Annual Report

at 31 December 2013

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

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

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Board of Directors
14 March 2014

BOARD OF DIRECTORS AND AUDITORS

FIDIA S.p.A.	Issued and paid-in share capital € 5,123,000.00 Entered under n° 05787820017 in the Turin Register of Companies Turin Business Code R.E.A. No. 735673 Registered office in San Mauro Torinese (Turin) Corso Lombardia No. 11 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)
Directors	Guido Giovando (c) (1) (2)
	Luca Mastromatteo (c) (1) (2)
	Luca Morfino (c)
	Mariachiara Zanetti (d)

(a) Appointed Chairman at the 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 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 Shareholders' Meeting on 28 April 2011 up to the approval of the FY2013 Financial Statements.

(d) Appointed at the Shareholders' Meeting on 27 April 2012 up to the approval of the FY2013 Financial Statements

(1) Member of the Remuneration Board.

(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 Shareholders' Meeting on 27 April 2012 for the nine-year period 2012-2020.

POWERS OF THE CHAIRMAN, DEPUTY CHAIRMAN AND MANAGING DIRECTOR

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 units thereof,
- Purchase of companies or units 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.

Organization of the Fidia Group

FIDIA S.p.A.
Italy

FIDIA GmbH Germaniy	Beijing Fidia M. & E. Co. China
100% Fidia S.p.A.	92% Fidia S.p.A. 4% Bamtri - 4% Catic
FIDIA S.a.r.l. France	Shenyang Fidia NC & M Co. Ltd. China
93.19% Fidia S.p.A. 6.81% Fidia GmbH	51% Fidia S.p.A. 49% Shenyang M.T. Co. Ltd.
FIDIA IBERICA S.A. Spain	FIDIA INDIA Private Ltd. India
99,993% Fidia S.p.A 0,007% other	99,99% Fidia S.p.A. 0,01% other
FIDIA Co. United States	OOO FIDIA Russia
100% Fidia S.p.A.	100% Fidia S.p.A.
FIDIA DO BRASIL Ltda Brazil	
99.75% Fidia S.p.A. 0.25% other	

Consolidated financial statements and financial statements of Fidia S.p.A. 2013

Report on Operations

Overview of results

Despite the cyclical difficulties that have characterized the world market for machine tools in 2013 as well, fiscal year 2013 for the Fidia Group was characterized by revenues of € 44,704 thousand, only slightly lower (-4.9%) than 2012.

In commercial terms, the trend was very satisfactory and in sharp contrast to the industry's average. New orders of the Group grew by more than 42% over 2012, while the index of orders for machine tools developed by UCIMU Sistemi per Produrre, the association that brings together Italy's main machine tools, automation and robotics manufacturers, registered a 3.2% drop in orders vs. 2012.

This positive trend has enabled the Group to start 2014 with a substantial order backlog (€ 27.2 million, up by 25.7% over the previous year), plus new orders equivalent to approximately € 9 million acquired in the first two months of the current fiscal year.

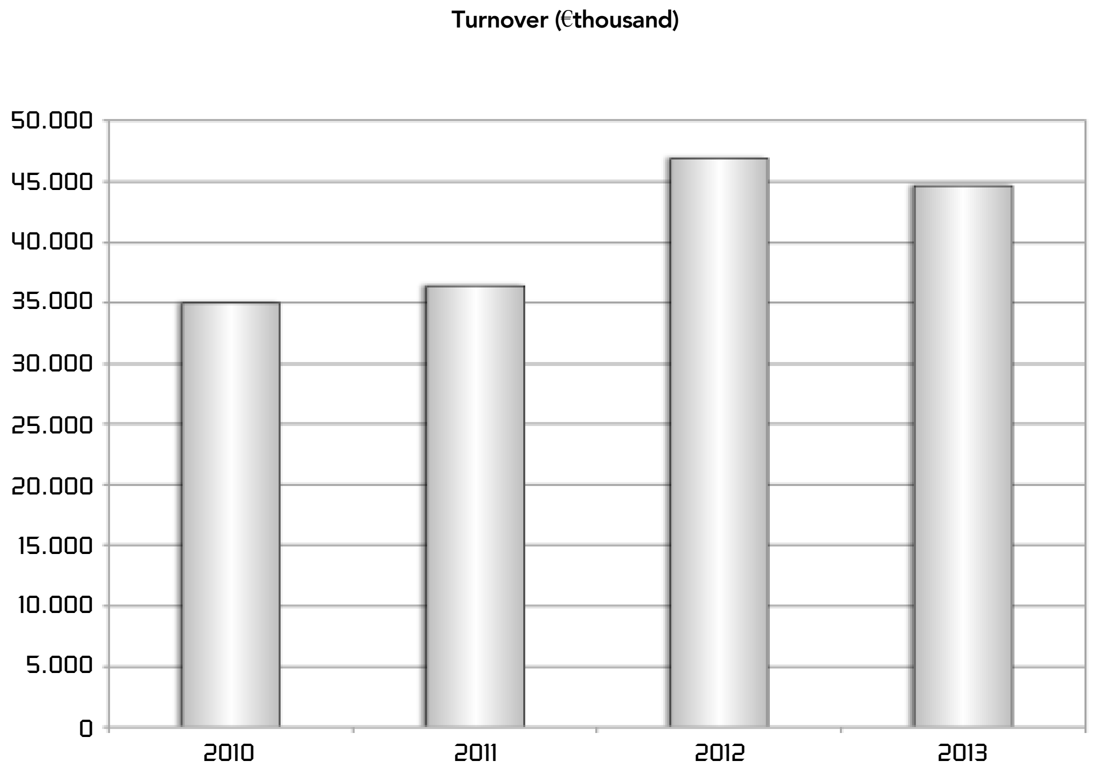
The fiscal year registered a net loss attributable to the Group of €1,435 thousand, in part due to the drop in turnover and to the resulting lower absorption of structural costs, and in part due to the extraordinary and non-recurring charges incurred.

In financial terms, the NFP further improved and, by year-end 2013, it was positive by €2,199 thousand (€695 thousand at 31 December 2012).

In short, the trends in the 2013 results were as follows:

- revenues in the amount of € 47,704 thousand versus € 47,001 thousand in 2012 (-4.9%),
- value of production in the amount of € 45,779 thousand versus € 49,721 thousand in 2012 (-7.9%),
- EBITDA in the amount of € 27,000 (0.1% of turnover) versus € 2,199 thousand in 2012 (4.7% of turnover),
- EBIT in the amount of -€ 686 thousand (-1.5% of turnover) versus €1,383 thousand in 2012 (2.9% of turnover),
- EBIT in the amount of -€ 986 thousand (-2.2% of turnover) versus €1,383 thousand in 2012 (2.9% of turnover),
- EBT in the amount of -€ 1,240 thousand (-2.8% of turnover) versus € 1,172 thousand in 2012 (2.5% of turnover),
- Consolidated net loss in the amount of € 1,567 thousand (-€ 1,435 thousand posted by the Group and -€ 132 thousand posted by NCIs) versus a net profit of € 324 thousand (-€ 45 thousand posted by the Group and +€ 369 thousand posted by NCIs),
- Positive net financial position in the amount of € 2,199 thousand versus a positive amount of € 695 thousand at 31 December 2012,
- new orders (HSM and CNC sectors) in the amount of € 39.3 million versus € 27.6 million in 2012 (+42.2%);
- final order backlog equivalent to € 27.2 million versus € 21.7 million in 2012 (+25.7%).

The trend in turnover in the 2010-2013 period is illustrated in the chart below:



Other main economic and equity data:

(€ thousand)	2013	2012
Result before taxes	(1,240)	1,172
Profit/(loss) of the period	(1,567)	324
Attributable to:		
- Group	(1,435)	(45)
- NCIs	(132)	369
Basic earnings per ordinary share	(0,281)	(0.009)
Diluted earnings per ordinary share	(0,281)	(0.009)
R&D expenditure (€mil)	3.0	3.1
Total assets	40,400	47,562
Net financial position - (payables)/receivables	2,199	695
Equity of Group and NCIs	12,847	14,838
Equity of Group	10,301	12,026
Number of employees at year-end	323	341

Shareholders

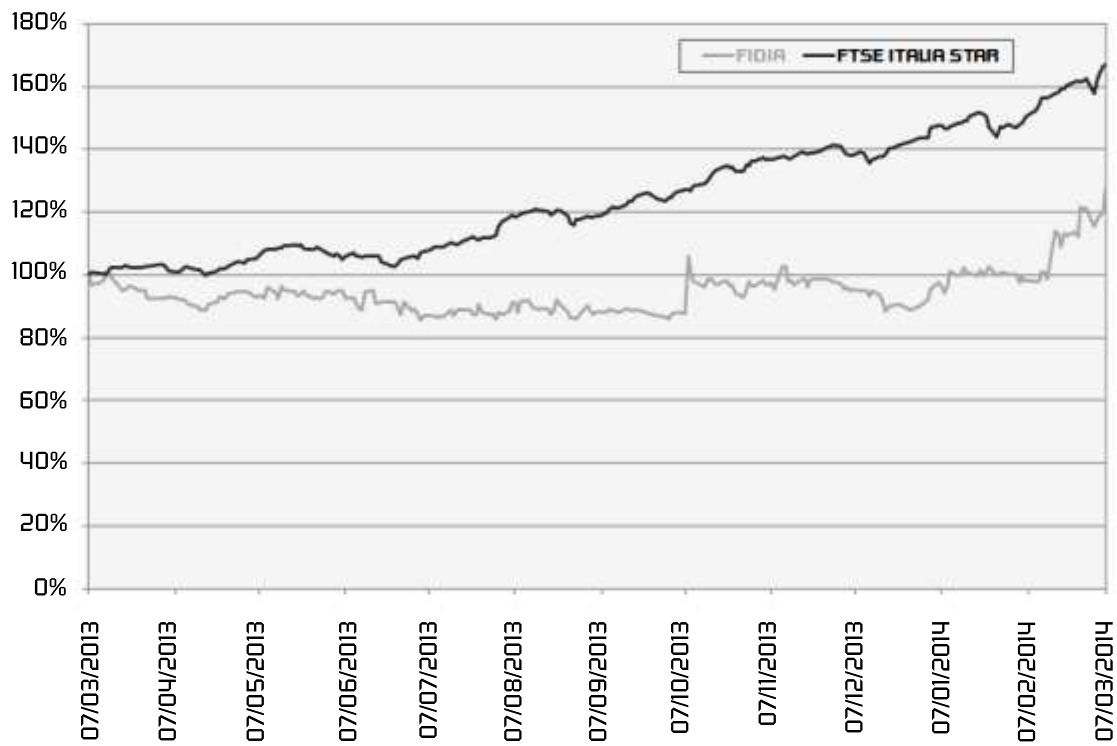
Fidia constantly informs its shareholders and investors through the Investor Relations function and the Company website at www.fidia.it - www.fidia.com under Investor Relations where you can find economic and financial data, company presentations, and periodic reports and updates on Company shares. Furthermore, 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, company visits and open house events.

The following contacts are also available for shareholders:

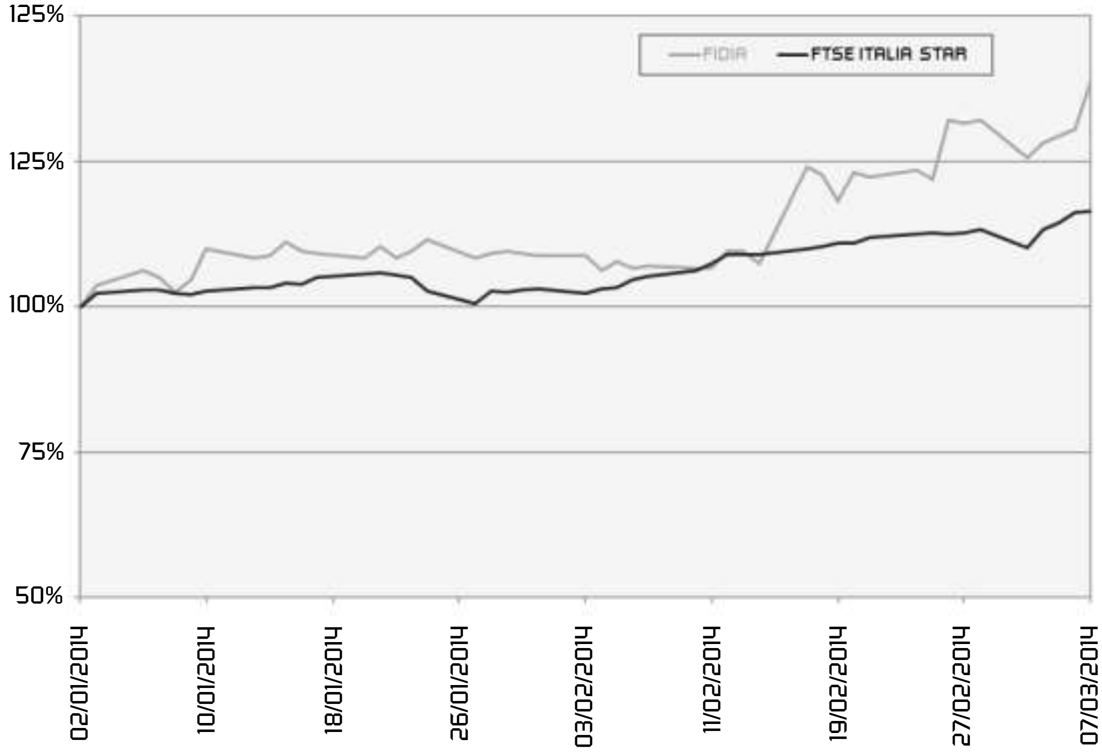
Telephone number:	+390112227111;
E-mail:	investor.relation@fidia.it;
	info@fidia.it

Trend of Fidia stock vs. Star Index

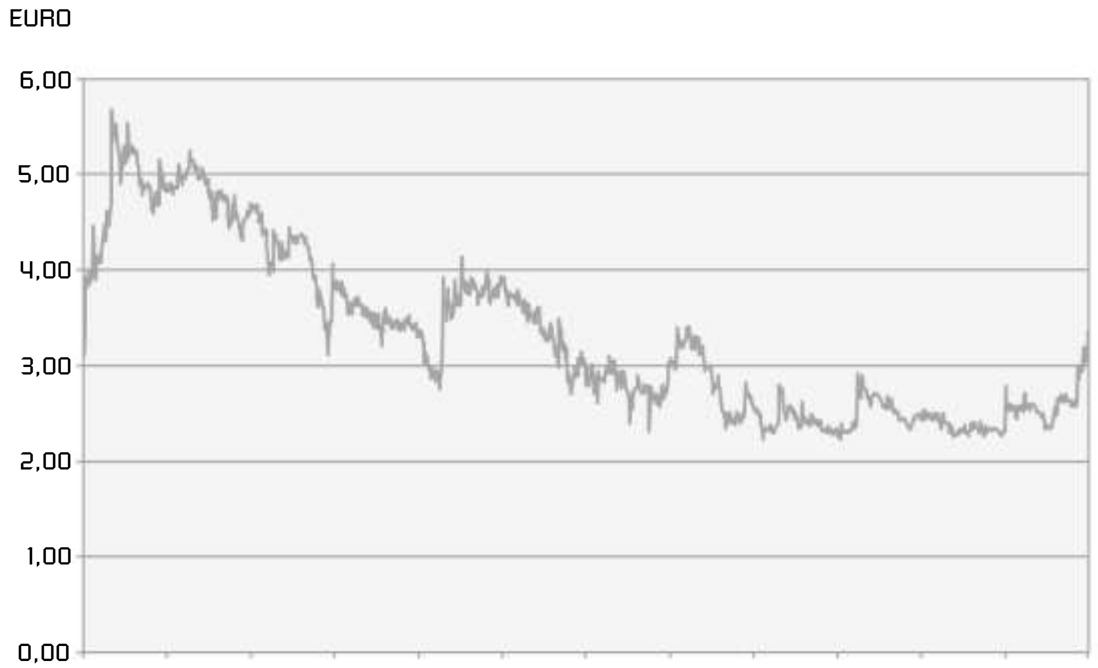
The following chart shows share price performance from 7 March 2013 to 7 March 2014 in comparison with the FTSE Italia STAR Index.



Please note share price performance in the early months of 2014 (at 7 March 2014) in comparison with the FTSE Italia STAR Index.



Trend in stock quotes over the last 5 years

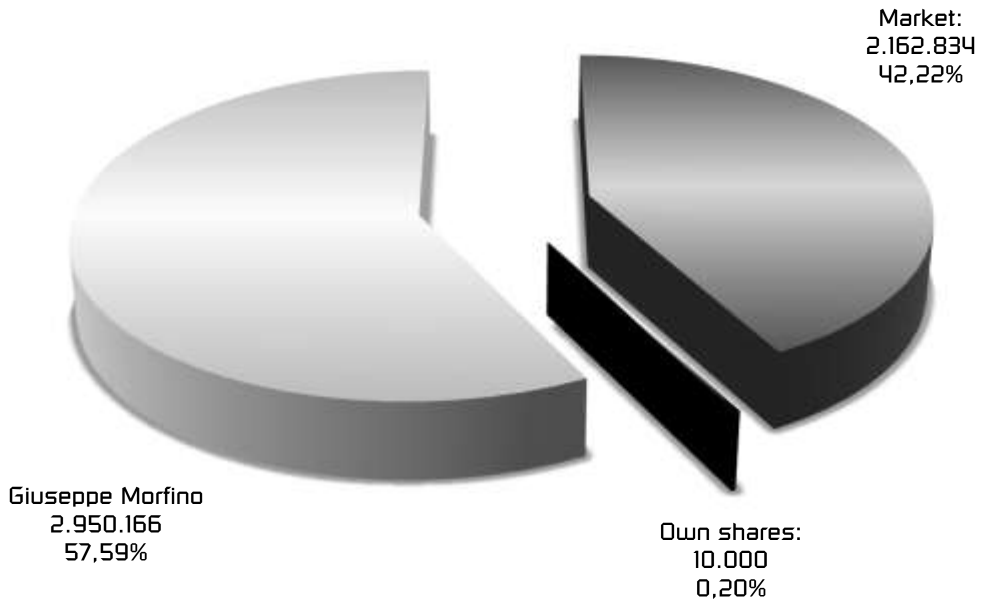


Main shareholders

No variation of the share capital was during 2013. Therefore, the number of ordinary shares, equal to 5,123,000, was unchanged compared to 31 December 2012. The holders of ordinary shares at 7 March 2014 are:

Giuseppe Morfino	2,950,166 equivalent to 57.59%;
Market	2,162,834 equivalent 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)	2013	2012
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)	(0.281)	(0.009)
Diluted earnings per ordinary share (2)	(0.281)	(0.009)
Equity of Group per share	2.015	2.352

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

Closing price per share at:	(euro) 30/12/2013	(euro) 30/12/2012	(euro) 30/12/2011	(euro) 30/12/2010	(euro) 30/12/2009
Ordinary shares	2.360	2.320	2.310	3.698	4.625

In 2013, no purchases of own shares were made; on the date of approval of this document, 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 global 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 2013 too, the international scenario was characterized by considerable uncertainty and discontinuous patterns. The year-end indicators showed a certain improvement in the economic situation in Europe with the main reference indexes (OECD Composite Leading Indicators, Purchasing Managers Index and the Economic sentiment Index of the European Commission) improving in the month of December in most European countries. However, recovery remains slow and fragile, as pointed out on several occasions by the Governor of the ECB. Specifically, the high unemployment rate, which at European level stands at over 12%, is cited as the main element taking steam out of the recovery.

One of the elements of greatest fragility in European economies is still access to credit. Even in the presence of abundant liquidity in markets, the necessary funding to favor investment and the creation of new jobs is very limited and the main indicators continue to show a drop in lending to the productive system reflecting both weak demand, despite rates at historical lows, and a very selective supply.

Outside of Europe, the other advanced economies show a more encouraging picture with various indicators in the United States pointing to a strengthening of recovery and with growth forecasts in Japan. In China, the year-end data showed a containment of growth, which analysts consider to be consistent though with the new Development Plan that aims to shift the focus of development from the "stabilization of growth" to "structural adjustments". Among the emerging countries, there are signs of a slowdown in Russia and Brazil, both struggling with structural difficulties.

In FY2013, the Fidia Group was marginally affected by the negative effects arising from the international macro-economic situation and, especially in the second half of the year, was able to record satisfactory commercial performance that was better compared to 2012. However, continued market difficulties and the enduring credit crunch make it particularly difficult for many potential customers to plan and develop new investment projects and this has inevitable repercussions on growth of some important sectors, including those in which the Group operates. If this situation of uncertainty were to continue, 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

The 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 operates 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 operates.

Risks linked to the need for financial means

The trend in the Group's financial standing depends on several variables, among which the trend in the general economy, financial markets and sectors in which the Group is active. The 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.

Good commercial performance 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

The Fidia Group, which operates in a number of world markets, is naturally 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.

The 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, the Fidia Group is engaged in tackling exchange rate fluctuations by resorting to appropriate hedging instruments.

Despite these financial transactions, sudden changes in exchange and interest 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 operates, 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, the 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 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 the 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 currently operates and to expand into new markets with innovative products featuring high technological and quality standards and to ensure adequate levels of profitability. Ensuring these prerogatives calls for, inter alia, significant investment in research and development. In particular, if the 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 regimens 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, including India, Brazil, and China, which currently represents the largest market 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 investment over the years. A team of 39 people supported by specialized consultants is currently dedicated to R&D activities.

The costs incurred by the Group during the year totaled €3 million, equal to about 6.8% 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 €2.2 million).

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 markets 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 the 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 2013 were:

- **ViMill® - Look-ahead Virtual Milling** - development of user interface, integration of new features and upgrades aimed at consolidating the product which represents the first official release of version 2.1 of ViMill®, released in 2013;
- **HMS (Head Measuring System)**
    - completion and integration of Head Error Compensation (HEC) functions in several table points and of a compensation designed for Gantry machines with a long X-axis stroke;
    - Development of a new focus search algorithm independent from the CNC system used. This feature extends the application of the measuring instrument and HMS compensation to systems manufactured by other machine tool builders and allows the system to implement wireless transmission without having to close the position loop on external transducers.
- **Look Ahead V5**
    - Completion and integration of developments related to the DYNA parameter, which allows the operator to easily modify the dynamic response of the machine axes depending on the work to be performed;
    - New algorithms to improve the precision, surface quality and execution times with 3 and 5 continuous axes:
        - Error compensation filter when executing a circular trajectory;
        - Compensation upon reversal of an axis;
        - Filter on the speed calculation;
        - Automatic calibration procedure for look-ahead parameters.
- **Axis Control**
    - optimization of the dynamic management of tracking error recovery of the axis.
    - completion and integration of the development activities related to the position ring of the control axis, through the inclusion of nonlinear control components optimized for joint use with the feed forward control;
    - implementation of a new emergency smart braking algorithm that minimizes braking time while maintaining and safeguarding the path, workpiece and material;

Introduction of new self-calibration functions for the feed-forward parameters that maximize the benefits introduced by the latest developments implemented.

- **FFB fieldbus** – in 2013, the development of the new version of the FFB fieldbus protocol was completed; it manages the communication between the drives, I/O units and the CNC. The new release of the protocol reduces significantly transfer time on the physical level. Support for ProfiBUS was also implemented on Windows 7®.
- **PLC**
  - Development and integration of algorithms for diagnostic process control;
  - Design and development of a new proprietary backup system independent from the platform, that which ensures data security and optimizes and streamlines procedures;
- **X-Power drives**
  - The process was started to replace the current SINGLE-AXIS XP50-25 unit with a new upgraded version of the XP50-25 bi-axis drive, which can be used both single or bi-axis;
  - XP300-600-M drive: a new version of the XP300-600A power drive is being designed to deliver continuous currents of 200Arms versus the current 160Arms. This drive will power asynchronous spindles of the same sizes driven by the competition and allow for an increase of the switching frequency of the reversible power supplies from 4 to 8kHz, in order to reduce disturbances injected in the mains with the same line reactances.

In the high-speed milling systems sector, the Group has continued along the path taken in 2012, pursuing an R&D strategy centered on broadening its range of machines and on searching cutting-edge solutions for processing new materials and gaining access to new sectors and fields of application.

The main projects that characterized 2013 are:

- **BTT** - during 2013, FIDIA started the task of designing a new machine line with movable table architecture, which is an absolute novelty in the context of FIDIA's milling systems. This project, developed together with a Turkish partner, consists of two different versions, 3 and 5-axis, for the roughing of automotive molds. The 5-axis version is completed with options like extensions and 90° heads, interfaceable with M5H high torque mechanical heads;
- **M5D milling head** - the development of this head bi-rotary witnessed a significant acceleration in 2013, following the great interest shown by customers in the aerospace sector. The M5D head is characterized by an innovative, modular design that allows changing the milling components, head or even the single spindle automatically. Designed to integrate the roughing, semi-finishing and finishing of aluminum aeronautical components, the M5D head matches the great stiffness and dynamic performance of the polar axes. Its electro-spindle delivers 30.000 rpm, 60 Nm of torque and 100 kW of power. Co-designed with the supplier, it is the top-of-the-range product for the complete milling of these components. The modular design makes the M5D head meet the demands of other sectors as well, such as the molds suitable for the die manufacturing and energy sectors. An innovative C-axis locking system was designed to maximize performance in heavy roughing operations;
- **M5C Head** - the development of a light 5-axis milling head, called M5C, continued in order to meet the peculiar speed and dynamics requirements of the automotive models sector. The head, made of aluminum alloy, is built for the processing of lightweight materials such as resins, clay and composites. The development and integration of advanced suction systems, both table-side and push-pull, represent Fidia's full range designed for lightweight materials.

Finally, in 2013 the Group continued its activities in the financed research field. Fidia has taken part in 9 projects co-funded by the European Commission, 2 projects co-funded by the Italian Ministry for Economic Development and 2 projects co-funded by the Piedmont Region. An overview follows below of the application areas in which there are major financed projects.

- EASE-R3 - Integrated Framework for a cost-effective and ease of repair, renovation and re-use of machine tools in modern factories: project coordinated by FIDIA in the development of innovative methodologies to support the selection of optimal maintenance strategies;
- T-REX - Lifecycle extension through product redesign and repair, renovation, reuse, recycling strategies for usage&reusage-oriented business models: development and implementation of new business models centered on the use and reuse of production systems;
- 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 levels of stiffness and damping, integrated measurement and control functions) to achieve the high thermal/dynamic stability required for precise and fast machining.
- AIMACS - Advanced Intelligent Machine Adaptive 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, smart "plug-and-produce" components that integrate advanced perceptive and actuating 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;
- 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 the definition of the Group's main lines of product development in the medium and long term.

Economic and financial status of the Group

INTRODUCTION

Alternative performance indicators

In this Report on Operations, in the consolidated financial statements of the Fidia Group and in the separate financial statements of the parent company Fidia S.p.A. for the years closed on 31 December 2013 and 31 December 2012, in addition to the conventional IFRS financial indicators, a number of alternative performance indicators have been provided 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 (corresponding to the "Operating Income"),
- Operating income from ordinary business, 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 "Operating Income" as per the income 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", and "Changes in inventories of finished goods and work in progress";
- "Value added", which is the result of the algebraic addition of the items "Value of production", "Raw materials and consumables used", "Commissions, shipping and outsourced work" and "Other services and overheads".

Consolidation area

The companies comprised in the consolidation area are listed below:

Name	Registered office	Percentage held by Parent Company at 31/12/2013
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%

There was no change in the consolidation area compared to the consolidated financial statements at 31 December 2012.

GROUP FINANCIAL PERFORMANCE

Reclassified consolidated income statement (€ thousand)	2013	%	2012	%
Net revenues	**44,704**	**100%**	**47,001**	**100%**
Changes in inventories of finished goods and W.I.P.	(1,417)	-3.2%	(555)	-1.2%
Other operating revenue	2,492	5.6%	3,275	7.0%
Value of production	**45,779**	**102.4%**	**49,721**	**105.8%**
Raw materials and consumables	(15,026)	-33.6%	(16,924)	-36.0%
Commissions, transport and contractors	(5,443)	-12.2%	(5,215)	-11.1%
Other services and overheads	(9,871)	-22.1%	(9,877)	-21.0%
Value added	**15,439**	**34.5%**	**17,705**	**37.7%**
Personnel expenses	(15,412)	-34.5%	(15,506)	-33.0%
EBITDA	**27**	**0.1%**	**2,199**	**4.7%**
Bad debts provision	(186)	-0.4%	(289)	-0.6%
Depreciation	(527)	-1.2%	(527)	-1.1%
Operating income from ordinary business	**(686)**	**-1.5%**	**1,383**	**2.9%**
Non-recurring charges	(300)	-0.7%	-	0.0%
EBIT	**(986)**	**-2.2%**	**1,383**	**2.9%**
Net finance income and costs	(291)	-0.7%	(198)	-0.4%
Profit/(Loss) on exchange rates	37	0.1%	(13)	-0.0%
EBT	**(1,240)**	**-2.8%**	**1,172**	**2.5%**
Income taxes (current, paid and deferred)	(327)	-0.7%	(848)	-1.8%
Profit/(loss) of the period	**(1,567)**	**-3.5%**	**324**	**0.7%**
- (Profit)/Loss of non-controlling interests	(132)	-0.3%	369	0.8%
- Profit/(Loss) of Group	(1,435)	-3.2%	(45)	-0.1%

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 2013 ended with a slight drop in turnover compared to the previous year (-4.9%) to € 44,704 thousand compared to € 47,001 thousand in 2012. This performance is the result of a rather differentiated trend in the three business lines in which the Group operates. In the electronics sector - CNC- the drop in revenues compared to 2012 is rather sharp (-36,2%); the high-speed milling systems sector - HSM - closed the year with only a slight decrease (-4.9 %); the sector of the after-sales service sector - Service - recorded a significant growth (+9.7%) thus giving continuity to a trend that has been in progress for several fiscal years.

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

Revenues by line of business (€ thousand)	2013	%	2012	%	Change in %
Numerical controls, drives and software	2,976	6.7%	4,666	9.9%	-36.2%
High-speed milling systems	30,749	68.8%	32,324	68.8%	-4.9%
After-sales service	10,979	24.6%	10,011	21.3%	9.7%
Grand total	**44,704**	**100%**	**47,001**	**100%**	**-4.9%**

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

Numerical controls and software (€ thousand)	2013	%	2012	%	Change in %
ITALY	663	22.3%	772	16.5%	-14.1%
EUROPE	1,697	57.0%	1,386	29.7%	22.4%
ASIA	135	4.5%	1,495	32.0%	-91.0%
NORTH and SOUTH AMERICA	449	15.1%	926	19.8%	-51.5%
REST OF THE WORLD	32	1.1%	87	1.9%	-63.2%
TOTAL	**2,976**	**100%**	**4,666**	**100%**	**-36.2%**

High-speed milling systems (€ thousand)	2013	%	2012	%	Change in %
ITALY	1,651	5.4%	2,676	8.3%	-38.3%
EUROPE	7,690	25.0%	4,503	13.9%	70.8%
ASIA	18,117	58.9%	20,636	63.8%	-12.2%
NORTH and SOUTH AMERICA	3,291	10.7%	4,509	13.9%	-27.0%
REST OF THE WORLD	-	-	-	-	-
TOTAL	**30,749**	**100%**	**32,324**	**100%**	**-4.9%**

After-sales (€ thousands)	2013	%	2012	%	Change in %
ITALY	1,771	16.1%	1,826	18.2%	-3.0%
EUROPE	3,805	34.7%	3,341	33.4%	13.9%
ASIA	2,732	24.9%	1,898	19.0%	43.9%
NORTH and SOUTH AMERICA	2,460	22.4%	2,546	25.4%	-3.4%
REST OF THE WORLD	211	1.9%	400	4.0%	-47.3%
TOTAL	**10,979**	**100%**	**10,011**	**100%**	**9.7%**

Net total sales (€ thousand)	2013	%	2012	%	Change in %
ITALY	4,085	9.1%	5,274	11.2%	-22.5%
EUROPE	13,192	29.5%	9,230	19.6%	42.9%
ASIA	20,984	46.9%	24,029	51.1%	-12.7%
NORTH and SOUTH AMERICA	6,200	13.9%	7,981	17.0%	-22.3%
REST OF THE WORLD	243	0.5%	487	1.0%	-50.1%
TOTAL	**44,704**	100%	**47,001**	100%	**-4.9%**

Numerical controls and software

Revenues from the electronics sector (CNC) showed a marked decrease compared to 2012 (-36.2%) from € 4,666 thousand in 2012 to € 2,976 thousand in 2013.

The decrease in turnover mainly regarded Asian markets (-91.0%), and the Americas (-51.5%). The European market as a whole is growing, but with opposite trends between the internal market (14.1% fall in turnover), and the other countries in the area (22.4% growth in turnover).

High-speed milling systems

The high speed milling (HSM) systems sector reported a slight reduction in revenues compared to fiscal year 2012; the turnover decreased from € 32,324 thousand in 2012 to € 30,749 thousand in 2013 equal to a 4.9% drop.

At 31 December 2013, 56 machines were delivered and accepted, versus 74 the year before. The increase in the average turnover per machine is attributable to a growing interest of the market for Gantry range milling systems, which have been subject to considerable investment in research and development during present and previous years.

From a geographical point of view, excellent performance was recorded in the major European countries (+70.8% compared with the previous year), with the exception of Italy, which, on the contrary, recorded a drop in turnover of about 38.3%. Despite commercial liveliness in these regions, as is further detailed below, the Asian markets (-12,2 %) and Americas (-27%) decreased as well.

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, this area of business has been showing a trend of steady growth little affected by changes in the economic cycle. Year 2013 continued to have these characteristics and the revenues attained amounted to € 10,979 thousand, up by 9.7% compared to € 10,011 thousand the year before.

The revenues of the Service sector grew significantly in Asia (€ 2,732 thousand, versus €1,898 thousand the previous year, with an increase of slightly less than 44%) and in Europe, where the domestic market was substantially stable (-3 %) as opposed to sustained growth in other countries (+13.9 %). In the Americas, revenues are very close to last year's level (€ 2,460 thousand, versus € 2,546 thousand in 2012) while revenues in other parts of the world, though negligible in terms of turnover, registered a decline.

Commercial activity

The following tables show the trend in the backlog orders and in the new orders in the two periods under consideration. The commercial data referring to backlog orders 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)	2013	2012	Change in %
Backlog orders at 01/01	414	553	-25.1%
New orders	**3,501**	**4,527**	**-22.7%**
Net revenues	(2,976)	(4,666)	-36.2%
Backlog orders at 31/12	**939**	**414**	**126.8%**

High-speed milling systems (€ thousand)	2013	2012	Change in %
Backlog orders at 01/01	21,244	30,478	-30.3%
New orders	**35,791**	**23,090**	**55.0%**
Net revenues	(30,749)	(32,324)	-4.9%
Backlog orders at 31/12	**26,276**	**21,244**	**23.7%**

Total (€ thousand)	2013	2012	Change in %
Backlog orders at 01/01	21,658	31,031	-30.2%
New orders	**39,282**	**27,617**	**42.2%**
Net revenues	(33,725)	(36,990)	-8.8%
Backlog orders at 31/12	**27,215**	**21,658**	**25.7%**

Fiscal year 2013 closed with a major increase in backlog orders compared to year-end 2012 as a result of the excellent trend in new orders in the mechanical sector. Considering the acquisition of new orders in the early months of 2014, the production capacity of the high-speed milling systems business unit is almost completely saturated for full fiscal year 2014.

New orders by geographical region:

Numerical controls and software (€ thousand)	2013	%	2012	%	Change in %
ITALY	756	21.6%	770	17.0%	-1.8%
EUROPE	1,800	51.4%	1,519	33.6%	18.5%
ASIA	401	11.5%	1,367	30.2%	-70.7%
NORTH and SOUTH AMERICA	523	14.9%	824	18.2%	-36.5%
REST OF THE WORLD	21	0.6%	47	1.0%	-55.3%
TOTAL	**3,501**	**100%**	**4,527**	**100%**	**-22.7%**

High-speed milling systems (€ thousand)	2013	%	2012	%	Change in %
ITALY	2,353	6.6%	1,747	7.6%	34.7%
EUROPE	6,449	18.0%	5,807	25.1%	11.1%
ASIA	21,419	59.9%	14,444	62.6%	48.3%
NORTH and SOUTH AMERICA	5,560	15.5%	1,085	4.7%	412.4%
REST OF THE WORLD	-	-	7	0.0%	-100%
TOTAL	**35,781**	**100%**	**23,090**	**100%**	**55.0%**

Total new orders (€ thousand)	2013	%	2012	%	Change in %
ITALY	3,109	7.9%	2,517	9.1%	23.5%
EUROPE	8,249	21.0%	7,326	26.5%	12.6%
ASIA	21,820	55.5%	15,811	57.3%	38.0%
NORTH and SOUTH AMERICA	6,083	15.5%	1,909	6.9%	218.6%
REST OF THE WORLD	21	0.1%	54	0.2%	-61.1%
TOTAL	**39,282**	**100%**	**27,617**	**100%**	**42.2%**

Numerical controls and software

In 2013, new orders in the electronics sector declined versus the year before (€ 3,501 thousands, versus € 4,526 thousands in 2012, equivalent to 22.7% drop). The decline occurred mainly on the Asian market (-70,7%), and in North and South America (-36,5 %); the Italian market was substantially stable (€ 756 thousand versus € 770 thousand in 2012); substantial growth was registered in other European countries (+18.5%). New orders acquired in the Rest of the World (€ 21 thousand versus € 47 thousand in 2012) were negligible.

High-speed milling systems

The mechanical sector registered excellent commercial performance in 2013 with new orders amounting overall to € 35,781 thousand, compared to € 23,090 thousand in 2012, up by 55%. This result is all the more significant considering that the machine tool orders index developed by UCIMU Sistemi per Produrre, the association that brings together Italy's major machine tool, automation and robotics manufacturers, registered a decline in orders of about 3.2% in 2013 over 2012. The first part of the year for Fidia Group followed the same weak trend in new orders registered in the second half of 2012 (slightly less than € 13 million in the first half of 2013), which affected the Group's ability to realize revenues in line with 2012. Starting from the second half of 2013, the new orders registered a sharp boost in the period from July to December, with new orders equivalent to about € 23 million.

From a geographical point of view, all the markets in which the Group operates grew compared to the previous year. Specifically, the trend in Italy (+34.7%) is noteworthy, considering that is a historically negligible area for the Fidia Group, and contrast with the general trend in the Italian market, which weighed down by the enduring economic and financial crisis and by expected incentives designed to revitalize the demand (see the so-called "New Sabatini" Law). This context has led to a general situation of sluggishness and companies willing to invest have adopted a "wait-and-see" policy, as testified by the UCIMU orders index, which recorded a 15.8% drop in Italy over 2012.

Excellent results were reported in North America, with a more than five-fold increase in orders compared to 2012, mainly as a result of strong recovery in the US market. The growth in new orders in Asia (up by more than 48%) is continuing and these still represent about 60% of the total demand for the mechanical sector's products, thanks to the Group's good standing mainly in China.

The distribution of the backlog orders by geographical region was as follows on 31 December 2013:

Numerical controls and software (€ thousand)	2013	%	2012	%	Change in %
ITALY	222	23.7%	130	31.4%	70.8%
EUROPE	361	38.4%	262	63.3%	37.8%
ASIA	282	30.1%	17	4.1%	1,558.8%
NORTH and SOUTH AMERICA	74	7.9%	-	-	-
REST OF THE WORLD	-	-	5	1.2%	-100.0%
TOTAL	**939**	**100%**	**414**	**100%**	**126.8%**

High-speed milling systems (€ thousand)	2013	%	2012	%	Change in %
ITALY	1,334	5.1%	632	3.0%	111.1%
EUROPE	4,159	15.8%	5,399	25.4%	-23.0%
ASIA	16,354	62.2%	13,053	61.4%	25.3%
NORTH and SOUTH AMERICA	4,429	16.9%	2,160	10.2%	105.0%
REST OF THE WORLD	-	-	-	-	-
TOTAL	**26,277**	**100%**	**21,244**	**100%**	**23.7%**

Total backlog orders (€ thousand)	2013	%	2012	%	Change in %
ITALY	1,556	5.7%	762	3.5%	104.2%
EUROPE	4,520	16.6%	5,661	26.1%	-20.2%
ASIA	16,636	61.1%	13,070	60.3%	27.3%
NORTH and SOUTH AMERICA	4,503	16.5%	2,160	10.0%	108.5%
REST OF THE WORLD	-	-	5	0%	-
TOTAL	**27,215**	**100%**	**21,658**	**100%**	**25.7%**

Other operating revenue

Other operating revenue in 2013 amounted to € 2,492 thousand versus € 3,275 thousand in FY2012. Said item comprises revenues from ordinary business activities, but which are not sales of goods and services.

This item includes:

- EU and Italy's Ministry of University grants to Fidia S.p.A. for research and development (€ 1,382 thousand, as well as government grants provided by the local government in Shenyang (China) to the Chinese subsidiary Shenyang Fidia NC & M Co. Ltd. (€ 1,382 thousand at 31 December 2013, € 2,499 thousand at 31 December 2012);
- increases in tangible assets built within the Group and devoted solely to demonstrations for customers (€ 211 thousand at 31 December 2013; € 200 thousand at 31 December 2012);
- capital gains from transfers (€45 thousand at 31 December 2013; €71 thousand at 31 December 2012);
- release of the warranty, bad debts and legal risks provisions and/or any accruals in excess of the risk to be covered (€176 thousand at 31 December 2013 vs. €250 thousand at 31 December 2012);
- contingent assets, damages from insurance companies, recovery of costs incurred and others (€ 678 thousand at 31 December 2013; € 255 thousand at 31 December 2012).

Value of production

At year-end, the value of production reached € 45,779 thousand, down by 7.9% versus the year before (€ 49,721 thousand). This is due to the combined effect of the decrease in revenues on sales (€ 2,297 thousand less than in 2012), of a negative change in inventories of finished goods and W.I.P. (-€ 862 thousand versus 2012) and of a reduction in other operating income (-€ 783 thousand versus 2012).

Other services and overheads

This item, equal to € 9,871 thousand, is basically in line with the previous year (€ 9,877 thousand).

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

production costs and expenses for miscellaneous technical service, € 2,987 thousand at 31 December 2013, versus € 3,142 thousand at 31 December 2012 (-€155 thousand);

expenses incurred for trade fairs, entertainment expenses, travel expenses and commercial services, €1,192 thousand at 31 December 2013, versus €1,147 thousand at 31 December 2012 (+€45 thousand);

R&D costs and related refund of expenses, €843 thousand at 31 December 2013, versus €845 thousand at 31 December 2012 (-€2 thousand);

overheads, technical and administrative consulting, utilities, rent, legal expenses, contingent liabilities and other expenses, €4,49 thousand at 31 December 2013, versus €4,743 thousand at 31 December 2012 (+€106 thousand).

Value added

At year-end, value added amounted to €15,439 thousand versus €17,705 thousand the year before (equivalent to 34.5 % of net revenues in 2013 and 37.7% in 2012). The reduction is mostly attributable to the reduced value of production and the substantial consistency of cost structure that consequently did not benefit from the same degree of absorption as the previous year.

Personnel

The following tables illustrate the trends in staffing and labor costs.

Staffing	**2013**	**2012**	**Abs. change**	**Change in %**
Executives	9	9	-	-
Clerks and cadres	275	297	(22)	-7.4%
Workers	39	35	4	11.4%
Total employees	323	341	(18)	-5.3%
Total mean No. of employees	332.0	342.0	(10)	-2.9%
Labor cost (€thousand)	**2013**	**2012**	**Abs. change**	**Change in %**
Labor cost	15,412	15,506	(94)	-0.6%

Cost of personnel was substantially stable compared with the previous year (-0.6%, equivalent to a decrease of about €94 thousand), while Group personnel decreased on average by about 2.9%.

EBITDA

EBITDA was basically to balance amounting to €27 thousand (+0.1% of turnover), slightly lower compared to the result of the previous year (€2,199 thousand, equal to 4.7% of turnover).

Operating income from ordinary business

Operating income from ordinary business registered a loss of €686 thousand, versus a profit of €1,383 thousand in FY2012.

Non-recurring charges

The parent company Fidia S.p.A. made a payment of €300 thousand for an accident covered by a specific insurance policy. Pending repayment by the insurance company and in compliance with the provisions of the relevant accounting standard, this occurrence was reported in the income statement.

EBIT

As a result of the aforementioned non-recurring charge, EBIT at 31 December 2013 was negative at €986 thousand; on 31 December 2012, there was no difference between EBIT and the operating income from ordinary business.

Finance income/(charges) and net exchange rate differences

Net financial expenses grew as compared to 2012 (net charges equivalent to €291 thousand versus €198 thousand the previous year) mainly as a result of financial exposure that was on average higher in the early months of 2013, compared to the same period the year before. Net differences in exchange rates, either realized or resulting from evaluation in the financial statements, generated net profit in the amount of €37 thousand versus a net loss of €13 thousand at 30 December 2012.

EBT

EBT resulted in a loss of €1,240 thousand versus a profit of €1,172 thousand in 2012.

Income taxes

Profit/(loss) of the period was mainly due to current, deferred and paid taxes totaling €327 thousand, which can be broken down as follows:

IRAP (Italian Regional Production Tax) €207 thousand;
Income tax of foreign subsidiaries €471 thousand;
Paid and deferred taxes amounting to -€351 thousand.

Profit/(loss) of the period

Profit/(loss) of the period was a loss of €1,567 thousand, of which €1,435 thousand for the Group and €132 thousand for non-controlling interests, versus a profit of €324 thousand, of which €45 thousand for the Group and €369 thousand for non-controlling interests, for year 2012.

Group consolidated statement of financial position

at 31 December 2013, the reclassified consolidated statement of financial position was as follows:

Group Balance Sheet (€ thousand)	31 December 2013	31 December 2012
Net tangible assets	1,806	1,685
Intangible assets	410	200
Financial assets	16	16
Other financial assets	2,311	2,105
Fixed assets – (A)	**4,543**	**4,006**
Net trade receivables from customers	9,178	11,943
Closing inventories	16,661	19,910
Other current assets	1,525	1,324
Short-term (current) assets – (B)	**27,364**	**33,177**
Trade payables to suppliers	(8,409)	(9,237)
Other current liabilities	(10,091)	(11,300)
Short-term (current) liabilities – (C)	**(18,499)**	**(20,537)**
Net working capital (D) = (B+C)	**8,865**	**12,640**
Termination benefits (E)	(2,263)	(2,335)
Other long-term liabilities (F)	(496)	(168)
Net invested capital (G) = (A+D+E+F)	**10,648**	**14,143**
Financial position		
Available-for-sale financial assets	-	-
Cash on hand, bank deposits	(8,493)	(10,379)
Short-term loans	4,302	6,902
Other current financial payables	140	--
Short-term financial position (receivable)/payable	**(4,051)**	**(3,477)**
Long-term loans, net of current portion	1,852	2,782
Net financial position (receivable)/payable (H)	**(2,199)**	**(695)**
Share capital	5,123	5,123
Reserves	6,613	6,948
Profit/(loss) of the period for Group	(1,435)	(45)
Total equity of Group	**10,301**	**12,026**
Total equity of non-controlling interests	2,546	2,812
Total equity (I)	**12,847**	**14,838**
Own funds and net financial position (L) = (H+I)	**10,648**	**14,143**

Compared to 31 December 2012, the Group statement of financial position registered the following changes:

- Increase in fixed assets (from €4,006 thousand to €4,543 thousand) mainly due to capital expenditure in plant and equipment, to capitalization of the new management system software and to the partial absorption of paid taxes of some subsidiaries; there was also 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;
- Reduction in trade receivables from customers from €11,943 thousand to €9,178 thousand) linked to lower realized turnover and to improved collection time. Trade receivables were posted net of bad debts provision in the amount of €972 thousand;
- Reduction in the level of inventories (from €19,910 thousand to €16,661 thousand) due to lower turnover and to decreased production. Inventories were posted net of provision for obsolete inventories in the amount of €2,189 thousand;
- Increase in other current assets (from €1,324 thousands to €1,525 thousand) due to some advances paid to suppliers and to increased current receivables for funded research activities;

- Decreased trade payables to suppliers (from €9,237 thousand to €8,409 thousand) due to reduced purchase volumes;
- Reduction in other current liabilities (from €11,300 thousands to €10,091 thousand), and specifically due to less payables to the municipality of Shenyang for the completion of research funded by the latter and, to a lesser extent, due to lower advances from customers (advance payments accounted for in part as advances received and in part as machines already delivered but not yet accepted);
- Slight decrease in provisions for termination benefits (from €2,335 thousand to €2,263 thousand) due to normal dynamics related to personnel;
- Increase in other long-term liabilities (from €168 thousand to €496 thousand), due to the change in dynamics of advances received for multi-year European and Italian funded research projects.

With reference to financial items there still was a positive net financial position better than at year-end 2012 with a net cash position of €2,199 thousand versus the positive balance of €695 thousand in 2012. The trend in the net financial position is illustrated below.

Trend in net financial position

Financial position (€thousand)	31 December 2013	31 December 2012
Available-for-sale financial assets	-	-
Cash on hand, bank deposits	8,493	10,379
Overdrawn bank accounts and short-term advances	(2,610)	(5,685)
Short-term loans	(1,692)	(1,217)
Other current financial payables	(140)	-
Short-term financial position	4,051	3,477
Long-term loans, net of current portion	(1,852)	(2,782)
Net financial position	2,199	695

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

Cash on hand, bank deposits (€thousand)	**31 December 2013**	**31 December 2012**
Fidia S.p.A.	3,531	3,879
Fidia Co.	716	651
Fidia GmbH	1,229	491
Fidia Iberica S.A.	404	523
Fidia S.a.r.l.	238	666
Beijing Fidia Machinery & Electronics Co.,Ltd	1,790	3,312
Fidia do Brasil Ltda.	20	27
Shenyang Fidia NC & M Co., Ltd	563	829
OOO Fidia	-	-
Fidia India Private Ltd.	2	1
Total cash on hand	**8,493**	**10,379**

Financial payables (€thousand)	31 December 2013	31 December 2012
Short-term loans and advances		
Fidia S.p.A.	(4,270)	(6,882)
Fidia GmbH	(29)	(10)
Fidia Co.	-	(2)
Fidia Iberica S.A.	(3)	(8)
Total	**(4,302)**	**(6,902)**
Other current financial payables		
Fidia S.p.A.	(140)	-
Total	**(140)**	**-**
Long-term loans, net of current portion		
Fidia S.p.A.	(1,801)	(2,763)
Fidia GmbH	(41)	(19)
Fidia Iberica S.A.	(10)	-
Total	**(1,852)**	**(2,782)**
Total financial payables	**(6,294)**	**(9,684)**

A summary 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)	2013	2012
A) Cash on hand and cash equivalents at beginning of year	4,694	7,051
B) Cash from (used in) operating activities during the period	2,762	(4,142)
C) Cash from/(used in) investing activities	(827)	(297)
C) Cash from/(used in) financing activities	(478)	2,226
Differences in exchange rates	(268)	(144)
E) Net change in cash and cash equivalents	1,189	(2,357)
F) Cash and cash equivalents at year end	5,883	4,694
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	8,493	10,379
Overdrawn bank accounts and short-term advances	(2,610)	(5,685)
	5,883	4,694

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

FINANCIAL RATIOS

INVESTMENT MIX RATIOS

RATIOS	2013			2012		
1) Weight of fixed assets						
Capital assets / Total assets	4,543 / 40,400	=	11.2%	4,006 / 47,562	=	8.4%
2) Weight of working capital						
Current assets / Total assets	35,857 / 40,400	=	88.8%	43,556 / 47,562	=	91.6%

LOAN MIX RATIOS

RATIOS	2013			2012		
1) Weight of current liabilities						
Current liabilities / Total liabilities (except equity)	22,942 / 27,553	=	83.3%	27,440 / 32,724	=	83.9%
2) Weight of non-current liabilities						
Non-current liabilities / Total liabilities (except equity)	4,611 / 27,553	=	16.7%	5,285 / 32,724	=	16.1%
3) Weight of own funds						
Own funds / Net invested capital	12,847 / 10,649	=	120.6%	14,838 / 14,143	=	104.9%

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 previous years.

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

RATIO	2013			2012		
Current assets / Current liabilities	35,857 / 22,942	=	1.56	43,556 / 27,440	=	1.59

CAPITAL ASSETS COVERAGE RATIO

RATIO	2013			2012		
Own funds / Capital assets	12,847 / 4,543	=	2.83	14,838 / 4,006	=	3.70

CASH RATIO

RATIO	2013			2012		
Short-term assets / Short-term liabilities	27,364 / 18,640	=	1.47	33,177 / 20,538	=	1.62

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, considering the prevalence of current assets over current liabilities.

The capital assets coverage ratio shows strong coverage of capital assets with own funds.

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

ECONOMIC POSITION RATIOS

ROE

	2013			2012		
Net income pertaining to Group / Equity of Group	(1,435) / 10,301	=	-13.9%	(45) / 12,026	=	-0.4%

ROI

	2013			2012		
Operating income from ordinary business / Invested capital	(686) / 31,907	=	-2.1%	1,383 / 37,183	=	3.7%

ROS

	2013			2012		
Operating income from ordinary business / Sales	(686) / 44,704	=	-1.5%	1,383 / 47,001	=	2.9%

ROE, which measures the profitability of own funds is negative due to the loss attributable to shareholders of the Group in 2013.

ROI, which measures profitability from operations, shows a negative value given the operating loss registered by the Group in 2013.

which measures profitability from operations; in this case as well, the operating loss negatively affected the value of this ratio, which is negative and worse than the previous year.

Disclosure by line of business

Economic and financial trend by line of business

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 last columns show those items that cannot be classified; these items are mainly general and administrative costs and costs for advertising, promotion and exhibitions for the companies operating in all 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 - 2013 (€thousand)	CNC		HSM		SERVICE		N/A	Total
Revenues	2,976	51.5%	30,749	99.8%	10,979	100%	-	44,704
Cross-sector revenues	2,806	48.5%	67	0.2%	-	-	-	
Total revenues	**5,782**	**100%**	**30,816**	**100%**	**10,979**	**100%**	**-**	**44,704**
Changes in inventories of finished goods and W.I.P.	(355)	-6.1%	(845)	-2.7%	(217)	-2.0%	-	(1,417)
Raw materials and consumables	(1,735)	-30.0%	(11,626)	-37.7%	(1,477)	-13.4%	(188)	(15,026)
Cross-sector expenses	(113)	-2.0%	(3,408)	-11.1%	604	5.5%	44	
Commissions, transport and contractors	(632)	-10.9%	(4,456)	-14.5%	(350)	-3.2%	(5)	(5,443)
Sales margin	**2,947**	**51.0%**	**10,481**	**34.0%**	**9,539**	**86.9%**	**(149)**	**22,818**
Other operating revenue	1,159	20.0%	616	2.0%	115	1.0%	602	2,492
Other operating expenses	(593)	-10.3%	(2,278)	-7.4%	(2,135)	-19.4%	(4,865)	(9,871)
Personnel expenses	(3,156)	-54.6%	(4,444)	-14.4%	(4,196)	-38.2%	(3,616)	(15,412)
Depreciation and amortization	(60)	-1.0%	(299)	-1.0%	(106)	-1.0%	(248)	(713)
Operating income from ordinary business	**297**	**5.1%**	**4,076**	**13.2%**	**3,217**	**29.3%**	**(8,276)**	**(686)**

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**
Changes in inventories of 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 contractors	(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 business	**1,980**	**28.1%**	**4,865**	**14.9%**	**3,132**	**31.3%**	**(8,594)**	**1,383**

The electronics sector (CNC), as already explained in the first part of the Report, closed 2013 with a decrease in earnings compared to the year before despite increase cross-sector earnings. This had a negative effect on sales margin, which decreased by about €1 million (from €3,993 thousand in 2012 to €2,947 thousand in 2013); also the margin dropped from 56.7% to 51%. The decrease in "Other operating revenue" from €2,210 thousand in 2012 to €1,159 thousand in 2013, due to the gradual depletion of funds related to the completion of the Fiyang project, resulted in a significant reduction in operating revenue, despite lower personnel costs (from €3,525 thousand in 2012 to €3,156 thousand in 2013) and a substantial consistency of "Other operating expenses".

The high speed milling systems sector (HSM) also showed decreased revenues, though less sharp than that recorded by the electronics sector (from €32,617 thousand in 2012 to €30,816 thousand in 2013). As a result, the sales margin registered a drop (€10,481 thousand versus €11,111 thousand the year before) considering that the margin of the two periods being compared is basically stable. The operating result was negatively affected by the increase in personnel costs and "Other operating costs" and amounts in 2013 to €4,076 thousand, compared to €4,865 thousand in 2012.

Finally, Service showed, as is the case now for several years, an increase in turnover (€10,979 thousand versus €10,011 thousand in 2012), which resulting in an increase of the sales margin in absolute terms (€9,539 thousand versus €9,213 thousand in 2012) despite a slightly reduced margin on sales (92.0% in 2012 versus 86.9% in 2013). The other items that contribute to the operating income all slightly increased, resulting in an operating margin from ordinary operations better than that of 2012 (€3,217 thousand versus €3,132 thousand the previous year), despite a slight drop in margin from 31.3% in 2012 to 29.3% in 2013.

Consolidated Statement of Financial Position by sector

31 December 2013 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	29	612	5	1,160	1,806
Intangible assets	-	77	-	333	410
Investments	-	-	-	16	16
Other non-current receivables and assets	16	185	-	1,278	1,479
Pre-paid tax assets	-	-	-	832	832
Total non-current assets	**45**	**874**	**5**	**3,619**	**4,543**
Inventories	2,395	10,353	3,913	-	16,661
Trade receivables and other current receivables	1,394	6,669	2,057	400	10,520
Current tax receivables	-	-	-	164	164
Other current financial receivables	-	-	-	19	19
Cash and cash equivalents	-	-	-	8,493	8,493
Total current assets	**3,789**	**17,022**	**5,970**	**9,076**	**35,857**
Total assets	**3,834**	**17,896**	**5,975**	**12,695**	**40,400**
Other non-current payables and liabilities	203	156	32	3	394
Termination benefits	573	1,133	171	386	2,263
Deferred tax liabilities	-	-	-	73	73
Other non-current financial liabilities	-	-	-	29	29
Non-current financial liabilities	-	-	-	1,852	1,852
Total non-current liabilities	**776**	**1,289**	**203**	**2,343**	**4,611**
Current financial liabilities	-	-	-	4,302	4,302
Other current financial liabilities	-	-	-	140	140
Trade payables and other current payables	1,198	11,613	932	2,717	16,460
Current tax payables	-	-	-	1,137	1,137
Short-term provisions	106	679	46	71	902
Total current liabilities	**1,304**	**12,292**	**978**	**8,367**	**22,941**
Total liabilities	**2,080**	**13,581**	**1,181**	**10,710**	**27,552**
Equity	**-**	**-**	**-**	**12,848**	**12,848**
Total liabilities	**2,080**	**13,581**	**1,181**	**23,558**	**40,400**

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	-	-	-	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**
Equity	**-**	**-**	**-**	**14,838**	**14,838**
Total liabilities	**2,759**	**14,270**	**1,198**	**29,335**	**47,562**

Corporate Governance

The 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 123bis 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 fiscal year 2011, 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 General Manager, the controller, the internal audit function, the director in charge as per article 154bis of the TUF (Consolidated Finance Act) and the Organization Model as per Italian Legislative Decree No. 231/2001 and works through 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 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 who 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 2013, 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 in office at 31 December 2013 are reported below.

Name and last name	Company	No. shares held at 31/12/2012	No. shares purchased in 2013	No. shares sold in 2013	No. shares held at 31/12/2013
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 at market conditions, 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 corporate governance in the Investor Relations section.

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 these in general 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 and associates are illustrated in Note 30 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.

Under Article 7.2, item c) of the above-mentioned "Guidelines", it is hereby stated that in 2013 there were no transactions with related parties that can be defined as having "major relevance".

In 2013, Fidia S.p.A. has concluded, among others, a supply contract relating to three high-speed milling systems to the subsidiary Fidia GmbH (Germany) for a value of about €2.3 million and a contract for the supply of a high-speed milling system to the US subsidiary Fidia Co. for a value of about USD 0.9 million (about €0.6 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 aforesaid "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)	2013	%	2012	%
Net revenues	35,872	100%	31,778	100%
Changes in inventories of finished goods and W.I.P.	(694)	-1.9%	649	2.0%
Other operating revenue	1,419	4.0%	1,652	5.2%
Value of production	**36,597**	**102.0%**	**34,079**	**107.2%**
Raw materials and consumables	(14,108)	-39.3%	(13,593)	-42.8%
Commissions, transport and contractors	(6,022)	-16.8%	(4,648)	-14.6%
Other services and overheads	(7,803)	-21.8%	(7,024)	-22.1%
Value added	**8,664**	**24.2%**	**8,814**	**27.7%**
Personnel expenses	(10,274)	-28.6%	(10,144)	-31.9%
EBITDA	**(1,610)**	**-4.5%**	**(1,330)**	**-4.2%**
Bad debts provision	(76)	-0.2%	(201)	-0.6%
Depreciation	(291)	-0.8%	(279)	-0.9%
Operating income from ordinary business	**(1,977)**	**-5.5%**	**(1,810)**	**-5.7%**
Non-recurring charges	(300)	-0.8%	-	-
Impairment (losses)/reversals	-	-	1,848	5.8%
EBIT	**(2,277)**	**-6.3%**	**38**	**0.1%**
Net finance income and costs	1,173	3.3%	450	1.4%
Profit/(Loss) on exchange rates	(45)	-0.1%	(13)	0.0%
EBT	**(1,149)**	**-3.2%**	**475**	**1.5%**
Income taxes (current, paid and deferred)	(199)	-0.6%	(229)	-0.7%
Net operating result	**(1,348)**	**-3.8%**	**246**	**0.8%**

FY2013 closed with an increase in revenues of 12.9% compared to the year before (€35,872 thousand compared to €31,778 thousand in 2012).This increase was mainly due to the high speed milling systems sector – HSM -, which grew by 19.4% and to the after-sales service sector - Service - which grew by 10.2%. In contrast, the electronics sector registered a sharp decline (-30.4%).

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 the 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 line of business and geographical region.

Line of business (€ thousand)	2013	%	2012	%	Change in %
Numerical controls, drives and software	2,242	6.3%	3,220	10.1%	-30.4%
High-speed milling systems	27,864	77.7%	23,327	73.4%	19.4%
After-sales service	5,766	16.1%	5,231	16.5%	10.2%
Grand total	**35,872**	**100%**	**31,778**	**100%**	**12.9%**

Numerical controls and software (€ thousand)	2013	%	2012	%	Change in %
ITALY	663	29.6%	772	24.0%	-14.1%
EUROPE	1,084	48.3%	964	29.9%	12.4%
ASIA	213	9.5%	981	30.5%	-78.3%
NORTH and SOUTH AMERICA	246	11.0%	426	13.2%	-42.3%
REST OF THE WORLD	36	1.6%	77	2.4%	-53.2%
Total	**2,242**	**100%**	**3,220**	**100%**	**-30.4%**

High-speed milling systems (€thousand)	2013	%	2012	%	Change in %
ITALY	1,628	5.8%	2,674	11.5%	-39.1%
EUROPE	7,496	26.9%	4,093	17.5%	83.1%
ASIA	16,474	59.1%	13,030	55.9%	26.4%
NORTH and SOUTH AMERICA	2,266	8.1%	3,530	15.1%	-35.8%
REST OF THE WORLD	-	-	-	-	-
Total	**27,864**	**100%**	**23,327**	**100%**	**19.4%**

After-sales (€thousands)	2013	%	2012	%	Change in %
ITALY	1,774	30.8%	1,826	34.9%	-2.8%
EUROPE	1,922	33.3%	1,522	29.1%	26.3%
ASIA	1,467	25.4%	904	17.3%	62.3%
NORTH and SOUTH AMERICA	450	7.8%	859	16.4%	-47.6%
REST OF THE WORLD	153	2.7%	120	2.3%	27.5%
Total	**5,766**	**100%**	**5,231**	**100%**	**10.2%**

Total revenues (€thousand)	**2013**	%	**2012**	%	Change in %
ITALY	4,065	11.3%	5,272	16.6%	-22.9%
EUROPE	10,502	29.3%	6,579	20.7%	59.6%
ASIA	18,154	50.6%	14,915	46.9%	21.7%
NORTH and SOUTH AMERICA	2,962	8.3%	4,815	15.2%	38.5%
REST OF THE WORLD	189	0.5%	197	0.6%	4.1%
Total	**35,872**	**100%**	**31,778**	**100%**	**12.9%**

As already noted, total turnover of Fidia S.p.A. grew (+12.9%) compared to the FY2012, thanks to the good performance of the HSM sector (+19.4%) and Service sector (+10.2%), while the CNC sector registered a 30.4% decrease.

More in detail, as reported in the previous tables, the electronics sector registered a decline in turnover on all markets, with the exception of Europe (excluding Italy) which grew by 12.4%.

As for high-speed milling systems, the increase in revenues compared to the past year was due particularly to the good results in Asia (+26.4% compared to 2012) and in Europe as a whole (+34,8% compared to 2012).

In the latter area, there was a decline in the domestic market (-39,1%), more than offset by strong growth in other countries (+83.1%). Finally, falling turnover in North America registered a drop (-35.8%).

The increase in turnover in the after-sales service sector, which includes the sale of spare parts, repair services and scheduled maintenance contracts, was the result of the effect of rather satisfactory trends in both Europe (+26.3% compared to 2012, excluding Italy, which decreased by 2.8%) and Asia (+62.3%), while the Americas decreased by 47.6%. There was a moderate increase registered by the Rest of the World (27.5%), although the levels of turnover are negligible in terms of quantity.

The following tables show the trend in the backlog orders and new orders by business line. As already illustrated above, the commercial data referring to backlog orders 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)	2013	2012	Change in %
Backlog orders at 01/01	413	519	-20.4%
New orders	**2,494**	**3,114**	**-19.9%**
Net revenues	(2,242)	(3,220)	-30.4%
Backlog orders at 31/12	**665**	**413**	**61.0%**

High-speed milling systems (€thousand)	2013	2012	Change in %
Backlog orders at 01/01	19,180	22,040	-13.0%
New orders	**30,674**	**20,467**	**49.9%**
Net revenues	(27,864)	(23,327)	19.4%
Backlog orders at 31/12	**21,990**	**19,180**	**14.7%**

Total backlog orders (€thousand)	2013	2012	Change in %
Backlog orders at 01/01	19,593	22,559	-13.1%
New orders	**33,168**	**23,581**	**40.7%**
Net revenues	(30,106)	(26,547)	13.4%
Backlog orders at 31/12	**22,655**	**19,593**	**15.7%**

The final order backlog at 31 December 2013 grew by 15.7% over the previous year, despite the increase in revenues recorded during the year. This was due to the excellent performance of orders in the mechanical sector, which grew almost 50%, making up for compensate for the decrease recorded in the CNC sector (-19.9%).

EBITDA was negative amounting to about €1,610 thousand, compared to the 2012 result, it too negative, of €1,330 thousand in 2012. The difference was mainly attributable to the growth in "Other operating costs" and to the reduction in margins on products, linked to the different sales mix (greater weight of mechanical products at the expense of those of the electronics sector), which also recorded an increase in costs for commissions.

The operating income from ordinary business was also negative and amounted to -€1,977 thousand compared to -€1,810 thousand at 31 December 2012.

EBIT was negative, amounting to €2,277 thousand and differed from the operating income of ordinary business due to an accident, for which there was specific insurance coverage, which resulted in a disbursement of €300 thousand. Pending repayment by the insurance company and in compliance with the provisions of the relevant accounting standard, this occurrence was reported in the income statement. At 31 December 2012 there were no differences between EBIT and the operating income from ordinary business.

With reference to the valuation of interests, which in 2012 resulted in a net recovery in value equivalent to €1,848 thousand, the outcome of the impairment test carried out on 2013 showed no write-downs or recovery in value.

Financial management made an overall positive contribution to the income statement of Fidia S.p.A., thanks to dividends distributed by some subsidiaries (€1,585 thousand versus €778 thousand in 2012) and despite the slight increase in net financial expenses (totaling €412 thousand in 2013 and €338 thousand in 2012). The foreign currency management generated, as in the past year, limited net losses of approximately €45 thousand (€13 thousand at 31 December 2012).

The net loss after taxes of €199 thousand amounted to €1,348 thousand versus a net profit of €246 thousand at 31 December 2012.

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

Staffing	**2013**	**2012**	**Abs. change**	**Change in %**
Executives	7	7	-	-
Clerks and cadres	128	130	(2)	-1.5%
Workers	39	35	4	11.4%
Total employees	174	172	2	1.2%
Total mean No. of employees	173.0	172.0	1	0.6%

Labor cost (€thousand)	**2013**	**2012**	**Abs. change**	**Change in %**
	10,274	10,144	130	1.3%

Personnel expenses increased overall by €130 thousand compared to FY2012 (+1.3%) despite a slight increase in staffing.

Due to the higher turnover, the overall incidence of cost of labor s in relation to turnover decreased from 31.9% in 2012 to 28.6% in the current year.

Statement of Financial Position

The reclassified statement of financial position was as follows:

Statement of financial position (€ thousand)	**31/12/2013**	**31/12/2012**
Net tangible assets	876	813
Intangible assets	312	56
Financial assets	8,797	8,797
Other financial assets	1,679	1,634
Fixed assets – (A)	**11,664**	**11,300**
Net trade receivables from customers	7,547	9,336
Closing inventories	11,833	14,359
Other current assets	1,250	1,689
Short-term (current) assets – (B)	**20,630**	**25,384**
Trade payables to suppliers	(12,290)	(12,659)
Other current liabilities	(7,113)	(6,942)
Short-term (current) liabilities – (C)	**(19,403)**	**(19,601)**
Net working capital (D) = (B+C)	**1,227**	**5,783**
Termination benefits (E)	(2,263)	(2,335)
Other long-term liabilities (F)	(372)	(98)
Net invested capital (G) = (A+D+E+F)	**10,256**	**14,650**
Financial position		
Available-for-sale financial assets	-	-
Cash, bank deposits and short-term loans made	(3,531)	(3,879)
Short-term loans	4,421	7,033
Other short-term financial liabilities	**140**	**-**
Short-term financial position (receivable)/payable	**1,030**	**3,154**
Long-term loans, net of current portion	1,802	2,763
Net financial position (receivable)/payable (H)	**2,832**	**5,917**
Share capital	5,123	5,123
Reserves	3,649	3,364
Profit/(loss) of the period	(1,348)	246
Total equity (I)	**7,424**	**8,733**
Own funds and net financial position (L) = (H+I)	**10,256**	**14,650**

Compared to 31 December 2012, the tied-up capital showed small increases primarily linked to the capitalization of the new management software.

Net working capital registered a steep decline due to the reduction of inventories and trade receivables matched by a substantially stable situation in current liabilities as a whole (trade payables and other current liabilities).

Medium to long term liabilities registered a slight drop in the provisions for termination benefits linked to normal dynamics relating to staff management and to an increase in other long-term liabilities due to the change in trend relating to advances received for multi-year European and Italian funded research projects.

The foregoing resulted in a negative net financial position of €2,832 thousand at 31 December 2013, which was substantially better than the negative balance of €5,917 thousand at 31 December 2012.

Trend in net financial position

Financial position (€thousand)	31/12/2013	31/12/2012
Available-for-sale financial assets	-	-
Cash on hand, bank deposits	3,531	3,879
Overdrawn bank accounts and short-term advances	(2,610)	(5,685)
Short-term loans	(1,811)	(1,348)
Other current financial payables	(140)	-
Short-term financial position	**(1,030)**	**(3,154)**
Long-term loans, net of current portion	(1,802)	(2,763)
Net financial position	**(2,832)**	**(5,917)**

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

Short cash flow statement (€ thousand)	2013	2012
A) Cash on hand and cash equivalents at beginning of year	(1,806)	(165)
B) Cash from (used in) operating activities during the period	3,676	(3,698)
C) Cash from/(used in) investing activities	(611)	(226)
D) Cash from/(used in) financing activities	(338)	2,283
E) Net change in cash and cash equivalents	2,727	(1,641)
F) Cash and cash equivalents at year end	921	(1,806)

Breakdown of cash and cash equivalents:		
Cash and cash equivalents	3,531	3,879
Overdrawn bank accounts and short-term advances	(2,610)	(5,685)
	921	(1,806)

Comparison of operating result and 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 equity at 31 December 2013 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 equity of the Parent Company and Group (€ thousand)	Equity at 31/12/2012	Changes in Equity 2013	Result at 31/12/2013	Equity at 31/12/2013
Financial Statements of Fidia S.p.A.	**8,733**	**39**	**(1,348)**	**7,424**
Consolidation adjustments				
* Elimination of book value of investments	3,750	(350)	(209)	3,191
* Transactions between consolidated companies	(489)	-	99	(390)
* Tax effect on consolidation adjustments	14	-	(2)	12
* Other adjustments	12	-	25	37
* Exchange rate differences on intra-group transactions	6	21	-	27
Consolidated Financial Statements (share pertaining to Group)	**12,026**	**(290)**	**(1,435)**	**10,301**

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 FY2013 was equal to €5,163 thousand, down compared to €5,724 thousand of FY2012 (-9.8%). FY2013 closed with a loss of €43 thousand, as opposed to net profits in the amount of €30 thousand in 2012. Staff decreased from 24 units at 31 December 2012 to 22 units at 31 December 2013.

Fidia Iberica S.A.

The turnover for 2013 amounted to €1,363 thousand, up from €788 thousand the previous year (+73%). Year 2013 closed with a net profit of €140 thousand versus a net profit of €47 thousand in 2012. Staff was unchanged compared to 2012 and amounted to 8 employees.

Fidia S.a.r.l.

The turnover for 2013 amounted to €2,298 thousand, an increase compared to €1,940 thousand of the previous year (+18.5%); net profit also increased reaching €87 thousand versus a net profit of €17 thousand in 2012. Staff was unchanged compared to 2012 and amounted to 6 employees at 31 December 2013.

OOO Fidia

The company has not done any business during 2013.

Fidia Co.

The turnover for 2013 amounted to €4,918 thousand (USD 6,532 thousand), down from €5,492 thousand (USD 7,056 thousand) the previous year. Year 2013 was closed in the black (profit for FY2013 equal to €715 thousand versus a profit for FY2012 equal to €349 thousand). Staff dropped from 16 units at 31 December 2012 to 15 units at 31 December 2013.

Beijing Fidia Machinery & Electronics Co. Ltd.

FY2013 turnover amounted to €4,819 thousand (RMB 39.3 million), down from €11,827 thousand (RMB 95.9 million) the previous year. The reduction was especially due to lower sales on machines produced the other Chinese subsidiary Shenyang Fidia NC&M Co. Ltd. At year-end, net profit amounted to €967 thousand versus €1,550 thousand of FY2012. Staff rose by one unit over 2012 and, therefore, consists of 30 people.

Shenyang Fidia NC&M Co. Ltd.

Turnover for FY2013 amounted to €2,534 thousand (RMB 20.7 million) versus €5,746 thousand (RMB 46.6 million) in 2012; year 2013 closed with a loss of €356 thousand versus a net profit of €163 thousand in 2012. Staff dropped from 77 units at 31 December 2012 to 60 units at 31 December 2013.

Fidia do Brasil Ltda

The FY2013 turnover amounted to €587 thousand (1,683 thousand real) versus €747 thousand (1,874 thousand real) the previous year. FY2013 closed with a loss of €128 thousand compared to a loss of €24 thousand in 2012; staff was increased by two units and consists of 8 people.

Fidia India Private Ltd.

During 2013 the company had a turnover of about €3 thousand as in 2012 consisting of intercompany services related to promotion and marketing activities in the Indian market. FY2013 closed in balance versus against a loss of about €2 thousand the previous year. The company closes the fiscal year on March 31st of every year.

AFFILIATED COMPANIES

Prometec Consortium

Equity at 31 December 2013 amounted to €10 thousand (interest of Fidia S.p.A.: 20%); FY2013 closed with a breakeven.

Noteworthy facts after year end and business outlook

FY2014 opened with a substantial order backlog in addition to major orders received in the first two months of the year (approximately €9 million). These encouraging commercial results represent a major premise and point to good prospects for the current year.

The availability of financial resources allows making investment in research and development necessary to sustain the Group's high technological levels, as well as to support the increase in working capital linked to an increase in production volumes.

In 2014, €5.5 million in capital expenditure are planned for the construction of the new industrial plant in Forlì. Once completed, this investment will increase production capacity, and yield considerable returns in terms of efficiency and quality.

There were no significant events after year-end 2013.

Proposal for approval of Financial Statements and allocation of operating result

Dear Shareholders,

We invite you to approve the Financial Statements at 31 December 2013.

We also propose covering the loss of the fiscal year, amounting to €1,348,341.88 as follows:

By using retained earnings up to €546,385.12

By using the extraordinary reserve up to €801,956.76

€1.348.341.88

San Mauro Torinese, 14 March 2014

On behalf of the Board of Directors

The Chairman and Managing Director

Mr. Giuseppe Morfino

Fidia Group

Consolidated Financial Statements at 31 December 2013

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 Consolidated income statement (*)

€ thousand	Notes	FY2013	FY2012
- Net sales	1	44,704	47,001
- Other operating revenue	2	2,492	3,275
- Total revenues		**47,196**	**50,276**
- Changes in inventories of finished goods and work in progress		(1,417)	(555)
- Raw materials	3	(15,026)	(16,924)
- Personnel expenses	4	(15,412)	(15,506)
- Other operating expenses	5	(15,314)	(15,092)
- Depreciation and amortization	6	(713)	(816)
- Profit/(loss) of ordinary business		**(686)**	**1,383**
- Non-recurring charges	7	(300)	-
- Operating profit/(loss)		**(986)**	**1,383**
- Finance revenue (expenses)	8	(254)	(211)
- Profit/(loss) before tax		**(1,240)**	**1,172**
- Income tax	9	(327)	(848)
- Profit/(loss) for continuing operations		**(1,567)**	**324**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**(1,567)**	**324**
Profit/(loss) attributable to:			
Shareholders of parent company		**(1,435)**	**(45)**
Non-controlling interests		**(132)**	**369**
EUR			
Basic earnings per ordinary share	10	(0.281)	(0.01)
Diluted earnings per ordinary share	10	(0.281)	(0.01)

(*) 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 AT 31 DECEMBER 2013 Comprehensive income statement

€ thousand	Notes	FY2013	FY2012
- Profit/(loss) (A)		**(1,567)**	**324**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified in the income statement:			
Profit/(loss) on cash flow hedges	20	14	(5)
Profit(loss) on translation of financial statements of foreign companies	20	(316)	(173)
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified to the income statement	20	(4)	1
Total Other comprehensive profit/(loss) that may subsequently be reclassified to the income statement, net of tax effect (B1)		**(306)**	**(177)**
Other comprehensive profit/(loss) that may not subsequently be reclassified to the income statement:			
Actuarial gains/(losses) on defined benefit plans	20	40	(16)
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to the income statement	20	(11)	5
Total Other comprehensive profit/(loss) that may not subsequently be reclassified to the income statement, net of tax effect (B2)		**29**	**(11)**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)		**(277)**	**(188)**
Total comprehensive profit/(loss) of the period (A)+(B)		**(1,844)**	**136**
Total comprehensive profit/(loss) attributable to:			
Shareholders of parent company		(1,676)	(210)
Non-controlling interests		(168)	346

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 Consolidated Statement of Financial Position (*)

€ thousand	Notes	31 December 2013	31 December 2012
ASSETS			
- Property, plant and equipment	11	1,806	1,685
- Intangible assets	12	410	200
- Investments	13	16	16
- Other non-current financial assets		-	-
- Other non-current receivables and assets	14	1,479	1,592
- Pre-paid tax assets	9	832	513
TOTAL NON-CURRENT ASSETS		**4,543**	**4,006**
- Inventories	15	16,661	19,910
- Trade receivables	16	9,178	11,943
- Current tax receivables	17	164	155
- Other current receivables and assets	17	1,342	1,149
- Other current financial assets	18	19	20
- Cash and cash equivalents	19	8,493	10,379
TOTAL CURRENT ASSETS		**35,857**	**43,556**
TOTAL ASSETS		**40,400**	**47,562**
LIABILITIES			
EQUITY:			
- Share capital and reserves attributable to shareholders of parent company		10,301	12,026
- Other non-controlling interests		2,546	2,812
TOTAL CONSOLIDATED EQUITY	**20**	**12,847**	**14,838**
- Other non-current payables and liabilities	21	394	48
- Termination benefits	22	2,263	2,335
- Deferred tax liabilities	9	73	72
- Other non-current financial liabilities	23	29	48
- Non-current financial liabilities	24	1,852	2,782
TOTAL NON-CURRENT LIABILITIES		**4,611**	**5,285**
- Current financial liabilities	24	4,302	6,902
- Other current financial liabilities	25	140	-
- Trade payables	26	8,409	9,237
- Current tax payables	27	1,138	1,072
- Other current payables and liabilities	27	8,051	9,425
- Provisions for risks and expenses	28	902	803
TOTAL CURRENT LIABILITIES		**22,942**	**27,439**
TOTAL LIABILITIES		**40,400**	**47,562**

(*) 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 to the relevant Statement of Financial Position Schedule illustrated below and are further defined in Note No. 33.

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 Consolidated financial statements (*)

€ thousand	2013	2012
A) Cash and cash equivalents at beginning of period	**4,694**	**7,051**
B) Cash from/(used in) operating activities during the period		
- Profit/(loss)	(1,567)	324
- Depreciation and amortization	527	554
- Net losses (gains) on disposal of tangible assets	(43)	(30)
- Net change in provisions for termination benefits	(72)	(203)
- Net change in provisions for risks and expenses	99	166
- Net change (assets) liabilities for (pre-paid) deferred taxes	(318)	134
Net change in working capital:		
- receivables	2,678	122
- inventories	3,249	(519)
- payables	(1,791)	(4,690)
Total	**2,762**	**(4,142)**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible assets	(598)	(395)
intangible assets	(277)	(73)
- Profit on sale of:		
tangible assets	48	169
Financial assets	-	2
Total	**(827)**	**(297)**
D) Cash from/(used in) financing activities		
- New loans	766	2,950
- Loans paid	(1,221)	(605)
- Change in capital and reserves	(10)	(8)
- Net change in amounts due by other interests	(135)	(58)
- Net change in current and non-current financial assets and liabilities	122	(53)
Total	**(478)**	**2,226**
Differences in exchange rates	(268)	(144)
E) Net change in cash and cash equivalents	**1,189**	**(2,357)**
F) Cash and cash equivalents at year end	**5,883**	**4,694**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	8,493	10,379
Overdrawn bank accounts	(2,610)	(5,685)
	5,883	4,694

(*) 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 at 31 December 2013 - Overview of changes in consolidated equity

(€thousand)	Share capital	Own shares	Capital reserves	Retained earnings	Cash flow hedge reserve	Translation reserve	Reserve for actuarial profit/loss	Other reserves	Total equity of Group	Other non-controlling interests	Total equity
Balance at 31 December 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**
Total comprehensive profit/(loss)				(1,435)	10	(280)	29		(1,676)	(168)	(1,844)
Other changes				(49)					(49)	(98)	(147)
Balance at 31 December 2013	**5,123**	**45**	**1,240**	**3,224**	**(6)**	**489**	**63**	**213**	**10,301**	**2,546**	**12,847**

FIDIA GROUP: Consolidated financial statements at 31 December 2013

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

€ thousand	Notes	FY2013	of which related parties	FY2012	of which related parties
- Net sales	1	44,704	154	47,001	378
- Other operating revenue	2	2,492		3,275	
- Total revenues		**47,196**		**50,276**	
- Changes in inventories of finished goods and work in progress		(1,417)		(555)	
- Raw materials	3	(15,026)	(5)	(16,924)	(5)
- Personnel expenses	4	(15,412)	(900)	(15,506)	(888)
- Other operating expenses	5	(15,314)	(185)	(15,092)	(266)
- Depreciation and amortization	6	(713)		(816)	
- Profit/(loss) of ordinary business		**(686)**		**1,383**	
- Non-recurring charges	7	(300)		-	
- Operating profit/(loss)		**(986)**		**1,383**	
- Finance revenue (expenses)	8	(254)		(211)	
- Profit/(loss) before tax		**(1,240)**		**1,172**	
- Income tax	9	(327)		(848)	
- Profit/(loss) for continuing operations		**(1,567)**		**324**	
- Profit/(loss) for discontinued operations		-		-	
- Profit/(loss)		**(1,567)**		**324**	
Profit/(loss) attributable to:					
Shareholders of parent company		(1,435)		(45)	
Non-controlling interests		(132)		369	

FIDIA GROUP: Consolidated financial statements at 31 December 2013

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

€ thousand	Notes	31 December 2013	of which related parties	31 December 2012	of which related parties
ASSETS					
- Property, plant and equipment	11	1,806		1,685	
- Intangible assets	12	410		200	
- Investments	13	16		16	
- Other non-current financial assets		-		-	
- Other non-current receivables and assets	14	1,479		1,592	
- Pre-paid tax assets	9	832		513	
TOTAL NON-CURRENT ASSETS		**4,543**		**4,006**	
- Inventories	15	16,661		19,910	
- Trade receivables	16	9,178	69	11,943	1,179
- Current tax receivables	17	164		155	
- Other current receivables and assets	17	1,342	1	1,149	
- Other current financial assets	18	19		20	
- Cash and cash equivalents	19	8,493		10,379	
TOTAL CURRENT ASSETS		**35,857**		**43,556**	
TOTAL ASSETS		**40,400**		**47,562**	
LIABILITIES					
EQUITY:					
- Share capital and reserves attributable to shareholders of parent company		10,301		12,026	
- Other non-controlling interests		2,546		2,812	
TOTAL CONSOLIDATED EQUITY	**20**	**12,847**		**14,838**	
- Other non-current payables and liabilities	21	394		48	
- Termination benefits	22	2,263		2,335	
- Deferred tax liabilities	9	73		72	
- Other non-current financial liabilities	23	29		48	
- Non-current financial liabilities	24	1,852		2,782	
TOTAL NON-CURRENT LIABILITIES		**4,611**		**5,285**	
- Current financial liabilities	24	4,302		6,902	
- Other current financial liabilities	25	140		-	
- Trade payables	26	8,409		9,237	15
- Current tax payables	27	1,138		1,072	
- Other current payables and liabilities	27	8,051	112	9,425	500
- Provisions for risks and expenses	28	902		803	
TOTAL CURRENT LIABILITIES		**22,942**		**27,439**	
TOTAL LIABILITIES		**40,400**		**47,562**	

FIDIA GROUP: Consolidated financial statements at 31 December 2013

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

€ thousand	2013	of which related parties	2012	of which related parties
A) Cash and cash equivalents at beginning of period	4,694		7,051	
B) Cash from/(used in) operating activities during the period				
- Profit/(loss)	(1,567)		324	
- Depreciation and amortization of tangible and intangible assets	527		554	
- Net losses (gains) on disposal of tangible assets	(43)		(30)	
- Net change in provisions for termination benefits	(72)		(203)	
- Net change in provisions for risks and expenses	99		166	
- Net change (assets) liabilities for (pre-paid) deferred taxes	(318)		134	
Net change in working capital:				
- receivables	2,678	1,109	122	167
- inventories	3,249		(519)	
- payables	(1,791)	(403)	(4,690)	87
Total	2,762		(4,142)	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible assets	(598)		(395)	
intangible assets	(277)		(73)	
- Profit on sale of:				
tangible assets	48		169	
Financial assets	-		2	
Total	(827)		**(297)**	
D) Cash from/(used in) financing activities				
- New loans	766		2,950	
- Loans paid	(1,221)		(605)	
- Change in capital and reserves	(10)		(8)	
- Net change in amounts due by other interests	(135)		(58)	
- Net change in current and non-current financial assets and liabilities	122		(53)	
Total	(478)		2,226	
Differences in exchange rates	(268)		(144)	
E) Net change in cash and cash equivalents	1,189		**(2,357)**	
F) Cash and cash equivalents at year end	5,883		**4,694**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	8,493		10,379	
Overdrawn bank accounts	(2,610)		(5,685)	
	5,883		**4,694**	

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 the 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 2013 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 business and those charges and earnings that are the result of non-recurrent transactions in ordinary business 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 minority 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, balance sheet and statement of cash flows 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. 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.

Any loss of non-controlling interests that exceed the acquirer's interest of the capital of the investee are allocated to non-controlling interests. Variations in interests held by the Group in subsidiaries that do not cause loss of control are accounted as transactions in equity. The book value of Equity allocated to the shareholders of the parent company and to non-controlling interests is adjusted to reflect the change in the interest share. Any difference between the book value of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity of the shareholders of the parent company.

In the case of loss of control over an investee, the Group recognizes a profit or a loss in the income statement calculated as the difference between (i) the sum of the fair value of consideration received and the fair value of the residual portion and (ii) the book value of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. The value of any gain or loss recognized in the Other comprehensive profit and loss pertaining to the evaluation of the assets of the subsidiary are recognized as if the subsidiary were sold (reclassified in the income statement or transferred directly to profit carried forward according to the applicable IFRS). The fair value of any residual interests in the company previously controlled is recognized, depending on the existing type of interest, in accordance with IAS 39, IAS 28 or IAS 31.

Associates

Associated companies are companies in which the Group 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 associates are accounted for under the equity method, from the date on which significant influence starts up to the moment in which this considerable influence ceases to exist.

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 that the Group must stand in. Unrealized gains and losses arising from transactions with associates are eliminated based on the value of the Group's proportion of 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 signification 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 equity up to the transfer of the interest.

At the first application of the IFRSs, cumulative translation differences generated by the consolidation of foreign entities outside the Eurozone 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.

Business combinations

Business combinations are accounted for by applying the acquisition method. Under this method:

- the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group and the equity interests issued in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

- At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at that date, except for deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or equity instruments relating to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree, and assets (or groups of assets and liabilities) held for sale. These are measured in accordance with the relevant standard.

- Goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a gain from a bargain purchase.

- Non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction-by-transaction basis.

- Any contingent consideration arrangement in the business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination in order to determine goodwill. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are recognized retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which may not exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

- When a business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Any amounts pertaining to the equity interest in the acquiree that have been recognized in Other comprehensive profit/(loss) in prior reporting periods are reclassified to profit or loss as if the interest had been disposed of.

- If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the above-mentioned measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

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 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 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 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 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 Group are the rights to use know-how, software and licenses.

There are no intangible assets with indefinite useful life.

Impairment losses

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 balance-sheet items 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

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 USD risk on sales) and interest rate risk (Interest Rate Swap and Interest Rate 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 a measurement 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 measuring fair value

The Fidia Group avails itself of measurement methods established in market practice to determine the fair value of financial instruments for which there is no active relevant market.

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 measurement date of 31 December 2013 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 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 measurement date. 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 measurement date 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	
	2013	2012			2013	2012
1W	0.188%	0.08%		1W	0.129%	0.19%
1M	0.216%	0.11%		1M	0.168%	0.21%
2M	0.255%	0.11%		2M	0.213%	0.25%
3M	0.287%	0.11%		3M	0.246%	0.31%
6M	0.389%	0.32%		6M	0.348%	0.51%
9 M	0.480%	0.43%		9 M	-	0.69%
12M	0.556%	0.54%		12M	0.583%	0.84%
2 years	0.54%	0.38%		2 years	0.489%	0.39%
3 years	0.75%	0.38%		3 years	0.876%	0.50%
4 years	1.00%	0.38%		4 years	1.346%	0.66%
5 years	1.26%	0.38%		5 years	1.786%	0.86%
7 years	1.68%	1.12%		7 years	2.482%	1.31%
10 years	2.15%	1.57%		10 years	3.086%	1.84%
15 years	2.59%	2.00%		15 years	3.599%	2.38%
20 years	2.72%	2.16%		20 years	3.802%	2.59%
30 years	2.74%	2.23%		30 years	3.929%	2.80%

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.

Provisions for risks and expenses

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 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 contributions 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 contributions and that said contributions will be received; as a rule, this coincides with the fiscal year in which the resolution to allocate the contribution 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.

Dividends

Dividends payable by the Group are reported as a movement in equity in the period in which they are approved by shareholders in their Shareholders' Meeting.

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 preparation of financial statements and related disclosures that conform to IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. 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 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 balance-sheet items 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

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.

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 in recent 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 balance sheet.

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.

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 2013

- 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 adoption of the new standard has not resulted in significant effects on this budget.
- 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 Group has adopted this amendment in this budget by modifying the presentation of the items pertaining to Other comprehensive profit/(loss). Comparative information provided was consistently represented.
- On 17 May 2012, the IASB issued a set of amendments to IFRSs, among which the amendment to IAS 1 - *Presentation of Financial Statements* is applicable from 1 January 2013. The amendment clarifies the way in which comparative information should be presented when an entity changes accounting policies and when an entity provides comparative information in addition to the minimum comparative financial statements. The application of these amendments has not affected these financial statements.
- 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 plan deficit or surplus: the amendment removes the option to defer actuarial gains and losses under the "corridor method" and requires their direct recognition to 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.

  The application of this amendment has not affected these financial statements.
- On 16 December 2011 IASB issued a set of amendments to IFRS 7 - *Financial Instruments: 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 application of these amendments has not affected the disclosures in these financial statements.

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 introduces a new control model applicable to all entities including vehicles. 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 16 December 2011 IASB issued a set of 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 29 May 2013, the IASB issued an amendment to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets* addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.
- On 27 June 2013, the IASB issued narrow scope amendments to IAS 39 – *Financial Instruments: Recognition and Measurement* entitled "Novation of Derivatives and Continuation of Hedge Accounting". The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. Similar relief will be included in IFRS 9 - Financial Instruments. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.

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.

Consolidation area

The Group Consolidated Financial Statements at 31 December 2013 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 is unchanged compared to 31 December 2012.

Name / Place of business	Currency	Share Capital	Size of interest 2013	Size of interest 2012
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	Ruble	3,599,790	100%	100%
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 over 90% of total sales.

Turnover by geographical area **€ thousand**	**FY2013**	**%**	**FY2012**	**%**
Italy	4,085	9.1%	5,274	11.2%
Europe	13,192	29.5%	9,230	19.7%
Asia	20,984	46.9%	24,029	51.1%
North and South America	6,200	13.9%	7,981	17.0%
Rest of the World	243	0.5%	487	1.0%
Total revenues	**44,704**	**100%**	**47,001**	**100%**

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

Turnover by business line **€ thousand**	**FY2013**	**%**	**FY2012**	**%**
Numerical controls, drives and software	2,976	6.7%	4,666	9.9%
High-speed milling systems	30,749	68.8%	32,324	68.8%
After-sales service	10,979	24.6%	10,011	21.3%
Total revenues	**44,704**	**100.0%**	**47,001**	**100.0%**

2. OTHER OPERATING REVENUE

This item comprises:

€ thousand	**FY2013**	**FY2012**
Contributions for operating expenses	711	1,133
Public funds	671	1,366
Increase in fixed assets for internal work	211	200
Contingent assets	525	91
Gain from tangible assets	45	71
Recovery of costs incurred	84	54
Insurance refunds	17	32
Release of bad debt and legal risks provisions	176	250
Other miscellaneous revenues and earnings	52	78
Total	**2,492**	**3,275**

Other operating revenue amounted to €2,492 thousand (€3,275 thousand in 2012), a decrease of €783 thousand compared to the previous year.

Other operating revenue comprises, inter alia, government grants equivalent to €671 thousand recognized 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. whose reduction is due to the completion of the project.

This item also includes €711 thousand (€1,133 thousand at 31 December 2012) relating to grants for research projects stated by year of accrual in the income statement of the parent company Fidia S.p.A. at 31 December 2013 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. The decrease in these revenues is primarily due to the end of the 7th Framework Programme of the European Commission on 31 December

2012, while the 8th Framework Programme started on 1 January 2014, an event that has not allowed the start of new activities in the course of the year.

3. RAW MATERIALS

These are:

€ thousand	FY2013	FY2012
Production materials	11,526	16,815
Service materials	1,100	901
Consumables	151	172
Equipment and software	92	104
Packaging	188	316
Other	190	199
Change in inventory raw materials and consumables	1,779	(1,583)
Total	15,026	16,924

Decreased costs for the consumption of raw materials and other materials substantially reflects the decrease in revenues for the year.

4. PERSONNEL EXPENSES

Personnel expenses amounted to €15,412 thousand versus €15,506 thousand of FY2012 and consist of:

€ thousand	FY2013	FY2012
Wages and salaries	11,649	11,757
Social security charges	3,172	3,244
TFR	437	415
Other personnel expenses	154	90
Total	15,412	15,506

Cost of personnel was substantially stable compared with the previous year (-0.6% equal to a loss of about €94 thousand); Group staff was on average lower by about 2.9%.

The change recorded in FY2013 in the number of employees, broken down by category, is illustrated below:

	31 December 2012	Inbound	Outbound	Change	31 December 2013	Period average
Executives	9	-	-	-	9	9
Clerks and cadres	297	15	(37)	-	275	286
Workers	35	10	(6)	-	39	37
Total	**341**	**25**	**(43)**	**-**	**323**	**332**

5. OTHER OPERATING EXPENSES

Other operating expenses in the amount of €15,314 thousand versus €15,092 thousand at 31 December 2012 are illustrated in detail in the table below:

€ thousand	FY2013	FY2012
Outsourced work	2,444	2,348
Travel expenses	1,631	1,533
Transportation and customs	1,361	1,568
Rent paid for offices and plants	1,112	1,129
Technical, legal and administrative consulting	1,635	1,403
Utilities	577	634
Commissions	1,639	1,300
Car rental expenses	367	314
Warranty provisions	179	321
Other provisions	35	58
Auditors' emoluments	57	57
Insurance	337	363
Advertising, trade fairs and other commercial costs	572	683
Non-income taxes	321	416
Maintenance and housekeeping	237	194
Personnel-related expenses	272	283
Bank services	208	224
Motor vehicle management expenses	86	76
Stock exchange listing fees	107	109
Costs for repairs and interventions	1,079	968
Research project costs	177	348
Entertainment expenses	153	94
Contributions and payments	43	33
Contingent liabilities	156	210
Penalties and surcharges	13	7
Other	516	419
Total	**15,314**	**15,092**

6. DEPRECIATION AND AMORTIZATION

€ thousand	FY2013	FY2012
Amortization of intangible assets	64	67
Amortization of property, plant and equipment	436	461
Bad debts	186	262
Depreciation of property, plant and equipment	27	26
Write-down of investments	-	-
Total	**713**	**816**

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.

7. NON-RECURRING CHARGES

The item consists of an outlay of €300 thousand having an extraordinary nature made by the parent company Fidia S.p.A. and pertains to an accident for which there is specific insurance coverage. Pending repayment by the insurance company and in compliance with the provisions of the relevant accounting standard, this occurrence was reported in the income statement.

8. FINANCE INCOME AND COSTS

Finance income and costs consist of:

€ thousand	FY2013	FY2012
Finance revenue	136	181
Borrowing costs	(452)	(374)
Net profit (loss) on derivatives	25	(5)
Profit (loss) from foreign currency transactions	37	(13)
Total	**(254)**	**(211)**

In FY2013 the balance of finance revenue (expenses) was negative, amounting to €254 thousand (€211 thousand in FY2012).

Finance revenue consists of:

€ thousand	FY2013	FY2012
Interests received from banks	107	145
Interests and commercial discounts	5	3
Other interests received	24	33
Total	**136**	**181**

Finance expenses consist of:

€ thousand	FY2013	FY2012
Interests paid on borrowings from banks	(208)	(251)
Interest paid on M/L-term borrowings from banks	(132)	(67)
Borrowing costs on termination benefits	(66)	(54)
Interest paid on leasing	-	-
Other borrowing costs	(46)	(2)
Total	**(452)**	**(374)**

Net profit and loss on derivatives:

€ thousand	FY2013	FY2012
Loss on derivatives due to fair value adjustment	-	(26)
Profit on derivatives due to fair value adjustment	25	21
Total	**25**	**(5)**

Profit on derivative instruments includes:

- €19 thousand as adjustment resulting from hedging transactions (forward) carried out to limit the EUR/USD exchange rate risk. For these transactions, it was not possible to determine a correlation allowing for their inclusion among the cash flow hedge transactions;
- €6 thousand for the ineffectiveness component of three hedging derivatives (two interest rate caps and an interest rate swap) entered into to hedge interest rate risk on a medium/long-term floating rate loan.

Profit (loss) on foreign currency transactions consists of:

€ thousand	FY2013	FY2012
Currency gain	90	66
Revenue from exchange rate adjustment	84	21
Profit on currency forward contract	5	25
Currency loss	(106)	(75)
Expenses from exchange rate adjustment	(31)	(37)
Loss on currency forward contract	(5)	(13)
Total	**37**	**(13)**

9. INCOME TAX

Taxes stated in the consolidated income statement were:

€ thousand	FY2013	FY2012
Income tax: IRAP (Italian Regional Tax on Production Activities)	207	226
Income tax of foreign subsidiaries	471	587
Pre-paid taxes	(348)	49
Deferred tax liabilities	(3)	(14)
Total	**327**	**848**

The decrease in current taxes of foreign companies reflects the lower taxable income realized by some subsidiaries compared to the year before. The amount of deferred tax is the result of recognition in the financial statements of part of the deferred taxes of some Group companies.

At 31 December 2013 the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€ thousand	31 December 2013	31 December 2012
Pre-paid tax assets	832	513
Deferred tax liabilities	(73)	(72)
Total	**759**	**441**

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

€ thousand	At 31 December 2012	Posted to income statement	Stated to net equity	Others Changes	Exchange rate effect	At 31 December 2013
Pre-paid taxes for:						
Application of IAS 19 - Termination Benefits	73	7	(8)			72
Application of IAS 16- Property, plant and equipment	35	1			(1)	35
Loss from previous periods	342	85			(2)	425
Impairment provisions	16	200	-	-	(11)	205
Miscellaneous	47	55	(4)	-	(3)	95
Total pre-paid taxes	**513**	**348**	**(12)**		**(17)**	**832**
Deferred tax liabilities for:						
Application of IAS 19 - Termination Benefits			3			3
Application of IAS 16- Property, plant and equipment	-	2			1	3
Fair value measurement	72	(5)				67
Total deferred taxes	**72**	**(3)**	**3**		**1**	**73**

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 at 31 December 2013 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 2013	2014	2015	2016	2017	Beyond 2018	Unlimited or unpredictable
Tax loss	6,091	-	-	-	-	2,001	4,090

10. Earnings per share

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

		2013	2012
Net earnings pertaining to Group	€ thousand	(1,435)	(45)
Earnings attributable to ordinary shares	€ thousand	(1,435)	(45)
Mean number of ordinary shares in circulation in the period	Number	5,113,000	5,113,000
Earnings per ordinary share	EUR	(0.281)	(0.01)
Diluted earnings per ordinary share	EUR	(0.281)	(0.01)

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 2013 and 2012 the changes in original cost of Property, Plant and Equipment were as follows:

	Initial balance at 1 January 2013			Changes in period						
€ thousand	Purchase price	Revaluation	Total	Additions	Decreases	(Write-downs) Recovery in value	Exchange rate differences	Other changes	Total	Balance 31/12/2013
Property	480	380	860	-	-	-	-	-	-	860
Lightweight constructions	9	-	9	-	-	-	-	-	-	9
Total property	**489**	**380**	**869**	**-**	**-**	**-**	**-**	**-**	**-**	**869**
Plant and equipment	1,930	-	1,930	226	(6)	(27)	(6)	-	187	2,117
Industrial equipment	1,764	-	1,764	67	-	-	(4)	-	63	1,827
Electrical tools	1,167	-	1,167	8	-	-	(9)	-	(1)	1,166
Total plant, machinery and equipment	**4,861**	**-**	**4,861**	**301**	**(6)**	**(27)**	**(19)**	**-**	**249**	**5,110**
Furnishing	1,234	-	1,234	1	-	-	(7)	-	(6)	1,228
Electronic equipment	1,743	-	1,743	33	(38)	-	(16)	-	(21)	1,722
Means of transportation	1,221	-	1,221	253	(269)	-	(17)	-	(33)	1,188
Total other goods	**4,198**	**-**	**4,198**	**287**	**(307)**	**-**	**(40)**	**-**	**(60)**	**4,138**
Assets under development	-	-	-	10	-	-	-	-	10	10
Total original cost of property, plant and equipment	**9,548**	**380**	**9,928**	**598**	**(313)**	**(27)**	**(59)**	**-**	**199**	**10,127**

€ thousand	Initial balance at 1 January 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**

In 2013 and 2012, the changes in the relevant cumulated depreciation were the following:

€ thousand	Initial balance 01/01/2013	Changes in period					Final balance 31/12/2013
		Amortization	Disposals	Other changes	Exchange rate effect	Total	
Property	341	43	-	-	-	43	384
Lightweight constructions	5	-	-	-	-	-	5
Total property	**346**	**43**	**-**	**-**	**-**	**43**	**389**
Plant and equipment	1,508	132	(6)	-	(5)	121	1,629
Industrial equipment	1,623	77	-	-	(4)	73	1,696
Electrical tools	1,129	15	-	-	(7)	8	1,137
Total plant, machinery and equipment	**4,260**	**224**	**(6)**	**-**	**(16)**	**202**	**4,462**
Furnishing	992	29	-	-	(5)	24	1,016
Electronic equipment	1,588	56	(34)	-	(15)	7	1,595
Means of transportation	1,057	84	(269)	-	(13)	(198)	859
Total other goods	**3,637**	**169**	**(303)**	**-**	**(33)**	**(167)**	**3,470**
Total cumulated depreciation of property, plant and equipment	**8,243**	**436**	**(309)**	**-**	**(49)**	**78**	**8,321**

€ thousand	Initial balance 1/1/2012	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**

The net book value of Property, Plant and Equipment at 31 December 2013 and 31 December 2012 can be broken down as follows:

	Initial balance 01/01/2013	Changes in period							Final balance 31/12/2013
		Additions	Disposals	(Write-downs) Recovery in value	Other changes	Amortization	Exchange rate effect	Total	
Property	519	-	-	-	-	(43)	-	(43)	476
Lightweight constructions	4	-	-	-	-	-	-	-	4
Total property	**523**	**-**	**-**	**-**	**-**	**(43)**	**-**	**(43)**	**480**
Plant and equipment	422	226	-	(27)		(132)	(1)	66	488
Industrial equipment	141	67	-	-	-	(77)	-	(10)	131
Electrical tools	38	8	-	-	-	(15)	(2)	(9)	29
Total plant, machinery and equipment	**601**	**301**	**-**	**(27)**	**-**	**(224)**	**(3)**	**47**	**648**
Furnishing	242	1	-	-	-	(29)	(2)	(30)	212
Electronic equipment	155	33	(4)	-	-	(56)	(1)	(28)	127
Means of transportation	164	253	-	-	-	(84)	(4)	165	329
Total other goods	**561**	**287**	**(4)**	**-**	**-**	**(169)**	**(7)**	**107**	**668**
Assets under development	**-**	**10**		**-**	**-**	**-**	**-**	**10**	**10**
Total net value of property, plant and equipment	**1,685**	**598**	**(4)**	**(27)**	**-**	**(436)**	**(10)**	**121**	**1,806**

	Initial balance 1/1/2012	Additions	Changes in period Disposals	(Write-downs) Recovery in value	Other changes	Amortization	Exchange rate effect	Total	Final balance 31/12/2012
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**

Capital expenditure made in FY2013, equal to €598 thousand, mainly concern the purchase or in-house construction of machinery and equipment intended for production or demonstration purposes for customers and of means of transport, mainly for sales force and technical assistance. Capital expenditure does not include capitalized borrowing costs.

The item Buildings consists of the headquarters of Fidia Iberica.

At 31 December 2013, the Group has no buildings pledged as security.

Amortization of tangible assets is reported 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 2013 and 2012 the changes in net book value of Intangible Assets were as follows:

€ thousand	Initial balance 01/01/2013	Changes in period Additions	Amortization	Other changes	Exchange rate effect	Total	Final balance 31/12/2013
Utilization rights for know-how	115	-	(36)	-	(2)	(38)	77
Licenses	3	-	(1)	-	(1)	(2)	1
Software	82	15	(27)	-	-	(12)	70
Assets under development	-	262	-	-	-	262	262
Total net value of intangible assets	**200**	**277**	**(64)**	**-**	**(3)**	**210**	**410**

€ thousand	Initial balance 1/1/2012	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**

The main increases for the year concerned licenses, and related charges, of the new management system of Fidia S.p.A., which was rolled out at the beginning of 2014. Since the project had not been completed by year-end 2013, the investment was reported among the fixed assets under development and was not subject to amortization.

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

13. INVESTMENTS

Investments are as follows:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
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 2013
Probest Service S.p.A. - Milan	10
Elkargi (Fidia Iberica)	4
Total investments measured at cost	**14**

Investments measured with the equity method were as follows:

€ thousand	Share Capital	Size of investment: 31 December 2013	31 December 2012
Prometec Consortium - Rivoli (Turin)	10	20.00%	20.00%

There 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.

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

€ thousand	Balance 31 December 2013	Balance 31 December 2012
Receivables for EU contributions to R&D	50	180
Guarantee deposits	53	77
Trade receivables from customers	114	255
Receivables for foreign VAT	6	1
Withholding tax on foreign income	1,157	953
Tax receivables from Spanish tax authorities	94	115
Multi-year pre-paid expenses	5	11
Total	**1,479**	**1,592**

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

Withholding tax on foreign income consist 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. The due date of these receivables is expected by year 2016 and no issues pertaining to recoverability have arisen to date.

15. INVENTORIES

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

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Raw materials, subsidiary materials and consumables	9,892	11,367
Provisions for raw materials depreciation	(1,512)	(1,179)
Net value of raw materials, subsidiary materials and consumables	**8,380**	**10,188**
Semi-finished products and work in progress	3,836	4,465
Finished products and goods	4,997	5,627
Finished products and goods depreciation provision	(676)	(442)
Net value finished products and goods	**4,321**	**5,185**
Advances	124	72
Total inventories	**16,661**	**19,910**

Inventories recorded a decrease of €3,249 thousand compared to the year before.

The provisions for depreciation in the amount of €2,188 thousand (€1,621 thousand at 31 December 2012) were reported 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 December 2012	Provisions/(release)	Exchange rate effect	Balance 31 December 2013
Provisions for raw materials depreciation	1,179	335	(2)	1,512
Provisions for depreciation finished products	442	260	(26)	676
Total	**1,621**	**595**	**(28)**	**2,188**

16. TRADE RECEIVABLES

At 31 December 2013, these amounted to €9,178 thousand, namely €2,765 thousand lower compared to 31 December 2012. In detail:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Trade receivables from customers	10,150	12,981
Bad debt provisions	(972)	(1,038)
Total trade receivables	**9,178**	**11,943**

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

€ thousand	31 December 2013	31 December 2012
Unexpired	6,060	6,479
Due up to 1 month	676	1,754
Due 1 to 3 months	660	838
Due 3 months to 6 months	1,248	515
Due 6 months to 1 year	547	833
Due over 1 year	959	2,562
Total	**10,150**	**12,981**

Receivables were aligned at the expected realizable value by means of allocations to the provisions for receivables impairment equal to €186 thousand. Said provision, in the amount of €972 thousand (€1,038 thousand at 31 December 2012) was made for estimated loss on receivables.

Receivables include €2,186 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 their fair value.

The changes in the bad debt provision are illustrated below.

€ thousand	
Balance at 31 December 2012	**1,038**
Provisions in period	186
Amounts used	(242)
Currency gain/(loss)	(10)
Balance at 31 December 2013	**972**

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

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Italy	1,574	2,680
Europe	2,543	2,617
Asia	4,711	6,593
North and South America	1,302	1,070
Rest of the World	20	21
Total	**10,150**	**12,981**

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Current tax receivables:		
Receivables from tax authorities for VAT	94	98
Tax receivables for income tax and IRAP	44	40
Receivables for short-term foreign VAT	8	9
Other tax receivables:	18	8
Total current tax receivables	**164**	**155**
Other current receivables:		
Contributions for research projects	715	623
Other pre-paid expenses	195	136
Accrued income	40	34
Receivables from employees	59	44
Advances from suppliers	154	81
Other current receivables	179	231
Total other current receivables	**1,342**	**1,149**

There are no receivables due beyond five years.

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

18. OTHER CURRENT FINANCIAL ASSETS

This item, amounting to €19 thousand, includes, as the year before, 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".

Amounts in thousands	31 December 2013		31 December 2012	
Derivatives for trading	Notional (USD/000)	Fair value (EUR/000)	Notional (USD/000)	Fair value (EUR/000)
Forward contract	1,470	19	750	20

19. CASH AND CASH EQUIVALENTS

The overall amount of cash of the Group amounted to €8,493 thousand (€10,379 thousand at 31 December 2012) 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. EQUITY

The consolidated equity at 31 December 2013 amounted to €12,847 thousand, down by €1,991 thousand versus €14,838 thousand at 31 December 2012. This difference is the result of:

- loss of the period (-€1.567 thousand);
- negative changes in exchange rates due to translation of financial statements of subsidiaries denominated in currencies other than EUR (-€316 thousand);
- positive effect of the accounting of actuarial gains on the termination benefits net of the tax effect (€29 thousand);
- positive change of the cash flow edge reserve net of the tax effect (€10 thousand);
- dividends of third parties (-€92 thousand);
- other minor changes (-€55 thousand).

Share capital

The share capital of Fidia S.p.A. at 31 December 2013, fully subscribed and paid in, is unchanged compared to 31 December 2012 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 at 31 December 2011 and the number of circulating shares at 31 December 2013:

	At 31 December 2011	Increase in share capital	(Purchases)/sales of own shares	At 31 December 2012	Increase in share capital	(Purchases)/sales of own shares	At 31 December 2013
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, own shares held by the parent company Fidia S.p.A. registered no change as illustrated in the following table:

€ thousand	No. of shares	Book value	Share in % share capital	Book amount	Mean unit value
Situation at 1 January 2013	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Recovery in value	-	-	-	-	-
Situation at 31 December 2013	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**

Capital reserves

In FY2013, share premium reserve was unchanged compared to 31 December 2012 and amounted to €1,240 thousand.

Retained Earnings

Retained Earnings comprised:

- Legal reserves of Fidia S.p.A. in the amount of €517 thousand at 31 December 2013. This reserve grew by about €12 thousand as compared to last year due to the effect of the destination of part of profit for FY2012;
- Earnings carried forward in the amount of €4,142 thousand at 31 December 2013 (€4,249 thousand at 31 December 2012);
- Loss attributable to shareholders of the parent company in the amount €1,435 thousand (-€45 thousand at 31 December 2012).

Other profit/(loss)

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

€ thousand	31 December 2013	31 December 2012
Profit/(loss) on cash flow hedge in the period	14	(5)
Profit/(loss) on cash flow hedge reclassified in the income statement	-	-
Profit/(loss) on cash flow hedge	**14**	**(5)**
Profit(loss) on translation of financial statements of foreign companies in the period	(316)	(173)
Profit(loss) on translation of financial statements of foreign companies reclassified in the income statement	-	-
Profit(loss) on translation of financial statements of foreign companies	**(316)**	**(173)**
Actuarial profit/(loss) on defined benefit plans (termination benefits) in the period	40	(16)
Actuarial profit/(loss) on defined benefit plans (termination benefits) reclassified in the income statement	-	-
Actuarial profit/(loss) on defined benefit plans (termination benefits)	**40**	**(16)**
Tax effect for Other components of comprehensive income statement	**(15)**	**6**
Total Other profit/(loss), net of tax effect	**(277)**	**(188)**

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

	31 December 2013			31 December 2012		
€ thousand	Gross value	Tax (expense)/ benefit	Net value	Gross value	Tax (expense)/ benefit	Net value
Profit/(loss) on cash flow hedge instruments	14	(4)	10	(5)	1	(4)
Profit(loss) on translation of financial statements of foreign companies	(316)	-	(316)	(173)	-	(173)
Actuarial gains/(losses) on defined benefit plans	40	(11)	29	(16)	5	(11)
Total other profit/(loss)	**(262)**	**(15)**	**(277)**	**(194)**	**6**	**(188)**

Cash Flow Hedge reserve

Cash flow hedge reserve comprised the fair value of a derivative (interest rate swap) stipulated by the Company to hedge risk on changes in interest rates on a floating-rate loan.

In FY2013 the cash flow hedge provisions registered the following changes:

Type of financial instrument € thousand	Nature of hedged risk	Opening holdings 1.1. 2013	Increases	Decreases	CHF reserve stated in income statement	Final holdings at 31/12/2013
Interest rate swap	Interest rate risk	(16)	10	-	-	(6)
Total		**(16)**	**10**	**-**	**-**	**(6)**

Non-controlling interests

Non-controlling interests in the amount of €2,546 thousand (€2,812 thousand at 31 December 2012) refer to the following consolidated companies with the line-by-line method:

€ thousand	% non-controlling interests 2013	% non-controlling interests 2012	Balance 31 December 2013	Balance 31 December 2012
Fidia Beijing M&E Co. Ltd.	8%	8%	340	368
Fidia do Brasil Ltda	0.25%	0.25%	1	1
Shenyang Fidia NC&M Co Ltd	49%	49%	2,205	2,443
Fidia Iberica S.A.	0.01%	0.01%	-	-
Fidia India Private Ltd.	0.01%	0.01%	-	-
Total			**2,546**	**2,812**

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Advances for research projects	331	48
Long-term deferred income	8	-
Other non-current payables	55	-
Total	**394**	**48**

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.
The other non-current payables are mainly attributable to medium to long term payables to staff of the subsidiary Fidia Sarl.

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 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 2013	**2,335**
Amount accrued and allocated in year	436
Benefits paid out in year	(98)
Amount transferred to State Fund and complementary pension scheme	(430)
Borrowing costs on termination benefits	66
Accounting of actuarial gains	(40)
Substitute tax	(6)
Balance at 31 December 2013	**2,263**

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 €66 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2013	At 31 December 2012
Discount rate	2.67%	2.90%
Future inflation rate	1.80%	2.20%
Frequency of request for advances	3.0%	3.0%
Relative frequency of resignation/dismissal cadres, clerks, workers and apprentices	3.0%	3.0%
Relative frequency of resignations/dismissals managers	5.0%	5.0%

The discount rate on future benefits is determined, according to the provisions of IAS 19, at market yields.

The structure in interest rates used refers to the EUR Composite rates having an AA rating; the rate used was the one with an average financial duration equal to the average financial duration of benefits for the communities under consideration and, in keeping with this approach, has been correlated with the future annual inflation rate

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

The following table proposes a sensitivity analysis of the termination benefits fund if one of the basic assumptions varies.

Specifically, a 10% increase and decrease was assumed with regard to the parameters used for the measurement of the termination benefits fund at 31 December 2013.

	Basic Assumptions	Changes in Basic Assumptions									
Inflation rate projections	1.80%	1.62%	1.98%								
Average incidence of advances on termination benefits accrued at the beginning of the year	70.00%			63.00%	77.00%						
Rate of request for advances: Executive	3.00%					2.70%	3.30%				
Rate of request for advances: Cadre	3.00%					2.70%	3.30%				
Rate of request for advances: Clerk	3.00%					2.70%	3.30%				
Rate of request for advances: Worker	3.00%					2.70%	3.30%				
Rate of request for advances: Apprentice	3.00%					2.70%	3.30%				
Discount rate	2.67%							2.40%	2.94%		
Outbound rate for resignation and dismissal: Executive	5.00%									4.50%	5.50%
Outbound rate for resignation and dismissal: Cadre	3.00%									2.70%	3.30%
Outbound rate for resignation and dismissal: Clerk	3.00%									2.70%	3.30%
Outbound rate for resignation and dismissal: Worker	3.00%									2.70%	3.30%
Outbound rate for resignation and dismissal: Apprentice	3.00%									2.70%	3.30%
Company	Termination benefits fund (€/000)	Percentage change in termination benefits compared to the basic assumptions									
Fidia S.p.A.	2,262	-1.17%	1.19%	-0.02%	0.02%	-0.02%	0.02%	2.68%	-2.58%	-0.03%	0.03%

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 2013		31 December 2012	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest Rate Swap	632	8	1,053	22
Interest Rate Cap BNL	1,184	12	1,263	15
Interest Rate Cap Banco Popolare	1,000	9	1,062	11
Total		**29**		**48**

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 €6,154 thousand and are specified in detail in the following tables:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Overdrawn bank accounts and short-term advances	2,610	5,685
Financial accruals and deferrals	2	2
Loan No. 1 - Banca Nazionale del Lavoro (part medium/long term and part short term)	626	1,038
Loan No. 2 - Banca Nazionale del Lavoro (part medium/long term and part short term)	1,156	1,456
Loan - Banco Popolare (part medium/long term and part short term)	981	1,219
Short-term loan - MPS	696	245
Treasury Ministry - Spain	-	8
Volkswagen Bank Germany No. 1 (Lease)	19	29
Volkswagen Bank Germany No. 2 (Lease)	51	-
Volkswagen Bank Spain (Lease)	13	-
Installment loan Fidia Co	-	2
Total	**6,154**	**9,684**

€ thousand	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and short-term advances	2,612	-	-	2,612
Medium-to-long term bank loans	961	1,802	-	2,763
Short-term loans	696	-	-	696
Volkswagen Bank	33	50	-	83
	4,302	**1,852**	**-**	**6,154**

The current loans have the following characteristics:

M/L-term loan with Banca Nazionale del Lavoro

Original amount	2,000 thousand
Residual amount	626 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 guaranteed at 50% by Sace S.p.A. In order to hedge the interest rate risk, an interest rate swap hedging contract has been entered into.

M/L-term loan with Banca Nazionale del Lavoro

Original amount	1,500 thousand
Residual amount	1,156 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 30/09/2017)
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	€981 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 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.

Short-term loan - Monte dei Paschi di Siena

Original amount	€696 thousand
Residual amount	€696 thousand
Date of loan	12/12/2013
Term	Loan due date 30/06/2014
Repayment	3 monthly installments (30/04/2014 to 30/06/2014)
Interest rate	6-month Euribor, base 360 + 2.5% spread

Volkswagen Bank Germany

Original amount	€30 thousand
Residual amount	€19 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%

Volkswagen Bank Germany

Original amount	€58 thousand
Residual amount	€51 thousand
Date of loan	09/08/2013
Term	Loan due date 15/08/2016
Repayment	36 monthly installments (15/09/2013 to 15/08/2016)
Interest rate	1.9%

Volkswagen Bank Spain

Original amount	€13 thousand
Residual amount	€13 thousand
Date of loan	21/12/2013
Term	Loan due date 21/11/2017
Repayment	36 monthly installments (21/12/2013 to 21/11/2017)
Interest rate	9.64%

It is deemed that the book value of fixed and floating rate financial liabilities 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 at 01/01/2013	New loans	Repayments	Balance at 31 December 2013
Loan No. 1 - Banca Nazionale del Lavoro	1,038	-	(412)	626
Loan No. 2 - Banca Nazionale del Lavoro	1,456	-	(300)	1,156
Loan - Banco Popolare	1,219	-	(238)	981
Short-term loan - MPS	245	696	(245)	696
Treasury Ministry - Spain	8	-	(8)	-
Volkswagen Bank Germany	29	57	(16)	70
Volkswagen Bank Spain	-	13	-	13
Installment loan Fidia Co	2	-	(2)	-
Total	**3,997**	**766**	**(1,221)**	**3,542**

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

This item, which amounted to €140 thousand, refers to grants on funded research activities collected by Fidia S.p.A. as project leader and which will be the subject of redistribution between the partners participating in these programs in the coming months.

26. TRADE PAYABLES

€ thousand	At 31 December 2013 by end of year	1 to 5 years	Beyond 5 years	Total	At 31 December 2012 by end of year	1 to 5 years	Beyond 5 years	Total
Payables to other suppliers	8,407	-	-	8,407	9,236	-	-	9,236
Payables to associates	2	-	-	2	1	-	-	1
Total trade payables	**8,409**	**-**	**-**	**8,409**	**9,237**	**-**	**-**	**9,237**

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	3,934	2,847	1,626	8,407
Payables to associates	2	-	-	2
Total trade payables	**3,936**	**2,847**	**1,626**	**8,409**

The geographical breakdown of the trade payables to suppliers was as follows:

€ thousand	Balance 31 December 2013	Balance 31 December 2012
Italy	6,203	7,038
Europe	763	733
Asia	1,213	1,185
North and South America	228	280
Total	**8,407**	**9,236**

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

27. TAX PAYABLES AND OTHER CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Current tax payables:		
- withholding taxes	346	325
- Tax payables for income tax and IRAP	434	148
- Payables to tax authorities for VAT	295	428
- Other short-term tax payables	63	171
Total current tax payables	**1,138**	**1,072**

Other current payables and liabilities:		
Payables to employees	1,125	1,069
Social security payables	741	600
Down payments from customers	5,337	5,657
Payables to public administrations	-	667
Advances for EU grants	-	66
Payables for compensation	69	116
Payables to State Fund and other funds	100	100
Payables for dividends	92	68
Accrued trade payables	63	31
Sundry accruals and deferrals	236	259
Other payables to the SMTCL company	35	379
Miscellaneous payables	253	413
Total other current payables and liabilities	**8,051**	**9,425**

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.

Down payments 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.

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

28. PROVISIONS FOR RISKS AND EXPENSES

Provisions for risks and expenses amounted to €902 thousand as per the schedule.

€ thousand	Balance 31 December 2012	Accrual	Utilization/ Release	Exchange rate effect	Balance 31 December 2013
Provisions for tax disputes	44	-	-	(7)	37
Provisions for legal risks	50	34	(50)	-	34
Warranty provision	709	179	(55)	(2)	831
Total other provisions for risks and expenses	**803**	**213**	**(105)**	**(9)**	**902**

Provision for tax disputes includes the estimated liability arising from a tax dispute 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

At 31 December 2013 these amounted to €1,903 thousand, namely €269 thousand higher compared to 31 December 2012. 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

At 31 December 2013, 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 LINE OF BUSINESS

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 business.

The revenues of the lines of business are those directly realized or attributable to the line of business 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 business of the line of business 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 business 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 line of business in 2013 and 2012 are as follows:

Data by year - 2013 (€thousand)		**CNC**		**HSM**		**SERVICE**	**N/A**	**Total**
Revenues	2,976	51.5%	30,749	99.8%	10,979	100.0	-	44,704
Cross-sector revenues	2,806	48.5%	67	0.2%	-	-	-	
Total revenues	**5,782**	**100.0%**	**30,816**	**100.0%**	**10,979**	**100.0%**	**-**	**44,704**
Changes in inventories of finished goods and W.I.P.	(355)	-6.1%	(845)	-2.7%	(217)	-2.0%	-	(1,417)
Raw materials and consumables	(1,735)	-30.0%	(11,626)	-37.7%	(1,477)	-13.4%	(188)	(15,026)
Cross-sector expenses	(113)	-2.0%	(3,408)	-11.1%	604	5.5%	44	
Commissions, transport and contractors	(632)	-10.9%	(4,456)	-14.5%	(350)	-3.2%	(5)	(5,443)
Other operating revenue	1,159	20.0%	616	2.0%	115	1.0%	602	2,492
Other operating expenses	(593)	-10.3%	(2,278)	-7.4%	(2,135)	-19.4%	(4,865)	(9,871)
Personnel expenses	(3,156)	-54.6%	(4,444)	-14.4%	(4,196)	-38.2%	(3,616)	(15,412)
Depreciation and amortization	(60)	-1.0%	(299)	-1.0%	(106)	-1.0%	(248)	(713)
Operating income from ordinary business	**297**	**5.1%**	**4,076**	**13.2%**	**3,217**	**29.3%**	**(8,276)**	**(686)**

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**
Changes in inventories of 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 contractors	(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 business	**1,980**	**28.1%**	**4,865**	**14.9%**	**3,132**	**31.3%**	**(8,594)**	**1,383**

Assets of the line of business are those used by the line of business in the course of its typical activities or which can be reasonably attributed to it based on its typical activities. Liabilities of the line of business are those directly resulting from the conduct of the typical activities of the line of business 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 line of business 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 line of business were measured using the same accounting standards adopted for the presentation of the Group Consolidated Financial Statements.

31 December 2013 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	29	612	5	1,160	1,806
Intangible assets	-	77	-	333	410
Investments	-	-	-	16	16
Other non-current receivables and assets	16	185	-	1,278	1,479
Pre-paid tax assets	-	-	-	832	832
Total non-current assets	**45**	**874**	**5**	**3,619**	**4,543**
Inventories	2,395	10,353	3,913	-	16,661
Trade receivables and other current receivables	1,394	6,669	2,057	400	10,520
Current tax receivables	-	-	-	164	164
Other current financial receivables	-	-	-	19	19
Cash and cash equivalents	-	-	-	8,493	8,493
Total current assets	**3,789**	**17,022**	**5,970**	**9,076**	**35,857**
Total assets	**3,834**	**17,896**	**5,975**	**12,695**	**40,400**
Other non-current payables and liabilities	203	156	32	3	394
Termination benefits	573	1,133	171	386	2,263
Deferred tax liabilities	-	-	-	73	73
Other non-current financial liabilities	-	-	-	29	29
Non-current financial liabilities	-	-	-	1,852	1,852
Total non-current liabilities	**776**	**1,289**	**203**	**2,343**	**4,611**
Current financial liabilities	-	-	-	4,302	4,302
Other current financial liabilities	-	-	-	140	140
Trade payables and other current payables	1,198	11,613	932	2,717	16,460
Current tax payables	-	-	-	1,137	1,137
Short-term provisions	106	679	46	71	902
Total current liabilities	**1,304**	**12,292**	**978**	**8,367**	**22,941**
Total liabilities	**2,080**	**13,581**	**1,181**	**10,710**	**27,552**
Equity	**-**	**-**	**-**	**12,848**	**12,848**
Total liabilities	**2,080**	**13,581**	**1,181**	**23,558**	**40,400**

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**
Equity	**-**	**-**	**-**	**14,838**	**14,838**
Total liabilities	**2,759**	**14,270**	**1,198**	**29,335**	**47,562**

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, the Fidia Group constantly monitors the financial risks which 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 the 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 or 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.

At 31 December 2013 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 2013 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 loses 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 equity at 31 December 2013 and 31 December 2012. The impacts on income statement are before tax.

EXCHANGE RATE SENSITIVITY ANALYSIS

Exchange Risk at 31 December 2013					
		+5% change		-5% change	
€ thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL ASSETS					
Cash and cash equivalent	50	(2)		3	-
Receivables	42	(2)		2	-
Derivatives for trading	19	51		(56)	-
Effect		**47**		**(51)**	
FINANCIAL LIABILITIES					
Derivatives for trading					-
Overdrawn bank accounts					-
Trade payables	35	2		(2)	-
Effect		**2**		**(2)**	
Total effect		**49**		**(53)**	

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	-
Receivables	46	(2)	-	2	-
Derivatives for trading	20	27	-	(30)	-
Effect		**22**		**(24)**	
FINANCIAL LIABILITIES					
Derivatives for trading	-	-	-	-	-
Overdrawn bank accounts	-	-	-	-	-
Trade payables	39	2	-	(2)	-
Effect		**2**	**-**	**(2)**	
Total effect		**24**		**(26)**	

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 floating rate loans attributable to the Eurozone, 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 floating 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 2013, there were no fixed rate financial instruments measured at fair value.

At 31 December 2013, the parent company has an Interest Rate Swap and two Interest Rate Caps to cover the risk rate.
In particular, the Parent Company stipulated an interest rate swap to neutralize the risk in the variability of interests paid flows on a medium/long-term loan hedged, by converting it into a fixed rate loan.

The fair value at 31 December 2013 of the Interest Rate Swap was negative, and equal to €8 thousand.

The two Interest Rate Caps were entered into by the Company in order to limit the impacts generated by changes in the floating rate, which are parameterized as two medium-to-long-term loans by converting the interest flows of the loans into floating-rate interest flows by providing a maximum threshold equal to the cap's strike.

Fair value at 31 December 2013 of the two Interest Rate Caps was negative and equivalent to €21 thousand.

The inefficacy of the cash flow hedge relating to the only Interest Rate Swap transaction in FY2013 is not significant.

With regard to the cash flow hedge transactions for the two Interest Rate Caps, the impacts on the income statement for portion excluded from hedging (time value of the derivative) equaled -€21 thousand in 2013.

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 floating rate financial instruments at 31 December 2013 included cash and loans.
At 31 December 2013, the following was assumed:
- 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 10 bps of each node of the market curve used for the assessment of interest rate derivatives.
The decision to simulate, at 31 December 2013, decreases of 20 bps and 10 bps was caused by the 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 2013						
		Change +50 bps		Change -20 bps		-10 bps change	
€ thousand	Balance-sheet amount	P&L	Other changes in equity	P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES							
Loans from banks	3,459	(17)	-	7		N/A	N/A
IRS hedging derivative	8	-	2	N/A	N/A	-	-
Cap hedging derivative	21	5	-	N/A	N/A	(1)	-
Total impact		**(12)**	**2**	**7**	**-**	**(1)**	**-**

INTEREST RATE SENSITIVITY ANALYSIS							
	Interest Rate Risk at 31 December 2012						
		+50-bps change		-20-bps change		-8-bps change	
€ thousand	Balance-sheet amount	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)**

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 at 31 December 2013 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 at 31 December 2013	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	3,459	3,709	2	274	1,505	1,928	-
Other loans	-	-	-	-	-	-	-
Overdrawn bank accounts	2,610	2,610	2,610	-	-	-	-
Trade payables	8,409	8,409	3,936	2,847	1,626	-	-
Liabilities for leases	84	87	3	6	25	53	-
DERIVATIVE LIABILITIES							
Interest rate swap	8	8	-	2	5	1	-
Interest rate cap	21	28	-	3	8	17	-
Total	**14,591**	**14,851**	**6,551**	**3,132**	**3,169**	**1,999**	**-**

MATURITY ANALYSIS € thousand	Book value 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	-	-
Overdrawn bank accounts	5,685	5,685	5,685	-	-	-	-
Trade payables	9,237	9,237	4,911	2,823	1,503	-	-
Liabilities for leases	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**	

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 the Fidia Group at 31 December 2013 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 2013	%	31 December 2012	%
Die construction	460	7%	554	6%
Construction of injection molds for the automotive sector	447	6%	429	5%
Car industry	2,153	31%	1,521	18%
Aeronautics industry	2,640	38%	3,986	46%
Machine tools production	676	10%	2,217	25%
Total	**6,376**		**8,707**	
Net total receivables	**9,178**		**11,943**	
%	**69%**		**73%**	

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 2013, the Group held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €29 thousand and financial assets at fair value represented by derivative financial instruments to hedge the exchange rate risk, for an amount of €19 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 condition deemed normal in the relevant reference markets, considering the characteristics of the goods and services provided.

In particular, these relations regarded:

- supply relationships with the Shenyang Machine Tool Co Ltd. Company, the local partner of 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 FY2013 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, Auditors and managers of Fidia S.p.A. for their services also in other companies included in the consolidated statements was as follows:

€ thousand	31 December 2013	31 December 2012
Directors	702	702
Auditors	57	57
Executives with strategic responsibilities	118	-
Total compensation	**877**	**759**

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 2013	31 December 2012
A	Cash	9	7
B	Bank deposits	8,484	10,372
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**8,493**	**10,379**
E	**Current financial receivables**	**-**	**-**
F	Current bank payables	3,341	5,685
G	Current part of non-current debt	961	1,197
H	Other current financial payables	140	20
I	**Current financial debt (F+G+H)**	**4,442**	**6,902**
J	**Net financial position (receivable)/payable (I-E-D)**	**(4,051)**	**(3,477)**
K	Non-current bank payables	1,852	2,763
L	Bonds issued	-	-
M	Other non-current payables	-	19
N	**Non-current financial debt (K+L+M)**	**1,852**	**2,782**
O	**Net financial position (receivable)/payable (J+N)**	**(2,199)**	**(695)**

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 – *Statement of Cash Flows*, 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) by the 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 FY2013 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 FY2013 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 2013 and 2012 financial statements of the foreign companies are illustrated in the following table:

Currency	Mean exchange rate of fiscal year		Current exchange rate at year-end	
	2013	2012	2013	2012
USD	1.32812	1.28479	1.37910	1.31940
Real (Brazil)	2.86866	2.50844	3.25760	2.70360
Renminbi (China)	8.16463	8.10523	8.34910	8.22070
Ruble (Russia)	42.3370	39.9262	45.3246	40.3295
Rupee (India)	77.9300	68.5973	85.3660	72.5600

39. SUBSEQUENT EVENTS

There were no significant events after year-end 2013.

San Mauro Torinese, 14 March 2014

On behalf of the Board of Directors

The Chairman and Managing Director

Mr. Giuseppe Morfino

Certificate as per 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 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 2013.

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.

14 marzo 2014

Presidente e Amministratore Delegato

Giuseppe Morfino

....

Dirigente Preposto alla redazione dei documenti contabili societari

Eugenio Barone

....

Report of the Board of Statutory Auditors

GRUPPO FIDIA

* * *

RELAZIONE DEL COLLEGIO SINDACALE SUL BILANCIO CONSOLIDATO RELATIVO ALL'ESERCIZIO CHIUSO AL 31 DICEMBRE 2013

Signori Azionisti,

il Consiglio di Amministrazione di Fidia S.p.A. ha predisposto ed approvato il bilancio consolidato al 31 dicembre 2013, in conformità al D. Lgs. 9 aprile 1991 n. 127, e lo ha consegnato al Collegio nella riunione consiliare del 14 marzo 2014.

Il bilancio consolidato del Gruppo Fidia, che viene messo a vostra disposizione, presenta un risultato netto negativo di 1.567 migliaia di euro (perdita di 1.435 migliaia di euro di pertinenza dei soci della controllante e perdita di 132 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 fornitéci 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 2013 relativamente a tutte le imprese oggetto di consolidamento nonché l'evoluzione prevedibile del Gruppo nel corso del corrente esercizio 2014. 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 dicembre 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 controllata Shenyang Fidia NC & Machine Company Ltd, 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 2013 le attività per imposte anticipate e le passività per imposte differite ammontano a un saldo netto positivo di 759 migliaia di euro;
- il bilancio evidenzia un patrimonio netto consolidato di 12.847 migliaia di euro di cui la quota parte di competenza dei terzi ammonta a 2.546 migliaia di euro a fronte di un patrimonio netto della Capogruppo Fidia Spa di 7.424 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 2013.

San Mauro Torinese, 27 marzo 2014

Il Collegio sindacale

(Dott. Roberto Panero) – Presidente

(Dott. Giovanni Rayneri) – Sindaco Effettivo

(Dott.ssa Michela Rayneri) – Sindaco Effettivo

Report of Auditing Firm

EY
Building a better working world

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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 2013 and for the year then ended, comprising the consolidated income statement, the consolidated comprehensive income statement, the consdolidated 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 our report dated March 28, 2013.

3. In our opinion, the consolidated financial statements of the Fidia Group at 31 December 2013 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

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

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 2013.

Turin, March 28, 2014

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

Fidia S.p.A.

Financial Statements at 31 December 2013

FIDIA S.p.A.: Financial Statements at 31 December 2013

Income statement (*)

(euro)	Notes	FY2013	FY2012
- Net sales	1	35,872,409	31,777,605
- Other operating revenue	2	1,418,617	1,652,079
Total revenues		**37,291,026**	**33,429,684**
- Changes in inventories of finished goods and work in progress		(694,124)	649,239
- Raw materials	3	(14,108,250)	(13,593,281)
- Personnel expenses	4	(10,274,136)	(10,143,644)
- Other operating expenses	5	(13,824,693)	(11,672,344)
- Depreciation and amortization	6	(366,600)	(479,685)
- Profit/(loss) of ordinary business		**(1,976,777)**	**(1,810,031)**
- Write-down/(recovery) of investments		-	1,848,000
- Non-recurring charges	7	(300,000)	-
- Operating profit/(loss)		**(2,276,777)**	**37,969**
- Finance revenue (expenses)	8	1,127,529	437,553
- Profit/(loss) before tax		**(1,149,248)**	**475,522**
- Income taxes	9	(199,094)	(229,029)
- Profit/(loss) for continuing operations		**(1,348,342)**	**246,493**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**(1,348,342)**	**246,493**

(*) 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. 30.

FIDIA S.p.A.: Financial Statements at 31 December 2013

Comprehensive income statement (*)

(€thousand)	FY2013	FY2012
- Profit/(loss) (A)	**(1,348)**	**246**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified in the income statement:		
Profit/(loss) on cash flow hedges	14	(5)
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified to the income statement	(4)	2
Total Other comprehensive profit/(loss) that may subsequently be reclassified to the income statement, net of tax effect (B1)	**10**	**(3)**
Other comprehensive profit/(loss) that may not subsequently be reclassified to the income statement:		
Actuarial gains/(losses) on defined benefit plans	40	(16)
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to the income statement	(11)	4
Total Other comprehensive profit/(loss) that may not subsequently be reclassified to the income statement, net of tax effect (B2)	**29**	**(12)**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)	**39**	**(15)**
Total comprehensive profit/(loss) of the period (A)+(B)	**(1,309)**	**231**

FIDIA S.p.A.: Financial Statements at 31 December 2013

Statement of financial position (*)

(euro)	Notes	31 December 2013	31 December 2012
ASSETS			
NON-CURRENT ASSETS			
- Plant and equipment	10	876,109	812,953
- Intangible assets	11	312,195	55,942
- Investments	12	8,797,081	8,797,081
- Other non-current receivables and assets	13	1,261,447	1,212,325
- Pre-paid tax assets	9	416,849	421,568
TOTAL NON-CURRENT ASSETS		**11,663,681**	**11,299,869**
CURRENT ASSETS			
- Inventories	14	11,833,394	14,359,050
- Trade receivables	15	7,546,710	9,336,498
- Current tax receivables	16	110,188	49,658
- Other current receivables and assets	16	1,120,673	1,617,980
- Other current financial assets	17	19,210	20,040
- Cash and cash equivalents	18	3,531,047	3,879,447
TOTAL CURRENT ASSETS		**24,161,222**	**29,262,673**
TOTAL ASSETS		**35,824,903**	**40,562,542**
LIABILITIES			
EQUITY			
- Share capital		5,123,000	5,123,000
- Share premium reserve		1,239,693	1,239,693
- Legal reserve		516,471	504,146
- Reserve for own shares in portfolio		45,523	45,523
- Extraordinary reserve		1,111,011	876,842
- Cash flow hedge reserve		(5,634)	(15,437)
- Profit (loss) carried forward		767,455	767,455
- Own shares		(45,523)	(45,523)
- Profit (loss) stated directly in equity		19,908	(9,609)
- Profit/(loss)		(1,348,342)	246,493
TOTAL EQUITY	**19**	**7,423,562**	**8,732,583**
NON-CURRENT LIABILITIES			
- Other non-current payables and liabilities	20	338,720	48,026
- Termination benefits	21	2,262,722	2,334,660
- Deferred tax liabilities	9	3,622	-
- Other non-current financial liabilities	22	29,314	48,547
- Non-current financial liabilities	23	1,801,443	2,762,621
TOTAL NON-CURRENT LIABILITIES		**4,435,821**	**5,193,854**
CURRENT LIABILITIES			
- Current financial liabilities	23	4,421,285	7,033,500
- Other current financial liabilities	24	140,327	-
- Trade payables	25	12,289,665	12,659,385
- Current tax payables	26	312,652	329,402
- Other current payables and liabilities	26	5,979,321	5,941,080
- Provisions for risks and expenses	27	822,270	672,738
TOTAL CURRENT LIABILITIES		**23,965,520**	**26,636,105**
TOTAL LIABILITIES		**35,824,903**	**40,562,542**

(*) 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. 30.

FIDIA S.p.A.: Financial Statements at 31 December 2013

Cash Flow Statement (*)

(€thousand)	2013	2012
A) Cash on hand and cash equivalents at beginning of year	**(1,806)**	**(165)**
B) Cash from/(used in) operating activities		
- Net operating result	(1,348)	246
- Depreciation and amortization of tangible and intangible assets	291	278
- Net losses (gains) on disposal of tangible assets	1	(2)
- Write-down/(recovery in value) of investments	-	(1,848)
- Net change in provisions for termination benefits	(72)	(203)
- Net change in provisions for risks and expenses	150	190
- Net change (assets) liabilities for (pre-paid) deferred taxes	8	(5)
Net change in working capital:		
- receivables	2,177	(1,128)
- inventories	2,526	(2,611)
- payables	(57)	1,385
	3,676	(3,698)
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible assets	(336)	(278)
intangible assets	(275)	(48)
investments		
- Profit on sale of:		
tangible assets	-	98
Financial assets	-	2
	(611)	(226)
D) Cash from/(used in) financing activities		
- Net change in current and non-current financial assets and liabilities	122	(52)
- New loans	996	2,920
- Loans paid	(1,495)	(570)
- Change in reserves	39	(15)
	(338)	2,283
E) Net change in cash and cash equivalents	2,727	(1,641)
F) Cash and cash equivalents at year end	921	(1,806)
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	3,531	3,879
Overdrawn bank accounts	(2,610)	(5,685)
	921	**(1,806)**

(*) 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 2013

Overview of changes in consolidated equity

(€thousand)	Share capital	Own shares	Share premium reserve	Legal reserve	Reserve for own shares in portfolio	Extraordinary reserve	Cash flow hedge reserve	Profit (loss) carried forward	Profit (loss) reported directly to equity	Net result	Total equity
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**
Allocation of net income of previous year				12		234				(246)	-
Total comprehensive profit/(loss)							10		29	(1,348)	(1,309)
Balance at 31 December 2013	**5,123**	**(45)**	**1,240**	**517**	**45**	**1,111**	**(5)**	**766**	**20**	**(1,348)**	**7,424**

FIDIA S.p.A.: Financial Statement at 31 December 2013

Income statement

as per Consob Resolution No. 15519 of 27 July 2006

(€thousand)	Notes	FY2013	of which related parties	FY2012	of which related parties
- Net sales	1	35,872	8,874	31,778	10,412
- Other operating revenue	2	1,419	220	1,652	182
Total revenues		**37,291**		**33,430**	
- Changes in inventories of finished goods and work in progress		(694)		649	
- Raw materials	3	(14,108)	(295)	(13,593)	(24)
- Personnel expenses	4	(10,274)	(790)	(10,144)	(777)
- Other operating expenses	5	(13,825)	(3,019)	(11,672)	(2,513)
- Depreciation and amortization	6	(367)		(480)	
- Profit/(loss) of ordinary business		**(1,977)**		**(1,810)**	
- (Write-down)/recovery in value of investments				1,848	
- Non-recurring charges	7	(300)		-	
- Operating profit/(loss)		**(2,277)**		**38**	
- Finance revenue (expenses)	8	1,128	1,574	437	782
- Profit/(loss) before tax		**(1,149)**		**475**	
- Income taxes	**9**	**(199)**		**(229)**	
- Profit/(loss) for continuing operations		**(1,348)**		**246**	
- Profit/(loss) for discontinued operations		**-**		**-**	
- Profit/(loss)		**(1,348)**		**246**	

FIDIA S.p.A.: FINANCIAL STATEMENTS AT 31 DECEMBER 2013

STATEMENT OF FINANCIAL POSITION
as per Consob Resolution No. 15519 of 27 July 2006

(€thousand)	Notes	31 December 2013	of which related parties	31 December 2012	of which related parties
ASSETS					
NON-CURRENT ASSETS					
- Plant and equipment	10	876		813	
- Intangible assets	11	312		56	
- Investments	12	8,797		8,797	
- Other non-current receivables and assets	13	1,262		1,212	
- Pre-paid tax assets	9	417		422	
TOTAL NON-CURRENT ASSETS		**11,664**		**11,300**	
CURRENT ASSETS					
- Inventories	14	11,833		14,359	
- Trade receivables	15	7,547	3,565	9,336	3,567
- Current tax receivables	16	110		50	
- Other current receivables and assets	16	1,121	11	1,618	778
- Other current financial assets	17	19		20	
- Cash and cash equivalents	18	3,531		3,879	
TOTAL CURRENT ASSETS		**24,161**		**29,262**	
TOTAL ASSETS		**35,825**		**40,562**	
LIABILITIES					
EQUITY					
- Share capital		5,123		5,123	
- Share premium reserve		1,240		1,240	
- Legal reserve		517		504	
- Reserve for own shares in portfolio		46		46	
- Extraordinary reserve		1,111		877	
- Cash flow hedge reserve		(5)		(15)	
- Profit (loss) carried forward		766		767	
- Own shares		(46)		(46)	
- Profit (loss) stated directly in equity		20		(9)	
- Profit/(loss)		(1,348)		246	
TOTAL EQUITY	**19**	**7,424**		**8,733**	
NON-CURRENT LIABILITIES					
- Other non-current payables and liabilities	20	339		48	
- Termination benefits	21	2,263		2,335	
- Deferred tax liabilities	9	3		-	
- Other non-current financial liabilities	22	29		48	
- Non-current financial liabilities	23	1,802		2,763	
TOTAL NON-CURRENT LIABILITIES		**4,436**		**5,194**	
CURRENT LIABILITIES					
- Current financial liabilities	23	4,421	151	7,033	151
- Other current financial liabilities	24	140		-	
- Trade payables	25	12,290	4,563	12,659	4,394
- Current tax payables	26	313		329	
- Other current payables and liabilities	26	5,979	2,117	5,941	825
- Provisions for risks and expenses	27	822		673	
TOTAL CURRENT LIABILITIES		**23,965**		**26,635**	
TOTAL LIABILITIES		**35,825**		**40,562**	

FIDIA S.p.A.: FINANCIAL STATEMENTS AT 31 DECEMBER 2013

CASH FLOW STATEMENT
as per Consob Resolution No. 15519 of 27 July 2006

(€thousand)	2013	of which related parties	2012	of which related parties
A) Cash on hand and cash equivalents at beginning of year	**(1,806)**		**(165)**	
B) Cash from/(used in) operating activities				
- Net operating result	(1,348)		246	
- Depreciation and amortization of tangible and intangible assets	291		278	
- Net losses (gains) on disposal of tangible assets	1		(2)	
- Write-down/(recovery in value) of investments	-		(1,848)	
- Net change in provisions for termination benefits	(72)		(203)	
- Net change in provisions for risks and expenses	150		190	
- Net change (assets) liabilities for (pre-paid) deferred taxes	8		(5)	
Net change in working capital:				
- receivables	2,177	769	(1,128)	(964)
- inventories	2,526		(2,611)	
- payables	(57)	1,461	1,385	591
	3,676		(3,698)	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible assets	(336)		(278)	
intangible assets	(275)		(48)	
- Profit on sale of:				
tangible assets	-		98	
Financial assets	-		2	
	(611)		(226)	
D) Cash from/(used in) financing activities				
- Net change in current and non-current financial assets and liabilities	122		(52)	30
- New loans	996		2,920	
- Loans paid	(1,495)		(570)	
- Change in reserves	39		(15)	
	(338)		2,283	
E) Net change in cash and cash equivalents	2,727		(1,641)	
F) Cash and cash equivalents at year end	921		**(1,806)**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	3,531		3,879	
Overdrawn bank accounts	(2,610)		(5,685)	
	921		**(1,806)**	

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 the Fidia Group.

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

The Financial Statements at 31 December 2013 consist of the Income Statement, Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and the Notes to the Financial Statements. Its publication was authorized by the Board of Directors on 14 March 2014.

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 the Fidia Group at 31 December 2013.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2013 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 standard 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 business management, such as the restructuring expenses, the (write-down)/recovery in value 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, balance sheet and statement of cash flows 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 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 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.

There are no intangible assets with indefinite useful life.

Impairment losses

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 Company were included in the balance-sheet items 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 to 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, it is restored its value of cost.

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 measured according to the procedures set for hedge accounting applicable to fair value hedges: gains and losses arising from re-measurement 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 re-measurements 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 for exposure to variability in the future cash flows of an asset or liability reported 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 measurement of the derivative is immediately reported 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 a measurement 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 measuring 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 measurement date of 31 December 2013 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 measurement date. 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 measurement date 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	
	2013	2012
1W	0.188%	0.08%
1M	0.216%	0.11%
2M	0.255%	0.11%
3M	0.287%	0.11%
6M	0.389%	0.32%
9 M	0.480%	0.43%
12M	0.556%	0.54%
2 years	0.54%	0.38%
3 years	0.75%	0.38%
4 years	1.00%	0.38%
5 years	1.26%	0.38%
7 years	1.68%	1.12%
10 years	2.15%	1.57%
15 years	2.59%	2.00%
20 years	2.72%	2.16%
30 years	2.74%	2.23%

	USD Curve	
	2013	2012
1W	0.129%	0.19%
1M	0.168%	0.21%
2M	0.213%	0.25%
3M	0.246%	0.31%
6M	0.348%	0.51%
9 M	-	0.69%
12M	0.583%	0.84%
2 years	0.489%	0.39%
3 years	0.876%	0.50%
4 years	1.346%	0.66%
5 years	1.786%	0.86%
7 years	2.482%	1.31%
10 years	3.086%	1.84%
15 years	3.599%	2.38%
20 years	3.802%	2.59%
30 years	3.929%	2.80%

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.

Provisions for risks and expenses

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 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 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 preparation of financial statements and related disclosures that conform to IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. 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

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.

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 2014. 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.

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 2013

- 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 adoption of the new standard has not resulted in significant effects on this budget.

- 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 Company has adopted this amendment in this budget by modifying the presentation of the items pertaining to Other comprehensive profit/(loss). Comparative information provided was consistently represented.
- On 17 May 2012, the IASB issued a set of amendments to IFRSs, among which the amendment to IAS 1 - *Presentation of Financial Statements* is applicable from 1 January 2013. The amendment clarifies the way in which comparative information should be presented when an entity changes accounting policies and when an entity provides comparative information in addition to the minimum comparative financial statements. The application of these amendments has not affected these financial statements.
- 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 plan deficit or surplus: the amendment removes the option to defer actuarial gains and losses under the "corridor method" and requires their direct recognition to 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.

  The application of this amendment has not affected these financial statements.
- On 16 December 2011 IASB issued a set of amendments to IFRS 7 - *Financial Instruments: 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 application of these amendments has not affected the disclosures in these financial statements.

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 introduces a new control model applicable to all entities including vehicles. 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 16 December 2011 IASB issued a set of 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 29 May 2013, the IASB issued an amendment to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets* addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.
- On 27 June 2013, the IASB issued narrow scope amendments to IAS 39 – *Financial Instruments: Recognition and Measurement* entitled "Novation of Derivatives and Continuation of Hedge Accounting". The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging

instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. Similar relief will be included in IFRS 9 - Financial Instruments. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.

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. 29, please refer to the note on risk management found in the Additional Notes to the Consolidated Financial Statements of the Fidia Group.

CONTENT AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

Revenues for the sale of goods and services grew by 12.9% and amounted to €35,872 thousand, versus €31,778 thousand in FY2012.

Hereinafter follows the details by geographical region and line of business for sales.

Turnover by geographical area	FY2013	%	FY2012	%
€ thousand				
Italy	4,063	11.3%	5,272	16.6%
Europe	10,502	29.3%	6,579	20.7%
Asia	18,154	50.6%	14,915	46.9%
North and South America	2,962	8.3%	4,815	15.2%
Rest of the World	191	0.5%	197	0.6%
Total revenues	**35,872**	**100%**	**31,778**	**100%**

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

Turnover by business line	FY2013	%	FY2012	%
€ thousand				
Numerical controls, drives and software	2,242	6.2%	3,220	10.1%
High-speed milling systems	27,864	77.7%	23,327	73.4%
After-sales service	5,766	16.1%	5,231	16.5%
Total revenues	**35,872**	**100%**	**31,778**	**100%**

2. OTHER OPERATING REVENUE

This item comprises:

€ thousand	FY2013	FY2012
Contributions for operating expenses	711	1,133
Increase in fixed assets for internal work	211	200
Contingent assets	138	43
Recovery of costs incurred	288	217
Insurance refunds	16	23
Release of bad debt provisions	50	-
Other miscellaneous revenues and earnings	5	36
Total	**1,419**	**1,652**

Grants for operating expenses basically consist of funds for research projects stated by year of accrual in the income statement at 31 December 2013 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 these revenues is primarily due to the end of the 7th Framework Programme of the European Commission on 31 December 2012, while the 8th Framework Programme started on 1 January 2014, an event that has not allowed the start of new activities in the course of the year.

3. RAW MATERIALS

These are:

€ thousand	FY2013	FY2012
Production materials	10,928	14,189
Service materials	898	842
Consumables	79	110
Equipment and software	85	95
Packaging	165	250
Other	105	111
Change in inventory raw materials and consumables	1,848	(2,004)
Total	**14,108**	**13,593**

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 €10,274 thousand and was substantially stable (+1.3%) versus €10,144 thousand in 2012. These consist of:

€ thousand	FY2013	FY2012
Wages and salaries	7,651	7,622
Social security charges	2,186	2,107
TFR	437	415
Total	**10,274**	**10,144**

Due to the higher turnover, the overall incidence of cost of labor in relation to turnover decreased from 31.9% in 2012 to 28.6% in the current year.

Please note in the table below the change recorded in FY2013 in the number of employees, broken down by category, is illustrated below:

	31 December 2012	Inbound	Outbound	Change	31 December 2013	Period average
Executives	7	-	-	-	7	7
Clerks and cadres	130	3	(5)	-	128	129
Workers	35	10	(6)	-	39	37
Total	**172**	**13**	**(11)**	**-**	**174**	**173**

5. OTHER OPERATING EXPENSES

Other working expenses are as follows:

€ thousand	FY2013	FY2012
Outsourced work	2,384	2,347
Travel expenses	557	536
Transportation and customs	808	754
Rent due	647	617
Technical, legal and administrative consulting	1,346	1,142
Utilities	393	434
Commissions	2,830	1,547
Car and equipment rental	329	285
Auditors' emoluments	57	57
Insurance	228	268
Advertising, trade fairs and other commercial costs	382	222
Non-income taxes	95	69
Maintenance and housekeeping	183	149
Charges for personnel services	204	211
First-supply services	1,176	878
Bank services	181	197
Stock exchange listing fees	107	109
Costs for repairs and interventions	911	780
Research project costs	45	49
Entertainment expenses	145	52
Patent costs	87	77
Contributions and payments	35	28
Contingent liabilities	146	200
Warranty provisions	200	268
Provisions for legal risks	-	50
Other	349	346
Total	**13,825**	**11,672**

Other operating expenses amounted to €13,825 thousand, up by €2,153 thousand compared to €11,672 thousand in 2012.

The increase compared to the past year is mainly due to higher turnover and to a different mix that has resulted, inter alia, in an increase of commissions.

6. DEPRECIATION AND AMORTIZATION

€ thousand	FY2013	FY2012
Amortization of intangible assets	18	22
Depreciation plant and equipment	246	230
Bad debts	76	201
Other write-downs	27	27
Total	**367**	**480**

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 provision in 2013, equivalent to € 76 thousand, along with the existing reserves, are deemed commensurate to possible cases of insolvency.

7. NON-RECURRING CHARGES

The item consists of an outlay of €300 thousand having an extraordinary nature and linked to an accident for which there is specific insurance coverage. Pending repayment by the insurance company and in compliance with the provisions of the relevant accounting standard, this occurrence was reported in the income statement.

8. FINANCE INCOME AND COSTS

Finance income and costs consist of:

€ thousand	FY2013	FY2012
Finance revenue	1,610	835
Borrowing costs	(462)	(380)
Net profit (loss) on derivatives	25	(5)
Profit (loss) from foreign currency transactions	(45)	(13)
Total	**1,128**	**437**

Finance revenue consists of:

€ thousand	FY2013	FY2012
Dividends from subsidiaries	1,585	788
Interests received from banks	20	45
Other interests received	5	2
Total	**1,610**	**835**

Dividends from subsidiaries consisted of:

€ thousand	FY2013	FY2012
Beijing Fidia Machinery & Electronics Co. Ltd.	1,085	788
Fidia Iberica S.A.	500	-
Total	**1,585**	**788**

Finance expenses consist of:

€ thousand	FY2013	FY2012
Interests paid on short-term borrowings from banks	(208)	(251)
Interest paid on M/L term to banks	(131)	(67)
Borrowing costs on termination benefits	(66)	(54)
Other borrowing costs	(57)	(8)
Total	**(462)**	**(380)**

Net profit and loss on derivatives:

€ thousand	FY2013	FY2012
Loss on derivatives due to fair value adjustment	-	(26)
Gain on derivatives due to fair value adjustment	25	21
Total	**25**	**(5)**

Profit on derivative instruments includes:

- €19 thousand as adjustment resulting from hedging transactions (forward) carried out to limit the EUR/USD exchange rate risk. For these transactions, it was not possible to determine a correlation allowing for their inclusion among the cash flow hedge transactions;
- €6 thousand for the ineffectiveness component of three hedging derivatives (two interest rate caps and an interest rate swap) entered into to hedge interest rate risk on a medium/long-term floating rate loan.

Profit (loss) on foreign currency transactions consists of:

€ thousand	FY2013	FY2012
Currency gain	22	25
Revenue from exchange rate adjustment	2	1
Profit on currency forward contract	5	22
Loss on currency forward contract	(5)	(13)
Currency loss	(61)	(31)
Expenses from exchange rate adjustment	(8)	(17)
Total	**(45)**	**(13)**

9. INCOME TAXES

Taxes stated in the income statement are:

€ thousand	FY2013	FY2012
Income tax: IRAP (Italian Regional Tax on Production Activities)	206	226
Deferred tax assets absorbed	-	4
Deferred tax liabilities absorbed	-	(1)
Pre-paid taxes	(7)	-
Total	**199**	**229**

At 31 December 2013 the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€ thousand	31 December 2013	31 December 2012
Pre-paid tax assets	417	422
Deferred tax liabilities	(3)	-
Total	**414**	**422**

In all, pre-paid tax assets and deferred tax liabilities are as follows:

		Posted in	Recognized in	
€ thousand	At 31 December 2012	income statement	equity	At 31 December 2013
Pre-paid taxes for:				
Application of IAS 19 - Termination Benefits	73	7	(8)	72
Inventories impairment provisions	-	-	-	-
Tax loss	343	-	-	343
Cash flow hedge reserve	6	-	(4)	2
Total pre-paid taxes	**422**	**7**	**(12)**	**417**
Deferred tax liabilities for:				
Application of IAS 19 - Termination Benefits	-	-	3	3
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 reported by critically evaluating the subsistence of the prerequisites for future recoverability of said assets based on updated plans.

STATEMENT OF FINANCIAL POSITION

10. PLANT AND EQUIPMENT

In 2013 and 2012 the changes in Plant and Equipment are detailed in the following schedule:

€ EUR	Prior changes			Changes in period						Balance balance
	Purchase price	Depreciation reserve	Initial balance 01/01/2013	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Write-downs/ Recovery in value	
Plant and equipment	1,674	(1,257)	417	226	(6)	220	6	(130)	(27)	486
Industrial equipment	1,548	(1,452)	96	63	-	63	-	(54)	-	105
Electrical tools	775	(750)	25	2	-	2	-	(12)	-	15
Furnishing	864	(677)	187	1	-	1	-	(22)	-	166
Electronic equipment	1,253	(1,171)	82	21	(11)	10	10	(26)	-	76
Means of transportation	267	(267)	-	-	(10)	(10)	10	-	-	-
Other tangible assets	9	(3)	6	14	-	14	-	(2)	-	18
Assets under developm	-	-	-	10	-	10	-	-	-	10
Total plant and equipment	**6,390**	**(5,577)**	**813**	**337**	**(27)**	**310**	**26**	**(246)**	**(27)**	**876**

€ EUR	Prior changes			Changes in period						Balance balance
	Purchase price	Depreciation reserve	Initial balance 1/1/2012	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Write-downs/ Recovery in value	
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**

Increases in the amount of €337 thousand in 2013 are composed of physiological capital expenditure for the production structure of the Company and largely concern the internal production of milling systems used in the production cycle and demonstration activities for the benefit of customers, the acquisition or construction of new equipment for the production units and/or the purchase of new electronic office equipment.

At 31 December 2013, fixed assets under development amounted to €10 thousand.

There was no intangible assets burdened by lien or whose use is subject to restraints.

Amortization of tangible assets, equivalent to €246 thousand, is reported to the income statement under "Depreciation and amortization" (Note No. 6).

11. INTANGIBLE ASSETS

Intangible assets were fully purchased externally and there are no intangible assets with an indefinite useful life. R&D expenses 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:

€ thousand	Prior changes			Changes in period					
	Purchase price	Depreciation reserve	Initial balance 01/01/2013	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Balance balance
Licenses	1	-	1	-	-	-	-	(1)	-
Software	651	(596)	55	11	-	11	-	(17)	49
Assets under development	-	-	-	263	-	263	-	-	263
Total intangible assets	**652**	**(596)**	**56**	**274**	**-**	**274**	**-**	**(18)**	**312**

€ thousand	Prior changes			Changes in period					
	Purchase price	Depreciation reserve	Initial balance 1/1/2012	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Balance balance
Licenses	-	-	-	1	-	1	-	-	1
Software	603	(574)	29	48	-	48	-	(22)	55
Total intangible assets	**603**	**(574)**	**29**	**49**	**-**	**49**	**-**	**(22)**	**56**

The greatest increases for the year were recorded for licenses, and the related charges, of the new management system which was rolled out at the beginning of 2014. Since the project had not been completed by year-end 2013, the investment was reported among the fixed assets under development and was not subject to amortization.

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

12. INVESTMENTS

At 31 December 2013 these amounted to €8,797 thousand. The following changes were registered:

€ thousand	Balance at 31 December 2012	Increases	Decreases	Write-downs	Recovery of value	Balance at 31 December 2013
Investments in subsidiaries	8,784	-	-	-	-	8,784
Investments in associates	2	-	-	-	-	2
Investments in others entities	11	-	-	-	-	11
Total investments	**8,797**	**-**	**-**	**-**	**-**	**8,797**

€ thousand	Balance at 31 December 2011	Increases	Decreases	Write-downs	Recovery of value	Balance 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**

Detailed information of the investments in subsidiaries, associates and others and their changes is provided in the table below:

€ thousand	Balance at 31 December 2012	Increases	Decreases	(Write-downs)/ Recovery of value	Balance at 31 December 2013
Subsidiaries					
Fidia GmbH	1,208				1,208
Historical cost	1,208	-	-	-	1,208
Impairment provisions	-	-	-	-	-
Fidia Co.	3,527				3,527
Historical cost	7,078	-	-	-	7,078
Impairment provisions	(3,551)	-	-	-	(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.	2,286				2,286
Historical cost	2,443	-	-	-	2,443
Impairment provisions	(157)	-	-	-	(157)
OOO Fidia	-				-
Historical cost	100	-	-	-	100
Impairment provisions	(100)	-	-	-	(100)
Fidia India Private Ltd.	2				2
Historical cost	2	-	-	-	2
Impairment provisions	-	-	-	-	-
Total investments in subsidiaries	**8,784**				**8,784**
Historical cost	12,758	-			12,758
Impairment provisions	(3,974)	-			(3,974)
Associates					
Prometec Consortium	2	-	-	-	2
Total investments in associates	**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	**8,797**	**-**	**-**	**-**	**8,797**

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).

At 31 December 2012 and 2013 there were no investments provided as collateral for financial liabilities and potential liabilities.

Impairment test

The impairment test was carried out on the controlling interest in the Shenyang Fidia NC&M Co. Ltd. Company (China) for which the indicators showed impairment losses at the closing date of the fiscal year.

The recoverable amount was determined by the value in use, i.e., by discounting the cash flows contained in the financial plan of the subsidiary concerning the 2014-2016 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 subsidiary, the discounted cash flows of the 3 years of explicit forecast plus a terminal value were 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 in which the company operates, 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 adopting an appropriate and prudential approach.

The results of the impairments tests were approved independently and separately from the financial statements.

The comparison between the net book value of the investment held by the parent company Fidia S.p.A., and the corresponding recoverable value resulting from the application of the aforementioned measurement method highlighted a substantial congruity. Therefore, no writedown or recovery in value of the investment was reported.

In terms of the sensitivity analysis, increases/decreases of the WACC by 50 basis points cause changes of slightly more than 3% in the recoverable value.

13. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Guarantee deposits	43	67
Receivables for foreign VAT	6	1
Receivables for EU contributions to R&D	50	180
Withholding tax on foreign income	1,157	953
Other current	6	11
Total other non-current receivables and assets	**1,262**	**1,212**

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

Withholding tax on foreign income consist of receivables from Chinese tax authorities for final withholding tax on dividends and wages for technical training activities carried out by the Company on behalf of the subsidiary Shenyang Fidia in prior fiscal years. The due date of these receivables is expected by year 2016 and no issues pertaining to recoverability have arisen to date.

14. INVENTORIES

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

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Raw materials, subsidiary materials and consumables	7,901	9,511
Provisions for raw materials depreciation	(1,415)	(1,177)
Net value of raw materials, subsidiary materials and consumables	**6,486**	**8,334**
Semi-finished products and work in progress	**3,054**	**3,590**
Finished products and goods	2,387	2,569
Finished products and goods depreciation provision	(114)	(138)
Net value finished products and goods	**2,273**	**2,431**
Advances	20	4
Total inventories	**11,833**	**14,359**

Compared to the year before, inventories decreased by €2,526 thousand. Please be noted that the finished product inventories comprise €202 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 €1,529 thousand (€1,315 thousand at 31 December 2012) were reported to cover 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.

15. TRADE RECEIVABLES

At 31 December 2013, these amounted to €7,547 thousand, i.e., much lower by €1,789 thousand versus 31 December 2012. In detail:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Trade receivables from customers	4,558	6,405
Bad debt provisions	(575)	(635)
Total trade receivables from others	**3,983**	**5,770**
Receivables from subsidiaries	3,564	3,566
Total trade receivables	**7,547**	**9,336**

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

€ thousand	31 December 2013	31 December 2012
Unexpired	2,306	4,008
Due up to 1 month	248	314
Due 1 to 3 months	223	388
Due 3 months to 6 months	855	394
Due 6 months to 1 year	270	441
Due over 1 year	656	860
Total	**4,558**	**6,405**

All trade receivables are due within one year.

The bad debt provisions, amounting to €575 thousand (€635 thousand at 31 December 2012) were allocated to cover the risk of default related to doubtful receivables and overdue receivables. The changes in the provisions for receivables impairment were:

Balance at 31 December 2012 (€thousand)	635
Provisions in period	76
Amounts used	(136)
Balance at 31 December 2013	**575**

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

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Italy	1,574	2,680
Europe	578	473
Asia	2,072	3,031
North and South America	314	200
Rest of the World	20	21
Total	**4,558**	**6,405**

Receivables from subsidiaries were the following:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Fidia Co.	218	315
Fidia Sarl	462	392
Fidia Iberica S.A.	95	38
Fidia GmbH	1,182	491
Fidia do Brasil Ltda	108	84
Beijing Fidia M&E Co. Ltd.	50	346
Shenyang Fidia NC & Machine Co. Ltd.	1,449	1,900
Total receivables	**3,564**	**3,566**

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

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Europe	1,739	921
North and South America	326	399
Asia	1,499	2,246
Total	**3,564**	**3,566**

At year-end there were no receivables from associates.

It is deemed that the carrying amount of trade receivables is near the fair value.

16. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Current tax receivables:		
Receivables from tax authorities for VAT	52	8
Tax receivables for income tax and IRAP	44	24
Receivables for short-term foreign VAT	7	9
Other tax receivables:	7	9
Total current tax receivables	**110**	**50**
Contributions for research projects	715	623
Prepayments and accrued expenses	150	79
Receivables from employees	11	5
Advances from suppliers	139	73
Dividends receivable	-	778
Other current receivables	106	60
Total other current receivables and assets	**1,121**	**1,618**

Receivables for research projects equal to €715 thousand consisted of grants from the European Union and the Italian University and Research Ministry for projects aimed at developing new products and technologies.

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.

17. OTHER CURRENT FINANCIAL ASSETS

This item, amounting to €19 thousand, includes, as the year before, 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".

€ thousand	31 December 2013		31 December 2012	
Derivatives for trading	Notional (USD/000)	Fair value (EUR/000)	Notional (USD/000)	Fair value (EUR/000)
Forward contract	1,470	19	750	20

18. CASH AND CASH EQUIVALENTS

The overall total of cash amounted to €3,531 thousand (€3,879 thousand at 31 December 2012). This item is composed of temporary cash on bank accounts pending future use amounting to €3,530 thousand and cash on hand and checks 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 reporting date.

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

19. EQUITY

As 31 December 2013 these amounted to €7,424 thousand, namely €1,309 thousand lower compared to 31 December 2012. The change was due to:

- loss realized in the fiscal year (-€1,348 thousand);
- positive effect of the accounting of actuarial gains on termination benefits net of the tax effect (€29 thousand);
- positive change of the cash flow edge reserve net of the tax effect (€10 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 2012. 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 shows reconciliation between the number of circulating shares at 31 December 2011 and the number of circulating shares at 31 December 2013:

	At 31 December 2011	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2012	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2013
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 amounted to €1,240 thousand and was unchanged compared to 31 December 2012.

Legal reserve

Legal reserve equivalent to €517 thousand increased by €12 thousand over the previous year due to the allocation of part of the earnings of FY2012, as approved by shareholders on 29 April 2013.

Provisions for own shares in portfolio

At 31 December 2013, it amounted to €45 thousand and was unchanged versus FY2012.

These reserves are not available until own shares are held.

Extraordinary reserve

At 31 December 2013 it amounted to €1,111 thousand, up by €234 thousand versus 31 December 2012, due to the allocation of part of the FY2012 earnings (as per the shareholders' resolution of 29 April 2013).

Profit (loss) carried forward

At 31 December 2013 profit carried forward amounted to €766 thousand and was unchanged compared to FY2012.

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 FY2013, as illustrated in the following table.

	No. of shares	Book value (€/000)	Share in % share capital	Book value (€/000)	Mean unit value (€)
Situation at 1 January 2013	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Recovery in value	-	-	-	-	-
Situation at 31 December 2013	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**

Profit (loss) stated directly in equity

At 31 December 2013 it amounted to €20 thousand versus -€9 thousand at 31 December 2012; the change was due to the accounting of actuarial gains for termination benefits in 2013, net of tax effect.

Cash flow hedge reserve

Cash flow hedge reserve comprised the fair value of a derivative (interest rate swap) stipulated by the Company to hedge risk on changes in interest rates on a floating-rate loan.

In FY2013 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 1 January 2013**	**Increases**	**Decreases**	**CFH provisions stated in income statement**	**Final holdings at 31 December 2013**
- Interest rate swap	Interest rate risk	(15)	10	-	-	(5)
Total		**(15)**	**10**	**-**	**-**	**(5)**

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:

€ thousand	Amount	Availability	Distributability	Utilizations in previous 3 fiscal years	
				To cover losses	Other reasons
Capital issued:	5,123				
Capital reserves:					
Provisions for share premium (1)	1,240	A,B,C	1,240	246	-
Profit reserves:					
Provisions for own shares	46	----	----	-	-
Legal reserve	517	B	----	-	-
Cash Flow Hedge reserve	(5)	----	----	-	-
Profit (loss) stated directly in equity	20	----	----	-	-
Extraordinary reserve	1,111	A,B,C	1,111	-	-
Profit (loss) carried forward	766	A,B,C	766	-	-
Total distributable share			**3,117**	**246**	**-**

(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).

Legend:

To: For increase in share capital

B: To cover losses

C: For distribution to shareholders

20. OTHER NON-CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Advances for research projects	331	48
Long-term deferred income	8	-
Total	**339**	**48**

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.

21. TERMINATION BENEFITS

This item reflects the benefits envisaged by Italian law (amended by Italian Law No. 296/06) accrued by employees 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 2013	**2,335**
Amount accrued and allocated in year	436
Benefits paid out in year	(98)
Amount transferred to State Fund and complementary pension scheme	(430)
Borrowing costs on termination benefits	66
Accounting of actuarial losses	(40)
Substitute tax	(6)
Balance at 31 December 2013	**2,263**

Actuarial profit and loss are stated off the income statement and directly carried over to equity (see Note No. 19).

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 €66 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2013	At 31 December 2012
Discount rate	2.67%	2.90%
Future inflation rate	1.80%	2.20%
Frequency of request for advances	3.0%	3.0%
Relative frequency of resignation/dismissal cadres, clerks, workers and apprentices	3.0%	3.0%
Relative frequency of resignations/dismissals managers	5.0%	5.0%

The discount rate on future benefits is determined, according to the provisions of IAS 19, at market yields.

The structure in interest rates used refers to the EUR Composite rates having an AA rating; the rate used was the one with an average financial duration equal to the average financial duration of benefits for the communities under consideration and, in keeping with this approach, has been correlated with the future annual inflation rate.

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

The following table proposes a sensitivity analysis of the termination benefits fund if one of the basic assumptions varies.

Specifically, a 10% increase and decrease was assumed with regard to the parameters used for the measurement of the termination benefits fund at 31 December 2013.

	Basic Assumptions	Changes in Basic Assumptions									
Inflation rate projections	1.80%	1.62%	1.98%								
Average incidence of advances on termination benefits accrued at the beginning of the year	70.00%			63.00%	77.00%						
Rate of request for advances: Executive	3.00%					2.70%	3.30%				
Rate of request for advances: Cadre	3.00%					2.70%	3.30%				
Rate of request for advances: Clerk	3.00%					2.70%	3.30%				
Rate of request for advances: Worker	3.00%					2.70%	3.30%				
Rate of request for advances: Apprentice	3.00%					2.70%	3.30%				
Discount rate	2.67%							2.40%	2.94%		
Outbound rate for resignation and dismissal: Executive	5.00%									4.50%	5.50%
Outbound rate for resignation and dismissal: Cadre	3.00%									2.70%	3.30%
Outbound rate for resignation and dismissal: Clerk	3.00%									2.70%	3.30%
Outbound rate for resignation and dismissal: Worker	3.00%									2.70%	3.30%
Outbound rate for resignation and dismissal: Apprentice	3.00%									2.70%	3.30%
Company	Termination benefits fund (€/000)	Percentage change in termination benefits compared to the basic assumptions									
Fidia S.p.A.	2,262	-1.17%	1.19%	-0.02%	0.02%	-0.02%	0.02%	2.68%	-2.58%	-0.03%	0.03%

22. 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 of three medium/long-term loans (cash flow hedge).

€ thousand	31 December 2013		31 December 2012	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest Rate Swap	632	8	1,053	22
Interest Rate Cap BNL	1,184	12	1,263	15
Interest Rate Cap Banco Popolare	1,000	9	1,062	11
Total		**29**		**48**

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.

23. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities amounted to €6,223 thousand and are specified in detail in the following table:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Overdrawn bank accounts and short-term advances	2,610	5,685
Financial accruals and deferrals	4	3
Intra-group loans	150	150
Loan No. 1 - Banca Nazionale del Lavoro (part medium/long term and part short term)	626	1,038
Loan No. 2 - Banca Nazionale del Lavoro (part medium/long term and part short term)	1,156	1,456
Loan - Banco Popolare (part medium/long term and part short term)	981	1,219
Short-term loan - MPS	696	245
Total	**6,223**	**9,796**

The allocation of the financial liabilities by due date was as follows:

€ thousand	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and other short-term advances	2,613	-	-	2,613
Intra-group loans	151	-	-	151
Medium-to-long term bank loans	961	1,802	-	2,763
Short-term loans	696	-	-	696
Total	**4,421**	**1,802**	**-**	**6,223**

Intra-group loans consisted of an interest-yielding loan in the amount of €150,000 (and related interests) from the French subsidiary Fidia Sarl. The contract lasts until 31 March 2014 and can be extended.

Bank loans have the following main characteristics:

<u>M/L-term loan with Banca Nazionale del Lavoro</u>

Original amount	€2,000 thousand
Residual amount	€626 thousand
Date of loan	31/08/2010
Term	Loan due date 30/06/2015
Repayment	19 quarterly installments (31/12/10 to 30/06/2015)
Interest rate	3-month Euribor, base 360 + 1.8% spread

This loan is guaranteed at 50% by Sace S.p.A. In order to hedge the interest rate risk, an interest rate swap hedging contract has been entered into.

M/L-term loan with Banca Nazionale del Lavoro

Original amount	€1,500 thousand
Residual amount	€1,156 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 30/09/2017)
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	€981 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 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.

Short-term loan - Monte dei Paschi di Siena

Original amount	€696 thousand
Residual amount	€696 thousand
Date of loan	12/12/2013
Term	Loan due date 30/06/2014
Repayment	3 monthly installments (30/04/2014 to 30/06/2014)
Interest rate	6-month Euribor, base 360 + 2.5% spread

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

€ thousand	Balance at 01/01/2013	New loans	Repayments	Balance at 31 December 2013
Loan No. 1 - Banca Nazionale del Lavoro	1,038	-	(412)	626
Loan No. 2 - Banca Nazionale del Lavoro	1,456	-	(300)	1,156
Loan - Banco Popolare	1,219	-	(238)	981
Short-term loan - MPS	245	696	(245)	696
Intra-group loans	150	300	(300)	150
Total	**4,108**	**996**	**(1,495)**	**3,609**

It is deemed that the book value of floating rate financial liabilities 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. 29.

24. OTHER CURRENT FINANCIAL LIABILITIES

This item, which amounted to €140 thousand, refers to grants on funded research activities collected by Fidia S.p.A. as project leader and which will be the subject of redistribution between the partners participating in these programs in the coming months.

25. TRADE PAYABLES

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Payables to other suppliers	7,724	8,265
Payables to subsidiaries	4,564	4,393
Payables to associates	2	1
Total trade payables	**12,290**	**12,659**

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	3,513	2,774	1,437	7,724
Payables to subsidiaries	3,093	1,471	-	4,564
Payables to associates	2	-	-	2
Total trade payables	**6,608**	**4,245**	**1,437**	**12,290**

The geographical breakdown of the trade payables to suppliers was as follows:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Italy	6,203	7,038
Europe	540	526
Asia	890	546
North and South America	91	155
Total	**7,724**	**8,265**

Payables to subsidiaries, which refer to trade items due within the next fiscal year are divided as follows:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Fidia Co.	12	29
Fidia S.a.r.l.	151	6
Fidia Iberica S.A.	31	76
Fidia GmbH	47	99
Beijing Fidia M&E Co. Ltd.	3,934	4,055
Shenyang Fidia NC&M Co. Ltd.	378	37
Fidia do Brasil Ltda	9	88
Fidia India Pvt. Ltd.	2	3
Total payables to subsidiaries	**4,564**	**4,393**

Trade payables to subsidiaries broken down by geographical area were the following:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Europe	229	181
Asia	4,314	4,095
North and South America	21	117
Total	**4,564**	**4,393**

The geographical breakdown of the trade payables to subsidiaries was as follows:

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Prometec Consortium	2	1
Total	**2**	**1**

Trade payables are due by the next fiscal year and it is deemed that their carrying amount at reporting date is near fair value.

26. TAX PAYABLES, OTHER CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2013	Balance at 31 December 2012
Current tax payables:		
- withholding taxes	313	279
- Payables to tax authorities for IRAP		-
- Payables to tax authorities for VAT	-	49
- Other short-term tax payables	-	1
Total current tax payables	**313**	**329**
Other current payables and liabilities:		
Payables to employees	605	495
Social security payables	659	510
Down payments from customers	4,444	4,505
Advances for EU grants to R&D	-	66
Payables for compensation	69	116
Deferrals	33	60
Accrued liabilities	68	89
Miscellaneous payables	101	100
Total other current payables and liabilities	**5,979**	**5,941**

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.

Down payments 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 comprises also advances received from subsidiaries in the amount of €2,040 thousand.

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

27. PROVISIONS FOR RISKS AND EXPENSES

Provisions for risks and expenses amounted to €483 thousand as per the relevant schedule.

€ thousand	Balance 1 January 2013	Accrual	Utilization /Release	Balance 31 December 2013
Warranty provisions	623	199	-	822
Provisions for legal risks	50	-	(50)	-
Total other provisions for risks and expenses	**673**	**199**	**(50)**	**822**

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 estimated is calculated based on the experience of the Company and the specific contract terms.

28. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2013 these amounted to €1,282 thousand, down by €352 thousand compared to €1,634 thousand at 31 December 2012. 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 2013, 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.

29. 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 and 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 2013 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 2013 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 loses 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 equity at 31 December 2013 and 31 December 2012. The impacts on income statement are before tax.

EXCHANGE RATE RISK SENSITIVITY ANALYSIS

		Exchange rate risk at 31 December 2013			
		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	49	(2)		3	-
Derivatives for trading	19	51		(56)	-
Receivables	260	(12)		14	-
Effect		**37**		**(39)**	
FINANCIAL LIABILITIES					
Derivatives for trading					
Overdrawn bank accounts					
Trade payables	47	2		(2)	-
Effect		**2**		**(2)**	
Total impacts		**39**		**(41)**	

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)	-
Receivables	362	(17)	-	19	-
Effect		**7**		**(7)**	
FINANCIAL LIABILITIES					
Derivatives for trading					
Overdrawn bank accounts					
Trade payables	57	3	-	(3)	-
Effect		**3**		**(3)**	
Total impacts		**10**		**(10)**	

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 on the current value of future cash flows .

The Company is exposed to interest rate oscillations on its own variable rate loans attributable to the Eurozone, 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 2013, there were no fixed rate financial instruments measured at fair value.

At 31 December 2013, the Company had an Interest Rate Swap and two Interest Rate Caps to cover the risk rate.

In particular, the Company entered into an interest rate swap to hedge the risk in the variability of interests paid on the medium/long-term loan, by converting it into a fixed rate loan.

The fair value at 31 December 2013 of the Interest Rate Swap was negative, and equal to €8 thousand.

The two Interest Rate Caps were entered into by the Company in order to limit the impacts generated by changes in the floating rate, which are parameterized as two medium-to-long-term loans by converting the interest flows of the loans into floating-rate interest flows by providing a maximum threshold equal to the cap's strike.

Fair value at 31 December 2013 of the two Interest Rate Caps was negative and equivalent to €21 thousand.

The inefficacy of the cash flow hedge relating to the only Interest Rate Swap transaction in FY2013 is not significant.

With regard to the cash flow hedge transactions for the two Interest Rate Caps, the impacts on the income statement for portion excluded from hedging (time value of the derivative) equaled -€21 thousand in 2013.

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 floating rate financial instruments at 31 December 2013 included cash and loans.

At 31 December 2013, the following was assumed:

- 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 10 bps of each node of the market curve used for the assessment of interest rate derivatives.

The decision to simulate, at 31 December 2013, decreases of 20 bps and 10 bps was caused by the 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							
€ thousand	Interest Rate Risk at 31 December 2013						
		+50-bps change		-20-bps change		-10 bps change	
	Balance-sheet amount	P&L	Other changes in equity	P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES							
Loans from banks	3,459	(17)		7		N/A	N/A
IRS hedging derivative	8	-	2	N/A	N/A	-	-
Cap hedging derivative	21	5		N/A	N/A	(1)	-
Total impact		(12)	2	7		(1)	-

INTEREST RATE SENSITIVITY ANALYSIS							
		Interest Rate Risk at 31 December 2012					
		+50-bps change		-20-bps change		-8-bps change	
€ thousand	Balance-sheet amount	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)**

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 a 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 2013 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 at 31 December 2013	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	3,459	3,709	2	274	1,505	1,928	-
Other loans	150	152	-	152	-	-	-
Overdrawn bank accounts	2,610	2,610	2,610	-	-	-	-
Trade payables	12,290	12,290	6,608	4,245	1,437	-	-
DERIVATIVE LIABILITIES							
Interest rate swap	8	8	-	2	5	1	-
Interest rate cap	21	28	-	3	8	17	-
TOTAL	**18,538**	**18,797**	**9,220**	**4,676**	**2,955**	**1,946**	**-**

MATURITY ANALYSIS							
€ thousand	Book value 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	-	-	-
Overdrawn bank accounts	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**	**-**

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 2013 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. 28.

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 2013, the Company held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of about €29 thousand and financial assets at fair value represented by derivative financial instruments to hedge exchange rate risk, for an amount of €19 thousand, classified within Level 2 of the hierarchical assessment of fair value.

30. 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 2013 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		223			3,545	29	
Fidia Sarl	2	221		5	1,541	4	
Fidia Iberica S.A.		107		6	482	4	500
Fidia Co.		57			2,069	66	
Fidia do Brasil Ltda		91			57	4	
Beijing Fidia Machinery & E. Co. Ltd.	2	2,096			540	110	1,085
Shenyang Fidia NC&M Co. Ltd.	286	73			640	3	
OOO Fidia							
Fidia India		3					
Total Group companies	**290**	**2,871**	**-**	**11**	**8,874**	**220**	**1,585**
Other related parties (associates)							
Other related parties (Giuseppe, Paolo and Luca Morfino)	5	91	195				
Compensation Board of Directors			595				
Compensation Board of Statutory Auditors		57					
Total other related parties	**5**	**148**	**790**	**-**	**-**	**-**	**-**
Total Group companies and other related parties	**295**	**3,019**	**790**	**11**	**8,874**	**220**	**1,585**
Total balance-sheet item	14,108	13,825	10,274	462	35,872	1,419	1,635
Incidence in % on balance-sheet item	**2%**	**22%**	**8%**	**2%**	**25%**	**16%**	**97%**

Counterpart € thousand	Trade receivables	Other current receivables	Other current financial assets	Trade payables	Other current liabilities	Current financial liabilities
Fidia GmbH	1,181			47	832	
Fidia Sarl	462			151		151
Fidia Iberica S.A.	95			31		
Fidia Co.	218			12	1,208	
Fidia do Brasil Ltda	108	10		8		
Beijing Fidia Machinery & E. Co. Ltd.	50			3,934		
Shenyang Fidia NC&M Co. Ltd.	1,449			378		
OOO Fidia						
Fidia India				2		
Total Group companies	**3,563**	**10**		**4,563**	**2,040**	**151**
Other related parties (associates)						
Other related parties (Giuseppe, Paolo and Luca Morfino)	2	1			8	
Other related parties (Payables to BoD members of Fidia SpA)					12	
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)					57	
Total other related parties	**2**	**1**		**-**	**77**	**-**
Total Group companies and other related parties	**3,565**	**11**		**4,563**	**2,117**	**151**
Total balance-sheet item	7,547	1,121		12,290	5,979	4,421
Incidence in % on balance-sheet item	**47%**	**1%**		**37%**	**35%**	**3%**

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 FY2013 intra-group relations also regarded financial management, which envisaged:

- distribution of dividends from subsidiaries (see Note No. 8);
- interest-yielding loan relations (see Note No. 24).

Relations with related parties, as defined by IAS 24, not regarding directly controlled companies concerned:

- salary to Mr. Paolo Morfino;
- salary to Mr. Luca Morfino;
- compensation to the Board of Directors and Board of Auditors.

31. 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 the Fidia S.p.A. at 31 December 2013 was:

	€ thousand	31 December 2013	31 December 2012
A	Cash	1	1
B	Bank deposits	3,530	3,878
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**3,531**	**3,879**
and	**Current financial receivables**	**-**	**-**
F	Current bank payables	2,613	5,685
G	Current part of non-current debt	1,657	1,197
H	Other current financial payables	140	
I	Current financial payables from Group companies	151	151
J	**Current financial debt (F+G+H+I)**	**4,561**	**7,033**
K	**Net current financial debt (J-E-D)**	**1,030**	**3,154**
L	Non-current bank payables	1,802	2,763
M	Bonds issued	-	-
N	Other non-current payables	-	-
O	**Non-current financial debt (L+M+N)**	**1,802**	**2,763**
P	**Net financial debt (K+O)**	**2,832**	**5,917**

32. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in FY2013 the company did not have any non-recurrent significant transactions.

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

According to Consob Notice of 28 July 2006, in FY2013 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.

34. SUBSEQUENT EVENTS

There were no significant events after year-end 2013.

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 balance sheet of the subsidiaries and associates (article 2429 of the Italian Civil Code) at 31 December 2013;
- information as per article 149/XII of the Consob Regulation on Issuers.

San Mauro Torinese, 14 March 2014
On behalf of the Board of Directors
The Chairman and Managing Director
Mr. Giuseppe Morfino

Annexes

FIDIA S.p.A. – Financial statement as at 31 December 2013

List of the investments in subsidiaries and associated companies (Consob communication n. DEM/6064293 dated 28 July 2006)

(In Euro) Name and Head Office	Share capital	Net equity	Profit (loss) as at 31.12.2013	Profit (loss) as at 31.12.2012	% participation	Net equity (pro-quota)	Net book value	Difference between net equity (pro-quota) and book value
SUBSIDIARIES								
Fidia Gmbh – Germany Robert-Bosch-Strasse, 18 - 63303 Dreieich (Germany)	520.000	1.299.642	(42.818)	29.955	100,00%	**1.299.642**	**1.207.754**	**91.888**
Fidia Co. (*) - USA 1397 Piedmont Dr., Suite 800 - 48083 Troy (Michigan - USA)	290.044	3.090.435	688.778	339.718	100,00%	**3.090.435**	**3.527.027**	**(436.593)**
Fidia Iberica S.A. – Spain Parque Tecnologico de Zamudio - Edificio 208 - 48170 Zamudio (Bilbao)	180.300	1.231.224	140.261	47.499	99,993%	**1.231.138**	**171.440**	**1.059.698**
Fidia S.a.r.l. – France 47 bis, Avenue de l'Europe - 77184 Emerainville (France)	300.000	540.534	87.357	16.674	93,19%	**503.724**	**221.434**	**282.290**
Beijing Fidia Machinery & Electronics Co. Ltd. (*) - China Room 106, Building C, No. 18 South Xihuan Road - Beijing Development Area - 100176 Beijing (P.R.C)	1.534.834	4.252.731	945.916	1.528.027	92,00%	**3.912.512**	**1.185.046**	**2.727.467**
Fidia Do Brasil Ltda (*) – Brasil Av. Salim Farah Maluf, 4236 - 3°andar Mooca - Sao Paulo - CEP 03194-010 (Brasil)	123.049	108.462	(112.979)	22.654	99,75%	**108.190**	**184.485**	**(76.295)**
Shenyang Fidia NC & Machine Company Limited (*) - China n.1, 17A, Kaifa Road - Shenyang Economic & Technological Development Zone - 110142 Shenyang (P.R.C.)	5.092.483	4.046.123	(347.777)	160.948	51,00%	**2.063.523**	**2.285.592**	**(222.070)**
OOO Fidia (*) - Russia ul. Prospekt Mira 52, building 3, 129110 Mosca (Russia - Russian Federation)	79.422	29	(64)	(7.362)	100,00%	**29**	**-**	**29**
Fidia India Private Limited (*) - India Auto Cluster Development and Research Institute Limited - H Block, Plot n. C-181, MIDC Chinchwad, Pune - 411.019	1.171	761	(137)	(1.732)	99,99%	**761**	**1.431**	**(670)**
ASSOCIATED COMPANIES								
Consorzio Prometec – ItalY Via Al Castello n. 18/A - Rivoli (Torino)	10.329	10.329	-	-	20,00%	**2.066**	**2.066**	**-**

(*) The value in Euro are at the exchange rate as at 31.12.2013 and 31.12.2012.

PROSPETTO RIEPILOGATIVO DEI DATI ESSENZIALI DELL'ULTIMO BILANCIO DELLE SOCIETA' CONTROLLATE E COLLEGATE (art. 2429 C.C.) - segue -

Società controllate	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Valuta di conto	EURO	USD	EURO	EURO	REAIS
Periodo di riferimento delle informazioni di bilancio	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Inserimento nell'area di consolidamento (linea per linea)	SI	SI	SI	SI	SI
ATTIVO					
Attività non correnti					
- Immobili, impianti e macchinari	165.194	124.859	5.281	514.905	90.870
- Immobilizzazioni immateriali	1.046	9.058	-	-	-
- Partecipazioni	22.867	-	-	3.366	-
- Altre attività finanziarie non correnti	-	-	-	-	-
- Altri crediti e attività non correnti	-	3.556	6.866	207.741	-
- Attività per imposte anticipate	7.414	351.000	18.426	-	97.157
Totale attività non correnti	**196.521**	**488.474**	**30.573**	**726.012**	**188.027**
Attività correnti					
- Rimanenze	1.767.622	2.667.298	65.876	194.251	419.751
- Crediti commerciali e altri crediti correnti	848.362	1.023.334	826.512	466.910	627.154
- Altre attività finanziarie correnti	-	-	151.211	-	-
- Disponibilità liquide e mezzi equivalenti	1.229.469	988.253	137.751	403.868	65.091
Totale attività correnti	**3.845.452**	**4.678.885**	**1.181.351**	**1.065.029**	**1.111.995**
Totale attivo	**4.041.973**	**5.167.359**	**1.211.924**	**1.791.040**	**1.300.022**
PASSIVO					
Patrimonio netto					
- Capitale sociale	520.000	400.000	300.000	180.300	400.843
- Altre riserve	822.460	2.912.125	153.177	910.663	320.522
- Risultato netto dell'esercizio	(42.818)	949.894	87.357	140.261	(368.041)
Totale patrimonio netto	**1.299.642**	**4.262.018**	**540.534**	**1.231.224**	**353.324**
Passività non correnti					
- Altri debiti e passività non correnti	-	-	55.277	-	-
- Trattamento di fine rapporto	-	-	-	-	-
- Passività per imposte differite	-	-	-	67.340	-
- Passività finanziarie non correnti	41.170	-	-	9.743	-
Totale passività non correnti	**41.170**	**-**	**55.277**	**77.083**	**-**

Società controllate	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Passività correnti					
- Passività finanziarie correnti	29.210	-	-	2.866	-
- Debiti commerciali e altri debiti correnti	2.671.950	846.792	582.141	479.867	817.824
- Fondi a breve termine	-	58.548	33.972	-	128.874
Totale passività correnti	**2.701.160**	**905.340**	**616.113**	**482.733**	**946.698**
Totale passivo	**4.041.973**	**5.167.359**	**1.211.924**	**1.791.040**	**1.300.022**
CONTO ECONOMICO					
- Vendite nette	5.163.494	6.532.079	2.297.962	1.363.371	1.683.438
- Altri ricavi operativi	209.068	136.125	14.040	147.598	53.033
Totale ricavi	**5.372.562**	**6.668.204**	**2.312.002**	**1.510.969**	**1.736.471**
- Variazione delle rimanenze di prodotti finiti e lavori in corso	254.202	(488.689)	13.442	6.522	8.388
- Consumi di materie prime e di consumo	(3.459.500)	(2.650.199)	(1.455.371)	(566.697)	(574.107)
- Costo del personale	(1.337.639)	(1.156.775)	(357.467)	(473.956)	(677.793)
- Altri costi operativi	(812.047)	(1.573.311)	(393.846)	(249.089)	(787.769)
- Svalutazioni e ammortamenti	(48.885)	(154.504)	(3.307)	(63.516)	(40.056)
Risultato operativo	**(31.307)**	**644.726**	**115.453**	**164.233**	**(334.866)**
- Proventi (Oneri) finanziari	23.560	(754)	4.868	33.548	(32.567)
Risultato prima delle imposte	(7.747)	643.972	120.320	197.781	(367.433)
Imposte sul reddito	(35.070)	305.922	(32.963)	(57.520)	(607)
Risultato netto dell'esercizio	**(42.818)**	**949.894**	**87.357**	**140.261**	**(368.041)**

PROSPETTO RIEPILOGATIVO DEI DATI ESSENZIALI DELL'ULTIMO BILANCIO DELLE SOCIETA' CONTROLLATE E COLLEGATE (art. 2429 C.C.)

Società controllate	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC & M Co. Ltd.	OOO Fidia	Fidia India Private Ltd	Consorzio Prometec
Valuta di conto	RMB	RMB	RUR	RUPIE	EURO
Periodo di riferimento delle informazioni di bilancio	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31,12,2013
Inserimento nell'area di consolidamento (linea per linea)	SI	SI	SI	SI	NO
ATTIVO					
Attività non correnti					
- Immobili, impianti e macchinari	748.225	301.762	-	-	-
- Immobilizzazioni immateriali	115.954	1.383.594	-	-	971
- Partecipazioni	-	-	-	-	-
- Altre attività finanziarie non correnti	-	-	-	-	-
- Altri crediti e attività non correnti	-	-	-	-	-
- Attività per imposte anticipate	641.999	137.030	-	-	-
Totale attività non correnti	**1.506.179**	**1.822.385**	**-**	**-**	**971**
Attività correnti					
- Rimanenze	2.246.130	23.203.248	-	-	-
- Crediti commerciali e altri crediti correnti	44.500.816	23.050.150	1.263	168.552	15.587
- Altre attività finanziarie correnti	-	-	-	-	-
- Disponibilità liquide e mezzi equivalenti	14.945.145	4.698.323	44	164.110	5.455
Totale attività correnti	**61.692.091**	**50.951.722**	**1.307**	**332.662**	**21.042**
Totale attivo	**63.198.270**	**52.774.107**	**1.307**	**332.662**	**22.013**
PASSIVO					
Patrimonio netto					
- Capitale sociale	12.814.480	42.517.648	3.599.790	100.000	10.329
- Altre riserve	14.794.446	(5.832.542)	(3.595.600)	-23.380	
- Risultato netto dell'esercizio	7.897.550	(2.903.622)	(2.883)	(11.657)	-
Totale patrimonio netto	**35.506.475**	**33.781.484**	**1.307**	**64.963**	**10.329**
Passività non correnti					
- Altri debiti e passività non correnti	-	-	-	-	-
- Trattamento di fine rapporto	-	-	-	-	-
- Passività per imposte differite	17.071	-	-	-	-
- Passività finanziarie non correnti	-	-	-	-	-
Totale passività non correnti	**17.071**	**-**	**-**	**-**	**-**

Società controllate	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC & M Co. Ltd.	OOO Fidia	Fidia India Private Ltd	Consorzio Prometec
Passività correnti					
- Passività finanziarie correnti	-	-	-	-	-
- Debiti commerciali e altri debiti correnti	27.671.750	18.991.160	-	267.699	11.684
- Fondi a breve termine	2.974	1.463	-	-	-
Totale passività correnti	**27.674.723**	**18.992.623**	**-**	**267.699**	**11.684**
Totale passivo	**63.198.270**	**52.774.107**	**1.307**	**332.662**	**22.013**
CONTO ECONOMICO					
- Vendite nette	39.347.331	20.691.258	-	260.443	3.609
- Altri ricavi operativi	2.456.762	6.359.572	-	-	-
Totale ricavi	**41.804.093**	**27.050.830**	**-**	**260.443**	**3.609**
- Variazione delle rimanenze di prodotti finiti e lavori in corso	(47.955)	(3.525.806)	-	-	-
- Consumi di materie prime e di consumo	(11.580.303)	(12.474.813)	-	-	-
- Costo del personale	(7.922.619)	(7.272.197)	-	-	-
- Altri costi operativi	(13.133.374)	(5.679.525)	(2.883)	(270.302)	(3.282)
- Svalutazioni e ammortamenti	(226.953)	(999.619)	-	-	(327)
Risultato operativo	**8.892.889**	**(2.901.131)**	**(2.883)**	**(9.859)**	**0**
- Proventi (Oneri) finanziari	905.719	(18.605)	-	(1.798)	0
Risultato prima delle imposte	9.798.608	(2.919.736)	(2.883)	(11.657)	-
Imposte sul reddito	(1.901.058)	16.114	-	-	-
Risultato netto dell'esercizio	**7.897.550**	**(2.903.622)**	**(2.883)**	**(11.657)**	**-**

Information ex art. 149-duodecies Regolamento Emittenti Consob

The following table, drawn pursuant art. 149-duodecies of Regolamento Emittenti Consob, shows the amounts to the fiscal year 2013 for the auditing services and the order services provided by the main Auditor, by companies belonging to its network and by other auditors.

	Entity providing the service	Beneficiary	Amount for the fiscal year 2013 (thousand euro)
Auditing	Reconta Ernst & Young S.p.A.	Parent Company – Fidia S.p.A.	61
	Rete Ernst & Young	Group Companies	54
	Mazars Beijing	Group Company: Shenyang Fidia NC&M Co, Ltd.	21
Certification services			-
Other services			-
Total			136

Certificate as per Article 81-ter of 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 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 2013.

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.

14 marzo 2014

Presidente e Amministratore Delegato

Giuseppe Morfino

....

Dirigente Preposto alla redazione dei documenti contabili societari

Eugenio Barone

....

Report of the 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 31/12/2013
(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 2013 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 2013, redatto dagli Amministratori ai sensi di legge e da questi comunicato al Collegio Sindacale nel corso della riunione consiliare del 14 marzo 2014.

Il bilancio d'esercizio, preceduto dalla Relazione sulla Gestione, che riporta anche tutti gli elementi relativi al Bilancio Consolidato, evidenzia un risultato netto negativo di euro 1.348.342.

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 2013 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.

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 dei 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, sei verifiche di cui due per esaminare il bilancio dell'esercizio precedente nonché per valutare i requisiti di indipendenza; abbiamo inoltre partecipato a sei riunioni del Consiglio di Amministrazione e ad una Assemblea Ordinaria e Straordinaria 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 2013 sei volte (di cui una volta nella veste di Comitato per le operazioni con parti correlate) mentre il Comitato per la Remunerazione si è riunito due volte nel corso dell'esercizio.

  La funzione di Internal Audit è stata attribuita, in conformità con le indicazioni espresse dal Comitato Controllo e Rischi, dal Consiglio di Amministrazione alla società Mazars Advisory S.p.A. in outsourcing per il triennio 2013- 2015.

  L'organismo di vigilanza istituito ai sensi del D.Lgs. 231/2001 si è riunito due 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 2013 nonché i resoconti intermedi trimestrali relativi al primo e al terzo trimestre dell'anno 2013, 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 2013, 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;

Sintesi dei principali eventi del 2013 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 30. 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 oltre ad operazioni di natura finanziaria (in particolare distribuzione di dividendi e rapporti di finanziamento fruttifero di interessi). Altre operazioni con parti correlate hanno riguardato 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 2013 sono state deliberate dall'assemblea tenutasi in forma straordinaria modifiche statutarie per recepire le normative 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 29 aprile 2013 ha, tra l'altro, approvato il bilancio dell'esercizio chiuso al

31/12/2012 La stessa assemblea tenutasi in parte Straordinaria ha modificato lo Statuto sociale agli articoli 14, in materia di nomina del Consiglio di Amministrazione, 18, in materia di validità delle deliberazioni del Consiglio, 23 in materia di nomina del Collegio Sindacale introducendo il nuovo art. 32 che regola le decorrenze delle nuove modalità di nomina in ottemperanza a quanto previsto dalla Legge 120/2011.

- 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 2.832 migliaia di euro (negativa per 5.917 migliaia di euro al 31/12/2012). La posizione finanziaria netta del Gruppo risulta a credito per 2.199 migliaia di euro contro un valore a credito di 695 migliaia di euro dell'esercizio precedente.

- Nomina Direttore Generale
  Il Consiglio di Amministrazione del 14 novembre 2013 ha provveduto a nominare l'ing. Carlos Maidagan, che ha ricoperto cariche dirigenziali in altre società del Gruppo, rafforzando il ruolo esecutivo ed operativo consolidando ulteriormente l'integrazione del Gruppo.

- Consiglio di Amministrazione
  Il Consiglio di Amministrazione del 11 marzo scorso ha, tra l'altro, deliberato, a seguito delle dimissioni presentate in data 26 febbraio 2014 dall'ing. Paolo Morfino che ha esercitato la carica di Amministratore Delegato per tutto l'esercizio 2013, di non procedere alla sua cooptazione in vista della imminente scadenza dell'intero

consiglio di amministrazione prevista con l'approvazione del presente bilancio 2013.

- Applicazione dell'impairment test
  A seguito dell'effettuazione dell'impairment test, approvato dal Consiglio di Amministrazione nella riunione dell'11 marzo scorso, sulla società Shenyang Fidia MC&M Co Ltd il confronto tra il valore netto di carico della partecipazione in capo alla società controllante Fidia S.p.A. ed il corrispondente valore recuperabile derivante dall'applicazione dell'Impairment Test ha evidenziato una sostanziale congruità; non procedendosi a svalutazioni né riprese di valore sulla partecipazione in oggetto.

- Azioni proprie
  Il Collegio rileva che alla data del 31 dicembre 2013 (come al 31 dicembre 2012) 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 2013 della Vostra Società, nonché la proposta formulata dal Consiglio di Amministrazione in ordine alla copertura della perdita.

Il Collegio Sindacale, ringraziando per la fiducia riposta nell'organo collegiale, ricorda infine che sia Il Consiglio di Amministrazione della Società, sia lo stesso Collegio sono in scadenza per compiuto mandato con l'approvazione del presente Bilancio di Esercizio al 31 dicembre 2013 per cui in sede di Assemblea Ordinaria sarete chiamati a prendere gli opportuni provvedimenti.

San Mauro Torinese, 27 marzo 2014

Il Collegio sindacale

(Dott. Roberto Panero) – Presidente ______

(Dott. Giovanni Rayneri) – Sindaco Effettivo ______

(Dott.ssa Michela Rayneri) – Sindaco Effettivo ______

Report of Auditing Firm

Building a better
working world

Reconta Ernst & Young S.p.A.
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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 2013 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 our report dated March 28, 2013.

3. In our opinion, the financial statements of Fidia S.p.A. at 31 December 2013 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

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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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 2013.

Turin, March 28, 2014

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

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Aprile 2014