for actuarial profit/loss	Other reserves	Total shareholders' equity of Group	Non-controlling interests	Total shareholders' equity
Balance at 31 December 2010	**5,123**	**(45)**	**1,486**	**4,194**	**-**	**313**	**87**	**213**	**11,371**	**2,212**	**13,583**
Total comprehensive profit/(loss)				407	(12)	606	(63)		938	370	1,308
Reclassifications				(21)			21		-		
Other changes				(80)					(80)	(81)	(161)
Balance at December 31, 2011	**5,123**	**(45)**	**1,486**	**4,500**	**(12)**	**919**	**45**	**213**	**12,229**	**2,501**	**14,730**
Hedging of loss of previous fiscal year			(246)	246							-
Total comprehensive profit/(loss)				(45)	(4)	(150)	(11)		(210)	346	136
Other changes				7					7	(35)	(28)
Balance at 31 December 2012	**5,123**	**45**	**1,240**	**4,708**	**(16)**	**769**	**34**	**213**	**12,026**	**2,812**	**14,838**

FIDIA GROUP: Consolidated financial statements as at 31 december 2012

Consolidated Income Statement as per Consob Resolution No. 15519 of 27 July 2006

€ thousand	Notes	FY2012	Of which related parties	FY2011	Of which related parties
- Net sales	1	47,001	378	36,422	57
- Other operating revenue	2	3,275		6,723	
- Total revenues		**50,276**		**43,145**	
- Change in finished goods and W.I.P.		(555)		2,381	
- Raw materials	3	(16,924)	(5)	(14,556)	(5)
- Personnel expenses	4	(15,506)	(888)	(14,108)	(751)
- Other operating expenses	5	(15,092)	(266)	(14,274)	(225)
- Depreciation and amortization	6	(816)		(826)	
- Profit/(loss) of ordinary activity		**1,383**		**1,762**	
- Restructuring expenses	7	-		(376)	
- Operating profit/(loss)		**1,383**		**1,386**	
- Finance revenue (expenses)	8	(211)		(458)	
- Profit/(loss) before tax		**1,172**		**928**	
- Income tax	9	(848)		(342)	
- Profit/(loss) from continuing operations		**324**		**586**	
- Profit/(loss) from discontinued operations		-		-	
- Profit/(loss)		**324**		**586**	
Profit/(loss) attributable to:					
Shareholders of parent company		(45)		407	
Non-controlling interests		369		179	

FIDIA GROUP: Consolidated financial statements as at 31 december 2012

Consolidated Statement of Financial Position as per Consob Resolution No. 15519 of 27 July 2006

€ thousand	Notes	31.12.2012	Of which related parties	31.12.2011	Of which related parties
ASSETS					
- Property, plant and equipment	11	1,685		1,921	
- Intangible assets	12	200		195	
- Investments	13	16		18	
- Other non-current financial assets		-		3	
- Other non-current receivables and assets	14	1,592		1,688	
- Pre-paid tax assets	9	513		661	
TOTAL NON-CURRENT ASSETS		**4,006**		**4,486**	
- Inventories	15	19,910		19,391	
- Trade receivables	16	11,943	1,179	11,187	1,346
- Current tax receivables	17	155		414	
- Other current receivables and assets	17	1,149		1,673	
- Other current financial assets	18	20		26	
- Cash and cash equivalents	19	10,379		11,648	
TOTAL CURRENT ASSETS		**43,556**		**44,339**	
Total assets		**47,562**		**48,825**	
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital and reserves attributable to shareholders of parent company		12,026		12,229	
- Non-controlling interests		2,812		2,501	
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**20**	**14,838**		**14,730**	
- Other non-current payables and liabilities	21	48		136	
- Termination benefits	22	2,335		2,538	
- Deferred tax liabilities	9	72		86	
- Other non-current financial liabilities	23	48		18	
- Non-current financial liabilities	24	2,782		1,056	
TOTAL NON-CURRENT LIABILITIES		**5,285**		**3,834**	
- Current financial liabilities	24	6,902		5,195	
- Other current financial liabilities	25	-		93	
- Trade payables	26	9,237	15	9,386	362
- Current tax payables	27	1,072		1,011	
- Other current payables and liabilities	27	9,425	500	13,939	66
- Short-term provisions	28	803		637	
TOTAL CURRENT LIABILITIES		**27,439**		**30,261**	
Total liabilities		**47,562**		**48,825**	

FIDIA GROUP: Consolidated financial statements as at 31 december 2012

Consolidated cash flow statement as per consob resolution no. 15519 of 27 july 2006

€ thousand	**2012**	**Of which related parties**	**2011**	**Of which related parties**
A) Cash and cash equivalents at beginning of period	**7,051**		9,805	
B) Cash from/(used in) operating activities during the period				
- Profit/(loss)	324		586	
- Depreciation and amortization	554		657	
- Write-down/(recovery in value) of investments	-		6	
- Net losses (gains) on disposal of tangible assets	(30)		(420)	
- Net change in provisions for termination benefits	(203)		45	
- Net change in provisions for risks and expenses	166		112	
- Net change (assets) liabilities for (pre-paid) deferred taxes	33		(378)	
Net change in working capital:				
- receivables	223	167	(3,997)	539
- inventories	(519)		(5,421)	
- payables	(4,690)	87	6,315	118
Total	**(4,142)**		(2,495)	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible assets	(395)		(663)	
intangible assets	(73)		(31)	
- Profit on sale of:				
tangible assets	169		866	
Financial assets	2		-	
Total	(297)		172	
D) Cash from/(used in) financing activities				
- New loans	2,950		163	
- Loans paid	(605)		(1,244)	
- Change in capital and reserves	(8)		(155)	
- Net change in amounts due by non-controlling interests	(58)		110	
- Net change in current and non-current financial assets and liabilities	(53)		118	
Total	**2,226**		(1,008)	
Differences in exchange rates	(144)		577	
E) Net change in cash and cash equivalents	(2,357)		(2,754)	
F) Cash and cash equivalents at year-end	4,694		7,051	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	10,379		11,648	
Bank overdraft	(5,685)		(4,597)	
	4,694		7,051	

Notes to the Consolidated Financial Statements

MAIN BUSINESS

Fidia S.p.A. is a company under Italian law. Fidia S.p.A. and its subsidiaries ("Group") are active in over 20 countries.

The Group is engaged in the manufacturing and sale of numerical controls and software, high-speed milling systems and after-sales service.

The Group headquarters are located in San Mauro Torinese (Turin), Italy.

The Consolidated Financial Statements of Fidia Group are presented in euro, i.e., the accounting currency of the Parent Company and main economies in which the Group has operations. Unless otherwise specified, the amounts are expressed in thousands of euros.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2012 consolidated financial statements were drawn up in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union and with the provisions implementing Article 9 of Italian Legislative Decree No. 38/2005. IFRS also include all the reviewed international accounting standards (IAS) and interpretations of the IFRS Interpretations Committee, previously called International Financial Reporting Interpretations Committee (IFRIC), and before then Standing Interpretations Committee (SIC).

The Financial Statements were drawn up based on the historical cost principle, amended as requested for the evaluation of some financial instruments and a building as well as on the assumption of going concern. The Group concluded that, despite the difficult economic and financial situation, there are no significant uncertainties (as set forth by par. 25 of IAS 1) on going concern, also in light of the measures already taken to adapt to the change in levels of demand.

Financial Statements

The Group presents the income statement by nature of expense, which is deemed more representative compared to the so-called presentation by function. The form chosen complies with the internal reporting and business management methods.

Within said income statement by nature, under the profit/(loss), a specific distinction has been made between profit/(loss) of ordinary activity and those charges and earnings that are the result of non-recurrent transactions in ordinary activity management, such as the restructuring expenses and any other atypical revenues/(charges), as these can be treated like the former. It is deemed that this allows for a better measurement of the actual performance of the normal business management, it being understood that any atypical expenses and earnings are specified in detail.

The definition of atypical adopted by the Group differs from the one set by Consob Notice of 28 July 2006, by which atypical and/or unusual transactions are all those transactions whose significance/relevance, nature of the counterparts, subject-matter of the transaction, transfer pricing method and timing of the event (near year end) can give rise to doubts on: correctness/completeness of information posted, conflict of interests, safeguard of company equity, safeguard of non-controlling interests.

With reference to the statement of financial position, the "non-current and current" format of presentation has been adopted according to the provisions of IAS 1.

The cash flow statement was drawn up by applying the indirect method.

Finally, please be noted that with reference to Consob Resolution No. 15519 of 27 July 2006 on financial statements, supplementary schedules for the income statement, statement of financial position and cash flow statement were added in order to underscore significant relations with related parties and not to impair the overall readability of the financial statements.

CONSOLIDATION PRINCIPLES

Subsidiaries

These are companies that are under the control of the Group as defined by IAS 27 – *Consolidated and Separate Financial Statements*. Said control exists when the Group has the direct or indirect power to govern the financial and operating policies of a company so as to obtain benefits from its activities. The accounts of the subsidiaries are included in the consolidated financial statements starting from the date on which control is gained and up to the date on which said control ceases. Shareholders' equity of non-controlling interests and the share of profit or loss for the year attributable to non-controlling interests are disclosed separately in the consolidated statement of financial position and income statement.

Associates

It is a consortium over which the Group has significant influence but not joint or several control on the financial and operating policies, as defined by IAS 28 – *Investments in Associates and Joint Ventures*. Among other things, it is a modest investment. Consolidation was carried out using the equity method. Please be noted that at the beginning of 2012 said investment was partially discharged and therefore the Group currently holds 20% of the Consortium. In detail:

Name / Place of business	Currency	Share Capital	Proportion of ownership interest 31.12.2012	31.12.2011
Investments in associates:				
Prometec Consortium - Rivoli (Turin)	EUR	10,329	20.00%	40.00%

If the portion attributable to the Group of the losses of an associate exceeds the carrying amount of the investment, the value of the investment is reduced to zero and the share of further losses is discontinued except and to the extent in which the Group must stand in. Unrealized gains and losses arising from transactions with associates are eliminated based on the value of the Group's ownership interest in those entities.

Investments in others entities

Investments in other minor entities constituting non-current financial assets for which fair value is not available are reported at the impaired cost due to loss of value.

Transactions eliminated during consolidation

During the preparation of the consolidated financial statements, all balances and significant transactions between Group companies were eliminated as well as any unrealized profit and loss on intragroup transactions.

Transactions in foreign currency

Transactions in foreign currency were reported at the exchange rate at the date of the transaction. Assets and liabilities in foreign currency on the date of the financial statements were converted at the exchange rate on said date. Exchange rate differences generated by monetary items or by their conversion at rate other than those at which these were converted at the time of the initial reporting in the fiscal year or previous financial statements were posted in the income statement.

Consolidation of foreign entities

All assets and liabilities of foreign entities in currencies other than EUR that fall under the consolidation area were converted using the exchange rates in force on the date of reference of the financial statements. Revenues and costs were converted at the mean exchange rate of the fiscal year. Differences in conversion exchange rate due to the application of this method were classified as shareholders’ equity item up to the transfer of the investment.

At the first application of the IFRSs, cumulative translation differences generated by the consolidation of foreign entities outside the euro zone were written off, as allowed for by IFRS 1; gains or losses from the subsequent transfer of said entities must comprise only the cumulative translation differences generated after 1 January 2004.

Property, plant and equipment

Cost

Property consisting basically of the headquarters of the subsidiary Fidia Iberica were evaluated at fair market value based on the periodic appraisal done by an independent expert. The greater value resulting from the reappraisal of the property was posted directly to "Other reserves of the shareholders' equity". The reappraised values of the property were then amortized. The accrued amortization on the date of reappraisal was reversed from gross value of asset and the resulting net value was then adjusted to carry it over at the reappraised value.

Plant and machinery were evaluated at purchase or production cost minus accrued amortization and any value impairment and these were not revalued. The cost comprises ancillary expenses and direct costs needed to make the asset available for use and indirect costs in the amount reasonably attributable to these.

Costs incurred following purchase were posted only if these increased the future economic benefits inherent in the asset concerned. All other costs were posted in the income statement when incurred.

Assets held through leasing contracts by which all the risks and benefits associated to the property thereof were transferred to the Group were posted as assets of the Group at fair value or, if lower, at the current value of the minimum payments due for leasing. The corresponding liabilities with the lessor were posted under the financial payables. Assets were amortized by applying the criterion and rates specified below.

Leases by which the lessor retains all risks and benefits deriving from ownership of the assets were classified as operating leases. Costs referred to operating leases are posted on a straight-line basis in the income statement over the lease term.

Depreciation

Depreciation was calculated based on constant shares of the estimated economic life of the assets as follows:

Description	Depreciation rates
Property	5.00%
Lightweight constructions	5.00%
Generic and specific plants	12.50%
Machinery	6.67 % / 15.00%
Industrial and commercial equipment	20.00% / 25.00%
Electronic office equipment	20.00%
Office furnishing	6.67%
Forklifts/internal vehicles	20.00%
Motor vehicles	25.00%

Borrowing costs

Borrowing costs were posted in the income statement in the fiscal year in which these were incurred. The conditions for capitalization do not subsist.

Intangible assets

Intangible assets purchased or produced internally were posted in the assets according to the provisions of IAS 38 – *Intangible Assets*, when it is probable that the future economic benefits attributable to the asset will flow to the company and when the cost of the asset can be measured reliably.

Said assets were evaluated at purchase cost and amortized in constant shares over their estimated life if these have a finite life and net of any losses in value.

The main categories of intangible assets held by the Group are the rights to use know-how, software and licenses.

Impairment

The Group assesses at the end of each reporting period, whether there is any indication that the intangible assets and plant and equipment have suffered an impairment loss.

If any such indication exists, the carrying amount of the asset is reduced to its recoverable amount understood as the higher between the fair value less the costs to sell and its value in use.

When it is not possible to estimate the recoverable amount of a single asset, the company estimates the recoverable amount of the unit generating the cash flows that owns the asset.

The value in use of an asset is calculated by determining the current value of estimated future cash flows before tax, by applying an interest rate before tax that reflects the current market values of the time value of money and of the risks inherent in the asset. Impairment is posted if the recoverable amount is lower than the book value.

Should there no longer be impairment concerning an asset or should the impairment reduce, the book value of the asset or the unit generating the cash flows is increased until the recoverable amount is estimated again and it cannot exceed the amount that would have been determined if there had been no impairment loss. Impairment is immediately reversed to the income statement.

Financial instruments

Introduction

Financial instruments held by the Group were included in the items of the statement of financial position described below.

Investments comprises interests held in associates and in other companies.

Other Receivables and Other Non-Current Assets do not comprise medium/long-term receivables and caution money.

Current financial assets, as defined by IAS 39, include trade receivables, other receivables and current assets and other current financial assets (which include the positive fair value of derivatives), as well as cash and cash equivalents. In particular, Cash and Cash Equivalents comprises bank account and securities held for trading that can be readily cashed in and are subject to a non-significant risk of change.

Financial liabilities refer to financial payables as well as to other financial liabilities (including the negative fair value of derivatives), trade payables and other payables.

Valuation

Investments in associates and in other entities constituting non-current financial assets were recorded as described above under Consolidation Principles.

Trade receivables, other receivables and current and non-current assets

Trade receivables, other receivables and current and non-current assets, except for assets arising from derivative financial instruments, are initially recognized at fair value, which usually coincides with the acquisition cost, net of transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method and are shown net of losses on uncollectible amounts, posted in appropriate bad debt provisions. The original value of the receivables will be re-instated in subsequent fiscal years whenever the reasons for their adjustments are no longer applicable. When financial assets have no fixed maturity, these are evaluated at cost. Receivables with a maturity over 1 year that do not yield interest or yield interest below market rates are actualized using market rates.

Cash

It is stated at nominal value.

Financial liabilities, trade payables and other payables

Financial payables (current and non-current), trade payables, and other payables are entered at first recognition in the statement of financial position at fair value (usually the cost of the originating transaction), including the transaction costs.

Then, with the exception of derivatives, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities hedged by derivatives are evaluated according to the procedures set for hedge accounting applicable to fair value hedges: gains and losses arising from remeasurement at fair value, due to changes in interest rates, are recognized in income and offset by the effective portion of gain or loss arising from remeasurements at fair value of the hedging instrument.

Derivatives

Derivatives are used by the Parent Company solely for hedging in order to reduce exchange rate (currency forward contracts to hedge the USD risk on sales) and interest rate risk (Interest Rate Swap and Cap).

Consistently with the provisions of IAS 39, derivatives can be recorded according to the procedures set forth for hedge accounting only when, at initial recognition, there is formal designation and documentation of the hedging relationship; it is assumed that hedging is highly effective; effectiveness can be reliably measured and hedging is highly effective during the various accounting periods for which it is designated.

All financial instruments are measured at fair value as set forth by IAS 39.

When financial instruments meet the requirements to be recorded in hedge accounting, the following accounting methods are applied:

- fair value hedge: if a derivative is designated as a hedge of the exposure of changes in the fair value of a balance-sheet asset or liability attributable to a given risk that may have effects on the income statement, the profit or loss resulting from re-measurements of the fair value of the hedging instrument are posted to the income statement. Profit or loss on the hedged item attributable to the hedged risk change the book value of said item and are recorded in the income statement;
- cash flow hedge*:* if a derivative is designated as a hedge of the exposure to variability in the future cash flows of an asset or liability posted in the income statement or of a transaction deemed highly probable that could have effects on the income statement, the effective portion of the profit or loss on the derivative is recorded in Other Comprehensive Profit/(Loss). Accumulated profit or loss are reversed from Other Comprehensive Profit/(Loss) and recorded in the income statement in the same period in which the correlated economic effect of the hedged transaction occurs. Profit or loss of a hedge (or part of a hedge), which has become ineffective, are immediately recorded in the income statement. If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realized, accumulated gains and losses accumulated recorded in Other Comprehensive Profit/(Loss) up to that moment are recognized in the income statement in connection with the economic effects of the hedged transaction. If the hedged transaction is deemed no longer probable, profit or loss not yet realized and still retained in the Other Comprehensive Profit/(Loss) is immediately recorded in the income statement.

If hedge accounting cannot be applied, profit or loss resulting from fair value evaluation of the derivative is immediately recorded in the income statement.

Fair value

Fair value is the amount at which an asset could be traded or a liability paid off in a free transaction among cognizant and independent parties.

Fair value of a financial instrument at initial recognition is normally the price of the transaction, i.e., the amount paid or received. However, if part of the amount given or received pertains to something other than the financial instrument, fair value of the instrument is estimated using an evaluation method.

The existence of official quotations in an active market is best proof of fair value and, when these exist, they are used to evaluate the financial asset or liability.

If the market of a financial instrument is not active, fair value is determined using an evaluation method that relies more on market factors and as less as possible on specific internal factors.

Criteria for determining fair value

Fidia Group avails itself of evaluation methods established in market practice for the determination of the fair value of financial instruments for which there is no active market of reference.

If evaluation methods are adopted, recourse to market factors allows for a reasonable estimate of the market value of said financial instruments.

The market factors considered for the calculation of the fair value and measured at the date of evaluation of 31 December 2012 were: time value of money, i.e., base interest rate without risk, credit risk, exchange rates of foreign currencies, size of the future changes in price of a financial instrument, i.e., the latter's volatility, the costs to service an asset or financial liability.

The evaluation of financial instruments using evaluation methods is entrusted by Fidia Group to external consultants who have the necessary specialized know-how and are capable of providing the market values at the various dates of evaluation. Said market values are periodically compared with marks to market given by banking counterparts.

In order to provide information on the methods and main assumptions used to determine fair value, financial assets and liabilities were divided into two classes, both of which homogeneous by nature of information provided and for the characteristics of the financial instruments.

In particular, financial assets and liabilities were divided into:

- financial instruments evaluated at amortized cost;
- financial instruments evaluated at fair value.

Financial assets and liabilities evaluated at amortized cost

The class under examination comprises: trade receivables and payables, loans payable, mortgages and other liabilities and assets evaluated at amortized cost.

The fair value of the items under consideration is determined by calculating the current value of the expected contractual flows, capital and interests, based on the yield curve of treasury bonds on the date of evaluation. In particular, the fair value of medium/long-term financial liabilities is determined using the risk-free curve on the reporting date increased by an adequate credit spread.

Said spread was determined by taking the premium for credit risk applied on the last loan granted to the Group by banks as reference.

Financial assets and liabilities evaluated at fair value

The class under consideration comprises hedging instruments and those for trade.

The fair value of the exchange rate forward contracts is estimated by actualizing the difference between forward price set by the contract and the current forward price for the residual contractual term, using the yield curves of treasury bonds.

The fair value of the interest rate swaps and interest rate caps is calculated based on the market data available on the date of evaluation by discounting the contract flows of estimated future cash with the yield curves of treasury bonds.

Interest rates

The interest rates used to actualize the estimated financial flows are based on the yield curve of treasury bonds on the reporting date and are illustrated in the table below:

EUR Curve		
	2012	2011
1W	0.08%	0.68%
1M	0.11%	1.02%
2M	0.11%	1.18%
3M	0.11%	1.36%
6M	0.32%	1.62%
9 M	0.43%	1.79%
12M	0.54%	1.51%
2 years	0.38%	1.31%
3 years	0.38%	1.36%
4 years	0.38%	1.54%
5 years	0.38%	1.72%
7 years	1.12%	2.07%
10 years	1.57%	2.38%
15 years	2.00%	2.66%
20 years	2.16%	2.69%
30 years	2.23%	2.56%

USD Curve		
	2012	2011
1W	0.19%	0.21%
1M	0.21%	0.30%
2M	0.25%	0.43%
3M	0.31%	0.58%
6M	0.51%	0.81%
9 M	0.69%	0.97%
12M	0.84%	1.13%
2 years	0.39%	0.73%
3 years	0.50%	0.82%
4 years	0.66%	1.01%
5 years	0.86%	1.22%
7 years	1.31%	1.64%
10 years	1.84%	2.03%
15 years	2.38%	2.40%
20 years	2.59%	2.52%
30 years	2.80%	2.62%

Inventories

Inventories of raw materials, semi-finished and finished goods are valued at the lower between the cost, determined using the method of weighted average cost, and net realizable value. The evaluation of inventories includes the direct costs of materials and labor and the indirect costs (both variable and fixed).

Provisions are calculated for the write-down of materials, finished goods, spare parts and other supplies deemed obsolete or slow-moving, considering their future expected use and realizable value. The realizable value is the estimated sales price net of all estimated costs for the completion of the good and of the sales and distribution expenses to be incurred.

Short-term provisions

The Group states provisions for risks and expenses when it has an obligation (legal or implicit) with third parties and it is probable that the Group will have to utilize resources to meet the obligation and when it is possible to make a reliable estimate of the amount resulting from fulfilling the obligation.

The estimate changes are stated in the income statement of the period in which the change occurred.

Termination benefits

Termination benefits for employees of the parent company fall within the scope of IAS 19, as these are like defined benefit plans. The amount stated in the financial statements is the result of an actuarial calculation according to the *projected unit credit method* by using a discount rate that reflects the market yield on corporate bonds with a maturity consistent with that expected from the obligation. The calculation considers the termination benefits already accrued for labor services already rendered and includes assumptions of future salary increases. Actuarial profit and loss are accounted for in a specific equity item.

Up to 31 December 2006, the termination benefits fund (TFR) was considered a defined benefit scheme. The rules of this fund were amended by Italian Law No. 296 of 27 December 2006 ("2007 Budget Law") and following Decrees and Regulations issued in early 2007. In light of said changes and in particular with reference to companies with at least 50 employees, said fund can now be considered a defined benefit plan solely for the amounts accrued before 1 January 2007 (and not yet paid on the reporting date), while the amounts accrued after that date can be considered as a defined contribution plan.

Own shares

Own shares are written down from the equity. The original cost of the own shares and profit and loss resulting from subsequent sales are stated directly as changes in equity.

Revenue recognition

Revenue is recognized to the extent in which it is probable that the Group will reap economic benefits and their amount can be reliably determined. Revenue is stated net of returns, discounts and allowances.

Revenue from the sale of goods is recognized when the risks and rewards of ownership have been transferred to the buyer, the selling price is agreed or can be determined and collection thereof is expected.

Revenue from the sale of goods is recognized when (in accordance with IAS 18 - Revenue):

- the seller has transferred to the buyer the significant risks and rewards of ownership;
- the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues for rendering of services are recognized at the time of completion of the service.

Grants to research

Government and Community grants received for research projects are stated in the income when it is reasonably certain that the Group will meet all the conditions for receiving the grants and that said grants will be received; as a rule, this coincides with the fiscal year in which the resolution to allocate the grant is made.

Public funds

Public funds are recognized in the Statement of Financial Position when there is reasonable certainty that the Group will meet all the conditions for the receipt of said funds and that the funds will be received. Funds are posted in the income statement over the period in which the correlated costs are recognized.

Cost recognition

The costs for the purchase of goods is recognized by accrual.

Costs for rendering of services are posted at the time of completion of the service.

Advertising and research costs, in compliance with IAS 38, are posted to the income statement in the fiscal year in which these are incurred.

Finance income and costs

Finance revenue and costs are stated by period based on the interest accrued on the net value of the relevant financial assets and liabilities, using the effective interest rate.

Taxes

Income tax comprises all taxes calculated on the taxable income of the single companies of the Group. Income taxes are posted in the income statement, except for those items debited or credited in Other Comprehensive Profit/(Loss). In these cases the tax effect is recognized directly in the Other Comprehensive Profit/(Loss).

Other taxes not related to income such as property taxes are included among the other overheads.

Deferred taxes are stated according to the balance sheet liability method. These are calculated on all temporary differences arising between the taxable base of an asset or liability and its book value in the consolidated statement of financial position. The deferred tax assets on tax losses and on temporary differences are stated to the extent in which it is probable that there is a future taxable income on which these can be recovered. Deferred tax assets and liabilities are determined with the tax rates that are expected to be applicable in the relevant tax systems of the countries in which the Group has operations, in the periods in which temporary differences will be realized or written off.

Earnings per share

The base earnings per share is calculated by dividing the Profit/(Loss) attributable to shareholders of the parent company by the weighted average of ordinary shares in circulation during the period, minus own shares. For the purpose of calculating diluted profit per share, said value has not changed because Fidia has not issued capital instruments with dilutive effects.

Use of estimates

The presentation of the financial statements and related notes according to the IFRSs requires that the management make estimates and assumptions that impact the values of assets and liabilities stated in the statement of financial position and the disclosure on the potential assets and liabilities on the reporting date. The estimates and assumptions used are based on experience and other factors deemed relevant. The results that will be stated in the final balance could hence differ from said estimates. The estimates and assumptions are periodically revised and effects of each change are stated in the income statement in the period in which the estimate is revised if the revision has effects on said period or in following periods if the revisions has effects both on the current period and on future periods.

In this context please be noted that the situation caused by the current economic and financial crisis has given rise to the need to make assumptions on the future outlook marked by a significant uncertainty. Therefore, it cannot be ruled out that in the next period there will be results other than those estimated and that adjustments may be needed in the book value of the relevant items. Of course, to date, these cannot be estimated and foreseen. The items of the statement of financial position mainly affected by said situations of uncertainty are bad debt provisions and provisions for slow-moving/obsolete inventories, non-current assets (tangible and intangible assets), termination benefits, product warranty, pre-paid taxes and potential liabilities.

A summary follows of the critical evaluation processes and key assumptions used in managing the application of the accounting standards to future quantities and which can have significant effects on the amounts stated in the consolidated statement of financial position or for which there is the risk that significant value adjustments need to be made to the book value of the assets and liabilities in the period following the one of reference of the statement of financial position .

Recoverable value of non-current assets

Non-current assets include property, plant and equipment, intangible assets, investments and other financial assets. The management periodically revises the carrying amount of the non-current assets held and used and of the assets that must be divested when facts or circumstances call for said revision. Said activity is carried out using the estimates of cash flows expected from the use or sale of the asset and adequate discount rates for the calculation of the current value. When the book value of a non-current asset registers a loss in value, the Group states a write-down for the excess amount between the book value of the asset and the recoverable value through its use or sale.

Bad debts provision

Bad debts provision reflects the management's estimate on the possible loss in the portfolio of receivables from customers. The estimate of the bad debts provision is based on the loss expected by the Group, determined in light of its past experience in similar receivables, of current and historical delinquent accounts, of losses and revenues, of the careful monitoring of credit quality and forecasts on economic and market conditions. If economic situations like those experienced over the last three years should continue, there can be a further worsening in the financial conditions of the Company's debtors compared to the worsening already considered in quantifying the provisions stated in the financial statements.

Provisions for slow-moving/obsolete inventories

Provisions for slow-moving/obsolete inventories reflect the management's estimation of impairment expected by the Group, determined based on past experience and on a critical analysis of rotation indices.

Product warranty

When a product is sold, the Group allocates provisions for the estimated product warranty costs. The management determines the value of said provisions based on historical information on the nature, frequency and mean cost of warranty works. The Group is committed to constantly improve the quality of its products in order to maximize customer satisfaction and reduce the impact of expenses due to warranty work to a minimum.

Termination benefits

For the evaluation of termination benefits, the management uses various statistical assumptions and evaluation factors in order to anticipate future events for the calculation of expenses and liabilities for said provisions. The assumptions regard the discount rate and future inflation rate. Moreover, the Group's actuaries use subjective factors such as mortality and resignation rates.

Recoverability of pre-paid tax assets

At 31 December 2012, Fidia Group posted pre-paid tax assets in the amount of €0.5 million, which are deemed to be likely to be recoverable based on the budget and forecasts for subsequent years.

Contingent liabilities

The Group is potentially subject to legal and tax disputes on the vast body of issues that fall under the jurisdiction of various countries. Considering the uncertainties relating to said issues, it is difficult to accurately foresee the outlay resulting from said potential disputes. In the normal course of business, the management consults its legal and tax experts. The Group states a liability for said disputes when it deems that it is probable that there will be a financial outlay and when the resulting amount of loss can be reasonably estimated. If the financial outlay becomes possible, but it is not possible yet to determine the amount, said fact is reported in the Notes to the Financial Statements

Accounting standards, amendments and interpretations effective as of 1 January 2012

On 07/10/2010 the IASB published some amendments to standard IFRS 7 – *Financial Instruments: Enhanced Disclosures*, to be applied as of 01.01.2012. The amendments were issued in order to improve the understanding of derecognition transactions of financial assets, including the understanding of the possible effects resulting from any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken near the end of a reporting period. The adoption of this amendment did not impact on the valuation of items of the statement of financial position.

Accounting standards, amendments and interpretations applicable as of 1 January 2010 that are not relevant for the Group

On 20 December 2010 IASB issued an amendment to IAS 12 - *Income taxes*, which clarifies the determination of deferred taxes on investment property measured at fair value. The amendment adopts the assumption that deferred taxes related to investments in real estate measured at fair value as per IAS 40 must be determined based on the fact that the book value will be recovered through sale. The amendment must be applied retrospectively from 1 January 2012.

The following amendment, effective as of 1 January 2012, governs situations and cases not applicable to the Group at the date of this Annual Report, but which may affect accounting for future transactions or arrangements:

Accounting standards, amendments and interpretations not applicable yet and not adopted in advance by the Group

On 12 May 2011, IASB issued IFRS 10 - *Consolidated Financial Statements*, which will replace SIC-12 *Consolidation – Special Purpose Entities (Special Purpose Vehicle)* and parts of IAS 27 - *Consolidated and Separate Financial Statements*, which will be renamed Separate Financial Statements and regulate the accounting of investments in the separate financial statement. The new standard identifies the concept of control as the determining factor for the consolidation of a company in the consolidated financial statements of the parent company. It also provides guidance for determining the existence of control where it is difficult to ascertain. The standard must be applied retrospectively from 1 January 2014.

On 12 May 2011, IASB issued IFRS 11 - *Joint Arrangements*, which will replace IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The new standard provides criteria for identifying partnership agreements based on the rights and obligations arising from agreements rather than the legal form thereof, and sets forth the equity method as the sole method of accounting for interests in joint ventures in consolidated financial statements. The standard must be applied retrospectively from 1 January 2014. Following the issue of the standard, IAS 28 - *Investments in Associates and Joint Ventures* was amended to include also interests in entities with joint control in its scope from the effective date of the standard.

On 12 May 2011, the IASB issued the standard IFRS 12 - *Disclosure of Interests in Other Entities*, which is a new and comprehensive standard on enhanced disclosure requirements for all forms of interest. The standard must be applied retrospectively from 1 January 2014.

On 12 May 2011, IASB issued IFRS 13 - *Fair value Measurement* that clarifies how to determine the fair value for the purpose of financial statements and applies to all IFRS standards that require or allow the measurement of fair value or disclosure of information based on fair value. The standard must be applied prospectively from 1 January 2013.

On 16 June 2011, IASB amended IAS 1 - *Presentation of Financial Statements* to require businesses to group together all the components presented under Other Comprehensive Profit/(Loss) depending on whether or not they may subsequently be reclassified in the income statement. The amendment must be applied starting from fiscal years beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amendment to IAS 19 - *Employee Benefits* that modifies the rules for the recognition of defined benefit plans and termination benefits. The main changes concern the recognition in the statement of financial position of any gains or losses of the plan, the introduction of the finance cost and the classification of finance costs. In particular:

- Recognition of the losses or gains of the plan: the amendment eliminates the option to defer actuarial gains and losses using the 'corridor' method and requires the recognition directly in Other Comprehensive Profit/(Loss) and the recognition in the income statement of past service cost;
- Finance cost: Finance cost is composed of financial charges calculated on the present value of the liabilities for defined benefit plans, financial gains from the valuation of plan assets and the profit or loss arising from any limits to the recognition of the plan's gain. Finance cost is calculated using the discount rate used for the measurement of the defined benefit plans at the beginning of the period for all of these components;
- Classification of finance cost: finance cost must be recognized to profit/(loss) in the income statement.

This amendment will be applied retrospectively as of 1 January 2013 by adjusting the starting values of the Statement of Financial Position at 1 January 2012 and economic data of 2012 and will have no impact on the Group.

On 16 December 2011 IASB issued some amendments to IAS 32 - *Financial Instruments: Presentation* to clarify the application of some criteria for offsetting financial assets and liabilities in IAS 32. The amendments must be applied retrospectively for fiscal years beginning on or after 1 January 2014.

On 16 December 2011 IASB issued some amendments to IFRS 7 - *Financial Instruments: Disclosures* on enhancing disclosures. The amendment requires information on the effects or potential effects on the Statement of Financial Position of contracts offsetting financial assets and liabilities. The amendments must be applied for fiscal years beginning on or after 1 January 2013 and intermediate periods following said date. The information must be provided retrospectively.

On the date of this Annual Report, the competent bodies of the European Union had not completed yet the approval process for the application of the following standards and amendments.

On 12 November 2009 IASB published standard IFRS 9 – *Financial Instruments*. Said standard was later amended. The principle, retrospectively applicable as of 1 January 2015, is the first part of a phase-in that aims to fully replace IAS 39 and introduces new criteria for the recognition and measurement of financial assets and liabilities. In particular, with regard to financial assets, the new standard uses a single approach based on the procedures to manage financial instruments and on the characteristics of contractual cash flows of said financial assets in order to determine the measurement criterion. It replaces the various rules set forth in IAS 39. As for financial liabilities, the main change regards the accounting of changes in fair value of a financial liability designated as financial asset at fair value stated in the income statement if these are due to the change in the credit rating of the liability. According to the new principle, these changes must be stated in the Other Comprehensive Profit/(Loss) and no longer in the income statement.

On 17 May 2012, the IASB issued a set of changes to the IFRSs (Improvement to IFRS's – 2009-2011) to be applied as of 1 January 2011. Those involving a change in the presentation, recognition and measurement of the items of the financial statements are listed below, while those involving only changes in terminology or editorial layout with minimum accounting effects or those affecting standards or interpretations not applicable to the Fidia are discarded:

- IAS 1 - *Presentation of Financial Statements*: The amendment clarifies the requirements for the presentation of comparative information in cases in which a company changes accounting principles, in which the company carries out a retrospective restatement or reclassification, and in which a company provides additional line items to present the financial position;
- IAS 16 - *Property, Plant and Equipment*: The amendment clarifies that spare parts and replacement equipment should be capitalized only if they meet the definition of Property, Plant and Equipment; otherwise they are classified as Inventories.
- IAS 32 - *Financial Instruments: Presentation*: The amendment eliminates an inconsistency between IAS 12 - Income Taxes and IAS 32 on the recognition of tax effect of equity distributions to shareholders stating that these must be recognized in the income statement to the extent that the distribution refers to income generated from transactions originally recognized in the income statement.

Risk management

The Group is exposed to financial risks related to its operations and in particular to those relating to:

- Credit risk;
- Liquidity risk;
- Market risk.

The Group specifically monitors each of said financial risks and takes action to timely reduce these to a minimum also by resorting to hedging derivatives relating to market risks.

The Board of Directors sets forth the risk management policy and provides for the creation of a Group risk management system.

For more details, see Note 31.

Scope of consolidation

The Group Consolidated Financial Statements as at 31 December 2012 include Fidia S.p.A. and 9 consolidated subsidiaries, of which Fidia S.p.A. directly holds the majority of votes and over which it has control.

The total number of consolidated companies changed from 31 December 2011 due to the deconsolidation of the Polish company Fidia Spolka Z.o.o., liquidated during 2012.

Name / Place of business	Currency	Share Capital	Size of interest 2012	Size of interest 2011
Fidia Gmbh, Dreiech - Germany	EUR	520,000	100%	100%
Fidia Co, Troy - U.S.A.	USD	400,000	100%	100%
Fidia Sarl, Emerainville – France	EUR	300,000	100%	100%
Fidia Iberica S.A., Zamudio - Spain	EUR	180,300	99.993%	99.993%
Fidia do Brasil Ltda, Sao Paulo - Brazil	Reals	400,843	99.75%	99.75%
Beijing Fidia M&E Co Ltd, Beijing - China	USD	1,500,000	92.00%	92.00%
Shenyang Fidia NC & Machine Company Ltd, Shenyang – China	Rmb	42,517,648	51.00%	51.00%
OOO Fidia, Moscow - Russian Federation	Rouble	3,599,790	100%	100%
Fidia Spolka Z.o.o – Warsaw - Poland	Zloty	515,000	N/A	80%
Fidia India Private Ltd – Pune - India	Rupee	100,000	99.9%	99.9%

CONTENT AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

The breakdown of turnover by geographical area is provided in the table below. Please be noted that sales abroad account for 88.8% of total sales.

Turnover by geographical area € thousand	FY2012	%	FY2011	%
Italy	5,274	11.2%	4,075	11.2%
Europe	9,230	19.7%	8,028	22.0%
Asia	24,029	51.1%	18,668	51.3%
North and South America	7,981	17.0%	5,138	14.1%
Rest of the World	487	1.0%	513	1.4%
Total revenues	**47,001**	**100%**	**36,422**	**100%**

Turnover by business line are illustrated more in detail in the following table:

Turnover by business line € thousand	FY2012	%	FY2011	%
Numerical controls, drives and software	4,666	9.9%	3,798	10.4%
High-speed milling systems	32,324	68.8%	23,267	63.9%
After-sales service	10,011	21.3%	9,357	25.7%
Total revenues	**47,001**	**100.0%**	**36,422**	**100.0%**

2. OTHER OPERATING REVENUE

This item comprises:

€ thousand	FY2012	FY2011
Contributions for operating expenses	1,133	1,290
Public funds	1,366	4,073
Increase in fixed assets for internal work	200	270
Contingent assets	91	242
Gain from tangible assets	71	452
Recovery of costs incurred	54	38
Insurance refunds	32	8
Release of bad debt provisions	250	143
Other miscellaneous revenues and earnings	78	207
Total	**3,275**	**6,723**

Other operating revenue amounted to €3,275 thousand (€6,723 thousand in 2011), a decrease of €3,448 thousand compared to the previous year.

This reduction was mainly due to the reduction of the share of government funds granted by the local government of Shenyang (China) to the subsidiary Shenyang Fidia NC&M Co., for the project developed jointly with the Chinese partner Shenyang Machine Tool Co. Ltd.

Other revenues and income also includes €1,133 thousand (€1,290 thousand at 31 December 2011) relating to grants for research projects recognized on an accrual basis in the income statement at 31 December 2012 and allocated by the European Union and the Italian Ministry of University and Research. Applied and basic research and development activities are a structural component and are carried out on an ongoing basis by Fidia S.p.A.

3. RAW MATERIALS

These are:

€ thousand	FY2012	FY2011
Production materials	16,815	14,122
Service materials	901	775
Consumables	172	284
Equipment and software	104	57
Packaging	316	236
Other	199	1,318
Change in inventory raw materials and consumables	(1,583)	(2,236)
Total	**16,924**	**14,556**

The increase in costs for raw materials and other materials substantially reflects revenue growth for the year and the different mix in their composition (increased impact on the turnover from sales of the mechanical sector).

4. PERSONNEL EXPENSES

Personnel expenses amounted to €15,506 thousand as opposed to €14,108 thousand of FY2011 and consisted of:

€ thousand	FY2012	FY2011
Wages and salaries	11,757	10,640
Social security charges	3,244	2,977
TFR	415	401
Other personnel expenses	90	90
Total	**15,506**	**14,108**

Cost of labor was up by €1,398 thousand compared to the previous year (+9.9%), despite a slight reduction in the average workforce (1.7%) and also includes costs for temporary staff, which amounted to approximately €453 thousand (€140 thousand in 2011).

The increased costs and the hiring of temporary staff are justified by the higher levels of production that resulted in an increase in the costs for direct and indirect production personnel. Please be noted also that last year the parent company Fidia S.p.A. had benefited in part to the recourse to public redundancy funds that made it possible to curb overall personnel costs.

The change recorded in FY2012 in the number of employees, broken down by category, is illustrated below:

	31 December 2011	Inbound	Outbound	Change	31 December 2012	Period average
Executives	11	-	-3	1	9	10.0
Clerks and supervisors	298	31	-31	-1	297	297.5
Workers	34	4	-3	-	35	34.5
Total	**343**	**35**	**-37**	**-**	**341**	**342.0**

5. OTHER OPERATING EXPENSES

Other operating expenses in the amount of €15,092 thousand (€14,274 thousand as at 31 December 2011) are detailed in the table below:

€ thousand	FY2012	FY2011
Outsourced work	2,348	2,201
Travel expenses	1,533	1,407
Transportation and customs	1,568	1,353
Rent paid for offices and plants	1,129	1,058
Technical, legal and administrative consulting	1,436	919
Utilities	634	616
Commissions	1,300	979
Car rental expenses	314	312
Warranty provisions	321	183
Other provisions	58	42
Auditors' emoluments	57	52
Insurance	363	345
Advertising, trade fairs and other commercial costs	650	425
Non-income taxes	416	235
Maintenance and housekeeping	194	214
Personnel-related expenses	283	376
Bank services	224	161
Motor vehicle management expenses	76	85
Stock exchange listing fees	109	107
Costs for repairs and interventions	968	805
Research project costs	271	1,660
Entertainment expenses	94	133
Patent costs	77	42
Contributions and payments	33	35
Contingent liabilities	210	74
Bad debts	1	32
Fines and penalties	7	4
Other	418	419
Total	**15,092**	**14,274**

Said item increased compared to FY2011 by €818 thousand.

The increase compared to the previous year is due mostly to higher costs related to the production and technical areas, as well as to a greater use of contractors and higher commissions; these costs have grown because of the higher production levels.

There was a decrease in research costs due to the completion of several projects developed by the subsidiary Shenyang Fidia NC&M Co. Ltd.

6. DEPRECIATION AND AMORTIZATION

€ thousand	FY2012	FY2011
Amortization of intangible assets	67	46
Amortization of property, plant and equipment	461	595
Bad debts	262	163
Depreciation of property, plant and equipment	26	15
Write-down of investments	-	7
Total	**816**	**826**

Amortization of tangible and intangible assets was carried out according to the rates already described above. Bad debts consist of the estimate of possible outstanding credits. Said provisions along with the existing reserves are considered commensurate to possible cases of insolvency. The other write-downs refer to provisions made for certain assets in order to realign their value to their estimated realizable value.

7. RESTRUCTURING EXPENSES

This item amounted to €376 thousand at 31 December 2011; it was totally cleared during the year. These charges were related to restructuring activities and consisted mainly of voluntary redundancy payments. During 2012, there were no circumstances that required the incurrence of additional restructuring costs.

8. FINANCE INCOME AND COSTS

Finance income and costs consisted of:

€ thousand	FY2012	FY2011
Finance revenue	181	124
Borrowing costs	(374)	(344)
Net profit (loss) on derivatives	(5)	(66)
Profit (loss) from foreign currency transactions	(13)	(172)
Total	**(211)**	**(458)**

In FY2012 the balance of finance revenue (expenses) was negative, amounting to €211 thousand, thus better than the negative balance of €458 thousand of FY2011. This change is attributable primarily to the dynamics of exchange rate differences that generated net losses both evaluated and actually realized, in the amount of €13 thousand in 2012, as opposed to €172 thousand in 2011.

Finance revenue consisted of:

€ thousand	FY2012	FY2011
Interests received from banks	145	110
Interests and commercial discounts	3	5
Other interests received	33	9
Total	**181**	**124**

Finance expenses consisted of:

€ thousand	FY2012	FY2011
Interest paid on short-term loans from banks	(251)	(164)
Interest paid on M/L-term loans from banks	(67)	(65)
Borrowing costs on termination benefits	(54)	(75)
Interest paid to leasing companies	-	(33)
Other borrowing costs	(2)	(7)
Total	**(374)**	**(344)**

Net profit and loss on derivatives:

€ thousand	FY2012	FY2011
Loss on derivatives due to fair value adjustment	(26)	(92)
Profit on derivatives due to fair value adjustment	21	26
Total	**(5)**	**(66)**

Finance loss/profit on derivatives includes the value of the ineffectiveness component resulting from cash flow hedge transactions in the amount of €26 thousand; in this specific case, the company entered into two interest rate cap contracts to reduce the interest rate risk on two medium/long-term floating rate loans.

Profit on derivative instruments includes:

- €20 thousand as adjustment in fair value resulting from hedging transactions (forward) to limit the EUR/USD exchange rate risk. For these transactions, it was not possible to determine such a correlation to include these among the cash flow hedge transactions;
- €1 thousand euro for the ineffectiveness component of a hedging derivative (interest rate swap) entered into to control the interest rate risk on a medium/long-term floating rate loan.

Profit (loss) on foreign currency transactions consists of:

€ thousand	FY2012	FY2011
Currency gain	66	169
Revenue from exchange rate adjustment	21	68
Profit on currency forward contract	25	14
Currency loss	(75)	(135)
Expenses for exchange rate adjustment	(37)	(277)
Loss on currency forward contract	(13)	(11)
Total	**(13)**	**(172)**

9. INCOME TAXES

Taxes stated in the consolidated income statement were:

€ thousand	FY2012	FY2011
Income tax: IRAP (Italian Regional Tax on Production Activities)	226	242
Income tax for foreign subsidiaries	587	448
Pre-paid taxes	49	(347)
Deferred tax liabilities	(14)	(1)
Total	**848**	**342**

The current tax increase registered in the course of 2012 compared with the previous year was mainly the result of recognition of the pre-paid taxes on tax losses by the parent company in FY2011. The amount of pre-paid and deferred tax payables, equal to a loss in the amount of €49 thousand and a profit in the amount of €14 thousand, was the result of the difference between deferred tax assets and liabilities stated in the period and the utilization of those of previous periods.

It is deemed that it is not necessary to provide a reconciliation schedule between the theoretical tax expense and the tax expense stated in the consolidated financial statements, as IRAP accounts for the largest tax amount in the income statement. It is a tax with a taxable base other than EBT and hence generates distortions from one period to another.

As at 31 December 2012 the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€ thousand	**31 December 2012**	**31 December 2011**
Pre-paid tax assets	513	661
Deferred tax liabilities	(72)	(86)
Total	**441**	**575**

In all, pre-paid tax assets and deferred tax liabilities, broken down by type, are as follows:

€ thousand	**At 31.12.2011**	**Posted to income statement**	**Stated to Shareholders' equity**	**Others Changes**	**Exchange rate effect**	**At 31.12.2012**
Pre-paid taxes for:						
Application of IAS 19 -	73	(4)	4	-	-	73
Application of IAS 16- Property, plant and equipment	41	(6)	-	-	-	35
Loss from previous periods	444	(1)	-	(101)	-	342
Impairment provisions	22	(4)	-	-	(2)	16
Miscellaneous	81	(34)	2	-	(2)	47
Total pre-paid taxes	**661**	**(49)**	**6**	**(101)**	**(4)**	**513**
Deferred tax liabilities for:						
Application of IAS 16- Property, plant and equipment	2	(2)	-	-	-	-
Fair value measurement	84	(12)	-	-	-	72
Total deferred taxes	**86**	**(14)**	**-**	**-**	**-**	**72**

The other changes are related to a tax receivable from the Spanish tax authorities reclassified to "other receivables and non-current assets".

Assets for pre-paid taxes were allocated by every Group company by critically evaluating the subsistence of the prerequisites for future recoverability of said assets based on updated plans.

The comprehensive value of tax loss as at 31 December 2012 and the relevant amounts for which no assets for pre-paid taxes, divided by year due, were stated, amounted to:

		Year due					
€ thousand	**At 31 December 2012**	**2013**	**2014**	**2015**	**2016**	**Beyond 2017**	**Unlimited or unpredictable**
Tax loss	5,421	-	-	-	-	3,037	2,384

10. Earnings per share

The calculation of the earnings per share is based on the following data:

		2012	2011
Net earnings pertaining to Group	€ thousand	(45)	407
Earnings attributable to ordinary shares	€ thousand	(45)	407
Mean number of ordinary shares in circulation in the period	Number	5,113,000	5,113,000
Earnings per ordinary share	EUR	(0.01)	0.08
Diluted earnings per ordinary share	EUR	(0.01)	0.08

There was no difference between the Earnings per share and Diluted earnings per share because Fidia S.p.A. does not have any potentially dilutive transactions.

STATEMENT OF FINANCIAL POSITION

11. PROPERTY, PLANT AND EQUIPMENT

In 2012 and 2011 the changes in original cost of Property, Plant and Equipment were as follows:

€ thousand	Initial balance at 01.01.2012			Changes in period						Balance 31.12.2012
	Purchase Price	Revaluation	Total	Additions	Decreases	(Write-downs) Recovery in value	Exchange rate Differences	Other Changes	Total	
Property	480	380	860	-	-	-	-	-	-	860
Lightweight constructions	9	-	9	-	-	-	-	-	-	9
Total property	**489**	**380**	**869**	**-**	**-**	**-**	**-**	**-**	**-**	**869**
Plant and equipment	2,023	-	2,023	165	227	(26)	(2)	(3)	(93)	1,930
Industrial equipment	1,709	-	1,709	67	10	-	(2)	-	55	1,764
Electrical tools	1,278	-	1,278	16	124	-	(4)	1	(111)	1,167
Total plant, machinery and equipment	**5,010**	**-**	**5,010**	**248**	**361**	**(26)**	**(8)**	**(2)**	**(149)**	**4,861**
Furnishing	1,238	-	1,238	9	10	-	(3)	-	(4)	1,234
Electronic equipment	1,808	-	1,808	72	125	-	(9)	(3)	(65)	1,743
Means of transportation	1,274	-	1,274	66	109	-	(10)	-	(53)	1,221
Total other goods	**4,320**	**-**	**4,320**	**147**	**244**	**-**	**(22)**	**(3)**	**(122)**	**4,198**
Total original cost of property, plant and equipment	**9,819**	**380**	**10,199**	**395**	**605**	**26**	**(30)**	**(5)**	**(271)**	**9,928**

€ thousand	Initial balance at 01.01/2011			Changes in period					Balance 31.12.2011
	Purchase price	Revaluation	Total	Additions	Decreases	Other changes	Exchange rate differences	Total	
Property	480	380	860	-	-	-	-	-	860
Lightweight constructions	9	-	9	-	-	-	-	-	9
Total property	**489**	**380**	**869**	**-**	**-**	**-**	**-**	**-**	**869**
Plant and equipment	2,304	-	2,304	258	528	(15)	4	(281)	2,023
Industrial equipment	1,644	-	1,644	57	2	-	10	65	1,709
Electrical tools	1,262	-	1,262	12	11	-	15	16	1,278
Total plant, machinery and equipment	**5,210**	**-**	**5,210**	**327**	**541**	**(15)**	**29**	**(200)**	**5,010**
Furnishing	1,125	-	1,125	110	1	-	4	113	1,238
Electronic equipment	1,789	-	1,789	65	60	-	14	19	1,808
Means of transportation	1,287	-	1,287	161	190	-	16	(13)	1,274
Total other goods	**4,201**	**-**	**4,201**	**336**	**251**	**-**	**34**	**119**	**4,320**
Total original cost of property, plant and equipment	**9,900**	**380**	**10,280**	**663**	**792**	**(15)**	**63**	**(81)**	**10,199**

In 2012 and 2011, the changes in the relevant cumulated depreciation were the following:

€ thousand	Initial balance 01.01.2012	Changes in period					Final balance 31.12.2012
		Amortization	Disposals	Other changes	Exchange rate effect	Total	
Property	298	43	-	-	-	43	341
Lightweight constructions	5	-	-	-	-	-	5
Total property	**303**	**43**	**-**	**-**	**-**	**43**	**346**
Plant and equipment	1,503	111	103	-	(3)	5	1,508
Industrial equipment	1,548	86	10	-	(1)	75	1,623
Electrical tools	1,242	14	124	-	(3)	(113)	1,129
Total plant, machinery and equipment	**4,293**	**211**	**237**	**-**	**(7)**	**(33)**	**4,260**
Furnishing	972	31	9	-	(2)	20	992
Electronic equipment	1,646	76	123	(2)	(9)	(58)	1,588
Means of transportation	1,064	100	99	-	(8)	(7)	1,057
Total other goods	**3,682**	**207**	**231**	**(2)**	**(19)**	**(45)**	**3,637**
Total cumulated depreciation of property, plant and equipment	**8,278**	**461**	**468**	**(2)**	**(26)**	**(35)**	**8,243**

€ thousand	Initial balance 1/1/2011	Changes in period					Final balance 31.12.2011
		Amortization	Disposals	Other changes	Exchange rate effect	Total	
Property	255	43	-	-	-	43	298
Lightweight constructions	5	-	-	-	-	-	5
Total property	**260**	**43**	**.**	**.**	**.**	**43**	**303**
Plant and equipment	1,441	150	92	-	4	62	1,503
Industrial equipment	1,454	88	1	-	7	94	1,548
Electrical tools	1,217	21	11	-	15	25	1,242
Total plant, machinery and equipment	**4,112**	**259**	**104**	**-**	**26**	**181**	**4,293**
Furnishing	943	27	1	-	3	29	972
Electronic equipment	1,623	71	60	-	12	23	1,646
Means of transportation	1,033	195	180	-	16	31	1,064
Total other goods	**3,599**	**293**	**241**	**-**	**31**	**83**	**3,682**
Total cumulated depreciation of property, plant and equipment	**7,971**	**595**	**345**	**-**	**57**	**307**	**8,278**

The net book value of Property, Plant and Equipment as at 31 December 2012 and 31 December 2011 can be broken down as follows:

€ thousand	Initial balance 01.01.2012	Changes in period							Final balance 31.12.2012
		Additions	Disposals	(Write-downs) Recovery in value	Other changes	Amortization	Exchange rate effect	Total	
Property	562	-	-		-	43	-	(43)	519
Lightweight constructions	4	-	-		-	-	-	-	4
Total property	**566**	**-**	**-**		**-**	**43**	**-**	**(43)**	**523**
Plant and equipment	518	165	124	(26)	(3)	111	1	(98)	420
Industrial equipment	163	67	-	-	-	86	(1)	(20)	143
Electrical tools	36	16	-	-	1	14	(1)	2	38
Total plant, machinery and equipment	**717**	**248**	**124**	**(26)**	**(2)**	**211**	**(1)**	**(116)**	**601**
Furnishing	266	9	1	-	-	31	(1)	(24)	242
Electronic equipment	162	72	2	-	(1)	76	-	(7)	155
Means of transportation	210	66	10	-	-	100	(2)	(46)	164
Total other goods	**638**	**147**	**13**	**-**	**(1)**	**207**	**(3)**	**(77)**	**561**
Total net value of property, plant and equipment	**1,921**	**395**	**137**	**(26)**	**(3)**	**461**	**(4)**	**(236)**	**1,685**

€ thousand	Initial balance 01.01.2011	Changes in period						Final balance 31.12.2011
		Additions	Disposals	Other changes	Amortization	Exchange rate effect	Total	
Property	605	-	-	-	43	-	(43)	562
Lightweight constructions	4	-	-	-	-	-	-	4
Total property	**609**	**-**	**-**	**-**	**43**	**-**	**(43)**	**566**
Plant and equipment	861	258	436	(15)	150	-	(343)	518
Industrial equipment	192	57	1	-	88	3	(29)	163
Electrical tools	45	12	-	-	21	-	(9)	36
Total plant, machinery and equipment	**1,098**	**327**	**437**	**(15)**	**259**	**3**	**(381)**	**717**
Furnishing	182	110	-	-	27	1	84	266
Electronic equipment	166	65	-	-	71	2	(4)	162
Means of transportation	254	161	10	-	195	-	(44)	210
Total other goods	**602**	**336**	**10**	**-**	**293**	**3**	**36**	**638**
Total net value of property, plant and equipment	**2,309**	**663**	**447**	**(15)**	**595**	**5**	**(389)**	**1,921**

Investments made in FY2012 mainly regarded the purchase or in-house construction of plants and equipment in the amount of about €200 thousand, for production and demonstrations to customers. The residual part of the increases consisted of physiological investments for the upkeep of the production structure. Investments do not include capitalized borrowing costs.

The item Buildings consisted of the headquarters of Fidia Iberica.

At 31 December 2012, the Group has no buildings pledged as security.

Amortization of tangible assets is stated in the income statement under "Depreciation and amortization" (Note No. 6).

12. INTANGIBLE ASSETS

Intangible assets were fully purchased externally and there are no intangible assets with an indefinite useful life.

In 2012 and 2011 the changes in net book value of Intangible Assets were as follows:

€ thousand	Initial balance 01.01.2012	Changes in period: Additions	Amortization	Other changes	Exchange rate effect	Total	Final balance 31.12.2012
Utilization rights for know-how	153	-	36	-	(2)	(38)	115
Licenses	-	4	1	-	-	3	3
Software	42	70	30	-	-	40	82
Total net value of intangible assets	**195**	**74**	**67**	**-**	**(2)**	**5**	**200**

€ thousand	Initial balance 01.01.2011	Changes in period: Additions	Amortization	Other changes	Exchange rate effect	Total	Final balance 31.12.2011
Utilization rights for know-how	156	-	27	-	24	(3)	153
Licenses	1	-	1	-	-	(1)	-
Software	29	31	18	-	-	13	42
Total net value of intangible assets	**186**	**31**	**46**	**-**	**24**	**9**	**195**

The item Software comprises the costs incurred for the purchase and use of software applications that are amortized at constant rates in 5 years. Increases during the year related mainly to computer programs for the technical office.

Amortization of tangible assets is stated in the income statement under "Depreciation and amortization" (Note No. 6).

13. INVESTMENTS

Investments were as follows:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Investments measured with the equity method	2	4
Investments measured at cost	14	14
Total investments	**16**	**18**

Investments measured at cost were:

€ thousand	Balance at 31 December 2012
Probest Service S.p.A. - Milan	10
Elkargi (Fidia Iberica)	4
Total investments measured at cost	**14**

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

Other non-current receivables and assets comprised the following items:

€ thousand	Balance 31 December 2012	Balance 31 December 2011
Receivables for EU grants to R&D	180	302
Guarantee deposits	77	54
Trade receivables from customers	255	356
Receivables for foreign VAT	1	8
Withholding tax on foreign income	953	965
Tax receivables from Spanish tax authorities	115	-
Long-term pre-paid expenses	11	3
Total	**1,592**	**1,688**

It is deemed that the book value of other non-current receivables and assets is near fair value.

Withholding tax on foreign income consisted of receivables claimed by Fidia S.p.A. with Chinese tax authorities for final withholding tax on wages for technical training activities carried out by the parent company on behalf of the subsidiary Shenyang Fidia NC&M Co. Ltd. in prior fiscal years.

Tax receivables from Spanish tax authorities were the result of a reclassification from 'pre-paid tax assets' (see Note 9). At 31 December 2011 this item was worth €101 thousand.

15. INVENTORIES

The breakdown of the item is illustrated in the following table:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Raw materials, subsidiary materials and consumables	11,367	9,669
Provisions for raw materials depreciation	(1,179)	(1,051)
Net value of raw materials, subsidiary materials and consumables	**10,188**	**8,618**
Semi-finished products and work in progress	4,465	3,330
Finished products and goods	5,627	7,281
Provision for depreciation finished products & goods	(442)	(362)
Net value finished products and goods	**5,185**	**6,919**
Advances	72	524
Total inventories	**19,910**	**19,391**

Inventories showed an increase of €519 thousand (2.7%) compared to last year.

The provisions for depreciation in the amount of €1,621 thousand (€1,413 thousand at 31 December 2011) were stated to hedge some slow-moving components; these phenomena result, in particular, from the need to ensure customers that spare parts are available for servicing even beyond the period of ordinary marketability of the components.

Hereinafter is the detail of the changes in the provisions for raw materials and finished products depreciation during the period:

€ thousand	Balance 31.12.2011	Provisions/release	Exchange rate effect	Balance 31.12. 2012
Provisions for raw materials depreciation	1,051	128	-	1,179
Provisions for depreciation finished products	362	89	(9)	442
Total	1,413	217	(9)	1,621

16. TRADE RECEIVABLES

As at 31 December 2012, these amounted to €11,943 thousand, namely up by €756 thousand compared to 31 December 2011. In detail:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Trade receivables from others	12,981	12,254
Bad debt provisions	(1,038)	(1,067)
Total trade receivables	**11,943**	**11,187**

The breakdown of gross trade receivables by maturity is as follows:

€ thousand	31 December 2012	31 December 2011
Unexpired	6,479	5,822
Due up to 1 month	1,754	1,126
Due 1 to 3 months	838	829
Due 3 months to 6 months	515	726
Due 6 months to 1 year	833	646
Due over 1 year	2,562	3,105
Total	**12,981**	**12,254**

Receivables were aligned at the expected realizable value by means of allocations to the bad debt provisions equal to €262 thousand. Said provision, in the amount of €1,038 thousand (€1,067 thousand at 31 December 2011) was made for estimated loss on receivables.

Receivables include €1,432 thousand in bank receipts submitted for collection or under reserve, which were not due yet at year-end.

It is deemed that the net book value of trade receivables is near the fair value.

The changes in the bad debt provision are illustrated below.

€ thousand	
Balance at 31 December 2011	**1,067**
Provisions in period	262
Amounts used	(287)
Currency gain/(loss)	(4)
Balance at 31 December 2012	**1,038**

Trade receivables from others broken down by geographical area were the following:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Italy	2,680	2,571
Europe	2,617	2,046
Asia	6,593	6,169
North and South America	1,070	1,450
Rest of the World	21	18
Total	**12,981**	**12,254**

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Current tax receivables:		
Receivables from tax authorities for VAT	98	371
Tax receivables for income tax and IRAP	40	25
Receivables for short-term foreign VAT	9	18
Other tax receivables:	8	-
Total current tax receivables	**155**	**414**
Other current receivables:		
Research grants	623	120
Receivables from INPS for redundancy pay	-	698
Prepayments and accrued expenses	136	194
Accrued income	34	60
Receivables from employees	44	52
Advances from suppliers	81	163
Loans from Fondimpresa	-	175
Other current receivables	231	211
Total other current receivables	**1,149**	**1,673**

There are no receivables due beyond five years.

It is deemed that the book value of Other current receivables and assets is near the fair value.

18. OTHER CURRENT FINANCIAL ASSETS

This item, amounting to €20 thousand, reflects the positive fair value of USD forward contracts. As in the case of the derivatives recorded under Other non-current payables and liabilities, this value was determined considering market parameters at reporting date, as specified in the paragraph on "Criteria for determining fair value".

At 31 December 2011, this item, amounting to €25 thousand mainly included the positive fair value of contracts for forward sale of Czech Koruna, entered into by the subsidiary company Fidia GmbH. These contracts were no longer outstanding at 31 December 2012.

Amounts in thousands Derivatives for trading	31 December 2012		31 December 2011	
	Notional USD	Fair value Euro	Notional CZK	Fair value Euro
Forward contract	750	20	13,464	26

19. CASH AND CASH EQUIVALENTS

The overall amount of cash of the Group amounted to €10,379 thousand (€11,648 thousand at 31 December 2011) and consisted mostly of temporary cash in bank deposits pending future use and shares of liquidity funds, which can be immediately converted into cash. These amounts are subject to a negligible risk of change in value. It is deemed that the book value of the cash and cash equivalents is aligned to the fair value at year-end.

Credit risk correlated with cash and cash equivalents is limited because the counterparts are leading Italian and international banks.

20. SHAREHOLDERS' EQUITY

Consolidated shareholders' equity as at 31 December 2012 amounted to €14,838 thousand, up by €108 thousand compared to 31 December 2011 mainly as a result of the profit (€324 thousand), negative changes in exchange rates for translation of financial statements of subsidiaries in currencies other than the Euro (€173 thousand), posting of actuarial loss on termination benefits net of tax effect (€11 thousand) and other negative changes (€32 thousand).

Share capital

The share capital of Fidia S.p.A. at 31 December 2012, fully subscribed and paid in, was unchanged compared to 31 December 2011 and numbered 5,123,000 ordinary shares with a face value of €1 each.

The following table illustrates reconciliation between the number of circulating shares as at 31 December 2010 and the number of circulating shares as at 31 December 2012:

	At 31 December 2010	Increase in share capital	(Purchases)/sale of own shares	At 31 December 2011	Increase in share capital	(Purchases)/sales of own shares	At 31 December 2012
Ordinary shares issued	5,123,000	-		5,123,000	-		5,123,000
Minus: Own shares	10,000		-	10,000			10,000
Circulating ordinary shares	5,113,000	-	-	5,113,000	-		5,113,000

Own shares

Own shares consisted of 10,000 ordinary shares issued by Fidia S.p.A. for a value of €45 thousand.

During the period the own shares held by the parent company Fidia S.p.A. registered no change as illustrated in the following table:

€ thousand	No. of shares	Nominal value	Share in % share capital	Nominal amount	Mean unit value
Balance at 1 January 2012	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Recovery in value	-	-	-	-	-
Balance at 31 December 2012	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**

Capital reserves

In fiscal year 2012, the share premium reserve decreased by €246 thousand due to the coverage of the loss reported last year by Fidia SpA (as approved by the Shareholders' Meeting of 27 April 2012).

Retained Earnings

Retained Earnings comprised:

- Legal reserves of Fidia S.p.A. in the amount of €504 thousand as at 31 December 2012 were unchanged compared to FY2011;
- Earnings carried forward in the amount of €4,249 thousand as at 31 December 2012 (€3,589 thousand as at 31 December 2011);
- Profit/(loss) attributable to shareholders of the parent company in the amount €45 thousand (+€407 thousand as at 31 December 2011).

Other profit/(loss)

The value of other profit/(loss) consisted of:

€ thousand	31 December 2012	31 December 2011
Profit/(loss) on cash flow hedge in period	(5)	(16)
Profit/(loss) on cash flow hedge reclassified to income statement	-	-
Profit/(loss) on cash flow hedge	**(5)**	**(16)**
Profit(loss) on translation of financial statements of foreign companies in period	(173)	797
Profit(loss) on translation of financial statements of foreign companies reclassified to income statement	-	-
Profit(loss) on translation of financial statements of foreign companies	**(173)**	**797**
Actuarial profit/(loss) on defined benefit plans (termination benefits) in period	(16)	(87)
Actuarial profit/(loss) on defined benefit plans (termination benefits) reclassified to income statement	-	-
Actuarial profit/(loss) on defined benefit plans (termination benefits)	**(16)**	**(87)**
Tax effect for Other components of comprehensive income statement	**6**	**28**
Total Other profit/(loss), net of tax effect	**(188)**	**722**

Tax effect pertaining to Other profit/(loss) consisted of:

	31 December 2012			31 December 2011		
€ thousand	Gross value	Tax(expense)/ benefit	Net value	Gross value	Tax(expense)/ benefit	Net value
Profit/(loss) on cash flow hedge instruments	(5)	1	(4)	(16)	4	(12)
Profit(loss) on translation of financial statements of foreign companies	(173)	-	(173)	797	-	797
Actuarial gains/(losses) on defined benefit plans	(16)	5	(11)	(87)	24	(63)
Total other profit/(loss)	**(194)**	**6**	**(188)**	**694**	**28**	**722**

Cash flow hedge reserve

Cash flow hedge reserve comprised the fair value of the derivative (*interest rate swap*) stipulated by the parent company to hedge risk on oscillations in interest rates on a floating-rate loan. Reserve comprised an amount of €(16) thousand net of tax effect.

In FY2012 the cash flow hedge provisions registered the following changes:

Type of financial instrument €thousands	Nature of hedged risk	Opening holdings at 31 December 2011	Increases	Decreases	CHF reserve stated in income statement	Final holdings at 31 December 2012
Interest rate swap	Interest rate risk	(12)	-	(4)		(16)
Total		**(12)**	**-**	**(4)**		**(16)**

Non-controlling interests

Non-controlling interests in the amount of €2,812 thousand (€2,501 thousand at 31 December 2011) refer to the following consolidated companies with the line-by-line method:

€ thousand	% Non-controlling interests 2012	% Non-controlling interests 2011	Balance 31 December 2012	Balance 31 December 2011
Fidia Beijing M&E Co. Ltd.	8%	8%	368	320
Fidia do Brasil Ltda	0.25%	0.25%	1	1
Shenyang Fidia NC&M Co Ltd	49%	49%	2,443	2,217
Fidia Iberica S.A.	0.01%	0.01%	-	-
Fidia Spolka z o.o.	N/A	20%	N/A	(37)
Fidia India Private Ltd.	0.01%	0.01%	-	-
Total			**2,812**	**2,501**

As already mentioned, the Polish company Fidia Spolka z o.o. was liquidated in FY2012.

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Advances for research projects	48	136
Total	**48**	**136**

Advances for research projects consisted of advance payments from the European Union and the Italian University and Research Ministry for funded projects whose completion is expected after the end of the next fiscal year.

It is deemed that the book value of other non-current payables and liabilities is near fair value.

22. TERMINATION BENEFITS

This item reflects the benefits envisaged by Italian law (amended by Italian Law No. 296/06) accrued by employees as at 31 December 2006 and which will be paid out when an employee leaves the company.
Under specific conditions, a part of it can be paid in advance to the employee during his working life. It is a non-funded defined benefits plan, considering the benefits almost entirely accrued, with the sole exception of revaluation.
Changes in the termination benefits are illustrated in the table below:

€ thousand	
Value at 1 January 2012	**2,538**
Amount accrued and allocated in year	416
Benefits paid out in year	(277)
Amount transferred to State Fund and complementary pension scheme	(403)
Borrowing costs on termination benefits	54
Accounting of actuarial losses	16
Substitute tax	(9)
Balance at 31 December 2012	**2,335**

Actuarial profit and loss are stated off the income statement and directly carried over to equity (see Note No. 20).

Please be noted that the interest on charges relating to the defined benefits plans for employees are comprised under finance costs, hence leading to an increase in finance costs of the fiscal year in the amount of €54 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2012	At 31 December 2011
Discount rate	2.90%	2.23%
Future inflation rate	2.20%	1.20%
Frequency of request for advances	3.0%	3.0%
Relative frequency of resignation/dismissal supervisors, employees, workers	3.0%	3.0%
Relative frequency of resignation/dismissal executives - year 2012	-	30.0%
Relative frequency of resignation/dismissal executives - year 2013 and beyond	5.0%	5.0%

The maturity structure of interest rates derived from euroswap rates has always been used in previous actuarial valuations of the Provisions for Termination Benefits. However, due to the recent situation on financial markets, characterized by the drop in euroswap rates on one hand and the significant increase in the yield of Italian government bonds on the other (at year-end 2012, the spread between 10-year BTP government bonds and their German Bund equivalents amounted to about 320 b.p.), it was decided to adopt euroswap rates increased by a portion of the spread (for precautionary reasons) between Italian government bonds and euroswap rates having different maturity dates when performing the valuation at 31 December 2012.

This change was made also taking into account the changes made by the IASB to IAS 19, which will come into force starting from 1 January 2013 (IASB - Revision 2011 of IAS 19, *Employee Benefits*).

Of course, in relation to the increase in interest rates used for the valuation at 31 December 2012, an increase in the long-term inflation rate (cost of living index) was also considered in order to align the structure of interest rates by maturity adopted, maintaining slightly positive real interest rates over time, similarly to the values recorded in previous valuations.

Finally, according to the Italian Decree Law No. 201/2011 the age for retirement was updated.

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

The item comprises the fair value of an interest rate swap and two interest rate caps hedging the risk of oscillations in interest payables flows of three medium/long-term loans (cash flow hedge).

€ thousand	31 December 2012		31 December 2011	
Cash Flow Hedge	**Notional**	**Fair value**	**Notional**	**Fair value**
Interest Rate Swap	1,053	22	1,474	18
Interest Rate Cap BNL	1,263	15	-	-
Interest Rate Cap Banco Popolare	1,062	11	-	-
Total		**48**		**18**

Financial flows relating to cash flow hedges impact on the income statement of the Company consistently with the timing with which the hedged cash flows occur.

24. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities amounted to €9,684 thousand as per the schedule.

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Bank overdraft and short-term advances	5,685	4,597
Financial accruals and deferrals	2	7
Short-term loan - Banca Nazionale del Lavoro	-	155
Loan No. 1 - Banca Nazionale del Lavoro (part medium/long term and part short term)	1,038	1,447
Loan No. 2 - Banca Nazionale del Lavoro (part medium/long term and part short term)	1,456	-
Loan - Banco Popolare (part medium/long term and part short term)	1,219	-
Short-term loan - MPS	245	
Treasury Ministry - Spain	8	16
BBK mortgage	-	7
Volkswagen Bank (leasing)	29	-
Installment loan Fidia Co	2	22
Total	**9,684**	**6,251**

€ thousand	By 1 year	By 5 years	Over 5 years	Total
Bank overdraft	5,685	-	-	5,685
Medium-to-long term bank loans	952	2,763	-	3,715
Short-term loans	245	-	-	245
Treasury Ministry - Spain	8	-	-	8
Volkswagen Bank	10	19	-	29
Installment loan Fidia Co	2	-	-	2
	6,902	**2,782**	**-**	**9,684**

The current loans have the following characteristics:

M/L-term loan with Banca Nazionale del Lavoro

Original amount	€2,000 thousand
Residual amount	€1,038 thousand
Date of loan	31/08/2010
Term	Loan due date 30/06/2015
Repayment	19 quarterly installments (31/12/2010 to 30/06/2015)
Interest rate	3-month Euribor, base 360 + 1.8% spread

This loan is secured at 50% by Sace S.p.A. An interest rate swap contract was been entered into in order to hedge the interest rate risk.

M/L-term loan with Banca Nazionale del Lavoro

Original amount	€1,500 thousand
Residual amount	€1,456 thousand
Date of loan	08/10/2012
Term	Loan due date 30/09/2017
Interest-only period	1 quarterly installment (31.12.2012)
Repayment	19 quarterly installments (31/03/2013 to 31/12/2017)
Interest rate	3-month Euribor, base 360 + 3.35% spread

This loan is secured at 70% by Sace S.p.A. An interest rate cap contract was been entered into in order to hedge the interest rate risk.

M/L-term loan - Banco Popolare

Original amount	€1,250 thousand
Residual amount	€1,219 thousand
Date of loan	09/11/2012
Term	Loan due date 31/12/2017
Interest-only period	1 quarterly installment (31.12.2012)
Repayment	20 quarterly installments (31/03/2013 to 31/12/2017)
Interest rate	3-month Euribor, base 360 + 3.78% spread

This loan is secured at 70% by Sace S.p.A. An interest rate cap contract was been entered into in order to hedge the interest rate risk.

Short-term loan - Monte dei Paschi di Siena

Original amount	€245 thousand
Residual amount	€245 thousand
Date of loan	20/12/2012
Term	Loan due date 31/12/2013
Repayment	12 monthly installments (31/01/2013 to 31/12/2013)
Interest rate	6-month Euribor, base 360 + 3.0% spread

Leasing Volkswagen Bank

Original amount	€30 thousand
Residual amount	€29 thousand
Date of loan	22/10/2012
Term	Loan due date 01/11/2015
Repayment	36 monthly installments (01/12/2012 to 01/11/2015)
Interest rate	2.9%

Borrowings from Treasury Ministry (Spain): 10-year, no-interest loan granted in 2003 to the subsidiary Fidia Iberica, with repayment starting from the third year, in the amount of €77,000, residual value as at 31 December 2012 equal to €8 thousand.

At 31 December 2012, the Group entered into a finance lease at fixed rate, obtained by the subsidiary Fidia GmbH maturing in November 2015 (net book value at 31 December 2012 amounted to EUR 30 thousand).

The fair value of the lease at 31 December 2012 amounted to €31 thousand compared to a book value of €30 thousand.

It is deemed that the book value of floating rate financial liabilities as at the reporting date is a reasonable estimate of their fair value.

The table below shows the movements in loans during the year.

€ thousand	Balance at01.01.2012	New loans	Repayments	Balance at 31.12. 2012
Loan No. 1 - Banca Nazionale del Lavoro	1,447	-	409	1,038
Loan No. 2 - Banca Nazionale del Lavoro	-	1,456	-	1,456
Loan - Banco Popolare	-	1,219	-	1,219
Short-term loan - MPS	-	245	-	245
Treasury Ministry - Spain	16	-	8	8
BBK mortgage	7	-	7	-
Volkswagen Bank (leasing)	-	30	1	29
Installment loan Fidia Co	22	-	20	2
Total	**1,492**	**2,950**	**445**	**3,997**

For more information on the management of interest and exchange rate risk on loans, please refer to the section Risk Management above and Note No. 31.

25. OTHER CURRENT FINANCIAL LIABILITIES

At 31 December 2011, this item consisted of the fair value valuation of some USD forward contracts, entered into to reduce the risk associated with exchange rate fluctuations and to stabilize expected cash flows.

At 31 December 2012 the fair value of existing hedges was positive, amounting to approximately €20 thousand and is posted under Other current financial assets (see Note No. 18).

26. TRADE PAYABLES

€ thousand	As at 31 December 2012				As at 31 December 2011			
	by year-end	1 to 5 years	Beyond 5 years	Total	by year-end	1 to 5 years	Beyond 5 years	Total
Payables to other suppliers	9,236	-	-	9,236	9,382	-	-	9,382
Payables to related companies	1	-	-	1	4			4
Total trade payables	**9,237**	**-**	**-**	**9,237**	**9,386**		**-**	**9,386**

It is deemed that the book value of the trade payables as at the reporting date is near fair value.

27. TAX PAYABLES AND OTHER CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Current tax payables:		
- withholding taxes	325	394
- Tax payables for income tax and IRAP	148	118
- Payables to tax authorities for VAT	428	311
- Other short-term tax payables	171	188
Total current tax payables	**1,072**	**1,011**

Other current payables and liabilities:		
Payables to employees	1,069	1,250
Social security payables	600	766
Advances from customers	5,657	9,243
Payables to public administrations	667	2,028
Grants to be reallocated	41	43
Advances for EU grants	66	98
Payables for compensation	116	63
Payables to State Fund and other funds	100	85
Payables for dividends	68	-
Accrued trade payables	31	34
Other prepayments and accrued expenses	259	176
Other payables to the SMTCL company	379	
Other payables	372	153
Total other current payables and liabilities	**9,425**	**13,939**

Payables to employees regard wages accrued for the month of December as well as benefits accrued at year-end (installments on bonuses, overtime, etc.) and amounts for holidays accrued not yet taken.

Social security payables refer to accrued payables for amounts due by the Group companies and by employees on wages and salaries for the month of December and deferred compensation.

Advances from customers include advances from customers for orders yet to be processed and for sales of milling systems already delivered but still in course of acceptance, which according to IAS 18 – *Revenue*, cannot be stated in the revenue.

Payables to public administrations in the amount of €667 thousand are attributable to the accounting of the grant received by the subsidiary Shenyang Fidia NC&M Co. Ltd. for the part, which was not used yet as at 31 December 2012. For more details, see Note No. 2 Other operating revenue.

Finally, Current tax payables and Other current payables and liabilities are payable by the next fiscal year and it is deemed that their book value is near their fair value.

28. SHORT-TERM PROVISIONS

Short-term provisions amounted to €803 thousand as per the schedule.

€ thousand	Balance 31 December 2011	Provisions	Release	Exchange rate effect	Balance 31 December 2012
Provisions for tax disputes	40	8		(4)	44
Provisions for legal risks	-	50	-	-	50
Warranty provision	597	321	(206)	(3)	709
Total other provisions for risks and expenses	**637**	**379**	**(206)**	**(7)**	**803**

Provision for tax disputes includes the estimated liability arising from a tax assessment of the subsidiary Fidia do Brasil.

The provisions for legal risks were set aside to cover possible liabilities deriving from pending litigation.

Warranty provision comprises the best possible estimate of the obligations undertaken by the Group by contract, law or custom with regard to expenses related to warranty on its products for a certain period effective as of sale to the final customer. This estimate is calculated based on the experience of the Group and the specific contract terms.

29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

As at 31 December 2012 these amounted to €1,634 thousand, namely €94 thousand lower compared to 31 December 2011. This item consists almost solely of guarantees for business transactions with foreign customers for advance payments received or coverage of obligations undertaken by contract by the Group during the warranty period.

Contingent liabilities

As at 31 December 2012, Fidia Group, though 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 deem it necessary to make any further allocations.

If it is probable that an outlay is due to meet obligations and said amount can be reliably estimated, the Group has made specific provisions for risks and expenses.

30. DISCLOSURE BY BUSINESS LINE

The sectors in which the Group has operations were measured based on the reports used by the Board of Directors of Fidia S.p.A. in making strategic decisions.

The reports used for this Note are based on the various products and services provided and have been issued using the same accounting principles described under Principles for the presentation of the financial statements.

The data of the Group are presented with a breakdown into three sectors (Numerical Controls - CNC -, High Speed Milling Systems - HSM -, and Service).

The Group assesses the performance of its operating sectors based on Operating Profit/(Loss) of ordinary activity.

The revenues of the lines of business are those directly realized or attributable to the business line and resulting from its ordinary activities. These include the revenues from transactions with others and from transactions with other lines of business measured at market prices. Cross-sector revenues consist of numerical controls, switchboards and components and electromechanical systems transferred by the electronics sector to the milling systems sector and, vice versa, of the mechanical units supplied by the milling systems sector to the electronics sector for special applications. The costs of the lines of business are the expenses resulting from the ordinary activity of the business line incurred with others and with the other lines of business or those directly attributable to each. Costs incurred with other lines of business are measured at market prices.

The economic measurement of the result attained by each sector is the operating profit/(loss) of the ordinary activity that separates the non-recurring revenues and expenses of the ordinary course of business from the results of the sectors. In the Group's management finance income and costs and taxes are at the expense of the "corporate" body because these do not pertain to operations and stated in the "non allocable" column.

All income components stated were measured using the same accounting criteria adopted for the presentation of the Group Consolidated Financial Statements.

The economic data by business line in 2012 and 2011 are as follows:

Data by year - 2012 (€thousand)		**CNC**		**HSM**		**SERVICE**	**N/A**	**Total**
Revenues	**4,666**	**66.3%**	**32,324**	**99.1%**	**10,011**	**100%**	**-**	**47,001**
Cross-sector revenues	**2,371**	**33.7%**	**293**	**0.9%**	**-**	**-**	**-**	
Total revenues	**7,037**	**100%**	**32,617**	**100%**	**10,011**	**100%**	**-**	**47,001**
Change in finished goods and W.I.P.	38	0.5%	(770)	-2.4%	177	1.8%	-	(555)
Raw materials and consumables	(2,002)	-28.4%	(13,757)	-42.2%	(971)	-9.7%	(194)	(16,924)
Cross-sector expenses	**(355)**	**-5.0%**	**(2,827)**	**-8.7%**	**332**	**3.3%**	**186**	
Commissions, transport and subcontractors	(725)	-10.3%	(4,152)	-12.7%	(336)	-3.4%	(2)	(5,215)
Other operating revenue	2,210	31.4%	628	1.9%	214	2.1%	223	3,275
Other operating expenses	(600)	-8.5%	(2,133)	-6.5%	(2,062)	-20.6%	(5,082)	(9,877)
Personnel expenses	(3,525)	-50.1%	(4,374)	-13.4%	(4,170)	-41.7%	(3,437)	(15,506)
Depreciation and amortization	(98)	-1.4%	(367)	-1.1%	(63)	-0.6%	(288)	(816)
Operating income from ordinary activity	**1,980**	**28.1%**	**4,865**	**14.9%**	**3,132**	**31.3%**	**(8,594)**	**1,383**

Data by year - 2011 (€thousand)		CNC		HSM		SERVICE	N/A	Total
Revenues	**3,798**	**66.3%**	**23,267**	**99.2%**	**9,357**	**100%**	**-**	**36,422**
Cross-sector revenues	**1,934**	**33.7%**	**192**	**0.8%**	**-**	**-**	**-**	
Total revenues	**5,732**	**100%**	**23,459**	**100%**	**9,357**	**100%**	**-**	**36,422**
Change in finished goods and W.I.P.	(31)	-0.5%	2,310	9.8%	102	1.1%	-	2,381
Raw materials and consumables	(1,898)	-33.1%	(11,715)	-49.9%	(673)	-7.2%	(270)	(14,556)
Cross-sector expenses	**(14)**	**-0.2%**	**(2,525)**	**-10.8%**	**360**	**3.8%**	**53**	
Commissions, transport and subcontractors	(639)	-11.1%	(3,575)	-15.2%	(314)	-3.4%	(4)	(4,532)
Other operating revenue	4,920	85.8%	1,208	5.1%	90	1.0%	505	6,723
Other operating expenses	(1,981)	-34.6%	(1,650)	-7.0%	(1,741)	-18.6%	(4,370)	(9,742)
Personnel expenses	(3,378)	-58.9%	(3,998)	-17.0%	(3,691)	-39.4%	(3,041)	(14,108)
Depreciation and amortization	(105)	-1.8%	(315)	-1.3%	(23)	-0.2%	(383)	(826)
Operating income from ordinary activity	**2,606**	**45.5%**	**3,199**	**13.6%**	**3,467**	**37.1%**	**(7,510)**	**1,762**

Assets of the business line are those used by the business line in the course of its typical activities or which can be reasonably attributed to it based on its typical activities. Liabilities of the business line are those directly resulting from the conduct of the typical activities of the business line or which can be reasonably attributed to it based on its typical activities. In the management of the Group the treasury and tax assets are not attributed to the lines of business because these do not pertain to their operations. Therefore, these assets and liabilities are not included in the assets and liabilities of the business line and are stated in the column "Non allocable". In particular, the treasury assets include investments in other entities, other non-current and current financial assets, and cash and cash equivalent. Treasury liabilities include financial payables and other current and non-current financial liabilities.

Assets and liabilities by business line were measured using the same accounting standards adopted for the presentation of the Group Consolidated Financial Statements.

31 December 2012 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	40	521	4	1,120	1,685
Intangible assets	-	115	-	85	200
Investments	-	-	-	16	16
Other non-current receivables and assets	127	352	-	1,113	1,592
Pre-paid tax assets	-	-	-	513	513
Total non-current assets	**167**	**988**	**4**	**2,847**	**4,006**
Inventories	2,883	12,813	4,214	-	19,910
Trade receivables and other current receivables	2,705	7,840	2,153	394	13,092
Current tax receivables	-	-	-	155	155
Other current financial receivables	-	-	-	20	20
Cash and cash equivalents	-	-	-	10,379	10,379
Total current assets	**5,588**	**20,653**	**6,367**	**10,948**	**43,556**
Total assets	**5,755**	**21,641**	**6,371**	**13,795**	**47,562**
Other non-current payables and liabilities	45	3	-	-	48
Termination benefits	596	1,153	199	387	2,335
Deferred tax liabilities	-	-	-	72	72
Other non-current financial liabilities	-	-	-	48	48
Non-current financial liabilities	-	-	-	2,782	2,782
Total non-current liabilities	**641**	**1,156**	**199**	**3,289**	**5,285**
Current financial liabilities	-	-	-	6,902	6,902
Trade payables and other current liabilities	2,016	12,605	900	3,141	18,662
Current tax payables	-	-	-	1,072	1,072
Short-term provisions	102	509	99	93	803
Total current liabilities	**2,118**	**13,114**	**999**	**11,208**	**27,439**
Total liabilities	**2,759**	**14,270**	**1,198**	**14,497**	**32,724**
Shareholders' equity	**-**	**-**	**-**	**14,838**	**14,838**
Total liabilities	**2,759**	**14,270**	**1,198**	**29,335**	**47,562**

31 December 2011 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	49	625	6	1,241	1,921
Intangible assets	-	153	-	42	195
Investments	-	-	-	18	18
Other non-current receivables and assets	171	525	-	992	1,688
Other non-current financial receivables	-	-	-	3	3
Pre-paid tax assets	-	-	-	661	661
Total non-current assets	**220**	**1,303**	**6**	**2,957**	**4,486**
Inventories	2,863	12,533	3,995	-	19,391
Trade receivables and other current receivables	2,623	6,707	2,337	1,193	12,860
Current tax receivables	-	-	-	414	414
Other current financial receivables	-	-	-	26	26
Cash and cash equivalents	-	-	-	11,648	11,648
Total current assets	**5,486**	**19,240**	**6,332**	**13,281**	**44,339**
Total assets	**5,706**	**20,390**	**6,318**	**16,411**	**48,825**
Other non-current payables and liabilities	37	99	-	-	136
Termination benefits	742	1,182	306	308	2,538
Deferred tax liabilities	-	-	-	86	86
Other non-current financial liabilities	-	-	-	18	18
Non-current financial liabilities	-	-	-	1,056	1,056
Total non-current liabilities	**779**	**1,281**	**306**	**1,468**	**3,834**
Current financial liabilities	-	-	-	5,195	5,195
Other current financial liabilities	-	-	-	93	93
Trade payables and other current liabilities	3,807	16,267	855	2,396	23,325
Current tax payables	-	-	-	1,011	1,011
Short-term provisions	64	277	256	40	637
Total current liabilities	**3,871**	**16,544**	**1,111**	**8,735**	**30,261**
Total liabilities	**4,650**	**17,825**	**1,417**	**10,203**	**34,095**
Shareholders' equity	**-**	**-**	**-**	**14,730**	**14,730**
Total liabilities	**4,650**	**17,825**	**1,417**	**24,933**	**48,825**

Information by geographical area

The Group head offices are located in Italy. Revenues from others are broken down as follows:

€ thousand	FY2012	FY2011
ITALY	5,274	4,075
EUROPE	9,230	8,028
ASIA	24,029	18,668
NORTH AND SOUTH AMERICA	7,981	5,138
REST OF THE WORLD	487	513
Total turnover	**47,001**	**36,422**

The comprehensive value of Non-current assets (except financial assets and pre-paid tax assets) allocated to Italy amounted to €2,094 thousand as at 31 December 2012 (€2,255 thousand as at 31 December 2011). The breakdown of the non-current assets allocated to the Rest of the World is as follows:

€ thousand	FY2012	FY2011
EUROPE	1,009	1,092
ASIA	229	298
NORTH AND SOUTH AMERICA	162	177
REST OF THE WORLD	-	-
Total non-current assets in Rest of the World	**1,400**	**1,567**

Finally, please be noted that in FY2012 and FY2011 there were no revenues from a single other customer having a value of over 10% of Group revenues.

31. INFORMATION ON FINANCIAL RISKS

The Group is exposed to financial risks pertaining to its operations:

- market risks (mainly due to exchange and interest rates), as the Group operates internationally in different currency areas and uses interest-yielding financial instruments;
- liquidity risk, with specific reference to the availability of financial resources and access to the credit and financial instruments market;
- credit risk pertaining to normal business relations with customers.

As described in Risk Management, Fidia Group constantly monitors the financial risks it is exposed to so that it can anticipate potential negative effects and take appropriate measure to mitigate them.

The following section provides qualitative and quantitative information on the incidence of said risks on Fidia Group.

The following paragraphs illustrate the sensitivity analysis carried out on the potential impact on the final results resulting from hypothetical oscillations in benchmarks on the aforementioned risks. These analyses are based, as set forth by IFRS7, on simplified scenarios applied to the final data of the fiscal years considered and, by their own nature, cannot be considered indicators of the real effects of future changes in benchmarks due to a different equity and financial structure and different market conditions. These cannot reflect either the interrelations and complexities of the reference markets.

MARKET RISKS

In general, market risks are the result of the effects of changes in prices or other market risk factors, such as interest and exchange rates, both on the value of the positions held in the trading and hedging portfolio and the positions resulting from commercial operations.

The management of market risks in the Group comprises all the assets related to treasury and equity management transactions. The objective of market risk management is to manage and keep the Group's exposure to this risk within acceptable levels, while optimizing, at the same time, the yield of its own investments.

The market risks include exchange and interest rate risk.

Exchange rate risk: definition, sources and management policies

Exchange rate risk can be defined, in general, as the set of effects resulting from changes in the exchange rate relations between foreign currencies on the performance of the company in terms of operating results, market shares and cash flows.

The Group is exposed to the risk of the oscillation of the exchange rates of currencies, as it operates in an international context in which transactions are conducted at different exchange and interest rates.

Exposure to exchange rate risk results from the geographical location of the business units compared to the geographical distribution of the markets where it sells its products and from the use of external borrowing sources in foreign currencies.

In particular, the Group is exposed to three types of exchange rate risk:

- economic/competitive: comprises all effects that a change in market exchange rates can have on the Company income and may hence impact strategic decisions (products, markets and investments) and Group competitiveness on the reference market;
- transaction: consists in the possibility that changes in exchange rate relations occur between the date on which a financial obligation between the counterparts becomes highly probably and/or certain and the date of transaction settlement. These changes cause a difference between the expected and effective financial flows;
- translation: this type of risk regards differences in exchange rates that can result from changes in the book value of the equity expressed in the presentation currency. The consolidated financial statements include transactions made by the company in currencies other than the functional currency. These changes are not the cause of an immediate difference between expected and real cash flows, but will only have accounting effects on the Group consolidated financial statements. The effects of said changes are measured directly in the equity, under Provisions for translation differences (see Note 20).

The Group manages risks of changes in exchange rates by using derivatives whose use is reserved to the management of exposure to exchange rate oscillations pertaining to money flows and assets and liabilities.

The Group implements a hedging policy for transaction risk only, hence resulting from existing business transactions and from future contractual obligations.

Hedging for exposure to exchange rate risk is also envisaged for USD.

The hedging instruments for said risk are solely used by the Parent Company and hedge cash flows with the goal to set the exchange rate at which the envisaged transactions in foreign currency will be measured.

The instruments used are *forward* contracts and options on exchange rates correlated by amount, due date and reference parameters with the hedged position.

The Group continuously monitors the exposure to the risk of currency translation.

Exchange rate risk: quantitative information and sensitivity analysis

As stated above, the Group is exposed to risks resulting from changes in exchange rates that can affect both the profit and loss result and the equity.

In particular, when the Group's companies incur costs in currencies other than the presentation currency of the relevant revenues, the change in exchange rates can affect the earnings of said companies.

With regard to the business operations, the Group's companies can have trade receivables or payables in currencies other than the presentation currency of the entity holding these. The change in exchange rates can lead to the realization or measurement of positive or negative exchange rate differences.

As at 31 December 2012 the Group had no hedging transactions on exchange rates, but had derivatives (foreign currency forward contracts) in its portfolio in order to protect future currency flows from changes, even though the relevant hedging relationship was not established according to IAS criteria.

At 31 December 2012 the main currency to which the Group is exposed is the USD.

For the purpose of sensitivity analysis, the potential effects of oscillation of the reference exchange rates were analyzed for the aforementioned currency.

The analysis was carried out by applying to the exchange rate exposure reasonable positive and negative change of the EUR against the USD equal to 5%. Hypotheses were defined in which the local currency gains or losses value compared to the USD.

The changes applied to the exchange rate have equity effects in case of cash flow hedge transactions or economic effects in case of non-hedging financial instruments.

The results of the sensitivity analysis on exchange rate risk are summarized in the tables below, which show the impacts on the income statement and shareholders' equity at 31 December 2012 and 31 December 2011. The impacts on income statement are before tax.

EXCHANGE RATE SENSITIVITY ANALYSIS

Exchange Risk at 31 December 2012

		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	72	(3)	-	4	-
Gross	46	(2)	-	2	-
Derivatives for trading	20	27	-	(30)	-
Effect		**22**		**(24)**	
FINANCIAL LIABILITIES					
Derivatives for trading	-	-	-	-	-
Bank overdraft	-	-	-	-	-
Trade payables	39	2	-	(2)	-
Effect		**2**	**-**	**(2)**	
Total effect		24		(26)	

EXCHANGE RATE SENSITIVITY ANALYSIS

Exchange Risk as at 31 December 2011

		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	80	(4)	-	4	-
Gross	52	(2)	-	3	-
Effect		**(6)**	**-**	**7**	**-**
FINANCIAL LIABILITIES					
Derivatives for trading	93	74	-	(82)	
Trade payables	40	2	-	(2)	
Bank overdraft	-	-	-	-	-
Effect		**76**		**(84)**	**-**
Total plant		70		(77)	

Interest rate risk: definition, sources and management policies

Interest rate risk consists in changes in interest rates that affect both the margin and hence the profit of the Group and on the current value of future cash flows.

The Group is exposed to interest rate oscillations on its own variable rate loans attributable to the euro zone, which the Group avails itself of to fund its operations.

Changes in the structure of market interest rates affect the Group's capital and its economic value, thus influencing the level of net borrowing costs and the Group's margins.

Interest rate risk management is considered with the well-established practice to reduce the risks of interest rate volatility, to reach an optimal mix of variable and fixed interest rates in the make-up of loans, thus offsetting market interest rate oscillations, while pursuing the objective of reducing finance costs on deposits to a minimum.

The Group manages risks of changes in interest rates by using derivatives whose use is reserved to the management of exposure to interest rate oscillations pertaining to money flows and assets and liabilities. Speculative transactions are not allowed.

Exposure to interest rate risk is hedged through the use of Interest Rate Swaps and Interest Rate Caps. Interest Rate Swaps are used in order to predetermine the interest paid on various forms of financing in order to ensure stability of cash flows.

Interest Rate Caps are used with the goal of limiting the impacts of fluctuations in the variable rates, with which the various forms of financing covered are benchmarked above a predetermined threshold (cap).

The counterparts of said financial instruments are primary credit institutions.

Interest rate risk: quantitative information and sensitivity analysis

The Parent Company avails itself of loans to fund its own and Group transactions. Changes in interest rates could have a negative or positive impact on Group earnings.

In order to hedge said risks, the Parent Company uses interest rate derivatives and mainly interest rate swaps and interest rate caps.

At 31 December 2012 there were no fixed rate financial instruments measured at fair value.

At 31 December 2012, the Parent Company had an Interest Rate Swap and two Interest Rate Caps to hedge interest rate risk; these have a negative fair value amounting to €23 thousand and €26 thousand respectively.

In particular, the Parent Company entered into the Interest Rate Swap in order to mitigate the risk of variability in interest paid on a medium/long-term loan, transforming it into fixed-rate loans and two Interest Rate Caps in order to limit the impacts of fluctuations in the variable rate, which is the benchmark for two medium/long-term loans, transforming the interest flows of the loans into variable interest flows by providing an upper limit equal to the strike of the Cap.

The ineffectiveness arising from cash flow hedging transactions during year 2012 amounted to €(27) thousand.

In measuring the potential impacts of changes in the interest rates applied, the Group separately analyzed the fixed rate financial instruments (for which the impact was determined in terms of fair value) and those at variable rate (for which the impact was determined in terms of cash flow) expressed in the various currencies, which the Group has significant exposure to, as specified in the section on exchange rate risk.

The variable rate financial instruments at 31 December 2012 included cash and loans.

At 31 December 2012, the following was hypothesized:

- an increase in interest rates for all financial instruments (loans and derivatives) at a floating rate equal to 50 bps;
- a decrease of 20 bps of the benchmark of the loans (three-month Euribor);
- a parallel decrease equal to 8 bps of each node of the market curve used for the assessment of interest rate derivatives.

The decision to simulate, as at 31 December 2012, decreases of 20 bps and 8 bps was caused by a current market scenario characterized by very low interest rates. These changes have been hypothesized with all other variables constant. The impact before tax that such changes would have had are shown in the table below.

INTEREST RATE SENSITIVITY ANALYSIS							
Interest Rate Risk at 31 December 2012							
€ thousand	Financial position amount	+ +50-bps change		+ -20-bps change		+ -8-bps change	
		P&L	Other changes in equity	P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES							
Loans from banks	3,959	(20)	-	8		N/A	N/A
IRS hedging derivative	22	-	6	N/A	N/A	-	(1)
Cap hedging derivative	26	4	-	N/A	N/A	-	-
Total impact		**(16)**	**6**	**8**	**-**	**-**	**(1)**

INTEREST RATE SENSITIVITY ANALYSIS					
Interest Rate Risk at 31 December 2011					
€ thousand	Financial position amount	+ +50-bps change		+ -50-bps change	
		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES					
Loans from banks	1,609	(8)	-	8	-
IRS hedging derivative	18	(1)	12	-	(12)
Total impact		**(9)**	**12**	**8**	**(12)**

Liquidity risk: definition, sources and management policies

Liquidity risk consists in the possibility that a company of the Group or the Group itself can find itself in the conditions of not being able to meet its payment obligations in cash or delivery, either foreseen or unexpected, due to a lack of financial resources, thus prejudicing day-to-day operations or the financial position of the company or Group.

The liquidity risk that the Group is exposed to can arise out of difficulties to timely obtain financing for its operations and can take the form of the inability to find the necessary financial resources at a reasonable conditions.

Cash flows, financing needs and any liquidity are under the control of the parent company Fidia S.p.A., in order to ensure effective management of financial resources.

The short and medium/long-term demand for liquidity is constantly monitored by the central offices in order to timely obtain financial resources or an adequate investment of cash.

The Group has adopted a series of financial policies to reduce liquidity risk:

- plurality of financing entities and diversification of financing sources;
- adequate lines of credit;
- perspective liquidity plans relating to the company planning process.

Liquidity risk: quantitative information

The two main factors that determine the Group's liquidity are, on the one hand, the resources generated or absorbed by operating and investing activities and, on the other, the characteristics of the due date and renewal of the debt or liquidity of the financial obligations and market conditions.

The policies implemented by the Group to reduce liquidity risk consisted as at 31 December 2012 of:

- recourse to credit institutions to find financial resources;
- lines of credit (mostly of the revolving and stand-by type), mostly automatically renewed and used at the discretion of the Group as needed.

The management deems that the available resources, in addition to those that will be generated by operations and loans, will allow the Group to meet its needs resulting from activities relating to investments, management of circulating capital and the repayment of payables at their due date.

An analysis of financial liabilities as envisaged by IFRS7 is provided below.

MATURITY ANALYSIS

€ thousand	Book value as at 31 December 2012	Contractual cash flows	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years
FINANCIAL LIABILITIES							
Loans from banks	3,961	4,357	22	322	1,015	2,998	-
Other loans	8	8	-	-	8	-	-
Bank overdraft	5,685	5,685	5,685	-	-	-	-
Trade payables	9,237	9,237	4,911	2,823	1,503	-	-
Liabilities for leasings	30	31	1	2	8	20	-
DERIVATIVE LIABILITIES							
Interest rate swap	22	22	-	4	10	8	-
Interest rate cap	26	27	-	-	3	24	-
Total	**18,969**	**19,367**	**10,619**	**3,151**	**2,547**	**3,050**	

MATURITY ANALYSIS							
€ thousand	Book value as at 31 December 2011	Contractual cash flows	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years
FINANCIAL LIABILITIES							
Loans from banks	1,631	1,671	158	122	329	1,062	-
Other loans	16	16	-	-	10	6	-
Bank overdraft	4,597	4,597	4,597	-	-	-	-
Trade payables	9,386	9,386	5,081	2,720	1,585	-	-
DERIVATIVE LIABILITIES							
Currency forward contracts	**93**	**93**	**-**	**-**	**93**	**-**	**-**
Interest rate swap	**18**	**18**	**-**	**1**	**8**	**9**	**-**
Total	**15,741**	**15,781**	**9,836**	**2,843**	**2,025**	**1,077**	**-**

Credit risk: definition, sources and management policies

Credit risk is the exposure of the Group to potential losses that may result from the failure to meet obligations with counterparts.

The main causes of non-performance can relate to the inability to autonomously repay counterparts and to a possible worsening in credit standing.

In particular, the Group is exposed to credit risk due to:

- sale of high-speed milling systems, numerical controls and related servicing;
- subscription of derivatives;
- deployment of liquidity in banks or other financial institutions.

The Group has different concentrations of credit risk depending on the nature of the activities and the various reference markets. Said credit exposure is mitigated by the fact that it is divided over a large number of counterparts.

The concentration of credit risk is present in the markets of the EU, North America and China.

Trade receivables are subject to individual impairments if there is an objective condition in which these position cannot be recovered either in part or in full. The extent of impairment takes into account an estimate of the recoverable flows and relevant date of collection.

The Group controls and manages credit standing including the risk of the counterpart; these same transactions for the deployment of liquidity and hedging of derivatives have been concluded with leading national and international banks. These are regularly reviewed also in terms of concentration and the rating of the counterparts.

Credit risk: quantitative information

The maximum theoretical exposure to credit risk for Fidia Group as at 31 December 2012 is the book value of the financial assets stated in the financial statements, plus the face value of collateral provided as indicated in Note No. 29.

The measurement of credit risk is carried out by means of a process to assess credit standing differentiated by type of customer.

Monitoring of credit risk is carried out periodically through the analysis by expiry of overdue positions.

The credit exposures of the Group widely regard trade receivables; the credit risk resulting from said transactions is mitigated by means of the following instruments:

- letters of credit;
- insurance policies.

Moreover, in order to effectively and efficiently manage credit risk, the Group adopts further risk mitigation instruments pursuant to and in compliance with legislation in force in the various markets of the countries where it conducts business.

Positions, if individually significant, are subject to specific impairment; these are either partially or totally non recoverable. The extent of impairment takes into account an estimate of the recoverable flows and relevant date of collection as well as of charges and expenses for future recovery. In case of receivables not subject to specific impairment, provisions are allocated on a collective basis, considering experience and statistical data.

Hereinafter follows an analysis of the concentration of receivables by nature of counterpart:

Concentration of receivables by sector				
€ thousand	**31 December 2012**	**%**	**31 December 2011**	**%**
Die construction	554	6%	1,388	17%
Construction of injection molds for the automotive sector	429	5%	303	4%
Car industry	1,521	18%	1,526	19%
Aeronautics industry	3,986	46%	2,324	29%
Machine tools production	2,217	25%	2,532	31%
Total	**8,707**		**8,073**	
Net total receivables	**11,943**		**11,187**	
%	**73%**		**72%**	

32. FAIR VALUE HIERARCHIES

In relation to financial instruments recognized in the Statement of Financial Position at fair value, IFRS 7 requires that these values are classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value.

The levels are as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices);
Level 3 – inputs that are not based on observable market data.

At 31 December 2012, the Group held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €48 thousand and financial assets at fair value represented by derivative financial instruments to hedge the exchange rate risk, for an amount of €20 thousand, classified within Level 2 of the hierarchical assessment of fair value.

33. RELATIONS WITH RELATED PARTIES

The Group has relations with associates and other related parties at market conditions deemed normal in the relevant reference markets, considering the characteristics of the goods and services provided.

In particular, these relations regarded:

- professional services for consulting in research projects carried out by the associate Prometec Consortium;
- supply relationships with the Shenyang Machine Tool Co Ltd. Company, the local partner of the joint venture Shenyang Fidia NC & Machine Company Ltd;
- salary to Mr. Paolo Morfino and Mr. Luca Morfino, both employees of Fidia S.p.A.;
- compensation to the Board of Directors and Board of Statutory Auditors.

The impact of said transactions on the single items of the FY2012 financial statements was stated in the relevant supplementary schedules of the income statement, statement of financial situation and cash flow statement.

Compensation to Directors, Auditors and Executives with covering strategic company positions

Compensation to the Directors and Auditors of Fidia S.p.A. for their services included in the consolidated statements was as follows:

€ thousand	**31 December 2012**	**31 December 2011**
Directors	702	569
Auditors	57	52
Total compensation	**759**	**621**

34. 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 at 31 December 2012 is the following:

€ thousand		**31 December 2012**	**31 December 2011**
A	Cash	7	28
B	Bank deposits	10,372	11,620
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**10,379**	**11,648**
and	**Current financial receivables**	**-**	**-**
F	Current bank payables	5,685	4,597
G	Current part of non-current debt	1,197	578
H	Other current financial payables	20	20
I	**Current financial debt (F+G+H)**	**6,902**	**5,195**
J	**Current net financial position (I-E-D)**	**(3,477)**	**(6,453)**
K	Non-current bank payables	2,763	1,038
L	Bonds issued	-	-
M	Other non-current payables	19	18
N	**Non-current financial debt (K+L+M)**	**2,782**	**1,056**
O	**Net financial position (J+N)**	**(695)**	**(5,397)**

35. Notes to the Cash Flow Statement

The Cash Flow Statement shows the impact of changes in "Cash and Cash Equivalents" during the fiscal year. According to IAS 7 – *Cash flow statement*, cash flows are classified into operating, investing and financing activities. The effects of the change in exchange rates on cash and cash equivalents are indicated separately under Differences in exchange rate translation.

Cash from (used in) transactions of the period results mainly from the Group's primary production activities.

The cash from (used in) by the investing activities indicates how the investments needed to obtain the resources necessary to generate future income and cash flows were made. Only investments that give rise to an asset in the cash flow statement were classified under this item.

36. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in FY2012 the company did not have any non-recurrent significant transactions.

37. POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

According to Consob Notice of 28 July 2006, in FY2012 there were no atypical and/or unusual transactions as defined by said Notice, by which atypical and/or unusual transactions are all those transactions whose significance/relevance, nature of the counterparts, subject-matter of the transaction, transfer pricing method and timing of the event (near year end) can give rise to doubts on: correctness/completeness of information posted, conflict of interests, safeguard of company equity, safeguard of non-controlling interests.

38. TRANSLATION OF FINANCIAL STATEMENT OF FOREIGN COMPANIES

The exchange rates used for the translation into EUR of the 2012 and 2011 financial statements of the foreign companies are illustrated in the following table:

	Mean exchange rate of fiscal year		Current exchange rate at year-end	
Currency	**2012**	**2011**	**2012**	**2011**
USD	1.28479	1.39196	1.31940	1.29390
Reals	2.50844	2.32651	2.70360	2.41590
Chinese RMB	8.10523	8.99600	8.22070	8.15880
Rouble	39.9262	40.8846	40.3295	41.7650
Zloty	-	4.12061	-	4.45800
Indian Rupee	68.5973	64.8859	72.5600	68.7130

39. SUBSEQUENT EVENTS

There were no significant events after year-end 2012.

San Mauro Torinese, 15 March 2013

On behalf of the Board of Directors

The Chairman and Chief Executive Officer

Mr. Giuseppe Morfino

Attestation of the Consolidated Financial Statements under Article 81-ter R.E. Consob

Attestazione del bilancio consolidato ai sensi dell'art. 81-*ter* del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti Giuseppe Morfino in qualità di Presidente e Amministratore Delegato, Paolo Morfino in qualità di Amministratore Delegato e Eugenio Barone in qualità di Dirigente Preposto alla redazione dei documenti contabili societari della Fidia S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-*bis*, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

   a. l'adeguatezza in relazione alle caratteristiche dell'impresa e
   b. l'effettiva applicazione,

delle procedure amministrative e contabili per la formazione del bilancio consolidato nel corso del periodo 2012.

2. Si attesta, inoltre, che:

2.1 il bilancio consolidato :

   a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
   b. corrisponde alle risultanze dei libri e delle scritture contabili;
   c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.

2.2 La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi ed incertezze cui sono esposti.

15 marzo 2013

Presidente e Amministratore Delegato

Giuseppe Morfino

....

Amministratore Delegato

Paolo Morfino

....

Dirigente Preposto alla redazione dei documenti contabili societari

Eugenio Barone

....

Board of Statutory Auditors

GRUPPO FIDIA

* * *

RELAZIONE DEL COLLEGIO SINDACALE SUL BILANCIO CONSOLIDATO RELATIVO ALL'ESERCIZIO CHIUSO AL 31 DICEMBRE 2012

Signori Azionisti,

il Consiglio di Amministrazione di Fidia S.p.A. ha predisposto ed approvato il bilancio consolidato al 31 dicembre 2012, in conformità al D. Lgs. 9 aprile 1991 n. 127, e lo ha consegnato al Collegio nella riunione consiliare del 15 marzo 2013.

Il bilancio consolidato del Gruppo Fidia, che viene messo a vostra disposizione, presenta un risultato netto positivo di 324 migliaia di euro (perdita di 45 migliaia di euro di pertinenza dei soci della controllante e utile di 369 migliaia di euro di pertinenza di terzi) ed è redatto secondo i Principi Contabili Internazionali omologati dalla Commissione Europea (IAS/IFRS).

Il Collegio Sindacale ha svolto, nel corso dell'esercizio, l'attività di vigilanza prevista dalla legge, è stato puntualmente informato dal Consiglio di Amministrazione della Capogruppo sulle operazioni, anche di natura straordinaria, di maggior rilievo economico, finanziario e patrimoniale effettuate nell'ambito dei rapporti di gruppo ed ha controllato che le operazioni deliberate e poste in essere fossero conformi alla legge ed allo statuto sociale, non fossero in contrasto con le delibere assembleari o in potenziale conflitto di interessi.

Il Collegio ha posto particolare attenzione alle operazioni infragruppo e con parti correlate effettuate nell'esercizio, principalmente di natura commerciale, rilevando la regolarità delle stesse.

I controlli effettuati dalla Reconta Ernst & Young S.p.A., incaricata della revisione, hanno accertato che i valori espressi nel consolidato trovano riscontro nelle risultanze contabili della Controllante, nei bilanci di esercizio delle Controllate e nelle relative informazioni da queste formalmente comunicate.

I bilanci e i prospetti di riconciliazione secondo gli IAS/IFRS, trasmessi dalle Controllate alla Controllante ai fini della formazione del bilancio consolidato, redatti dai loro organi sociali competenti, hanno formato oggetto di esame da parte degli organi e soggetti preposti al controllo delle singole società. I reporting packages utilizzati per redigere il bilancio consolidato sono stati revisionati da parte della Reconta Ernst & Young S.p.A in conformità a quanto contenuto nella proposta di conferimento dell'incarico; la società controllata Shenyang Fidia NC&M Co. Ltd. (Cina) è stata assoggettata a revisione da parte di altra società di revisione (Mazars Beijing).

La società di revisione Reconta Ernst & Young S.p.A emetterà nei prossimi giorni la propria relazione; secondo le informazioni informalmente forniteci dalla stessa, il giudizio non conterrà rilievi.

Il bilancio si compone del conto economico consolidato, della situazione patrimoniale e finanziaria consolidata, del prospetto delle variazioni del patrimonio netto consolidato, del rendiconto finanziario consolidato e della nota integrativa.

Come per i precedenti esercizi, il Consiglio di Amministrazione di Fidia S.p.A. ha predisposto un'unica Relazione sulla Gestione nella quale sono state congiuntamente fornite tutte le informazioni prescritte sia relativamente alla Capogruppo sia concernenti le singole Società Controllate.

Tale relazione illustra in modo adeguato la situazione economica, patrimoniale - finanziaria e l'andamento della gestione nel corso del 2012 relativamente a tutte le imprese oggetto di consolidamento nonché l'evoluzione prevedibile del Gruppo nel corso del corrente esercizio 2013. L'esame da noi effettuato ne ha evidenziato la congruenza con il bilancio consolidato del Gruppo.

La Nota Integrativa illustra i criteri generali di redazione del bilancio consolidato, nonché i criteri applicati nella valutazione delle singole voci.

Il bilancio consolidato presenta ai fini comparativi i dati corrispondenti dell'esercizio precedente.

Il Collegio ha verificato che il perimetro di consolidamento non è variato rispetto al 31/12/2011 ad eccezione per l'uscita dall'area di consolidamento della controllata polacca Fidia Spolka Z.o.o. posta in liquidazione nel corso del 2012.

La determinazione dell'area di consolidamento, la scelta dei principi di consolidamento delle partecipazioni e delle procedure adottate riflettono le prescrizioni del D. Lgs. 09/04/1991 n. 127 in accordo con i Principi Contabili Internazionali (IAS/IFRS). La formazione del bilancio consolidato è quindi da ritenersi tecnicamente corretta e, nell'insieme, conforme alla specifica normativa.

Per quanto di competenza del Collegio Sindacale si dà atto che:

- il bilancio consolidato del Gruppo Fidia comprende i bilanci della Fidia S.p.A., società Capogruppo, della Fidia G.m.b.h., della Fidia Co., della Fidia S.a.r.l. e della OOO Fidia, tutte controllate al 100% nell'ambito del Gruppo. Inoltre comprende i bilanci della Fidia Iberica S.A. detenuta al 99,993%, della Fidia India Private Ltd. detenuta al 99,99%, della Fidia Do Brasil L.t.d.a. detenuta al 99,75%, della Beijing Fidia Machinery & Electronics Co. Ltd. detenuta al 92%, e della Shenyang Fidia NC & Machine Company Ltd. detenuta al 51%;
- le società controllate sono state incluse nel consolidamento secondo il "metodo integrale", cioè assumendo gli elementi dell'attivo e del passivo nonché dei proventi e degli oneri delle singole imprese oggetto di consolidamento;
- le tecniche di controllo messe in atto nella formazione del bilancio, sottoposto al Vostro esame, risultano idonee ad assicurare la corretta utilizzazione dei dati trasmessi dalle società partecipate;
- le rettifiche di consolidamento tengono conto del loro effetto fiscale differito;
- le operazioni con parti correlate sono dettagliatamente evidenziate nella nota integrativa al capitolo 33. Il Collegio dà atto che si tratta di operazioni poste in essere con imprese collegate e altre parti correlate, regolate a condizioni ritenute normali nei rispettivi mercati di riferimento ed hanno avuto riguardato rapporti di fornitura con la società Shenyang Machine Tool Co Ltd, partner locale della joint venture Shenyang Fidia NC & Machine Company Ltd, prestazioni per attività di consulenza su progetti di ricerca svolte dalla società collegata Consorzio Prometec, nonché compensi di lavoro dipendente dell'ing. Paolo Morfino e del dr. Luca Morfino e compensi del Consiglio di Amministrazione e del Collegio Sindacale.
- al 31 dicembre 2012 le attività per imposte anticipate e le passività per imposte differite ammontano a un saldo netto positivo di 441 migliaia di euro;
- il bilancio evidenzia un patrimonio netto consolidato di 14.838 migliaia di euro di cui la quota parte di competenza dei terzi ammonta a 2.812 migliaia di euro a fronte di un patrimonio netto della Capogruppo Fidia Spa di 8.733 migliaia di euro.

Signori Azionisti,

sulla base dei controlli effettuati, il Collegio Sindacale concorda sul contenuto e sulla forma del Bilancio Consolidato di Gruppo al 31 dicembre 2012.

San Mauro Torinese, 28 marzo 2013

Il Collegio sindacale

(Dott. Roberto Panero) – Presidente

(Dott. Giovanni Rayneri) – Sindaco Effettivo

(Dott.ssa Michela Rayneri) – Sindaco Effettivo

4

Independent Audit Firm

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10123 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Fidia S.p.A.

1. We have audited the consolidated financial statements of Fidia S.p.A. and its subsidiaries, (the "Fidia Group") as of 31 December 2012 and for the year then ended, comprising the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of financial position, the consolidated cash flows statement, the statement of changes in consolidated shareholders' equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Fidia S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by other auditor dated March 30, 2012.

3. In our opinion, the consolidated financial statements of the Fidia Group at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Fidia Group for the year then ended.

4. The Directors of Fidia S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governace" of Fidia S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123 bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of the Fidia Group at 31 December 2012.

Turin, March 28, 2013

Reconta Ernst & Young S.p.A.
Signed by: Stefania Boschetti, Partner

Fidia S.p.A.

Financial Statements as at 31 December 2012

FIDIA S.p.A.: Financial statements at 31 december 2012

Income statement (*)

(euro)	Notes	FY2012	FY2011
- Net sales	1	31,777,605	26,233,488
- Other operating revenue	2	1,652,079	3,641,867
Total revenues		**33,429,684**	**29,875,355**
- Changes in finished goods and W.I.P.		649,239	1,405,948
- Raw materials	3	(13,593,281)	(11,709,135)
- Personnel expenses	4	(10,143,644)	(9,387,050)
- Other operating expenses	5	(11,672,344)	(10,176,279)
- Depreciation and amortization	6	(479,685)	(357,094)
- Profit/(loss) of ordinary activity		**(1,810,031)**	**(348,255)**
- Write-down/(recovery) of investments	7	1,848,000	(6,500)
- Reserve for loss of subsidiaries	7	-	(34,653)
- Restructuring expenses	8	-	(376,356)
- Operating profit/(loss)		**37,969**	**(765,764)**
- Finance revenue (expenses)	9	437,553	464,592
- Profit/(loss) before tax		**475,522**	**(301,172)**
- Income taxes	**10**	**(229,029)**	**54,748**
- Profit/(loss) for continuing operations		**246,493**	**(246,424)**
- Profit/(loss) for discontinued operations		**-**	**-**
- Profit/(loss)		**246,493**	**(246,424)**

(*) According to Consob Resolution No. 15519 of 27 July 2006, the effects of relations with related parties on the Income Statement of Fidia S.p.A. are posted in the relevant Income Statement Schedule illustrated below and further defined in Note No. 31.

FIDIA S.p.A.: Financial statements at 31 december 2012

Comprehensive income statement

(€thousand)	FY2012	FY2011
- Profit/(loss) (A)	246	(246)
Profit/(loss) on cash flow hedges	(5)	(16)
Actuarial gains/(losses) on defined benefit plans	(16)	(87)
Tax effect of Other profit/(loss)	6	29
Total other profit/(loss), net of tax effect (B)	**(15)**	**(74)**
Total comprehensive profit/(loss) (A)+(B)	**231**	**(320)**

FIDIA S.p.A.: Financial statements at 31 december 2012

Statement of financial position (*)

(euro)	Notes	31 December 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS			
- Plant and equipment	11	812,953	887,818
- Intangible assets	12	55,942	29,585
- Investments	13	8,797,081	6,951,147
- Other non-current receivables and assets	14	1,212,325	1,322,896
- Pre-paid tax assets	10	421,568	419,674
TOTAL NON-CURRENT ASSETS		**11,299,869**	**9,611,120**
CURRENT ASSETS			
- Inventories	15	14,359,050	11,748,004
- Trade receivables	16	9,336,498	8,398,504
- Current tax receivables	17	49,658	121,866
- Other current receivables and assets	17	1,617,980	1,245,347
- Other current financial assets	18	20,040	30,000
- Cash and cash equivalents	19	3,879,447	4,431,723
TOTAL CURRENT ASSETS		**29,262,673**	**25,975,444**
Total assets		**40,562,542**	**35,586,564**
LIABILITIES			
SHAREHOLDERS' EQUITY			
- Share capital		5,123,000	5,123,000
- Share premium reserve		1,239,693	1,486,118
- Legal reserve		504,146	504,146
- Reserve for own shares in portfolio		45,523	45,523
- Extraordinary reserve		876,842	876,842
- Cash flow hedge reserve		(15,437)	(11,420)
- Profit (loss) carried forward		767,455	767,455
- Own shares		(45,523)	(45,523)
- Profit (loss) stated directly in equity		(9,609)	1,829
- Profit/(loss)		246,493	(246,424)
TOTAL SHAREHOLDERS' EQUITY	**20**	**8,732,583**	**8,501,546**
NON-CURRENT LIABILITIES			
- Other non-current payables and liabilities	21	48,026	135,680
- Termination benefits	22	2,334,660	2,537,879
- Deferred tax liabilities	10	-	2,900
- Other non-current financial liabilities	23	48,547	17,822
- Non-current financial liabilities	24	2,762,621	1,038,447
TOTAL NON-CURRENT LIABILITIES		**5,193,854**	**3,732,728**
CURRENT LIABILITIES			
- Current financial liabilities	24	7,033,500	5,319,613
- Other current financial liabilities	25	-	92,568
- Trade payables	26	12,659,385	11,851,720
- Current tax payables	27	329,402	359,285
- Other current payables and liabilities	27	5,941,080	5,246,093
- Short-term provisions	28	672,738	483,011
TOTAL CURRENT LIABILITIES		**26,636,105**	**23,352,290**
Total liabilities		**40,562,542**	**35,586,564**

(*) According to Consob Resolution No. 15519 of 27 July 2006, the effects of relations with related parties on the Statement of Financial Position of Fidia S.p.A. are posted in the relevant Statement of Financial Position Schedule illustrated below and further defined in Note No. 31.

FIDIA S.p.A.: Financial statements at 31 december 2012

Cash flow statement (*)

(€thousand)	2012	2011
A) Cash on hand and cash equivalents at beginning of year	**(165)**	**1,427**
B) Cash from/(used in) operating activities		
- Net operating result	246	(246)
- Depreciation and amortization	278	261
- Net losses (gains) on disposal of tangible assets	(2)	32
- Write-down/(recovery) of investments	(1,848)	7
- Net change in provisions for termination benefits	(203)	45
- Net change in provisions for risks and expenses	190	146
- Net change (assets) liabilities for (pre-paid) deferred taxes	(5)	(324)
Net change in working capital:		
- receivables	(1,128)	(743)
- inventories	(2,611)	(3,198)
- payables	1,385	3,357
	(3,698)	**(663)**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible assets	(278)	(456)
intangible assets	(48)	(23)
investments		-
- Profit on sale of:		
tangible assets	98	166
Financial assets	2	-
	(226)	**(313)**
D) Cash from/(used in) financing activities		
- Net change in current and non-current financial assets and liabilities	(52)	101
- New loans	2,920	155
- Loans paid	(570)	(797)
- Change in reserves	(15)	(75)
	2,283	**(616)**
E) Net change in cash and cash equivalents	**(1,641)**	**(1,592)**
F) Cash and cash equivalents at year end	**(1,806)**	**(165)**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	3,879	4,432
Bank overdraft	(5,685)	(4,597)
	(1,806)	(165)

(*) According to Consob Resolution No. 15519 of 27 July 2006, the effects of relations with related parties on the Cash Flow Statement of Fidia S.p.A. are posted in the relevant Cash Flow Statement Schedule illustrated below.

FIDIA S.p.A.: Financial statements at 31 december 2012

Statement of changes in shareholders' equity

(€thousand)	Share capital	Own shares	Share premium reserve	Legal reserve	Provisions for own shares in portfolio	Extraordinary reserve	Cash flow hedge reserve	Profit (loss) carried forward	Profit (loss) stated directly in equity	Rounding	Net result	Total shareholders' equity
Balance at 31 December 2010	**5,123**	**(45)**	**1,486**	**497**	**45**	**725**	**-**	**766**	**65**	**(1)**	**161**	**8,822**
Allocation of net income of previous year				8		152				1	(161)	-
Total comprehensive profit/(loss)							(11)		(63)		(246)	(320)
Balance at 31 December 2011	**5,123**	**(45)**	**1,486**	**505**	**45**	**877**	**(11)**	**766**	**2**	**-**	**(246)**	**8,502**
Hedging of loss of previous fiscal year			(246)								246	
Total comprehensive profit/(loss)							(4)		(11)		246	231
Balance at 31 December 2012	**5,123**	**(45)**	**1,240**	**505**	**45**	**877**	**(15)**	**766**	**(9)**	**-**	**246**	**8,733**

FIDIA S.p.A.: Financial statements at 31 december 2012

Income statement as per Consob Resolution No. 15519 of 27 July 2006

(€thousand)	Notes	FY2012	of which related parties	FY2011	of which related parties
- Net sales	1	31,778	10,412	26,233	9,804
- Other operating revenue	2	1,652	182	3,642	1,674
Total revenues		**33,430**		**29,875**	
- Change in finished goods and W.I.P.		649		1,406	
- Raw materials	3	(13,593)	(24)	(11,709)	(148)
- Personnel expenses	4	(10,144)	(777)	(9,387)	(713)
- Other operating expenses	5	(11,672)	(2,513)	(10,176)	(2,104)
- Depreciation and amortization	6	(480)		(358)	
- Profit/(loss) of ordinary activity		**1,810**		**(349)**	
- (Write-down)/recovery of investments	7	1,848		(6)	
- Reserve for loss of subsidiaries	7	-		(35)	
- Restructuring expenses	8	-		(376)	
- Operating profit/(loss)		**38**		**(766)**	
- Finance revenue (expenses)	9	437	782	465	772
- Profit/(loss) before tax		**475**		**(301)**	
- Income taxes	**10**	**(229)**		**55**	
- Profit/(loss) for continuing operations		**246**		**(246)**	
- Profit/(loss) for discontinued operations		**-**		**-**	
- Profit/(loss)		**246**		**(246)**	

FIDIA S.p.A.: Financial statements at 31 december 2012

Statement of financial position as per Consob Resolution No. 15519 of 27 July 2006

(€thousand)	Notes	31 December 2012	of which related parties	31 December 2011	of which related parties
ASSETS					
NON-CURRENT ASSETS					
- Plant and equipment	11	813		888	
- Intangible assets	12	56		29	
- Investments	13	8,797		6,951	
- Other non-current receivables and assets	14	1,212		1,323	
- Pre-paid tax assets	10	422		420	
TOTAL NON-CURRENT ASSETS		**11,300**		**9,611**	
CURRENT ASSETS					
- Inventories	15	14,359		11,748	
- Trade receivables	16	9,336	3,567	8,399	3,380
- Current tax receivables	17	50		122	
- Other current receivables and assets	17	1,618	778	1,245	1
- Other current financial assets	18	20		30	30
- Cash and cash equivalents	19	3,879		4,432	
TOTAL CURRENT ASSETS		**29,262**		**25,976**	
Total assets		**40,562**		**35,587**	
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital		5,123		5,123	
- Share premium reserve		1,240		1,486	
- Legal reserve		504		504	
- Reserve for own shares in portfolio		46		46	
- Extraordinary reserve		877		877	
- Cash flow hedge reserve		(15)		(11)	
- Profit (loss) carried forward		767		767	
- Own shares		(46)		(46)	
- Profit (loss) stated directly in equity		(9)		2	
- Profit/(loss)		246		(246)	
TOTAL SHAREHOLDERS' EQUITY	**20**	**8,733**		**8,502**	
NON-CURRENT LIABILITIES					
- Other non-current payables and liabilities	21	48		136	
- Termination benefits	22	2,335		2,538	
- Deferred tax liabilities	10	-		3	
- Other non-current financial liabilities	23	48		18	
- Non-current financial liabilities	24	2,763		1,038	
TOTAL NON-CURRENT LIABILITIES		**5,194**		**3,733**	
CURRENT LIABILITIES					
- Current financial liabilities	24	7,033	151	5,320	151
- Other current financial liabilities	25	-		93	
- Trade payables	26	12,659	4,394	11,851	3,697
- Current tax payables	27	329		359	
- Other current payables and liabilities	27	5,941	825	5,246	931
- Short-term provisions	28	673		483	
TOTAL CURRENT LIABILITIES		**26,635**		**23,352**	
Total liabilities		**40,562**		**35,587**	

FIDIA S.p.A.: Financial statements at 31 december 2012

Cash flow statement as per Consob Resolution No. 15519 of 27 July 2006

(€thousand)	2012	Of which related parties	2011	Of which related parties
A) Cash on hand and cash equivalents at beginning of year	**(165)**		**1,427**	
B) Cash from/(used in) operating activities				
- Net operating result	246		(246)	
- Depreciation and amortization	278		262	
- Net losses (gains) on disposal of tangible assets	(2)		31	
- Write-down/(recovery) of investments	(1,848)		7	
- Net change in provisions for termination benefits	(203)		45	
- Net change in provisions for risks and expenses	190		146	
- Net change (assets) liabilities for (pre-paid) deferred taxes	(5)		(324)	
Net change in working capital:				
- receivables	(1,128)	(964)	(743)	2,661
- inventories	(2,611)		(3,198)	
- payables	1,385	591	3,357	1,639
	(3,698)		**(663)**	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible assets	(278)		(456)	
intangible assets	(48)		(23)	
- Profit on sale of:				
tangible assets	98		166	
Financial assets	2		-	
	(226)		**(313)**	
D) Cash from/(used in) financing activities				
- Net change in current and non-current financial assets and liabilities	(52)	30	101	
- New loans	2,920		155	
- Loans paid	(570)		(797)	(1)
- Change in reserves	(15)		(75)	
	2,283		**(616)**	
E) Net change in cash and cash equivalents	**(1,641)**		**(1,592)**	
F) Cash and cash equivalents at year end	**(1,806)**		**(165)**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	3,879		4,432	
Bank overdraft	(5,685)		(4,597)	
	(1,806)		(165)	

Notes to Financial Statements

Notes to financial statements

COMPANY INFORMATION

Fidia S.p.A. is an entity organized according to the law of the Italian Republic and is the Parent Company that directly holds the interests in the companies of Fidia Group.

The company is based in San Mauro Torinese (Turin), Italy.

The Financial Statements as at 31 December 2012 consist of the Income Statement, Comprehensive Income Statement, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity and the Notes to the Financial Statements. Its publication was authorized by the Board of Directors on 15 March 2013.

The Financial Statements of Fidia S.p.A. are drawn up in EUR, which is the currency of the economy in which the company operates.

The Income Statement and Statement of Financial Position are presented in units of Euro, while the Comprehensive Income Statement, the Cash Flow Statement, Statement of Changes in Equity and the values stated in the Notes are presented in € thousand.

Fidia S.p.A., in the capacity of parent company, has also drafted the Consolidated Financial Statements of Fidia Group at 31 December 2012.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2012 financial statements are the separate financial statements of the parent company Fidia S.p.A. and were drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union and with the provisions implementing article 9 of Italian Legislative Decree No. 38/2005. IFRS also include all the reviewed international accounting standards (IAS) and interpretations of the IFRS Interpretations Committee, previously called International Financial Reporting Interpretations Committee (IFRIC), and before then Standing Interpretations Committee (SIC).

The Financial Statements were drawn up based on the historical cost principle, amended as requested for the evaluation of some financial instruments as well as on the assumption of going concern. The Company concluded that, despite the difficult economic and financial situation, there are no significant uncertainties (as set forth by par. 25 of IAS 1) on going concern, also in light of the measures already taken to adapt to the change in levels of demand.

Financial Statements

The Company presents the income statement by nature of expense, which is deemed more representative compared to the so-called presentation by function. The form chosen complies with the internal reporting and business management methods.

Within said income statement by nature, under the Profit/(loss), a specific distinction has been made between profit/(loss) of ordinary operation and those charges and earnings that are the result of non-recurrent transactions in ordinary activity management, such as the restructuring expenses, the (write-down)/recovery of asset items and any other atypical revenues/(charges), as these can be treated like the former. It is deemed that this allows for a better measurement of the actual performance of the normal business management, it being understood that any atypical expenses and earnings are specified in detail.

The definition of atypical adopted by the Company differs from the one set by Consob Notice of July 28, 2006, by which atypical and/or unusual transactions are all those transactions whose significance/relevance, nature of the counterparts, subject-matter of the transaction, transfer pricing method and timing of the event (near year end) can give rise to doubts on: correctness/completeness of information posted, conflict of interests, safeguard of company equity, safeguard of non-controlling interests.

With reference to the statement of financial position, the "non-current and current" format of presentation has been adopted according to the provisions of IAS 1.

The cash flow statement was drawn up by applying the indirect method.

Finally, please be noted that with reference to Consob Resolution No. 15519 of 27 July 2006 on financial statements, supplementary schedules for the income statement, statement of financial position and cash flow statement were added in order to underscore significant relations with related parties and not to impair the overall readability of the financial statements.

Plant and equipment

Cost

Plant and machinery were evaluated at purchase or production cost minus accrued amortization and any value impairment and these were not revalued. The cost comprises ancillary expenses and direct costs needed to make the asset available for use and indirect costs in the amount reasonably attributable to these.

Costs incurred following purchase were posted only if these increase the future economic benefits inherent to the asset concerned. All other costs were posted in the income statement when incurred.

Assets held through leasing contracts by which all the risks and benefits associated to the property thereof were transferred to the Company were posted as assets of the Company at fair value or, if lower, at the current value of the minimum payments due for leasing. The corresponding liabilities with the lessor were posted under the financial payables. Assets were amortized by applying the criterion and rates specified below.

Leases by which the lessor retains all risks and benefits deriving from ownership of the assets were classified as operating leases. Costs referred to operating leases are posted on a straight-line basis in the income statement over the lease term.

Depreciation

Depreciation was calculated based on constant shares of the estimated economic life of the assets as follows:

Description	Depreciation rates
Lightweight constructions	5.00%
Generic and specific plants	12.50%
Machinery	6.67% / 15.00%
Industrial and commercial equipment	20.00% / 25.00%
Electronic office equipment	20.00%
Office furnishing	6.67%
Forklifts/internal vehicles	20.00%
Motor vehicles	25.00%

Borrowing costs

Borrowing costs were posted in the income statement in the fiscal year in which these were incurred. The conditions for capitalization did not subsist.

Intangible assets

Intangible assets purchased or produced internally were posted in the assets according to the provisions of IAS 38 – *Intangible Assets*, when it is probable that the future economic benefits attributable to the asset will flow to the company and when the cost of the asset can be measured reliably.

Said assets were valuated at purchase cost and amortized in constant shares over their estimated life if these have a finite life and net of any losses in value.

The main categories of intangible assets held by the company are software and licenses and these are amortized over 5 years.

Impairment losses

The Company assesses at the end of each reporting period whether there is any indication that the intangible assets and plant and equipment have suffered an impairment loss.

If any such indication exists, the carrying amount of the asset is reduced to its recoverable amount understood as the higher between the fair value less the costs to sell and its value in use.

When it is not possible to estimate the recoverable amount of a single asset, the company estimates the recoverable amount of the unit generating the cash flows that owns the asset.

The value in use of an asset is calculated by determining the current value of estimated future cash flows before tax, by applying an interest rate before tax that reflects the current market values of the time value of money and of the risks inherent in the asset. Impairment is posted if the recoverable amount is lower than the book value.

Should there no longer be impairment concerning an asset or should the impairment decrease, the book value of the asset or the unit generating the cash flows is increased until the recoverable amount is estimated again and it cannot exceed the amount that would have been determined if there had been no impairment loss. Impairment is immediately reversed to the income statement.

Financial instruments

Introduction

Financial instruments held by the Company were included in the items of the statement of financial position described below.

Investments comprises interests held in subsidiaries, associates and in other companies.

Other Receivables and Other Non-Current Assets do not comprise medium/long-term receivables and caution money.

Current financial assets, as defined by IAS 39, include trade receivables, other receivables and current assets and other current financial assets (which include the positive fair value of derivatives), as well as cash and cash equivalents. In particular, Cash and Cash Equivalents comprises bank account and securities held for trading that can be readily cashed in and are subject to a non-significant risk of change.

Financial liabilities refer to financial payables as well as to other financial liabilities (including the negative fair value of derivatives), trade payables and other payables.

Valuation

Investments

Subsidiaries are companies over which the Company exercises control, as defined by IAS 27 - *Consolidated and separate financial statements*, i.e., those for which the Company has the direct or indirect power to govern the financial and operating policies in order to obtain benefits from their activities.

Associated companies are companies in which the Company exercises significant influence, as defined by IAS 28 - *Investments in associates*, but not control or joint control over the financial and operating policies.

Investments in other companies relate to non-current assets that are not held for trading.

The positive difference, arising at the time of purchase between the acquisition cost and the equity share at current values of the Company's subsidiary, is hence stated in the book value of the investment.

Investments in subsidiaries and associates are stated at adjusted cost in case of impairment loss.

In accordance with the cost method, investments are subject to impairment tests whenever there is objective evidence of impairment as a result of the investment due t one or more events that occurred after the initial recognition and have had an impact on future cash flows of the subsidiary and on the dividends that it could distribute. In these cases, impairment loss is determined as the difference between the carrying amount of the investment and its recoverable value, normally determined based on the higher between the value in use and its fair value less costs to sell.

For each period, the Company assesses whether there is objective evidence that an impairment loss of an investment recognized in prior years may have decreased or no longer exist. In these cases, the investment's recoverable value is re-valuated and, if applicable, its value of cost is restored.

If the Company's share of the impairment loss exceeds the book value of the investment and the Company must stand in, the value of the investment is written off and any further losses are stated as provisions in the liabilities. If the impairment loss should no longer subsist subsequently or register a reduction, a recovery of value is stated in the income statement within the limits of the cost.

Investments in other minor entities, including non-current financial assets for which a market quotation is not available and the fair value cannot be reliably measured, are stated at cost, possibly written down for impairment losses.

Trade receivables, other receivables and current and non-current assets

Trade receivables, other receivables and current and non-current assets, except for assets arising from derivative financial instruments, are initially recognized at fair value, which usually coincides with the acquisition cost, net of transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method and are shown net of losses on uncollectible amounts, posted in appropriate bad debt provisions. The original value of the receivables will be re-instated in subsequent fiscal years whenever the reasons for their adjustments are no longer applicable.

When financial assets have no fixed maturity, these are evaluated at cost. Receivables with a maturity over 1 year that do not yield interest or yield interest below market rates are actualized using market rates.

Receivables in foreign currency, which were originally recorded at the exchange rates prevailing on the transaction date, are adjusted to period-end exchange rates and the resulting gains and losses recognized in the income statement.

Cash

It is stated at nominal value.

Financial liabilities, trade payables and other payables

Financial payables (current and non-current), trade payables, and other payables are entered at first recognition in the statement of financial position at fair value (usually the cost of the originating transaction), including the transaction costs.

Then, with the exception of derivatives, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities hedged by derivatives are evaluated according to the procedures set for hedge accounting applicable to fair value hedges: gains and losses arising from remeasurement at fair value, due to changes in interest rates, are recognized in income and offset by the effective portion of gain or loss arising from remeasurements at fair value of the hedging instrument.

Derivatives

Derivatives are used by the Company solely for hedging in order to reduce exchange rate risk (currency forward contracts to hedge the USD risk on sales) and interest rate risk (Interest Rate Swap, Cap).

Consistently with the provisions of IAS 39, derivatives can be recorded according to the procedures set forth for hedge accounting only when, at initial recognition, there is formal designation and documentation of the hedging relationship; it is assumed that hedging is highly effective; effectiveness can be reliably measured and hedging is highly effective during the various accounting periods for which it is designated.

All financial instruments are measured at fair value as set forth by IAS 39.

When financial instruments meet the requirements to be recorded in hedge accounting, the following accounting methods are applied:

- fair value hedge: if a derivative is designated as a hedge of the exposure of changes in the fair value of a balance-sheet asset or liability attributable to a given risk that may have effects on the income statement, the profit or loss resulting from re-measurements of the fair value of the hedging instrument are posted to the income statement. Profit or loss on the hedged item attributable to the hedged risk change the book value of said item and are recorded in the income statement;
- cash flow hedge: if a derivative is designated as a hedge of the exposure to variability in the future cash flows of an asset or liability posted in the income statement or of a transaction deemed highly probable that could have effects on the income statement, the effective portion of the profit or loss on the derivative is recorded in Other Comprehensive Profit/(Loss). Accumulated profit or loss are reversed from Other Comprehensive Profit/(Loss) and recorded in the income statement in the same period in which the correlated economic effect of the hedged transaction occurs. Profit or loss of a hedge (or part of a hedge), which has become ineffective, are immediately recorded in the income statement. If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realized, accumulated gains and losses accumulated recorded in Other Comprehensive Profit/(Loss) up to that moment are recognized in the income statement in connection with the economic effects of the hedged transaction. If the hedged transaction is deemed no longer probable, profit or loss not yet realized and still retained in the Other Comprehensive Profit/(Loss) is immediately recorded in the income statement.

If hedge accounting cannot be applied, profit or loss resulting from fair value evaluation of the derivative is immediately recorded in the income statement.

Fair value

Fair value is the amount at which an asset could be traded or a liability paid off in a free transaction among cognizant and independent parties.

Fair value of a financial instrument at initial recognition is normally the price of the transaction, i.e., the amount paid or received. However, if part of the amount given or received pertains to something other than the financial instrument, fair value of the instrument is estimated using an evaluation method.

The existence of official quotations in an active market is best proof of fair value and, when these exist, they are used to evaluate the financial asset or liability.

If the market of a financial instrument is not active, fair value is determined using an evaluation method that relies more on market factors and as less as possible on specific internal factors.

Criteria for determining fair value

The Company avails itself of evaluation methods established in market practice for the determination of the fair value of financial instruments for which there is no active market of reference.

If evaluation methods are adopted, recourse to market factors allows for a reasonable estimate of the market value of said financial instruments.

The market factors considered for the calculation of the fair value and measured at the date of evaluation of 31 December 2012 were: time value of money, i.e., base interest rate without risk, credit risk, exchange rates of foreign currencies, size of the future changes in price of a financial instrument, i.e., the latter's volatility, the costs to service an asset or financial liability.

The evaluation of financial instruments using evaluation methods is entrusted by the Company to external consultants who have the necessary specialized know-how and are capable of providing the market values at the various dates of evaluation. Said market values are periodically compared with marks to market given by banking counterparts.

In order to provide information on the methods and main assumptions used to determine fair value, financial assets and liabilities were divided into two classes, both of which homogeneous by nature of information provided and for the characteristics of the financial instruments.

In particular, financial assets and liabilities were divided into:

- financial instruments evaluated at amortized cost;
- financial instruments evaluated at fair value.

Financial assets and liabilities evaluated at amortized cost

The class under examination comprises: trade receivables and payables, financial receivables, loans payable, mortgages and other liabilities and assets evaluated at amortized cost.

The fair value of the items under consideration is determined by calculating the current value of the expected contractual flows, capital and interests, based on the yield curve of treasury bonds on the date of evaluation. In particular, the fair value of medium/long-term financial liabilities is determined using the risk-free curve on the reporting date increased by an adequate credit spread.

Said spread was determined by taking the premium for credit risk applied on the last loan granted to the Company by banks as reference.

Financial assets and liabilities evaluated at fair value

The class under consideration comprises hedging instruments and those for trade.

The fair value of the exchange rate forward contracts is estimated by actualizing the difference between forward price set by the contract and the current forward price for the residual contractual term, using the yield curves of treasury bonds.

The fair value of the *interest rate swaps* and *interest rate caps* is calculated based on the market data available on the date of evaluation by discounting the contract flows of estimated future cash with the yield curves of treasury bonds.

Interest rates

The interest rates used to actualize the estimated financial flows are based on the yield curve of treasury bonds on the reporting date and are illustrated in the table below:

	EUR Curve			USD Curve	
	2012	2011		2012	2011
1W	0.08%	0.68%	1W	0.19%	0.21%
1M	0.11%	1.02%	1M	0.21%	0.30%
2M	0.11%	1.18%	2M	0.25%	0.43%
3M	0.11%	1.36%	3M	0.31%	0.58%
6M	0.32%	1.62%	6M	0.51%	0.81%
9 M	0.43%	1.79%	9 M	0.69%	0.97%
12M	0.54%	1.51%	12M	0.84%	1.13%
2 years	0.38%	1.31%	2 years	0.39%	0.73%
3 years	0.38%	1.36%	3 years	0.50%	0.82%
4 years	0.38%	1.54%	4 years	0.66%	1.01%
5 years	0.38%	1.72%	5 years	0.86%	1.22%
7 years	1.12%	2.07%	7 years	1.31%	1.64%
10 years	1.57%	2.38%	10 years	1.84%	2.03%
15 years	2.00%	2.66%	15 years	2.38%	2.40%
20 years	2.16%	2.69%	20 years	2.59%	2.52%
30 years	2.23%	2.56%	30 years	2.80%	2.62%

Inventories

Inventories of raw materials, semi-finished and finished goods are valued at the lower between the cost, determined using the method of weighted average cost, and net realizable value. The evaluation of inventories includes the direct costs of materials and labor and the indirect costs (both variable and fixed).

Provisions are calculated for the write-down of materials, finished goods, spare parts and other supplies deemed obsolete or slow-moving, considering their future expected use and realizable value. The realizable value is the estimated sales price net of all estimated costs for the completion of the good and of the sales and distribution expenses to be incurred.

Short-term provisions

The Company states provisions for risks and expenses when it has an obligation (legal or implicit) with third parties and it is probable that the Company will have to utilize resources to meet the obligation and when it is possible to make a reliable estimate of the amount resulting from fulfilling the obligation.

The estimate changes are stated in the income statement of the period in which the change occurred.

Termination benefits

Termination benefits fall within the scope of IAS 19, as these are like defined benefit plans. The amount stated in the financial statements is the result of an actuarial calculation according to the *projected unit credit method* by using a discount rate that reflects the market yield on corporate bonds with a maturity consistent with that expected from the obligation. The calculation considers the termination benefits already accrued for labor services already rendered and includes assumptions of future salary increases. Actuarial profit and loss are accounted for in a specific equity item.

Up to 31 December 2006, the termination benefits fund (TFR) was considered a defined benefit scheme. The rules of this fund were amended by Italian Law No. 296 of 27 December 2006 ("2007 Budget Law") and following Decrees and Regulations issued in early 2007. In light of said changes and in particular with reference to companies with at least 50 employees, said fund can now be considered a defined benefit plan solely for the amounts accrued before 1 January 2007 (and not yet paid on the reporting date), while the amounts accrued after that date can be considered as a defined contribution plan.

Own shares

Own shares are written down from the equity. The original cost of the own shares and profit and loss resulting from subsequent sales are stated directly as changes in equity.

Dividends received

Dividends received from subsidiaries are stated in the income statement when the right to receive payment is ascertained.

Revenue recognition

Revenues are recognized to the extent in which it is probable that the Company will reap economic benefits and their amount can be reliably determined. Revenue is stated net of returns, discounts and allowances.

Revenue from the sale of goods is recognized when the risks and rewards of ownership have been transferred to the buyer, the selling price is agreed or can be determined and collection thereof is expected.

Revenue from the sale of goods is recognized when (in accordance with IAS 18 - Revenue):

- the seller has transferred to the buyer the significant risks and rewards of ownership;
- the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues for rendering of services are recognized at the time of completion of the service.

Grants to research

Government and EU grants received for research projects are stated in the income when it is reasonably certain that the company will meet all the conditions for receiving the grants and that said grants will be received; as a rule, this coincides with the fiscal year in which the resolution to allocate the grant is made.

Cost recognition

The costs for the purchase of goods is recognized by accrual.

Costs for rendering of services are posted at the time of completion of the service.

Advertising and research costs, in compliance with IAS 38, are posted to the income statement in the fiscal year in which these are incurred.

Finance income and costs

Finance income and costs are posted in the income statement in the fiscal year in which these are incurred.

Taxes

The charge for income tax is determined based on the provisions of Italian Presidential Decree 917 of 22 December 1986 and following amendments (Consolidated Act on Income Tax). Income taxes are posted in the income statement, except for those items debited or credited in Other Comprehensive Profit/(Loss). In these cases the tax effect is recognized directly in the Other Comprehensive Profit/(Loss).

Other taxes not related to income are included among the other overheads.

Deferred tax liabilities and pre-paid taxes are determined based on all the temporary differences between the values of the asset and liabilities of the financial statements and the corresponding amounts for tax purposes. The pre-paid taxes on tax losses and on temporary differences are stated to the extent in which it is probable that there is a future taxable income on which these can be recovered.

Use of estimates

The presentation of the financial statements and related notes according to the IFRSs requires that the management make estimates and assumptions that impact the values of assets and liabilities stated in the statement of financial position and the disclosure on the potential assets and liabilities on the reporting date. The estimates and associated assumptions are based on factors known at the reporting date, experience and other factors deemed relevant. The results that will be stated in the final balance could hence differ from said estimates. The estimates and assumptions are periodically revised and effects of each change are stated in the income statement in the period in which the estimate is revised if the revision has effects on said period or in following periods if the revisions has effects both on the current period and on future periods.

In this context, please be noted that the situation caused by the current economic and financial crisis has given rise to the need to make assumptions on the future outlook marked by significant uncertainty. Therefore, it cannot be ruled out that in the next period there will be results other than those estimated and that adjustments may be needed in the book value of the relevant items. Of course, to date, these cannot be estimated and foreseen. The main items affected by these situations of uncertainty are the investments in subsidiaries included among the non-current assets in which estimates are used for the *Impairment* test, bad debt provision and provisions for slow-moving/obsolete inventories, non-current assets (tangible and intangible), the termination benefits, product warranty, pre-paid taxes and contingent liabilities.

A summary follows of the critical evaluation processes and key assumptions used in managing the application of the accounting standards to future quantities and which can have significant effects on the amounts stated in the Statement of Financial Position or for which there is the risk that significant value adjustments need to be made to the book value of the assets and liabilities in the period following the one of reference of the Statement of Financial Position .

Recoverable value of non-current assets

Non-current assets include property, plant and equipment, intangible assets, investments and other financial assets. The management periodically revises the carrying amount of the non-current assets held and used and of the assets that must be divested when facts or circumstances call for said revision. Said activity is carried out using the estimates of cash flows expected from the use or sale of the asset and adequate discount rates for the calculation of the current value. When the book value of a non-current asset registers a loss in value, the Company states a write-down for the excess amount between the book value of the asset and the recoverable value through its use or sale.

With reference to investments in subsidiaries, the evaluation process of investments held by the management (*impairment test*) has taken into account the expected trends in 2013. Moreover, for following years, changes have been made to the original schemes to take into account, in a precautionary manner, the transformed economic, financial and market scenario. The recoverable amount significantly depends on the discount rate used in the actualized cash flows model, the expected future cash flows and the growth rate used for the purpose of the extrapolation.

Bad debts provision

Bad debts provision reflects the management's estimate on the possible loss in the portfolio of receivables from customers. The estimate of the credit impairment provisions is based on the loss expected by the Company, determined in light of its past experience in similar receivables, of current and historical delinquent accounts, of losses and revenues, of the careful monitoring of credit quality and forecasts on economic and market conditions. If economic situations like those experienced over the last three years should continue, there can be a further worsening in the financial conditions of the Company's debtors compared to the worsening already considered in quantifying the provisions stated in the financial statements.

Provisions for slow-moving/obsolete inventories

Provisions for slow-moving/obsolete inventories reflect the management's estimation of impairment loss expected by the Company, determined based on past experience and on a critical analysis of rotation indices.

Product warranty

When a product is sold, the Company allocates provisions for the estimated product warranty costs. The management determines the value of said provisions based on historical information on the nature, frequency and mean cost of warranty works. The Company is committed to constantly improve the quality of its products in order to maximize customer satisfaction and reduce the impact of expenses due to warranty work to a minimum.

Termination benefits

For the evaluation of termination benefits, the management uses various statistical assumptions and evaluation factors in order to anticipate future events for the calculation of expenses and liabilities for said provisions. The assumptions regard the discount rate and future inflation rate. Moreover, the Company's actuaries use subjective factors such as mortality and resignation rates.

Recoverability of pre-paid tax assets

At 31 December 2012, the Company posted pre-paid tax assets in the amount of €0.4 million, which are deemed to be likely to be recoverable based on the budget and forecasts for subsequent years.

Contingent liabilities

The Company is potentially subject to legal and tax disputes regarding a vast range of issues. Considering the uncertainties relating to said issues, it is difficult to accurately foresee the outlay resulting from said potential disputes. In the normal course of business, the management consults its legal and tax experts. The Company states a liability for said disputes when it deems that it is probable that there will be a financial outlay and when the resulting amount of loss can be reasonably estimated. If the financial outlay becomes possible, but it is not possible yet to determine the amount, said fact is reported in the Notes to the Financial Statements

Accounting standards, amendments and interpretations effective as of 1 January 2012

On 07/10/2010 the IASB published some amendments to standard IFRS 7 – *Financial Instruments: Enhanced Disclosures*, to be applied as of01.01.2012. The amendments were issued in order to improve the understanding of derecognition transactions of financial assets, including the understanding of the possible effects resulting from any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken near the end of a reporting period. The adoption of this amendment did not impact on the valuation of items of the statement of financial position.

Accounting standards, amendments and interpretations applicable as of 1 January 2012 that are not relevant for the Company

On 20 December 2010 IASB issued an amendment to IAS 12 - *Income taxes*, which clarifies the determination of deferred taxes on investment property measured at fair value. The amendment adopts the assumption that deferred taxes related to investments in real estate measured at fair value as per IAS 40 must be determined based on the fact that the book value will be recovered through sale. The amendment must be applied retrospectively from 1 January 2012.

The following amendment, effective as of 1 January 2012, governs situations and cases not applicable to the Company at the date of this Annual Report, but which may affect accounting for future transactions or arrangements:

Accounting standards, amendments and interpretations not applicable yet and not adopted in advance by the Company

On 12 May 2011, IASB issued IFRS 10 - Consolidated Financial Statements, which will replace SIC-12 *Consolidation – Special Purpose Entities (Special Purpose Vehicle)* and parts of IAS 27 - *Consolidated and Separate Financial Statements*, which will be renamed Separate Financial Statements and regulate the accounting of investments in the separate financial statement. The new standard identifies the concept of control as the determining factor for the consolidation of a company in the consolidated financial statements of the parent company. It also provides guidance for determining the existence of control where it is difficult to ascertain. The standard must be applied retrospectively from 1 January 2014.

On 12 May 2011, IASB issued IFRS 11 - *Joint Arrangements*, which will replace IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The new standard provides criteria for identifying partnership agreements based on the rights and obligations arising from agreements rather than the legal form thereof, and sets forth the equity method as the sole method of accounting for interests in joint ventures in consolidated financial statements. The standard must be applied retrospectively from 1 January 2014. Following the issue of the standard, IAS 28 - *Investments in Associates and Joint Ventures* was amended to include also interests in entities with joint control in its scope from the effective date of the standard.

On 12 May 2011, the IASB issued the standard IFRS 12 - *Disclosure of Interests in Other Entities*, which is a new and comprehensive standard on enhanced disclosure requirements for all forms of interest. The standard must be applied retrospectively from 1 January 2014.

On 12 May 2011, IASB issued IFRS 13 - *Fair value Measurement* that clarifies how to determine the fair value for the purpose of financial statements and applies to all IFRS standards that require or allow the measurement of fair value or disclosure of information based on fair value. The standard must be applied prospectively from 1 January 2013.

On 16 June 2011, IASB amended IAS 1 - *Presentation of Financial Statements* to require businesses to group together all the components presented under Other Comprehensive Profit/(Loss) depending on whether or not they may subsequently be reclassified in the income statement. The amendment must be applied starting from fiscal years beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amendment to IAS 19 - *Employee Benefits* that modifies the rules for the recognition of defined benefit plans and termination benefits. The main changes concern the recognition in the statement of financial position of any gains or losses of the plan, the introduction of the finance cost and the classification of finance costs. In particular:

- Recognition of the losses or gains of the plan: the amendment eliminates the option to defer actuarial gains and losses using the 'corridor' method and requires the recognition directly in Other Comprehensive Profit/(Loss) and the recognition in the income statement of past service cost;
- Finance cost: Finance cost is composed of financial charges calculated on the present value of the liabilities for defined benefit plans, financial gains from the valuation of plan assets and the profit or loss arising from any limits to the recognition of the plan's gain. Finance cost is calculated using the discount rate used for the measurement of the defined benefit plans at the beginning of the period for all of these components;
- Classification of finance cost: finance cost must be recognized to profit/(loss) in the income statement.

This amendment will be applied retrospectively as of 1 January 2013 by adjusting the starting values of the Statement of Financial Position at 1 January 2012 and economic data of 2012 and will have no impact on the Company.

On 16 December 2011 IASB issued some amendments to IAS 32 - *Financial Instruments: Presentation* to clarify the application of some criteria for offsetting financial assets and liabilities in IAS 32. The amendments must be applied retrospectively for fiscal years beginning on or after 1 January 2014.

On 16 December 2011 IASB issued some amendments to IFRS 7 - *Financial Instruments: Disclosures* on enhancing disclosures. The amendment requires information on the effects or potential effects on the Statement of Financial Position of contracts offsetting financial assets and liabilities. The amendments must be applied for fiscal years beginning on or after 1 January 2013 and intermediate periods following said date. The information must be provided retrospectively.

On the date of this Annual Report, the competent bodies of the European Union had not completed yet the approval process for the application of the following standards and amendments.

On 12 November 2009 IASB published standard IFRS 9 – *Financial Instruments*. Said standard was later amended. The principle, retrospectively applicable as of 1 January 2015, is the first part of a phase-in that aims to fully replace IAS 39 and introduces new criteria for the recognition and measurement of financial assets and liabilities. In particular, with regard to financial assets, the new standard uses a single approach based on the procedures to manage financial instruments and on the characteristics of contractual cash flows of said financial assets in order to determine the measurement criterion. It replaces the various rules set forth in IAS 39. As for financial liabilities, the main change regards the accounting of changes in fair value of a financial liability designated as financial asset at fair value stated in the income statement if these are due to the change in the credit rating of the liability. According to the new principle, these changes must be stated in the Other Comprehensive Profit/(Loss) and no longer in the income statement.

On 17 May 2012, the IASB issued a set of changes to the IFRSs ("Improvement to IFRS's – 2009-2011") to be applied as of 1 January 2013. Those involving a change in the presentation, recognition and measurement of the items of the financial statements are listed below, while those involving only changes in terminology or editorial layout with minimum accounting effects or those affecting standards or interpretations not applicable to the Company are discarded:

- IAS 1 - *Presentation of Financial Statements*: The amendment clarifies the requirements for the presentation of comparative information in cases in which a company changes accounting principles, in which the company carries out a retrospective restatement or reclassification, and in which a company provides additional line items to present the financial position;
- IAS 16 - *Property, Plant and Equipment*: The amendment clarifies that spare parts and replacement equipment should be capitalized only if they meet the definition of Property, Plant and Equipment; otherwise they are classified as Inventories.
- IAS 32 - *Financial Instruments: Presentation*: The amendment eliminates an inconsistency between IAS 12 - Income Taxes and IAS 32 on the recognition of tax effect of equity distributions to shareholders stating that these must be recognized in the income statement to the extent that the distribution refers to income generated from transactions originally recognized in the income statement.

Risk management

The risks to which Fidia S.p.A. is subject directly or indirectly through its subsidiaries are the same as those of the companies which it is the parent company of. In addition to Note No. 30, please refer to the note on risk management found in the Additional Notes to the Consolidated Financial Statements of Fidia Group.

CONTENT AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

Revenues for the sale of goods and services amounted to €31,778 thousand, up by €5,545 thousand (+21.1%) compared to €26,233 thousand in FY2011.

Hereinafter follows the details by geographical region and business line for sales.

Turnover by geographical area **€ thousand**	**FY2012**	**%**	**FY2011**	**%**
Italy	5,272	16.6%	4,074	15.5%
Europe	6,579	20.7%	5,338	20.3%
Asia	14,915	46.9%	13,764	52.5%
North and South America	4,815	15.2%	2,584	9.9%
Rest of the World	197	0.6%	473	1.8%
Total revenues	**31,778**	**100%**	**26,233**	**100%**

All three sectors in which the company operates recorded significant growths compared to the previous year (electronics sector +15.2%, +25.2% mechanical sector, service sector +8.9%).Turnover by business line are illustrated more in detail in the following table:

Turnover by business line **€ thousand**	**FY2012**	**%**	**FY2011**	**%**
Numerical controls, drives and software	3,220	10.1%	2,794	10.7%
High-speed milling systems	23,327	73.4%	18,637	71.0%
After-sales service	5,231	16.5%	4,802	18.3%
Total revenues	**31,778**	**100%**	**26,233**	**100%**

2. OTHER OPERATING REVENUE

This item comprises:

€ thousand	**FY2012**	**FY2011**
Contributions for operating expenses	1,133	1,290
Increase in fixed assets for internal work	200	270
Contingent assets	43	163
Recovery of costs incurred	217	187
Insurance refunds	23	8
Other miscellaneous revenues and earnings	36	1,724
Total	**1,652**	**3,642**

Grants for operating expenses basically consisted of funds for research projects stated by year of accrual in the income statement as at 31 December 2012 and allocated by the European Union and Italian University and Research Ministry. Applied and basic research and development activities are a structural component and are carried out on an ongoing basis by Fidia S.p.A.

The decrease in other revenues and earnings can be attributed to the end of the training and technical consulting activities provided to the Chinese subsidiary Shenyang Fidia NC&M Co. Ltd.; in 2011 these amounted to €1,524 thousand.

3. RAW MATERIALS

These are:

€ thousand	FY2012	FY2011
Production materials	14,189	12,187
Service materials	842	706
Consumables	110	232
Equipment and software	95	55
Packaging	250	173
Other	111	101
Change in inventory raw materials and consumables	(2,004)	(1,745)
Total	**13,593**	**11,709**

The increase in costs for raw materials and other materials substantially reflected revenue growth for the year and the different mix in their composition (increased impact on the turnover from sales of the mechanical sector).

4. PERSONNEL EXPENSES

Personnel expenses amounted to €10,144 thousand as opposed to €9,387 thousand of FY2011 and consisted of:

€ thousand	FY2012	FY2011
Wages and salaries	7,622	6,943
Social security charges	2,107	2,043
TFR	415	401
Total	**10,144**	**9,387**

Cost of labor was up by €757 thousand compared to the previous year (+8.1%) and also includes costs for temporary staff, which amounted to approximately €453 thousand (€140 thousand in 2011).

The increased costs and the hiring of temporary staff are justified by the higher levels of production that resulted in an increase in the costs for direct and indirect production personnel. Please be noted also that fiscal year 2011 was marked by recourse to public redundancy funds that made it possible to curb overall personnel costs.

Please note in the table below the change recorded in FY2012 in the number of employees, broken down by category, is illustrated below:

	31 December 2011	Inbound	Outbound	Change	31 December 2012	Period average
Executives	9	-	-3	1	7	8.0
Clerks and supervisors	129	15	-13	-1	130	129.5
Workers	34	4	-3	-	35	34.5
Total	**172**	**19**	**-19**	**-**	**172**	**172.0**

5. OTHER OPERATING EXPENSES

Other working expenses are as follows:

€ thousand	FY2012	FY2011
Outsourced work	2,347	2,200
Travel expenses	536	424
Transportation and customs	754	649
Rent due	617	575
Technical, legal and administrative consulting	1,142	765
Utilities	434	428
Commissions	1,547	1,525
Car and equipment rental	285	270
Auditors' emoluments	57	52
Insurance	268	232
Advertising, trade fairs and other commercial costs	222	330
Non-income taxes	69	75
Maintenance and housekeeping	149	180
Charges for personnel services	211	328
First-supply services	878	597
Bank services	197	147
Stock exchange listing fees	109	107
Costs for repairs and interventions	780	593
Research project costs	49	44
Entertainment expenses	52	69
Patent costs	77	43
Contributions and payments	28	31
Contingent liabilities	200	82
Warranty provisions	268	159
Provisions for legal risks	50	-
Other	346	271
Total	**11,672**	**10,176**

Other operating expenses amounted to €11,672 thousand, up by €1,496 thousand compared to €10,176 thousand in 2011.

The increase compared to the previous year was due mostly to higher costs related to the production and technical areas, as well as to a greater use of contractors; these costs grew because of higher production levels.

6. DEPRECIATION AND AMORTIZATION

€ thousand	FY2012	FY2011
Amortization of intangible assets	22	15
Depreciation plant and equipment	230	246
Bad debts	201	96
Other write-downs	27	-
Total	**480**	**357**

Amortization of tangible and intangible assets was carried out according to the rates already described above. Bad debts consist of the estimate of possible outstanding credits. Said provisions along with the existing reserves are considered commensurate to possible cases of insolvency. The other write-downs refer to provisions made for certain assets in order to realign their value to their estimated realizable value.

7. WRITE-DOWN/RECOVERY OF VALUE OF INVESTMENTS AND PROVISIONS FOR COVERAGE OF LOSSES

€ thousand	FY2012	FY2011
Write-down of investments	(157)	(6)
Recovery of value of investments	2,005	-
Provisions for coverage of losses Fidia Spolka z.o.o.	-	(35)
Total	**1,848**	**(41)**

The outcome of the impairment test carried out on the investments held by the subsidiaries Fidia Co. (USA) and Shenyang Fidia NC & Machine Co. Ltd. (China) resulted in a recovery of €2,005 thousand and a write-down of €157 thousand respectively. The recovery was made in view of the fact that the U.S. company has consolidated a trend of positive economic results in recent years; considering also the economic and financial outlook, estimated over a period of three years, management deemed that the conditions that led to the write-down of the investment in past years no longer subsist. For more details, see Note No. 13

8. RESTRUCTURING EXPENSES

This item accounted for the charge (equal to €376 thousand at 31 December 2011) in FY2011 related to the restructuring activity and consisted mainly of voluntary redundancy payments. During 2012, there were no circumstances that required the incurrence of additional restructuring costs.

9. FINANCE INCOME AND COSTS

Finance income and costs consisted of:

€ thousand	FY2012	FY2011
Finance revenue	835	806
Borrowing costs	(380)	(309)
Net profit (loss) on derivatives	(5)	(92)
Profit (loss) from foreign currency transactions	(13)	60
Total	**437**	**465**

Finance revenue consists of:

€ thousand	FY2012	FY2011
Dividends from subsidiaries	788	777
Interests received from banks	45	24
Other interests received	2	5
Total	**835**	**806**

Dividends from subsidiaries consisted of:

€ thousand	FY2012	FY2011
Beijing Fidia Machinery & Electronics Co. Ltd.	788	777
Total	**788**	**777**

Finance expenses consisted of:

€ thousand	FY2012	FY2011
Interests paid on short-term loans to banks	(251)	(163)
Interest paid on M/L term loans to banks	(67)	(65)
Borrowing costs on termination benefits	(54)	(75)
Other borrowing costs	(8)	(6)
Total	**(380)**	**(309)**

Net profit and loss on derivatives:

€ thousand	FY2012	FY2011
Loss on derivatives due to fair value adjustment	(26)	(93)
Gain on derivatives due to fair value adjustment	21	1
Total	**(5)**	**(92)**

Finance loss on derivatives included the value of the ineffectiveness component resulting from cash flow hedge transactions in the amount of €26 thousand; in this specific case, the company entered into two interest rate cap contracts to reduce the interest rate risk on two medium/long-term floating rate loans.

Profit on derivative instruments included:

- €20 thousand as adjustment in fair value resulting from hedging transactions (*forward*) to limit the EUR/USD exchange rate risk. For these transactions, it was not possible to determine such a correlation to include these among the cash flow hedge transactions;
- €1 thousand euro for the ineffectiveness component of a hedging derivative (interest rate swap) entered into to control the interest rate risk on a medium/long-term floating rate loan.

Profit (loss) on foreign currency transactions consists of:

€ thousand	FY2012	FY2011
Currency gain	25	52
Revenue from exchange rate adjustment	1	36
Profit on currency forward contract	22	14
Loss on currency forward contract	(13)	(11)
Currency loss	(31)	(24)
Expenses from exchange rate adjustment	(17)	(7)
Total	**(13)**	**60**

10. INCOME TAXES

Taxes stated in the income statement are:

€ thousand	FY2012	FY2011
Income tax: IRAP (Italian Regional Tax on Production Activities)	226	242
Deferred tax assets absorbed	4	48
Deferred tax liabilities absorbed	(1)	(2)
Pre-paid taxes	-	(343)
Total	**229**	**(55)**

It is deemed that it is not necessary to provide a reconciliation schedule between the theoretical tax expense and the tax expense stated in the financial statements, as IRAP accounts for the largest tax amount in the income statement. It is a tax with a taxable base other than EBT and hence generates distortions from one period to another.

As at 31 December 2012 the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€ thousand	31 December 2012	31 December 2011
Pre-paid tax assets	422	420
Deferred tax liabilities	-	(3)
Total	**422**	**417**

In all, pre-paid tax assets and deferred tax liabilities are as follows:

€ thousand	At 31 December 2011	Posted in income statement	Recognized in Shareholders' equity	At 31 December 2012
Pre-paid taxes for:				
Application of IAS 19 - Termination Benefits	73	(4)	4	73
Inventories impairment provisions	-	-	-	-
Tax loss	343	-	-	343
Cash flow hedge reserve	4	-	2	6
Total pre-paid taxes	**420**	**(4)**	**6**	**422**
Deferred tax liabilities for:				
Application of IAS 16- Plant and equipment	3	(3)	-	-
Application of IAS 19 - Termination Benefits	-	-	-	-
Total deferred taxes	**3**	**(3)**	**-**	**-**

Following the issue of Decree Law no. 98 of 6 July 2011, enacted with amendments by Law no. 111 of 15 July 2011, tax losses are carried forward indefinitely. Assets for pre-paid taxes were posted by critically evaluating the subsistence of the prerequisites for future recoverability of said assets based on updated plans.

11. PLANT AND EQUIPMENT

In 2012 and 2011, the changes in Plant and Equipment are detailed in the following schedule:

	Prior changes			Changes in period						
€thousand	Purchase price	Depreciation reserve	Initial balance 1.1.2012	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Write-downs/ Recovery in value	Balance
Plant and equipment	1,664	(1,182)	482	165	155	10	60	108	(27)	417
Industrial equipment	1,490	(1,395)	95	58	-	58	-	57	-	96
Electrical tools	832	(798)	34	3	60	(57)	60	12	-	25
Furnishing	855	(654)	201	9	-	9	-	23	-	187
Electronic equipment	1,269	(1,200)	69	41	57	(16)	57	28	-	82
Means of transportation	306	(306)	-	-	39	(39)	39	-	-	-
Other tangible assets	8	(1)	7	1	-	1	-	2	-	6
Total plant and equipment	**6,424**	**(5,536)**	**888**	**277**	**311**	**(34)**	**216**	**230**	**(27)**	**813**

	Prior changes			Changes in period					
€thousand	Purchase price	Depreciation reserve	Initial balance 1/1/2011	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Balance
Plant and equipment	1,624	(1,090)	534	255	215	40	18	110	482
Industrial equipment	1,463	(1,330)	133	28	1	27	-	65	95
Electrical tools	823	(785)	38	12	3	9	3	16	34
Furnishing	744	(635)	109	111	-	111	-	19	201
Electronic equipment	1,278	(1,228)	50	42	51	(9)	51	23	69
Means of transportation	306	(293)	13	-	-	-	-	13	-
Other tangible assets	-	-	-	8	-	8	-	1	7
Total plant and equipment	**6,238**	**(5,361)**	**877**	**456**	**270**	**186**	**72**	**247**	**888**

Increases in the amount of €277 thousand in 2012 were composed of physiological investments for the production organization of the Company and largely consisted of the internal production of milling systems, used in the production cycle and demonstration activities for the benefit of customers, and in acquiring or building new equipment for the production units.

As at 31 December 2012 there were no intangible assets in progress.

There was no intangible assets burdened by lien or whose use is subject to restraints.

Amortization of tangible assets is stated in the income statement under "Depreciation and amortization" (Note No. 6).

12. INTANGIBLE ASSETS

Intangible assets were fully purchased externally and there are no intangible assets with an indefinite useful life. R&D expenses too and those for the design of new product families, both mechanical and electronic, are directly stated in the income statement in the year in which the costs are incurred.

The following tables show the breakdown by category and the changes over the past two fiscal years:

	Prior changes			Changes in period					
€ thousand	Purchase price	Depreciation reserve	Initial balance 1.1.2012	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Balance
Licenses	-	-	-	1	-	1	-	-	1
Software	603	(574)	29	48	-	48	-	22	55
Total intangible assets	**603**	**(574)**	**29**	**49**	**-**	**49**	**-**	**22**	**56**

	Prior changes			Changes in period					
€ thousand	Purchase price	Depreciation reserve	Initial balance 1.1.2011	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Balance
Licenses	301	(301)	--						-
Software	580	(559)	21	23	-	23	-	15	29
Total intangible assets	**881**	**(860)**	**21**	**23**	**-**	**23**	**-**	**15**	**29**

The item Software comprised the costs incurred for the purchase and use of software applications that are amortized at constant rates in 5 years. Increases during the year related mainly to computer programs for the technical office.

Amortization of intangible assets is stated in the income statement under "Depreciation and amortization" (Note No. 6).

13. INVESTMENTS

At 31 December 2012 these amounted to €8,797 thousand. The following changes were registered:

€ thousand	Balance as at 31 December 2011	Increases	Decreases	Write-downs	Recovery of value	Balance as at 31 December 2012
Investments in subsidiaries	6,936	-	-	157	2,005	8,784
Investments in associates	4	-	2	-	-	2
Investments in others entities	11	-	-	-	-	11
Total investments	**6,951**	**-**	**2**	**157**	**2,005**	**8,797**

€ thousand	Balance as at 31 December 2010	Increases	Decreases	Write-downs	Recovery of value	Balance as at 31 December 2011
Investments in subsidiaries	6,936	-	-	-	-	6,936
Investments in associates	4	-	-	-	-	4
Investments in others entities	17	-	-	6	-	11
Total investments	**6,957**	**-**	**-**	**6**	**-**	**6,951**

Detailed information of the investments in subsidiaries, associates and others and their changes is provided in the table below:

€ thousand	Balance as at 31 December 2011	Increases	Decreases	(Impairment)/Recovery of value	Balance at 31 December 2012
Subsidiaries					
Fidia GmbH	1,208				1,208
Historical cost	1,208	-	-	-	1,208
Impairment provisions	-	-	-	-	-
Fidia Co.	1,522				3,527
Historical cost	7,078	-	-	-	7,078
Impairment provisions	(5,556)	-	-	2,005	(3,551)
Fidia Iberica S.A.	171				171
Historical cost	171	-	-	-	171
Impairment provisions	-	-	-	-	-
Fidia Sarl	221				221
Historical cost	221	-	-	-	221
Impairment provisions	-	-	-	-	-
Beijing Fidia M&E Co. Ltd.	1,185				1,185
Historical cost	1,185	-	-	-	1,185
Impairment provisions	-	-	-	-	-
Fidia Do Brasil Ltda	184				184
Historical cost	350	-	-	-	350
Impairment provisions	(166)	-	-	-	(166)
Shenyang Fidia NC & Machine Co. Ltd.	2,443				2,286
Historical cost	2,443	-	-	-	2,443
Impairment provisions	-	-	-	(157)	(157)
OOO Fidia	-				-
Historical cost	100	-	-	-	100
Impairment provisions	(100)	-	-	-	(100)
Fidia Spolka z o.o	-				
Historical cost	105	-	(105)	-	-
Impairment provisions	(105)	-	105	-	-
Fidia India Private Ltd.	2				2
Historical cost	2	-	-	-	2
Impairment provisions	-	-	-	-	-
Total investments in subsidiaries	**6,936**				**8,784**
Historical cost	12,863	-	(105)	-	12,758
Impairment provisions	(5,927)	-	105	1,848	(3,974)
Associates					
Prometec Consortium	4	-	2	-	2
Total investments in associates	**4**	**-**	**2**	**-**	**2**
Others					
Probest Service S.p.A.	10	-	-	-	10
Consorzio C.S.E.A.	-				-
Historical cost	6.5	-	-	-	6.5
Impairment provisions	(6.5)	-	-	-	(6.5)
Total investments in others	**11**	**-**	**-**	**-**	**11**
Total investments	**6,951**	**-**	**-**	**-**	**8,797**

The value of the investment in the company Fidia Spolka z.o.o. was written off due to the liquidation of the company in 2012. The economic impact related to liquidation was approximately €110 thousand.

(Impairment) recovery of value comprises write-downs and recovery resulting from the application of the cost method, as previously illustrated under Accounting Principles.

The list of investments with further information required by CONSOB (Notice No. DEM/6064293 of 28 July 2006) is hereto attached.

There are no investments in other companies involving unlimited liability for the obligations thereof (article 2361, par. 2, of the Italian Civil Code).

Finally, as at 31 December 2011 and 2012 there were no investments provided as collateral for financial liabilities and potential liabilities.

Impairment test

The impairment test was performed on investments in subsidiaries for which, at year-end, the indicators of impairment were present or no longer subsisted. In particular:

- Fidia Co. (USA): the company, written down to €5,556 thousand in the course of the fiscal years from 1996 to 2008 and which, by year 2009, consolidated a trend of positive economic results and recorded a shareholders' equity book value greater than the carrying value posted in the financial statements of the parent company Fidia S.p.A.
- Shenyang Fidia NC&M Co. Ltd. (China): the company has a cost greater than the portion of the shareholders' equity book value of the company.

The recoverable amount was determined by the value in use, i.e., by discounting the cash flows contained in the financial plan of the subsidiaries concerning the 2013-2015 time-frame. The assumptions used in forecasting cash flows for the explicit forecast period were based on prudent assumptions and using future realistic and achievable expectations.
In order to determine the value in use of the subsidiaries, the discounted cash flows of the 3 years of explicit forecast plus a terminal value are taken into account; the latter value was determined by using the criterion of discounting the perpetuity. The discount rate applied to future cash flows was calculated taking into account the sector and the countries in which the companies operate, the debt structure and the current economic situation. The growth rate for the cash flows for the years following the explicit forecast period was assumed to be zero (in line with that used in previous years), to take into account the current economic situation.

The results of the impairments tests were approved independently and separately from the financial statements and are shown in the following table:

€ thousand	Fidia Co.	Shenyang Fidia NC&M Co. Ltd.
Value of investment	1,522	2,443
Recoverable amount (pro-rata)	3,527	2,286
Difference	2,005	(157)
WACC (pre-tax)	11.20%	13.77%
Growth rate	0%	0%

Based on the results of the impairment test, an impairment of €157 thousand was posted for the investment in Shenyang Fidia NC&M Co. Ltd. and a recovery in value in the amount of €2,005 thousand was posted for Fidia Co.

In terms of the sensitivity analysis, it should be noted that increases/decreases of the WACC by 50 basis points cause changes of about 4% in the recoverable value of the companies.

With reference to Shenyang Fidia NC&M Co. Ltd., the impaired value of the investment is basically in line with the shareholders' equity.

A sensitivity analysis was also carried out for Fidia Co. ; the forecast results were lower than those in the 2013 - 2015 plan. A 5% decline in EBITDA in 2013 would result in a reduction of 3% in the recoverable amount.

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

Other non-current receivables and assets comprised the following items:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Guarantee deposits	67	45
Receivables for foreign VAT	1	8
Receivables for EU contributions to R&D	180	302
Withholding tax on foreign income	953	965
Other current	11	3
Total other non-current receivables and assets	**1,212**	**1,323**

It is deemed that the book value of other non-current receivables and assets is near fair value.

Withholding tax on foreign income consisted of receivables claimed from Chinese tax authorities for final withholding tax on wages for technical training activities carried out by the Company on behalf of the subsidiary Shenyang Fidia in prior fiscal years.

15. INVENTORIES

The breakdown of the item is illustrated in the following table:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Raw materials, subsidiary materials and consumables	9,511	7,378
Provisions for raw materials depreciation	(1,177)	(1,048)
Net value of raw materials, subsidiary materials and consumables	**8,334**	**6,330**
Semi-finished products and work in progress	3,590	2,624
Finished products and goods	2,569	2,818
Provision for depreciation finished products & goods	(138)	(70)
Net value finished products and goods	2,431	2,748
Advances	4	46
Total inventories	**14,359**	**11,748**

Compared to the year before, inventories increased by €2,611 thousand. Said increase is to be correlated with the great increase in production. Please be noted that the finished product inventories comprise €704 thousand in high-speed milling systems already delivered to final customers by year-end but which have not been accepted yet by the latter.

The provisions for depreciation in the amount of €1,315 thousand (€1,118 thousand at 31 December 2011) were stated to hedge some slow-moving components; these phenomena result, in particular, from the need to ensure customers that spare parts are available for servicing even beyond the period of ordinary marketability of the components.

16. TRADE RECEIVABLES

As at 31 December 2012, these amounted to €9,336 thousand, namely up by €937 thousand compared to 31 December 2011. In detail:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Trade receivables from customers	6,405	5,695
Bad debt provisions	(635)	(675)
Total trade receivables from others	**5,770**	**5,020**
Receivables from subsidiaries	3,566	3,379
Total trade receivables	**9,336**	**8,399**

The breakdown of gross trade receivables from others by maturity is as follows:

€ thousand	31 December 2012	31 December 2011
Unexpired	4,008	3,149
Due up to 1 month	314	565
Due 1 to 3 months	388	287
Due 3 months to 6 months	394	498
Due 6 months to 1 year	441	168
Due over 1 year	860	1,028
Total	**6,405**	**5,695**

All trade receivables are due within one year.

The bad debt provisions, amounting to €635 thousand (€675 thousand at 31 December 2011) were allocated to cover the risk of default related to doubtful receivables and overdue receivables. The changes in the provisions for receivables impairment were:

€ thousand	
Balance at 31 December 2011	**675**
Provisions in period	201
Amounts used	(241)
Balance at 31 December 2012	**635**

Gross trade receivables from others broken down by geographical area were the following:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Italy	2,680	2,571
Europe	473	329
Asia	3,031	2,617
North and South America	200	160
Rest of the World	21	18
Total	**6,405**	**5,695**

Receivables from subsidiaries were the following:

€ thousand	Balance 31 December 2012	Balance 31 December 2011
Fidia Co.	315	639
Fidia Sarl	392	44
Fidia Iberica S.A.	38	12
Fidia GmbH	491	744
Fidia do Brasil Ltda	84	30
Fidia Sp.z o.o	-	223
Beijing Fidia M&E Co. Ltd.	346	-
Shenyang Fidia NC & Machine Co. Ltd.	1,900	1,687
Total receivables	**3,566**	**3,379**

Trade receivables from subsidiaries broken down by geographical area were the following:

€ thousand	Balance 31 December 2012	Balance 31 December 2011
Europe	921	1,023
North and South America	399	669
Asia	2,246	1,687
Total	**3,566**	**3,379**

At year-end there were no receivables from associates.

It is deemed that the carrying amount of trade receivables is near the fair value.

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Current tax receivables:		
Receivables from tax authorities for VAT	8	86
Tax receivables for income tax and IRAP	24	11
Receivables for short-term foreign VAT	9	18
Other tax receivables:	9	7
Total current tax receivables	**50**	**122**
Research grants	623	120
Receivables from INPS for redundancy pay	-	698
Prepayments and accrued expenses	79	90
Receivables from employees	5	18
Advances from suppliers	73	68
Dividends receivable	778	-
Other current receivables	60	251
Total other current receivables and assets	**1,618**	**1,245**

Receivables for research projects equal to €623 thousand consisted of grants from the European Union and the University and Research Ministry for projects aimed at developing new products and technologies.

Dividends receivable are referred to the dividends decided by the subsidiary Beijing Fidia M&E Co. Ltd. (China) and not yet paid out at year end.

It is deemed that the book value of Other current receivables and assets is near the fair value. Other current receivables will be due entirely by the next fiscal year.

18. OTHER CURRENT FINANCIAL ASSETS

This item, amounting to €20 thousand, reflects the positive fair value of USD forward contracts. As in the case of the derivatives recorded under Other non-current payables and liabilities, this value was determined considering market parameters at reporting date, as specified in the paragraph on "Criteria for determining fair value".

At 31 December 2011 the balance of €30 thousand consisted of an interest-yielding loan granted to the former Polish subsidiary Fidia Spolka Z.o.o. It was paid off in FY2012.

€ thousand	31 December 2012		31 December 2011	
Derivatives for trading	Notional USD	Fair value Euro	Notional USD	Fair value Euro
Forward contract	750	20	-	-

19. CASH AND CASH EQUIVALENTS

The overall total of cash amounted to €3,879 thousand (€4,432 thousand as at 31 December 2011). This item is composed of temporary cash on bank accounts pending future use amounting to €3,878 thousand and cash on hand and cheques in the amount of €1 thousand. It is deemed that the book value of the cash and cash equivalents is aligned to the fair value at recording date.

Credit risk correlated with cash and cash equivalents is limited because the counterparts are leading Italian and international banks.

20. SHAREHOLDERS' EQUITY

Shareholders' equity at 31 December 2012 amounted to €8,733 thousand, up by €231 thousand compared to 31 December 2011 due to profit realized in the fiscal year (€246 thousand), the posting of actuarial losses on termination benefits net of tax effect (-€11 thousand) and the adjustment of the cash flow hedge reserve net of tax effect (-€4 thousand).

The main classes composing the Equity and related changes are the following.

Share capital

Capital issued amounted to €5,123,000 and was unchanged compared to 31 December 2011. The share capital, fully subscribed and paid in, is unchanged and numbered 5,123,000 ordinary shares with a face value of €1 each.

The following table illustrates reconciliation between the number of circulating shares as at 31 December 2010 and the number of circulating shares at 31 December 2012:

	At 31 December 2010	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2011	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2012
Ordinary shares issued	5,123,000	-	5,123,000	-	5,123,000
Minus: Own shares	10,000	-	10,000	-	10,000
Circulating ordinary shares	5,113,000	-	5,113,000	-	5,113,000

Share premium reserve

This reserve amounts to €1,240 thousand and was lower by €246 thousand compared to 31 December 2011, due to the coverage of the loss reported in the previous year (as per the shareholders' resolution of 27 April 2012).

Legal reserve

Legal reserve in the amount of €504 thousand was unchanged compared to 31 December 2011.

Provisions for own shares in portfolio

As at 31 December 2012 these amounted to €46 thousand and were unchanged compared to FY2011.

These reserves are not available until own shares are held.

Extraordinary reserve

As at 31 December 2012 these amounted to €877 thousand and were unchanged compared to FY2011.

Profit (loss) carried forward

As at 31 December 2011 profit carried forward amounted to €767 thousand and was unchanged compared to FY2011.

Own shares

Own shares consisted of 10,000 ordinary shares issued by Fidia S.p.A. for a value of €45.5 thousand. There were no changes in FY2012, as illustrated in the following table.

	No. of shares	Nominal value (€/000)	Share in % share capital	Nominal value (€/000)	Mean unit value (€)
Balance as at 1 January 2012	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Recovery in value	-	-	-	-	-
Balance as at 31 December 2012	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**

Profit (loss) stated directly in equity

As at 31 December 2012 it amounted to -€9 thousand as opposed to €2 thousand as at 31 December 2011; the change was due to the accounting of actuarial losses for termination benefits in 2012, net of tax effect.

Cash flow hedge provisions

Cash flow hedge reserve comprised the fair value of the derivative (*interest rate swap*) stipulated by the Company to hedge risk on oscillations in interest rates on a variable-rate loan. Reserve comprised an amount of -€15 thousand net of tax effect.

In FY2012 the cash flow hedge provisions registered the following changes:

Cash Flow Hedge Reserve						
€ thousand Type of financial instrument	**Nature of hedged risk**	**Opening holdings at 31 December 2011**	**Increases**	**Decreases**	**CFH provisions stated in income statement**	**Final holdings at 31 December 2012**
- Interest rate swap	Interest rate risk	(11)	-	(4)		(15)
Total		**(11)**	**-**	**(4)**		**(15)**

According to article 2427, no. 7b, of the Italian Civil Code, as amended by Italian Legislative Decree no. 6/03, the following schedule of the Equity items is provided below and it specifies the utilization of provisions:

				Utilizations in previous 3 fiscal years	
€ thousand	**Amount**	**Availability**	**Distributability**	**To cover losses**	**Other reasons**
Capital issued:	5,123				
Capital reserves:					
Provisions for share premium (1)	1,240	A,B,C	1,240	258	-
Profit reserves:					
Provisions for own shares	46	----	----	-	-
Legal reserve	504	B	----	-	-
Cash flow hedge provisions	(15)	----	----	-	-
Profit (loss) stated directly in equity	(9)	----	----	-	-
Extraordinary reserve	877	A,B,C	877	-	-
Profit (loss) carried forward	767	A,B,C	767	-	-
Total distributable share			**2,884**	**258**	**-**

(1) Fully available for increase of share capital and coverage of loss. For other utilizations, it is necessary to adjust in advance the legal reserve to 20% of the issued capital (also through transfer from the provisions for share premium). As at 31 December 2012 this adjustment would amount to €521 thousand.

Legend:

A: For increase in share capital
B: To cover losses
C: For distribution to shareholders

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

€ thousand	**Balance at 31 December 2012**	**Balance at 31 December 2011**
Advances for research projects	48	136

Total		48	136

Advances for research projects consisted of advance payments from the European Union and the Italian University and Research University for funds granted for funded projects whose completion is expected after the end of the next fiscal year.

It is deemed that the book value of other non-current payables and liabilities is near fair value.

22. TERMINATION BENEFITS

This item reflects the benefits envisaged by Italian law (amended by Italian Law No. 296/06) accrued by employees as at 31 December 2006 and which will be paid out when an employee leaves the company.

Under specific conditions, a part of it can be paid in advance to the employee during his working life. It is a non-funded defined benefits plan, considering the benefits almost entirely accrued, with the sole exception of revaluation.

Changes in the termination benefits are illustrated in the table below:

€ thousand	
Value at 1 January 2012	**2,538**
Amount accrued and allocated in year	416
Benefits paid out in year	(277)
Amount transferred to State Fund and complementary pension scheme	(403)
Borrowing costs on termination benefits	54
Accounting of actuarial losses	16
Substitute tax	(9)
Balance at 31 December 2012	**2,335**

Actuarial profit and loss are stated off the income statement and directly carried over to equity (see Note No. 20).

Please be noted that the interest on charges relating to the defined benefits plans for employees are comprised under finance costs, hence leading to an increase in finance costs of the fiscal year in the amount of €54 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2012	At 31 December 2011
Discount rate	2.90%	2.23%
Future inflation rate	2.20%	1.20%
Frequency of request for advances	3.0%	3.0%
Relative frequency of resignation/dismissal supervisors, employees, workers	3.0%	3.0%
Relative frequency of resignation/dismissal executives - year 2012	-	30.0%
Relative frequency of resignation/dismissal executives - year 2013 and beyond	5.0%	5.0%

The maturity structure of interest rates derived from euroswap rates has always been used in previous actuarial valuations of the Provisions for Termination Benefits. However, due to the recent situation on financial markets, characterized by the drop in euroswap rates on one hand and the significant increase in the yield of Italian government bonds on the other (at year-end 2012, the spread between 10-year BTP government bonds and their German Bund equivalents amounted to about 320 b.p.), it was decided to adopt euroswap rates increased by a portion of the spread (for precautionary reasons) between Italian government bonds and euroswap rates having different maturity dates when performing the valuation at 31 December 2012.

This change was made also taking into account the changes made by the IASB to IAS 19, which will come into force starting from 1 January 2013 (IASB - Revision 2011 of IAS 19, *Employee Benefits*).

Of course, in relation to the increase in interest rates used for the valuation at 31 December 2012, an increase in the long-term inflation rate (cost of living index) was also considered in order to align the structure of interest rates by maturity adopted, maintaining slightly positive real interest rates over time, similarly to the values recorded in previous valuations.

Finally, according to the Italian Decree Law No. 201/2011 the age for retirement was updated.

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

The item comprises the fair value of an *Interest rate swap* and two interest rate caps hedging the risk of oscillations in interest payables flows of three medium/long-term loans (cash flow hedge).

€ thousand	31 December 2012		31 December 2011	
Cash Flow Hedge	**Notional**	**Fair value**	**Notional**	**Fair value**
Interest Rate Swap	1,053	22	1,474	18
Interest Rate Cap BNL	1,263	15	-	-
Interest Rate Cap Banco Popolare	1,062	11	-	-
Total		**48**		**18**

Financial flows relating to cash flow hedges impact on the income statement of the Company consistently with the timing with which the hedged cash flows occur.

24. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities amounted to €9,796 thousand and are specified in detail in the following table:

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Bank overdraft and short-term advances	5,685	4,597
Financial accruals and deferrals	3	9
Intra-group loans	150	150
Loan No. 1 - Banca Nazionale del Lavoro (part medium/long term and part short term)	1,038	1,447
Loan No. 2 - Banca Nazionale del Lavoro (part medium/long term and part short term)	1,456	-
Loan - Banco Popolare (part medium/long term and part short term)	1,219	-
Short-term loan - MPS	245	
Other short-term bank loans	-	155
Total	**9,796**	**6,358**

The allocation of the financial liabilities by due date was as follows:

€ thousand	By 1 year	By 5 years	Over 5 years	Total
Bank overdraft and other short-term advances	5,685	-	-	5,685
Intra-group loans	151	-	-	151
Medium-to-long term bank loans	952	2,763	-	3,715
Short-term loans	245	-	-	245
Total	**7,033**	**2,763**	**-**	**9,796**

Intra-group loans consisted of an interest-yielding loan in the amount of €150,000 from the French subsidiary Fidia Sarl. The contract lasts until 31 March 2013 and can be extended.

Bank loans have the following main characteristics:

M/L-term loan with Banca Nazionale del Lavoro

Original amount	€2,000 thousand
Residual amount	€1,038 thousand
Date of loan	31/08/2010
Term	Loan due date 30/06/2015
Repayment	19 quarterly installments (31/12/2010 to 30/06/2015)
Interest rate	3-month Euribor, base 360 + 1.8% spread

This loan is secured at 50% by Sace S.p.A. An interest rate swap contract was been entered into in order to hedge the interest rate risk.

M/L-term loan with Banca Nazionale del Lavoro

Original amount	€1,500 thousand
Residual amount	€1,456 thousand
Date of loan	08/10/2012
Term	Loan due date 30/09/2017
Interest-only period	1 quarterly installment (31.12.2012)
Repayment	19 quarterly installments (31/03/2013 to 31/12/2017)
Interest rate	3-month Euribor, base 360 + 3.35% spread

This loan is guaranteed at 70% by Sace S.p.A. In order to hedge the interest rate risk, an *interest rate cap* hedging contract has been entered into.

M/L-term loan - Banco Popolare

Original amount	€1,250 thousand
Residual amount	€1,219 thousand
Date of loan	09/11/2012
Term	Loan due date 31/12/2017
Interest-only period	1 quarterly installment (31.12.2012)
Repayment	20 quarterly installments (31/03/2013 to 31/12/2017)
Interest rate	3-month Euribor, base 360 + 3.78% spread

This loan is secured at 70% by Sace S.p.A. An interest rate cap contract was been entered into in order to hedge the interest rate risk.

Short-term loan - Monte dei Paschi di Siena

Original amount	€245 thousand
Residual amount	€245 thousand
Date of loan	20/12/2012
Term	Loan due date 31/12/2013
Repayment	12 monthly installments (31/01/2013 to 31/12/2013)
Interest rate	6-month Euribor, base 360 + 3.0% spread

The table below shows the movements in loans during the year.

€ thousand	Balance at01.01.2012	New loans	Repayments	Balance at 31.12.2012
Loan No. 1 - Banca Nazionale del Lavoro	1,447	-	409	1,038
Loan No. 2 - Banca Nazionale del Lavoro	-	1,456	-	1,456
Loan - Banco Popolare	-	1,219	-	1,219
Short-term loan - MPS	-	245	-	245
Intra-group loans	150	-	-	150
Total	**1,597**	**2,920**	**409**	**4,108**

It is deemed that the book value of floating rate financial liabilities as at the reporting date is a reasonable estimate of their fair value.

For more information on the management of interest and exchange rate risk on loans, please refer to Note No. 30.

25. OTHER CURRENT FINANCIAL LIABILITIES

At 31 December 2011, this item consisted of the fair value valuation of some USD forward contracts, entered into to reduce the risk associated with exchange rate fluctuations and to stabilize expected cash flows.

At December 31, 2012 the fair value of existing hedges was positive, amounting to approximately €20 thousand and is posted under Other current financial assets (see Note no. 18).

26. TRADE PAYABLES

€ thousand	Balance at 31 December 2012	Balance at 31 December 2011
Payables to other suppliers	8,265	8,154
Payables to subsidiaries	4,393	3,693
Payables to associates	1	5
Total trade payables	**12,659**	**11,852**

The allocation of the trade payables by due date was as follows:

€ thousand	Due date within 1 month	Due date beyond 1 to 3 months	Due date beyond 3 to 12 months	Total
Payables to other suppliers	4,452	2,564	1,250	8,266
Payables to subsidiaries	3,487	905	-	4,392
Payables to associates	1	-	-	1
Total trade payables	**7,940**	**3,469**	**1,250**	**12,659**

The geographical breakdown of the trade payables to suppliers was as follows:

€ thousand	Balance 31 December 2012	Balance 31 December 2011
Italy	7,038	6,851
Europe	526	367
Asia	546	915
North and South America	155	21
Total	**8,265**	**8,154**

Payables to subsidiaries, which refer to trade items due within the next fiscal year are divided as follows:

€ thousand	Balance 31 December 2012	Balance 31 December 2011
Fidia Co.	29	79
Fidia S.a.r.l.	6	6
Fidia Iberica S.A.	76	42
Fidia Sp. Z o.o.	-	7
Fidia GmbH	99	191
Beijing Fidia M&E Co. Ltd.	4,055	3,223
Shenyang Fidia NC&M Co. Ltd.	37	141
Fidia do Brasil Ltda	88	-
Fidia India Pvt. Ltd.	3	4
Total payables to subsidiaries	**4,393**	**3,693**

Trade payables to subsidiaries broken down by geographical area were the following:

€ thousand	Balance 31 December 2012	Balance 31 December 2011
Europe	181	246
Asia	4,095	3,368
North and South America	117	79
Total	**4,393**	**3,693**

The geographical breakdown of the trade payables to subsidiaries was as follows:

€ thousand	Balance 31 December 2012	Balance 31 December 2011
Prometec Consortium	1	5
Total	**1**	**5**

Trade payables are due by the next fiscal year and it is deemed that their carrying amount at reporting date is near fair value.

27. TAX PAYABLES, OTHER CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance 31 December 2012	Balance 31 December 2011
Current tax payables:		
- withholding taxes	279	352
- Payables to tax authorities for IRAP	-	7
- Payables to tax authorities for VAT	49	-
- Other short-term tax payables	1	-
Total current tax payables	**329**	**359**
Other current payables and liabilities:		
Payables to employees	495	788
Social security payables	510	560
Advances from customers	4,505	3,508
Advances for EU grants	66	98
Payables for compensation	116	63
Deferrals	60	29
Accrued liabilities	89	72
Other payables	100	128
Total other current payables and liabilities	**5,941**	**5,246**

IRAP payables were wholly absorbed by the advances paid during the year.

Payables to employees pertain to benefits accrued at year-end (accrual of bonuses, overtime, etc.) as well as to the amounts due for holidays accrued and not yet taken.

Social security payables refer to accrued payables for amounts due by the Company and by employees on wages and salaries for the month of December and deferred compensation.

Advances from customers include advances from customers for orders yet to be processed and for sales of milling systems already delivered but still in course of acceptance, which according to IAS 18 – *Revenue*, cannot be stated in the revenue. This item also comprises advances received from subsidiaries in the amount of €662 thousand.

Advances for EU grants refer to advances received for research projects not yet completed by 31 December 2012.

Finally, Current tax payables and Other current payables and liabilities are payable by the next fiscal year and it is deemed that their book value is near their fair value.

28. SHORT-TERM PROVISIONS

Short-term provisions amounted to €483 thousand as per the schedule.

€ thousand	Balance 1 January 2012	Accrual	Release	Balance 31 December 2012
Warranty provisions	355	268	-	623
Provisions for losses of Fidia Sp. z o.o	128	-	(128)	-
Provisions for legal risks	-	50	-	50
Total other provisions for risks and expenses	**483**	**318**	**(128)**	**673**

Product warranty provisions comprise the best possible estimate of the obligation undertaken by the Company by contract, law or custom with regard to expenses related to warranty on its products for a certain period effective as of sale to the final customer. This estimate is calculated based on the experience of the Company and the specific contract terms.

The provisions for legal risks were set aside to cover possible liabilities deriving from pending litigation.

29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2012 these amounted to €1,634 thousand, namely €94 thousand lower compared to 31 December 2011. This item consists almost solely of guarantees for business transactions with foreign customers for down payments received or coverage of obligations undertaken by contract by the Company during the warranty period.

Contingent liabilities

Though subject to risks of diverse nature (product, legal and tax liability), on 31 December 2012 the Company was not aware of any facts liable of generating foreseeable and appraisable potential liabilities and hence it deemed that there was no need to make further provisions.

If it is probable that an outlay is due to meet obligations and said amount can be reliably estimated, the Company has made specific provisions for risks and expenses.

30. INFORMATION ON FINANCIAL RISKS

The measurement and management of exposure to financial risks of Fidia S.p.A. are consistent with the provisions of the Group policies.

In particular, the main categories of risk that the company is exposed to are illustrated below.

MARKET RISKS

In general, market risks are the result of the effects of changes in prices or other market risk factors (such as interest and exchange rates) both on the value of the positions held in the trading and hedging portfolio and the positions resulting from commercial operations.

The management of market risks comprises all the assets related to treasury and equity management transactions. The objective of market risk management is to manage and keep the Company's exposure to this risk within acceptable levels, while optimizing, at the same time, the yield of its own investments.

The market risks include exchange and interest rate risk.

Exchange rate risk: definition, sources and management policies

Exchange rate risk can be defined, in general, as the set of effects resulting from changes in the exchange rate relations between foreign currencies on the performance of the company in terms of operating results, market shares and cash flows.

The Company is exposed to the risk of the oscillation of the exchange rates of currencies, as it operates in an international context in which transactions are conducted at different exchange and interest rates.

Exposure to exchange rate risk results from the geographical location of the business units compared to the geographical distribution of the markets where it sells its products and from the use of external borrowing sources in foreign currencies.

In particular, the Company is exposed to three types of exchange rate risk:

- economic/competitive: comprises all effects that a change in market exchange rates can have on the Company income and may hence impact strategic decisions (products, markets and investments) and Company competitiveness on the reference market;
- transaction: consists in the possibility that changes in exchange rate relations occur between the date on which a financial obligation between the counterparts becomes highly probably and/or certain and the date of transaction settlement. These changes cause a difference between the expected and effective financial flows.

The Company manages risks of changes in exchange rates by using derivatives whose use is reserved to the management of exposure to exchange rate oscillations pertaining to money flows and assets and liabilities.

The Company implements a hedging policy only for transaction risk resulting from existing business transactions and from future contractual obligations to hedge cash flows. The goal is to set in advance the exchange rate at which the relevant transactions in foreign currency will be measured.

Hedging for exposure to exchange rate risk is envisaged for USD.

The instruments used are *forward* contracts or options on exchange rates correlated by amount, due date and reference parameters with the hedged position.

The Company continuously monitors the exposure to the risk of currency translation.

Exchange rate risk: quantitative information and sensitivity analysis

As stated above, the Company is exposed to risks resulting from changes in exchange rates that can affect both the profit and loss result and the equity.

In particular, when the Company incurs costs in currencies other than the presentation currency of the relevant revenues, the change in exchange rates can affect the earnings.

With regard to the business operations, the Company can have trade receivables or payables in currencies other than the presentation currency. The change in exchange rates can lead to the realization or measurement of positive or negative exchange rate differences.

At 31 December 2012 the portfolio of the Company comprised derivatives (currency forward contracts) in order to protect future currency flows from changes, even though the relevant hedging relationship was not established according to IAS criteria.

At 31 December 2012 the main currency to which the Company is exposed is the USD.

For the purpose of sensitivity analysis, the potential effects of oscillation of the reference exchange rates were analyzed for the aforementioned currency.

The analysis was carried out by applying to the exchange rate exposure reasonable positive and negative change of the EUR against the USD equal to 5%. Hypotheses were defined in which the local currency gains or losses value compared to the USD.

The changes applied to the exchange rate have equity effects in case of cash flow hedge transactions or economic effects in case of non-hedging financial instruments.

The results of the sensitivity analysis on exchange rate risk are summarized in the tables below, which show the impacts on the income statement and shareholders' equity at 31 December 2012 and 31 December 2011. The impacts on income statement are before tax.

EXCHANGE RATE RISK SENSITIVITY ANALYSIS					
Exchange rate risk at 31 December 2012					
		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	68	(3)	-	4	-
Derivatives for trading	20	27	-	(30)	-
Gross	362	(17)	-	19	-
Effect		**7**		**(7)**	
FINANCIAL LIABILITIES					
Derivatives for trading					
Bank overdraft					
Trade payables	57	3	-	(3)	-
Effect		**3**		**(3)**	
Total impacts		**10**		**(10)**	

EXCHANGE RATE RISK SENSITIVITY ANALYSIS

Exchange Risk as at 31 December 2011					
		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	76	(4)	-	4	-
Gross	722	(34)	-	38	-
Effect		**(38)**	**-**	**42**	**-**
FINANCIAL LIABILITIES					
Derivatives for trading	93	74	-	(82)	-
Bank overdraft	-	-	-	-	-
Trade payables	111	5	-	(6)	-
Effect		**79**	**-**	**(88)**	**-**
Total impacts		**41**	**-**	**(46)**	**-**

Interest rate risk: definition, sources and management policies

The interest rate risk consists in changes in interest rates that affect both the margin - and hence the profit of the Company - and the current value of future cash flows.

The Company is exposed to interest rate oscillations on its own variable rate loans attributable to the euro zone, which the Company avails itself of to fund its operations.

Changes in the structure of market interest rates affect the Company's capital and its economic value, thus influencing the level of net borrowing costs and the margins.

Interest rate risk management is considered with the well-established practice to reduce the risks of interest rate volatility, to reach an optimal mix of variable and fixed interest rates in the make-up of loans, thus offsetting market interest rate oscillations, while pursuing the objective of reducing finance costs on deposits to a minimum.

The Company manages risks of changes in interest rates by using derivatives whose use is reserved to the management of exposure to interest rate oscillations pertaining to money flows and assets and liabilities. Speculative transactions are not allowed.

Exposure to interest rate risk is hedged through the use of Interest Rate Swaps and Interest Rate Caps.

Interest Rate Swaps are used in order to predetermine the interest paid on various forms of financing in order to ensure stability of cash flows.

Interest Rate Caps are used with the goal of limiting the impacts of fluctuations in the variable rates, with which the various forms of financing covered are benchmarked above a predetermined threshold (cap).

The counterparts of said financial instruments are primary credit institutions.

Interest rate risk: quantitative information and sensitivity analysis

The Company avails itself of loans to fund its own and subsidiary transactions. Changes in interest rates could have a negative or positive impact on Company earnings.

In order to hedge said risks, the Company uses interest rate derivatives and mainly *interest rate swaps and interest rate caps*.

At 31 December 2012 there were no fixed rate financial instruments measured at fair value.

At 31 December 2012, the Company had an Interest Rate Swap and two Interest Rate Caps to hedge interest rate risk; these have a negative fair value amounting to €22 thousand and €26 thousand respectively.

In particular, the Company entered into the *Interest Rate Swap* in order to neutralize the risk of variability in interest paid on a medium/long-term loan, transforming it into fixed-rate loans and two Interest Rate Caps in order to limit the impacts of fluctuations in the variable rate, which is the benchmark for two medium/long-term loans, transforming the interest flows of the loans into variable interest flows by providing an upper limit equal to the strike of the Cap.

The ineffectiveness arising from cash flow hedging transactions during year 2012 amounted to -€27 thousand.

In measuring the potential impacts of changes in the interest rates applied, the Company separately analyzed the fixed rate financial instruments (for which the impact was determined in terms of fair value) and those at variable rate (for which the impact was determined in terms of cash flow) expressed in the various currencies, which the Company has significant exposure to, as specified in the section on exchange rate risk.

The variable rate financial instruments at 31 December 2012 included cash and loans.

At 31 December 2012, the following was hypothesized:

- an increase in interest rates for all financial instruments (loans and derivatives) at a floating rate equal to 50 bps;
- a decrease of 20 bps of the benchmark of the loans (three-month Euribor);
- a parallel decrease equal to 8 bps of each node of the market curve used for the assessment of interest rate derivatives.

The decision to simulate, as at 31 December 2012, decreases of 20 bps and 8 bps was caused by a current market scenario characterized by very low interest rates. These changes have been hypothesized with all other variables constant. The impact before tax that such changes would have had are shown in the table below.

INTEREST RATE SENSITIVITY ANALYSIS							
Interest Rate Risk at 31 December 2012							
	Balance-sheet amount	+ +50-bps change		+ -20-bps change		+ -8-bps change	
€ thousand		P&L	Other changes in equity	P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES							
Loans from banks	3,959	(20)	-	8		N/A	N/A
IRS hedging derivative	22	-	6	N/A	N/A	-	(1)
Cap hedging derivative	26	4	-	N/A	N/A	-	-
Total impact		**(16)**	**6**	**8**	**-**	**-**	**(1)**

INTEREST RATE SENSITIVITY ANALYSIS					
Interest Rate Risk as at 31 December 2011					
	Balance-sheet amount	+ +50-bps change		+ -50-bps change	
€ thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES					
Loans from banks	1,602	(9)	-	9	-
IRS hedging derivative	18	(1)	12	0	(12)
Total impact		**(10)**	**12**	**9**	**(12)**

Liquidity risk: definition, sources and management policies

The liquidity risk consists of the possibility that the Company can find itself in the conditions of not being able to meet its payment obligations in cash or delivery, either foreseen or unexpected, due to a lack of financial resources, thus prejudicing day-to-day operations or its financial position.

The liquidity risk that the Company is exposed to can arise out of difficulties to timely obtain financing for its operations and can take the form of the inability to find the necessary financial resources at reasonable conditions.

The short and medium/long-term demand for liquidity is constantly monitored by the Company management in order to timely obtain financial resources or an adequate investment of cash.

The Company has adopted a series of financial policies to reduce liquidity risk:

- plurality of financing entities and diversification of financing sources;
- adequate lines of credit;
- perspective liquidity plans relating to the company planning process.

Liquidity risk: quantitative information

The two main factors that determine the Company's liquidity are, on the one hand, the resources generated or absorbed by operating and investing activities and, on the other, the characteristics of the expiry and renewal of the debt or liquidity of the financial obligations and market conditions.

The policies implemented to reduce liquidity risk consisted at 31 December 2012 of:

- recourse to credit institutions to find financial resources;
- lines of credit (mostly of the revolving and stand-by type), mostly automatically renewed and used at the discretion of the Company as needed.

The management deems that the available resources, in addition to those that will be generated by operations and loans, will allow the Company to meet its needs resulting from activities relating to investments, management of circulating capital and the repayment of payables at their expiry.

An analysis of financial liabilities as envisaged by IFRS7 is provided below.

MATURITY ANALYSIS							
€ thousand	Book value as at 31 December 2012	Contractual cash flows	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years
FINANCIAL LIABILITIES							
Loans from banks	3,959	4,354	22	321	1,014	2,998	-
Other loans	150	152	-	152	-	-	-
Bank overdraft	5,685	5,685	5,685	-	-	-	-
Trade payables	12,659	12,659	7,939	3,470	1,250	-	-
DERIVATIVE LIABILITIES							
Interest rate swap	22	22	-	4	10	8	-
Interest rate cap	26	27	-	-	3	24	-
Total	**22,501**	**22,901**	**13,646**	**3,947**	**2,278**	**3,030**	**-**

MATURITY ANALYSIS							
€ thousand	Book value as at 31 December 2011	Contractual cash flows	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years
FINANCIAL LIABILITIES							
Loans from banks	1,602	1,718	155	117	347	1,099	-
Other loans	150	153	-	153	-	-	-
Bank overdraft	4,597	4,597	4,597	-	-	-	-
Trade payables	11,851	11,851	7,457	3,555	839	-	-
DERIVATIVE LIABILITIES							
Currency forward contracts	93	93	-	-	93	-	-
Interest rate swap	18	18	-	1	8	9	-
Total	**18,311**	**18,430**	**12,209**	**3,826**	**1,287**	**1,108**	**-**

Credit risk: definition, sources and management policies

Credit risk is the exposure of the Company to potential losses that may result from the failure to meet obligations with counterparts.

The main causes of non-performance can relate to the inability to autonomously repay counterparts and to a possible worsening in credit standing.

In particular, the Company is exposed to credit risk due to:

- sale of high-speed milling systems, numerical controls and related servicing;
- subscription of derivatives;
- deployment of liquidity in banks or other financial institutions.

The Company has different concentrations of credit risk depending on the nature of the activities and the various reference markets. Said credit exposure is mitigated by the fact that it is divided over a large number of counterparts.

The concentration of credit risk is present in the markets of the EU, North America and China. Trade receivables are subject to individual impairments if there is an objective condition in which these position cannot be recovered either in part or in full. The extent of impairment takes into account an estimate of the recoverable flows and relevant date of collection.

The Company controls and manages credit standing including the risk of the counterpart; these same transactions for the deployment of liquidity and hedging of derivatives have been concluded with leading national and international banks. These are regularly reviewed also in terms of concentration and the rating of the counterparts.

Credit risk: quantitative information

The maximum theoretical exposure to credit risk for Fidia S.p.A. at 31 December 2012 is the book value of the financial assets stated in the Statement of Financial Position, plus the face value of collateral provided as indicated in Note No. 29.

The measurement of credit risk is carried out by means of a process to assess credit standing differentiated by type of customer.

Monitoring of credit risk is carried out frequently through the analysis by expiry of overdue positions.

The credit exposures of the Company widely regard trade receivables; the credit risk resulting from said transactions is mitigated by means of the following instruments:

- letters of credit;
- insurance policies.

Moreover, in order to effectively and efficiently manage credit risk, the Company adopts further risk mitigation instruments pursuant to and in compliance with legislation in force in the various markets where it conducts business.

Positions, if individually significant, are subject to specific impairment; these are either partially or totally non recoverable. The extent of impairment takes into account an estimate of the recoverable flows and relevant date of collection as well as of charges and expenses for future recovery. In case of receivables not subject to specific impairment, provisions are allocated on a collective basis, considering experience and statistical data.

Fair Value Hierarchies

In relation to financial instruments recognized in the Statement of Financial Position at fair value, IFRS 7 requires that these values are classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value.

The levels are as follows: Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – inputs that are not based on observable market data.

At 31 December 2012, the Company held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €(49) thousand and financial assets at *fair value* represented by derivative financial instruments to hedge the exchange rate risk, for an amount of €20 thousand, classified within Level 2 of the hierarchical assessment of fair value.

31. INTRA-GROUP RELATIONS AND RELATIONS WITH RELATED PARTIES

With regard to Fidia S.p.A. intra-group relations and relations with related party consist mainly of transactions entered into with companies under direct control. Moreover, the members of the Board of Directors and Auditors and their families are also considered related parties.

These transactions are regulated at market conditions considered normal in their respective markets, taking into account the characteristics of the goods and services.

The impact of these transactions on the individual items in the 2012 financial statements, as already shown in the supplementary schedules of the income statement and Statement of Financial Position as well as in the comment on each item, is summarized in the following tables:

Counterpart € thousand	**Raw materials and consumables**	**Other operating revenues**	**Personnel expenses**	**Finance revenues**	**Revenues**	**Other operating revenues**	**Finance revenues**
Fidia GmbH	11	335			3,704	27	
Fidia Sarl		15		5	1,404	3	
Fidia Iberica S.A.		151		1	238	4	
Fidia Co.	2	36			2,554	67	
Fidia do Brasil Ltda	1	342			137		
Beijing Fidia Machinery & E. Co. Ltd.	2	1,463			922	79	788
Shenyang Fidia NC&M Co. Ltd.	3	11			1,453	2	
OOO Fidia							
Fidia India		3					
Total Group companies	**19**	**2,353**		**6**	**10,412**	**182**	**788**
Other related parties (associates)		1					
Other related parties (Giuseppe, Paolo and Luca Morfino)	5	102	185				
Compensation Board of Directors			592				
Compensation Board of Statutory Auditors		57					
Total other related parties	5	160	777				
Total Group companies and other related parties	**24**	**2,513**	**777**	**6**	**10,412**	**182**	**788**
Total balance-sheet item	13,593	11,672	10,144	406	31,778	1,652	856
Incidence in % on balance-sheet item	**0.2%**	**22%**	**8%**	**2%**	**33%**	**11%**	**92%**

Counterpart € thousand	Trade payables	Other current payables	Other current financial liabilities	Trade payables	Other current payables	Current financial liabilities
Fidia GmbH	491			99	62	
Fidia Sarl	392			6	181	151
Fidia Iberica S.A.	38			76		
Fidia Co.	315			29	461	
Fidia do Brasil Ltda	84			88		
Beijing Fidia Machinery & E. Co. Ltd.	346	778		4,055		
Shenyang Fidia NC&M Co. Ltd.	1,900			37		
OOO Fidia						
Fidia India				3		
Total Group companies	**3,566**	**778**		**4,393**	**704**	**151**
Other related parties (associates)				1		
Other related parties (Giuseppe, Paolo and Luca Morfino)	1				5	
Other related parties (Payables to BoD of Fidia SpA)					48	
Other related parties (Payables to Board of Statutory Auditors Fidia SpA)					68	
Total other related parties	**1**			**1**	**121**	
Total Group companies and other related parties	**3,567**	**778**		**4,394**	**825**	**151**
Total balance-sheet item	9,336	1,618		12,659	5,941	7,033
Incidence in % on balance-sheet item	**38%**	**48%**		**35%**	**14%**	**2%**

The most significant relations in the fiscal year between Fidia S.p.A. and the Group companies were mainly of a commercial nature. The foreign subsidiaries of Fidia deal mostly with the sales and servicing of the Group's products in the relevant markets and for this purpose they purchase from the Parent Company.

The joint-venture Shenyang Fidia NC & M Co. Ltd. manufactures and sells numerical controls and milling systems designed by Fidia for the Chinese market. The strategic components are purchased mainly from the Parent Company at normal market conditions and the remaining parts from local suppliers.

In FY2012 intra-group relations also regarded financial management, which envisaged:

- distribution of dividends from subsidiaries (see Note No. 9);
- interest-yielding loan relations (see Note No. 24).

Relations with related parties, as defined by IAS 24, not regarding directly controlled companies concerned:

- professional services for consulting in research projects carried out by the associate Consorzio Prometec;
- salary to Mr. Paolo Morfino;
- salary to Mr. Luca Morfino;
- compensation to the Board of Directors and Board of Auditors.

32. NET FINANCIAL POSITION

According to the provisions of Consob Notice of 28 July 2006 and in compliance with the CESR Recommendation of 10 February 2005 "Recommendations for standard implementation of the Regulation of the European Commission on Disclosures", the financial position of Fidia S.p.A. as at 31 December 2012 was:

	€ thousand	31 December 2012	31 December 2011
A	Cash	1	2
B	Bank deposits	3,878	4,430
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**3,879**	**4,432**
and	Current financial receivables from Group companies	-	30
F	Current bank payables	5,685	4,752
G	Current part of non-current debt	1,197	417
H	Current financial payables from Group companies	151	151
I	**Current financial debt (F+G+H)**	**7,033**	**5,320**
J	**Net current financial debt (I-E-D)**	**3,154**	**858**
K	Non-current bank payables	2,763	1,038
L	Bonds issued	-	-
M	Other non-current payables	-	-
N	**Non-current financial debt (K+L+M)**	**2,763**	**1,038**
O	**Net financial debt (J+N)**	**5,917**	**1,896**

33. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in FY2012 the company did not have any non-recurrent significant transactions.

34. POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

According to Consob Notice of 28 July 2006, in FY2012 there were no atypical and/or unusual transactions as defined by said Notice, by which atypical and/or unusual transactions are all those transactions whose significance/relevance, nature of the counterparts, subject-matter of the transaction, transfer pricing method and timing of the event (near year end) can give rise to doubts on: correctness/completeness of information posted, conflict of interests, safeguard of company equity, safeguard of non-controlling interests.

35. SUBSEQUENT EVENTS

There were no significant events after year-end 2012.

ANNEXES

The annexes comprise additional information compared to the Notes, which these are an integral part of.

This information is comprised in the following annexes:

- The list of investments with further information required by CONSOB (Notice No. DEM/6064293 of July 28, 2006);
- summary of main data of the last financial statements of the subsidiaries and associates (Article 2429 of the Italian Civil Code) as at 31 December 2012;
- information as per article 149/XII of the Consob Regulation on Issuers.

San Mauro Torinese, 15 March 2013
On behalf of the Board of Directors
The Chairman and Chief Executive Officer
Mr. Giuseppe Morfino

FIDIA S.p.A. - Financial Statements as at 31 December 2012

List of investments with further information required by CONSOB (Notice n° DEM/6064293 of 28 July 2006)

Denominazione e sede	Capitale sociale	Patrimonio netto contabile	Utile (perdita) al 31.12.2012	Utile (perdita) al 31.12.2011	% di possesso	Quota di patrimonio netto contabile di competenza	Valore netto di bilancio	Differenza tra P.N. di competenza e valore di bilancio
SOCIETA' CONTROLLATE								
Fidia Gmbh – Germany Robert-Bosch-Strasse, 18 - 63303 Dreieich (Germania)	520.000	1.342.459	29.955	47.227	100,00%	1.342.459	1.207.754	134.705
Fidia Co. (*) – United States 1397 Piedmont Dr., Suite 800 - 48083 Troy (Michigan - Stati Uniti d'America)	303.168	2.510.135	339.718	454.461	100,00%	2.510.135	3.527.027	(1.016.893)
Fidia Iberica S.A. – Spain Parque Tecnologico de Zamudio - Edificio 208 - 48170 Zamudio (Bilbao)	180.300	1.591.063	47.499	99.369	99,993%	1.590.952	171.440	1.419.512
Fidia S.a.r.l. – France 47 bis, Avenue de l'Europe - 77184 Emerainville (Francia)	300.000	453.177	16.674	20.459	93,19%	422.315	221.434	200.881
Beijing Fidia Machinery & Electronics Co. Ltd. (*) - China Room 106, Building C, No. 18 South Xihuan Road - Beijing Development Area - 100176 Pechino (R.P.C)	1.558.806	4.599.282	1.528.027	1.326.208	92,00%	4.231.339	1.185.046	3.046.294
Fidia Do Brasil Ltda (*) – Brazil Av. Salim Farah Maluf, 4236 - 3° andar Mooca - Sao Paulo - CEP 03194-010 (Brasile)	148.263	266.817	22.654	(44.714)	99,75%	266.150	184.485	81.665
Shenyang Fidia NC & Machine Company Limited (*) - China n.1, 17A, Kaifa Road - Shenyang Economic & Technological Development Zone – 110142 Shenyang (R.P.C.)	5.172.023	4.462.528	160.948	326.794	51,00%	2.275.889	2.285.592	(9.703)
OOO Fidia (*) - Russia ul. Prospekt Mira 52, building 3, 129110 Mosca (Russia - Federazione Russa)	89.259	104	(7.362)	(161)	100,00%	104	-	104
Fidia India Private Limited (*) - India Auto Cluster Development and Research Institute Limited - H Block, Plot n. C-181, MIDC Chinchwad, Pune - 411 019	1.378	1.056	(1.732)	(1.717)	99,99%	1.056	1.431	(375)
SOCIETA' COLLEGATE								
Consorzio Prometec – Italy Via Al Castello n. 18/A - Rivoli (Torino)	10.329	10.329	-	-	20,00%	2.066	2.066	-

FIDIA S.p.A. - Financial Statements as at 31 December 2012
Summary of main data of the last balance sheet of the subsidiaries and associates (article 2429 of the italian Civil Code)

Subsidiaries	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Accounting currency	EUR	USD	EURO	EURO	REAIS
Period of reference for balance-sheet information	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Inclusion in consolidation area (line by line)	YES	YES	YES	YES	YES
ASSETS					
Non-current assets					
- Property, plant and equipment	83.156	137.607	3.937	539.253	125.082
- Intangible assets	-	11.430	2.108	-	-
- Investments	-	-	-	3.366	-
- Other non-current financial assets	-	-	-	-	-
- Other non-current receivables and assets	-	4.283	6.866	369.911	-
- Pre-paid tax assets	26.728	-	-	-	97.764
Total non-current assets	**109.883**	**153.319**	**12.911**	**912.529**	**222.846**
Current assets					
- Inventories	700.991	2.130.987	233.619	129.360	411.358
- Trade receivables and other current receivables	1.650.451	992.940	241.548	366.097	616.157
- Other current financial assets	-	50	151.249	-	-
- Cash and cash equivalents	491.444	859.196	665.750	523.077	73.036
Total current assets	**2.842.886**	**3.983.172**	**1.292.166**	**1.018.535**	**1.100.551**
Total assets	**2.952.770**	**4.136.491**	**1.305.077**	**1.931.064**	**1.323.397**
LIABILITIES					
Net equity					
- Share capital	520.000	400.000	300.000	180.300	400.843
- Other reserves	792.504	2.463.648	136.503	1.363.264	259.275
- Net operating result	29.955	448.224	16.674	47.499	61.248
Total net equity	**1.342.459**	**3.311.871**	**453.177**	**1.591.063**	**721.366**
Non-current liabilities					
- Termination benefits	-	-	-	-	-
- Deferred tax liabilities	-	-	-	71.470	-
- Non-current financial liabilities	19.202	-	-	-	-
Total non-current liabilities	**19.202**	**-**	**-**	**71.470**	**-**

Current liabilities						
- Current financial liabilities	10.020	2.549	-	8.002		-
- Trade payables and other current payables	1.554.600	769.869	851.848	253.557		429.411
- Short-term provisions	26.489	52.202	52	6.973		172.619
Total current liabilities	**1.591.109**	**824.619**	**851.900**	**268.531**		**602.031**
Total liabilities	**2.952.770**	**4.136.491**	**1.305.077**	**1.931.064**		**1.323.397**
INCOME STATEMENT						
- Net sales	5.724.163	7.056.527	1.940.357	787.881		1.874.066
- Other operating revenue	278.474	96.042	39.546	182.722		36.874
Total revenues	**6.002.636**	**7.152.570**	**1.979.903**	**970.603**		**1.910.940**
- Changes in inventories of finished goods and work in progress	85.537	(383.935)	(15.993)	(4.041)		188.668
- Raw materials and consumables	(3.576.452)	(2.994.980)	(1.329.395)	(241.107)		(513.483)
- Personnel expenses	(1.329.997)	(1.056.321)	(295.020)	(473.626)		(670.053)
- Othet operating costs	(1.106.363)	(2.180.185)	(317.356)	(176.896)		(823.905)
- depreciation and amortization	(49.793)	(89.829)	(2.151)	(58.351)		(37.795)
Operating result	**25.568**	**447.319**	**19.988**	**16.582**		**54.372**
Finance revenue (expenses)	4.810	904	5.481	35.971		4.468
EBT	**30.378**	**448.224**	**25.469**	**52.554**		**58.840**
Income taxes	(423)	-	(8.795)	(5.055)		2.408
Net profit / (loss)	**29.955**	**448.224**	**16.674**	**47.499**		**61.248**
	-	-	-	-	-	
	(0)	0	0	0		0

FIDIA S.p.A. - Financial Statements as at 31 December 2012

Summary of main data of the last balance sheet of the subsidiaries and associates (article 2429 of the italian Civil Code)

Società controllate	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC & M Co. Ltd.	OOO Fidia	Fidia India Private Ltd	Consorzio Prometec
Accounting currency	RMB	RMB	RUR	RUPIE	EURO
Period of reference for balance-sheet information	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Inclusion in consolidation area (line by line)	YES	YES	YES	YES	NO
ASSETS					
Non-current assets					
- Property, plant and equipment	217.945	566.180	-	-	-
- Intangible assets	147.578	2.105.469	-	-	1.298
- Investments	-	-	-	-	-
- Other non-current financial assets	-	-	-	-	-
- Other non-current receivables and assets	-	-	-	-	-
- Pre-paid tax assets	-	120.916	-	-	-
Total non-current assets	**365.524**	**2.792.565**	**-**	**-**	**1.298**
Current assets					
- Inventories	1.540.605	28.065.883	-	-	-
- Trade receivables and other current receivables	45.834.554	33.410.714	4.147	204.682	14.173
- Other current financial assets	-	-	-	-	-
- Cash and cash equivalents	27.223.430	6.812.864	44	64.142	4.305
Total current assets	**74.598.589**	**68.289.460**	**4.190**	**268.824**	**18.478**
Total assets	**74.964.113**	**71.082.025**	**4.190**	**268.824**	**19.776**
LIABILITIES					
Net equity					
- Share capital	12.814.480	42.517.648	3.599.790	100.000	10.329
- Other reserves	12.433.386	(7.155.649)	(3.298.709)	102.281	
- Net operating result	12.561.452	1.323.106	(296.891)	(125.661)	-
Total net equity	**37.809.317**	**36.685.106**	**4.190**	**76.620**	**10.329**
Non-current liabilities					
- Termination benefits	-	-	-	-	-
- Deferred tax liabilities	1.646	-	-	-	-
- Non-current financial liabilities	-	-	-	-	-
Total non-current liabilities	**1.646**	**-**	**-**	**-**	**-**
Current liabilities					
- Current financial liabilities	-	-	-	-	-
- Trade payables and other current payables	37.135.639	34.370.018	-	192.204	9.447
- Short-term provisions	17.511	26.901	-	-	-
Total current liabilities	**37.153.150**	**34.396.919**	**-**	**192.204**	**9.447**
Total liabilities	**74.964.113**	**71.082.025**	**4.190**	**268.824**	**19.776**

INCOME STATEMENT

- Net sales	95.859.024	46.569.224	-	204.682	3.844
- Other operating revenue	1.701.624	11.385.907	-	-	-
Total revenues	**97.560.648**	**57.955.132**	**-**	**204.682**	**3.844**
- Changes in inventories of finished goods and work in progress	(11.741.380)	(1.873.589)	(291.668)	-	-
- Raw materials and consumables	(44.728.854)	(35.358.132)	-	(8.030)	-
- Personnel expenses	(7.865.901)	(9.756.096)	-	0	-
- Other operating costs	(16.593.960)	(8.475.286)	(5.223)	(259.064)	(3.522)
- Depreciation and amortization	(452.831)	(1.114.514)	-	-	(327)
Operating result	**16.177.722**	**1.377.515**	**(296.891)**	**(62.412)**	**(5)**
- Finance revenue (expenses)	807.203	(69.830)	-	(1.543)	5
EBT	**16.984.925**	**1.307.685**	**(296.891)**	**(63.955)**	**-**
Income taxes	(4.423.473)	15.421	-	(61.706)	-
Net operating result	**12.561.452**	**1.323.106**	**(296.891)**	**(125.661)**	**-**

Attestation of the Financial Statements under the Article 81-ter R.E. Consob

Attestazione del bilancio d'esercizio ai sensi dell'art. 81-*ter* del Regolamento Consob n. 11971 del 14 maggio 1999 e successive modifiche e integrazioni

1. I sottoscritti Giuseppe Morfino in qualità di Presidente e Amministratore Delegato, Paolo Morfino in qualità di Amministratore Delegato e Eugenio Barone in qualità di Dirigente Preposto alla redazione dei documenti contabili societari della Fidia S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-*bis*, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   a. l'adeguatezza in relazione alle caratteristiche dell'impresa e
   b. l'effettiva applicazione,

delle procedure amministrative e contabili per la formazione del bilancio d'esercizio nel corso del periodo 2012.

2. Si attesta, inoltre, che:

2.1 il bilancio d'esercizio:

   a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
   b. corrisponde alle risultanze dei libri e delle scritture contabili;
   c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente.

2.2 La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente unitamente alla descrizione dei principali rischi ed incertezze cui è esposto.

15 marzo 2013

Presidente e Amministratore Delegato

Giuseppe Morfino

....

Amministratore Delegato

Paolo Morfino

....

Dirigente Preposto alla redazione dei documenti contabili societari

Eugenio Barone

....

Board of Statutory Auditors

FIDIA S.P.A.

Sede legale: Corso Lombardia 11, 10099 San Mauro Torinese (To)
Capitale sociale: Euro 5.123.000 i.v.
Iscritta al registro delle Imprese di Torino al n. 05787820017

* * *

RELAZIONE DEL COLLEGIO SINDACALE
ALL'ASSEMBLEA DEGLI AZIONISTI CONVOCATA PER L'APPROVAZIONE
DEL BILANCIO AL 31/12/2012
(ai sensi dell'art. 153 del D.Lgs. 24 febbraio 1998, n.58)

Signori Azionisti,

per quanto riguarda la Società Vi confermiamo che nel corso dell'esercizio chiuso al 31 dicembre 2012 e sino alla data odierna il Collegio sindacale ha effettuato l'attività di vigilanza affidatagli, attenendosi a quanto previsto dalla Legge, dai Principi di comportamento del Collegio Sindacale di Società quotate, raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e alle indicazioni della Consob.

Con la presente relazione adempiamo a quanto disposto dall'articolo 153 del Decreto Legislativo 24 febbraio 1998, n.58, che prevede l'obbligo, per il Collegio Sindacale, di riferire all'Assemblea sull'attività di vigilanza svolta, nonché di formulare proposte in ordine al bilancio, alla sua approvazione e alle materie di propria competenza.

Abbiamo esaminato il bilancio al 31 dicembre 2012, redatto dagli Amministratori ai sensi di legge e da questi comunicato al Collegio Sindacale nel corso della riunione consiliare del 15 marzo 2013.

Il bilancio d'esercizio, preceduto dalla Relazione sulla Gestione, che riporta anche tutti gli elementi relativi al Bilancio Consolidato, evidenzia un risultato netto positivo di euro 246.493.

La relazione sulla gestione contiene il riferimento alla relazione sul Governo societario e sugli Assetti Proprietari, documento separato pubblicato ai sensi di legge.

Per quanto attiene la revisione legale dei conti, Vi rammentiamo che, ai sensi del Decreto Legislativo 58/1998, la società di revisione Reconta Ernst & Young S.p.A. ha svolto, nel corso dell'esercizio 2012, a partire dalla data di inizio mandato, i controlli relativi alla regolare tenuta della contabilità sociale e ha provveduto, in relazione al bilancio in oggetto, all'accertamento della corrispondenza dello stesso alle risultanze dei libri e delle scritture contabili. I controlli precedenti l'attribuzione del mandato all'attuale società di revisione sono stati effettuati dalla società di revisione Mazars S.p.A.

La relazione semestrale sui dati consolidati del gruppo FIDIA, predisposta in conformità ai Principi Contabili Internazionali omologati dalla Commissione Europea (IAS/IFRS) in applicazione al regolamento Europeo 1606 del 19 luglio 2002 è stata assoggettata a revisione contabile limitata da parte della Reconta Ernst & Young S.p.A..

I dati e le informazioni trimestrali non sono stati sottoposti a revisione, in quanto non obbligatoria.

Nel corso dell'esercizio e sino alla data della odierna relazione, il Collegio ha incontrato i responsabili della società di revisione al fine di uno scambio reciproco di informazioni, ai sensi dell'articolo 150, comma 3, del D.Lgs. 58/1998 e dà atto che non è stata segnalata da parte dei Revisori l'esistenza di alcun fatto censurabile.

La società di revisione emetterà nei prossimi giorni la propria relazione; secondo le informazioni informalmente forniteci dalla stessa, il giudizio non conterrà alcun rilievo, né alcun richiamo d'informativa.

Con riferimento ai compiti di nostra competenza, il Collegio attesta di aver svolto l'attività prevista dalla legge, controllando l'amministrazione della Società e vigilando sull'osservanza della Legge e dello Statuto.

Vi segnaliamo in particolare quanto segue:

- abbiamo partecipato alle riunioni dell'Assemblea e del Consiglio di Amministrazione, vigilando sul rispetto delle norme statutarie, legislative e regolamentari che disciplinano il funzionamento degli organi della società e abbiamo ottenuto dagli Amministratori, con la periodicità richiesta dalla legge e dallo statuto sociale, informazioni sull'attività svolta e sulle operazioni, anche di natura straordinaria, di maggior rilievo economico, finanziario e patrimoniale, effettuate dalla società, dalle sue controllate e con parti correlate. Al riguardo, sia collegialmente sia singolarmente, abbiamo posto particolare attenzione sul fatto che le operazioni deliberate e poste in essere fossero conformi alla legge, allo statuto sociale e non fossero imprudenti o azzardate, in contrasto con le delibere assunte dall'Assemblea, in potenziale conflitto d'interessi o tali da compromettere l'integrità del patrimonio aziendale;

- abbiamo vigilato, per quanto di nostra competenza, sull'adeguatezza della struttura organizzativa della società e sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolta di informazioni dai responsabili della funzione organizzativa e incontri, come già detto, con la società di revisione nell'ambito di un reciproco scambio di dati ed informazioni rilevanti;
- abbiamo valutato e vigilato sull'adeguatezza del sistema di controllo interno e del sistema amministrativo e contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, attraverso le informazioni dei responsabili delle rispettive funzioni, l'esame dei documenti aziendali e l'analisi dei risultati del lavoro svolto dalla società di revisione;
- abbiamo vigilato sulle modalità di concreta attuazione delle regole di governo societario previste dal Codice di Autodisciplina adottato dalla Fidia S.p.A.;
- abbiamo, su base annuale, verificato la sussistenza dei requisiti di indipendenza in capo ai membri non esecutivi del Consiglio di Amministrazione nonché sui requisiti di indipendenza della società di revisione;
- abbiamo verificato il permanere della sussistenza dei requisiti di indipendenza in capo ai componenti del Collegio Sindacale;
- abbiamo effettuato, nel corso dell'esercizio, cinque verifiche periodiche, tre altre riunioni per esaminare il bilancio dell'anno 2011 nonché per valutare le proposte per la revisione contabile ed i requisiti di indipendenza; abbiamo inoltre partecipato a cinque riunioni del Consiglio di Amministrazione e ad una Assemblea Ordinaria degli Azionisti.

  Per quanto riguarda i comitati istituiti in seno al Consiglio di Amministrazione, il Comitato Controllo Rischi (già Comitato per il Controllo Interno), anche in veste di Comitato per le operazioni con parti correlate, si è riunito nel corso dell'esercizio 2012 tre volte (a due di tali riunioni ha partecipato anche il Collegio sindacale) mentre il Comitato per la Remunerazione si è riunito una sola volta nel corso dell'esercizio.

  Con riferimento alla funzione di *Internal Audit* si segnala che il Consiglio di Amministrazione ha formulato le principali ipotesi operative relative al soggetto che dovrà assumere il ruolo di responsabile a partire dall'esercizio 2013, valutando ipotesi di outsourcing ed esaminando i profili professionali dei soggetti candidati; a tal proposito il Comitato di Controllo e Rischi ha delegato il proprio Presidente a formulare il preventivo parere da inviare al Consiglio di Amministrazione.

3

L'organismo di vigilanza istituito ai sensi del D.Lgs. 231/2001 si è riunito tre volte nel corso dell'esercizio;

- abbiamo vigilato sull'adeguatezza del flusso reciproco di informazioni tra la Fidia S.p.A. e le società controllate ai sensi dell'articolo 114, comma 2, del D. Lgs. 58/1998, assicurata dalle istruzioni emanate dalla direzione della società nei confronti del Gruppo. Una ulteriore garanzia di informazione reciproca è rappresentata dalla presenza negli organi sociali delle controllate di alcuni membri del Consiglio di Amministrazione della capogruppo;
- abbiamo verificato l'osservanza delle norme di legge e dei principi contabili inerenti la formazione, l'impostazione del Bilancio e della Relazione sulla Gestione tramite verifiche dirette e informazioni assunte dagli Amministratori, dal management della Società e dalla società di revisione. Le informazioni fornite dagli Amministratori nella Relazione sulla Gestione sono da ritenersi esaurienti e complete, in particolare con riferimento all'analisi dei rischi, che è stata effettuata in maniera dettagliata e puntuale, così come le informazioni riportate nella Nota Integrativa.

Diamo atto che la Fidia S.p.A. non è in una situazione di dipendenza o controllo da parte di altre società e non risulta che i soci della società abbiano stipulato patti parasociali ai sensi dell'art. 122 del D.Lgs. 58/1998.

Il Consiglio di Amministrazione ha trasmesso al Collegio, nei termini di legge, la relazione sull'andamento della gestione del primo semestre dell'esercizio 2012 nonché i resoconti intermedi trimestrali relativi al primo e al terzo trimestre dell'anno 2012, rendendoli pubblici nei termini e con le modalità prescritte dall'apposita normativa emanata dalla Consob e dalla Borsa Italiana.

Possiamo attestare che:

- il Collegio Sindacale, in ossequio al Testo Unico sulla finanza (D. Lgs. 58/1998), è stato costantemente informato per quanto di sua competenza;
- le verifiche periodiche ed i controlli cui abbiamo sottoposto la società non hanno evidenziato operazioni atipiche e/o inusuali effettuate nell'esercizio, comprese quelle infra-gruppo e con parti correlate;
- i costi di ricerca sono stati integralmente spesati nell'esercizio;
- per quanto riguarda le operazioni infra-gruppo, gli Amministratori, nella loro Relazione sulla Gestione, evidenziano ed illustrano l'esistenza di rapporti tra la Vostra Società e le Società del gruppo di appartenenza, avvenuti a condizioni normali di mercato. Il Collegio

attesta che i precitati rapporti, essenzialmente di natura commerciale, rispondono all'interesse sociale;

- la Relazione sulla Gestione contiene tutte le informazioni obbligatorie indicate dalle vigenti norme (art. 2428 C.C.), delle quali è stata accertata la corrispondenza e la coerenza con i dati e le risultanze di bilancio;
- nel complesso, quindi, riteniamo che i documenti sottopostiVi forniscano una informativa chiara e completa, alla luce dei principi sanciti dalla Legge;
- gli Amministratori hanno redatto il Bilancio consolidato di gruppo al 31 dicembre 2012, sussistendone l'obbligo previsto dagli articoli 25 e 27 del D. Lgs. 127/1991, in conformità agli International Financial Reporting Standards. Tale Bilancio è stato opportunamente redatto allo scopo di rappresentare agli Azionisti il quadro "veritiero e corretto" della situazione patrimoniale e finanziaria e il risultato economico del Gruppo e formerà oggetto di deposito nel Registro delle Imprese: sullo stesso il Collegio Sindacale ha provveduto a redigere la propria Relazione;
- ai sensi dell'art. 2408 del Codice civile, non abbiamo ricevuto alcuna denunzia da parte dei soci in merito ad eventuali fatti censurabili;
- non ci sono stati presentati esposti da parte di azionisti e/o di terzi;
- nel corso dell'esercizio 2012 il Collegio ha espresso il proprio parere in merito alla proposta motivata al conferimento dell'incarico per il controllo legale dei conti per il periodo 2012-2020.

Sintesi dei principali eventi del 2012 e fatti di rilievo intervenuti dopo la chiusura dell'esercizio

- Operazioni infragruppo e con parti correlate
  Le operazioni infragruppo e con parti correlate sono dettagliatamente evidenziate nella nota integrativa al capitolo 31. Il Collegio dà atto che si tratta di operazioni poste in essere prevalentemente con imprese direttamente controllate, regolate a condizioni ritenute normali nei rispettivi mercati di riferimento ed hanno avuto per oggetto in massima parte operazioni commerciali. Altre operazioni con parti correlate hanno riguardato prestazioni per attività di consulenza su progetti di ricerca svolte dalla società collegata Consorzio Prometec, nonché compensi di lavoro dipendente dell'ing. Paolo Morfino e del dr. Luca Morfino e compensi del Consiglio di Amministrazione e del Collegio Sindacale.

- Modifiche statutarie

Nel corso dell'esercizio 2012 non vi sono state assemblee straordinarie che hanno apportato modifiche allo statuto; sarete viceversa chiamati a deliberare, unitamente al Bilancio 2012, modifiche statutarie per recepire le normative recentemente varate in tema di equilibrio tra i generi (Legge 120/2011), per introdurre la regola del *casting vote* in seno al Consiglio di Amministrazione, nonché per apportare modifiche alle disposizioni in materia di elezione del Collegio sindacale mediante voto di lista.

- Assemblee
  L'assemblea Ordinaria degli Azionisti tenutasi in data 27 aprile 2012 ha approvato il bilancio dell'esercizio chiuso al 31/12/2011 ed ha deliberato, tra l'altro, la conferma nella carica di amministratore della prof.ssa Mariachiara Zanetti, a seguito della cooptazione del Consiglio di Amministrazione avvenuta in data 15 marzo 2012, l'elezione del presidente del Collegio Sindacale e di un sindaco supplente ed infine ha attribuito l'incarico alla società di revisione per il novennio 2012-2020.

- Relazioni semestrali del Comitato Controllo e Rischi
  Il Collegio dà atto che il Comitato Controllo e Rischi, così come previsto dal Codice di Autodisciplina, ha consegnato al Consiglio di Amministrazione le relazioni semestrali sull'attività svolta.

- Relazioni semestrali dell'Organismo di Vigilanza
  Il Collegio dà atto che l'Organismo di Vigilanza ha regolarmente consegnato al Consiglio di Amministrazione le relazioni semestrali sull'attività svolta.

- Piani di stock option
  Il Collegio attesta che alla data odierna non è in corso alcun piano di *stock option* destinato agli Amministratori ed ai dipendenti della Società e del Gruppo.

- Posizione finanziaria netta
  Alla data di chiusura dell'esercizio, la posizione finanziaria netta della Fidia S.p.A. risulta a debito per 5.917 migliaia di euro (negativa per 1.896 migliaia di euro al 31/12/2011). La posizione finanziaria netta del Gruppo risulta a credito per 695 migliaia di euro contro un valore a credito di 5.397 migliaia di euro dell'esercizio precedente.

- Applicazione dell'impairment test

A seguito dell'effettuazione dell'impairment test approvato dal Consiglio di Amministrazione nella riunione dell'11 marzo scorso, la società ha operato:

- una ripresa di valore di complessivi 2.005 migliaia di euro della partecipazione nella controllata americana Fidia Co. (USA), considerando il fatto che la società controllata ha consolidato negli ultimi esercizi un trend di risultati positivi che determinano, in presenza di una previsione su un orizzonte temporale triennale, il parziale venir meno dei presupposti che avevano portato in esercizi passati (dal 1996 al 2008) alla sua svalutazione per complessivi 5.556 migliaia di euro.
- una svalutazione della partecipazione nella controllata Shenyang Fidia NC & Machine Co. Ltd (Cina) per 157 migliaia di euro.

- Azioni proprie

  Il Collegio rileva che alla data del 31/12/2012 (come al 31/12/2011) la Fidia S.p.A. aveva in portafoglio n. 10.000 azioni proprie per un complessivo valore di 46 migliaia di euro.

* * *

Signori Azionisti,

alla luce di quanto esposto, in considerazione del controllo legale dei conti eseguito dalla società di revisione Reconta Ernst & Young S.p.A. che emetterà nei prossimi giorni – secondo quanto anticipato in via breve - un giudizio senza rilievi, né richiami d'informativa sul bilancio d'esercizio, il Collegio Sindacale, per quanto a sua conoscenza, ritiene approvabili il bilancio al 31 dicembre 2012 della Vostra Società, nonché la proposta formulata dal Consiglio di Amministrazione in ordine alla destinazione del risultato d'esercizio.

San Mauro Torinese, 28 marzo 2013

Il Collegio sindacale

(Dott. Roberto Panero) – Presidente

(Dott. Giovanni Rayneri) – Sindaco Effettivo

(Dott.ssa Michela Rayneri) – Sindaco Effettivo

7

Independent Audit Firm

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Fidia S.p.A.

1. We have audited the financial statements of Fidia S.p.A. as of 31 December 2012 and for the year then ended, comprising the income statement, the comprehensive income statement, the statement of financial position, the cash flows statement, the statement of changes in shareholders' equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Fidia S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by other auditor dated March 30, 2012.

3. In our opinion, the financial statements of Fidia S.p.A. at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Fidia S.p.A. for the year then ended.

4. The Directors of Fidia S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governance" of Fidia S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of Fidia S.p.A. at 31 December 2012.

Turin, March 28, 2013

Reconta Ernst & Young S.p.A.
Signed by: Stefania Boschetti, Partner

Fidia S.p.A.

Corso Lombardia, 11

10099 San Mauro Torinese (TO) – ITALY

www.fidia.com

April 2013