Annual financial report

At 31 December 2014

Fidia S.p.A.
Registered office in San Mauro Torinese, Corso Lombardia, 11
Capital paid in €5,123,000
Turin Register of Companies
Taxpayer's Code 05787820017
Website: http://www.fidia.it - http://www.fidia.com
e-mail: info@fidia.it

TABLE OF CONTENTS

Board of Directors
13 March 2015

BOARDS 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. n° 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	Carlos Maidagan (b)
Directors	Luigino Azzolin (c) (1)
	Anna Ferrero (c) (1) (2)
	Guido Giovando (c) (1) (2)
	Francesco Profumo (d)
	Mariachiara Zanetti (c)(2)

(a) Appointed Chairman at the Shareholders' Meeting on 29 April 2014 until the approval of the financial statements for FY2016; appointed Managing Director by the Board of Directors on 29 April 2014.

(b) Appointed at the Shareholders' Meeting on 29 April 2014 up to the approval of the FY2016 Financial Statements; appointed Deputy Chairman by the Board of Directors on 29 April 2014; appointed Lead Independent Director by the Board of Directors on 15 March 2012.

(c) Appointed at the Shareholders' Meeting on 29 April 2014 until the approval of the financial statements for FY2016.

(d) Appointed at the Shareholders' Meeting on 29 April 2014 until the approval of the financial statements for FY2016; appointed Lead Independent Director by the Board of Directors on 29 April 2014.

(1) Member of the Control and Risks Committee.

(2) Member of the Remuneration Committee.

Board of Statutory Auditors (*)

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

(*) Appointed at the Shareholders' Meeting on 29 April 2014 until the approval of the financial statements for FY2016.

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: 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.

Deputy Chairman of the Board of Directors: Carlos Maidagan.
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 Deputy Chairman, he also vested with the capacity of "employer" as well as person in charge of the plants, emissions and wastes.

Organization of the Fidia Group

FIDIA S.p.A.
Italia

Company	Shareholding
FIDIA GmbH Germania	100% Fidia S.p.A.
FIDIA S.a.r.l. Francia	93.19% Fidia S.p.A. 6.81% Fidia GmbH
FIDIA IBERICA S.A. Spagna	99,993% Fidia S.p.A 0,007% altri
FIDIA Co. Stati Uniti	100% Fidia S.p.A.
FIDIA DO BRASIL Ltda Brasile	99.75% Fidia S.p.A. 0.25% altri
Beijing Fidia M. & E. Co. Cina	92% Fidia S.p.A. 4% Bamtri - 4% Catic
Shenyang Fidia NC & M Co. Ltd. Cina	51% Fidia S.p.A. 49% Shenyang M.T. Co. Ltd.
FIDIA INDIA Private Ltd. India	99,99% Fidia S.p.A. 0,01% altri
OOO FIDIA Russia	100% Fidia S.p.A.

Consolidated financial statements and financial statements of Fidia S.p.A. 2014

Report on Operations

Overview of results

Despite the cyclical difficulties that have characterized the world market for machine tools in 2014 as well, fiscal year 2014 for the Fidia Group was characterized by revenues of €54,544 thousand, significantly higher (+22.0%) than in 2013.

In commercial terms, the trend was very satisfactory and above the industry's average. New orders of the Group grew by more than 18.9% over 2013, 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 14.7% increase in orders over 2013.

This positive trend has enabled the Group to start 2015 with a substantial order backlog (€31.5 million, up by 15.9% over the previous year), plus new orders equivalent to approximately €9.9 million acquired in the first two months of the current year.

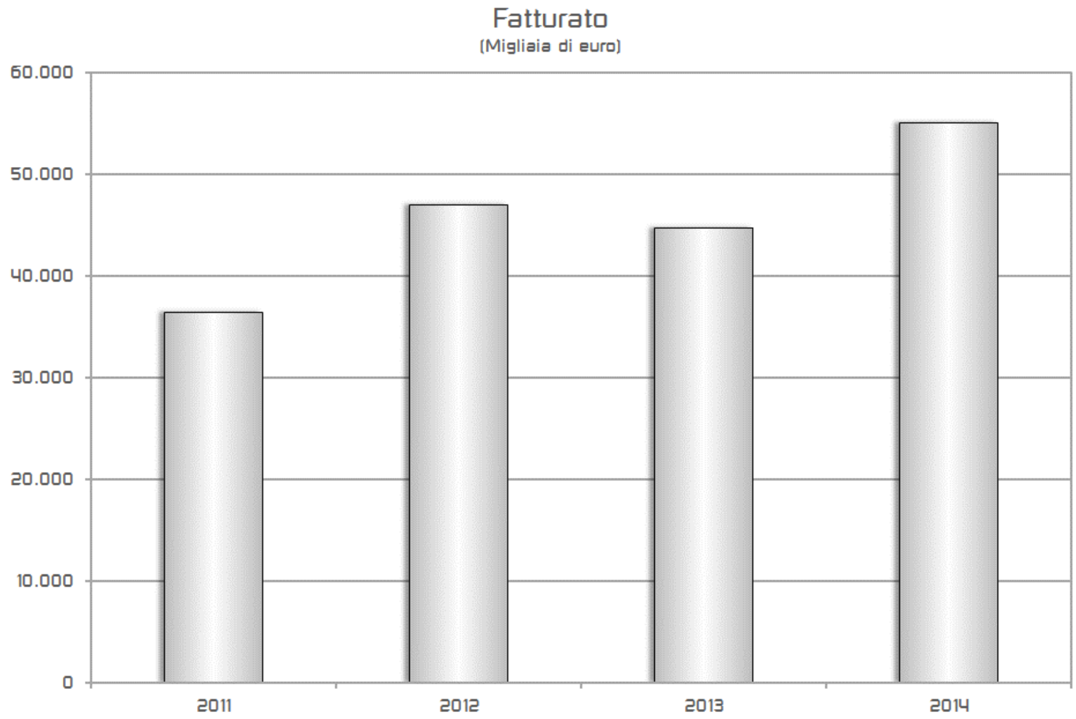
The year recorded net profit attributable to the Group of €2,894 thousand, mainly due to strong growth in revenues allowing a greater absorption of structural costs, and in part due to the extraordinary and non-recurring revenues.

In financial terms, the NFP further improved and, by year-end 2014, it was positive by €5,031 thousand (€2,199 thousand at 31 December 2013).

In short, the trends in the 2014 results were as follows:

- revenues in the amount of €54,544 thousand as opposed to €44,704 thousand in 2013 (+22.0%),
- value of production in the amount of €57,308 thousand versus €45,779 thousand in 2013 (+25.2%),
- EBITDA in the amount of €4,982 thousand (9.1% of revenue) versus €27,000 thousand in 2013 (0.1% of revenue),
- Operating income from ordinary business in the amount of €4,024 thousand (7.4% of revenue) versus -€686 thousand in 2013 (-1.5% of revenue),
- EBIT in the amount of €4,324 thousand (7.9% of revenue) versus -€986 thousand in 2013 (-2.2% of revenue),
- EBT in the amount of €3,511 thousand (6.4% of revenue) versus -€1,240 thousand in 2013 (-2.8% of revenue),
- Consolidated net profit in the amount of €2,744 thousand (€2,894 thousand posted by the Group and -€120 thousand posted by NCIs) versus a net loss of €1,567 thousand (-€1,435 thousand posted by the Group and -€132 thousand posted by NCIs),
- Positive net financial position in the amount of €5,031 thousand versus a positive amount of €2,199 thousand at 31 December 2013,
- new orders (HSM and CNC sectors) in the amount of €46.7 million versus €39.3 million in 2013 (+18.9%);
- final order backlog equivalent to €31.5 million versus €27.2 million in 2013 (+15.9%).

The trend in revenue in the 2011-2014 period is illustrated in the chart below:



Other main economic and equity data:

(€thousand)	2014	2013
Result before taxes	3,511	(1,240)
Profit/(loss) of the period	2,774	(1,567)
Attributable to:		
- Group	2,894	(1,435)
- NCIs	(120)	(132)
Basic earnings per ordinary share	0.566	(0,281)
Diluted earnings per ordinary share	0.566	(0,281)
R&D expenditure (€mil)	2.8	3.0
Total assets	49,901	40,400
Net financial position - (payables)/receivables	5,031	2,199
Equity of Group and NCIs	16,513	12,847
Equity of Group	13,890	10,301
Number of employees at year-end	320	323

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.

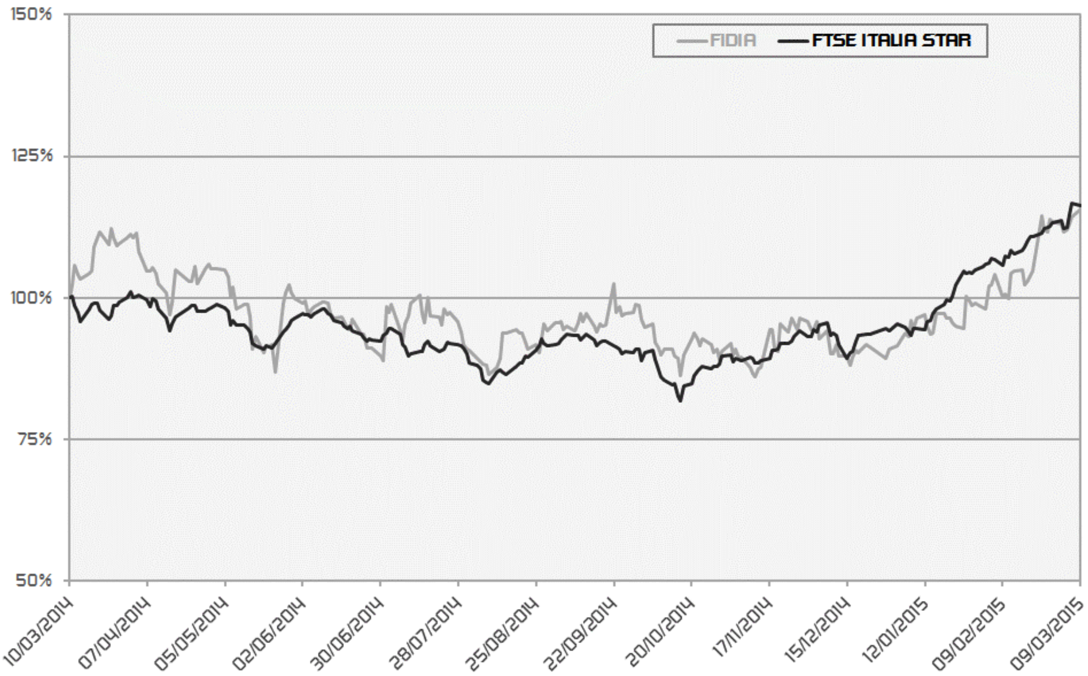
The following contacts are also available for shareholders:

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

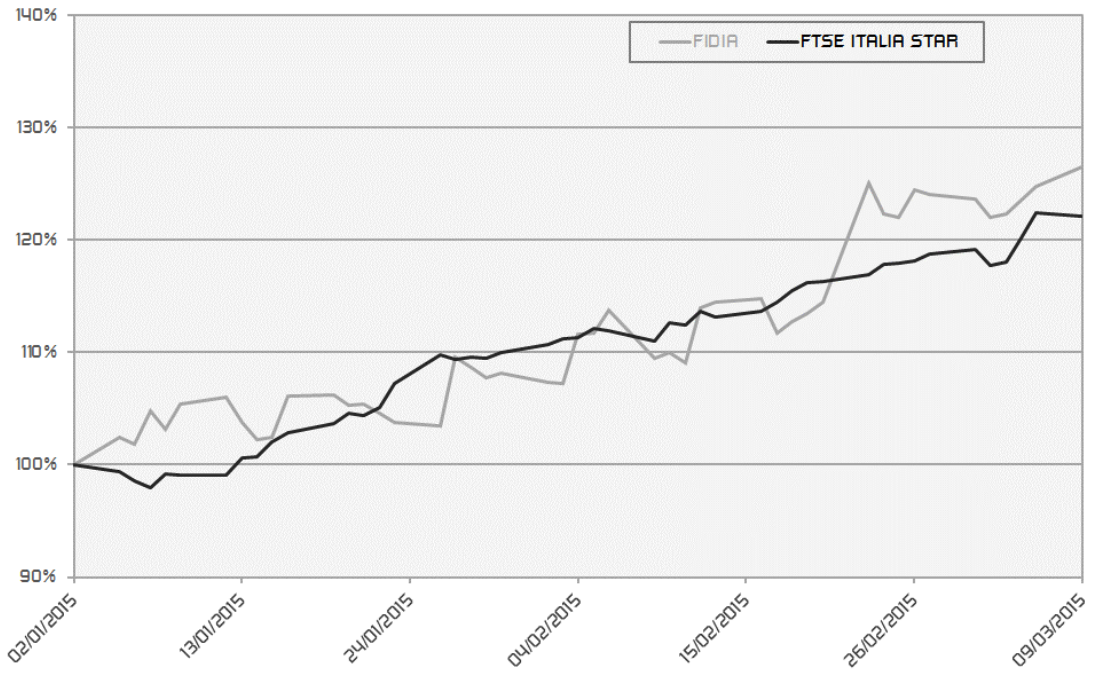
Trend of Fidia stock vs. Star Index

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

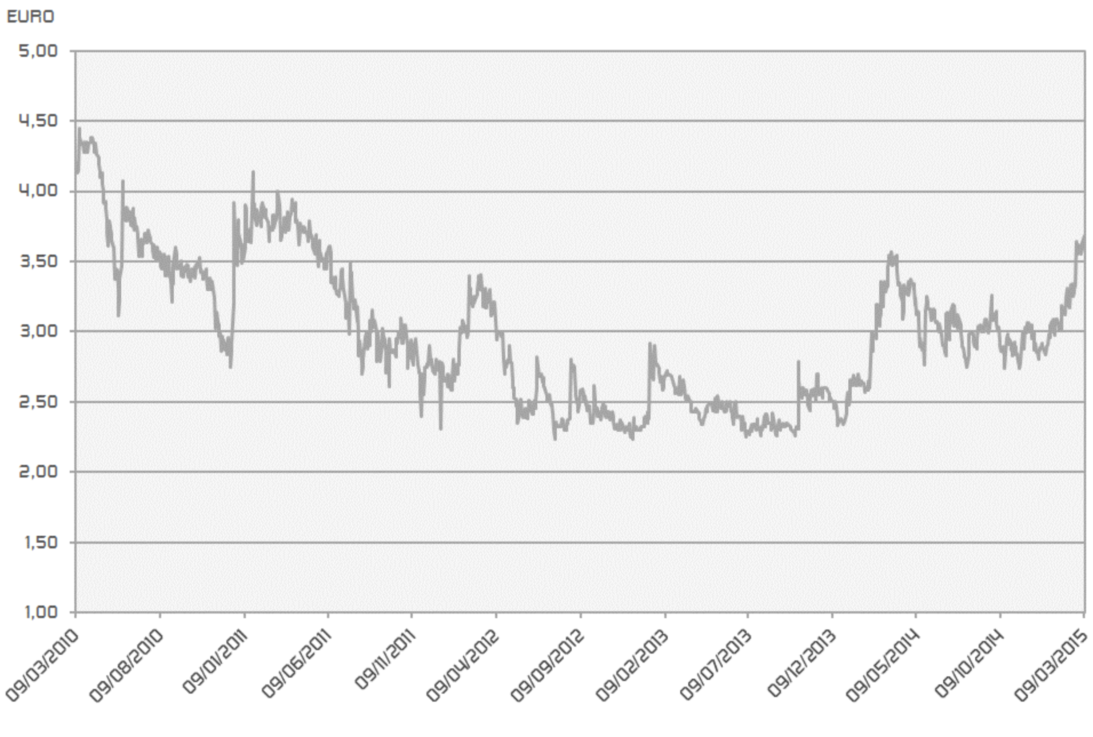
The following chart shows share price performance from 10 March 2014 to 9 March 2015 in comparison with the FTSE Italia STAR Index.



Please note share price performance in the early months of 2015 (at 9 March 2014) in comparison with the FTSE Italia STAR Index.



Trend in stock quotes over the last 5 years

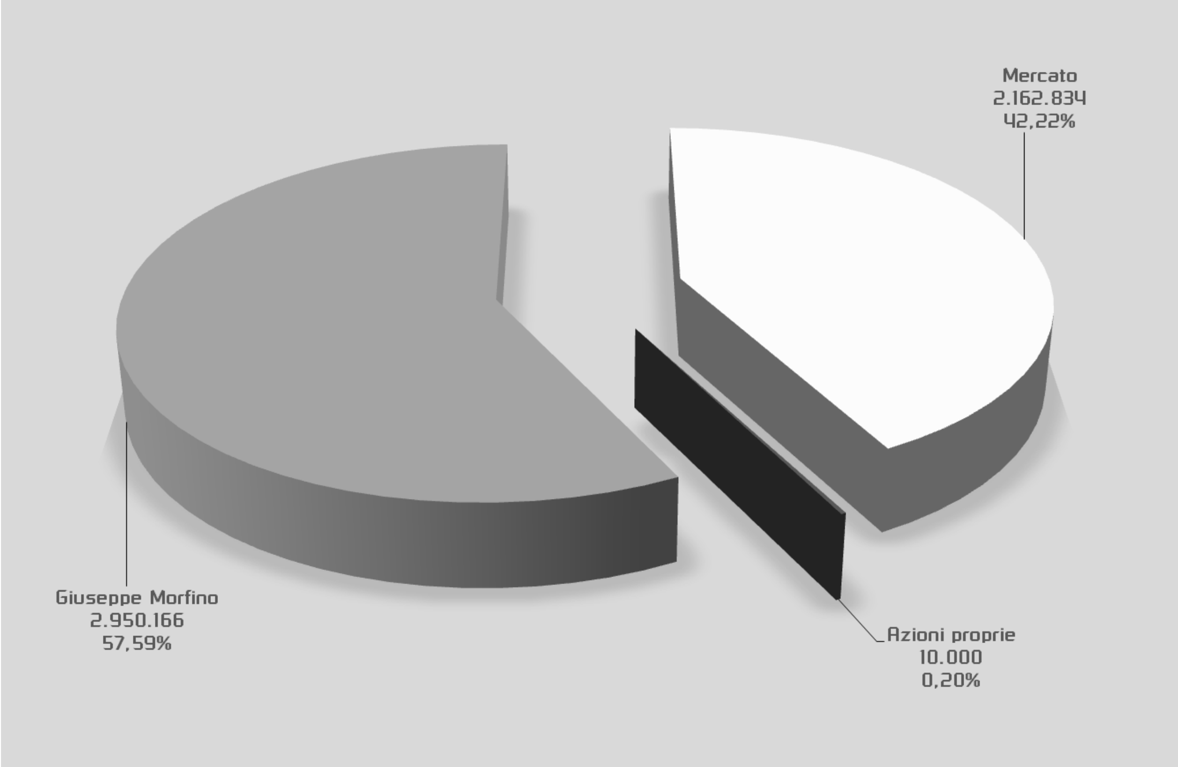


Main shareholders

No variation of the share capital was during 2014. Therefore, the number of ordinary shares, equal to 5,123,000, was unchanged compared to 31 December 2013. The holders of ordinary shares at 9 March 2015 are:

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

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



Main data per share (Euro)	2014	2013
Mean number of shares on date of reference	5,113,000	5,113,000
Face value per share	1.0	1.00
Base earnings per ordinary share (1)	0.566	(0.281)
Diluted earnings per ordinary share (2)	0.566	(0.281)
Net equity of Group per share	2.717	2.015

(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) 30/12/2014	(euro) 30/12/2013	(euro) 30/12/2012	(euro) 30/12/2011	(euro) 30/12/2010
Ordinary shares	2.894	2.360	2.320	2.310	3.698

In 2014, 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

In view of the substantially international presence and operations of the Group, its economic and commercial performance, as well as the balance sheet and financial position are obviously heavily influenced by multiple factors that characterize the world macro-economic scenario and more specifically by the trend in GDP of the countries in which the Group is operating. Other factors that can affect the results and the performance of the Group are related to the trend in interest rates and exchange rates, the trend in the cost of raw materials, changes in the rate of unemployment and more generally the expectations regarding the trends in monetary policies adopted globally and especially in the economic areas of interest.

In the light of the results, 2014 was a positive year for the Group and characterized by strong recovery, as in fact was the case more generally for world economy. However, global economic growth and international trade were still below expectations and characterized by highly varied trends that saw a significant acceleration of growth in the United States, while, in contrast, Japan reported a fall in output and, finally, the emerging economies were characterized overall by a weak growth with China experiencing a partial slowdown, India confirming robust growth and Brazil in stagnation.

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.

In the Eurozone growth in economic activity in February of 2015 set the record of the last seven months, with companies in general witnessing a surge in new orders increasing the order backlog and recording the greatest increase, on average, since 2011. This has also been the case with regard to hiring. Employment has in fact been growing in recent months at the strongest rate recorded since 2011, including as a result of the more optimistic expectations with regard to the future outlook, ultimately driven by the most recent measures of the European Central Bank with the launch of a major quantitative easing program.

At global level, and outside Europe, other advanced economies have shown an equally encouraging scenario with several US indicators that confirm a positive and robust growth trend and forecasts of a partial recovery in Japan as well, in contrast with the 2014 trend. In China, year-end figures indicated a partial slowdown in growth, which is still robust and in Asia growth in India continued to be strong. With reference to other emerging countries, a return to growth in Brazil and stagnation in Russia are expected. The latter is heavily influenced by the recent socio-political scenario.

The expectations for 2015, considering OECD projections at year-end 2014, allow recording a world GDP growth near 3.7% still driven by sustained growth in areas such as the US, UK, China and India, in addition to a trend, though positive and growing but more limited, in the Euro area, Brazil, and Russia.

In FY 2014 Fidia Group benefited from an overall positive trend in the global macroeconomic environment and in particular in the economies in which it operates directly, recording - over the previous year - significantly increasing results especially in the first half of the year.

The year 2015, as a result of this positive trend of similarly positive expectations with respect to the world macroeconomic environment, has seen a start characterized by the acquisition of major contracts - in the early months of the year - recording a substantial order backlog to date. During the year, the Group will continue to invest in research and development - to maintain the technological prerogatives of our business - in addition to having already planned and initiated further specific investment for the construction of a new industrial plant in Forlì. More generally, the outlook of the Group and expectations in terms of impact on the economic and financial position remain positive.

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 revenue 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 revenue 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 38 people supported by specialized consultants is currently dedicated to R&D activities.

Costs incurred by the Group during the year totaled €2.8 million, equal to about 5.1% 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 €2.1 million).

The costs capitalized amounted to approximately €298 thousand.

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 2014 were:

- ViMill® – Look-ahead Virtual Milling – Version 2.5 has been adopted and implements the following innovations:
  - Implementation of real-time collision prevention during manual movement of the axes through the development of dynamic limit-switches: this innovation allows management of collision prevention independently from the dynamics of the axes, ensuring system reliability in all conditions;
  - In partnership with Delcam, development of the plug-in from the CAM Powermill by DELCAM to ViMill®. The option enables exporting a ViMill® project automatically from the CAM, dramatically streamlining the designer's work, while reducing the time required and the risk of errors in the project;
  - Possibility to execute ViMill® commands directly via numerical control through the G400 function, allowing greater ease of use;
  - The reference system of the toolpath automatically takes into account the RTCP compensation;
  - Management of the loading of machine models whose axis configuration is different from the default set-up;
  - Implementation of a more integrated, user-friendly and error-free management of the tool tables in order to eliminate the risk of errors by operators.
- NC19 – FIDIA completed the design and development of the new NC19 compact and full-touch numerical control. This control represents an evolution of the FIDIA numerical control in terms of performance and usability, guaranteed by the design decision to use a hardware architecture customized to operating control needs, developed in co-design with the supplier to provide maximum reliability and robustness.
- Isograph – In the course of 2014 the tool radius compensation function was improved in order to make profile-by-profile inversion possible. This function increases system flexibility.
- CPU8: driver for 64-bit systems – Ported the 32-bit drivers to 64-bit, with the goal of completing the migration to more advanced architectures and current operating systems.
- WS5 User interface – In 2014 the testing and fine-tuning activity of the new user interface with an innovative design across the various platforms, featuring remote control and optimized for the new CNCs with touch interface.
  - The sections of the user interface intended for installation and servicing technicians were completed, with the implementation of management tools for axis calibration and the management of the advanced options of the CNC software;
  - The development of the piece alignment cycles was integrated in the User Interface; it leverages the new PRX engine. This innovation allows the end user to write cycles and other End user functions using the Python programming language, which has the advantage of being extremely well-known and widespread, as well as very powerful and easy to use through graphical user interfaces;

- The user interface has also been enhanced by the development of the new page graphics, which allows comparison between the ideal file and actual toolpath.

- Look Ahead V5-Velocity 5 - The new look-ahead has been upgraded with the following functions:
  - New filter algorithm for non-constant curve profiles, which allows to absorb the sudden speed changes due to CAM errors and maintain a constant milling speed, ensuring a high surface quality.
  - New interpolation algorithm for chord error used to calculate the velocity at block end. The innovation allows limiting the deceleration in certain 5 continuous axis applications.

- Axis Control
  - A new offset recovery function for analogue axes was developed and introduced, which uses the integration part of the position control. This allows V5 to be installed on an even broader range of machines and facilitates retrofitting on the machines installed.
- CNC functions - In 2014 some functions designed to increase flexibility, usability and applicability of FIDIA control systems were implemented:
  - Turning functions: development of new features aimed at making the FIDIA CNC an ideal solution for turning process control. This feature enhances the versatility of the FIDIA CNC.
  - Adoption of the option to activate a set of limit switches via PLC. This feature is useful in the case of machines with variable configuration, with multiple heads or invasive tool change in the work area or even in the presence of accessories that occupy the work space.

- Remote server - Downstream of the developments in 2013, the service offered to Fidia staff has been enhanced by expanding and improving the *Remote Server* application that adds new functions that can be accessed through a single web portal that is always available.

  In addition to the CNC disc compilation system and the license management system, new web interfaces are now available for:
  - Bug reports and/or software malfunctions
  - Sending suggestions and notes related to developments conducted by technical departments
  - Quick consulting of bulletins issued by the technical departments

  Fidia staff and collaborators who have been granted access can carry out their assignments with the aid of a new fast communication channel that is constantly monitored by the technical departments.

- WMS – Water Measuring System – FIDIA has conceived, designed, built and tested an innovative static error measurement and compensation system for a gantry machine that uses water as reference flatness. WMS dramatically reduces the time and cost of alignment of the machine load-bearing pillars. In parallel with development activities, the European patent application was filed.

- PLC – The proprietary back-up system developed in 2013 was enhanced with the addition of a database dedicated to production, which hosts a copy of the currently installed operating systems on the various CNC configurations. This implementation facilitates the installation of the system, ensuring the highest possible product standardization and increased reliability.

- IO-LINE – In 2014 FIDIA started the IO-LINE project whose goal is the overhaul of the management of input and output devices used as accessories for numerical control and machine tools. The development marks the transition from the solution currently adopted, called I/O LUX, based on infrared data transmission, to the new I/O LINE solution that uses communication through the FFB field bus developed by FIDIA.

- CPU10 – FIDIA has finally launched the CPU10 project, which aims to develop a software to control machine tools built by Fidia and other manufacturers that is compatible with hardware platforms with real-time mono- and multicore operating systems that implement POSIX - Portable Operating System directives. The definition of the HW architecture was completed, based on the efficient Altera Cyclone V "System-on-a-chip" system, which provides increased scalability and configurability.

In the high-speed milling systems sector, the Group has continued along the path 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 2014 are:

- **GTF-Q** - An upgrade of the dynamic performance of this gantry machine was designed and implemented through the revision of the drive train. The aim is to increase the performance of the machine in the machining of aluminum alloys, approaching the performance offered by competing machines equipped with linear motors, while maintaining the characteristics of reliability, low energy consumption and absence of overheating problems guaranteed by the use of traditional motors.
- **HTF** – The HFT project aims to design, model and implement a large-sized horizontal milling machine to complement the FIDIA's range of solutions for the aerospace industry. FIDIA is recognized worldwide as a leader in the manufacture of large-sized aluminum components for the aerospace industry, with particular reference to the structural parts of the aircraft such as ribs, longerons, transverse frames and spar frames. These processes are carried out starting from solid non-semi-finished raw aluminum and are characterized by two parameters:
  - High ratio between the volume of chip produced and volume of starting raw material, > 80%. This is due to production requirements typical of the machining of aluminum alloys
  - High volume of chips produced in the time unit. This is due to the high productivity that distinguishes high-speed machining with the use of special tools to reduce the cycle time.

The concurrence of these factors gives rise to the need for Fidia customers in the sector to adopt high-speed milling machines with an architecture different from those traditionally offered by Fidia. In particular, the combination of the factors mentioned above involves the need to facilitate rapid and efficient evacuation of chips, achievable by adopting a so-called horizontal architecture. In this particular configuration, the spindle axis is horizontal and machines a workpiece placed vertically in front of it, thus facilitating evacuation by gravity of the chips.

- **KR199** – The design of this machine for precision 5+1 axis machining for aerospace application such as slots of aerospace jet turbines was completed. A configuration was also planned so that the machine will be able to perform lightweight turning operations, equipping the turntable with a mandrel specific to that application.
- **M5D Head** – The development of this bi-rotary head has undergone a further acceleration in the course of 2014, driven by the HFT project, of which it will be an integral part. 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. The design of the system mechanisms to provide axis C with the rollover or 720° option has also been started.
- **M5S Head** - The design from scratch of the M5S head for aeronautical applications was launched in order to increase performance in terms of speed and acceleration, making the M5S head an ideal solution for machining aluminum alloys. The project has seen the introduction of electronic management of anti-backlash and preload selection to suit the application, which dramatically increase head versatility. The new project also addresses the demand of the aerospace industry to employ symmetrical heads to increase agility in processing.
- **M5C Head** – The development of a light 5-axis milling head, called M5C, continued in order to meet the speed and dynamics requirements of the automotive modeling sector. The head, made of aluminum alloy, is built for the machining 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 2014 the Group continued its activities in the financed research field. Fidia has taken part in 5 projects co-funded by the European Commission, and 2 projects co-funded by the Ministry for Economic Development. Fidia has also embarked on the adventure of Horizon 2020, the framework programme for European research for the 2014-2020 period, participating in the preparation of new project proposals with the aim of supporting and strengthening the level of product and process innovation that characterize the Group. 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 within modern factory: Project co-ordinated by FIDIA in the development of innovative approaches 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.
- 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, and solutions and standards for more performing 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 specifically developed organizational, management and information models;

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 2014 and 31 December 2013, 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,
- 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 31/12/2014
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 2013.

GROUP FINANCIAL PERFORMANCE

Reclassified consolidated income statement (€thousand)	2014	%	2013	%
Net revenues	**54,544**	**100%**	**44,704**	**100%**
Changes in inventories of finished goods and W.I.P.	1,306	2.4%	(1,417)	-3.2%
Other operating revenue	1,458	2.7%	2,492	5.6%
Value of production	**57,308**	**105.1%**	**45,779**	**102.4%**
Raw materials and consumables	(18,821)	-34.5%	(15,026)	-33.6%
Commissions, transport and contractors	(8,064)	-14.8%	(5,443)	-12.2%
Other services and overheads	(10,171)	-18.6%	(9,871)	-22.1%
Value added	**20,252**	**37.1%**	**15,439**	**34.5%**
Personnel expenses	(15,270)	-28.0%	(15,412)	-34.5%
EBITDA	**4,982**	**9.1%**	**27**	**0.1%**
Bad debts provision	(331)	-0.6%	(186)	-0.4%
Depreciation	(627)	-1.1%	(527)	-1.2%
Operating income from ordinary business	**4,024**	**7.4%**	**(686)**	**-1.5%**
Non-recurring income/(expenses)	300	0.6%	(300)	-0.7%
EBIT	**4,324**	**7.9%**	**(986)**	**-2.2%**
Net finance income and costs	(347)	-0.6%	(291)	-0.7%
Profit/(Loss) on exchange rates	(466)	-0.9%	37	0.1%
EBT	**3,511**	**6.4%**	**(1,240)**	**-2.8%**
Income taxes (current, paid and deferred)	(737)	-1.4%	(327)	-0.7%
Profit/(loss) of the period	**2,774**	**5.1%**	**(1,567)**	**-3.5%**
- (Profit)/Loss of non-controlling interests	(120)	-0.2%	(132)	-0.3%
- Profit/(Loss) of Group	2,894	5.3%	(1,435)	-3.2%

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 revenue, 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 2014 ended with an increase in revenue compared to the previous year (+22.0%), i.e., ¬54,544 thousand compared to ¬44,704 thousand in 2013. This performance is the result of a growth trend in the three business lines in which the Group operates. In the electronics sector - CNC- the increase in revenues compared to 2013 is rather sharp (+31,9%); the high-speed milling systems sector - HSM - closed the year with robust growth (+25.1%); the sector of the after-sales service sector - Service - grew (+10.8%) 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)	2014	%	2013	%	Change in %
Numerical controls, drives and software	3,924	7.2%	2,976	6.7%	31.9%
High-speed milling systems	38,458	70.5%	30,749	68.8%	25.1%
After-sales service	12,162	22.3%	10,979	24.6%	10.8%
Grand total	54,544	**100%**	**44,704**	**100%**	**22.0%**

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

Numerical controls and software (¬thousand)	2014	%	2013	%	Change in %
ITALY	658	16.8%	663	22.3%	-0.8%
EUROPE	1,632	41.6%	1,697	57.0%	-3.8%
ASIA	841	21.4%	135	4.5%	523.0%
NORTH and SOUTH AMERICA	792	20.2%	449	15.1%	76.4%
REST OF THE WORLD	1	0.0%	32	1.1%	-96.9%
TOTAL	**3,924**	**100%**	**2,976**	**100%**	**31.9%**

High-speed milling systems (¬thousand)	2014	%	2013	%	Change in %
ITALY	1,435	3.7%	1,651	5.4%	-13.1%
EUROPE	7,684	20.0%	7,690	25.0%	-0.1%
ASIA	23,053	60.0%	18,117	58.9%	27.2%
NORTH and SOUTH AMERICA	6,286	16.3%	3,291	10.7%	91.0%
REST OF THE WORLD	-		-	-	
TOTAL	**38,458**	**100%**	**30,749**	**100%**	**25.1%**

After-sales (¬thousand)	2014	%	2013	%	Change in %
ITALY	1,940	15.9%	1,771	16.1%	9.5%
EUROPE	4,187	34.4%	3,805	34.7%	10.0%
ASIA	2,830	23.3%	2,732	24.9%	3.6%
NORTH and SOUTH AMERICA	3,050	25.1%	2,460	22.4%	24.0%
REST OF THE WORLD	155	1.3%	211	1.9%	-26.5%
TOTAL	**12,162**	**100%**	**10,979**	**100%**	**10.8%**

Net total sales (€ thousand)	2014	%	2013	%	Change in %
ITALY	4,033	7.4%	4,085	9.1%	-1.3%
EUROPE	13,504	24.7%	13,192	29.5%	2.4%
ASIA	26,723	49.0%	20,984	46.9%	27.3%
NORTH and SOUTH AMERICA	10,128	18.6%	6,200	13.9%	63.4%
REST OF THE WORLD	156	0.3%	243	0.5%	-35.8%
TOTAL	**54,544**	**100%**	**44,704**	**100%**	**22%**

Numerical controls and software

Revenues from the electronics sector (CNC) showed a marked increase compared to 2013 (+31.9%) from €2,976 thousand in 2013 to €3,924 thousand in 2014.

The growth in revenue mainly regarded Asian markets (+523.0%), and the Americas (+76.4%). Overall, the European market was slightly down, but with a stable trend in the internal market (sales down 0.8%) and a decrease in the other countries of the area (- 3.8%).

High-speed milling systems

The high speed milling (HSM) systems sector reported an increase in revenues compared to 2013; revenue rose from €30,749 thousand in 2013 to €38,458 thousand in 2014 equal to a 25.1% increase.

At 31 December 2014, 73 machines were delivered and accepted, versus 56 the year before. The average revenue per machine was basically unchanged and is an indicator of 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, sales in major European countries is in line with the previous year (-0.1%), with the sole exception of Italy, which recorded a drop in sales of 13.1%. Testifying to commercial liveliness in these regions, as is further detailed below, the Asian markets (+27.2%) and Americas (+91.0%) are growing strongly.

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 2014 continued to have these characteristics and the revenues amounted to €12,162 thousand, up by 10.8% compared to €10,979 thousand the year before.

Revenues of the Service sector grew in Asia (€2,830 thousand, versus €2,732 thousand the previous year, with an increase of 3.6%) and in Europe, where in addition to the significant growth in the domestic market (+9.5%) the other countries (+10.0%) also grew. In the Americas, revenues grew greatly compared to last year (€3,050 thousand, versus €2,460 thousand in 2013, equivalent to +24%) while revenues in other parts of the world, though negligible in terms of revenue, 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 revenue, given that the time to process any requests for intervention is extremely low.

Numerical controls and software (€thousand)	**2014**	**2013**	**Change in %**
Backlog orders at 01/01	939	414	126.8%
New orders	**4,054**	**3,501**	**15.8%**
Net revenues	(3,924)	(2,976)	31.9%
Backlog orders at 31/12	**1,069**	**939**	**13.8%**

High-speed milling systems (€thousand)	**2014**	**2013**	**Change in %**
Backlog orders at 01/01	26,276	21,244	23.7%
New orders	**42,653**	**35,781**	**19.2%**
Net revenues	(38,458)	(30,749)	25.1%
Backlog orders at 31/12	**30,471**	**26,276**	**16.0%**

Total (€thousand)	**2014**	**2013**	**Change in %**
Backlog orders at 01/01	27,215	21,658	25.7%
New orders	**46,707**	**39,282**	**18.9%**
Net revenues	(42,382)	(33,725)	25.7%
Backlog orders at 31/12	**31,540**	**27,215**	**15.9%**

Fiscal year 2014 closed with an increase in backlog orders compared to year-end 2013 as a result of the robust trend in new orders in the mechanical sector. Considering the acquisition of new orders in the early months of 2015, the production capacity of the high-speed milling systems business unit is almost completely saturated for full fiscal year 2015.

New orders by geographical region:

Numerical controls and software (¬thousand)	2014	%	2013	%	Change in %
ITALY	549	13.5%	756	21.6%	-27.4%
EUROPE	1,587	39.2%	1,800	51.4%	-11.8%
ASIA	868	21.4%	401	11.5%	116.5%
NORTH and SOUTH AMERICA	1,013	25.0%	523	14.9%	93.7%
REST OF THE WORLD	37	0.9%	21	0.6%	76.2%
TOTAL	**4,054**	**100%**	**3,501**	**100%**	**15.8%**

High-speed milling systems (¬ thousand)	2014	%	2013	%	Change in %
ITALY	2,022	4.7%	2,353	6.6%	-14.1%
EUROPE	8,144	19.1%	6,449	18.0%	26.3%
ASIA	25,045	58.7%	21,419	59.9%	16.9%
NORTH and SOUTH AMERICA	7,442	17.5%	5,560	15.5%	33.8%
REST OF THE WORLD	-	-	-	-	-
TOTAL	**42,653**	**100%**	**35,781**	**100%**	**19.2%**

Total new orders (¬thousand)	2014	%	2013	%	Change in %
ITALY	2,571	5.5%	3,109	7.9%	-17.3%
EUROPE	9,731	20.8%	8,249	21.0%	18.0%
ASIA	25,913	55.5%	21,820	55.5%	18.8%
NORTH and SOUTH AMERICA	8,455	18.1%	6,083	15.5%	39.0%
REST OF THE WORLD	37	0.1%	21	0.1%	76.2%
TOTAL	**46,707**	**100%**	**39,282**	**100%**	**18.9%**

Numerical controls and software

In 2014, new orders in the electronics sector grew over the year before (¬4,054 thousand, versus ¬3,501 thousand in 2013, equivalent to a 15.8% increase). The increase was recorded mainly on the Asian market (+116.5%), and in North and South America (+93.7%); the Italian market substantially declined (¬549 thousand versus ¬756 thousand in 2013); other European countries also declined (-11.8%). New orders acquired in the Rest of the World (¬37 thousand versus ¬21 thousand in 2013) were negligible.

High-speed milling systems

The mechanical sector registered sound commercial performance in 2014 with new orders amounting to ¬42,653 thousand, compared to ¬35,781 thousand in 2013, up by 19.2%. 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 an increase in orders of about 14.7% in 2014 over 2013. The first part of the year for Fidia Group followed the strong trend in new orders registered in the second half of 2013 (¬20.2 million in the first half of 2014), which allowed the Group to realize an increase in revenues compared with 2013. In the second half of 2014 the acquisition of new orders was in line with 2013, recording new orders for about €23 million in the period from July to December.

From the geographical point of view, all the markets where the Group operates recorded an increase over the previous year, except for Italy (-14.1%), an area historically insignificant for the Fidia Group, in line with the trend of this market, affected by the ongoing economic and financial crisis and by the expectation of incentives to boost demand (the so-called "new Sabatini" Act). This context has created a generalized situation of 'wait-and-see' by companies willing to invest.

Excellent results were reported in North America, with a 33.8% increase in orders over 2013, mainly as a result of strong recovery in the US market. The growth in new orders in Asia (up by more than 16.9%) is continuing and these still represent about 58.7% of the total demand for the mechanical sector's products as a result of the Group's good standing especially in China.

The distribution of backlog orders by geographical region was as follows on 31 December 2014:

Numerical controls and software (€thousand)	2014	%	2013	%	Change in %
ITALY	113	10.6%	222	23.7%	-49.1%
EUROPE	350	32.7%	361	38.4%	-3.0%
ASIA	310	29.0%	282	30.1%	9.9%
NORTH and SOUTH AMERICA	296	27.7%	74	7.9%	298.6%
REST OF THE WORLD	-	-	-	-	
TOTAL	**1,069**	**100%**	**939**	**100%**	**13.7%**

High-speed milling systems (€thousand)	2014	%	2013	%	Change in %
ITALY	1,920	6.3%	1,334	5.1%	43.9%
EUROPE	4,619	15.2%	4,159	15.8%	11.1%
ASIA	18,348	60.2%	16,354	62.2%	12.2%
NORTH and SOUTH AMERICA	5,584	18.3%	4,429	16.9%	26.1%
REST OF THE WORLD	-	-	-	-	
TOTAL	**30,470**	**100%**	**26,277**	**100%**	**16.0%**

Total backlog orders (€thousand)	2014	%	2013	%	Change in %
ITALY	2,033	6.4%	1,556	5.7%	30.6%
EUROPE	4,969	15.8%	4,520	16.6%	10.0%
ASIA	18,658	59.2%	16,636	61.1%	12.1%
NORTH and SOUTH AMERICA	5,880	18.6%	4,503	16.5%	30.6%
REST OF THE WORLD	-	-	-	-	
TOTAL	**31,540**	**100%**	**27,215**	**100%**	**15.9%**

Other operating revenue

Other operating revenue in 2014 amounted to €1,458 thousand versus €2,492 thousand in FY2013. 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. on research and development activity (€443 thousand at 31 December 2014; €1,382 thousand at 31 December 2013);
- increases in tangible assets built within the Group and devoted solely to demonstrations for customers and the capitalization of product development costs (€352 thousand at 31 December 2014; €211 thousand at 31 December 2013);
- capital gains from transfers (€27 thousand at 31 December 2014; €45 thousand at 31 December 2013);
- release of the warranty, bad debts and legal risks provisions and/or any accruals in excess of the risk to be covered (€223 thousand at 31 December 2014; €176 thousand at 31 December 2013);
- contingent assets, damages from insurance companies, recovery of costs incurred and others (€413 thousand at 31 December 2014; €678 thousand at 31 December 2013).

The decrease was primarily due to lower grants received during the year.

Value of production

At year-end the value of production reached €57,308 thousand, up by 25.2% compared to the year before (€45,779 thousand). This is due to the combined effect of the growth in sales revenues (€9,840 thousand more than in 2013), of a positive change in inventories of finished goods and W.I.P. (+€2,723 thousand versus 2013), which were only partly offset by a reduction in other operating income (-€1,034 thousand versus 2013).

Raw materials and consumables

The consumption of raw materials and consumables increased in absolute terms due to the increase in revenues, while the percentage of these costs on sales (considered together with the change in inventories of finished goods and WIP) decreased in 2014 as a result of efficiency measures aimed at reducing the cost of production components through greater standardization thereof.

Other services and operating costs

This item, equal to €10,171 thousand, increased by 3% over the previous year (€9,871 thousand).

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

- production costs and expenses for miscellaneous technical service, €3,503 thousand at 31 December 2014, versus €2,987 thousand at 31 December 2013 (+€516 thousand);
- expenses incurred for trade fairs, entertainment expenses, travel expenses and commercial services, €920 thousand at 31 December 2014, versus €1,192 thousand at 31 December 2013 (-€272 thousand);
- R&D costs and related refund of expenses, €755 thousand at 31 December 2014, versus €843 thousand at 31 December 2013 (-€88 thousand);
- overheads, technical and administrative consulting, utilities, rent, legal expenses, contingent liabilities and other expenses, €4,993 thousand at 31 December 2014, versus €4,849 thousand at 31 December 2013 (+€144 thousand).

Added value

At year-end, value added amounted to €20,252 thousand versus €15,439 thousand the year before (equivalent to 37.1% of net revenues in 2014 and 34.5% in 2013). The growth is due mostly to increased value of production.

Personnel

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

Staffing	**2014**	**2013**	**Abs. change**	**Change in %**
Executives	8	9	-1	-11.1%
Clerks and cadres	272	275	-3	-1.1%
Workers	40	39	1	2.6%
Total employees	320	323	-3	-0.9%
Total mean no. of employees	321.5	332.0	-10.5	-3.2%
Labor cost (€thousand)	**2014**	**2013**	**Abs. change**	**Change in %**
Labor cost	15,270	15,412	-142	-0.9%

Cost of personnel was substantially stable compared with the previous year (-0.9%, equivalent to a decrease of about €142 thousand), while Group personnel decreased on average by about 3.2%.

EBITDA

EBITDA was positive and amounted to €4,982 thousand (+9.1% in sales revenue), much higher compared to the previous year (€27 thousand, equal to 0.1% of revenue).

Operating income from ordinary business

Operating income from ordinary business registered a profit of €4,024 thousand, versus a loss of €686 thousand at 31 December 2013.

Non-recurring revenue

The year before the parent company Fidia S.p.A. allocated a provision of €300 thousand for an accident covered by a specific insurance policy.

During 2014, the insurance company recognized the merits of the claim and settled it.

EBIT

EBIT at 31 December 2014 was positive at €4,324 thousand; EBIT at 31 December 2013 was negative by €986 thousand.

Finance income/(charges) and net exchange rate differences

Net financial expenses grew as compared to 2013 (net charges equivalent to €347 thousand versus €291 thousand the previous year) mainly as a result of financial exposure that was on average higher in the early months of 2014, compared to the same period the year before. Net differences in exchange rates, either realized or resulting from measurement in the financial statements, generated net loss in the amount of €466 thousand versus a net profit of €37 thousand at 31 December 2013. The amount for the year 2014 is due mainly to balance sheet measurements of our branch in Beijing after the revaluation of the currency of that country, in particular at the end of 2014.

EBT

EBT resulted in a profit of €3,511 thousand versus a loss of €1,240 thousand in 2013.

Income taxes

Profit/(loss) of the period was mainly due to current, deferred and paid taxes totaling €737 thousand, which can be broken down as follows:

IRAP (Italian Regional Production Tax) €321 thousand;
IRES (Italian Corporate Income Tax) €109 thousand;
Income tax of foreign subsidiaries €526 thousand;
Tax for previous years €12 thousand;
Paid and deferred taxes amounting to €351 thousand.

Profit/(loss) of the period

Profit/(loss) of the period was a profit of €2,774 thousand, of which €2,894 thousand for the Group and -€120 thousand for non-controlling interests, versus a loss of €1,567 thousand, of which €1,435 thousand for the Group and €132 thousand for non-controlling interests, for year 2013.

Group consolidated statement of financial position

At 31 December 2014, the reclassified consolidated statement of financial position was as follows:

Group Balance Sheet (€thousand)	31/12/2014	31/12/2013
Net tangible assets	4,261	1,806
Intangible assets	694	410
Financial assets	16	16
Other financial assets	2,653	2,311
Fixed assets – (A)	**7,624**	**4,543**
Net trade receivables from customers	11,384	9,178
Closing inventories	18,718	16,661
Other current assets	1,457	1,525
Short-term (current) assets – (B)	**31,559**	**27,364**
Trade payables to suppliers	(12,391)	(8,409)
Other current liabilities	(12,605)	(10,091)
Short-term (current) liabilities – (C)	**(24,996)**	**(18,499)**
Net working capital (D) = (B+C)	**6,563**	**8,865**
Termination benefits (E)	(2,446)	(2,263)
Other long-term liabilities (F)	(259)	(496)
Net invested capital (G) = (A+D+E+F)	**11,482**	**10,648**
Financial position		
Available-for-sale financial assets		-
Cash on hand, bank deposits	(10,718)	(8,493)
Short-term loans	3,250	4,302
Other current financial payables	-	140
Short-term financial position (receivable)/payable	**(7,468)**	**(4,051)**
Long-term loans, net of current portion	2,437	1,852
Net financial position (receivable)/payable (H)	**(5,031)**	**(2,199)**
Share capital	5,123	5,123
Reserves	5,873	6,613
Profit/(loss) of the period for Group	2,894	(1,435)
Total equity of Group	**13,890**	**10,301**
Total equity of non-controlling interests	2,623	2,546
Total equity (I)	**16,513**	**12,847**
Own funds and net financial position (L) = (H+I)	**11,482**	**10,648**

Compared to 31 December 2014, the Group statement of financial position registered the following changes:

- Increased capital assets (from €4,543 thousand to €7,624 thousand) mainly as a result of new investment property consisting of an industrial building undergoing renovation;
- Increase in trade receivables from customers from €9,178 thousand to €11,384 thousand) linked to increased realized revenue in the last months of the year. Trade receivables were recorded net of bad debts provision in the amount of €804 thousand;
- Increase in the level of inventories (from €16,661 thousand to €18,718 thousand) due to greater production. Inventories were posted net of provision for obsolete inventories in the amount of €2,066 thousand;
- Decrease in other current assets (from €1,525 thousand to €1,457 thousand) due to some advances paid to suppliers and to decreased current receivables for funded research activities;
- Increased trade payables to suppliers (from €8,409 thousand to €12,391 thousand) due to increased purchase volumes;
- Increase in other current liabilities (from €10,091 thousand to €12,605 thousand), in particular due to greater advances from customers (advances accounted in part for advances received and in part for machines already delivered but not yet accepted) and to greater payables to personnel and directors;

- Increase in provisions for termination benefits (from €2,263 thousand to €2,446 thousand) due to normal dynamics related to personnel;
- Decrease in other long-term liabilities (from €496 thousand to €259 thousand), due to the change in dynamics of advances received for multi-year European and Italian funded research projects.

At a financial account level a positive net financial position was recorded, better compared with year-end 2013, despite the absorption of resources by the investment in property made in Forlì. Net cash position amounted to €5,031 thousand compared to the positive balance of €2,199 thousand the year before. The trend in the net financial position is illustrated below.

Trend in net financial position

Financial position (€thousand)	31/12/2014	31/12/2013
Available-for-sale financial assets	-	-
Cash on hand, bank deposits	10,718	8,493
Overdrawn bank accounts and short-term advances	(1,679)	(2,610)
Short-term loans	(1,571)	(1,692)
Other current financial payables	-	(140)
Short-term financial position	**7,468**	**4,051**
Long-term loans, net of current portion	(2,437)	(1,852)
Net financial position	**5,031**	**2,199**

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

Cash on hand, bank deposits (€thousand)	**31/12/2014**	**31/12/2013**
Fidia S.p.A.	4,763	3,531
Fidia Co.	1,244	716
Fidia GmbH	938	1,229
Fidia Iberica S.A.	542	404
Fidia S.a.r.l.	332	238
Beijing Fidia Machinery & Electronics Co.,Ltd	1,295	1,790
Fidia do Brasil Ltda.	113	20
Shenyang Fidia NC & M Co., Ltd	1,490	563
OOO Fidia	-	-
Fidia India Private Ltd.	1	2
Total cash on hand	**10,718**	**8,493**

Financial payables (€thousand)	31/12/2014	31/12/2013
Short-term loans and advances		
Fidia S.p.A.	(3,209)	(4,270)
Fidia GmbH	(38)	(29)
Fidia Co.	-	-
Fidia Iberica S.A.	(3)	(3)
Total	**(3,250)**	**(4,302)**
Other current financial payables		
Fidia S.p.A.	-	(140)
Total	**-**	**(140)**
Long-term loans, net of current portion		
Fidia S.p.A.	(2,406)	(1,801)
Fidia GmbH	(24)	(41)
Fidia Iberica S.A.	(7)	(10)
Total	**(2,437)**	**(1,852)**
Total financial payables	**(5,687)**	**(6,294)**

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)	2014	2013
A) Cash on hand and cash equivalents at beginning of year	5,883	4,694
B) Cash from (used in) operating activities during the period	4,773	2,762
C) Cash from/(used in) investing activities	(3,308)	(827)
C) Cash from/(used in) financing activities	497	(478)
Differences in exchange rates	1,193	(268)
E) Net change in cash and cash equivalents	3,156	1,189
F) Cash and cash equivalents at year end	9,039	5,883
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	10,718	8,493
Overdrawn bank accounts and short-term advances	(1,679)	(2,610)
	9,039	5,883

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

FINANCIAL RATIOS

INVESTMENT MIX RATIOS

RATIOS	2014			2013		
1) Weight of fixed assets						
Capital assets / Total assets	7,624 / 49,901	=	15.3%	4,543 / 40,400	=	11.2%
2) Weight of working capital						
Current assets / Total assets	42,277 / 49,901	=	84.7%	35,857 / 40,400	=	88.8%

LOAN MIX RATIOS

RATIOS	2014			2013		
1) Weight of current liabilities						
Current liabilities / Total liabilities (except net equity)	28,246 / 33,388	=	84.6%	22,942 / 27,553	=	83.3%
2) Weight of non-current liabilities						
Non-current liabilities / Total liabilities (except net equity)	5,142 / 33,388	=	15.4%	4,611 / 27,553	=	16.7%
3) Weight of own capital						
Own capital / Net invested capital	16,513 / 11,482	=	143.8%	12,847 / 10,649	=	120.6%

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	2014		2013	
Current assets / Current liabilities	42,277 / 28,246 =	1.50	35,857 / 22,942 =	1.56

CAPITAL ASSETS COVERAGE RATIO

RATIO	2014		2013	
Own capital / Capital assets	16,513 / 7,624 =	2.17	12,847 / 4,543 =	2.83

CASH RATIO

RATIO	2014		2013	
Short-term assets / Short-term liabilities	31,559 / 24,996 =	1.26	27,364 / 18,640 =	1.47

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

	2014		2013	
Net income pertaining to Group / Equity of Group	2,894 / 13,890 =	2.1%	(1,435) / 10,301 =	-13.9%

ROI

	2014		2013	
Operating income from ordinary business / Invested capital	4,024 / 39,183 =	10.3%	(686) / 31,907 =	-2.1%

ROS

	2014		2013	
Operating income from ordinary business / Sales	4,024 / 54,544 =	7.4%	(686) / 44,704 =	-1.5%

ROE, which measures the profitability of own capital, was positive due to the profit attributable to shareholders of the Group in 2014.

ROI, which measures profitability from operations, showed a positive value given the operating profit registered by the Group in 2014.

ROS, which represents average operating income per unit of revenue; in this case as well, the operating profit positively affected the value of this ratio, which is positive and better 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 - 2014 (-thousand)		**CNC**		**HSM**		**SERVICE**	**N/A**	**Total**
Revenues	3,924	56.0%	38,458	100%	12,162	100%	-	54,544
Cross-sector revenues	3,078	44.0%	-	-	-	-	-	
Total revenues	**7,002**	**100%**	**38,458**	**100%**	**12,162**	**100%**	**-**	**54,544**
Changes in inventories of finished goods and W.I.P.	(62)	-0.9%	1,367	3.6%	1	0.0%	-	1,306
Raw materials and consumables	(1,322)	-18.9%	(16,188)	-42.1%	(854)	-7.0%	(457)	(18,821)
Cross-sector expenses	(32)	-0.5%	(3,841)	-10.0%	688	5.7%	107	
Commissions, transport and contractors	(531)	-7.6%	(7,143)	-18.6%	(388)	-3.2%	(2)	(8,064)
Sales margin	**5,055**	**72.2%**	**12,653**	**32.9%**	**11,609**	**95.5%**	**(352)**	**28,965**
Other operating revenue	541	7.7%	506	1.3%	49	0.4%	362	1,458
Other operating expenses	(546)	-7.8%	(2,549)	-6.6%	(2,476)	-20.4%	(4,600)	(10,171)
Personnel expenses	(2,712)	-38.7%	(4,618)	-12.0%	(3,867)	-31.8%	(4,073)	(15,270)
Depreciation and amortization	(29)	-0.4%	(286)	-0.7%	(114)	-0.9%	(529)	(958)
Operating income from ordinary business	**2,309**	**33.0%**	**5,706**	**14.8%**	**5,201**	**42.8%**	**(9,192)**	**4,024**

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)**

The electronics sector (CNC), as already explained in the first part of the Report, closed 2014 with a increased revenues compared to the year before despite increased cross-sector revenues. This had a positive effect on sales margin, which increased by about €2.1 million (from €2,947 thousand in 2013 to €5,055 thousand in 2014); the margin also increased from 51.0% to 72.2%. The decrease in "Other operating revenue" from €1,159 thousand in 2013 to €541 thousand in 2014 did not impact on operating income (from €297 thousand in 2013 to €2,309 thousand in 2014), which benefited from lower personnel costs (from €3,156 thousand in 2013 to €2,712 thousand in 2014) and a substantial consistency of "Other operating expenses."

The high speed milling systems sector (HSM) also showed increased revenues, in line with that recorded by the electronics sector (from €30,816 thousand in 2013 to €38,458 thousand in 2014). Consequently the margin on sales grew (€12,653 thousand compared to €10,481 thousand the previous year) but with a reduced percentage share of revenues following a more than proportional growth of the cost of commissions, transport and contractors due to the more favorable change in carriage terms and conditions for some customers, and increased outsourced work for the production of models with a higher manufacturing cost. The operating result was also affected by the increase in personnel costs and "Other operating costs" and amounted in 2014 to €5,706 thousand, compared to €4,076 thousand in 2013.

Finally, Service showed, as is the case now for several years, an increase in revenue (€12,162 thousand versus €10,979 thousand in 2013), resulting in an increase of the sales margin in absolute terms (€11,609 thousand versus €9,539 thousand in 2013) and in percentage terms (86.9% in 2013 versus 95.5% in 2014). The other items that contribute to the operating income all increased, resulting in an operating margin from ordinary operations better than in 2013 (€5,201 thousand versus €3,217 thousand the previous year), equivalent to an increase from 29.3% in 2013 to 42.8% in 2014.

Consolidated Statement of Financial Position by sector

31/12/2014 (-thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	19	3,133	36	1,073	4,261
Intangible assets	186	169	-	339	694
Investments	-	-	-	16	16
Other non-current receivables and assets	31	54	1	1,226	1,312
Pre-paid tax assets	-	-	-	1,341	1,341
Total non-current assets	**236**	**3,356**	**37**	**3,995**	**7,624**
Inventories	2,308	11,863	4,547	-	18,718
Trade receivables and other current receivables	1,263	8,844	2,149	375	12,631
Current tax receivables	-	-	-	210	210
Other current financial receivables	-	-	-	-	-
Cash and cash equivalents	-	-	-	10,718	10,718
Total current assets	**3,571**	**20,707**	**6,696**	**11,303**	**42,277**
Total assets	**3,807**	**24,063**	**6,733**	**15,298**	**49,901**
Other non-current payables and liabilities	59	46	21	4	130
Termination benefits	585	1,217	226	418	2,446
Deferred tax liabilities	-	-	-	99	99
Long-term provisions	-	-	15	-	15
Other non-current financial liabilities	-	-	-	15	15
Non-current financial liabilities	-	-	-	2,437	2,437
Total non-current liabilities	**644**	**1,263**	**262**	**2,973**	**5,142**
Current financial liabilities	-	-	-	3,250	3,250
Other current financial liabilities	-	-	-	502	502
Trade payables and other current payables	1,717	15,720	1,026	2,937	21,400
Current tax payables	-	-	-	1,842	1,842
Short-term provisions	83	1,069	49	51	1,252
Total current liabilities	**1,800**	**16,789**	**1,075**	**8,582**	**28,246**
Total liabilities	**2,444**	**18,052**	**1,337**	**11,555**	**33,389**
Equity	**-**	**-**	**-**	**16,513**	**16,513**
Total liabilities	**2,444**	**18,052**	**1,337**	**28,068**	**49,901**

Tuesday, December 31, 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**

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

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

Starting from 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, 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 preparation of these financial statements, the Supervisory Board was composed of a member of the Board of Directors, of a member of the Board of Statutory Auditors and of a legal advisor.

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 2014, 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 2014 are reported below.

Name and last name	Company	No. shares held at 31/12/2013	No. shares purchased in 2014	No. shares sold in 2014	No. shares held at 31/12/2014
Giuseppe Morfino	Fidia ordinary shares	2,950,166	-	-	2,950,166

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 2014 there were no transactions with related parties that can be defined as having "major relevance".

In 2014, Fidia S.p.A. has concluded, among others, a supply contract relating to two high-speed milling systems to the subsidiary Fidia GmbH (Germany) for a value of about €1.5 million and a contract for the supply of two high-speed milling systems to the US subsidiary Fidia Co. for a value of about USD 1.4 million (about €1.1 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)	**2014**	**%**	**2013**	**%**
Net revenues	42,822	100%	35,872	100%
Changes in inventories of finished goods and W.I.P.	872	2.0%	(694)	-1.9%
Other operating revenue	1,508	3.5%	1,419	4.0%
Value of production	**45,202**	**105.6%**	**36,597**	**102.0%**
Raw materials and consumables	(17,161)	-40.1%	(14,108)	-39.3%
Commissions, transport and contractors	(8,054)	-18.8%	(6,022)	-16.8%
Other services and overheads	(7,907)	-18.5%	(7,803)	-21.8%
Value added	**12,080**	**28.2%**	**8,664**	**24.2%**
Personnel expenses	(10,186)	-23.8%	(10,274)	-28.6%
EBITDA	**1,894**	**4.4%**	**(1,610)**	**-4.5%**
Bad debts provision	(208)	-0.5%	(76)	-0.2%
Depreciation	(370)	-0.9%	(291)	-0.8%
Operating income from ordinary business	**1,316**	**3.1%**	**(1,977)**	**-5.5%**
Non-recurring income/(expenses)	300	0.7%	(300)	-0.8%
Impairment (losses)/reversals	1,076	2.5%	-	-
EBIT	**2,692**	**6.3%**	**(2,277)**	**-6.3%**
Net finance income and costs	823	1.9%	1,173	3.3%
Profit/(Loss) on exchange rates	17	0.0%	(45)	-0.1%
EBT	**3,532**	**8.2%**	**(1,149)**	**-3.2%**
Income taxes (current, paid and deferred)	(513)	-1.2%	(199)	-0.6%
Net operating result	**3,019**	**7.0%**	**(1,348)**	**-3.8%**

The year 2014 closed with an increase in revenues of 19.4% compared to the year before (€42,822 thousand compared to €35,872 thousand in 2013). This increase was mainly due to the high speed milling systems sector - HSM-, which grew by 20.0% and to the after-sales service sector - Service - which grew by 18.0%. The electronics sector registered robust growth (+14.8%).

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)	2014	%	2013	%	Change in %
Numerical controls, drives and software	2,573	6.0%	2,242	6.3%	14.8%
High-speed milling systems	33,448	78.1%	27,864	77.7%	20.0%
After-sales service	6,801	15.9%	5,766	16.1%	18.0%
Grand total	**42,822**	**100%**	**35,872**	**100%**	**19.4%**

Numerical controls and software (€ thousand)	2014	%	2013	%	Change in %
ITALY	628	24.4%	663	29.6%	-5.3%
EUROPE	955	37.1%	1,084	48.3%	-11.9%
ASIA	700	27.2%	213	9.5%	228.6%
NORTH and SOUTH AMERICA	268	10.4%	246	11.0%	8.9%
REST OF THE WORLD	22	0.9%	36	1.6%	-38.9%
Total	**2,573**	**100%**	**2,242**	**100%**	**14.8%**

High-speed milling systems (€thousand)	2014	%	2013	%	Change in %
ITALY	1,435	4.3%	1,628	5.8%	-11.8%
EUROPE	6,577	19.7%	7,496	26.9%	-12.3%
ASIA	20,108	60.1%	16,474	59.1%	22.1%
NORTH and SOUTH AMERICA	5,328	15.9%	2,266	8.1%	135.1%
REST OF THE WORLD	-		-	-	
Total	**33,448**	**100%**	**27,864**	**100%**	**20.0%**

After-sales (€thousand)	2014	%	2013	%	Change in %
ITALY	1,940	28.5%	1,774	30.8%	9.4%
EUROPE	1,828	26.9%	1,922	33.3%	-4.9%
ASIA	1,884	27.7%	1,467	25.4%	28.4%
NORTH and SOUTH AMERICA	1,136	16.7%	450	7.8%	152.4%
REST OF THE WORLD	12	0.2%	153	2.7%	-92.2%
Total	**6,801**	**100%**	**5,766**	**100%**	**18.0%**

Total revenues (€thousand)	**2014**	%	**2013**	%	Change in %
ITALY	4,003	9.3%	4,065	11.3%	-1.5%
EUROPE	9,359	21.9%	10,502	29.3%	-10.9%
ASIA	22,692	53.0%	18,154	50.6%	25.0%
NORTH and SOUTH AMERICA	6,732	15.7%	2,962	8.3%	127.3%
REST OF THE WORLD	36	0.1%	189	0.5%	-81.0%
Total	**42,822**	**100%**	**35,872**	**100%**	**19.4%**

As already noted, total revenue of Fidia S.p.A. grew (+19.4%) compared to 2013 as a result of good performance of the HSM sector (+20.0%), Service sector (+18.0%), and CNC sector, which grew by 14.8%.

More in detail, as reported in the previous tables, the electronics sector registered a slight decline in revenue on all markets, with the exception of Asia (+228.6%) and North and South America, which grew by 8.9%.

As for high-speed milling systems, the increase in revenues compared to last year was due particularly to the good results in Asia (+22.1% compared to 2013) and in North and South America (+135.1% compared to 2013).

In Europe there was a decline in the domestic market (-11.8%) and in the rest of Europe (-12.3%).

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 Italy (+9.4% compared to 2013 compared to 2013, while Europe decreased by 4.9%) and Asia (+28.4%), while the Americas grew by 152.4%. There was a decrease registered by the Rest of the World (-92.2%), 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)	2014	2013	Change in %
Backlog orders at 01/01	665	413	61.0%
New orders	**2,713**	**2,494**	**8.8%**
Net revenues	(2,573)	(2,242)	14.8%
Backlog orders at 31/12	**805**	**665**	**21.1%**

High-speed milling systems (€thousand)	2014	2013	Change in %
Backlog orders at 01/01	21,990	19,180	14.7%
New orders	**36,262**	**30,674**	**18.2%**
Net revenues	(33,448)	(27,864)	20.0%
Backlog orders at 31/12	**24,804**	**21,990**	**12.8%**

Total backlog orders (€thousand)	2014	2013	Change in %
Backlog orders at 01/01	22,655	19,593	15.7%
New orders	**38,975**	**33,168**	**17.5%**
Net revenues	(36,021)	(30,106)	19.6%
Backlog orders at 31/12	**25,609**	**22,655**	**13.0%**

The final order backlog at 31 December 2014 grew by 13.0% over the previous year, despite the increase in revenues recorded during the year. This is due to the good performance of orders in both the mechanical sector, up 18.2%, and CNC sector (+8.8%).

EBITDA was positive amounting to about €1,894 thousand, compared to the negative 2013 result of €1,610 thousand in 2013.

The operating income from ordinary business was also positive and amounted to €1,316 thousand compared to a loss of €1,977 thousand at 31 December 2013.

EBIT was positive at €2,692 thousand and benefited from an extraordinary gain of €300 thousand following an insurance claim settled in the first half of 2014. At 31 December 2013 EBIT was negative at €2,277 thousand and was burdened by a provision of the same amount.

With reference to the measurement of investments, the result of the impairment test carried out on 2014 showed write-downs equivalent to €350 thousand and write-ups of €1,426 thousand.

Financial management made an overall positive contribution to the income statement of Fidia S.p.A. through dividends distributed by some subsidiaries (€1,219 thousand versus €1,585 thousand in 2013) and the slight decrease in net financial expenses (totaling €396 thousand in 2014 and €412 thousand in 2013). The foreign currency management generated limited net profits of approximately €18 thousand (loss of €45 thousand at 31 December 2013).

The net profit after taxes of €513 thousand amounted to €3,019 thousand versus a net loss of €1,348 thousand at 31 December 2013.

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

Staffing	2014	2013	Abs. change	Change %
Executives	6	7	-1	-14.3%
Clerks and cadres	133	128	5	3.9%
Workers	40	39	1	2.6%
Total employees	179	174	5	2.9%
Total mean No. of employees	176.5	173.0	3.5	2.0%

Labor cost (€thousand)	2014	2013	Abs. change	Change %
	10,186	10,274	-88	-0.9%

Personnel expenses decreased overall by €88 thousand compared to the year before (-0.9%) despite a slight increase in staffing.

Due to the higher turnover, the overall incidence of cost of labor in relation to revenue decreased from 28.6% in 2013 to 23.8% in the current year.

Statement of Financial Position

The reclassified statement of financial position was as follows:

Statement of Financial Position (€thousand)	31/12/2014	31/12/2013
Net tangible assets	3,389	876
Intangible assets	620	312
Financial assets	9,873	8,797
Other financial assets	1,742	1,679
Capital assets – (A)	**15,624**	**11,664**
Net trade receivables from customers	7,239	7,547
Closing inventories	12,633	11,833
Other current assets	1,592	1,250
Short-term (current) assets – (B)	**21,464**	**20,630**
Trade payables to suppliers	(16,310)	(12,290)
Other current liabilities	(7,355)	(7,113)
Short-term (current) liabilities – (C)	**(23,665)**	**(19,403)**
Net working capital (D) = (B+C)	**(2,201)**	**1,227**
Termination benefits (E)	(2,445)	(2,263)
Other long-term liabilities (F)	(93)	(372)
Net invested capital (G) = (A+D+E+F)	**10,885**	**10,256**
Financial position		
Available-for-sale financial assets	-	-
Cash, bank deposits and short-term loans made	(4,763)	(3,531)
Short-term loans	3,266	4,421
Other short-term financial liabilities	**-**	**140**
Short-term financial position (receivable)/payable	**(1,497)**	**1,030**
Long-term loans, net of current portion	2,406	1,802
Net financial position (receivable)/payable (H)	**909**	**2,832**
Share capital	5,123	5,123
Reserves	1,834	3,649
Profit/(loss) of the period	3,019	(1,348)
Total equity (I)	**9,976**	**7,424**
Own funds and net financial position (L) = (H+I)	**10,885**	**10,256**

Compared to 31 December 2013, capital assets recorded significant increases related to the realization of an investment property represented by land and an industrial building in Forlì and by the write-up of equity investments in subsidiaries.

Net working capital was in sharp decline mainly due to the increase in trade payables matched by a substantially unchanged situation in trade receivables and a negligible increase in inventories.

Medium to long term liabilities registered a slight increase 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 €909 thousand at 31 December 2014, which was substantially better than the negative balance of €2,832 thousand at 31 December 2013.

Trend in net financial position

Financial position (¬thousand)	31/12/2014	31/12/2013
Available-for-sale financial assets	-	-
Cash on hand, bank deposits	4,763	3,531
Overdrawn bank accounts and short-term advances	(1,679)	(2,610)
Short-term loans	(1,587)	(1,811)
Other current financial payables	-	(140)
Short-term financial position	**(1,497)**	**(1,030)**
Long-term loans, net of current portion	(2,406)	(1,802)
Net financial position	**(909)**	**(2,832)**

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)	2014	2013
A) Cash on hand and cash equivalents at beginning of year	921	(1,806)
B) Cash from (used in) operating activities during the period	5,060	3,676
C) Cash from/(used in) investing activities	(3,178)	(611)
C) Cash from/(used in) financing activities	281	(338)
E) Net change in cash and cash equivalents	2,163	2,727
F) Cash and cash equivalents at year end	3,084	921

Breakdown of cash and cash equivalents:		
Cash and cash equivalents	4,763	3,531
Overdrawn bank accounts and short-term advances	(1,679)	(2,610)
	3,084	921

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 year 2014 and the equity at 31 December 2014 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 31/12/2013**	**Changes in Equity 2014**	**Result at 31/12/2014**	**Equity at 31/12/2014**
Financial Statements of Fidia S.p.A.	**7,424**	**(467)**	**3,019**	**9,976**
Consolidation adjustments				
* Elimination of book value of investments	3,191	1,196	59	4,446
* Transactions between consolidated companies	(390)	-	(209)	(599)
* Tax effect on consolidation adjustments	12	-	41	53
* Other adjustments	37	-	(16)	21
* Exchange rate differences on intra-group transactions	27	(34)	-	(7)
Consolidated Financial Statements (share pertaining to Group)	**10,301**	**694**	**2,894**	**13,890**

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 revenue of year 2014 was equal to €9,383 thousand, down compared to €5,163 thousand of 2013 (+81.7%). The year 2014 closed with a profit of €572 thousand, as opposed to net loss of €43 thousand in 2013. Staff decreased from 22 units at 31 December 2013 to 20 units at 31 December 2014.

Fidia Iberica S.A.

The revenue for 2014 amounted to €1,739 thousand, up from €1,363 thousand the previous year (+27.5%). Year 2014 closed with a net profit of €173 thousand versus a net profit of €140 thousand in 2013. Staff was unchanged compared to 2013 and amounted to 8 employees.

Fidia S.a.r.l.

The revenue for 2014 amounted to €1,437 thousand, down from €2,298 thousand the previous year (-37.5%). The year closed with a net loss of €12 thousand versus a net profit of €87 thousand in 2013. Staff decreased by one unit compared to 2013 and amounted to 5 employees at 31 December 2014.

OOO Fidia

The company has not done any business during 2014.

Fidia Co.

The turnover for 2014 amounted to €9,542 thousand (USD 12,676 thousand) up by €4,918 thousand (USD 6,532 thousand) compared to the previous year (+94.1%). Year 2014 closed with a profit (profit for FY2014 equal to €1,356 thousand versus a profit for FY2013 of €715 thousand). Staff increased from 15 units at 31 December 2013 to 16 units at 31 December 2014.

Beijing Fidia Machinery & Electronics Co. Ltd.

Revenue in 2014 amounted to €5,526 thousand (RMB 45.3 million), up from €4,819 thousand (RMB 39.3 million) the previous year (+14.7%). Net profit amounted to €588 thousand over €967 thousand the year before. Staff decreased by two units over 2013 and, therefore, consists of 28 people.

Shenyang Fidia NC&M Co. Ltd.

Turnover for FY2014 amounted to €3,646 thousand (RMB 29.8 million) versus €2,534 thousand (RMB 20.7 million) in 2013; year 2014 closed with a loss of €398 thousand versus a net loss of €356 thousand in 2013. Staff increased from 60 units at 31 December 2013 to 56 units at 31 December 2014.

Fidia do Brasil Ltda

Revenue in 2014 turnover amounted to €663 thousand (2,071 thousand real) over €587 thousand (1,683 thousand real) the previous year. Year 2014 closed with a loss of €28 thousand over a loss of €128 thousand in 2013. Staff was unchanged compared to 2013 and amounted to 8 employees.

Fidia India Private Ltd.

During 2014 the company had a revenue of about €4 thousand, in line with the previous year, consisting of intercompany services related to promotion and marketing activities in the Indian market. The year 2014 closed with a profit of about €1 thousand over the break-even of the previous year. The company closes the fiscal year on March 31st of every year.

AFFILIATED COMPANIES

Prometec Consortium

Equity at 31 December 2014 amounted to €10 thousand (interest of Fidia S.p.A.: 20%); 2014 closed with a break-even.

Noteworthy facts after year end and business outlook

The year 2015 opened with a substantial order backlog in addition to major orders received in the first two months of the year (approximately €9.9 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 2015 the investment is continuing in the construction of the new industrial plant in Forlì, initially estimated in the amount of about €5.5 million, and increased by about €1.1 million for the construction of new offices. 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 2014.

We also propose that the profit of the year, amounting to €3,018,956.57 be allocated as follows:

- 5% to legal reserve, equal to €150,947.83;
- provision for unrealized exchange rate gains equal to €8,022.39;
- a dividend of €0.25 per share to shareholders for the outstanding shares, totaling €1,278,250.00;
- the remaining amount to retained earnings, equal to €1,581,736.35.

San Mauro Torinese, 13 March 2015

On behalf of the Board of Directors

The Chairman and Managing Director

Mr. Giuseppe Morfino

Fidia Group

Consolidated financial statements at 31 December 2014

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014 Consolidated income statement (*)

¬thousand	Notes	FY2014	FY2013
- Net sales	1	54,544	44,704
- Other operating revenue	2	1,458	2,492
- Total revenues		**56,002**	**47,196**
- Changes in inventories of finished goods and work in progress		1,306	(1,417)
- Raw materials	3	(18,821)	(15,026)
- Personnel expenses	4	(15,270)	(15,412)
- Other operating expenses	5	(18,235)	(15,314)
- Depreciation and amortization	6	(958)	(713)
- Profit/(loss) of ordinary business		**4,024**	**(686)**
- Non-recurring income/(expenses)	7	300	(300)
- Operating profit/(loss)		**4,324**	**(986)**
- Finance revenue (expenses)	8	(813)	(254)
- Profit/(loss) before tax		**3,511**	**(1,240)**
- Income tax	9	(737)	(327)
- Profit/(loss) for continuing operations		**2,774**	**(1,567)**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**2,774**	**(1,567)**
Profit/(loss) attributable to:			
Shareholders of parent company		2,894	(1,435)
Non-controlling interests		(120)	(132)

EUR	Notes	FY2014	FY2013
Basic earnings per ordinary share	10	0.566	(0.281)
Diluted earnings per ordinary share	10	0.566	(0.281)

(*) 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 2014 Comprehensive consolidated income statement

¬thousand	Notes	FY2014	FY2013
- Profit/(loss) (A)		**2,774**	**(1,567)**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:			
Profit/(loss) on cash flow hedges	20	(466)	14
Profit(loss) on translation of financial statements of foreign companies	20	1,462	(316)
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss	20	128	(4)
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)		**1,124**	**(306)**
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	20	(177)	40
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	20	48	(11)
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)		**(129)**	**29**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)		**995**	**(277)**
Total comprehensive profit/(loss) of the period (A)+(B)		**3,769**	**(1,844)**
Total comprehensive profit/(loss) attributable to:			
Shareholders of parent company		3,651	(1,676)
Non-controlling interests		118	(168)

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014 Consolidated Statement of Financial Position (*)

¬thousand	Notes	31/12/2014	31/12/2013
ASSETS			
- Property, plant and equipment	11	4,261	1,806
- Intangible assets	12	694	410
- Investments	13	16	16
- Other non-current financial assets			-
- Other non-current receivables and assets	14	1,312	1,479
- Pre-paid tax assets	9	1,341	832
TOTAL NON-CURRENT ASSETS		**7,624**	**4,543**
- Inventories	15	18,718	16,661
- Trade receivables	16	11,384	9,178
- Current tax receivables	17	210	164
- Other current receivables and assets	17	1,247	1,342
- Other current financial receivables	18	-	19
- Cash and cash equivalents	19	10,718	8,493
TOTAL CURRENT ASSETS		**42,277**	**35,857**
TOTAL ASSETS		**49,901**	**40,400**
LIABILITIES			
EQUITY:			
- Share capital and reserves attributable to shareholders of parent company		13,890	10,301
- Other non-controlling interests		2,623	2,546
TOTAL CONSOLIDATED EQUITY	**20**	**16,513**	**12,847**
- Other non-current payables and liabilities	21	130	394
- Termination benefits	22	2,446	2,263
- Deferred tax liabilities	9	99	73
- Provisions for risks and expenses	28	15	-
- Other non-current financial liabilities	23	15	29
- Non-current financial liabilities	24	2,437	1,852
TOTAL NON-CURRENT LIABILITIES		**5,142**	**4,611**
- Current financial liabilities	24	3,250	4,302
- Other current financial liabilities	25	502	140
- Trade payables	26	12,391	8,409
- Current tax payables	27	1,842	1,138
- Other current payables and liabilities	27	9,009	8,051
- Provisions for risks and expenses	28	1,252	902
TOTAL CURRENT LIABILITIES		**28,246**	**22,942**
TOTAL LIABILITIES		**49,901**	**40,400**

(*) 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 2014 Consolidated cash flow financial statement (*)

¬thousand	2014	2013
A) Cash and cash equivalents at beginning of period	**5,883**	**4,694**
B) Cash from/(used in) operating activities during the period		
- Profit/(loss)	2,774	(1,567)
- Depreciation and amortization	627	527
- Net losses (gains) on disposal of tangible assets	(26)	(43)
- Net change in provisions for termination benefits	183	(72)
- Net change in provisions for risks and expenses	365	99
- Net change (assets) liabilities for (pre-paid) deferred taxes	(483)	(318)
Net change in working capital:		
- receivables	(1,990)	2,678
- inventories	(2,057)	3,249
- payables	5,380	(1,791)
Total	**4,773**	**2,762**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible assets	(3,061)	(598)
intangible assets	(400)	(277)
- Profit on sale of:		
tangible assets	153	48
Financial assets		-
Total	**(3,308)**	**(827)**
D) Cash from/(used in) financing activities		
- New loans	3,491	766
- Loans paid	(3,028)	(1,221)
- Change in capital and reserves	(529)	(10)
- Net change in amounts due by other interests	197	(135)
- Net change in current and non-current financial assets and liabilities	366	122
Total	**497**	**(478)**
Differences in exchange rates	1,193	(268)
E) Net change in cash and cash equivalents	**3,156**	**1,189**
F) Cash and cash equivalents at year end	**9,039**	**5,883**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	10,718	8,493
Overdrawn bank accounts	(1,679)	(2,610)
	9,039	5,883

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

FIDIA GROUP: Consolidated financial statements as at 31 December 2014 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	Profit/(loss)	Total equity of Group	Other non-controlling interests	Total net equity
Balance at 31 December 2012	**5,123**	**45**	**1,240**	**4,753**	**(16)**	**769**	**34**	**213**	**(45)**	**12,026**	**2,812**	**14,838**
Allocation of result				(45)					45			
Total comprehensive profit/(loss)					10	(280)	29		(1,435)	(1,676)	(168)	(1,844)
Other changes				(49)						(49)	(98)	(147)
Balance at 31 December 2013	**5,123**	**45**	**1,240**	**4,659**	**(6)**	**489**	**63**	**213**	**(1,435)**	**10,301**	**2,546**	**12,847**
Allocation of result				(1,435)					1,435			
Total comprehensive profit/(loss)					(338)	1,224	(129)		2,894	3,651	118	3,769
Other changes				(62)						(62)	(41)	(103)
Balance at 31 December 2014	**5,123**	**45**	**1,240**	**3,162**	**(344)**	**1,713**	**(66)**	**213**	**2,894**	**13,890**	**2,623**	**16,513**

FIDIA GROUP: Consolidated financial statements at 31 December 2014

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

¬thousand	Notes	FY2014	of which related parties	FY2013	of which related parties
- Net sales	1	54,544	230	44,704	154
- Other operating revenue	2	1,458		2,492	
- Total revenues		**56,002**		**47,196**	
- Changes in inventories of finished goods and work in progress		1,306		(1,417)	
- Raw materials	3	(18,821)	(1)	(15,026)	(5)
- Personnel expenses	4	(15,270)	(984)	(15,412)	(900)
- Other operating expenses	5	(18,235)	(290)	(15,314)	(185)
- Depreciation and amortization	6	(958)		(713)	
- Profit/(loss) of ordinary business		**4,024**		**(686)**	
- Non-recurring income/(expenses)	7	300		(300)	
- Operating profit/(loss)		**4,324**		**(986)**	
- Finance revenue (expenses)	8	(813)		(254)	
- Profit/(loss) before tax		**3,511**		**(1,240)**	
- Income tax	9	(737)		(327)	
- Profit/(loss) for continuing operations		**2,774**		**(1,567)**	
- Profit/(loss) for discontinued operations		-		-	
- Profit/(loss)		**2,774**		**(1,567)**	
Profit/(loss) attributable to:					
Shareholders of parent company		**2,894**		(1,435)	
Non-controlling interests		**(120)**		(132)	

FIDIA GROUP: Consolidated financial statements as at 31 December 2014 Consolidated statement of financial position as per Consob Resolution No. 15519 of 27 July 2006

¬thousand	Notes	31/12/2014	of which related parties	31/12/2013	of which related parties
ASSETS					
- Property, plant and equipment	11	4,261		1,806	
- Intangible assets	12	694		410	
- Investments	13	16		16	
- Other non-current financial assets				-	
- Other non-current receivables and assets	14	1,312		1,479	
- Pre-paid tax assets	9	1,341		832	
TOTAL NON-CURRENT ASSETS		**7,624**		**4,543**	
- Inventories	15	18,718		16,661	
- Trade receivables	16	11,384	93	9,178	69
- Current tax receivables	17	210		164	
- Other current receivables and assets	17	1,247	19	1,342	1
- Other current financial receivables	18	-		19	
- Cash and cash equivalents	19	10,718		8,493	
TOTAL CURRENT ASSETS		**42,277**		**35,857**	
TOTAL ASSETS		**49,901**		**40,400**	
LIABILITIES					
EQUITY:					
- Share capital and reserves attributable to shareholders of parent company		13,890		10,301	
- Non-controlling interests		2,623		2,546	
TOTAL CONSOLIDATED EQUITY	**20**	**16,513**		**12,847**	
- Other non-current payables and liabilities	21	130		394	
- Termination benefits	22	2,446		2,263	
- Deferred tax liabilities	9	99		73	
- Provisions for risks and expenses	28	15			
- Other non-current financial liabilities	23	15		29	
- Non-current financial liabilities	24	2,437		1,852	
TOTAL NON-CURRENT LIABILITIES		**5,142**		**4,611**	
- Current financial liabilities	24	3,250		4,302	
- Other current financial liabilities	25	502		140	
- Trade payables	26	12,391		8,409	
- Current tax payables	27	1,842		1,138	
- Other current payables and liabilities	27	9,009	331	8,051	112
- Provisions for risks and expenses	28	1,252		902	
TOTAL CURRENT LIABILITIES		**28,246**		**22,942**	
TOTAL LIABILITIES		**49,901**		**40,400**	

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014 Consolidated Cash Flow Statement as per Consob Resolution No. 15519 of 27 July 2006

¬thousand	2014	of which related parties	2013	of which related parties
A) Cash and cash equivalents at beginning of period	**5,883**		4,694	
B) Cash from/(used in) operating activities during the period				
- Profit/(loss)	2,774		(1,567)	
- Depreciation and amortization of tangible and intangible assets	627		527	
- Net losses (gains) on disposal of tangible assets	(26)		(43)	
- Net change in provisions for termination benefits	183		(72)	
- Net change in provisions for risks and expenses	365		99	
- Net change (assets) liabilities for (pre-paid) deferred taxes	(483)		(318)	
Net change in working capital:				
- receivables	(1,990)	(42)	2,678	1,109
- inventories	(2,057)		3,249	
- payables	5,380	219	(1,791)	(403)
Total	**4,773**		2,762	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible assets	(3,061)		(598)	
intangible assets	(400)		(277)	
- Profit on sale of:				
tangible assets	153		48	
Financial assets			-	
Total	**(3,308)**		(827)	
D) Cash from/(used in) financing activities				
- New loans	3,491		766	
- Loans paid	(3,028)		(1,221)	
- Change in capital and reserves	(529)		(10)	
- Net change in amounts due by other interests	197		(135)	
- Net change in current and non-current financial assets and liabilities	366		122	
Total	**497**		(478)	
Differences in exchange rates	1,193		(268)	
E) Net change in cash and cash equivalents	**3,156**		1,189	
F) Cash and cash equivalents at year end	**9,039**		5,883	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	10,718		8,493	
Overdrawn bank accounts	(1,679)		(2,610)	
	9,039		**5,883**	

Notes to the Consolidated Financial Statements

MAIN BUSINESS

The publication of the consolidated financial statements of Fidia S.p.A. for the year ended at 31 December 2014 was authorized by the Board of Directors on 13 March 2015. 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 2014 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 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 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 n° 15519 of July 27, 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 IFRS 10 – *Consolidated Financial Statements*. Control subsists when the Group has exposure or rights to variable returns as a result of its relationship with the investee and, at the same time, the ability to affect those returns through power over said investee. 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 recognized in profit or loss.

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 Net 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 recognized in profit or loss 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.

Work in progress consists of a plot of land with industrial building undergoing renovation acquired by the parent company Fidia S.p.A through a lease, not yet usable and recognized at purchase cost.

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% / 48.11%
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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are included in the cost of the asset. All borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs include interest and other costs that an entity incurs to obtain funding.

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 measured 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 costs for internal product development, rights to use know-how, software and licenses.

Software and licenses are amortized over five years.

Development costs incurred in connection with a specific project are recognized as intangible assets when the Group can demonstrate: the technical feasibility of completing the intangible asset so that it is available for use or sale; the intention to complete the asset and its ability and intent to use or sell it; the manner in which the activity will generate future economic benefits; the availability of resources to complete the asset and the ability to measure reliably the cost attributable to the asset during development.

After initial recognition, development assets are measured at cost less amortization or the accrued loss in value. Amortization of the asset starts when development is completed and the asset is available for use. Development assets are amortized in relation to the period of the expected benefits. During development, the asset is subject to annual verification of any loss of value (impairment test).

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. A reversal of impairment is immediately recognized in profit or loss.

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. For the purpose of representation in the consolidated cash flow statement, cash and cash equivalents are represented by cash and cash equivalents as defined above, net of bank overdrafts, since these are considered an integral part of the Group's liquidity management

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 gain or loss resulting from re-measurements of the *fair value* of the hedging instrument are recognized in profit or loss. Gains or loss on the hedged item attributable to the hedged risk change the book value of said item and are recognized in profit or loss;
- *cash flow hedge:* if a derivative is designated as a a hedge of the exposure to variability in the future cash flows of an asset or liability recognized in profit or loss 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). Accrued gains or loss are reversed from Other Comprehensive Profit/(Loss) and recognized in profit or loss in the same period in which the correlated economic effect of the hedged transaction occurs. Gains or loss of a hedge (or part of a hedge), which has become ineffective, are immediately recognized in profit or loss. 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, gains or losses not yet realized and still retained in the Other Comprehensive Profit/(Loss) is immediately recognized in profit or loss.

If hedge accounting cannot be applied, profit or loss resulting from fair value measurement of the derivative is immediately recognized in profit or loss.

Fair value

The fair value, as provided for by IFRS 13, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of a financial instrument at initial measurement 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, the 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 measure 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 fair value and measured at the measurement date of 31 December 2014 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 measured at amortized cost;
- financial instruments measured at fair value.

Financial assets and liabilities measured 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 to 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 measured 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 exchange rate curves of the currencies in question.

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 short and medium-to-long term exchange rate curves measured by market info providers.

Interest rates

The interest rates used to actualize the estimated financial flows are based on the short and medium-to-long term rate curves measured by market info providers at the reporting dates and are illustrated in the table below:

	EUR Curve			USD Curve	
	2014	2013		2014	2013
1W	-	0.188%	1W	0.135%	0.129%
1M	0.019%	0.216%	1M	0.171%	0.168%
2M	0.045%	0.255%	2M	0.214%	0.213%
3M	0.078%	0.287%	3M	0.256%	0.246%
6M	0.171%	0.389%	6M	0.363%	0.348%
9 M	0.247%	0.480%	9 M	-	-
12M	0.16%	0.556%	12M	0.629%	0.583%
2 years	0.18%	0.54%	2 years	0.900%	0.489%
3 years	0.23%	0.75%	3 years	1.299%	0.876%
4 years	0.29%	1.00%	4 years	1.578%	1.346%
5 years	0.36%	1.26%	5 years	1.772%	1.786%
7 years	0.53%	1.68%	7 years	2.041%	2.482%
10 years	0.81%	2.15%	10 years	2.283%	3.086%
15 years	1.15%	2.59%	15 years	2.507%	3.599%
20 years	1.33%	2.72%	20 years	2.620%	3.802%
30 years	1.46%	2.74%	30 years	2.700%	3.929%

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 recognized in profit or loss 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 reported 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 Finance 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.

Grants

Grants 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 grants and that the grants will be received. Grants are recognized in profit or loss 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 recognized in profit or loss in the 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 recognized in profit or loss, 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 recognized in profit or loss 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 persisting 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 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 balance sheet 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 balance sheet.

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.

When the book value of a non-current asset registers a loss in value, the Group states a write-down for the excess amount between the book value of the asset and the recoverable value through its use or sale.

Bad debts provision

Bad debts provision reflects the management's estimate on the possible loss in the portfolio of receivables from customers. The estimate of the bad debts provision is based on the loss expected by the Group, determined in light of its past experience in similar receivables, of current and historical delinquent accounts, of losses and revenues, of the careful monitoring of credit quality and forecasts on economic and market conditions. If any 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 scenario 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, as well as rates concerning requests for advances.

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 2014

- On 12 May 2011 the IASB issued standard IFRS 10 – *Consolidated Financial Statements*, introducing a single control model applicable to all companies, including special purpose entities. IFRS 10 replaces the part of IAS 27 - Consolidated and Separate Financial Statements regulating accounting of the consolidated financial statements and SIC-12 — Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control establishing that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all of the following elements: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

- On 11 May 2011 the IASB issued standard IFRS 11 - Joint Arrangements. Following its release, IAS 28 – Investments in Associates was amended to comprise investments in entities under joint control within its scope as from the effective date of the standard.
- IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and eliminates the option of accounting jointly controlled entities using the proportionate consolidation method. Jointly controlled entities that meet the definition of joint venture must be accounted for using the equity method. IFRS 11 had no impact on the Group.
- 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 requirements of IFRS 12 are more complete than previous disclosures for subsidiaries. For example, this is the case if an entity exercises control with less than a majority of the voting rights. The application of the new standard has had limited effects on the presentation of the financial statements.
- On 16 December 2011 the IASB issued amendments to IAS 32 – *Financial Instruments: Presentation* to clarify the application of certain criteria for offsetting financial assets and liabilities in IAS 32. These amendments clarify the meaning of "currently has a legally enforceable right to set off" and of the offsetting criterion in the case of settlement systems (such as centralized clearing houses) that apply non-simultaneous gross settlement mechanisms. These amendments had no impact on the Group's financial statements.
- 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. These amendments eliminate the consequences unwittingly introduced by IFRS 13 on disclosures required by IAS 36. These amendments also require disclosure about the recoverable amount of the asset or CGU for which during the year an impairment loss was recognized or reversed.
- 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*.

These changes have had no impact because the Group has replaced its derivatives neither in the current year nor in previous years.

- On 30 October 2012 the IASB issued amendments to IFRS 10- *Consolidated Financial Statements*, IFRS 12 – *Disclosure of Interests in Other Entities* and IAS 27 – *Consolidated and Separate Financial Statements*.
  These amendments require an exception to consolidation for entities that fall within the definition of investment entities pursuant to IFRS 10 – *Consolidated Financial Statements*. This exception to consolidation requires that the investment entities measure subsidiaries at fair value recognized in profit or loss. These changes had no impact on the Group, since none of the operational entities belonging to the Group qualifies as investment entities pursuant to IFRS 10.

- The company adopted IFRIC 21 – Taxes, an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. This interpretation sets out the recognition of liabilities for the payment of levies other than income taxes and determines specifically which event originates the obligation and the time of recognition of the liability. No effect is derived from the adoption of this interpretation.

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

- On 24 July 2014, the IASB issued the final version of IFRS 9 –*Financial Instruments* that reflects all phases of the project relating to financial instruments and replaces IAS 39 - *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after 1 January 2018; early application is permitted. Retrospective application of the standard is required, but it is not mandatory to provide comparative disclosure.

- On 28 May 2014 the IASB issued IFRS 15 – *Revenue* that introduces a new 5-step model that will apply to revenue from contracts with customers. IFRS 15 provides for the recognition of revenues for an amount that reflects the consideration that an entity expects for the transfer of goods or services to the customer. The standard provides a more structured approach to the recognition and measurement of revenue. The new standard is applicable to all entities and supersedes all existing requirements in the IFRSs relating to revenue recognition. The standard is effective for reporting periods beginning on or after 1 January 2017, with full retrospective or modified application. Early application is permitted. The Group is currently assessing the impact of IFRS 15 and plans to apply the new standard by the mandatory effective date.

- On 12 May 2014 the IASB issued amendments to IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets* to clarify the standard contained in IAS 16 and IAS 38 that the revenues reflect a model of economic benefits that are generated from the operation of a business (to which the asset belongs) rather than the economic benefits that are consumed with the use of the asset. It follows that a revenue-based approach cannot be used for the depreciation of property, plant and equipment and may be used only in very limited circumstances for the amortization of intangible assets. The amendments must be applied prospectively for reporting periods beginning on or after 1 January 2016; early application is permitted. No impact is expected on the Group as a result of the application of these changes since the Group does not use revenue-based methods for the depreciation of non-current assets.

- On 12 August 2014 the IASB issued amendments to IAS 27 - *Consolidated and Separate Financial Statements* that will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements. Entities that are already applying IFRSs and decide to change the accounting policy, transitioning to the equity method in their separate financial statements must apply the change retrospectively. The amendments are effective for reporting periods beginning on or after 1 January 2016; early application is permitted. No impact is expected on the Group consolidated financial statements following the application of these amendments.

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 2014 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 2013.

Name / Place of business	Currency	Share Capital	Size of interest 2014	Size of interest 2013
Fidia Gmbh, Dreiech - Germany	EUR	520,000	100%	100%
Fidia Co, Troy - U.S.A.	USD	400,000	100%	100%
Fidia Sarl, Emerainville – France	EUR	300,000	100%	100%
Fidia Iberica S.A., Zamudio - Spain	EUR	180,300	99.993%	99.993%
Fidia do Brasil Ltda, Sao Paulo - Brazil	Reals	400,843	99.75%	99.75%
Beijing Fidia M&E Co Ltd, Beijing - China	USD	1,500,000	92.00%	92.00%
Shenyang Fidia NC & Machine Company Ltd, Shenyang – China	Rmb	42,517,648	51.00%	51.00%
OOO Fidia, Moscow, Russian Federation	Rouble	3,599,790	100%	100%
Fidia 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 92.6 % of total sales.

Turnover by geographical area ¬thousand	**FY2014**	**%**	**FY2013**	**%**
Italy	4,033	7.4%	4,085	9.1%
Europe	13,504	24.7%	13,192	29.5%
Asia	26,723	49.0%	20,984	46.9%
North and South America	10,128	18.6%	6,200	13.9%
Rest of the World	156	0.3%	243	0.5%
Total revenues	**54,544**	**100%**	**44,704**	**100%**

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

Turnover by business line ¬thousand	**FY2014**	**%**	**FY2013**	**%**
Numerical controls, drives and software	3,924	7.2%	2,976	6.7%
High-speed milling systems	38,458	70.5%	30,749	68.8%
After-sales service	12,162	22.3%	10,979	24.6%
Total revenues	**54,544**	**100 %**	**44,704**	**100.0%**

2. OTHER OPERATING REVENUE

This item comprises:

¬thousand	**FY2014**	**FY2013**
Contributions for operating expenses	443	711
Public funds	-	671
Increase in fixed assets for internal work	352	211
Contingent assets	124	525
Gain from tangible assets	27	45
Recovery of costs incurred	120	84
Insurance refunds	63	17
Release of bad debt and legal risks provisions	223	176
Other miscellaneous revenues and earnings	106	52
Total	**1,458**	**2,492**

Other operating revenue amounted to ¬1,458 thousand (¬2,492 thousand in 2013), a decrease of ¬1,034 thousand compared to the previous year.

This item also includes ¬443 thousand (¬711 thousand at 31 December 2013) relating to grants for research projects recognized by year of accrual in profit or loss of the parent company Fidia S.p.A. at 31 December 2014 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.

This zeroing of grants from 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. that in 2013 recorded revenues equivalent to ¬671 thousand.

3. RAW MATERIALS

These are:

€thousand	FY2014	FY2013
Production materials	17,224	11,526
Service materials	899	1,100
Consumables	135	151
Equipment and software	59	92
Packaging	339	188
Other	132	190
Change in inventory raw materials and consumables	33	1,779
Total	**18,821**	**15,026**

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

4. PERSONNEL EXPENSES

Personnel expenses amounted to €15,270 thousand over €15,412 thousand of the year before and consist of:

€thousand	FY2014	FY2013
Wages and salaries	11,528	11,649
Social security charges	3,180	3,172
TFR	442	437
Other personnel expenses	120	154
Total	**15,270**	**15,412**

Cost of personnel was substantially stable compared with the previous year (-0.9% equal to a loss of about €142 thousand); Group staff was on average lower by about 2.9%.

The change recorded in FY2014 in the number of employees, broken down by category, is illustrated below:

	31 December 2013	**Inbound**	**Outbound**	**Change in level**	**31/12/2014**	**Period average**
Executives	9	-	-1	-	8	8.5
Clerks and cadres	275	18	-21	-	272	273.5
Workers	39	4	-3	-	40	39.5
Total	**323**	**22**	**-25**	**-**	**320**	**321.5**

5. OTHER OPERATING EXPENSES

Other operating expenses in the amount of €18,235 thousand, up by €2,921 thousand, over €15,314 thousand at 31 December 2013, are illustrated in detail in the table below:

€thousand	FY2014	FY2013
Outsourced work	3,833	2,444
Travel expenses	1,802	1,631
Transportation and customs	2,065	1,361
Rent paid for offices and plants	1,333	1,112
Technical, legal and administrative consulting	1,498	1,635
Utilities	531	577
Commissions	2,166	1,639
Car rental expenses	348	367
Warranty provisions	411	179
Other provisions	12	35
Auditors' emoluments	59	57
Insurance	362	337
Advertising, trade fairs and other commercial costs	432	572
Non-income taxes	318	321
Maintenance and housekeeping	212	237
Personnel-related expenses	242	272
Bank services	228	208
Motor vehicle management expenses	117	86
Stock exchange listing fees	99	107
Costs for repairs and interventions	1,233	1,079
Research project costs	159	177
Entertainment expenses	105	153
Contributions and payments	48	43
Contingent liabilities	112	156
Penalties and surcharges	8	13
Other	502	516
Total	**18,235**	**15,314**

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

6. DEPRECIATION AND AMORTIZATION

€thousand	FY2014	FY2013
Amortization of intangible assets	129	64
Amortization of property, plant and equipment	498	436
Impairment of trade receivables	125	186
Impairment of other non-current receivables and assets	206	-
Depreciation of property, plant and equipment	-	27
Total	**958**	**713**

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.

Impairment of other non-current receivables and assets is represented by the provision for bad debts equivalent to ¬206 thousand for a portion of the receivables for withholding tax on foreign income claimed by Fidia S.p.A. towards the Treasury that it was deemed prudent to set aside on the basis of forecasts of recoverability of this portion of receivables and taking into account the maturities thereof.

7. NON-RECURRING REVENUE

The year before the parent company Fidia S.p.A. allocated a provision of ¬300 thousand for an accident covered by a specific insurance policy.

During 2014, the insurance company recognized the merits of the claim and settled it.

8. FINANCE INCOME AND COSTS

Finance income and costs consist of:

¬thousand	**FY2014**	**FY2013**
Finance revenue	57	136
Borrowing costs	(383)	(452)
Net profit (loss) on derivatives	(21)	25
Profit (loss) from foreign currency transactions	(466)	37
Total	**(813)**	**(254)**

In FY2014 the balance of finance revenue (expenses) was negative, amounting to ¬813 thousand (¬254 thousand in 2013).

Finance revenue consists of:

¬thousand	**FY2014**	**FY2013**
Interests received from banks	47	107
Interests and commercial discounts	1	5
Other interests received	9	24
Total	**57**	**136**

Finance expenses consist of:

¬thousand	**FY2014**	**FY2013**
Interests paid on borrowings from banks	(158)	(208)
Interest paid on M/L-term borrowings from banks	(106)	(132)
Borrowing costs on termination benefits	(60)	(66)
Interest paid on leasing	(3)	-
Other borrowing costs	(56)	(46)
Total	**(383)**	**(452)**

Net profit and loss on derivatives:

¬thousand	**FY2014**	**FY2013**
Loss on derivatives due to *fair value* adjustment	(29)	-
Profit on derivatives due to *fair value* adjustment	8	25
Total	**(21)**	**25**

Finance expenses on derivatives (¬29 thousand) comprises the fair value impact for the component excluded from hedging (time value of forward) of the futures contracts put in place to limit the risk on the EUR/USD exchange rate linked to four sales orders in USD.

Finance revenue on derivatives equal to ¬8 thousand comprises the value of the ineffective component of three hedging derivatives (two interest rate caps and an interest rate swap) entered into to hedge interest rate risk on three medium-to-long term floating rate loans.

Profit (loss) on foreign currency transactions consists of:

¬thousand	**FY2014**	**FY2013**
Currency gain	189	90
Revenue from exchange rate adjustment	20	84
Profit on currency forward contract	-	5
Currency loss	(245)	(106)
Expenses from exchange rate adjustment	(371)	(31)
Loss on currency forward contract	(59)	(5)
Total	**(466)**	**37**

9. INCOME TAXES

Taxes stated in the consolidated income statement were:

¬thousand	**FY2014**	**FY2013**
Income tax: IRAP (Italian Regional Tax on Production Activities)	321	207
Income tax: IRES	109	-
Income tax of foreign subsidiaries	526	471
Taxes relating to previous years	12	-
Pre-paid taxes	(261)	(348)
Deferred tax liabilities	30	(3)
Total	**737**	**327**

The increase in current taxes reflects the higher taxable income realized by the parent company and some subsidiaries compared with the previous year. 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 2014 the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

¬thousand	**31/12/2014**	**31/12/2013**
Pre-paid tax assets	1,341	832
Deferred tax liabilities	(99)	(73)
Total	**1,242**	**759**

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

¬thousand	At 31/12/2013	Posted to income statement	Stated to net equity	Others Changes	Exchange rate effect	At 31/12/2014
Pre-paid taxes for:						
Application of IAS 19 - Termination Benefits	72	9	45	-	-	126
Application of IAS 16- Property, plant and equipment	35	(1)	-	-	3	37
Loss from previous periods	425	257	-	-	44	726
Impairment provisions	205	(68)	-	-	18	155
Cash flow hedge provisions	2	-	129	-	-	131
Miscellaneous	93	64	-	-	9	166
Total pre-paid taxes	**832**	**261**	**174**	**-**	**74**	**1,341**
Deferred tax liabilities for:						
Application of IAS 19 - Termination Benefits	3	-	(3)	-	-	-
Application of IAS 18 - Revenue	-	35	-	-	-	35
Application of IAS 16- Property, plant and equipment	3	(1)	-	-	(1)	1
Fair value measurement	67	(4)	-	-	-	63
Total deferred taxes	**73**	**(30)**	**(3)**	**-**	**(1)**	**99**

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 2014 and the relevant amounts for which no assets for pre-paid taxes, divided by year due, are stated below (for Fidia SpA only):

		Year due					
¬thousand	At 31 December 2014	2015	2016	2017	2018	Beyond 2019	Unlimited or unforeseeable
Tax loss	3,299	-	-	-	-	-	3,299

10. Earnings per share

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

		2014	2013
Net earnings pertaining to Group	¬thousand	2,894	(1,435)
Earnings attributable to ordinary shares	¬thousand	2,894	(1,435)
Mean number of ordinary shares in circulation in the period	Number	5,113,000	5,113,000
Earnings per ordinary share	EUR	0,566	(0.281)
Diluted earnings per ordinary share	EUR	0,566	(0.281)

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 2014 and 2013 the changes in original cost of Property, Plant and Equipment were as follows:

	Initial balance at 1 January 2014			Changes in period						
¬thousand	Purchase price	Revaluation	Total	Additions	Decreases	(Write-downs) Recovery in value	Exchange rate differences	Other Change in	Total	Balance 31/12/2014
Property	480	380	860	-	-	-	-	-	-	860
Lightweight constructions	9	-	9	-	-	-	-	-	-	9
Total property	**489**	**380**	**869**	**-**	**-**	**-**	**-**	**-**	**-**	**869**
Plant and equipment	2,117	-	2,117	37	(249)	54	13	-	(145)	1,972
Industrial equipment	1,827	-	1,827	92	-	-	20	-	112	1,939
Electrical tools	1,166	-	1,166	-	(3)	-	26	-	23	1,189
Total plant, machinery and equipment	**5,110**	**-**	**5,110**	**129**	**(252)**	**54**	**59**	**-**	**(10)**	**5,100**
Furnishing	1,228	-	1,228	25	-	-	16	2	43	1,271
Electronic equipment	1,722	-	1,722	19	(85)	-	36	(2)	(32)	1,690
Means of transportation	1,188	-	1,188	173	(189)	-	41	-	25	1,213
Total other goods	**4,138**	**-**	**4,138**	**217**	**(274)**	**-**	**93**	**-**	**36**	**4,174**
Work in progress	10	-	10	2,715	-		-	-	2,715	2,725
Total original cost of property, plant and equipment	**9,747**	**380**	**10,127**	**3,061**	**(526)**	**54**	**152**	**-**	**2,741**	**12,868**

¬thousand	Initial balance at 1 January 2013			Changes in period						
	Purchase price	Revaluation	Total	Additions	Decreases	(Write-downs) Recovery in value	Exchange rate differences	Other Change in	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**
Work in progress	-	-	-	10	-	-	-	-	10	10
Total original cost of property, plant and equipment	**9,548**	**380**	**9,928**	**598**	**(313)**	**(27)**	**(59)**	**-**	**199**	**10,127**

In 2014 and 2013, the changes in the relevant accrued depreciation were the following:

		Changes in period					
¬thousand	Initial balance 1.1.2014	Amortization	Disposals	Other changes	Exchange rate effect	Total	Final balance 31/12/2014
Property	384	43	-	-	-	43	427
Lightweight constructions	6	-	-	-	-	-	6
Total property	**390**	**43**	**-**	**-**	**-**	**43**	**433**
Plant and equipment	1,629	157	(77)	-	12	92	1,721
Industrial equipment	1,696	64	-	-	19	83	1,779
Electrical tools	1,137	11	(3)	-	26	34	1,171
Total plant, machinery and equipment	**4,462**	**232**	**(80)**	**-**	**57**	**209**	**4,671**
Furnishing	1,016	29	-	1	11	41	1,057
Electronic equipment	1,595	45	(83)	(1)	33	(6)	1,589
Means of transportation	859	149	(182)	-	31	(2)	857
Total other goods	**3,470**	**223**	**(265)**	**-**	**75**	**33**	**3,503**
Total cumulated depreciation of property, plant and equipment	**8,322**	**498**	**(345)**	**-**	**132**	**285**	**8,607**

		Changes in period					
¬thousand	Initial balance 01/01/2013	Amortization	Disposals	Other changes	Exchange rate effect	Total	Final balance 31/12/2013
Property	341	43	-	-	-	43	384
Lightweight constructions	6	-	-	-	-	-	6
Total property	**347**	**43**	**-**	**-**	**-**	**43**	**390**
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**	**8,322**

The net book value of Property, Plant and Equipment at 31 December 2014 and 31 December 2013 can be broken down as follows:

	Initial balance 1.1.2014	Changes in period							Final balance 31/12/2014
		Additions	Disposals	(Write-downs)/ Recovery in value	Other Change in	Amortization	Exchange rate differences	Total	
Property	476	-	-	-	-	(43)	-	(43)	433
Lightweight constructions	4	-	-	-	-	-	-	-	4
Total property	**480**	**-**	**-**	**-**	**-**	**(43)**		**(43)**	**437**
Plant and equipment	488	37	(172)	54	-	(157)	1	(237)	251
Industrial equipment	131	92	-	-	-	(64)	1	29	160
Electrical tools	29	-	-	-	-	(11)	-	(11)	18
Total plant, machinery and equipment	**648**	**129**	**(172)**	**54**	**-**	**(232)**	**2**	**(219)**	**429**
Furnishing	212	25	-	-	1	(29)	5	2	214
Electronic equipment	127	19	(2)	-	(1)	(45)	3	(26)	101
Means of transportation	329	173	(7)	-	-	(149)	10	27	356
Total other goods	**668**	**217**	**(9)**	**-**	**-**	**(223)**	**18**	**3**	**671**
Work in progress	**10**	**2,715**	**-**	**-**	**-**	**-**	**-**	**2,715**	**2,725**
Total net value of property, plant and equipment	**1,805**	**3,061**	**(181)**	**54**	**-**	**(498)**	**20**	**2,456**	**4,261**

	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**
Work in progress	**-**	**10**		**-**	**-**	**-**	**-**	**10**	**10**
Total net value of property, plant and equipment	**1,685**	**598**	**(4)**	**(27)**	**-**	**(436)**	**(10)**	**121**	**1,806**

Capital expenditure made during 2014 amounted to €3,061 thousand.

Work in progress, which represents the bulk of new capital expenditure, refers to a plot of land with adjoining industrial building to be renovated, that the parent company Fidia S.p.A. acquired, through lease, during the reporting period. As it is not yet ready for use, this capital expenditure item has not yet been subject to depreciation.

At 31 December 2014 the Group has no buildings burdened by collateral, but, by virtue of the lease contract entered into for the purchase of the industrial building to be renovated of Fidia S.p.A., this asset is in the name of the leasing company.

Capital expenditure does not include capitalized borrowing costs.

The item Buildings consists of the headquarters of Fidia Iberica.

Amortization of tangible assets is reported in the income statement under “Depreciation and amortization” (Note No. 6).

12. INTANGIBLE ASSETS

The intangible assets do not comprise intangible assets with indefinite useful life.

In 2014 and 2013 the changes in net book value of Intangible Assets were as follows:

		Changes in period						
¬thousand	Initial balance 1.1.2014	Additions	Amortization	Reclassificati ons	Differences differences	Total	Final balance 31/12/2014
Utilization rights for know-how	77	-	(31)	-	11	(20)	57
Licenses	1	2	(21)	100	-	81	82
Software	70	100	(77)	162	2	187	257
Work in progress	262	298	-	(262)	-	36	298
Total net value of intangible assets	**410**	**400**	**(129)**	**-**	**13**	**284**	**694**

		Changes in period					
¬thousand	Initial balance 01/01/2013	Additions	Amortization	Other Change in	Differences differences	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
Work in progress	-	262	-	-	-	262	262
Total net value of intangible assets	**200**	**277**	**(64)**	**-**	**(3)**	**210**	**410**

The increases recorded in "Licenses" and "Software" during the year relate mainly to the introduction of the new Navision information system implemented for the management of the main administrative and management processes that went into operation at the beginning of the current year. This implementation has also allowed improving R&D processes and the relative measurement of future costs and benefits of individual projects, in accordance with IAS 38 in terms of capitalization. Development costs incurred and capitalized during the year totaled ¬298 thousand and are recorded under the "Work in progress"; it has not yet been depreciated as it is not yet completed and therefore the projects to which it relates have not yet begun to produce the related benefits.

All costs of research (both basic and applied) are instead charged to profit or loss in the year they are incurred

Amortization of tangible assets is recognized in profit or loss under “Depreciation and amortization” (Note No. 6).

13. INVESTMENTS

Investments are as follows:

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Investments measured with the equity method	2	2
Investments measured at cost	14	14
Total investments	**16**	**16**

Investments measured at cost were:

¬thousand	Balance at 31 December 2014
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	
		31/12/2014	31/12/2013
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 31/12/2014	Balance 31 December 2013
Receivables for EU contributions to R&D	53	50
Guarantee deposits	52	53
Trade receivables from customers	-	114
Receivables for foreign VAT	12	6
Withholding tax on foreign income	1,106	1,157
Tax receivables from Spanish tax authorities	61	94
Multi-year pre-paid expenses	22	5
Sundry receivables	6	-
Total	**1,312**	**1,479**

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 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 deadline for the use of these receivables is expected from 2016 onwards. On the basis of forecasts of recoverability of this receivable, and considering the expected maturities thereof, a provision to bad debt of ¬206 thousand was made.

15. INVENTORIES

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

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Raw materials, subsidiary materials and consumables	10,145	9,892
Provisions for raw materials depreciation	(1,591)	(1,512)
Net value of raw materials, subsidiary materials and consumables	**8,554**	**8,380**
Semi-finished products and work in progress	5,813	3,836
Finished products and goods	4,656	4,997
Finished products and goods depreciation provision	(475)	(676)
Net value finished products and goods	**4,181**	**4,321**
Advances	170	124
Total inventories	**18,718**	**16,661**

Inventories recorded an increase of ¬2,057 thousand compared to the year before.

The provisions for depreciation equivalent to ¬2,066 thousand (¬2,188 thousand thousand at 31 December 2013) 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 2013	Provisions/(release)	Exchange rate effect	Balance 31/12/2014
Provisions for raw materials depreciation	1,512	64	15	1,591
Provisions for depreciation finished products	676	(232)	31	475
Total	**2,188**	**(168)**	**46**	**2,066**

16. TRADE RECEIVABLES

At 31 December 2014 these amounted to ¬11,384 thousand, namely ¬2,206 thousand higher compared 31 December 2013. Trade receivables are detailed as follows:

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Trade receivables from customers	12,188	10,150
Bad debt provisions	(804)	(972)
Total trade receivables	**11,384**	**9,178**

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

¬thousand	31 December 2014	31 December 2013
Not due	4,404	6,060
Due up to 1 month	4,106	676
Due 1 to 3 months	1,350	660
Due 3 months to 6 months	625	1,248
Due 6 months to 1 year	508	547
Due over 1 year	1,195	959
Total	**12,188**	**10,150**

Receivables were aligned at the expected realizable value by means of allocations to the provisions for receivables impairment equal to ¬125 thousand. Said provision, in the amount of ¬804 thousand (¬972 thousand at 31 December 2013) was made for estimated loss on receivables.

Receivables include ¬1,075 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 illustrated below.

¬thousand	
Balance at 31 December 2013	**972**
Provisions in period	125
Amounts used	(320)
Currency gain/(loss)	27
Balance at 31 December 2014	**804**

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

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Italy	1,196	1,574
Europe	2,098	2,543
Asia	6,662	4,711
North and South America	2,213	1,302
Rest of the World	19	20
Total	**12,188**	**10,150**

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Current tax receivables:		
Receivables from tax authorities for VAT	143	94
Tax receivables for income tax and IRAP	42	44
Receivables for short-term foreign VAT	-	8
Other tax receivables:	25	18
Total current tax receivables	**210**	**164**
Other current receivables:		
Contributions for research projects	473	715
Other pre-paid expenses	316	195
Accrued income	23	40
Receivables from employees	123	59
Advances from suppliers	210	154
Other current receivables	102	179
Total other current receivables	**1,247**	**1,342**

There are no receivables due beyond five years.

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

18. OTHER CURRENT FINANCIAL ASSETS

This item amounted to ¬19 thousand at 31 December 2013; it was totally cleared during the year.

19. CASH AND CASH EQUIVALENTS

The overall amount of cash of the Group amounted to ¬10,718 thousand (¬8,493 thousand at 31 December 2013) 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 2014 amounted to ¬16,513 thousand, up by ¬3,666 thousand versus ¬12,847 thousand at 31 December 2013. This difference is the result of:

- profit of the period (¬2,774 thousand);
- positive changes in exchange rates due to translation of financial statements of subsidiaries denominated in currencies other than EUR (¬1,462 thousand);
- negative effect of the accounting of actuarial losses on the termination benefits net of the tax effect (¬129 thousand);
- negative change of the cash flow edge reserve net of the theoretical tax effect (¬338 thousand);
- dividends of third parties (¬38 thousand);
- other minor changes (¬65 thousand).

Share capital

The share capital of Fidia S.p.A. at 31 December 2014, fully subscribed and paid in, is unchanged compared to 31 December 2013 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 2012 and the number of circulating shares at 31 December 2014:

	At 31 December 2012	Increase in share capital	(Purchases)/sales of own shares	At 31 December 2013	Increase in share capital	(Purchases)/sales of own shares	At 31 December 2014
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	Nominal value	Share in % share capital	Book amount	Mean unit value
Situation at 1 January 2014	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Recovery in value	-	-	-	-	-
Situation at 31 December 2014	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**

Capital reserves

In 2014, share premium reserve was unchanged compared to 31 December 2013 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 2014. This reserve is unchanged compared to the previous year;
- Earnings carried forward in the amount of €2,645 thousand at 31 December 2014 (€4,142 thousand at 31 December 2013);
- Profit attributable to shareholders of the parent company in the amount €2,894 thousand (loss of €1,435 thousand at 31 December 2013).

Other profit/(loss)

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

¬thousand	31 December 2014	31 December 2013
Profit/(loss) on cash flow hedge in the period	(466)	14
Profit/(loss) on cash flow hedge reclassified in profit or loss	-	-
Profit/(loss) on cash flow hedge	**(466)**	**14**
Profit(loss) on translation of financial statements of foreign companies in the period	1,462	(316)
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	**1,462**	**(316)**
Actuarial profit/(loss) on defined benefit plans (termination benefits) in the period	(177)	40
Actuarial profit/(loss) on defined benefit plans (termination benefits) reclassified in the income statement	-	-
Actuarial profit/(loss) on defined benefit plans (termination benefits)	**(177)**	**40**
Tax effect for Other components of comprehensive income statement	**176**	**(15)**
Total Other profit/(loss), net of tax effect	**995**	**(277)**

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

	31 December 2014			31 December 2013		
¬thousand	Gross value	Tax (expense)/benefit	Net value	Gross value	Tax (expense)/benefit	Net value
Profit/(loss) on cash flow hedge instruments	(466)	128	(338)	14	(4)	10
Profit(loss) on translation of financial statements of foreign companies	1,462	-	1,462	(316)	-	(316)
Actuarial gains/(losses) on defined benefit plans	(177)	48	(129)	40	(11)	29
Total other profit/(loss)	**819**	**176**	**995**	**(262)**	**(15)**	**(277)**

Cash Flow Hedge reserve

The cash flow hedge reserve includes the fair value of a derivative instrument (*interest rate swaps*) entered into by the parent company Fidia S.p.A. hedging the risk arising from fluctuations in interest rates on a floating rate loan and the fair value of forward contracts hedging exchange rate fluctuations between the EUR and USD on contracts denominated in such currency acquired by the parent company Fidia S.p.A.

In 2014 the *cash flow hedge* provisions registered the following changes:

Type of financial instrument ¬thousand	Nature of hedged risk	Initial balance 1.1. 2014	Increases	Decreases	CFH provisions released to profit or loss	Final balance at 31/12/2014
Interest rate swap	Interest rate risk	(5)	4	-	-	(1)
Flexible forward	Exchange rate risk	-	-	(342)	-	(342)
Total		**(5)**	**4**	**(342)**	**-**	**(343)**

Non-controlling interests

Non-controlling interests in the amount of €2,623 thousand (€2,546 thousand at 31 December 2013) refer to the following consolidated companies with the line-by-line method:

€thousand	% non-controlling interests 2014	% non-controlling interests 2013	Balance 31 December 2014	Balance 31 December 2013
Fidia Beijing M&E Co. Ltd.	8%	8%	387	340
Fidia do Brasil Ltda	0.25%	0.25%	-	1
Shenyang Fidia NC&M Co Ltd	49%	49%	2,236	2,205
Fidia Iberica S.A.	0.01%	0.01%	-	-
Fidia India Private Ltd.	0.01%	0.01%	-	-
Total			**2,623**	**2,546**

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

€thousand	Balance at 31 December 2014	Balance at 31 December 2013
Advances for research projects	77	331
Long-term deferred income	1	8
Other non-current payables	52	55
Total	**130**	**394**

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. 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 set out 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 2014	**2,263**
Amount accrued and allocated in year	442
Benefits paid out in year	(54)
Amount transferred to State Fund and complementary pension scheme	(438)
Borrowing costs on termination benefits	60
Accounting of actuarial losses	177
Substitute tax	**(4)**
Balance at 31 December 2014	**2,446**

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 €60 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2014	At 31 December 2013
Discount rate	1.10%	2.67%
Future inflation rate	1.00%	1.80%
Frequency of request for advances	3.0%	3.0%
Relative frequency of resignation/dismissal cadres, employees, 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 2014.

	Basic Assumptions	Changes in Basic Assumptions									
Inflation rate projections	1.00%	0.90%	1.10%								
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: Employee	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	1.10%							0.99%	1.21%		
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: Employee	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.	2,446	-0.61%	0.61%	0.11%	-0.11%	0.11%	-0.11%	1.09%	-1.08%	0.16%	-0.16%

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

¬thousand	31 December 2014		31 December 2013	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest Rate Swap	211	1	632	8
Interest Rate Cap BNL	868	8	1,184	12
Interest Rate Cap Banco Popolare	750	6	1,000	9
Total		**15**		**29**

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 ¬5,687 thousand and are specified in detail in the following tables:

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Overdrawn bank accounts and short-term advances	1,679	2,610
Financial accruals and deferrals	23	2
Loan No. 1 - Banca Nazionale del Lavoro (part medium/long term and part short term)	210	626
Loan No. 2 - Banca Nazionale del Lavoro (part medium/long term and part short term)	853	1,156
Loan - Banco Popolare (part medium/long term and part short term)	739	981
Short-term loan - MPS	697	696
Mediocredito Italiano	1,307	-
Volkswagen Bank Italy (lease)	59	-
Autodesk financing	49	-
Volkswagen Bank Germany No. 1 (Lease)	9	19
Volkswagen Bank Germany No. 2 (Lease)	32	51
Volkswagen Bank Germany No. 3 (Lease)	21	-
Volkswagen Bank Spain (Lease)	9	13
Total	**5,687**	**6,154**

¬thousand	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and short-term advances	1,702	-	-	1,702
Medium-to-long term bank loans	761	1,041	-	1,802
Real estate lease	-	210	1,097	1,307
Short-term loans	697	-	-	697
Autodesk financing	16	33	-	49
Volkswagen Bank	58	72	-	130
	3,234	**1,146**	**1,307**	**5,687**

The current loans have the following characteristics:

M/L-term loan with Banca Nazionale del Lavoro

Original amount	€2,000 thousand
Residual amount	€210 thousand
Date of loan	31/08/2010
Term	Maturity 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	€853 thousand
Date of loan	08/10/2012
Term	Maturity date 30/09/2017
Interest-only period	1 quarterly installment (31/12/2012)
Repayment	19 quarterly installments (31/03/2013 to 31/12/2017)
Interest rate	3-month Euribor, base 360 + 3.35% spread

This loan is guaranteed at 70% by Sace S.p.A. In order to hedge the interest rate risk, an *interest rate cap* hedging contract has been entered into.

M/L-term loan - Banco Popolare

Original amount	€1,250 thousand
Residual amount	€739 thousand
Date of loan	09/11/2012
Term	Maturity 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	€697 thousand
Residual amount	€697 thousand
Date of loan	11/12/2014
Term	Maturity date 30/06/2015
Repayment	3 monthly installments (30/04/2015 to 30/06/2015)
Interest rate	1.63%

Property lease with Mediocredito Italiano

Original amount	€2,600 thousand
Residual amount	€1,307 thousand
Date of loan	25/6/2014
Term	180 months from the date of completion of the renovations and expansion
Interest rate	3-month Euribor + 3.81% spread

This is the property lease agreement, the repayment of which will take place in 179 monthly installments starting from the date on which the industrial building will be ready for use. Until that date, the user, Fidia S.p.A., will not refund the principal (excluding the initial maxi-installment, amounting to €1,260 thousand, paid on signing of the lease), but only interests. The total amount funded by the leasing company may reach, depending on the state of progress of the renovation and expansion, up to €5,600 thousand.

Lease with Volkswagen Bank Italy

Original amount	€85 thousand

Residual amount	€59 thousand
Date of loan	3/1/2014
Term	Maturity date 30/11/2017
Repayment	47 monthly installments (03/01/2014 to 30/11/2017)
Interest rate	4.54%

Autodesk financing

Original amount	€66 thousand
Residual amount	€49 thousand
Date of loan	17/07//2014
Term	Maturity date 30/06/2016
Repayment	24 monthly installments (03/07/2014 to 30/06/2016)
Interest rate	0 %

Volkswagen Bank Germany

Original amount	€30 thousand
Residual amount	€9 thousand
Date of loan	22/10/2012
Term	Maturity 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	€32 thousand
Date of loan	09/08/2013
Term	Loan expiry 15/08/2016
Repayment	36 monthly installments (31/01/2013 to 31/12/2013)
Interest rate	1.9%

Volkswagen Bank Germany

Original amount	€29 thousand
Residual amount	€21 thousand
Date of loan	28/02/2014
Term	Maturity date 15/02/2017
Repayment	36 monthly installments (15/03/2014 to 15/02/2017)
Interest rate	1.90%

Volkswagen Bank Spain

Original amount	€13 thousand
Residual amount	€9 thousand
Date of loan	21/12/2013
Term	Loan expiry 21/11/2017
Repayment	48 monthly installments (31/01/2013 to 31/12/2013)
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 1/1/2014	New loans	Repayments	Balance at 31/12/2014
Loan No. 1 - Banca Nazionale del Lavoro	626		(416)	210
Loan No. 2 - Banca Nazionale del Lavoro	1,156		(303)	853
Loan - Banco Popolare	981		(242)	739
Short-term loan - MPS	696	697	(696)	697
Property lease with Mediocredito Italiano	-	2,600	(1,293)	1,307
Autodesk financing	-	60	(11)	49
Volkswagen Bank Italy	-	85	(26)	59
Volkswagen Bank Germany	70	29	(37)	62
Volkswagen Bank Spain	13		(4)	9
Total	**3,542**	**3,471**	**(3,028)**	**3,985**

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 amounted to ¬502 thousand and includes the fair value loss of four contracts for the forward sale of USD entered into by the company to hedge the exchange rate risk on certain supplies denominated in that currency.

At 31 December 2013, this item amounted to ¬140 thousand, but related 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.

26. TRADE PAYABLES

	At 31 December 2014				At 31 December 2013			
¬thousand	**by end of year**	**1 to 5 years**	**Beyond 5 years**	**Total**	**by end of year**	**1 to 5 years**	**Beyond 5 years**	**Total**
Payables to other suppliers	12,393	(6)	2	12,389	8,407	-	-	8,407
Payables to associates	2	-	-	2	2	-	-	2
Total trade payables	**12,395**	**(6)**	**2**	**12,391**	**8,409**	**-**	**-**	**8,409**

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	6,115	3,946	2,332	12,393
Payables to associates	2	-	-	2
Total trade payables	**6,117**	**3,946**	**2,332**	**12,395**

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

¬thousand	Balance 31 December 2014	Balance 31 December 2013
Italy	8,798	6,203
Europe	906	763
Asia	2,316	1,213
North and South America	371	228
Total	**12,391**	**8,407**

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 2014	Balance at 31 December 2013
Current tax payables:		
- withholding taxes	346	346
- Tax payables for income tax and IRAP	783	434
- Payables to tax authorities for VAT	600	295
- Other short-term tax payables	113	63
Total current tax payables	**1,842**	**1,138**

Other current payables and liabilities:		
Payables to employees	1,215	1,125
Social security payables	782	741
Down payments from customers	5,860	5,337
Payables for compensation	253	69
Payables to State Fund and other funds	104	100
Payables for dividends	140	92
Accrued trade payables	123	63
Sundry accruals and deferrals	333	236
Other payables to the SMTCL company	77	35
Miscellaneous payables	122	253
Total other current payables and liabilities	**9,009**	**8,051**

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 non-current and current risks and expenses amounted to ¬15 thousand and ¬1,252 thousand as per the relevant schedule.

¬thousand	Balance 31 December 2013	Accrual	Reclassificat ion	Utilization / Release	Exchange rate effect	Balance 31 December 2014
Warranty provision	-	-	15	-	-	15
Total other provisions for non-current risks and expenses	-	-	15	-	-	15
Provisions for tax disputes	37				2	39
Provisions for legal risks	34	12		(34)	-	12
Warranty provision	831	411	(15)	(32)	6	1,201
Total other provisions for current risks and expenses	**902**	**423**	**(15)**	**(66)**	**8**	**1,252**

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 2014 these amounted to ¬3,423 thousand, up by ¬1,520 thousand compared to ¬1,282 thousand at 31 December 2013. 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 2014, 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 2014 and 2013 are as follows:

Data by year - 2014 (ŧhousand)		CNC		HSM		SERVICE	N/A	Total
Revenues	3,924	56.0%	38,458	100%	12,162	100%	-	54,544
Cross-sector revenues	3,078	44.0%	-	-	-	-	-	
Total revenues	**7,002**	**100.0%**	**38,458**	**100.0%**	**12,162**	**100.0%**	**-**	
Changes in inventories of finished goods and W.I.P.	(62)	-0.9%	1,367	3.6%	1	0.0%	-	1,306
Raw materials and consumables	(1,322)	-18.9%	(16,188)	-42.1%	(854)	-7.0%	(457)	18,821
Cross-sector expenses	(32)	-0.5%	(3,841)	-10.0%	688	5.7%	107	
Commissions, transport and contractors	(531)	-7.6%	(7,143)	-18.6%	(388)	-3.2%	(2)	(8,064)
Other operating revenue	541	7.7%	506	1.3%	49	0.4%	362	1,458
Other operating expenses	(546)	-7.8%	(2,549)	-6.6%	(2,476)	-20.4%	(4,600)	(10,171)
Personnel expenses	(2,712)	-38.7%	(4,618)	-12.0%	(3,867)	-31.8%	(4,073)	(15,270)
Depreciation and amortization	(29)	-0.4%	(286)	-0.7%	(114)	-0.9%	(529)	(958)
Operating income from ordinary business	**2,309**	**33.0%**	**5,706**	**14.8%**	**5,201**	**42.8%**	**(9,192)**	**4,024**

Data by year - 2013 (ŧhousand)		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)**

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 2014 (-thousand)	**CNC**	**HSM**	**SERVICE**	**N/A**	**Total**
Property, plant and equipment	19	3,133	36	1,073	4,261
Intangible assets	186	169	-	339	694
Investments	-	-	-	16	16
Other non-current receivables and assets	31	54	1	1,226	1,312
Pre-paid tax assets	-	-	-	1,341	1,341
Total non-current assets	**236**	**3,356**	**37**	**3,995**	**7,624**
Inventories	2,308	11,863	4,547	-	18,718
Trade receivables and other current receivables	1,263	8,844	2,149	375	12,631
Current tax receivables	-	-	-	210	210
Other current financial receivables	-	-	-	-	-
Cash and cash equivalents	-	-	-	10,718	10,718
Total current assets	**3,571**	**20,707**	**6,696**	**11,303**	**42,277**
Total assets	**3,807**	**24,063**	**6,733**	**15.2980**	**49,901**
Other non-current payables and liabilities	59	46	21	4	130
Termination benefits	585	1,217	226	418	2,446
Deferred tax liabilities	-	-	-	99	99
Long-term provisions	-	-	15	-	15
Other non-current financial liabilities	-	-	-	15	15
Non-current financial liabilities	-	-	-	2,437	2,437
Total non-current liabilities	**644**	**1,263**	**262**	**2,973**	**5,142**
Current financial liabilities	-	-	-	3,250	3,250
Other current financial liabilities	-	-	-	502	502
Trade payables and other current payables	1,717	15,720	1,026	2,937	21,400
Current tax payables	-	-	-	1,842	1,842
Short-term provisions	83	1,069	49	51	1,252
Total current liabilities	**1,800**	**16,789**	**1,075**	**8,582**	**28,246**
Total liabilities	**2,444**	**18,052**	**1,337**	**11,555**	**33,388**
Equity	**-**	**-**	**-**	**16,513**	**16,513**
Total liabilities	**2,444**	**18,052**	**1,337**	**28,068**	**49,901**

Tuesday, December 31, 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. 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 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*, *flexible forward* or other types of contracts 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 2014 the portfolio of the Group comprised derivatives (flexible currency forward contracts) in order to protect future currency flows from changes in the EUR/USD exchange rate for which the relevant hedging relationship was established according to the criteria of IAS 39 and hedge accounting was applied.

At 31 December 2014 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 2014 and 31 December 2013. The impacts on income statement are before tax.

EXCHANGE RATE SENSITIVITY ANALYSIS

Exchange Risk at 31 December 2014					
		+5% change		-5% change	
¬thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL ASSETS					
Cash and cash equivalent	55	(3)	-	3	-
Receivables	55	(3)	-	3	-
Derivatives for trading	-	-	-	-	-
Effect		**(6)**	**-**	**6**	**-**
FINANCIAL LIABILITIES					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	502	(1)	270	1	(299)
Overdrawn bank accounts	-	-	-	-	-
Trade payables	49	2	-	(3)	-
Effect		1	270	(2)	(299)
Total effect		(5)	270	4	(299)

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)**	

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 floating 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 2014 there were no fixed rate financial instruments measured at fair value.

At 31 December 2014, the Company had an *Interest Rate Swap* and two *Interest Rate Caps* to hedge interest rate risk; these have a negative *fair value* amounting to €1 thousand and €13 thousand respectively.

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 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.

With regard to the cash flow hedge transactions for the two interest rate caps (compared to the previous year), the impacts on profit or loss for the portion excluded from hedging (time value of the derivative) equaled +-8 thousand in 2014.

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 2014 included cash and loans.

At 31 December 2014, the following was assumed:

- an increase in interest rates for all financial instruments (loans and derivatives) at a floating rate equal to 10 bps;
- a decrease in interest rates for all financial instruments (loans and derivatives) at a floating rate equal to 5 bps.

The decision to simulate, at 31 December 2014, decreases of 5 bps and 10 bps was caused by the current market scenario characterized by very low interest rates and expansionary monetary policies. 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 2014			
		Change +10 bps		Change - 5 bps	
¬thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES					
Loans from banks	2,498	(2)	-	1	-
Finance leases	1,438	(1)	-	1	-
IRS hedging derivative	1	-	-	-	-
Cap hedging derivative	13	-	-	-	-
Total impact		**(3)**	**-**	**2**	**-**

INTEREST RATE SENSITIVITY ANALYSIS					
		Interest Rate Risk at 31 December 2013			
		Change +10 bps		Change -5 bps	
¬thousand	Balance-sheet amount	P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES					
Loans from banks	3,459	(3)	-	2	
Finance leases	84				
IRS hedging derivative	8	-	-	-	-
Cap hedging derivative	21	1	-	-	-
Total impact		**(2)**	**-**	**2**	**-**

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 2014 of:

- recourse to credit institutions and leasing companies 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 required by IFRS7 is provided below.

MATURITY ANALYSIS ¬thousand	Book value at 31 December 2014	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	2,498	2,631	1	265	1,270	1,095	-
Other loans	50	50	3	6	25	16	-
Overdrawn bank accounts	1,679	1,679	1,679	-	-	-	-
Trade payables	12,391	12,391	6,117	3,946	2,332	(6)	2
Liabilities for leases	1,438	2,077	5	27	95	500	1,450
DERIVATIVE LIABILITIES							
Interest rate swap	1	1	-	1	-	-	-
Interest rate cap	13	14	-	2	6	6	-
Total	**18,070**	**18,843**	**7,805**	**4,247**	**3,728**	**1,611**	**1,452**

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**	**-**

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 2014 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 2014**	**%**	**31 December 2013**	**%**
Die construction	573	7%	460	7%
Construction of injection molds for the car industry	600	7%	447	6%
Car industry	1,794	21%	2,153	31%
Aeronautics industry	5,370	61%	2,640	38%
Machine tools production	407	4%	676	10%
Total	**8,744**		**6,376**	
Net total receivables	**11,384**		**9,178**	
%	**77%**		**69%**	

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 2014, the Group held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of ¬14 thousand and financial liabilities at fair value represented by derivative financial instruments to hedge the exchange rate risk, for an amount of ¬502 thousand, classified within Level 2 of the hierarchical assessment of fair value.

Below follows a breakdown of the fair value for the different categories of assets and liabilities and related economic effects.

FAIR VALUE BY CATEGORY - IAS 39 - 31 December 2014						
¬thousand	Book value at 31 December 2014 (IAS 39)	Amortised Cost	FV recognized in equity	FV recognized in profit or loss	IAS 17	Fair value at 31 December 2014
ASSETS						
Cash and equivalents	10,718	-	-	-	-	10,718
Total	**10,718**	**-**	**-**	**-**	**-**	**10,718**
LIABILITIES						
Liabilities at amortized cost	2,548	2,548	-	-	-	2,579
Hedging derivatives	517	-	(344)	(21)	-	517
Liabilities measured according to IAS 17	1,307	-	-	-	1,307	1,307
Total	6,190	4,366	(344)	(21)	1,307	4,403

NET PROFIT/LOSS BY CATEGORY - IAS 39 - 31 December 2014		
¬thousand	Net profit and loss	of which interest
ASSETS		
Cash and equivalents	47	47
Total	47	47
LIABILITIES		
Liabilities at amortized cost	(86)	(86)
Hedging derivatives	(21)	(39)
Total	(107)	(125)

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;
- wages and salary paid to Mr. Paolo Morfino, former employee of Fidia S.p.A., and Luca Morfino, employed by 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 FY2014 financial statements was stated in the relevant supplementary schedules of the income statement, statement of financial situation and cash flow statement.

Data by year - 2014

Counterpart	Raw materials						
¬thousand	and	Other operatin g	Personnel	Finance		Other operating	Finance
	consumables	revenues	expenses	revenues	Revenu es	revenues	revenues
Other related parties SMTCL	-	100	-	-	230	-	-
Other related parties (Giuseppe, Paolo, and Luca Morfino and Carlos Maidagan)	1	131	215	-	-	-	-
Compensation Board of Directors	-		769	-	-	-	-
Compensation Board of Statutory Auditors	-	59	-		-	-	-
Total other related parties	1	290	984	-	230	-	-

Data by year - 2013

Counterpart	Raw materials						
¬thousand	and	Other operating	Personnel	Finance		Other operating	Finance
	consumables	revenues	expenses	revenues	Revenues	revenues	revenues
Other related parties SMTCL	-	37	-	-	154	-	-
Other related parties (Giuseppe, Paolo and Luca Morfino)	5	91	195	-	-	-	-
Compensation Board of Directors	-		705	-	-	-	-
Compensation Board of Statutory Auditors	-	57	-		-	-	-
Total other related parties	**5**	**290**	**900**	-	**154**	-	-

31 December 2014

Counterpart			Other current			Current
¬thousand	Trade	Other current	financial	Trade	Other current	financial
	payables	payables	liabilities	payables	payables	liabilities
Other related parties SMTCL	93	-	-	-	76	-
Other related parties (Giuseppe, Paolo and Luca Morfino)	-	19	-	-	1	-
Other related parties (Payables to BoD)	-	-	-	-	195	-
Other related parties (Payables to Board of Statutory Auditors)	-	-	-	-	59	-
Total other related parties	**93**	**19**	-	-	**331**	-

31 December 2013

Counterpart			Other current			Current
¬thousand	Trade	Other current	financial	Trade	Other current	financial
	receivables	receivables	assets	payables	Payables	payables
Other related parties SMTCL	68	-	-	-	35	-
Other related parties (Giuseppe, Paolo and Luca Morfino)	1	1	-	-	8	-
Other related parties (Payables to BoD)	-	-	-	-	12	-
Other related parties (Payables to Board of Statutory Auditors)	-	-	-	-	57	-
Total other related parties	**69**	**1**	-	-	**112**	-

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 2014	31 December 2013
Directors	769	702
Auditors	59	57
Executives with strategic responsibilities	-	118
Total compensation	**828**	**877**

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 2014 is the following:

¬thousand		31 December 2014	31 December 2013
A	Cash	10	9
B	Bank deposits	10,708	8,484
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**10,718**	**8,493**
and	**Current financial receivables**	**-**	**-**
F	Current bank payables	2,472	3,341
G	Current part of non-current debt	778	961
H	Other current financial payables	-	140
I	**Current financial debt (F+G+H)**	**3,250**	**4,442**
J	**Net financial position (receivable)/payable (I-E-D)**	**(7,468)**	**(4,051)**
K	Non-current bank payables	2,437	1,852
L	Bonds issued	-	-
M	Other non-current payables	-	-
N	**Non-current financial debt (K+L+M)**	**2,437**	**1,852**
O	**Net financial position (receivable)/payable (J+N)**	**(5,031)**	**(2,199)**

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 2014 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 2014 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 2014 and 2013 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	
	2014	2013	2014	2013
USD	1.32850	1.32812	1.21410	1.37910
Real (Brazil)	3.12113	2.86866	3.22070	3.25760
Renminbi (China)	8.18575	8.16463	7.53580	8.34910
Rouble (Russia)	50.9518	42.3370	72.3370	45.3246
Rupee (India)	81.0406	77.9300	76.7190	85.3660

39. SUBSEQUENT EVENTS

There were no significant events after year-end 2014.

San Mauro Torinese, 13 March 2015
On behalf of the Board of Directors
The Chairman and Managing Director
Mr. Giuseppe Morfino

Certificate within the meaning of Article 81-ter

Consob Issuers' Regulation

Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. The undersigned Giuseppe Morfino in the capacity as Chairman and Managing Director, Carlos Maidagan Aguirre, in the capacity as Executive Deputy Chairman and Luigino Azzolin in the capacity as manager responsible for the preparation of the corporate accounting documents of the Fidia S.p.A. Company attest, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

   a. adequacy with respect to the characteristics of the Company and
   b. actual application

of the administrative and accounting procedures for the formation of the consolidated financial statements during 2014.

2. It is also attested that:

2.1 The consolidated financial statements:

   a. have been prepared in accordance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b. correspond to the books and accounting records;
   c. are suitable to give a true and fair view of the financial, economic and equity position of the issuer and of the companies included in the scope of consolidation.

2.2 The Report on Operations includes a reliable analysis of the trends and of the result of operations, as well as of the situation of the issuer and the undertakings included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

13 March 2015

Chairman and Managing Director

Giuseppe Morfino

Executive Deputy Chairman

Carlos Maidagan Aguirre

Manager in charge of preparing the corporate accounting documents

Luigino Azzolin

Report of the Board of Statutory Auditors

FIDIA GROUP

*** * ***

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Dear Shareholders,

The Board of Directors of Fidia S.p.A has drafted the Group's consolidated financial statements at 31 December 2014. These were submitted to us according to law, together with the Report on Operations, and were drawn up in compliance with the provisions set out in IAS/IFRS and in Legislative Decree no. 127/91.

The checks carried out by Reconta Ernst & Young S.p.A. tasked with the statutory audit made it possible to ascertain that the figures expressed in the financial statements are reflected in the accounting records of the parent company, in the financial statements of the subsidiaries and in the related information formally reported by these.

The financial statements of the subsidiaries, drawn up by the competent corporate bodies and submitted to the parent company for the purpose of formation of the consolidated financial statements, have been the subject of examination by the control bodies of the individual companies and by the independent auditors, as a part of the procedures followed for the certification of the consolidated financial statements. Therefore, these financial statements have been submitted to the control of the Board of Statutory Auditors.

The determination of the scope of consolidation, as well as the choice of the consolidation standards and procedures adopted for the purpose comply with the provisions of IAS/IFRS and Legislative Decree no. 127/91. The formation of the consolidated financial statements is therefore deemed to be technically correct and, as a whole, according to specific regulations.

The Report on Operations illustrate adequately the economic, financial and asset situation during the year and the main risks and uncertainties to which business is exposed, as well as the outlook of all the companies subject to consolidation after the end of the reporting period.

In their report the independent auditors attested to the consistency of the Report on Operations with the consolidated financial statements of BasicNet S.p.A. .

We can also confirm that the examination to which we subjected the Report on Operations was consistent with the data of the consolidated financial statements.

On the basis of checks carried out, the Board of Statutory Auditors agree on the content and form of the Group consolidated financial statements at 31 December 2014.

San Mauro Torinese, 30 March 2015

Board of Statutory Auditors

(Mr. Maurizio Ferrero) – Chairman

(Ms Michela Rayneri) – Statutory Auditor

(Ms Elena Spagnol) – Statutory Auditor

Report of Auditing Firm

Building a better working world

Fidia S.p.A.

Bilancio consolidato al 31 dicembre 2014

Relazione della società di revisione
ai sensi degli artt. 14 e 16 del D.Lgs. 27.1.2010, n. 39

Reconta Ernst & Young S.p.A.
Via Confienza, 10
10121 Torino

Tel: +39 011 5161611
Fax: +39 011 5612554
ey.com

Relazione della società di revisione
ai sensi degli artt. 14 e 16 del D.Lgs. 27.1.2010, n. 39

Agli Azionisti
della Fidia S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio consolidato, costituito dal conto economico consolidato, dal conto economico complessivo consolidato, dalla situazione patrimoniale-finanziaria consolidata, dal rendiconto finanziario consolidato, dal prospetto delle variazioni del patrimonio netto consolidato e dalle relative note esplicative, della Fidia S.p.A. e sue controllate ("Gruppo Fidia") chiuso al 31 dicembre 2014. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005, compete agli amministratori della Fidia S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio consolidato e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio consolidato, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 28 marzo 2014.

3. A nostro giudizio, il bilancio consolidato del Gruppo Fidia al 31 dicembre 2014 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa del Gruppo Fidia per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari, pubblicata nella sezione "Corporate Governance" del sito internet della Fidia S.p.A., in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli amministratori della Fidia S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e delle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98, presentate nella relazione sul governo societario e gli assetti proprietari, con il bilancio consolidato, come richiesto dalla legge. A

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

tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98 presentate nella relazione sul governo societario e gli assetti proprietari sono coerenti con il bilancio consolidato del Gruppo Fidia al 31 dicembre 2014.

Torino, 30 marzo 2015

Reconta Ernst & Young S.p.A.

Stefania Boschetti
(Socio)

Fidia S.p.A.

Financial Statements at 31 December 2014

FIDIA S.p.A.: Financial Statements at 31 December 2014

Income statement (*)

(euro)	Notes	FY2014	FY2013
- Net sales	1	42,821,754	35,872,409
- Other operating revenue	2	1,508,295	1,418,617
Total revenues		**44,330,049**	**37,291,026**
- Changes in inventories of finished goods and work in progress		872,271	(694,124)
- Raw materials	3	(17,161,279)	(14,108,250)
- Personnel expenses	4	(10,185,815)	(10,274,136)
- Other operating expenses	5	(15,961,468)	(13,824,693)
- Depreciation and amortization	6	(577,843)	(366,600)
- Profit/(loss) of ordinary business		**1,315,914**	**(1,976,777)**
- Recovery/(write-down) of investments	7	1,076,000	-
Non-recurring income/(expenses)	8	300,000	(300,000)
- Operating profit/(loss)		**2,691,915**	**(2,276,777)**
- Finance revenue (expenses)	9	840,434	1,127,529
- Profit/(loss) before tax		**3,532,349**	**(1,149,248)**
- Income tax	10	513,392	(199,094)
- Profit/(loss) for continuing operations		**3,018,957**	**(1,348,342)**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**3,018,957**	**(1,348,342)**

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

FIDIA S.p.A.: Financial Statements at 31 December 2014

Comprehensive income statement (*)

(€thousand)	FY2014	FY2013
- Profit/(loss) (A)	**3,019**	**(1,348)**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:		
Profit/(loss) on cash flow hedges	(466)	14
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss	128	(4)
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)	**(338)**	**10**
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	(177)	40
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	48	(11)
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)	**(129)**	**29**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)	**(467)**	**39**
Total comprehensive profit/(loss) of the period (A)+(B)	**2,552**	**(1,309)**

FIDIA S.p.A.: Financial Statements at 31 December 2014

Statement of financial position (*)

(euro)	Notes	31 December 2014	31 December 2013
ASSETS			
NON-CURRENT ASSETS			
- Plant and equipment	11	3,388,781	876,109
- Intangible assets	12	619,985	312,195
- Investments	13	9,873,081	8,797,081
- Other non-current receivables and assets	14	1,235,706	1,261,447
- Pre-paid tax assets	10	506,753	416,849
TOTAL NON-CURRENT ASSETS		**15,624,306**	**11,663,681**
CURRENT ASSETS			
- Inventories	15	12,633,483	11,833,394
- Trade receivables	16	7,238,544	7,546,710
- Current tax receivables	17	145,023	110,188
- Other current receivables and assets	17	1,446,763	1,120,673
- Other current financial receivables	18	-	19,210
- Cash and cash equivalents	19	4,763,364	3,531,047
TOTAL CURRENT ASSETS		**26,227,177**	**24,161,222**
TOTAL ASSETS		**41,851,483**	**35,824,903**
LIABILITIES			
EQUITY			
- Issued capital		5,123,000	5,123,000
- Share premium reserve		1,239,693	1,239,693
- Legal reserve		516,471	516,471
- Provisions for own shares in portfolio		45,523	45,523
- Extraordinary reserve		309,054	1,111,011
- Cash flow hedge provisions		(343,580)	(5,634)
- Profit (loss) carried forward		221,070	767,455
- Own shares		(45,523)	(45,523)
- Profit (loss) stated directly in equity		(108,566)	19,908
- Profit/(loss)		3,018,956	(1,348,342)
TOTAL EQUITY	**20**	**9,976,098**	**7,423,562**
NON-CURRENT LIABILITIES			
- Other non-current payables and liabilities	21	77,956	338,720
- Termination benefits	22	2,445,540	2,262,722
- Deferred tax liabilities	10	-	3,622
- Other non-current financial liabilities	23	14,691	29,314
- Non-current financial liabilities	24	2,406,255	1,801,443
TOTAL NON-CURRENT LIABILITIES		**4,944,442**	**4,435,821**
CURRENT LIABILITIES			
- Current financial liabilities	24	3,266,539	4,421,285
- Other current financial liabilities	25	502,188	140,327
- Trade payables	26	16,309,797	12,289,665
- Current tax payables	27	533,444	312,652
- Other current payables and liabilities	27	5,145,099	5,979,321
- Provisions for risks and expenses	28	1,173,876	822,270
TOTAL CURRENT LIABILITIES		**26,930,943**	**23,965,520**
TOTAL LIABILITIES		**41,851,483**	**35,824,903**

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

FIDIA S.p.A.: Financial statements at 31 December 2014

Cash Flow Statement (*)

(€thousand)	2014	2013
A) Cash on hand and cash equivalents at beginning of year	**921**	**(1,806)**
B) Cash from/(used in) operating activities		
- Profit/(loss) of the period	3,019	(1,348)
- Depreciation and amortization of tangible and intangible assets	369	291
- Net losses (gains) on disposal of tangible assets	(12)	1
- Write-down/(recovery in value) of investments	(1,076)	-
- Net change in provisions for termination benefits	183	(72)
- Net change in provisions for risks and expenses	352	150
- Net change (assets) liabilities for (pre-paid) deferred taxes	(94)	8
Net change in working capital:		
- receivables	(27)	2,177
- inventories	(800)	2,526
- payables	3,146	(57)
	5,060	**3,676**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible assets	(2,909)	(336)
intangible assets	(399)	(275)
investments		
- Profit on sale of:		
tangible assets	130	-
Financial assets	-	-
	(3,178)	**(611)**
D) Cash from/(used in) financing activities		
- Net change in current and non-current financial assets and liabilities	366	122
- New loans	3,661	996
- Loans paid	(3,280)	(1,495)
- Change in reserves	(466)	39
	281	**(338)**
E) Net change in cash and cash equivalents	**2,163**	**2,727**
F) Cash and cash equivalents at year end	3,084	921
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	4,763	3,531
Overdrawn bank accounts	(1,679)	(2,610)
	3,084	**921**

(*) 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 as at 31 December 2014

Overview of changes in 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 net equity
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**
Allocation of net income of previous year						(802)		(546)		1,348	-
Total comprehensive profit/(loss)							(338)		(129)	3,019	2,552
Balance at 31 December 2014	**5,123**	**(45)**	**1,240**	**517**	**45**	**309**	**(343)**	**220**	**(109)**	**3,019**	**9,976**

FIDIA S.p.A.: Financial Statement at 31 December 2014

Income statement

as per Consob Resolution No. 15519 of 27 July 2006

(€thousand)	Notes	FY2014	of which related parties	FY2013	of which related parties
- Net sales	1	42,822	16,414	35,872	8,874
- Other operating revenue	2	1,508	385	1,419	220
Total revenues		**44,330**		**37,291**	
- Changes in inventories of finished goods and work in progress		872		(694)	
- Raw materials	3	(17,161)	(62)	(14,108)	(295)
- Personnel expenses	4	(10,186)	(746)	(10,274)	(790)
- Other operating expenses	5	(15,961)	(3,024)	(13,825)	(3,019)
- Depreciation and amortization	6	(578)		(367)	
- Profit/(loss) of ordinary business		**1,316**		**(1,977)**	
- Recovery/(write-down) of investments	7	1,076			
- Non-recurring income/(expenses)	8	300		(300)	
- Operating profit/(loss)		**2,692**		**(2,277)**	
- Finance revenue (expenses)	9	840	1,210	1,128	1,574
- Profit/(loss) before tax		**3,532**		**(1,149)**	
- Income tax	**10**	**(513)**		**(199)**	
- Profit/(loss) for continuing operations		**3,019**		**(1,348)**	
- Profit/(loss) for discontinued operations		**-**		**-**	
- Profit/(loss)		**3,019**		**(1,348)**	

FIDIA S.p.A.: FINANCIAL STATEMENTS AT 31 DECEMBER 2014

STATEMENT OF FINANCIAL POSITION

as per Consob Resolution No. 15519 of 27 July 2006

(€thousand)	Notes	31 December 2014	of which related parties	31 December 2013	of which related parties
ASSETS					
NON-CURRENT ASSETS					
- Plant and equipment	11	3,389		876	
- Intangible assets	12	620		312	
- Investments	13	9,873		8,797	
- Other non-current receivables and assets	14	1,236		1,262	
- Pre-paid tax assets	10	507		417	
TOTAL NON-CURRENT ASSETS		**15,624**		**11,664**	
CURRENT ASSETS					
- Inventories	15	12,633		11,833	
- Trade receivables	16	7,239	1,118	7,547	3,565
- Current tax receivables	17	145		110	
- Other current receivables and assets	17	1,447	507	1,121	11
- Other current financial receivables	18	-		19	
- Cash and cash equivalents	19	4,763		3,531	
TOTAL CURRENT ASSETS		**26,277**		**24,161**	
TOTAL ASSETS		**41,851**		**35,825**	
LIABILITIES					
EQUITY					
- Issued capital		5,123		5,123	
- Share premium reserve		1,240		1,240	
- Legal reserve		517		517	
- Provisions for own shares in portfolio		46		46	
- Extraordinary reserve		309		1,111	
- Cash flow hedge provisions		(344)		(5)	
- Profit (loss) carried forward		221		766	
- Own shares		(46)		(46)	
- Profit (loss) stated directly in equity		(109)		20	
- Profit/(loss)		3,019		(1,348)	
TOTAL EQUITY	**20**	**9,976**		**7,424**	
NON-CURRENT LIABILITIES					
- Other non-current payables and liabilities	21	78		339	
- Termination benefits	22	2,445		2,263	
- Deferred tax liabilities	10	-		3	
- Other non-current financial liabilities	23	15		29	
- Non-current financial liabilities	24	2,406		1,802	
TOTAL NON-CURRENT LIABILITIES		**4,944**		**4,436**	
CURRENT LIABILITIES					
- Current financial liabilities	24	3,267	58	4,421	151
- Other current financial liabilities	25	502		140	
- Trade payables	26	16,310	4,735	12,290	4,563
- Current tax payables	27	533		313	
- Other current payables and liabilities:	27	5,145	1,273	5,979	2,117
- Provisions for risks and expenses	28	1,174		822	
TOTAL CURRENT LIABILITIES		**26,931**		**23,965**	
TOTAL LIABILITIES		**41,851**		**35,825**	

FIDIA S.p.A.: FINANCIAL STATEMENTS AT 31 DECEMBER 2014

CASH FLOW STATEMENT

as per Consob Resolution n° 15519 of 27 July 2006

(€thousand)	2014	of which related parties	2013	of which related parties
A) Cash on hand and cash equivalents at beginning of year	**921**		**(1,806)**	
B) Cash from/(used in) operating activities				
- Profit/(loss) of the period	3,019		(1,348)	
- Depreciation and amortization of tangible and intangible assets	369		291	
- Net losses (gains) on disposal of tangible assets	(12)		1	
- Write-down/(recovery in value) of investments	(1,076)		-	
- Net change in provisions for termination benefits	183		(72)	
- Net change in provisions for risks and expenses	352		150	
- Net change (assets) liabilities for (pre-paid) deferred taxes	(94)		8	
Net change in working capital:				
- receivables	(27)	1,951	2,177	769
- inventories	(800)		2,526	
- payables	3,146	(672)	(57)	1,461
	5,060		**3,676**	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible assets	(2,909)		(336)	
intangible assets	(399)		(275)	
- Profit on sale of:				
tangible assets	130		-	
Financial assets			-	
	(3,178)		**(611)**	
D) Cash from/(used in) financing activities				
- Net change in current and non-current financial assets and liabilities	366		122	
- New loans	3,661		996	
- Loans paid	(3,280)	(93)	(1,495)	
- Change in reserves	(466)		39	
	281		(338)	
E) Net change in cash and cash equivalents	2,163		2,727	
F) Cash and cash equivalents at year end	3,084		921	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	4,763		3,531	
Overdrawn bank accounts	(1,679)		(2,610)	
	3,084		**921**	

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 2014 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 13 March 2015.

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 2014.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2014 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 n° 15519 of July 27, 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.

Work in progress consists of a plot of land with industrial building undergoing renovation acquired through a lease, not yet usable and recognized at purchase cost.

Costs incurred following purchase were posted only if these increase the future economic benefits inherent to the asset concerned. All other costs were recognized in profit or loss 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% / 48.11%
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

Brrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are included in the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs include interest and other costs that an entity incurs to obtain funding.

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 measured 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 the costs for internal product development, rights to use know-how, software and licenses.

Software and licenses are amortized over five years.

Development costs incurred in connection with a specific project are recognized as intangible assets when the Company can demonstrate: the technical feasibility of completing the intangible asset so that it is available for use or sale; the intention to complete the asset and its ability and intent to use or sell it; the manner in which the activity will generate future economic benefits; the availability of resources to complete the asset and the ability to measure reliably the cost attributable to the asset during development.

After initial recognition, development assets are measured at cost less amortization or the accrued loss in value. Amortization of the asset starts when development is completed and the asset is available for use. Development assets are amortized in relation to the period of the expected benefits. During development, the asset is subject to annual verification of any loss of value (impairment test).

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. A reversal of impairment is immediately recognized in profit or loss.

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 entities over which the Company exercises control, or those for which the company has valid rights that give it the current ability to direct the relevant activities, i.e., activities that significantly affect the returns of the investee.

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 recognized in profit or loss within the limits of the cost.

Investments in other minor entities, including non-current financial assets for which a market quotation is not available and the fair value cannot be reliably measured, are stated at cost, possibly written down for impairment losses.

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

Trade receivables, other receivables and current and non-current assets, except for assets arising from derivative financial instruments, are initially recognized at fair value, which usually coincides with the acquisition cost, net of transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method and are shown net of losses on uncollectible amounts, posted in appropriate bad debt provisions. The original value of the receivables will be re-instated in subsequent fiscal years whenever the reasons for their adjustments are no longer applicable.

When financial assets have no fixed maturity, these are evaluated at cost. Receivables with a maturity over 1 year that do not yield interest or yield interest below market rates are actualized using market rates.

Receivables in foreign currency, which were originally recorded at the exchange rates prevailing on the transaction date, are adjusted to period-end exchange rates and the resulting gains and losses recognized in the income statement.

Cash

It is stated at nominal value.

Financial liabilities, trade payables and other payables

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

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

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

Derivatives

Derivatives are used by the 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 gain or loss resulting from re-measurements of the fair value of the hedging instrument are recognized in profit or loss. Gains or loss on the hedged item attributable to the hedged risk change the book value of said item and are recognized in profit or loss;
- *cash flow hedge:* if a derivative is designated as a a hedge of the exposure to variability in the future cash flows of an asset or liability recognized in profit or loss 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). Accrued gains or loss are reversed from Other Comprehensive Profit/(Loss) and recognized in profit or loss in the same period in which the correlated economic effect of the hedged transaction occurs. Gains or loss of a hedge (or part of a hedge), which has become ineffective, are immediately recognized in profit or loss. 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, gains or losses not yet realized and still retained in the Other Comprehensive Profit/(Loss) is immediately recognized in profit or loss.

If hedge accounting cannot be applied, profit or loss resulting from fair value measurement of the derivative is immediately recognized in profit or loss.

Fair value

The fair value, as provided for by IFRS 13, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of a financial instrument at initial measurement 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 measure 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 fair value and measured at the measurement date of 31 December 2014 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 measured 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 to 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 measured 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 exchange rate curves of the currencies in question.

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 short and medium-to-long term exchange rate curves measured by market info providers.

Interest rates

The interest rates used to actualize the estimated financial flows are based on the short and medium-to-long term rate curves measured by market info providers at the reporting dates and are illustrated in the table below:

	EUR Curve			USD Curve	
	2014	2013		2014	2013
1W	-	0.188%	1W	0.135%	0.129%
1M	0.019%	0.216%	1M	0.171%	0.168%
2M	0.045%	0.255%	2M	0.214%	0.213%
3M	0.078%	0.287%	3M	0.256%	0.246%
6M	0.171%	0.389%	6M	0.363%	0.348%
9 M	0.247%	0.480%	9 M	-	-
12M	0.16%	0.556%	12M	0.629%	0.583%
2 years	0.18%	0.54%	2 years	0.900%	0.489%
3 years	0.23%	0.75%	3 years	1.299%	0.876%
4 years	0.29%	1.00%	4 years	1.578%	1.346%
5 years	0.36%	1.26%	5 years	1.772%	1.786%
7 years	0.53%	1.68%	7 years	2.041%	2.482%
10 years	0.81%	2.15%	10 years	2.283%	3.086%
15 years	1.15%	2.59%	15 years	2.507%	3.599%
20 years	1.33%	2.72%	20 years	2.620%	3.802%
30 years	1.46%	2.74%	30 years	2.700%	3.929%

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 recognized in profit or loss 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 reported 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 Finance 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 recognized in profit or loss 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 recognized in profit or loss in the year in which these are incurred.

Finance income and costs

Finance income and costs are recognized in profit or loss 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 recognized in profit or loss, 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 recognized in profit or loss 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 balance sheet 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 balance sheet.

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.

When the book value of a non-current asset registers a loss in value, the Group states a write-down for the excess amount between the book value of the asset and the recoverable value through its use or sale.

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 2015. 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 any 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 scenario 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 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, as well as rates concerning requests for advances.

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 2014

- On 12 May 2011 the IASB issued standard IFRS 10 – *Consolidated Financial Statements*, introducing a single control model applicable to all companies, including special purpose entities. IFRS 10 replaces the part of IAS 27 - Consolidated and Separate Financial Statements regulating accounting of the consolidated financial statements and SIC-12 — Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control establishing that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all of the following elements: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the Company's financial statements.
- On 11 May 2011 the IASB issued standard IFRS 11 - Joint Arrangements. Following its release, IAS 28 – Investments in Associates was amended to comprise investments in entities under joint control within its scope as from the effective date of the standard.
- IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and eliminates the option of accounting jointly controlled entities using the proportionate consolidation method. Jointly controlled entities that meet the definition of joint venture must be accounted for using the equity method. IFRS 11 had no impact.
- 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 requirements of IFRS 12 are more complete than previous disclosures for subsidiaries. For example, this is the case if an entity exercises control with less than a majority of the voting rights. The application of the new standard has had limited effects on the presentation of the financial statements.
- On 16 December 2011 the IASB issued amendments to IAS 32 – *Financial Instruments: Presentation* to clarify the application of certain criteria for offsetting financial assets and liabilities in IAS 32. These amendments clarify the meaning of "currently has a legally enforceable right to set off" and of the offsetting criterion in the case of

settlement systems (such as centralized clearing houses) that apply non-simultaneous gross settlement mechanisms. These amendments had no impact on the Group's financial statements.

- 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. These amendments eliminate the consequences unwittingly introduced by IFRS 13 on disclosures required bty IAS 36. These amendments also require disclosure about the recoverable amount of the asset or CGU for which during the year an impairment loss was recognized or reversed.
- 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*. These changes have had no impact because the Company has replaced its derivatives neither in the current year nor in previous years.
- On 30 October 2012 the IASB issued amendments to IFRS 10- *Consolidated Financial Statements*, IFRS 12 – *Disclosure of Interests in Other Entities* and IAS 27 – *Consolidated and Separate Financial Statements*.
  These amendments require an exception to consolidation for entities that fall within the definition of investment entities pursuant to IFRS 10 – *Consolidated Financial Statements*. This exception to consolidation requires that the investment entities measure subsidiaries at fair value recognized in profit or loss. These changes had no impact on the Company, since none of the operational entities belonging to the Group qualifies as investment entities pursuant to IFRS 10.

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

- On 24 July 2014, the IASB issued the final version of IFRS 9 –*Financial Instruments* that reflects all phases of the project relating to financial instruments and replaces IAS 39 - *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after 1 January 2018; early application is permitted. Retrospective application of the standard is required, but it is not mandatory to provide comparative disclosure.

- On 28 May 2014 the IASB issued IFRS 15 – *Revenue* that introduces a new 5-step model that will apply to revenue from contracts with customers. IFRS 15 provides for the recognition of revenues for an amount that reflects the consideration that an entity expects for the transfer of goods or services to the customer. The standard provides a more structured approach to the recognition and measurement of revenue. The new standard is applicable to all entities and supersedes all existing requirements in the IFRSs relating to revenue recognition. The standard is effective for reporting periods beginning on or after 1 January 2017, with full retrospective or modified application. Early application is permitted. The Company is currently assessing the impact of IFRS 15 and plans to apply the new standard by the mandatory effective date.

- On 12 May 2014 the IASB issued amendments to IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets* to clarify the standard contained in IAS 16 and IAS 38 that the revenues reflect a model of economic benefits that are generated from the operation of a business (to which the asset belongs) rather than the economic benefits that are consumed with the use of the asset. It follows that a revenue-based approach cannot be used for the depreciation of property, plant and equipment and may be used only in very limited circumstances for the amortization of intangible assets. The amendments must be applied prospectively for reporting periods beginning on or after 1 January 2016; early application is permitted. No impact is expected on the Company as a result of the application of these changes since the Company does not use revenue-based methods for the depreciation of non-current assets.

- On 12 August 2014 the IASB issued amendments to IAS 27 - *Consolidated and Separate Financial Statements* that will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements. Entities that are already applying IFRSs and decide to change the accounting policy, transitioning to the equity method in their separate financial statements must apply the change retrospectively. The amendments are effective for reporting periods beginning on or after 1 January 2016; early application is permitted. No impact is expected following the application of these amendments.
- The company adopted IFRIC 21 – Taxes, an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. This interpretation sets out the recognition of liabilities for the payment of levies other than income taxes and determines specifically which event originates the obligation and the time of recognition of the liability. No effect is derived from the adoption of this interpretation.

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 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 19.4% and amounted to ¬42,822 thousand, versus ¬35,872 thousand in 2013.

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

Turnover by geographical area	FY2014	%	FY2013	%
¬thousand				
Italy	4,003	9.3%	4,063	11.3%
Europe	9,359	21.9%	10,502	29.3%
Asia	22,692	53.0%	18,154	50.6%
North and South America	6,732	15.7%	2,962	8.3%
Rest of the World	36	0.1%	191	0.5%
Total revenues	**42,822**	**100%**	**35,872**	**100%**

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

Turnover by business line	FY2014	%	FY2013	%
¬thousand				
Numerical controls, drives and software	2,573	6.0%	2,242	6.2%
High-speed milling systems	33,448	78.1%	27,864	77.7%
After-sales service	6,801	15.9%	5,766	16.1%
Total revenues	**42,822**	**100%**	**35,872**	**100%**

2. OTHER OPERATING REVENUE

This item comprises:

¬thousand	FY2014	FY2013
Contributions for operating expenses	443	711
Increase in fixed assets for internal work	352	211
Gain from tangible assets	12	-
Recovery of warranty provisions	31	-
Contingent assets	110	138
Recovery of costs incurred	337	288
Insurance refunds	49	16
Release of bad debt provisions	-	50
Other miscellaneous revenues and earnings	174	5
Total	**1,508**	**1,419**

Grants for operating expenses basically consist of funds for research projects stated by year of accrual in the income statement at 31 December 2014 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 allowed the start of new activities in the course of the year but not yet the recognition of the economic benefits.

3. RAW MATERIALS

These are:

¬thousand	FY2014	FY2013
Production materials	15,527	10,928
Service materials	1,075	898
Consumables	55	79
Equipment and software	55	85
Packaging	301	165
Other	90	105
Change in inventory raw materials and consumables	58	1,848
Total	**17,161**	**14,108**

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 ¬10,186 thousand and was substantially stable (-0.9%) versus ¬10,274 thousand in 2013. These consist of:

¬thousand	FY2014	FY2013
Wages and salaries	7,522	7,651
Social security charges	2,198	2,186
TFR	442	437
Other personnel expenses	**24**	**-**
Total	**10,186**	**10,274**

Due to the higher turnover, the overall incidence of cost of labor in relation to revenue decreased from 28.6% in 2013 to 23.8% in the current year.

Please note in the table below the change recorded in FY2014 in the number of employees, broken down by category, is illustrated below:

	31 December 2013	Inbound	Outbound	Change	31 December 2014	Period average
Executives	7	-	-1	-	6	6.5
Clerks and cadres	128	9	-4	-	133	130.5
Workers	39	4	-3	-	40	39.5
Total	**174**	**13**	**-8**	**-**	**179**	**176.5**

5. OTHER OPERATING EXPENSES

Other working expenses are as follows:

€thousand	FY2014	FY2013
Outsourced work	3,833	2,384
Travel expenses	616	557
Transportation and customs	1,175	808
Rent due	666	647
Technical, legal and administrative consulting	1,303	1,346
Utilities	356	393
Commissions	3,046	2,830
Car and equipment rental	318	329
Auditors' emoluments	59	57
Insurance	232	228
Advertising, trade fairs and other commercial costs	94	382
Non-income taxes	122	95
Maintenance and housekeeping	164	183
Charges for personnel services	189	204
First-supply services	1,295	1,176
Bank services	204	181
Stock exchange listing fees	99	107
Costs for repairs and interventions	994	911
Research project costs	10	45
Entertainment expenses	108	145
Patent costs	84	87
Contributions and payments	41	35
Contingent liabilities	116	146
Warranty provisions	371	200
Other provisions	12	-
Other	454	349
Total	**15,961**	**13,825**

Other operating expenses amounted to €15,961 thousand, up by €2,136 thousand compared to €13,825 thousand in 2013.

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

6. DEPRECIATION AND AMORTIZATION

€thousand	FY2014	FY2013
Amortization of intangible assets	91	18
Depreciation plant and equipment	278	246
Impairment of trade receivables	3	76
Impairment of other non-current receivables and assets	206	-
Other write-downs	-	27
Total	**578**	**367**

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 2014, equivalent to €3 thousand, along with the existing reserves, are deemed commensurate to possible cases of insolvency.

Impairment of other non-current receivables and assets is represented by the provision for bad debts equivalent to €206 thousand for a portion of the receivables for withholding tax on foreign income claimed by Fidia S.p.A. towards the Treasury that it was deemed prudent to set aside on the basis of forecasts of recoverability of this portion of receivables and taking into account the maturity thereof.

7. RECOVERY/(WRITE-DOWN) OF INVESTMENTS

¬thousand	FY2014	FY2013
Write-down of investments	(350)	-
Recovery of value of investments	1,426	-
Total	**1,076**	**-**

The outcome of the *impairment test* carried out on the investments held in the subsidiaries Fidia Co. (USA), Shenyang Fidia NC & Machine Co. Ltd. (China) and Fidia do Brasil resulted in a recovery of ¬1,426 thousand and in write-downs of ¬248 thousand and ¬102 thousand respectively. The recovery resulting from the impairment test is related to the fact that U.S. company has consolidated a trend of positive economic results in recent years; considering also the economic and financial outlook, estimated over a period of three years, management deemed that the conditions that led to the write-down of the investment in past years no longer subsist.

8. NON-RECURRING REVENUE

The year before the company allocated a provision of ¬300 thousand for an accident covered by a specific insurance policy.

During 2014, the insurance company recognized the merits of the claim and settled it.

9. FINANCE INCOME AND COSTS

Finance income and costs consist of:

¬thousand	FY2014	FY2013
Finance revenue	1,229	1,610
Borrowing costs	(385)	(462)
Net profit (loss) on derivatives	(21)	25
Profit (loss) from foreign currency transactions	17	(45)
Total	**840**	**1,128**

Finance revenue consists of:

¬thousand	FY2014	FY2013
Dividends from subsidiaries	1,219	1,585
Interests received from banks	10	20
Other interests received	-	5
Total	**1,229**	**1,610**

Dividends from subsidiaries consisted of:

¬thousand	FY2014	FY2013
Beijing Fidia Machinery & Electronics Co. Ltd.	438	1,085
Fidia Iberica S.A.	375	500
Fidia Sarl	**93**	**-**
Fidia GmbH	**313**	**-**
Total	**1,219**	**1,585**

Finance expenses consist of:

¬thousand	FY2014	FY2013
Interests paid on short-term borrowings from banks	(157)	(208)
Interest paid on M/L term to banks	(104)	(131)
Interests paid on lease payables	(3)	-
Borrowing costs on termination benefits	(60)	(66)
Other borrowing costs	(61)	(57)
Total	**(385)**	**(462)**

Net profit and loss on derivatives:

¬thousand	FY2014	FY2013
Loss on derivatives due to *fair value* adjustment	(29)	-
Gain on derivatives due to *fair value adjustment*	8	25
Total	**(21)**	**25**

Finance expenses on derivatives (¬29 thousand) comprises the fair value impact for the component excluded from hedging (time value of forward) of the futures contracts put in place to limit the risk on the EUR/USD exchange rate linked to four sales orders in USD.

Finance revenue on derivatives equal to ¬8 thousand comprises the value of the ineffective component of three hedging derivatives (two interest rate caps and an interest rate swap) entered into to hedge interest rate risk on three medium-to-long term floating rate loans.

Profit (loss) on foreign currency transactions consists of:

¬thousand	FY2014	FY2013
Currency gain	86	22
Revenue from exchange rate adjustment	17	2
Profit on currency forward contract	-	5
Loss on currency forward contract	(59)	(5)
Currency loss	(18)	(61)
Expenses from exchange rate adjustment	(9)	(8)
Total	**17**	**(45)**

10. INCOME TAXES

Taxes recognized in profit or loss are:

¬thousand	FY2014	FY2013
Income tax:		
IRAP (Italian Regional Tax on Production Activities)	321	206
IRES	109	
Deferred tax assets absorbed	342	-
Pre-paid taxes	(259)	(7)
Total	**513**	**199**

At 31 December 2014 the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

¬thousand	31 December 2014	31 December 2013
Pre-paid tax assets	507	417
Deferred tax liabilities	-	(3)
Total	**507**	**414**

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

¬thousand	At 31 December 2013	Posted in income statement	Recognized in net equity	At 31 December 2014
Pre-paid taxes for:				
Application of IAS 19 - Termination Benefits	72	9	45	126
Inventories impairment provisions	-			
Tax loss	343	(93)		250
Cash flow hedge reserve	2		129	131
Total pre-paid taxes	**417**	**(84)**	**173**	**507**
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.

11. PLANT AND EQUIPMENT

In 2014 and 2013 the changes in Plant and Equipment are detailed in the following schedule:

	Prior changes			Changes in period						
¬ EUR	Purchase price	Deprecia tion reserve	Initial balance 1.1.2014	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Write-downs/ Recovery in value	Final balanc e
Plant and equipment	1,894	(1,408)	486	25	(249)	(224)	77	(153)	54	240
Industrial equipment	1,610	(1,505)	105	60	-	60	-	(47)	-	118
Electrical tools	777	(762)	15	-	(3)	(3)	3	(7)	-	8
Furnishing	865	(699)	166	17	-	17	-	(21)	-	162
Electronic equipment	1,263	(1,187)	76	5	(10)	(5)	10	(25)	-	56
Means of transportation	257	(257)	-	87	(61)	26	61	(20)	-	67
Other tangible assets	23	(5)	18	-	-	-	-	(5)	-	13
Assets under development	10	-	10	2,715	-	2,715	-	-	-	2,725
Total plant and equipment	**6,699**	**(5,823)**	**876**	**2,909**	**(323)**	**2,586**	**151**	**(278)**	**54**	**3,389**

	Prior changes			Changes in period						
¬ EUR	Purchase price	Deprecia tion reserve	Initial balance 01/01/2013	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Write-downs/ Recovery in value	Final balance
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 transportat ion	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**

Capital expenditure made during 2014 amounted to ¬2,909 thousand.

Work in progress, which represents the bulk of new capital expenditure, refers to a plot of land with adjoining industrial building under construction, that Fidia S.p.A. acquired, through lease, during the reporting period. As it is not yet ready for use, this capital expenditure item has not yet been subject to depreciation.

The remainder of capital expenditure consisted of investments physiological for the production and sales structure of the company.

There are no buildings burdened by collateral, but, by virtue of the lease contract entered into for the purchase of the industrial building, this asset is in the name of the leasing company.

Amortization of tangible assets, equivalent to ¬278 thousand, is recognized in profit or loss under Depreciation and amortization" (Note No. 6).

12. INTANGIBLE ASSETS

The intangible assets do not comprise intangible assets with indefinite useful life. The following tables show the breakdown by category and the changes over the past two fiscal years:

	Prior changes			Changes in period					
¬ thousand	Purchase price	Depreciation reserve	Initial balance 1.1.2014	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Final balance
Licenses	1	(1)	-	102	-	102	-	(20)	82
Software	662	(613)	49	262	-	262	-	(71)	240
Assets under development	263	-	263	298	(263)	35	-	-	298
Total intangible assets	**926**	**(614)**	**312**	**662**	**(263)**	**399**	**-**	**(91)**	**620**

	Prior changes			Changes in period					
¬ thousand	Purchase price	Depreciation reserve	Initial balance 01/01/2013	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Final 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**

The increases recorded in "Licenses" and "Software" in the year are related to the introduction of the new Navision information system implemented for the management of the main administrative and management processes that went into operation at the beginning of the current year. This implementation has also allowed improving R&D processes and the relative measurement of future costs and benefits of individual projects, in accordance with IAS 38 in terms of capitalization. Development costs incurred and capitalized during the year totaled ¬298 thousand and are recorded under the "Work in progress"; it has not yet been depreciated as it is not yet completed and therefore the projects to which it relates have not yet begun to produce the related benefits.

All costs of research (both basic and applied) are instead charged to profit or loss in the year they are incurred

Amortization of tangible assets is recognized in profit or loss under "Depreciation and amortization" (Note No. 6).

13. INVESTMENTS

At 31 December 2014 these amounted to ¬9,873 thousand. The following changes were registered:

¬thousand	Balance at 31 December 2013	Increases	Decreases	Write-downs	Recovery of value	Balance at 31 December 2014
Investments in subsidiaries	8,784	-	-	(350)	1,426	9,860
Investments in associates	2	-	-	-	-	2
Investments in others entities	11	-	-	-	-	11
Total investments	**8,797**	**-**	**-**	**(350)**	**1,076**	**9,873**

¬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**

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

¬thousand	Balance at 31 December 2013	Increases	Decreases	(Write-downs)/ Recovery of value	Balance at 31 December 2014
Subsidiaries					
Fidia GmbH	1,208				1,208
Historical cost	1,208	-	-	-	1,208
Impairment provisions	-	-	-	-	-
Fidia Co.	3,527				4,953
Historical cost	7,078	-	-	-	7,078
Impairment provisions	(3,551)	-	-	1,426	(2,125)
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				82
Historical cost	350	-	-	-	350
Impairment provisions	(166)	-	-	(102)	(268)
Shenyang Fidia NC & Machine Co. Ltd.	2,286				2,038
Historical cost	2,443	-	-	-	2,443
Impairment provisions	(157)	-	-	(248)	(405)
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**			**1,076**	**9,860**
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**	**-**	**-**	**1,076**	**9,873**

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 2013 and 2014 there were no investments provided as collateral for financial liabilities and potential liabilities.

Impairment test

The impairment test was carried out on the controlling interests in the Fidia Co. (USA), Shenyang Fidia NC&M Co. Ltd. Company (China) and Fidia do Brasil Company 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 subsidiaries concerning the 2015-2017 time-frame. The assumptions used in forecasting cash flows for the explicit forecast period were based on prudent assumptions and using future realistic and achievable expectations.
In order to determine the value in use of the subsidiaries, the discounted cash flows of the 3 years of explicit forecast plus a terminal value 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. Specifically, WACC rates were equivalent to 20.6% for Fidia Co. (USA), 10.6% for Shenyang Fidia NC&M Co. Ltd. (China), and 20.6% for Fidia do Brasil. 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 carrying amount of the investments of the parent company Fidia S.p.A and the recoverable amount resulting from the application of the measurement method described above highlighted the need to make a recovery for the investment in Fidia Co. equivalent to -1,426 thousand and a write-down for the investments in Shenyang Fidia NC&M co. Ltd. (China) and Fidia do Brasil, equivalent to -248 thousand and -102 thousand respectively. The recognized effects resulted in the alignment of the cost of the investments with the related recoverable amount.

For the remaining investments, substantial consistency was recorded; a further write-down or recovery was therefore not recognized.

The sensitivity analysis showed that:

- Shenyang Fidia NC&M Co. Ltd. (China): changes of +/-0.5% on WACC do not result in significant impacts in terms of determining the recoverable amount and changes in revenues of +/-5% would cause impacts on the recoverable amount of +/-12% respectively.

Fidia do Brasil: changes of +/-0.5% on WACC do not result in significant impacts in terms of determining the recoverable amount and changes in revenues of +/-5% would cause impacts on the recoverable amount of +/-2% respectively.

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

€thousand	Balance at 31 December 2014	Balance at 31 December 2013
Guarantee deposits	43	43
Receivables for foreign VAT	12	6
Receivables for EU contributions to R&D	53	50
Withholding tax on foreign income	1,106	1,157
Other current	22	6
Total other non-current receivables and assets	**1,236**	**1,262**

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 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 deadline for the use of these receivables is expected from 2016 onwards. On the basis of forecasts of recoverability of this receivable, and considering the expected maturities thereof, a provision to bad debt of €206 thousand was made.

15. INVENTORIES

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

€thousand	Balance at 31 December 2014	Balance at 31 December 2013
Raw materials, subsidiary materials and consumables	7,857	7,901
Provisions for raw materials depreciation	(1,429)	(1,415)
Net value of raw materials, subsidiary materials and consumables	**6,428**	**6,486**
Semi-finished products and work in progress	**5,055**	**3,054**
Finished products and goods	1,252	2,387
Finished products and goods depreciation provision	(108)	(114)
Net value finished products and goods	**1,144**	**2,273**
Advances	6	20
Total inventories	**12,633**	**11,833**

Compared to the year before, inventories increased by €800 thousand.

The provisions for depreciation equivalent to €1,537 thousand (€1,529 thousand thousand at 31 December 2014) 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.

16. TRADE RECEIVABLES

At 31 December 2014 these amounted to €7,239 thousand, namely €308 thousand lower compared to 31 December 2013. In detail:

€thousand	Balance at 31 December 2014	Balance at 31 December 2013
Trade receivables from customers	6,562	4,558
Bad debt provisions	(410)	(575)
Total trade receivables from others	**6,152**	**3,983**
Receivables from subsidiaries	1,087	3,564
Total trade receivables	**7,239**	**7,547**

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

€thousand	31 December 2014	31 December 2013
Unexpired	660	2,306
Due up to 1 month	3,788	248
Due 1 to 3 months	742	223
Due 3 months to 6 months	588	855
Due 6 months to 1 year	244	270
Due over 1 year	540	656
Total	**6,562**	**4,558**

All trade receivables are due within one year.

The bad debt provisions, amounting to €410 thousand (€575 thousand at 31 December 2013) 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 2013 (€thousand)	**575**
Provisions in period	3
Amounts used	(168)
Balance at 31 December 2014	**410**

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

€thousand	Balance at 31 December 2014	Balance at 31 December 2013
Italy	1,196	1,574
Europe	429	578
Asia	4,817	2,072
North and South America	101	314
Rest of the World	19	20
Total	**6,562**	**4,558**

Receivables from subsidiaries were the following:

€thousand	Balance at 31 December 2014	Balance at 31 December 2013
Fidia Co.	341	218
Fidia Sarl	55	462
Fidia Iberica S.A.	108	95
Fidia GmbH	214	1,182
Fidia do Brasil Ltda	170	108
Beijing Fidia M&E Co. Ltd.	199	50
Shenyang Fidia NC & Machine Co. Ltd.	-	1,449
Total receivables	**1,087**	**3,564**

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

€thousand	Balance at 31 December 2014	Balance at 31 December 2013
Europe	377	1,739
North and South America	511	326
Asia	199	1,499
Total	**1,087**	**3,564**

At year-end there were no receivables from associates.

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

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Current tax receivables:		
Receivables from tax authorities for VAT	143	52
Tax receivables for income tax and IRAP	-	44
Receivables for short-term foreign VAT	-	7
Other tax receivables:	2	7
Total current tax receivables	**145**	**110**
Contributions for research projects	473	715
Prepayments and accrued expenses	147	150
Receivables from employees	30	11
Advances from suppliers	210	139
Dividends receivable	488	-
Other current receivables	99	106
Total other current receivables and assets	**1,447**	**1,121**

Receivables for research projects equal to ¬473 thousand consisted of grants from the European Union and the 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.

18. OTHER CURRENT FINANCIAL ASSETS

This item amounted to ¬19 thousand at 31 December 2013; it was totally cleared during the year.

19. CASH AND CASH EQUIVALENTS

The overall total of cash amounted to ¬4,763 thousand (¬3,531 thousand at 31 December 2013). This item is composed of temporary cash on bank accounts pending future use amounting to ¬4,762 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.

20. EQUITY

At 31 December 2014 these amounted to ¬9,976 thousand, namely ¬2,552 thousand higher compared to 31 December 2013. The change was due to:

- profit realized in the fiscal year (¬3,019 thousand);
- negative effect of the accounting of actuarial losses on the termination benefits net of the theoretical tax effect (¬129 thousand);
- negative change of the cash flow hedge reserve net of the theoretical tax effect (¬338 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 Tuesday, December 31, 2013. The share capital, fully subscribed and paid in, is unchanged and numbered 5,123,000 ordinary shares with a face value of €1 each.

The following table illustrates reconciliation between the number of circulating shares since 31 December 2012 and the number of circulating shares at 31 December 2014:

	At 31 December 2012	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2013	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2014
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 2013.

Legal reserve

Legal reserve in the amount of €517 thousand was unchanged compared to 31 December 2013.

Provisions for own shares in portfolio

At 31 December 2014, it amounted to €45 thousand and was unchanged compared to 2013.

These reserves are not available until own shares are held.

Extraordinary reserve

At 31 December 2014 it amounted to €309 thousand, down by €802 thousand over 31 December 2013, due to the coverage of part of the loss of year 2013 (as per the shareholders' resolution of 29 April 2014).

Earnings (loss) carried forward

At 31 December 2014 earnings carried forward amounted to €220 thousand, down compared to 31 December 2013, due to the coverage of part of the loss of year 2013 (as per the shareholders' resolution of 29 April 2014).

Own shares

Own shares consisted of 10,000 ordinary shares issued by Fidia S.p.A. for a value of €45 thousand. There were no changes in 2014, as illustrated in the following table.

	No. of shares	Nominal value (€/000)	Share in % share capital	Book value (€/000)	Mean unit value (€)
Situation at 1 January 2014	**10,000**	**10.00**	**0.20%**	**45**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Recovery in value	-	-	-	-	-
Situation at 31 December 2014	**10,000**	**10.00**	**0.20%**	**45**	**4.55**

Profit (loss) stated directly in equity

At 31 December 2014 it amounted to -€109 thousand as opposed to €20 thousand at 31 December 2013; the change was due to the accounting of actuarial losses for termination benefits in 2014, net of theoretical tax effect.

Cash flow hedge reserve

Cash flow hedge reserve comprised the fair value of some derivatives (*interest rate swap* and *forward* contracts) entered into by the Company to hedge risk on changes in interest rates on a floating-rate loan and the risk of fluctuations in exchange rates on certain sales contracts in USD.

In 2014 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 2014	Increases	Decreases	CFH provisions stated in income statement	Final balance at 31 December 2014
- *Interest rate swap*	Interest rate risk	(5)	4			(1)
- *forward*	Exchange rate risk	-		(342)		(342)
Total		**(5)**	**4**	**(342)**		**(343)**

According to article 2427, no. 7b, of the Italian Civil Code, as amended by Italian Legislative Decree no. 6/03, the following schedule of the Equity items is provided below and it specifies the utilization of provisions:

				Utilizations in previous 3 fiscal years	
¬thousand	Amount	Availability	Distributability	To cover losses	Other reasons
Capital issued:	5,123				
Capital reserves:					
Provisions for share premium (1)	1,240	A, B, C	732	246	-
Profit reserves:					
Provisions for own shares	45	----	----	-	-
Legal reserve	517	B	----	-	-
Cash Flow Hedge reserve	(343)	----	----	-	-
Profit (loss) stated directly in equity	(109)	----	----	-	-
Extraordinary reserve	309	A, B, C	309	802	-
Profit (loss) carried forward	220	A, B, C	220	546	-
Total distributable share			**1,769**	**1,594**	**-**

(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

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Advances for research projects	77	331
Long-term deferred income	1	8
Total	**78**	**339**

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

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

22. TERMINATION BENEFITS

This item reflects the benefits set out 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 2014	**2,263**
Amount accrued and allocated in year	442
Benefits paid out in year	(54)
Amount transferred to State Fund and complementary pension scheme	(438)
Borrowing costs on termination benefits	60
Accounting of actuarial losses	177
Substitute tax	(4)
Balance at 31 December 2014	**2,446**

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 ¬60 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2014	**At 31 December 2013**
Discount rate	1.10%	2.67%
Future inflation rate	1.00%	1.80%
Frequency of request for advances	3.0%	3.0%
Relative frequency of resignation/dismissal cadres, employees, 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 2014.

	Basic Assumptions	Changes in Basic Assumptions									
Inflation rate projections	1.00%	0.90%	1.10%								
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: Employee	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	1.10%							0.99%	1.21%		
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: Employee	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.	2,446	-0.61%	+0.61%	+0.11%	-0.11%	+0.11%	-0.11%	+1.09%	-1.08%	+0.16%	-0.16%

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

¬thousand	**31 December 2014**		**31 December 2013**	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest Rate Swap	211	1	632	8
Interest Rate Cap BNL	868	8	1,184	12
Interest Rate Cap Banco Popolare	750	6	1,000	9
Total		**15**		**29**

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 ¬5,673 thousand and are specified in detail in the following table:

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Overdrawn bank accounts and short-term advances	1,679	2,610
Financial accruals and deferrals	22	4
Intra-group loans	58	150
Loan No. 1 - Banca Nazionale del Lavoro (part medium/long term and part short term)	210	626
Loan No. 2 - Banca Nazionale del Lavoro (part medium/long term and part short term)	853	1,156
Loan - Banco Popolare (part medium/long term and part short term)	739	981
Short-term loan - MPS	697	696
Lease - Volkswagen Bank	59	-
Property lease with Mediocredito Italiano	1,307	-
Autodesk financing	**49**	**-**
Total	**5,673**	**6,223**

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	1,701			1,701
Intra-group loans	58			58
Medium-to-long term bank loans	761	1,041		1,802
Short-term loans	697			697
Lease - Volkswagen Bank	**17**	**42**		**59**
Property lease with Mediocredito Italiano	**-**	**210**	**1,097**	**1,307**
Autodesk financing	**16**	**33**		**49**
Total	**3,250**	**1,326**	**1,097**	**5,673**

Intra-group loans consisted of an interest-yielding loan in the amount of ¬58,000 (and related interests) from the French subsidiary Fidia Sarl. The contract lasts until 31 March 2015 and can be extended.

Bank loans have the following main characteristics:

M/L-term loan with Banca Nazionale del Lavoro

Original amount	¬2,000 thousand
Residual amount	€210 thousand
Date of loan	31/08/2010
Term	Maturity 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	€853 thousand
Date of loan	08/10/2012
Term	Maturity date 30/09/2017
Interest-only period	1 quarterly installment (31/12/2012)
Repayment	19 quarterly installments (31/03/2013 to 31/12/2017)

Interest rate	3-month Euribor, base 360 + 3.35% spread

This loan is guaranteed at 70% by Sace S.p.A. In order to hedge the interest rate risk, an *interest rate cap* hedging contract has been entered into.

<u>M/L-term loan - Banco Popolare</u>

Original amount	¬1,250 thousand
Residual amount	€739 thousand
Date of loan	09/11/2012
Term	Maturity 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.

<u>Short-term loan - Monte dei Paschi di Siena</u>

Original amount	¬697 thousand
Residual amount	€697 thousand
Date of loan	11/12/2014
Term	Maturity date 30/06/2015
Repayment	3 monthly installments (31/04/2015 to 30/06/2015)
Interest rate	1.63%

<u>Lease - Volkswagen Bank</u>

Original amount	¬85 thousand
Residual amount	€59 thousand
Date of loan	3/1/2014
Term	Maturity date 30/11/2017
Repayment	47 monthly installments (03/01/2014 to 30/11/2017)
Interest rate	4.54%

<u>Property lease with Mediocredito Italiano</u>

Original amount	¬2,600 thousand
Residual amount	€1,307 thousand
Date of loan	25/6/2014
Term	180 months from the date of completion of the renovations and expansion
Interest rate	3-month Euribor + 3.81% spread

<u>Autodesk financing</u>

Original amount	€66 thousand
Residual amount	€49 thousand
Date of loan	17/07/2014
Term	Maturity date 30/06/2016
Repayment	24 monthly installments (30/07/2014 to 30/06/2016)
Interest rate	0%

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

¬thousand	Balance at 1/1/2014	New loans	Repayments	Balance at 12/31/2014
Loan No. 1 - Banca Nazionale del Lavoro	626	-	(416)	210
Loan No. 2 - Banca Nazionale del Lavoro	1,156	-	(303)	853
Loan - Banco Popolare	981	-	(242)	739
Short-term loan - MPS	696	697	(696)	697
Lease - Volkswagen Bank	-	85	(26)	59
Property lease with Mediocredito Italiano	-	2,600	(1,293)	1,307
Intra-group loans	150	201	(293)	58
Autodesk financing	**-**	**60**	**(11)**	**49**
Total	**3,609**	**3,643**	**(3,280)**	**3,972**

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

With reference to the real estate lease, repayments are related to the payment of the initial contract fee.

For more information on the management of interest and exchange rate risk on loans, please refer to Note No. 30.

25. OTHER CURRENT FINANCIAL LIABILITIES

This item amounted to ¬502 thousand and includes the fair value loss of certain contracts for the forward sale of USD entered into by the company to hedge the exchange rate risk on certain supplies denominated in that currency.

At 31 December 2013, this item amounted to ¬140 thousand, but related 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.

26. TRADE PAYABLES

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Payables to other suppliers	11,573	7,724
Payables to subsidiaries	4,735	4,564
Payables to associates	2	2
Total trade payables	**16,310**	**12,290**

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	Due between 1 and 5 years	Total
Payables to other suppliers	5,713	3,619	2,246	(5)	11,573
Payables to subsidiaries	2,941	1,794	-	-	4,735
Payables to associates	2	-	-	-	2
Total trade payables	**8,656**	**5,413**	**2,246**	**(5)**	**16,310**

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

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Italy	8,798	6,203
Europe	621	540
Asia	2,081	890
North and South America	73	91
Total	**11,573**	**7,724**

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

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Fidia Co.	155	12
Fidia S.a.r.l.	20	151
Fidia Iberica S.A.	54	31
Fidia GmbH	68	47
Beijing Fidia M&E Co. Ltd.	4,387	3,934
Shenyang Fidia NC&M Co. Ltd.	42	378
Fidia do Brasil Ltda	8	9
Fidia India Pvt. Ltd.	1	2
Total payables to subsidiaries	**4,735**	**4,564**

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

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Europe	142	229
Asia	4,430	4,314
North and South America	163	21
Total	**4,735**	**4,564**

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

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Prometec Consortium	2	2
Total	**2**	**2**

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

27. TAX PAYABLES, OTHER CURRENT PAYABLES AND LIABILITIES

¬thousand	Balance at 31 December 2014	Balance at 31 December 2013
Current tax payables:		
- withholding taxes	308	313
- Payables to tax authorities for IRES	109	-
- Payables to tax authorities for IRAP	116	-
Total current tax payables	**533**	**313**
Other current payables and liabilities:		
Payables to employees	597	605
Social security payables	701	659
Down payments from customers	3,379	4,444
Payables for compensation	253	69
Deferrals	50	33
Accrued liabilities	57	68
Miscellaneous payables	108	101
Total other current payables and liabilities	**5,145**	**5,979**

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 ¬1,019 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.

28. PROVISIONS FOR RISKS AND EXPENSES

Provisions for risks and expenses amounted to €1,174 thousand as per the schedule.

€thousand	Balance 1 January 2014	Accrual	Utilization /Release	Balance 31 December 2014
Warranty provisions	822	371	(31)	1,162
Provisions for legal risks	-	12	-	12
Total other provisions for risks and expenses	**822**	**383**	**(31)**	**1,174**

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.

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

29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2014 these amounted to €3,200 thousand, up by €1,918 thousand compared to €1,282 thousand at 31 December 2013. 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 2014, the Company was not aware of any facts liable of generating foreseeable and appraisable potential liabilities and hence it deemed that there was no need to make further provisions.

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

30. INFORMATION ON FINANCIAL RISKS

The measurement and management of exposure to financial risks of Fidia S.p.A. are consistent with the provisions of the Group policies.

In particular, the main categories of risk that the company is exposed to are illustrated below.

MARKET RISKS

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

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

The market risks include exchange and interest rate risk.

Exchange rate risk: definition, sources and management policies

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

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

Exposure to exchange rate risk results from the geographical location of the business units compared to the geographical distribution of the markets where it sells its products.

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 (including of the flexible type) 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 (and vice versa), 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 2014 the portfolio of the Company comprised derivatives (flexible currency forward contracts) in order to protect future currency flows from changes in the EUR/USD exchange rate for which the relevant hedging relationship was established according to the criteria of IAS 39 and hedge accounting was applied.

At 31 December 2014 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 2014 and 31 December 2013. The impacts on income statement are before tax.

EXCHANGE RATE RISK SENSITIVITY ANALYSIS					
		Exchange Rate Risk at 31 December 2014			
		+5% change		**-5% change**	
¬thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	54	(3)		3	-
Derivatives for trading					-
Receivables	373	(18)		20	-
Effect		**(21)**		**23**	
FINANCIAL LIABILITIES					
Derivatives for trading					
Hedging derivatives	502	(1)	270	1	(299)
Overdrawn bank accounts					
Trade payables	204	10		(11)	-
Effect		**9**	**270**	**(10)**	**(299)**
Total impacts		**(11)**	**270**	**13**	**(299)**

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)**	

The quantitative data reported above have no forecast value; specifically, the sensitivity analysis on market risks cannot reflect the complexity and related market relations that may result from any assumed change.

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 2014 there were no fixed rate financial instruments measured at fair value.

At 31 December 2014, the Company had an Interest Rate Swap and two Interest Rate Caps to cover the interest rate risk.

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 2014 of the Interest Rate Swap was negative, and equal to ¬1 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 2014 of the two Interest Rate Caps was negative and equivalent to ¬13 thousand.

With regard to the cash flow hedge transactions for the two interest rate caps (compared to the previous year), the impacts on profit or loss for the portion excluded from hedging (time value of the derivative) equaled +¬8 thousand in 2014.

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 2014 included cash and loans.

At 31 December 2014, the following was assumed:

- an increase in interest rates for all financial instruments (loans and derivatives) at a floating rate equal to 10 bps;
- a decrease in interest rates for all financial instruments (loans and derivatives) at a floating rate equal to 5 bps;

The decision to simulate, at 31 December 2014, decreases of 5 bps and 10 bps was caused by the current market scenario characterized by very low interest rates and expansionary monetary policies. 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 2014**			
		+10-bps change		**-5-bps change**	
	Balance -sheet amount	**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Loans from banks	2,498	(2)		1	-
Finance leases	1,366	(1)		1	-
IRS hedging derivative	1	-		-	-
Cap hedging derivative	13	-		-	-
Total impact		(3)		2	

INTEREST RATE SENSITIVITY ANALYSIS					
¬thousand		**Interest Rate Risk at 31 December 2013**			
		+10-bps change		**-5-bps change**	
	Balance-sheet amount	**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Loans from banks	3,459	(3)		2	
IRS hedging derivative	8	-		-	-
Cap hedging derivative	21	1		-	-
Total impact		(2)		2	

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 2014 of:

- recourse to credit institutions and leasing companies 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 2014**	**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	2,498	2,631	1	265	1,270	1,095	-
Other loans	106	108	3	64	25	17	-
Leasing	1,366	2,002	2	19	63	468	1,450
Overdrawn bank accounts	1,679	1,679	1,679	-	-	-	-
Trade payables	16,310	16,310	8,656	5,413	2,246	(5)	-
Interest rate swap	1	1	-	1	-	-	-
Interest rate cap	13	14	-	2	5	6	-
TOTAL	**21,974**	**22,745**	**10,341**	**5,764**	**3,609**	**1,580**	**1,450**

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**	**-**

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 2014 is the book value of the financial assets stated in the Statement of Financial Position, plus the face value of collateral provided as indicated in Note No. 29.

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

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

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

- letters of credit;
- insurance policies.

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

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

Fair Value Hierarchies

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

The levels are as follows: Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – inputs that are not based on observable market data.

At 31 December 2014, the Company held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of -14 thousand and financial liabilities at fair value represented by derivative financial instruments to hedge the exchange rate risk, for an amount of -502 thousand, classified within Level 2 of the hierarchical assessment of fair value.

31. INTRA-GROUP RELATIONS AND RELATIONS WITH RELATED PARTIES

With regard to Fidia S.p.A. intra-group relations and relations with related party consist mainly of transactions entered into with companies under direct control. Moreover, the members of the Board of Directors and Auditors and their families are also considered related parties.

These transactions are regulated at market conditions considered normal in their respective markets, taking into account the characteristics of the goods and services.

The impact of these transactions on the individual items in the 2014 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	6	177			6,187	39	313
Fidia Sarl		44		5	998	4	93
Fidia Iberica S.A.	2	165		4	801	8	375
Fidia Co.	21	129			6,567	221	
Fidia do Brasil Ltda		89			68	2	
Beijing Fidia Machinery & E. Co. Ltd.	12	2,167			977	111	438
Shenyang Fidia NC&M Co. Ltd.	21	60			815		
OOO Fidia							
Fidia India		4					
Total Group companies	**62**	**2,835**		**9**	**16,413**	**385**	**1,219**
Other related parties (associates)							
Other related parties (Giuseppe, Paolo and Luca Morfino)	1	131	100				
Compensation Board of Directors			646				
Compensation Board of Statutory Auditors		59					
Total other related parties	**1**	**190**	**746**				
Total Group companies and other related parties	**63**	**3,025**	**746**	**9**	**16,413**	**385**	**1,219**
Total item	17,161	15,961	10,186	414	42,822	1,508	2,663
Incidence in % on balance-sheet item	**0.4%**	**19%**	**7%**	**2%**	**38%**	**26%**	**46%**

Data by year - 2013

Counterpart	Raw materials						
−thousand	and	Other operating	Personnel	Finance		Other operating	Finance
	consumables	revenues	expenses	revenues	Revenues	revenues	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 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%**

31 December 2014

Counterpart ¬thousand	Trade payables	Other current Other current payables	financial payables	Trade payables	Other current liabilities	Current financial payables
Fidia GmbH	213	313		69	450	
Fidia Sarl	55			20	190	58
Fidia Iberica S.A.	108	175		54		
Fidia Co.	341			155	378	
Fidia do Brasil Ltda	170			8		
Beijing Fidia Machinery & E. Co. Ltd.	231			4,386		
Shenyang Fidia NC&M Co. Ltd.				42	1	
OOO Fidia						
Fidia India				1		
Total Group companies	**1,118**	**488**		**4,735**	**1,019**	**58**
Other related parties (associates)						
Other related parties (Giuseppe, Paolo and Luca Morfino)		19			1	
Other related parties (Payables to BoD members of Fidia SpA)					195	
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)					59	
Total other related parties		**19**			**255**	
Total Group companies and other related parties	**1,118**	**507**		**4,735**	**1,274**	**58**
Total item	7,239	1,447		16,310	5,145	
Incidence in % on balance-sheet item	**15%**	**35%**		**29%**	**25%**	**2%**

31 December 2013

Counterpart		Other current				Current
¬thousand	Trade	Other current	financial	Trade	Other current	financial
	payables	payables	liabilities	payables	payables	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 of Fidia SpA)					12	
Other related parties (Payables to Board of Statutory Auditors Fidia SpA)					57	
Total other related parties	**2**	**1**		**-**	**77**	**-**
Total Group companies and other related parties	**3,565**	**11**		**4,563**	**2,117**	**151**
Total 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 FY2014 intra-group relations also regarded financial management, which envisaged:

- distribution of dividends from subsidiaries (see Note No. 9);
- interest-yielding loan relations (see Note No. 25).

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

- compensation for employment of Mr. Paolo Morfino, whose contract was terminated in April;
- salary to Mr. Luca Morfino;
- compensation to the Board of Directors and Board of Auditors.

32. NET FINANCIAL POSITION

According to the provisions of Consob Notice of 28 July 2006 and in compliance with the CESR Recommendation of 10 February 2005 "Recommendations for standard implementation of the Regulation of the European Commission on Disclosures", the financial position of the Fidia S.p.A. at 31 December 2014 was:

	¬thousand	31 December 2014	31 December 2013
A	Cash	1	1
B	Bank deposits	4,762	3,530
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**4,763**	**3,531**
and	**Current financial receivables**		**-**
F	Current bank payables	1,679	2,613
G	Current part of non-current debt	1,529	1,657
H	Other current financial payables	-	140
I	Current financial payables from Group companies	58	151
J	**Current financial debt (F+G+H+I)**	**3,266**	**4,561**
K	**Net current financial debt (J-E-D)**	**(1,497)**	**1,030**
L	Non-current bank payables	2,406	1,802
M	Bonds issued	-	-
N	Other non-current payables	-	-
O	**Non-current financial debt (L+M+N)**	**2,406**	**1,802**
P	**Net financial debt (K+O)**	**909**	**2,832**

33. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in 2014 the company did not have any non-recurrent significant transactions.

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

According to Consob Notice of 28 July 2006, in 2014 there were no atypical and/or unusual transactions as defined by said Notice, by which atypical and/or unusual transactions are all those transactions whose significance/relevance, nature of the counterparts, subject-matter of the transaction, transfer pricing method and timing of the event (near year end) can give rise to doubts on: correctness/completeness of information posted, conflict of interests, safeguard of company equity, safeguard of non-controlling interests.

35. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Below follows a breakdown of the fair value for the different categories of assets and liabilities and related economic effects.

FAIR VALUE BY CATEGORY - IAS 39 - 31 December 2014

¬thousand	Book value at 31 December 2014 (IAS 39)	Amortised Cost	FV recognized in equity	FV recognized in profit or loss	IAS 17	Fair value at 31 December 2014
ASSETS						
Cash and equivalents	4,763	-	-	-	-	4,763
Total	**4,763**	**-**	**-**	**-**	**-**	**4,763**
LIABILITIES						
Liabilities at amortized cost	2,548	2,548	-	-	-	2,579
Hedging derivatives	517	-	(344)	(21)	-	517
Liabilities measured according to IAS 17	1,307	-	-	-	1,307	1,307
Total	6,190	4,366	(344)	(21)	1,307	4,403

NET PROFIT/LOSS BY CATEGORY - IAS 39 - 31 December 2014 ¬thousand	Net profit and loss	of which interest
ASSETS		
Cash and equivalents	10	10
Total	**10**	**10**
LIABILITIES		
Liabilities at amortized cost	(86)	(86)
Hedging derivatives	(21)	(39)
Total	**(107)**	**(125)**

36. RECONCILIATION OF TAX RATE

Below are the details of the reconciliation of the theoretical tax rate with the actual tax rate.

¬thousand	Tax base	Taxes	Tax rate %
Result before taxes	**3,532**		
Theoretical tax		(971)	27.50%
Increases of a permanent nature	**674**	**(185)**	**5.25%**
Decreases of a permanent nature	(2,710)	745	-21.10%
Temporary changes in which no deferred tax assets are recorded	(799)	220	-6.22%
Actual tax	**697**	**(192)**	**5.43%**

	IRES (Italian Corporate Income Tax)	IRAP (Italian Regional Tax on Production Activities)	Total
Current taxes	(109)	(321)	**(430)**
Pre-paid taxes	(83)	-	**(83)**
Deferred taxes	-	-	**-**
Total	**(192)**	**(321)**	**(513)**

37. SUBSEQUENT EVENTS

There were no significant events after year-end 2014.

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 2014;
- information as per article 149/XII of the Consob Regulation on Issuers.

San Mauro Torinese, 13 March 2015
On behalf of the Board of Directors
The Chairman and Managing Director
Mr. Giuseppe Morfino

Annexes

Elenco delle partecipazioni con le informazioni integrative richieste dalla Consob (comunicazione n. DEM/6064293 del 28 luglio 2006)

(in euro)

Denominazione e sede	Share capital	Book net equity	Profit (loss) at 31.12.2014	Profit (loss) at 31.12.2013	% held	Share of book equity	Net value balance sheet	Difference between equity
SUBSIDIARIES								
Fidia Gmbh – Germania Robert-Bosch-Strasse, 18 - 63303 Dreieich (Germania)	520.000	1.558.855	572.213	(42.818)	100,00%	**1.558.855**	**1.207.754**	**351.101**
Fidia Co. (*) - Stati Uniti 1397 Piedmont Dr., Suite 800 - 48083 Troy (Michigan, USA)	329.462	4.994.616	1.484.179	688.778	100,00%	**4.994.616**	**4.953.027**	**41.589**
Fidia Iberica S.A. – Spagna Parque Tecnologico de Zamudio - Edificio 208 - 48170 Zamudio (Bilbao)	180.300	1.029.145	172.921	140.261	99,993%	**1.029.073**	**171.440**	**857.633**
Fidia S.a.r.l. – Francia 47 bis, Avenue de l'Europe - 77184 Emerainville (France)	300.000	428.481	(12.052)	87.357	93,19%	**399.301**	**221.434**	**177.867**
Beijing Fidia Machinery & Electronics Co. Ltd. (*) - Cina Room 106, Building C, No. 18 South Xihuan Road - Beijing Development Area - 100176 Pechino (R.P.C)	1.700.480	4.838.797	639.239	945.916	92,00%	**4.451.693**	**1.185.046**	**3.266.647**
Fidia Do Brasil Ltda (*) – Brasile Av. Salim Farah Maluf, 4236 - 3° andar Mooca - Sao Paulo - CEP 03194-010 (Brazil)	124.458	82.240	(27.464)	(112.979)	99,75%	**82.034**	**82.486**	**(452)**
Shenyang Fidia NC & Machine Company Limited (*) - Cina n.1, 17A, Kaifa Road - Shenyang Economic & Technological Development Zone - 110142 Shenyang (R.P.C.)	5.642.088	4.050.875	(431.925)	(347.777)	51,00%	**2.065.946**	**2.037.592**	**28.354**
OOO Fidia (*) - Russia ul. Prospekt Mira 52, building 3, 129110 Mosca (Russia - Russia Federation)	49.764	18		(64)	100,00%	**18**	**-**	**18**
Fidia India Private Limited (*) - India Auto Cluster Development and Research Institute Limited - H Block, Plot n. C-181, MIDC Chinchwad, Pune - 411 019	1.303	1.882	1.035	(137)	99,99%	1.882	1.431	451
ASSOCIATES								
Consorzio Prometec – Italia Via Al Castello n. 18/A - Rivoli (Turin)	10.329	10.329	-	-	20,00%	**2.066**	**2.066**	**-**

(*) The amounts were translated into EUR at the exchange rates at 31.12.2014 and 31.12.2013.

FIDIA S.p.A. - FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Summary overview of the essential data of the last financial statements of the companies subsidiaries and associates (art. 2429 of the Civil Code) - continues

Subsidiaries	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Accounting currency	EURO	USD	EURO	EURO	REAIS
Period of reference of balance-sheet information	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Inclusion in the scope of consolidation (line by line)	YES	YES	YES	YES	YES
ASSETS					
Non-current assets					
- Property, plant and equipment	139.180	155.756	4.417	457.022	54.469
- Intangible assets	784	5.307	720	-	449
- Investments	22.867	-	-	3.366	-
- Other non-current financial assets	-	-	-	-	-
- Other non-current receivables and assets	11.992	3.556	6.873	62.041	-
- Pre-paid tax assets	26.018	783.000	17.223	-	99.729
Total non-current assets	**200.841**	**947.619**	**29.233**	**522.429**	**154.647**
Current assets					
- Inventories	1.020.918	3.311.790	275.572	133.741	390.978
- Trade receivables and other current receivables	890.441	2.631.846	281.083	609.536	396.313
- Other current financial receivables	-	-	57.824	-	-
- Cash and cash equivalents	938.372	1.510.631	332.122	541.677	361.905
Total current assets	**2.849.731**	**7.454.267**	**946.601**	**1.284.954**	**1.149.196**
Total assets	**3.050.572**	**8.401.886**	**975.834**	**1.807.383**	**1.303.843**
LIABILITIES					
Equity					
- Share capital	520.000	400.000	300.000	180.300	400.843
- Other reserves	466.643	3.862.021	140.533	675.924	(47.519)
- Profit/(loss) of the period	572.213	1.801.942	(12.052)	172.921	(88.454)
Total equity	**1.558.856**	**6.063.963**	**428.481**	**1.029.145**	**264.870**
Non-current liabilities					
- Other non-current payables and liabilities	-	-	51.670	-	-
- Termination benefits	-	-	-	-	-
- Deferred tax liabilities	51.495	-	-	63.240	-
- Long-term provisions	-	18.818	-	-	-
- Non-current financial liabilities	24.208	-	-	6.647	-
Total non-current liabilities	**75.703**	**18.818**	**51.670**	**69.887**	**-**

Subsidiaries	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Current liabilities					
- Current financial liabilities	38.159	-	-	3.096	-
- Trade payables and other current payables	1.367.454	2.275.162	495.683	705.255	900.175
- Short-term provisions	10.400	43.943	-	-	138.798
Total current liabilities	**1.416.013**	**2.319.105**	**495.683**	**708.351**	**1.038.973**
Total liabilities	**3.050.572**	**8.401.886**	**975.834**	**1.807.383**	**1.303.843**
INCOME STATEMENT					
- Net sales	9.383.129	12.676.378	1.436.677	1.738.968	2.070.743
- Other operating revenue	74.349	185.112	34.937	157.934	7.147
Total revenues	**9.457.478**	**12.861.490**	**1.471.614**	**1.896.902**	**2.077.890**
"- Changes in inventories of finished goods and W.I.P."	(364.274)	1.548.991	19.696	(2.141)	(28.773)
- Raw materials and consumables	(6.070.356)	(8.325.443)	(928.299)	(868.670)	(469.483)
- Personnel expenses	(1.314.763)	(1.196.368)	(291.819)	(491.403)	(745.164)
- Other operating expenses	(890.824)	(3.196.989)	(285.125)	(228.851)	(881.439)
- Depreciation and amortization	(69.068)	(168.820)	(1.578)	(83.604)	(39.820)
Operating result	**748.193**	**1.522.861**	**(15.511)**	**222.233**	**(86.789)**
- Finance revenue (expenses)	2.088	82	4.662	19.083	3.387
EBT	**750.281**	**1.522.943**	**(10.849)**	**241.316**	**(83.402)**
Income taxes	(178.068)	278.999	(1.203)	(68.395)	(5.052)
Net income (loss) for the period	**572.213**	**1.801.942**	**(12.052)**	**172.921**	**(88.454)**

FIDIA S.p.A. - FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Summary overview of the essential data of the last financial statements of the companies subsidiaries and associates (art. 2429 of the Civil Code)

Subsidiaries	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC & M Co. Ltd.	OOO Fidia	Fidia India Private Ltd	Consortium Prometec
Accounting currency	RMB	RMB	RUR	RUPEES	EURO
Period of reference of balance-sheet information	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Inclusion in the scope of consolidation (line by line)	SI	SI	SI		NO
ASSETS					
Non-current assets					
- Property, plant and equipment	661.285	290.651	-	-	-
- Intangible assets	84.330	661.719	-	-	646
- Investments	-	-	-	-	-
- Other non-current financial assets	-	-	-	-	-
- Other non-current receivables and assets	-	-	-	-	-
- Pre-paid tax assets	447.753	138.478	-	-	-
Total non-current assets	**1.193.368**	**1.090.848**	**-**	**-**	**646**
Current assets					
- Inventories	12.683.581	20.087.960	-	-	-
- Trade receivables and other current receivables	39.683.485	8.567.240	1.263	108.545	18.880
- Other current financial receivables	-	-	-	-	-
- Cash and cash equivalents	9.756.154	11.227.622	44	92.275	3.948
Total current assets	**62.123.220**	**39.882.822**	**1.307**	**200.820**	**22.828**
Total assets	**63.316.588**	**40.973.670**	**1.307**	**200.820**	**23.474**
LIABILITIES					
Equity					
- Share capital	12.814.480	42.517.648	3.599.790	100.000	10.329
- Other reserves	18.832.547	(8.736.165)	(3.598.483)	(35.037)	
- Profit/(loss) of the period	4.817.176	(3.254.901)	-	79.430	-
Total equity	**36.464.203**	**30.526.582**	**1.307**	**144.393**	**10.329**
Non-current liabilities					
- Other non-current payables and liabilities	-	-	-	-	-
- Termination benefits	-	-	-	-	-
- Deferred tax liabilities	7.219	-	-	-	-
- Long-term provisions	-	-	-	-	-
- Non-current financial liabilities	-	-	-	-	-
Total non-current liabilities	**7.219**	**-**	**-**	**-**	**-**

Subsidiaries	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC & M Co. Ltd.	OOO Fidia	Fidia India Private Ltd	Consortium Prometec
Current liabilities					
- Current financial liabilities	-	-	-	-	-
- Trade payables and other current payables	26.845.166	10.376.226	-	56.427	13.145
- Short-term provisions	-	70.862	-	-	-
Total current liabilities	**26.845.166**	**10.447.088**	**-**	**56.427**	**13.145**
Total liabilities	**63.316.588**	**40.973.670**	**1.307**	**200.820**	**23.474**
INCOME STATEMENT					
- Net sales	45.238.264	29.846.420	-	305.367	3.776
- Other operating revenue	1.724.806	4.960	-	-	-
Total revenues	**46.963.070**	**29.851.380**	**-**	**305.367**	**3.776**
"- Changes in inventories of finished goods and W.I.P."	155.152	(1.046.760)	-	-	-
- Raw materials and consumables	(14.950.800)	(19.929.372)	-	-	-
- Personnel expenses	(8.405.446)	(6.712.293)	-	-	-
- Other operating expenses	(14.093.898)	(5.007.875)	-	(222.906)	(3.452)
- Depreciation and amortization	(245.542)	(929.520)	-	-	(325)
Operating result	**9.422.536**	**(3.774.440)**	**-**	**82.461**	**(1)**
- Finance revenue (expenses)	(2.757.756)	518.091	-	(3.031)	1
EBT	**6.664.780**	**(3.256.349)**	**-**	**79.430**	**-**
Income taxes	(1.847.604)	1.448	-	-	-
Net income (loss) for the period	**4.817.176**	**(3.254.901)**	**-**	79.430	-

Information as per article 149/XII of the Consob Regulation on Issuers

This overview drawn up according to article 149/XII of the Consob Regulation on Issuers shows the compensation accrued in 2014 for auditing services and for those other than auditing provided by the Chief Auditor, the entities belonging to his network and by other auditing firms

	Entity providing the service	Recipient	Compensation accrued in 2014 (€ thousand)
Auditing	Reconta Ernst & Young S.p.A.	Parent company - Fidia S.p.A.	61
	Ernst & Young Network	Subsidiaries	54
	Mazars Beijing	Subsidiary: Shenyang Fidia NC&M Co. Ltd.	18
Certification services			-
Other services			-
Total			**133**

Certificate within the meaning of Article 81-ter of R. E. Consob

Certification of the financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. The undersigned Giuseppe Morfino in the capacity as Chairman and Managing Director, Carlos Maidagan Aguirre, in the capacity as Executive Deputy Chairman and Luigino Azzolin in the capacity as manager responsible for the preparation of the corporate accounting documents of the Fidia S.p.A. Company attest, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

   a. adequacy with respect to the characteristics of the Company and
   b. actual application

of the administrative and accounting procedures for the formation of the financial statements during 2014.

2. It is also attested that:

2.1 the financial statements:

   a. have been prepared in accordance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b. correspond to the books and accounting records;
   c. are suitable to give a true and fair view of the financial, economic and equity position of the issuer.

2.2 The Report on Operations includes a reliable analysis of the trends and of the result of operations, as well as of the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

13 March 2015

Chairman and Managing Director

Giuseppe Morfino

Executive Deputy Chairman

Carlos Maidagan Aguirre

Manager in charge of preparing the corporate accounting documents

Luigino Azzolin

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.s.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 31/12/14
(ai sensi dell'art. 153 del D. Lgs. 24 febbraio 1998, n.58)

Signori Azionisti,

Nel corso dell'esercizio chiuso al 31 dicembre 2014 e sino alla data odierna il Collegio Sindacale ha effettuato l'attività di vigilanza 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 (T.U.F.), il quale prevede che il Collegio Sindacale sia chiamato a riferire all'Assemblea degli Azionisti convocata per l'approvazione del bilancio sull'attività di vigilanza svolta nel corso dell'esercizio, sulle omissioni e sui fatti censurabili eventualmente rilevati, oltrechè a formulare proposte in ordine al bilancio, alla approvazione dello stesso e alle materie di propria competenza.

Abbiamo esaminato il bilancio al 31 dicembre 2014, redatto dagli Amministratori ai sensi di legge e da questi comunicato al Collegio Sindacale nel corso della riunione consiliare del 13 marzo 2015.

Il bilancio di esercizio della Società capogruppo Fidia S.p.A., preceduto dalla relazione sulla gestione riportante anche tutti gli elementi relativi al Bilancio Consolidato, evidenzia un utile netto d'esercizio di euro 3.018.956,57.

La relazione sulla gestione contiene il riferimento alla "Relazione sul governo societario e gli assetti proprietari", documento separato pubblicato in ottemperanza a quanto disposto dall'art. 123-bis del T.U.F.

Per quanto attiene alla revisione legale, 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 2014 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.

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.

Diamo atto che la società di revisione ci ha consegnato la Relazione ai sensi dell'art. 19, comma 3, del D.Lgs. 39/2010 per l'esercizio chiuso al 31 dicembre 2014, concernente gli aspetti rilevanti dell'attività di revisione contabile, che evidenzia l'assenza di carenze significative nel sistema di controllo interno in relazione al processo di informativa finanziaria.

La stessa ci ha altresì consegnato l'attestazione di indipendenza e/o cause di incompatibilità nei confronti del Collegio Sindacale, ex artt. 10 e 17 del citato D.Lgs. 39/2010.

Alla suddetta società di revisione non sono stati conferiti, nell'esercizio 2014, ulteriori incarichi oltre alla revisione legale nè sono stati conferiti incarichi a soggetti legati alla società di revisione da rapporti continuativi.

Con riferimento ai compiti di nostra competenza, il Collegio attesta di aver svolto l'attività prevista dalla legge nel rispetto dei propri doveri (art. 149 T.U.F.).

Ad integrazione di quanto precedente affermato, 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 che singolarmente, abbiamo posto particolare attenzione al fatto che le operazioni deliberate e poste in essere fossero conformi alla legge, allo statuto sociale e che 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; l'attività del

2

Collegio Sindacale è stata indirizzata alla verifica, da un lato, della legittimità delle scelte gestionali del Consiglio di Amministrazione e, dall'altro, della loro conformità a criteri di razionalità economica, patrimoniale e finanziaria, con esclusione, per contro, del controllo di merito sull'opportunità e convenienza delle scelte stesse;

- 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 con la società di revisione nell'ambito di un reciproco scambio di dati e di 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 verificato la corretta applicazione dei criteri adottati dal Consiglio di Amministrazione al fine di valutare l'indipendenza dei propri componenti non esecutivi, nonché la corretta applicazione delle relative procedure di accertamento. Il Collegio ha altresì provveduto a valutare, con esito positivo, l'indipendenza dei propri componenti;
- abbiamo effettuato, nel corso dell'esercizio, cinque verifiche, partecipando inoltre a tutte le sei riunioni del Consiglio di Amministrazione e del Comitato Controllo e Rischi, e a un'Assemblea;
- per quanto attiene ai comitati istituiti in seno al Consiglio di Amministrazione, il Comitato Controllo e 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 2014 quattro volte (di cui due volte nella veste di Comitato per le operazioni con Parti Correlate), mentre il Comitato per la Remunerazione si è riunito tre volte nel corso dell'esercizio;
- la funzione di Internal Audit è stata attribuita dal Consiglio di Amministrazione, in conformità con le indicazioni espresse dal Comitato Controllo e Rischi, alla società Mazars Advisory S.p.A. 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;

3

- 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 società controllate di alcuni membri del Consiglio di Amministrazione della capogruppo;
- 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 gli Azionisti della società abbiano stipulato patti parasociali ai sensi dell'art. 122 del D.Lgs. 58/1998.

Possiamo attestare che:

- il Collegio Sindacale, in ossequio al T.U.F. è stato costantemente informato per quanto di sua competenza;
- le verifiche periodiche e 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;
- per quanto riguarda le operazioni infra-gruppo, gli Amministratori, nella relazione sulla gestione, evidenziano e illustrano l'esistenza di rapporti tra la Vostra Società e le Società del gruppo di appartenenza, precisando che gli stessi sono 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, 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;
- ai sensi dell'art. 2408 del Codice civile, non abbiamo ricevuto alcuna denunzia da parte degli Azionisti in merito ad eventuali fatti censurabili;
- non ci sono stati presentati esposti da parte di Azionisti e/o di terzi;
- nel corso dell'esercizio il Collegio ha dato il proprio parere favorevole alla proposta di determinazione dei compensi per gli amministratori

4

investiti di particolari cariche nella riunione di Consiglio del 15 maggio 2014. Ha dato altresì parere favorevole alla nomina del Dirigente Preposto alla redazione dei documenti contabili societari nella riunione di Consiglio del 5 febbraio 2015.

Si evidenziano di seguito alcune informazioni già contenute nella relazione degli Amministratori e nella nota integrativa, rimandando a tali documenti per una informativa più completa:

Investimento in terreno più fabbricato industriale (in costruzione)

Le immobilizzazioni in corso, che costituiscono la parte preponderante dei nuovi investimenti, si riferiscono a un terreno, con annesso fabbricato industriale in costruzione, che la Fidia S.p.A. ha acquisito per Euro 2,7 mln tramite contratto di leasing nel corso dell'esercizio. Non essendo ancora pronto per l'uso, tale investimento non è ancor stato oggetto di ammortamento.

Applicazione dell'*impairment test*

L'organo amministrativo della società, nell'ambito del processo di formazione del bilancio di esercizio al 31.12.2014, ha proceduto ad effettuare un test di congruità sul *fair value* delle partecipazioni detenute nelle seguenti società:

- Fidia Co. (Stati Uniti);
- Shenyang Fidia NC&M Co. Ltd (Cina);
- Fidia do Brasil Ltda Brasile).

Dalle valutazioni effettuate confrontando il valore netto di carico delle partecipazioni e il corrispondente valore recuperabile derivante dall'applicazione del metodo di valutazione fondato sulla proiezione dei flussi di cassa futuri generabili dalle società partecipate, è emersa la necessità di apportare opportune svalutazioni alle società Shenyang Fidia NC&M Ltd. (per euro 248 migliaia) e alla società Fidia Do Brasil (per euro 102 migliaia).
Con riferimento alla partecipazione Fidia Co. è stata effettuata una ripresa di valore per 1.426 migliaia di euro a parziale assorbimento delle svalutazioni effettuate negli esercizi precedenti, ritenendo gli Amministratori che siano venuti meno i presupposti che avevano portato alla svalutazione della partecipazione negli esercizi passati in considerazione del fatto che la società americana ha consolidato negli ultimi esercizi un trend di risultati economici positivi e delle positive prospettive economico-finanziarie attese per la medesima su un orizzonte temporale triennale.

5

Operazioni infragruppo e con parti correlate

Nella Relazione sulla Gestione gli Amministratori hanno fornito l'informativa circa operazioni ordinarie infragruppo - essenzialmente costituite da rapporti di natura commerciale - o poste in essere con parti correlate.
Il Collegio, anche tenuto conto dell'art. 2391-bis Codice Civile, non ritiene di dover aggiungere alcunché a detta informativa, che appare adeguata; sembra invece utile specificare che, in esecuzione del proprio mandato, il Collegio ha verificato nel corso dell'esercizio che le operazioni infragruppo o con parti correlate fossero eseguite in applicazione di quanto previsto dalla citata procedura per la loro effettuazione e, comunque, a normali condizioni di mercato. Le operazioni infragruppo esaminate dal Collegio appaiono congrue, nell' interesse della società e del Gruppo, adeguatamente motivate e documentate.
Le stesse, laddove abbiano superato la soglia di rilevanza definita ai sensi dell'Allegato 3 del Regolamento Consob 17221, sono state escluse dall'applicazione della disciplina per le operazioni con le Parti Correlate ai sensi dell'art. 7.2 lett. f) delle linee Guida, essendo di natura ordinaria e concluse a condizioni equivalenti a quelle di mercato.
Non sono state inoltre rilevate operazioni atipiche o inusuali, così come definite dalla Consob (comunicazione del 28 luglio 2006).

Piani di *stock option*

Il Collegio attesta che alla data odierna non è in corso alcun piano di *stock option* destinato agli Amministratori e ai dipendenti della Società e del Gruppo.

Azioni proprie

Il Collegio rileva che alla data del 31.12.2014 (come al 31.12.2013) la società capogruppo 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 fin ora esposto, e in considerazione del contenuto della relazione della società di revisione Reconta Ernst & Young S.p.A., che ha emesso un giudizio senza rilievi né richiami d'informativa sul bilancio d'esercizio, il Collegio Sindacale, per quanto a sua conoscenza, ritiene di

6

non avere né osservazioni, né proposte sul bilancio, sulla relazione di gestione e sulla proposta di destinazione dell'utile dell'esercizio 2014, pari a Euro 3.018.956,57 che conseguentemente, e per quanto di sua specifica competenza, risultano suscettibili della Vostra approvazione.

San Mauro Torinese, 30 marzo 2015

Il Collegio Sindacale

(Dott. Maurizio Ferrero) – Presidente

(Dott.ssa Michela Rayneri) – Sindaco Effettivo

(Dott.ssa Elena Spagnol) – Sindaco Effettivo

7

Report of Auditing Firm

EY
Building a better working world

Fidia S.p.A.

Bilancio d'esercizio al 31 dicembre 2014

Relazione della società di revisione
ai sensi degli artt. 14 e 16 del D.Lgs. 27.1.2010, n. 39

EY
Building a better working world

Reconta Ernst & Young S.p.A.
Via Confienza, 10
10121 Torino

Tel: +39 011 5161611
Fax: +39 011 5612554
ey.com

Relazione della società di revisione ai sensi degli artt. 14 e 16 del D.Lgs. 27.1.2010, n. 39

Agli Azionisti
della Fidia S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio, costituito dal conto economico, dal conto economico complessivo, dalla situazione patrimoniale-finanziaria, dal rendiconto finanziario, dal prospetto delle variazioni del patrimonio netto e dalle relative note esplicative, della Fidia S.p.A. chiuso al 31 dicembre 2014. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005, compete agli amministratori della Fidia S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Per il giudizio relativo al bilancio d'esercizio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 28 marzo 2014.

3. A nostro giudizio, il bilancio d'esercizio della Fidia S.p.A. al 31 dicembre 2014 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa della Fidia S.p.A. per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari, pubblicata nella sezione "Corporate Governance" del sito internet della Fidia S.p.A., in conformità a quanto previsto dalle norme di legge e dai regolamenti, compete agli amministratori della Fidia S.p.A.. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e delle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98, presentate nella relazione sul governo societario e gli assetti proprietari, con il bilancio, come richiesto dalla legge. A tal fine,

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 Pubblicata 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

EY
Building a better
working world

abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98 presentate nella relazione sul governo societario e gli assetti proprietari sono coerenti con il bilancio d'esercizio della Fidia S.p.A. al 31 dicembre 2014.

Torino, 30 marzo 2015

Reconta Ernst & Young S.p.A.

Stefania Boschetti
(Socio)