FIDIA GROUP

Annual financial report

as of December 31, 2019

Board of Directors
13 March 2020

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

Translation from the original language, Italian

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Administrative and Supervisory Bodies

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

Board of Directors

Chairman and Chief Executive Officer	Giuseppe Morfino (a)
Deputy Chairman	Carlos Maidagan (b)
Directors	Luigino Azzolin (c) (1)
	Anna Ferrero (c) (1) (2)
	Guido Giovando (c) (2)
	Paola Savarino (c) (1)
	Laura Morgagni (d) (2)

(a) Appointed Chairman at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for the period 2019; appointed CEO by the Board of Directors on 28 April 2017 and General Manager by the Board of Directors on 14 July 2017.

(b) Appointed at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for the period 2019; appointed Deputy Chairman by the Board of Directors on 28 April 2017.

(c) Appointed at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for the period 2019.

(d) Appointed at the Shareholders' Meeting on 27 April 2018 up to the approval of the 2019 Financial Statements

(1) Member of the Internal Control and Risk Committee

(2) Member of the Remuneration Committee.

Board of Statutory Auditors (*)

Statutory Auditors	Maurizio	Ferrero – Chairman
	Marcello	Rabbia
	Chiara	Olliveri Siccardi(**)
Alternate Auditors	Andrea	Giammello
	Roberto	Panero

(*) Appointed at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for the period 2019.
(**) Substitute as auditor after the resignation of Marina Scandurra on 16 May 2019, until the approval of the 2019 financial statements

Independent Auditors (***)

EY S.p.A.

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

Powers of the Chairman of the Board of Directors, Deputy Chairman and Chief Executive Officer

Chairman of the Board of Directors and Chief Executive Officer: Mr. Giuseppe Morfino

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

- purchase, disposal and conferment of equity investments;
- disposal, conferment and/or lease of the company or any units thereof;
- purchase of companies or units of companies;
- purchase and/or disposal of real estate and/or tangible rights and/or rights of way thereto;
- registration of mortgages on corporate property;
- definition of company strategies relating to the purchase and sale of equity investments, company branches and real estate.

Deputy Chairman of the Board of Directors: Carlos Maidagan.

Organization of the FIDIA GROUP

FIDIA S.p.A.
Italy

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

Consolidated financial statements and financial statements of Fidia S.p.A. FY 2019

Directors' Report

Overview of results

The reporting period 2019 recorded revenues of € 45,783 thousand, a significant decrease compared to € 57,741 thousand in the previous year (-20.7%).

The main reason is the continuing crisis in the market and in the industry in which the Company operates which has determined, since April, the reduction in the trend of new orders.

The EBITDA margin was negative by 2.1%.
This result is caused by various factors:

- the decline in revenue, which was matched by a non-proportional reduction in overheads and personnel;
- the high incidence on Revenues of new concept machines;
- the acquisition of some important orders on the Chinese market with lower margins.

The Group's consolidated net result is still negative, with a loss of € 4,118 thousand, compared to a loss of € 1,314 thousand in 2018.

Value of production also recorded a sharp decrease to 17.6% (from € 58,915 thousand in 2018 to € 48,557 thousand in 2019).

On the commercial front, the Group's total new orders were down compared to the previous year (2018) to € 27.2 million, due to the slowdown recorded in all markets with the sole exception of Brazil and Turkey.

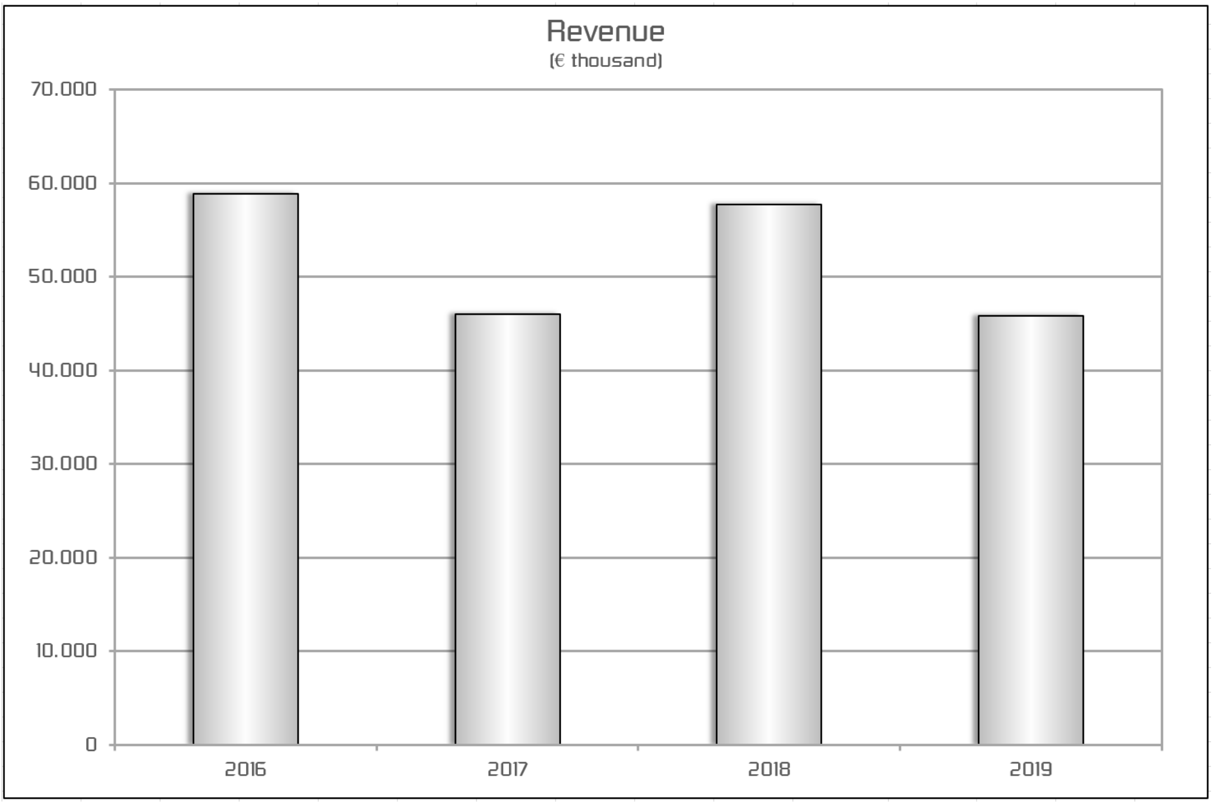
The net financial position at the end of 2019 showed net debt of € 12,634 thousand (net debt of € 11,361 thousand at 31 December 2018), mainly due to the change in net working capital and capital assets.

In short, the trends in the 2019 results were as follows:

- EBITDA in the amount of - € 1,003 thousand (-2.1% of value of production) versus € 1,244 thousand in 2018 (2.1% of value of production);
- Consolidated net result in the amount of - € 4,477 thousand (€ 4,118 thousand recorded by the Group and a loss of € 359 thousand by NCIs) versus a consolidated net result of - € 1,552 thousand (€ 1,314 thousand recorded by the Group and a loss of € 238 thousand recorded by NCIs) in 2018;
- Capital expenditure: € 555 million of net increase in the period, due to the capitalization of development activities;
- Final order backlog equivalent to € 16.6 million versus € 22.9 million in 2018.

The following document illustrates the actions taken by the Company to tackle the reduction in volumes and to maintain financial and equity balance, as well as the forecast business performance in the short to medium term.

The trend in revenue in the 2016-2019 period is illustrated in the chart below:



Other main economic and equity data:

(€ thousand)	2019	2018
Result before taxes	(4,198)	(1,249)
Profit/(Loss) of the period	(4,477)	(1,552)
Attributable to:		
- Group	(4,118)	(1,314)
- NCIs	(359)	(238)
Basic earnings per ordinary share	(0.805)	(0.257)
Diluted earnings per ordinary share	(0.805)	(0.257)
R&D expenditure (€ mil)	2.2	2.3
Total assets	47,993	59,732
Net financial position - (payables)/receivables	(12,634)	(11,361)
Equity of Group and NCIs	7,347	11,961
Equity of Group	6,245	10,325
Number of employees at year-end	313	336

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.

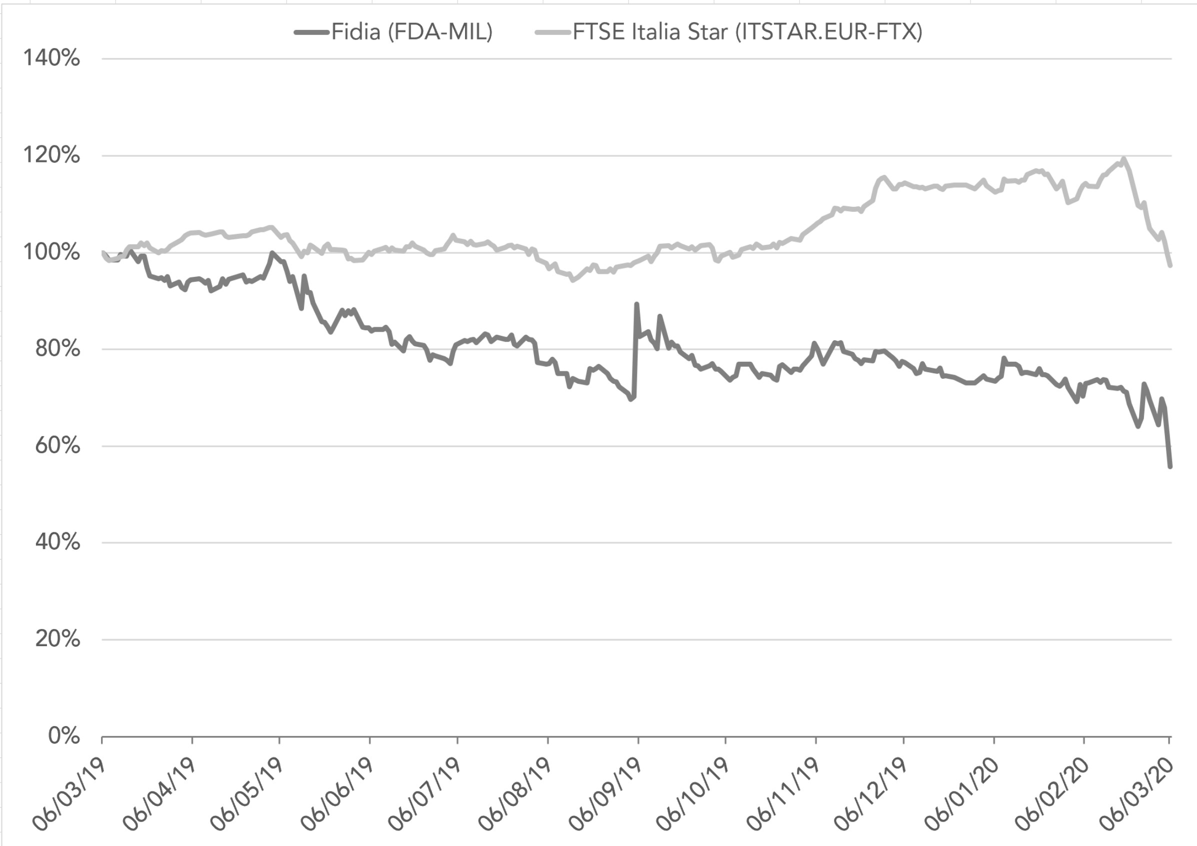
The following contacts are also available for shareholders:

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

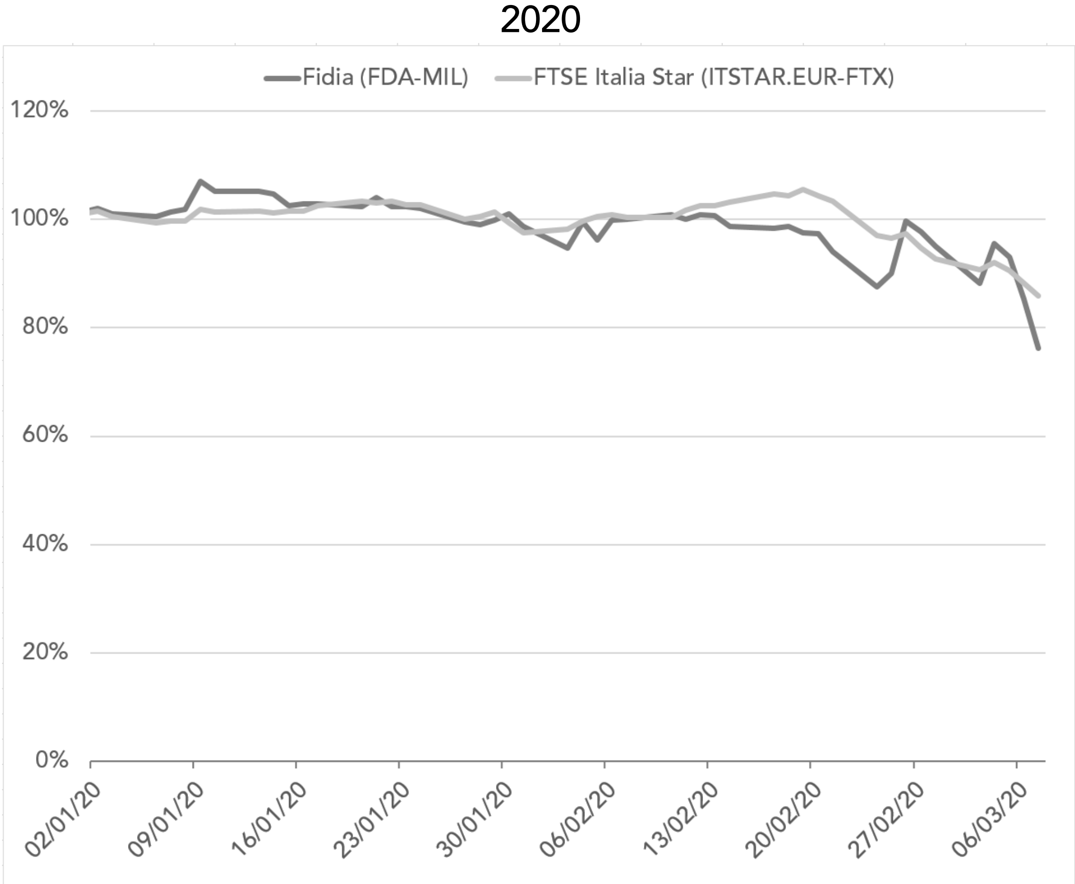
Trend of Fidia stock vs. Star Index

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 6 March 2019 to 6 March 2020 in comparison with the FTSE Italia STAR Index.



Please note share price performance in the early months of 2020 (at 6 March 2020) in comparison with the FTSE Italia STAR Index.



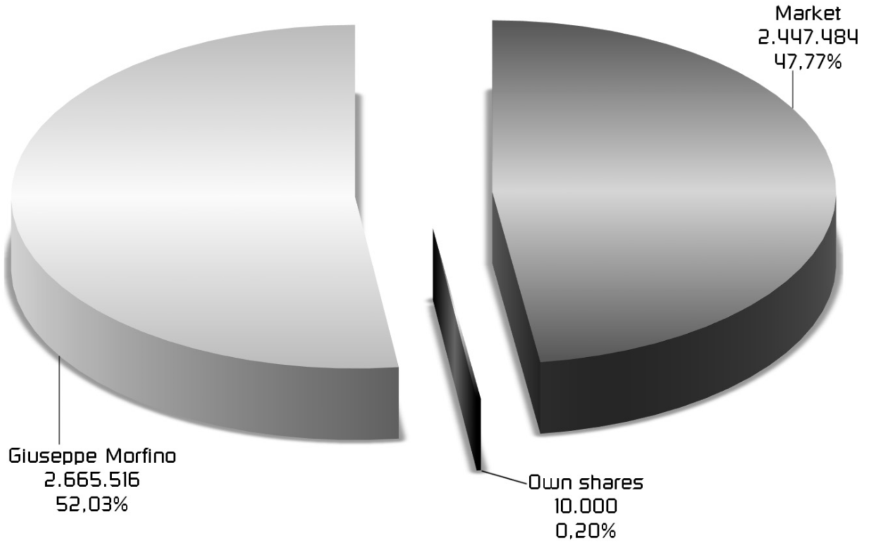
Trend in stock quotes over the last 5 years (in EUR)

Main shareholders

No changes in the share capital were recorded during 2019. Therefore, the number of ordinary shares, equal to 5,123,000, was unchanged compared to 31 December 2018. The holders of ordinary shares at 13 March 2020 are:

Giuseppe Morfino	No. 2,665,516 shares, equal to 52.03%;
Market	No. 2,447,484 shares, equal to 47.77%;
Own shares	No. 10,000, equal to 0.20%.

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



Main data per share (Euro)	2019	2018
Mean number of shares on date of reference	5,113,000	5,113,000
Face value per share	1.0	1.0
Base earnings per ordinary share (1)	(0.805)	(0.257)
Diluted earnings per ordinary share (2)	(0.805)	(0.257)
Equity of Group per share	1.221	2.019

(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) 30.12.2019	(euro) 30.12.2018	(euro) 30.12.2017	(euro) 30.12.2016	(euro) 30.12.2015
Ordinary shares	3.800	3.390	6.915	5.575	6.380

In 2019, 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 totalling € 46 thousand.

Market capitalisation amounted to € 19.5 million at 31 December 2019 and € 12 million at 12 March 2020.

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.

The global economy continued to grow in 2019, albeit more than in previous years, and the outlook for world trade is weaker. There are a number of risk factors weighing on the expansion of international economic activity: the repercussions of a negative outcome of the trade negotiations between the United States and China, the worsening of financial tensions in emerging markets, the ways in which the negotiations on the UK's exit from the European Union (Brexit) will end and, more recently, the effect of the COVID-19 coronavirus epidemic.

Activity in the eurozone slowed down, especially due to a deterioration in business expectations and weak foreign demand. By the end of the year, industrial production had fallen significantly in all major economies and especially in Germany. In the autumn, inflation declined as a result of the trend in energy prices. The Governing Council of the European Central Bank (ECB) has reaffirmed its intention to maintain its quantitative easing policy at least for the whole of 2020.

In Italy, after growth had stopped from the third quarter onwards, it could fall slightly by the end of the year due to weaker domestic demand, weaker balance sheet performance and a weaker external environment.

At the international level, among the many signs pointing to a global slowdown, the OECD also includes fewer industrial orders, both in advanced and emerging countries, the weaker than expected growth of investment and a decline in confidence.

At domestic level, in addition to the global factors of uncertainty already mentioned, the risks of a downturn in Italy's growth are linked to a faster deterioration in the financing conditions of the private sector and a further slowdown in the propensity of companies to invest.

In this domestic and international economic context, the Company has suffered from a crisis in the machine tool sector, which has resulted in a sharp drop in the order backlog compared to the situation in 2018.

At any rate, during the year, the Group will continue its constant investment activity in research and development to maintain the technological edge of its business.

Risks linked to Group results

The Fidia Group operates in sectors that are historically marked by a certain cyclical behaviour, 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 cyclical nature of revenue in quarters is taken into account due to the effects it may have on working capital and the resulting need for financial resources.

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.

The commercial trend and the management of stocks, despite the synergies resulting from the restructuring activities carried out in past years, have generated a greater need for managed working capital, to avoid the creation of situations of financial tension. 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 unfavourable 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 USD areas and, given its strong presence in China, also 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 analysed 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 labour 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 labour 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.

The labour reforms recently introduced in Italy have not yet had an impact on the processes, even though there is a general tightening of the conditions for the inclusion of new figures and much less outgoing flexibility.

Therefore, in the opening or confirmation of new employment relationships, a prudent attitude continues to be necessary, given the novelty of the discipline introduced and the consequent scarcity of court 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 leading international companies and various local players.

The success of Fidia Group's operations depends on its ability to maintain and increase its shares 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.

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;
- whether epidemics or pandemics (see for example COVID-19, also known as the coronavirus) could contribute to the worsening of economic, financial, logistical and operational conditions in the markets in which the Group operates.

In particular, Fidia operates in several emerging countries, including India, Brazil, and China, which currently represents the largest market for the Group's products.

Unfavourable 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 do not exclude that the Group will be exposed to liabilities arising from environmental issues.

Risks related to the coronavirus

With particular reference to the coronavirus, this could negatively affect economic conditions at local (China) and global level, could cause difficulties in the procurement process and otherwise affect the Group's operations. The governments of the countries affected are imposing travel bans, quarantine and other emergency public safety measures. These measures, though temporary in nature, may continue and increase as the epidemic spreads. The ultimate seriousness of the Coronavirus epidemic is uncertain at this time and therefore we cannot predict the impact it may have on the markets in which the Group operates and the performance of our operations; however, the effect on our results may be material and unfavourable. There is no guarantee that the Group will be able to adapt its business model quickly and completely to the changes that may result from the above and that these changes may negatively impact on the Group's activities and results and on the relevant financial conditions.

Risks related to legal, tax or labour disputes

In the exercise of its business, the Group may incur in legal, fiscal or labour law disputes. The Group takes the necessary measures to prevent and mitigate any penalties that may result from such proceedings.

The Fidia Group is subject to changes in tax regulations in the countries where it operates. Despite the fact that the Group provides for, where necessary, a provision for tax disputes, unforeseen tax liabilities may occur, thus negatively impacting on the Group's financial conditions and results due to inadequate allocations to provisions or to unforeseeable situations.

R&D

R&D activities have always been one of the strengths of the Group and received substantial investment over the years. A team of 37 people, also supported by specialized consultants, is currently dedicated to R&D activities.

The costs incurred by the Group in 2019 amounted to about € 2.2 million, equal to about 4.8% of revenues (€ 2.3 million in 2018 equal to about 4.0% of revenues), and were recorded mainly by the parent Fidia S.p.A.

Since the R&D activities are mainly carried out with internal resources, the costs are almost entirely represented by personnel expenses.

The capitalized costs amounted to approximately € 555 thousand (€ 799 thousand in 2018)

Through its R&D activities, the Group pursues the objective of constantly adapting its products to the needs of its customers, of always being at the forefront of technological innovation in the reference product sector and of enhancing its knowledge not only in order to protect market sectors that are considered driving forces and have greater potential, but also with the objective of opening up new areas. Investment in research and development made in recent years has enabled the Group to consolidate its presence in the aerospace industry and to acquire major orders both in the field of machinery for machining moulds and equipment for the automotive sector and in the field of machinery for processing innovative and non-ferrous materials (for example, carbon fibre, titanium or clay used for modelling cars). Research covers both business lines of the Group.

In the **numerical controls and drives** sectors, the main R&D activities that characterized activities during 2019 were:

- **ViMill® – Look-ahead Virtual Milling** – The development of new releases is underway with additional functions that increasingly respond to customers' needs to interface and integrate ViMill within production process management systems. In particular, the development of a version of ViMill dedicated to the protection of machine structures and all its equipment was completed. ViMill "Machine Protection" was created to respond precisely to this need of Fidia customers who can thus rely on a simple and effective collision avoidance tool that is completely integrated with the numerical control.
- **Axis Control and CNC Functions** - During 2019, the axis control logic was improved with the aim of improving machining times of the parts produced and usability by those who schedule and manage production, as well as the quality and accuracy of the details processed.
- **CPU-Z** – The project aims to develop a new CPU board (called CPU10) in single board computer format based on a new concept of System On Chip (SoC) that integrates both multiple computing units based on ARM architecture and programmable logic.
- **CPU10** represents a change of pace in the design of FIDIA products and is the new architectural solution that meets the growing demands of the market. The solution takes advantage of the high integration present in the new SoC families to provide better performance and products that are flexible/adaptable to the growing demands of the market.
- **Automatic Pallet Change** - The growing demand for increasingly complex and modular FMS cells has led to the creation of a new tool dedicated to the management of machining cells with automatic pallet change. The synchronisation of loading and unloading operations, the start of machining programmes and the complete management of pallets will be centralised in a single tool that will allow a single operator to manage the entire cell from a single location.
- **HiMonitor** - SW suite designed to monitor the details of operations performed on machines equipped with FIDIA numerical control. It analyses actual machining times, downtime and key events during machining in order to monitor and identify issues and determine the maintenance required to achieve maximum efficiency. HiMonitor is FIDIA's answer to the demand for an integrated machine monitoring tool capable of improving workshop control and managing maintenance operations more carefully and effectively. It features remote machine status control via phone, tablet and PC.

  The year 2019 saw the introduction of new releases to improve data security and introduce user-level access control.

  HiMonitor is one of the solutions in line with the Industry 4.0 criteria that equip FIDIA numerical controls.

In the **high-speed milling systems** sector, the Group has continued along the path pursuing an R&D strategy centred, on the one hand, 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 and, on the other, on the consolidation of cooperation with industry partners and customers through the co-development of new production technologies.

The main projects that characterised 2019 were:

- **New series HTF (Horizontal Type FIDIA) series –** The success of the GTF series has led us to enrich the portfolio of solutions by introducing the development of a new family of horizontal machines both for the machining of aeronautical parts in aluminium and titanium, and for the machining of style models.

- Ti/Al HTF horizontal machine pallet changing and loading system - The HTF series for machining aluminium and titanium aeronautical parts can be equipped with an ad-hoc pallet changing system specially developed to make workpiece loading and unloading operations by the horizontal table simple, efficient and fully automatic. Suitable for medium and large production volumes, the high level of automation means that it is also efficient for small batches.
- V4 milling head platform - The strong and continuous evolution of HSC (high speed cutting) technology requires machine tools with high dynamic performance of both feed axes and tool holders. There is a strong demand for multi-functional machines (multitasking) that are able to be modular and reconfigurable, i.e., to satisfy the complex and articulated problems of machining processes. In particular, the need for the market to carry out roughing and finishing operations using the same machines but equipped with different operating heads and in line with the current state of the art has been identified. The configurability and modularity of the five-axis machining systems is strongly conditioned by the morphology of the C polar axis, which therefore must be able to allow automatic coupling of a series of operating heads that are at the same time powerful, fast and reliable. The project has developed and rolled out a polar C axis architecture capable of satisfying the many requests coming from the reference technological sectors by exploiting a mechanical platform for the automatic "in-process" replacement of the milling heads capable of supporting both different types of electrospindles and mechanical drive.

Finally, throughout 2019 the Group continued its activities in the research collaboration field. The year 2019 saw the participation of Fidia as a partner in 5 projects co-financed by the European Commission under Horizon 2020 and in a sixth project co-financed by the Piedmont Region. Furthermore, Fidia is engaged as coordinator in a seventh project, it too co-financed by the European Commission within Horizon 2020.

FIDIA is also continuing the activity of preparing new project proposals with the objective to support and consolidate the level of product and process innovation that distinguishes the Group.

An overview follows below of the areas of intervention in which there are major financed projects.

- ZDMP - Zero Defects Manufacturing Platform, a project launched on 1 January 2019 thanks to an investment of € 19 million covered 30% by 30 partners (companies, universities and research centres) and 70% by the European Commission, with the aim of strengthening Europe's position in the production of high-quality products. The project covers 48 months and the mission is to develop and establish a digital platform for the Smart Factory to support new Zero-Defect production processes for the smart and connected factories of the future, including SMEs.
- MMTECH - New aerospace advanced cost-effective materials and rapid manufacturing technologies: development of technologies and methodologies aimed at reducing time and costs over the whole life cycle of aircraft (design, production, maintenance, overhaul, repair and retrofit).
- MC-SUITE - ICT Powered Machining Software Suite: development of a new generation of ICT tools for simulation, optimization and improvement of milling and industrial manufacturing processes. The objective is to reduce the gap between the actual machining of a workpiece and the design of its production process.
- PROGRAMS - PROGnostics based Reliability Analysis for Maintenance Scheduling: development of a distributed and cloud-based system for machine prognostics. The objective is to reduce the overall cost of the life cycle of a machine by predicting its wear and tear conditions and by predicting and optimising the scheduling of maintenance operations.
- HOME - Hierarchical Open Manufacturing Europe: The HOME project wants to make available to people at the factory, in real-time, all the information needed to govern the processes while they unfold. Using the technologies linked to the Cyber Physical Systems, the Home system will serve as a support to the factory management because it will produce: real-time support for decisions, tools for interfacing with the machines and automation of the operation of the factory subsystems that do not require human intervention.
- LaVA - Large Volume Metrology Applications: part of the EMPIR financing framework, LaVA aims to develop a range of accurate and traceable measurement systems for use in Large Volume Metrology (LVM). In addition, the project aims to integrate these tools within a factory network and/or as a permanent part of a production system such as large machine tools, industrial robots, etc.
- SHERLOCK - The project aims to develop technologies for human-robot collaboration. In particular, the partners aim to combine artificial intelligence and cognitive systems for the development of exoskeletons that can improve the quality of workers and manual assembly operations that require both the high flexibility of human beings and a high dose of strength and physical endurance.

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.

Group economic and financial situation

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 2019 and 31 December 2018, 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:

- EBITDA (“Earnings before interest, tax, depreciation and amortisation"), which is determined by adding the “EBIT" shown in the financial statements both to the item "Depreciation, amortization and write-downs of fixed assets," the item "Allocation to provisions" and the item "Non-recurring income/expenses."
- EBIT,
- Operating income from ordinary business, which is obtained by adding any extraordinary cost items not falling under EBIT,
- EBT (Earnings before tax);
- Adjusted EBITDA, EBIT and EBT: with reference to the above figures, a table showing the impact of Adjustments on the periods 2019 and 2018 is provided below.

€ thousand	31/12/2019 GAAP measures	Adjustments	31/12/2019 Non-GAAP measures (*adjusted*)	31/12/2018 GAAP measures	Adjustments	31/12/2018 Non-GAAP measures (*adjusted*)
EBITDA	**(1,003)**		**(1,003)**	**1,244**	**262**	**1,506**
Allocations to provisions	(147)		(147)	(475)	351	(124)
Depreciation/ amortisation/write-downs of fixed assets	(2,319)		(2,319)	(1,192)	-	(1,192)
Non-recurring Income/ (Expenses)	-	-	-	(272)	272	-
EBIT	**(3,469)**		**(3,469)**	**(695)**	**885**	**190**
Net finance Revenue/ (Expenses)	(587)		(587)	(487)	-	(487)
Profit/(Loss) on exchange rates	(142)		(142)	(67)	-	(67)
EBT	**(4,198)**		**(4,198)**	**(1,249)**	**885**	**(364)**

Other parameters mentioned:

- “Value of production”, which is given by the algebraic addition of the items “Net revenues”, “Other revenues and income”, 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”.

For comments on the alternative performance indicators mentioned above, reference should be made to the paragraphs below.

Consolidation area

The companies comprised in the consolidation area are listed below:

Name	Registered office	Percentage held by Parent Company at 31/12/2019
Fidia S.p.A. (Parent Company)	San Mauro Torinese (Turin, Italy)	-
Fidia Co.	Rochester Hills (USA)	100%
Fidia GmbH	Dreiech (Germany)	100%
Fidia Iberica S.A.	Zamudio (Spain)	99.993%
Fidia S.a.r.l.	Emerainville (France)	93.19%
Beijing Fidia Machinery & Electronics Co., Ltd	Beijing (China)	100%
Fidia do Brasil Ltda.	São Paulo (Brazil)	99.75%
Shenyang Fidia NC&M Co., Ltd	Shenyang (China)	51%
OOO Fidia	Moscow (Russia)	100%

The scope of consolidation has changed from the consolidated financial statements at 31 December 2018 due to the acquisition by the Parent Company of a further 4% of the subsidiary Beijing Fidia Machinery & Electronics Co., Ltd; the final equity investment has increased from 96% to 100%.

It should also be noted that Fidia Sarl is 100% subsidiary of the parent company Fidia SpA (directly through its 93.19% interest and indirectly through its 6.81% interest held in Fidia Gmbh, it too entirely controlled subsidiary)

GROUP FINANCIAL PERFORMANCE

Reclassified consolidated statement of comprehensive income (€ thousand)	2019	%	2018	%
Net revenues	**45,783**	**94.3%**	**57,741**	**98.0%**
Changes in inventories of finished goods and W.I.P.	(92)	-0.2%	(820)	-1.4%
Other revenues and income	2,866	5.9%	1,994	3.4%
Value of production	**48,557**	**100.0%**	**58,915**	**100.0%**
Raw materials and consumables	(18,776)	-38.7%	(23,394)	-39.7%
Commissions, transport and contractors	(4,322)	-8.9%	(5,189)	-8.8%
Other services and operating costs	(8,831)	-18.2%	(11,434)	-19.4%
Added value	**16,629**	**34.2%**	**18,898**	**32.1%**
Personnel costs	(17,632)	-36.3%	(17,654)	-30.0%
EBITDA	**(1,003)**	**-2.1%**	**1,244**	**2.1%**
Allocations to provisions	(147)	-0.3%	(475)	-0.8%
Depreciation/amortisation/write-downs of fixed assets	(2,319)	-4.8%	(1,192)	-2.0%
Operating income from ordinary business	**(3,469)**	**-7.1%**	**(423)**	**-0.7%**
Non-recurring income/(expenses)	-		(272)	-0.5%
EBIT	**(3,469)**	**-7.1%**	**(695)**	**-1.2%**
Net finance expenses and revenue	(587)	-1.2%	(487)	-0.8%
Profit/(Loss) on exchange rates	(142)	-0.3%	(67)	-0.1%
Earnings before tax (EBT)	**(4,198)**	**-8.6%**	**(1,249)**	**-2.1%**
Income taxes (current, paid and deferred)	(279)	-0.6%	(304)	-0.5%
Profit/(Loss) of the period	**(4,477)**	**-9.2%**	**(1,552)**	**-2.6%**
- (Profit)/Loss of non-controlling interests	(359)	-0.7%	(238)	-0.4%
- Profit/(Loss) of Group	**(4,118)**	**-8.5%**	(1,314)	-2.2%

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

With reference to the Service segment, the commercial data will not be shown because they almost match with the revenues as the time to fulfil the intervention requests is very short.

The said trends are described in detail below.

Net revenues

The year 2019 closed with revenues down YOY (-20.7%) to € 45,783 thousand compared to € 57,741 thousand in 2018. This performance is the result of a common trend in the three business lines in which the Group operates. In fact, in the electronics sector - CNC - the trend of revenues compared to 2018 recorded a significant downturn (-33.5%); the high-speed milling systems sector - HSM - closed the period with a decrease of over € 10.5 million (-23.5%), while the after-sales service sector - Service - declined by 8.8%.

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

Revenues by line of business (€ thousand)	2019	%	2018	%	Change in %
Numerical controls, drives and software	2,305	5.0%	3,467	6.0%	-33.5%
High-speed milling systems	31,304	68.4%	40,923	70.9%	-23.5%
After-sales service	12,174	26.6%	13,351	23.1%	-8.8%
Grand total	**45,783**	**100%**	**57,741**	**100%**	**-20.7%**

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

Net total sales (€ thousand)	2019	%	2018	%	Change in %
ITALY	3,823	8.4%	11,274	19.5%	-66.1%
EUROPE	12,358	27.0%	15,773	27.3%	-21.7%
ASIA	17,786	38.8%	16,805	29.1%	5.8%
NORTH and SOUTH AMERICA	11,816	25.8%	13,875	24.0%	-14.8%
REST OF THE WORLD	-	0.0%	14	0.0%	-
TOTAL	**45,783**	**100%**	**57,741**	**100%**	**-20.7%**

Numerical controls and software

Revenues from the electronic sector (CNC) decreased significantly compared to 2018 (-33.5%), from € 3,467 thousand in 2018 to € 2,305 thousand in 2019.

High-speed milling systems

The high-speed milling (HSM) systems sector reported a decrease in revenues compared to 2018; revenue declined from € 40,923 thousand in 2018 to € 31,304 thousand in 2019 equal to a 23.5% decrease.

At 31 December 2019, 54 milling systems had been shipped to and accepted by end customers, compared with 69 the previous year. The average revenue per machine increased at constant USD exchange rate; the growing interest of the market for the Gantry range milling systems and the renewed family D compact machine which have been subject to considerable investment in research and development during present and previous years has been confirmed.

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.

In 2019, revenues amounted to € 12,174 thousand, down 8.8% from € 13,351 thousand in the previous year.

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 the Service sector are not shown, as these coincide with revenue realised, given that the time to process any requests for intervention is extremely low.

Total (in € thousand) _ HSM+CNC	2019	2018	Change in %
Backlog orders at 01/01	22,872	31,368	-27.1%
New orders	**27,293**	**35,895**	**-24.0%**
Net revenues	(33,609)	(44,390)	-24.3%
Backlog orders at 31/12	**16,556**	**22,872**	**-27.6%**

The 2019 period closed with an order backlog that decreased compared to the end of 2018 due to less new orders in the mechanical sector.

Other revenues and income

Other operating revenue in 2019 amounted to € 2,866 thousand versus € 1,994 thousand last year. Said item comprises revenues from ordinary business activities, but which are not sales of goods and services.

This item mainly includes:

- research grants received from the European Union and the MIUR (Italian Ministry of Education, University and Research) as part of funded research carried out by the parent company Fidia S.p.A. (€ 478 thousand at 31 December 2019; € 348 thousand at 31 December 2018);
- capitalization of product development costs (€ 555 thousand at 31 December 2019, € 799 thousand at 31 December 2018);
- capital gains from transfers (€ 52 thousand at 31 December 2019; € 32 thousand at 31 December 2018);
- reversal into income of excess provisions for risks to be covered (€ 796 thousand at 31 December 2019; € 163 thousand at 31 December 2018). This reversal è linked to the release of guarantees by maturity, not adequately supplemented by new ones due to the decrease in revenues;
- damages from insurance companies, recovery of costs incurred, contingent assets, and others (€ 986 thousand at 31 December 2019; € 461 thousand at 31 December 2018).

Value of production

At year-end, the value of production reached € 48,557 thousand, down 17.6% compared to the year before (€ 58,915 thousand). This is due to the combined effect of the decrease in revenues from sales (€ 11,958 thousand less than in 2018), partially offset by a lower decrease in inventories of finished products and work in progress (- € 728 thousand compared to 2018) and a positive change in other revenues (+ € 872 thousand compared to 2018), mainly related to lower warranty costs due to the lower volume of assets and contingent assets.

Other services and operating costs

This item, equal to € 8,831 thousand, decreased by 22.8% YOY (€ 11,434 thousand).

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

- production costs and expenses for miscellaneous technical service, € 3,362 thousand at 31 December 2019, versus € 3,654 thousand at 31 December 2018 (- € 292 thousand);
- expenses incurred for trade fairs, entertainment expenses, travel expenses and commercial services, € 883 thousand at 31 December 2019, versus € 1,033 thousand at 31 December 2018 (- € 150 thousand);
- R&D costs and related refund of expenses, € 237 thousand at 31 December 2019, versus € 496 thousand at 31 December 2018 (- € 259 thousand);
- overheads, technical and administrative consulting, utilities, rent, legal expenses, contingent liabilities and other expenses, € 4,349 thousand at 31 December 2019, € 6,250 thousand at 31 December 2018 (- € 1,901 thousand, equal to 30.4%). This decrease is partly due to the application of IFRS16, the consequence of which is that leases and rentals of cars until 2018 were part of operating costs, while from 2019 they are included in depreciation and amortisation.

Added value

At year-end, value added amounted to € 16,629 thousand versus € 18,898 thousand the year before (equivalent to 34.2% of value of production in 2019 and 32.1% in 2018). The reduction is due to the lower value of production, but it is also affected by the aforementioned effect of the application of IFRS16.

Personnel

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

Staffing	2019	2018	Abs. change	Change in %
Executives	12	11	1	9.1%
Clerks and cadres	251	272	-21	-7.7%
Workers	50	53	-3	-5.7%
Total employees	313	336	-23	-6.8%
Total mean No. of employees	322.5	335.0	-12.5	-3.7%

Labour cost (€ thousand)	2019	2018	Abs. change	Change in %
Labour cost	17,632	17,654	-22	-0.1%

Cost of personnel was substantially unchanged compared with the previous year (-0.1% equal to a loss of about € 22 thousand); Group staff was on average lower by about 3.7%.

EBITDA

EBITDA was equivalent to - € 1,003 thousand (-2.1% of value of production), down € 2,247 thousand compared to the previous year (€ 1,244 thousand, equal to 2.1% of value of production), mainly due to the drop in revenues.

Operating income from ordinary business

Operating income from ordinary business registered a loss of € 3,469 thousand, versus a loss of € 423 thousand at 31 December 2018.

Non-recurring income and charges

This item was not present in 2019; the item reported in the previous year for € 272 thousand, was attributable to the loss, accounted for by the US subsidiary Fidia Co, caused by computer fraud amounting to $ 320 thousand.

EBIT

EBIT at 31 December 2019 amounted to -€ 3,469 thousand, while at 31 December 2018 it was -€ 695 thousand.

Finance expenses and revenue and net exchange rate gains/losses

Net finance expenses increased compared to 2018 (net charges of € 587 thousand compared to € 487 thousand in the previous year) mainly due to the greater use of short-term credit lines, in addition to the application of the new accounting standard IFR16.

Net differences in exchange rates, either realised or resulting from measurement in the financial statements, generated net charges of € 142 thousand versus net charges of € 67 thousand at 31 December 2018. The amount for the period 2019 is mainly due to the differences recorded by the subsidiary Fidia Brasil following the exchange rate trend of the local currency (Real) during 2019 versus the EUR and USD.

Earnings before tax (EBT)

EBT resulted in a loss of - € 4,198 thousand versus a loss of - € 1,249 thousand in 2018.

Income tax

Profit/(Loss) of the period was mainly due to current, deferred and paid taxes totalling € 278 thousand, which can be broken down as follows:

- IRAP (Italian Regional Production Tax) € 0 thousand;
- IRES (Italian Corporate Income Tax) € 0 thousand;
- Income tax of foreign subsidiaries € 265 thousand;
- Paid and deferred taxes amounting to - € 57 thousand.
- Taxes for previous periods amounting to € -35 thousand.

It should be noted that the parent company Fidia S.p.A. reported a tax loss for the year for both IRES and IRAP purposes.

Profit/(Loss) of the period

The net result for the period was a loss of € 4,477 thousand compared to a loss of € 1,552 thousand in 2018.

Group consolidated statement of financial position

At 31 December 2019, the reclassified consolidated statement of financial position was as follows:

Group statement of financial position (€ thousand)	**31/12/2019**	**31/12/2018**
Net tangible assets	12,827	11,313
Intangible fixed assets	2,601	2,342
Non-current financial assets	16	16
Deferred tax assets	976	958
Other non-current assets	181	274
Capital assets – (A)	**16,601**	**14,903**
Net trade receivables from customers	8,837	18,061
Closing inventories	17,278	18,419
Other current assets	1,175	1,789
Short-term (current) assets – (B)	**27,290**	**38,269**
Trade payables to suppliers	(11,399)	(16,394)
Other current liabilities	(9,850)	(10,579)
Short-term (current) liabilities – (C)	**(21,249)**	**(26,973)**
Net working capital (D) = (B+C)	**6,041**	**11,296**
Termination benefits (E)	(2,159)	(2,189)
Other long-term liabilities (F)	(502)	(688)
Net invested capital (G) = (A+D+E+F)	**19,981**	**23,321**
Financial position		
Available-for-sale financial assets	-	-
Cash on hand, bank deposits	(4,102)	(6,561)
Short-term loans	9,716	8,952
Assets/liabilities for current derivatives	-	-
Other current financial payables	-	-
Short-term financial position (receivable)/payable	**5,614**	**2,391**
Long-term loans, net of current portion	6,790	8,881
Assets/liabilities for long-term derivatives	230	88
Net financial position (receivable)/payable (H)	**12,634**	**11,361**
Share capital	5,123	5,123
Provisions	5,240	6,516
Profit/(Loss) of the period for Group	(4,118)	(1,314)
Total equity of Group	**6,245**	**10,325**
Total equity of non-controlling interests	1,102	1,636
Total shareholders' equity (I)	**7,347**	**11,961**
Shareholders' equity and net financial position (L) = (H+I)	**19,981**	**23,321**

Compared to 31 December 2018, the Group statement of financial position registered the following changes:

- an increase in non-current assets (from € 14,903 thousand to € 16,601 thousand) resulting from the first-time application of the new IFRS accounting standard and the capitalization of assets with a useful life covering multiple years, such as R&D costs, partially offset by amortisation for the period;
- significant decrease in trade receivables from customers (from € 18,061 thousand to € 8,837 thousand) mainly due to the decreased revenue. Trade receivables were recorded net of bad debts provision in the amount of € 663 thousand;
- a modest reduction in the level of inventories (from € 18,419 thousand to € 17,278 thousand), mainly due to lower production requirements. Inventories were posted net of provision for obsolete inventories in the amount of € 3,141 thousand;

- Decrease in other current assets (from € 1,789 thousand to € 1,175 thousand), mainly as a result of tax receivables (i.e., VAT and income taxes);
- Decrease in trade payables to suppliers (from € 16,394 thousand to € 11,399 thousand), substantially in line with the decline in revenue;
- Decrease in other current liabilities (from € 10,579 thousand to € 9,850 thousand), mainly due to lower amounts allocated to the warranty provision;
- Decrease in provisions for termination benefits (from € 2,189 thousand to € 2,159 thousand) due to normal dynamics related to personnel;
- Decrease in other long-term liabilities (from € 688 thousand to € 502 thousand), mainly linked to the decrease in advances on research projects.

At 31 December 2019, the net financial position was negative by € 12,634 thousand; the change compared to 31 December 2018 was negatively affected by the decrease in overall liquidity, by the increase in short-term loans and the decrease in long-term loans.

The trend in the net financial position is illustrated below.

Trend in net financial position

Financial position (€ thousand)	31/12/2019	31/12/2018
Available-for-sale financial assets	-	-
Cash on hand, bank deposits	4,102	6,561
Overdrawn bank accounts and short-term advances	(2,921)	(3,369)
Short-term loans	(6,795)	(5,583)
Assets/liabilities for current derivatives	-	-
Other current financial payables	-	-
Short-term financial position	**(5,614)**	**(2,391)**
Long-term loans, net of current portion	(6,790)	(8,881)
Assets/liabilities for long-term derivatives	(230)	(88)
Net financial position	**(12,634)**	**(11,361)**

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

Cash on hand, bank deposits (€ thousand)	31/12/2019	31/12/2018
Fidia S.p.A.	934	3,475
Fidia Co.	788	1,108
Fidia GmbH	486	224
Fidia Iberica S.A.	292	402
Fidia S.a.r.l.	342	167
Beijing Fidia Machinery & Electronics Co., Ltd	983	783
Fidia do Brasil Ltda.	41	78
Shenyang Fidia NC & M Co., Ltd	236	325
Total cash and cash equivalents	**4,102**	**6,561**

Financial payables (€ thousand)	31/12/2019	31/12/2018
Short-term loans and advances		
Fidia S.p.A.	(8,645)	(8,325)
Fidia GmbH	(347)	(216)
Fidia Iberica S.A.	(19)	(18)
Fidia S.a.r.l.	(48)	-
Fidia do Brasil Ltda	(20)	(392)
Beijing Fidia Machinery & Electronics Co., Ltd	(637)	-
Total	**(9,716)**	**(8,952)**
Long-term loans, net of current portion		
Fidia S.p.A.	(6,679)	(8,525)
Fidia GmbH	(38)	(342)
Fidia Iberica S.A.	(25)	(14)
Fidia S.a.r.l.	**(45)**	-
Fidia do Brasil Ltda	**(3)**	-
Total	**(6,790)**	**(8,881)**
Assets/(liabilities) for long-term derivatives		
Fidia S.p.A.	(230)	(88)
Total	**(230)**	**(88)**
Total financial payables	**(16,736)**	**(17,922)**

A summary statement of cash flows 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 statement of cash flows (€ thousand)	2019	2018
A) Cash on hand and cash equivalents at beginning of year	**3,192**	**11,273**
B) Cash from (used in) operating activities during the period	**2,909**	**(3,533)**
C) Cash from/(used in) investing activities	**(894)**	**(1,788)**
C) Cash from/(used in) financing activities	**(4,170)**	**(2,948)**
Currency translation differences	143	189
E) Net change in cash and cash equivalents	**(2,011)**	**(8,079)**
F) Cash and cash equivalents at year end	**1,181**	**3,192**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	4,102	6,561
Overdrawn bank accounts and short-term advances	(2,921)	(3,369)
	1,181	**3,192**

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

FINANCIAL RATIOS

INVESTMENT MIX RATIOS

RATIOS	2019			2018		
1) Weight of fixed assets						
Capital assets / Total assets	16,601 / 47,993	=	34.59%	14,902 / 59,732	=	24.90%
2) Weight of working capital						
Current assets / Total assets	31,392 / 47,993	=	65.41%	44,830 / 59,732	=	75.10%

LOAN MIX RATIOS

RATIOS	2019			2018		
1) Weight of current liabilities						
Current liabilities / Total liabilities (except shareholders' equity)	30,965 / 40,646	=	76.18%	35,925 / 47,772		75.20%
2) Weight of non-current liabilities						
Consolidated liabilities / Total liabilities (except shareholders' equity)	9,681 / 40,646	=	23.82%	11,846 / 47,772		24.80%
3) Weight of own capital						
Own capital / Net invested capital	7,347 / 19,981	=	36.77%	11,961 / 23,321		51.29%

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 with third-party resources.

FINANCIAL POSITION RATIOS

LIQUIDITY RATIOS

INDICATOR	2019		2018	
Current assets / Current liabilities	31,392 / 30,965	1.01	44,830 / 35,925 =	1.25

CAPITAL ASSETS COVERAGE RATIO

INDICATOR	2019		2018	
Own capital / Capital assets	7,347 / 16,601 =	0.44	11,961 / 14,903	0.80

CASH RATIO

INDICATOR	2019		2018	
Short-term assets / Short-term liabilities	27,290 / 21,249	1.28	38,269 / 26,973	1.42

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

In particular, the liquidity ratio shows the Group's ability to meet short-term financial obligations, considering the prevalence of current assets over current liabilities.

The capital assets coverage ratio mainly shows coverage of capital assets with third party resources.

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

ECONOMIC POSITION RATIOS

ROE

	2019		2018	
Net income pertaining to Group / Equity of Group	-4,118 / 6,245	-65.94%	-1,314 / 10,325 =	-12.70%

ROI

	2019		2018	
Operating income from ordinary business / Invested capital	-3,469 / 43,891	-7.90%	-423 / 54,192 =	-0.80%

ROS

	2019		2018	
Operating income from ordinary business / Sales	-3,469 / 45,783	-7.58%	-423 / 57,741 =	-0.75%

ROE, which measures the profitability of own funds is negative due to the loss accrued in 2019.

ROI, which measures profitability from operations, shows a negative value given the operating loss registered by the Group in 2019.

ROS, which represents average operating income per unit of revenue; in this case as well, the operating loss negatively affected the value of this ratio, which is negative.

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 statement of comprehensive income by sector

Data by year - 2019 (€ thousand)		CNC		HSM		SERVICE	N/A	Total
Revenues	2,305	**51.4%**	31,303	**100.0%**	12,174	**99.7%**	-	**45,783**
Cross-sector revenues	**2,177**	48.6%	**-**	0.0%	**32**	0.3%	-	-
Total reclassified revenues	**4,482**	**100.0%**	**31,303**	**100.0%**	**12,206**	**100.0%**	**-**	**45,783**
Changes in inventories of finished goods and W.I.P.	(100)	-2.2%	(11)	0.0%	19	0.2%	-	(92)
Raw materials and consumables	(1,294)	-28.9%	(16,149)	-51.6%	(1,234)	-10.1%	(98)	(18,775)
Cross-sector expenses	**187**	**4.2%**	**(3,048)**	**-9.7%**	**616**	**5.0%**	**36**	**-**
Commissions, transport and contractors	(393)	-8.8%	(3,437)	-11.0%	(489)	-4.0%	(2)	(4,322)
Sales margin	**2,882**	**64.3%**	**8,658**	**27.7%**	**11,119**	**91.1%**	**(65)**	**22,594**
Other operating revenue	675	15.1%	1,333	4.3%	280	2.3%	579	2,866
Other operating costs	(346)	-7.7%	(2,470)	-7.9%	(2,543)	-20.8%	(3,472)	(8,831)
Personnel costs	(2,342)	-52.2%	(6,406)	-20.5%	(5,401)	-44.2%	(3,484)	(17,632)
Depreciation and amortization	(248)	-5.5%	(835)	-2.7%	(250)	-2.0%	(1,133)	(2,466)
Operating Profit/(Loss)	**621**	**13.9%**	**279**	**0.9%**	**3,206**	**26.3%**	**(7,575)**	**(3,469)**

Data by year - 2018 (€ thousand)	CNC		HSM		SERVICE		N/A	Total
Revenues	3,467	57.8%	40,923	100.0%	13,350	100.0%	-	57,741
Cross-sector revenues	**2,529**	**42.2%**	**-**	**0.0%**		**0.0%**		
Total reclassified revenues	**5,996**	**100.0%**	**40,923**	**100.0%**	**13,350**	**100.0%**	**-**	**57,741**
Changes in inventories of finished goods and W.I.P.	(177)	-3.0%	(754)	-1.8%	111	0.8%	-	(820)
Raw materials and consumables	(1,870)	-31.2%	(19,672)	-48.1%	(1,702)	-12.7%	(150)	(23,394)
Cross-sector expenses	247	4.1%	(3,993)	-9.8%	1,174	8.8%	43	-
Commissions, transport and contractors	(604)	-10.1%	(4,060)	-9.9%	(521)	-3.9%	(4)	(5,189)
Sales margin	**3,591**	**59.9%**	**12,444**	**30.4%**	**12,412**	**93.0%**	**(110)**	**28,337**
Other operating revenue	731	12.2%	827	2.0%	155	1.2%	281	1,994
Other operating costs	(550)	-9.2%	(2,777)	-6.8%	(3,078)	-23.1%	(5,300)	(11,706)
Personnel costs	(2,740)	-45.7%	(5,669)	-13.9%	(5,620)	-42.1%	(3,626)	(17,654)
Depreciation and amortization	(188)	-3.1%	(654)	-1.6%	(91)	-0.7%	(573)	(1,667)
Operating Profit/(Loss)	**844**	**14.1%**	**4,171**	**10.2%**	**3,778**	**28.3%**	**(9,488)**	**(695)**

The electronics sector (CNC), as already explained in the first part of the Report, closed 2019 with decreased revenues compared to the year before. Nonetheless, there was a percentage increase in the margin on sales, (from 59.9% in 2018 to 64.3% in 2019), despite decreasing margins in absolute terms (from € 3,591 thousand in 2018 to € 2,882 thousand in 2019). EBIT worsened in absolute terms (from € 844 thousand in 2018 to € 621 thousand in 2019), especially due to the decrease in revenues and cross-sector revenues, despite improvements in other operating costs and in cost of personnel (from € 2,740 thousand in 2018 to € 2,342 thousand in 2019).

The high-speed milling systems sector (HSM) showed decreased revenues (€ 31,303 thousand in 2019 versus € 40,923 thousand in 2018). The margin on sales decreased both in absolute terms and as a percentage of revenues (€ 8,658 thousand compared to € 12,444 thousand in the previous year). EBIT amounted to € 279 thousand in 2019, compared with € 4,171 thousand in 2018.

Finally, Service showed a decrease in revenue (€ 12,174 thousand versus € 13,350 thousand in 2018), resulting in a decrease in the sales margin in absolute terms (€ 11,119 thousand versus € 12,412 thousand in 2018) and in percentage terms (91.1% in 2019 versus 93% in 2018). Operating income from ordinary operations was lower than in 2018 (€ 3,206 thousand compared to € 3,778 thousand in the previous year), and with margin that went from 28.3% in 2018 to 26.3% in 2019.

Consolidated Statement of Financial Position by sector

31 December 2019 (€ thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	35	8,744	309	3,739	12,827
Intangible fixed assets	1,474	1,094	-	33	2,601
Equity investments	-	-	-	16	16
Deferred tax assets	-	-	-	976	976
Other non-current receivables and assets	-	2	-	180	181
Total non-current assets	**1,509**	**9,840**	**309**	**4,943**	**16,601**
Inventory	1,811	8,929	6,538	-	17,278
Trade receivables and other receivables	961	4,897	3,165	356	9,378
Current taxes receivable	-	-		634	634
Other current financial assets	-	-		-	-
Cash and cash equivalents	-	-		4,102	4,102
Total current assets	**2,772**	**13,826**	**9,703**	**5,091**	**31,392**
Total assets	**4,282**	**23,667**	**10,011**	**10,034**	**47,993**
Other non-current payables and liabilities	23	237	41	25	326
Deferred tax liabilities	-	-	-	97	97
Termination benefits	390	1,252	189	328	2,159
Long-term provisions	-	23	56	-	79
Other non-current financial liabilities	-	-	-	324	324
Non-current financial liabilities	42	4,979	88	1,587	6,696
Total non-current liabilities	**456**	**6,491**	**373**	**2,361**	**9,681**
Current financial liabilities	13	647	62	8,994	9,716
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	1,966	13,192	1,177	2,680	19,015
Current taxes payable	-	-	-	961	961
Short-term provisions	1	367	715	191	1,273
Total current liabilities	**1,980**	**14,206**	**1,953**	**12,826**	**30,965**
Total liabilities	**2,436**	**20,697**	**2,326**	**15,186**	**40,645**
Shareholders' equity	-	-	-	7,347	7,347
Total liabilities	**2,436**	**20,697**	**2,326**	**22,533**	**47,993**

31 December 2018 (€ thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	42	9,131	185	1,955	11,313
Intangible fixed assets	1,324	967	-	50	2,342
Equity investments	-	-	-	16	16
Deferred tax assets	-	-	-	958	958
Other non-current receivables and assets	-	2	-	272	274
Total non-current assets	**1,366**	**10,100**	**185**	**3,251**	**14,902**
Inventory	2,079	9,962	6,377	-	18,419
Trade receivables and other receivables	1,556	13,402	3,469	406	18,883
Current taxes receivable	-	-	-	1,017	1,017
Other current financial assets	-	-	-	-	-
Cash and cash equivalents	-	-	-	6,561	6,561
Total current assets	**3,635**	**23,364**	**9,847**	**7,984**	**44,830**
Total assets	**5,001**	**33,464**	**10,032**	**11,235**	**59,732**
Other non-current payables and liabilities	138	273	142	72	624
Deferred tax liabilities	-	-	-	47	47
Termination benefits	626	1,038	314	211	2,189
Long-term provisions	-	3	14	-	16
Other non-current financial liabilities	-	-	-	88	88
Non-current financial liabilities	-	5,223	-	3,658	8,881
Total non-current liabilities	**764**	**6,537**	**470**	**4,076**	**11,846**
Current financial liabilities	-	400	-	8,552	8,952
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	2,600	17,886	1,334	2,289	24,110
Current taxes payable	-	-	-	984	984
Short-term provisions	43	1,135	541	161	1,880
Total current liabilities	**2,643**	**19,420**	**1,875**	**11,986**	**35,925**
Total liabilities	**3,407**	**25,957**	**2,345**	**16,062**	**47,772**
Shareholders' equity	**-**	**-**	**-**	**11,961**	**11,961**
Total liabilities	**3,407**	**25,957**	**2,345**	**28,022**	**59,732**

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 123b 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 the period 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 154-bis 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 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 2019, 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 2019 are reported below.

Name and last name	Company	No. shares held at 31/12/2018	No. shares purchased in 2019	No. shares sold in 2019	No. shares held at 31/12/2019
Giuseppe Morfino	**Fidia ordinary shares**	2,815,516		150,000	2,665,516

Non-financial statement

In compliance with the provisions of Article 2, paragraph 1, of Legislative Decree 254/2016, the company has not prepared a consolidated non-financial statement due to size limits (the number of employees during the year was less than five hundred) and has not adhered to it on a voluntary basis.

Intra-group and related-party transactions

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 periods.

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.

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 period between the parent company Fidia S.p.A. and its subsidiaries and associates are illustrated in Note 33 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 the Note to the Consolidated Financial Statements and the Note to 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 2019 there were no transactions with related parties that can be defined as having "major relevance."

In 2019 Fidia S.p.A. signed no supply contract falling among ordinary contracts and concluded at arm's length exceeding the materiality threshold set out pursuant to Annex 3 of CONSOB Regulation 17221.

Economic and financial situation of the parent company Fidia S.p.A.

ECONOMIC TRENDS

The reclassified statement of comprehensive income is illustrated below:

Economic trend (€ thousand)	2019	%	2018	%
Net revenues	32,199	92.3%	46,437	101.0%
Changes in inventories of finished goods and Work in progress	17	0.0%	(2,295)	-5.0%
Other revenues and income	2,669	7.7%	1,831	4.0%
Value of production	**34,885**	**100.0%**	**45,973**	**100.0%**
Raw materials and consumables	(15,311)	-43.9%	(21,165)	-46.0%
Commissions, transport and contractors	(3,990)	-11.4%	(4,541)	-9.9%
Other services and operating costs	(6,948)	-19.9%	(8,334)	-18.1%
Added value	**8,636**	**24.8%**	**11,933**	**26.0%**
Personnel costs	(10,797)	-30.9%	(11,171)	-24.3%
EBITDA	**(2,161)**	**-6.2%**	**762**	**1.7%**
Allocations to provisions	(30)	-0.1%	(409)	-0.9%
Depreciation/amortisation/write-downs of fixed assets	(1,313)	-3.8%	(837)	-1.8%
Operating income from ordinary business	**(3,504)**	**-10.0%**	**(484)**	**-1.1%**
Non-recurring income/(expenses)	-	-	-	-
Impairment (losses)/reversals	(686)	-2.0%	(267)	-0.6%
EBIT	**(4,190)**	**-12.0%**	**(751)**	**-1.6%**
Net finance (expenses) and revenue	501	1.4%	138	0.3%
Profit/(Loss) on exchange rates	(73)	-0.2%	(83)	-0.2%
Earnings before tax (EBT)	**(3,762)**	**-10.8%**	**(697)**	**-1.5%**
Income taxes (current, paid and deferred)	(15)	-0.0%	(142)	-0.3%
Net Profit (Loss)	**(3,777)**	**-10.6%**	**(839)**	**-1.8%**

The year 2019 closed with a decrease in revenues of 30.7% compared to the year before (€ 32,199 thousand versus € 46,437 thousand in 2018).

This performance was due mostly to the high-speed milling systems (HSM) business sector, down by 33.9%, while the electronics division recorded a negative performance of 38.1%; the after-sales service sector, on the other hand, decreased by 8.2%.

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)	2019	%	2018	%	Change in %
Numerical controls, drives and software	1,435	4.5%	2,318	5.0%	-38.1%
High-speed milling systems	25,103	78.0%	37,960	81.7%	-33.9%
After-sales service	5,661	17.6%	6,159	13.3%	-8.2%
Grand total	**32,199**	**100.0%**	**46,437**	**100.0%**	**-30.7%**

Total revenues (€ thousand)	2019	%	2018	%	Change in %
ITALY	3,808	11.8%	11,219	24.2%	-66.1%
EUROPE	8,272	25.7%	12,701	27.4%	-34.9%
ASIA	14,235	44.2%	14,366	30.9%	-0.9%
NORTH and SOUTH AMERICA	5,884	18.3%	8,140	17.5%	-27.8%
REST OF THE WORLD	-	0.0%	11	0.0%	-0.0%
Total	**32,199**	**100.0%**	**46,437**	**100.0%**	**-30.7%**

As already noted, total revenue of Fidia S.p.A. decreased (-30.7%) compared to 2018 as a result of sales in the HSM sector (-33.9%) and CNC sector, which decreased by 38.1%. The Service sector was also down from 2018 (-8.2%).

The following tables show the trend in the backlog orders and new orders.

Total backlog orders (€ thousand)	2019	2018	Change in %
Backlog orders at 01/01	20,047	27,784	-31.4%
New orders	**20,450**	**32,541**	**-34.1%**
Net revenues	(26,538)	(40,278)	-34.1%
Backlog orders at 31/12	**13,959**	**20,047**	**-30.4%**

The final order backlog at 31 December 2019 was lower by -30.4% compared to the previous year, especially due to the trend in new orders recorded during the period.

EBITDA was negative amounting to about € 2,161 thousand, compared to the positive result of € 762 thousand in 2018.

The operating income from ordinary business was also negative at € 3,504 thousand compared to a negative result of € 484 thousand at 31 December 2018.

EBIT was negative at € 4,190 thousand. At 31 December 2018, EBIT was negative by € 751 thousand.

With reference to the measurement of investments, the result of the impairment test carried out on 2019 showed write-downs equivalent to € 686 thousand.

Financial management made an overall positive contribution to the income statement of Fidia S.p.A. through dividends distributed by some subsidiaries (€ 1,110 thousand versus € 656 thousand in 2018) partially offset by net finance expenses (totalling € 609 thousand in 2019 and € 518 thousand in 2018). The foreign currency management generated losses of approximately € 73 thousand (losses of € 83 thousand at 31 December 2018).

The net loss after taxes of € 15 thousand amounted to € 3,777 thousand versus a loss of € 839 thousand at 31 December 2018.

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

Staffing	2019	2018	Abs. change	Change %
Executives	8	6	2	33.3%
Clerks and cadres	125	138	-13	-9.4%
Workers	48	51	-3	-5.9%
Total employees	181	195	-14	-7.2%
Total mean No. of employees	187.5	194.5	-7	-3.6%

Labour cost (€ thousand)	2019	2018	Abs. change	Change %
	10,797	11,171	(374)	-3.35%

Personnel expenses decreased overall by € 374 thousand YOY (-3.35%) compared to an average decrease of 3.6% in staffing. However, during the year the staff decreased by 14 units, or 7.2%.

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased from 24.3% in 2018 to 30.9% in the current period.

Statement of financial position

The **reclassified statement of financial position** was as follows:

Statement of Financial Position (€ thousand)	31/12/2019	31/12/2018
Net tangible assets	10,049	9,054
Intangible fixed assets	2,596	2,333
Non-current financial assets	11,314	11,845
Deferred tax assets	426	392
Other non-current receivables and assets	171	202
Capital assets – (A)	**24,556**	**23,826**
Net trade receivables from customers	6,806	14,250
Closing inventories	11,263	12,171
Other current assets	2,399	1,732
Short-term (current) assets – (B)	**20,468**	**28,153**
Trade payables to suppliers	(15,620)	(20,049)
Other current liabilities	(6,301)	(6,263)
Short-term (current) liabilities – (C)	**(21,921)**	**(26,312)**
Net working capital (D) = (B+C)	**(1,453)**	**1,841**
Termination benefits (E)	(2,158)	(2,189)
Other long-term liabilities (F)	(210)	(547))
Net invested capital (G) = (A+D+E+F)	**20,735**	**22,930**

Financial position		
Available-for-sale financial assets	-	-
Cash, bank deposits and loans made	(1,054)	(3,716)
Short-term loans	10,917	10,141
Assets/liabilities for current derivatives	-	-
Other short-term financial liabilities	-	-
Short-term financial position (receivable)/payable	**9,863**	**6,425**
Long-term loans, net of current portion	6,679	8,525
Assets/liabilities for long-term derivatives	230	88
Net financial position (receivable)/payable (H)	**16,772**	**15,038**
Share capital	5,123	5,123
Provisions	2,617	3,608
Profit/(Loss) of the period	(3,777)	(839)
Total shareholders' equity (I)	**3,963**	**7,892**
Shareholders' equity and net financial position (L) = (H+I)	**20,735**	**22,930**

Compared to 31 December 2018, capital assets decreased by € 531 thousand, due to the write-down of the investment in Shenyang Fidia NC&M Co. Ltd. for € 603 thousand, the write-down of the equity investment in Fidia do Brasil Ltda for € 83 thousand and the acquisition of 4% of the equity investment in Beijing Fidia M & E. Co for € 154 thousand.

Net working capital was down to a negative value, mainly due to the trend of receivables and payables driven by the decrease in revenue and related costs, and the decrease in inventories.

Medium to long term liabilities registered a slight decrease in the provisions for termination benefits linked to normal dynamics relating to staff management and specifically to outgoing senior staff.

The foregoing resulted in a negative net financial position of € 16,772 thousand at 31 December 2019, which was worse than the negative balance of € 15,038 thousand at 31 December 2018.

Trend in net financial position

Financial position (€ thousand)	31/12/2019	31/12/2018
Available-for-sale financial assets	-	-
Cash, bank deposits and loans made	1,054	3,716
Overdrawn bank accounts and short-term advances	(2,921)	(3,369)
Short-term loans	(7,996)	(6,772)
Assets/liabilities for current derivatives	-	-
Other current financial payables	-	-
Short-term financial position	**(9,863)**	**(6,425)**
Long-term loans, net of current portion	(6,679)	(8,525)
Assets/(liabilities) for long-term derivatives	(230)	(88)
Net financial position	**(16,772)**	**(15,038)**

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

Short statement of cash flows (€ thousand)	2019	2018
A) Cash on hand and cash equivalents at beginning of year	106	6,893
B) Cash from (used in) operating activities during the period	1,144	(2,068)
C) Cash from/(used in) investing activities	(957)	(1,095)
C) Cash from/(used in) financing activities	(2,280)	(3,624)
E) Net change in cash and cash equivalents	(2,093)	(6,787)
F) Cash and cash equivalents at year end	(1,987)	106
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	934	3,475
Overdrawn bank accounts and short-term advances	(2,921)	(3,369)
	(1,987)	106

Comparison of operating result and shareholders' equity of the Parent Company and equivalent values of the Group

According to Consob Notice of 28 July 2006, the comparison between the operating result of year 2019 and the shareholders' equity at 31 December 2019 of the Group (share pertaining to the Group) with the equivalent values of the parent company Fidia S.p.A. is provided.

Comparison of operating result and shareholders' equity of the Parent Company and Group (€ thousand)	Shareholders' equity 31/12/2018	Changes in 2019 Shareholders' equity	Result 31/12/2019	Shareholders' equity 31/12/2019
Financial Statements of Fidia S.p.A.	**7,892**	**(152)**	**(3,777)**	**3,963**
Consolidation adjustments				
* Elimination of carrying amount of investments	2,711	181	(278)	2,614
* Transactions between consolidated companies	(278)	-	(63)	(341)
* Exchange rate differences on intra-group transactions	-	9	-	9
Consolidated financial statements of Group (share pertaining to Group)	**10,325**	**38**	**(4,118)**	**6,245**

Trends in Group Companies

A brief overview of the performance of the Group companies during the period 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 periods 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

Revenue in 2019 amounted to € 3,886 thousand, down from € 5,030 thousand in the previous year (-22.7%); 2019 closed with a loss of € 123 thousand, compared to a profit of € 209 thousand in 2018; staffing was unchanged and made up of 23 units.

Fidia Iberica S.A.

The revenue for 2019 amounted to € 2,767 thousand, down from € 2,861 thousand the previous year (-3.3%). The year 2019 closed with a net profit of € 27 thousand versus a net profit of € 5 thousand in 2018. Staff was unchanged compared to 2018 and amounted to 10 employees.

Fidia S.a.r.l.

The revenue for 2019 amounted to € 2,327 thousand, up from € 877 thousand the previous year (+165.3%). The period closed with a profit of € 106 thousand over a loss of € 36 thousand in 2018. Staff was unchanged compared to 2018 and amounted to 7 employees.

OOO Fidia

The company did not do any business during 2019.

Fidia Co.

Revenue in 2019 amounted to € 8,972 thousand (USD 10,044 thousand) down from € 10,596 thousand (USD 12,514 thousand) the previous year (-15.3%). Net profit amounted to € 453 thousand (USD 508 thousand) compared with a loss of € 99 thousand (USD 117 thousand) in the previous year. Staff decreased from 23 units at 31 December 2018 to 20 units at 31 December 2019.

Beijing Fidia Machinery & Electronics Co. Ltd.

Revenue in 2019 amounted to € 6,585 thousand (RMB 50.9 million), up from € 5,357 thousand (RMB 41.8 million) the previous year (+22.9%). Net profit amounted to € 240 thousand over € 403 thousand the year before. Staff decreased from 29 units at 31 December 2018 to 30 units at 31 December 2019.

Shenyang Fidia NC&M Co. Ltd.

Revenue in 2019 amounted to € 1,940 thousand (RMB 15.0 million) versus € 1,696 thousand (RMB 13.2 million) in 2018; the year closed with a loss of € 731 thousand versus a net loss of € 519 thousand in 2018. Staff decreased from 41 units at 31 December 2018 to 35 units at 31 December 2019.

Fidia do Brasil Ltda

Revenue in 2019 turnover amounted to € 1,579 thousand (6,971 thousand real) over € 2,070 thousand (8,919 thousand real) the previous year. The year 2019 closed with a loss of € 178 thousand compared to a loss of € 81 thousand in 2018. Staff decreased from 8 units at 31 December 2018 to 7 units at 31 December 2019.

Affiliated companies

Prometec Consortium

Shareholders' equity at 31 December 2019 amounted to € 10 thousand (interest of Fidia S.p.A.: 20%).

Business Outlook

The Group closed the year with a net loss of € 4.1 million related to third parties for € 0.4 million, mainly due to the operating loss of € 3.5 million, related to the reduction in the volume of business; and to lower new orders, as a result of general tension in some markets in which the Group operates and which have slowed down investment demand. There was also an increase in net financial debt of € 12.6 million at 31 December 2019 (of which € 5.6 million short-term).

In order to maintain the economic and financial balance, specific cost reduction and containment actions have already been implemented, including the initiation of the solidarity contract for the San Mauro Torinese site (from 2 September 2019) and for the Forlì site (from 2 January 2020).

On 10 January 2020, the Board of Directors approved an economic and financial plan for the years 2020-2022 (of which 2020 is the budget year) which foresees a return to operational profitability already in 2020 and a recovery of the order backlog and revenues for the following 2 years.

Based on the forecasts of trade associations (UCIMU and CECIMO), it is reasonably believed that the crisis in the industry will end in the second half of 2020; therefore, revenues from 2021 and 2022 are expected to grow again and stabilise at pre-crisis levels, as set out in the Business Plan.

The measures to reduce costs, rationalise the structure and increase the efficiency of the production organisation of the production plants already taken in the period and expected to continue in the next period, together with a recovery in the order backlog and revenues starting from 2021, make it possible to predict a recovery in operational profitability towards substantial break-even in 2020 and a return to profitability starting from 2021. The economic benefits related to these forecasts are also reflected in the cash flows and the reduction in financial debt over the plan period.

While waiting for the benefits related to the Plan's provisions to be realized, and in order to face a 2020 financial year still characterised by a reduced trend in new orders, the management of the Fidia Group has requested a standstill from the main banks with which it is most exposed. This request, which includes maintaining the short-term credit lines and a moratorium on the payment of principal instalments falling due on medium/long-term loans, was preliminarily accepted by the banks and is expected to be formalised in a short-term standstill agreement.

The benefits related to the standstill requests, together with the cash flow expected from operations in the year 2020, allow the Group to have the liquidity to cover its financial needs in the following 12 months.

Having received a favourable opinion from the banks on the standstill request, which is reflected in the repayment by some banks of the loan instalments paid in January 2020, the management of the Fidia Group believes that there are no uncertainties regarding the signing of the agreement, the formal definition of which only requires the completion of the administrative procedure provided for by the banks.

Considering the positive outcome of the actions undertaken with banks for the deferment of loans, taking into account the results expected in the 2020-2022 Plan and in view of the economic benefits of the efficiency improvement actions, the directors of the Fidia Group believe that there are no significant uncertainties regarding the assumption of going concern adopted in the preparation of the consolidated financial statements at 31 December 2019.

Significant Events Occurring After the Reporting Date

In February 2020 Fidia S.p.A. made a standstill request to the main banks with which it is exposed, aimed at maintaining short-term credit lines and obtaining a moratorium on the payment of principal instalments falling due on medium/long-term loans until 31 July 2020.

Between February and the beginning of March 2020, the banks contacted, formally informing the Group's management, accepted this request with a favourable opinion.

In addition, as reported in the section "Main risks and uncertainties to which Fidia S.p.A. and the Group are exposed," recent developments regarding the coronavirus could have a negative impact on economic conditions at local (China) and global level; however, the severity of the epidemic is currently unknown and therefore not likely to have an impact on the markets in which the Group operates and the performance of its operations.

There were no other significant events occurring after the end of the year that have an impact or require disclosure in the consolidated financial statements for the period ended 31 December 2019.

San Mauro Torinese, 13 March 2020
On behalf of the Board of Directors
The Chairman and CEO
Mr. Giuseppe Morfino

Fidia Group - Consolidated Financial Statements as of December 31, 2019

FIDIA GROUP: Consolidated Financial Statements as of December 31, 2019

Consolidated Income Statement (*)

€ thousand	Notes	FY2019	FY2018
- Net sales	1	45,783	57,741
- Other revenues	2	2,866	1,994
- Total revenues		**48,649**	**59,735**
- Changes in inventories of finished goods and work in progress		(92)	(820)
- Consumption of raw materials	3	(18,776)	(23,394)
- Personnel costs	4	(17,632)	(17,654)
- Other operating costs	5	(13,153)	(16,623)
- Depreciation, amortization and write-downs	6	(2,466)	(1,667)
- Profit/(Loss) from ordinary business		**(3,469)**	**(423)**
- Non-recurring income/(expenses)	7	-	(272)
- Operating Profit/(Loss)		**(3,469)**	**(695)**
- Finance revenue (expenses)	8	(729)	(554)
- Profit/(Loss) before tax		**(4,198)**	**(1,249)**
- Income tax	9	(279)	(304)
- Profit/(Loss) for continuing operations		**(4,477)**	**(1,552)**
- Profit/(Loss) for discontinued operations		-	-
- Profit/(Loss)		**(4,477)**	**(1,552)**
Profit/(Loss) attributable to:			
Shareholders of the parent company		(4,118)	(1,314)
Non-controlling interests		(359)	(238)

EUR	Notes	FY2019	FY2018
Basic earnings per ordinary share	10	(0.805)	(0.257)
Diluted earnings per ordinary share	10	(0.805)	(0.257)

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

FIDIA GROUP: Consolidated Financial Statements as of December 31, 2019

Consolidated Comprehensive Income Statement

€ thousand	Notes	FY2019	FY2018
Profit/(Loss) (A)		**(4,477)**	**(1,552)**
Other comprehensive Profit/(Loss) that may subsequently be reclassified in profit or loss:			
Profit/(Loss) on cash flow hedges	19	(142)	(23)
Profit/(Loss) on translation of financial statements of foreign companies	19	186	234
Tax effect pertaining to Other comprehensive Profit/(Loss) that may subsequently be reclassified in profit or loss	19	34	6
Total Other comprehensive Profit/(Loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)		**78**	**217**
Other comprehensive Profit/(Loss) that may not subsequently be reclassified in profit or loss:			
Actuarial gains/(losses) on defined benefit plans	19	(59)	27
Tax effect pertaining to Other comprehensive Profit/(Loss) that may not be reclassified in profit or loss	19	14	(6)
Total Other comprehensive Profit/(Loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)		**(45)**	**21**
Total Other comprehensive Profit/(Loss), net of tax effect (B)=(B1)+(B2)		**33**	**238**
Total comprehensive Profit/(Loss) of the period (A)+(B)		**(4,444)**	**(1,314)**
Total comprehensive Profit/(Loss) attributable to:			
Shareholders of the parent company		(4,097)	(1,063)
Non-controlling interests		(347)	(251)

FIDIA GROUP: Consolidated Financial Statements as of December 31, 2019

Consolidated balance sheet (*)

€ thousand	Notes	31 December 2019	31 December 2018
ASSETS			
- Property, plant and equipment	11	12,827	11,313
- Intangible assets	12	2,601	2,342
- Investments	13	16	16
- Other non-current receivables and assets	14	181	274
- Pre-paid tax assets	9	976	957
TOTAL NON-CURRENT ASSETS		**16,601**	**14,902**
- Inventory	15	17,278	18,419
- Trade receivables	16	8,837	18,061
- Current tax receivables	17	634	1,017
- Other current receivables and assets	17	541	772
- Cash and cash equivalents	18	4,102	6,561
TOTAL CURRENT ASSETS		**31,392**	**44,830**
TOTAL ASSETS		**47,993**	**59,732**
LIABILITIES			
SHAREHOLDERS' EQUITY:			
- Share capital and reserves attributable to shareholders of parent company		6,245	10,325
- Non-controlling interests		1,102	1,636
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**19**	**7,347**	**11,961**
- Other non-current payables and liabilities	20	326	624
- Termination benefits	21	2,159	2,189
- Deferred tax liabilities	9	97	47
- Provisions for risks and expenses	26	79	16
- Other non-current financial liabilities	22	230	88
- Non-current financial liabilities	23	6,790	8,881
TOTAL NON-CURRENT LIABILITIES		**9,681**	**11,845**
- Current financial liabilities	23	9,716	8,952
- Trade payables	24	11,399	16,394
- Current tax payables	25	961	984
- Other current payables and liabilities:	25	7,616	7,716
- Provisions for risks and expenses	26	1,273	1,880
TOTAL CURRENT LIABILITIES		**30,965**	**35,926**
TOTAL LIABILITIES		**47,993**	**59,732**

(*) 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. 31.

FIDIA GROUP: Consolidated Financial Statements as of December 31, 2019

Consolidated Statement of Cash Flows (*)

€ thousand	2019	2018
A) Cash and cash equivalents at beginning of period	**3,192**	**11,273**
B) Cash from/(used in) operating activities during the period		
- Profit/(Loss)	(4,477)	(1,552)
- Depreciation and amortization	2,319	1,192
- Net loss (gain) on disposal of tangible assets	(48)	(32)
- Net change in provision for termination benefits	(31)	(103)
- Net change in provisions for risks and charges	(544)	776
- Net change (assets) liabilities for (pre-paid) deferred taxes	33	(220)
- Net change in working capital:		
- receivables	9,933	(3,764)
- inventory	1,140	(572)
- payables (**)	(5,416)	685
Total	**2,909**	**(3,590)**
C) Cash from/(used in) investing activities		
- Investments in		
tangible fixed assets	(330)	(946)
intangible fixed assets	(562)	(822)
- Proceeds from the sale of:		
tangible fixed assets	(2)	36
Total	**(894)**	**(1,732)**
D) Cash from/(used in) financing activities		
- New loans	6,477	5,001
- Loans paid (***)	(10,477)	(7,914)
- Change in capital and reserves	(310)	(58)
- Net change in other current and non-current financial assets and liabilities	141	22
Total	**(4,170)**	**(2,949)**
Currency translation differences	143	190
E) Net change in cash and cash equivalents	**(2,011)**	**(8,081)**
F) Cash and cash equivalents at year end	**1,181**	**3,192**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	4,102	6,561
Overdrawn bank accounts	(2,921)	(3,369)
	1,181	**3,192**

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

(**) of which € 97 thousand in taxes paid

(***) of which € 483 thousand in interest paid

FIDIA GROUP: Consolidated Financial Statements as of December 31, 2019

Overview of changes in 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 shareholders' equity
Balance at 31 December 2017	**5,123**	**(45)**	**1,240**	**6,706**	**(46)**	**1,421**	**(127)**	**213**	**(3,066)**	**11,419**	**1,905**	**13,324**
Allocation of result	-	-	-	(3,066)	-	-	-	-	3,066	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	(17)	(17)
Comprehensive result for the period	-	-	-	-	(17)	247	21	-	(1,314)	(1,063)	(251)	(1,314)
Other changes	-	-	-	(12)	-	-	-	-	-	(12)	(1)	(13)
Balance at 31 December 2018	**5,123**	**(45)**	**1,240**	**3,609**	**(63)**	**1,668**	**(106)**	**213**	**(1,314)**	**10,325**	**1,636**	**11,961**
Allocation of result	-	-	-	(1,314)	-	-	-	-	1,314	-	-	-
Comprehensive result for the period	-	-	-	-	(108)	174	(45)	-	(4,118)	(4,097)	(347)	(4,445)
Change in percentage of ownership	-	-	-	187	-	-	-	-	-	187	(187)	-
Other changes	-	-	-	(170)	-	-	-	-	-	(170)	-	(170)
Balance at 31 December 2019	**5,123**	**(45)**	**1,240**	**2,312**	**(171)**	**1,842**	**(151)**	**213**	**(4,118)**	**6,245**	**1,102**	**7,347**

FIDIA GROUP: Consolidated Financial Statements as of December 31, 2019

Consolidated Income Statement

as per Consob Resolution no. 15519 of 27 July 2006

€ thousand	Notes	FY2019	Of which related parties	FY2018	Of which related parties
- Net sales		45,783		57,741	-
- Other revenues		2,866		1,994	-
- Total revenues		**48,649**		**59,735**	
- Changes in inventories of finished goods and work in progress		(92)		(820)	
- Consumption of raw materials		(18,775)	(11)	(23,394)	(3)
- Personnel costs		(17,632)	(805)	(17,654)	(836)
- Other operating costs		(13,153)	(177)	(16,623)	(141)
- Depreciation, amortization and write-downs		(2,466)		(1,667)	
- Profit/(Loss) from ordinary business		**(3,469)**		**(423)**	
- Non-recurring income/(expenses)		-		(272)	
- Operating Profit/(Loss)		**(3.469)**		**(695)**	
- Finance revenue (expenses)		(729)		(554)	
- Profit/(Loss) before tax		**(4,198)**		**(1,249)**	
- Income tax		(279)		(304)	
- Profit/(Loss) for continuing operations		**(4,477)**		**(1,552)**	
- Profit/(Loss) for discontinued operations		-		-	
- Profit/(Loss)		**(4,477)**		**(1,552)**	
Profit/(Loss) attributable to:					
Shareholders of the parent company		(4,118)		(1,314)	
Non-controlling interests		(359)		(238)	

FIDIA GROUP: Consolidated Financial Statements as of December 31, 2019

Consolidated Balance Sheet

as per Consob Resolution no. 15519 of 27 July 2006

€ thousand	Notes	31 December 2019	Of which related parties	31 December 2018	Of which related parties
ASSETS					
- Property, plant and equipment		12,827	76	11,313	
- Intangible assets		2,601		2,342	
- Investments		16		16	
- Other non-current receivables and assets		181		274	
- Pre-paid tax assets		976		957	
TOTAL NON-CURRENT ASSETS		**16,601**		**14,902**	
- Inventory		17,278		18,419	
- Trade receivables		8,837		18,061	
- Current tax receivables		634		1,017	
- Other current receivables and assets		541	18	772	15
- Cash and cash equivalents		4,102		6,561	
TOTAL CURRENT ASSETS		**31,392**		**44,830**	
TOTAL ASSETS		**47,993**		**59,732**	
LIABILITIES					
SHAREHOLDERS' EQUITY:					
- Share capital and reserves attributable to shareholders of parent company		6,245		10,325	
- Non-controlling interests		1,102		1,636	
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**7,347**		**11,961**	
- Other non-current payables and liabilities		326		624	
- Termination benefits		2,159		2,189	
- Deferred tax liabilities		97		47	
- Provisions for risks and expenses		79		16	
- Other non-current financial liabilities		230		88	
- Non-current financial liabilities		6,790		8,881	
TOTAL NON-CURRENT LIABILITIES		**9,681**		**11,845**	
- Current financial liabilities		9,716		8,952	
- Trade payables		11,399	2	16,394	2
- Current tax payables		961		984	
- Other current payables and liabilities:		7,616	96	7,716	113
- Provisions for risks and expenses		1,273		1,880	
TOTAL CURRENT LIABILITIES		**30,965**		**35,926**	
TOTAL LIABILITIES		**47,993**		**59,732**	

FIDIA GROUP: Consolidated Financial Statements as of December 31, 2019

Statement of Cash Flows

as per Consob Resolution no. 15519 of 27 July 2006

€ thousand	2019	of which related parties	2018	of which related parties
A) Cash and cash equivalents at beginning of period	**3,192**		**11,273**	
- Profit/(Loss)	4,477		(1,552)	
- Depreciation and amortization of tangible and intangible assets	2,319		1,192	
- Net loss (gain) on disposal of tangible assets	(48)		(32)	
- Net change in provision for termination benefits	(31)		(103)	
- Net change in provisions for risks and charges	(544)		776	
- Net change (assets) liabilities for (pre-paid) deferred taxes	33		(220)	
Net change in working capital:				
- receivables	9,933	(3)	(3,764)	11
- inventory	1,140		(572)	
- payables (*)	(5,416)	(17)	685	41
Total	**2,909**		**(3,590)**	
C) Cash from/(used in) investing activities				
- Investments in				
tangible fixed assets	(330)		(946)	
intangible fixed assets	(562)		(822)	
- Proceeds from the sale of:				
tangible fixed assets	(2)		36	
Total	**(894)**		**(1,732)**	
D) Cash from/(used in) financing activities				
- New loans	6,477		5,001	
- Loans paid (**)	(10,477)		(7,914)	
- Change in capital and reserves	(310)		(58)	
- Net change in other current and non-current financial assets and liabilities	141		22	
Total	**(4,170)**		**(2,949)**	
Currency translation differences	143		190	
E) Net change in cash and cash equivalents	**(2,011)**		**(8,081)**	
F) Cash and cash equivalents at year end	**1,181**		**3,192**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	4,102		6,561	
Overdrawn bank accounts	(2,921)		(3,369)	
	1,181		**3,192**	

(*) of which € 97 thousand in taxes paid

(**) of which € 483 thousand in interest paid

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 2019 was authorized by the Board of Directors on 13 March 2020. 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 2019 consolidated financial statements represent the financial statements of the Fidia Group 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 consolidated 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.

Going concern

The consolidated financial statements at 31 December 2019 were prepared on the assumption that the Fidia Group will continue to operate in the foreseeable future.

In particular, the following factors were taken into account which are not considered, at this stage, such as to generate significant doubts about the prospect of going concern for the Group:

- the main risks and uncertainties to which the Group is exposed and for which reference should be made to the information contained in the section "Business outlook" in the Directors' Report on Operations;
- the preliminary acceptance by the banks of the standstill request; for a detailed description, please refer to the sections "Business Outlook" and "Significant Events Occurring After the Reporting Date" in the Directors' Report on Operations;
- the identification, analysis, objectives and management policy of financial risks (market risk, credit risk and liquidity risk;), described in Note 29 "Information on financial risks".

Financial Statements

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

Within said statement of comprehensive income 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 statement of cash flows 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 statement of comprehensive income, statement of financial position 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 statement of comprehensive income.

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 carrying amount of the Equity of the shareholders of the parent company and non-controlling interests is adjusted to reflect the change in the interest share. Any difference between the carrying amount of non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders' equity of the parent company.

In the case of loss of control over an investee, the Group recognizes a profit or loss in the statement of comprehensive income 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 carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. The value of any profit or loss recognized in Other comprehensive profit and loss pertaining to the measurement of the assets of the subsidiary are recognized as if the subsidiary were sold (reclassified in the statement of comprehensive income 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 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.

Equity investments in other 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 lasting loss of value.

Transactions eliminated during consolidation

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

Transactions in foreign currency

Transactions in foreign currency were reported at the exchange rate at the date of the transaction. Assets and liabilities in foreign currency on the date of the financial statements were converted at the exchange rate on said date. Exchange rate differences generated by monetary items or by their conversion at rate other than those at which these were converted at the time of the initial reporting in the period 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 period. Differences in conversion exchange rate due to the application of this method were classified as equity up to the transfer of the interest.

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 instruments 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 essentially of the operating sites of the subsidiaries Fidia Iberica and Fidia Co., are valued at purchase cost net of accumulated depreciation and any impairment losses.

Plant and machinery were evaluated at purchase or production cost minus accrued amortization and any write-down 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.

Depreciation

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

Description	Depreciation rates
Buildings	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. 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 FIXED 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.

Write-down of assets

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. A write-down is posted if the recoverable amount is lower than the carrying amount.

Should there no longer be a write-down of an asset other than goodwill or should the write-down be reduced, the carrying amount 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 write-down. A reversal of write-down is immediately recognized in profit or loss.

FINANCIAL INSTRUMENTS

Presentation

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 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 statement of cash flows, 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

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 periods 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 and cash equivalents

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.

Any fixed-rate financial liabilities hedged by derivatives are measured according to the procedures set for hedge accounting applicable to fair value hedges: gains and losses arising from re-measurement at fair value, due to changes in interest rates, are recognized in income and offset by the effective portion of gain or loss arising from re-measurements at fair value of the hedging instrument.

DERIVATIVES

Derivative financial instruments are used by the Parent Company solely for hedging purposes, in order to reduce interest rate risk (Interest Rate Swap and Interest Rate Cap) and, if necessary, exchange rate risk (forward sales contracts to hedge USD risk on sales).

All derivative financial instruments are measured at fair value in accordance with the accounting standard IFRS 9.

Consistent with the provisions of IFRS 9, derivative financial instruments may be accounted for in accordance with the procedures established for hedge accounting only if the following eligibility criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the start of the hedging relationship there is formal designation and documentation of the hedging relationship, the entity's risk management objectives and the strategy for effecting the hedge. The documentation must include identification of the hedging instrument, the hedged item, the nature of the hedged risk and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedging relationship);
- the hedging relationship meets all of the following hedge effectiveness requirements:
    - there is an economic ratio between the hedged item and the hedging instrument (see paragraphs B6.4.4-B6.4.6);
    - the effect of credit risk does not outweigh the changes in value resulting from the economic ratio (see paragraphs B6.4.7 to B6.4.8);
    - the hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, this designation shall not reflect an imbalance between the weights of the hedged item and the hedging instrument that would result in the ineffectiveness of the hedge (whether or not it is recognised) that would result in an accounting result that would be inconsistent with the objective of hedge accounting (see paragraphs B6.4.9-B6.4.11).

The eligible coverage ratios are as follows:

- fair value hedge: hedge of the exposure to changes in the fair value of the recognised asset or liability or unrecognised firm commitment, or a component thereof, that is attributable to a particular risk and could affect profit or loss for the period;

- cash flow hedge: hedge of the exposure to variability in cash flows attributable to a particular risk associated with all the assets or liabilities recognised or a component thereof (such as all or only some future interest payments on a floating rate debt) or to a highly probable forecast transaction that could affect profit or loss;
- hedge of a net investment in a foreign operation as defined in IAS 21.

As regards the cash flow hedges used by the Fidia Group, as long as the eligibility criteria are met, the hedges of financial instruments must be accounted for as follows (see 6.5.11):

a. the separate component of shareholders' equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following absolute amounts: (i) cumulative gain or loss on the hedging instrument since the inception of the hedge; (ii) cumulative change in the fair value (at present value) of the hedged item (i.e., the present value of the cumulative change in expected future cash flows hedged) since the inception of the hedge;
b. the portion of the gain or loss on the hedging instrument that is found to be an effective hedge (i.e., the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)) shall be recognised in other comprehensive income;
c. any remaining gain or loss on the hedging instrument (or gains or losses necessary to offset the change in the cash flow hedge reserve calculated in accordance with point (a)) represent the ineffective portion of the hedge that must be recognised in profit or loss;
d. the amount accumulated in the cash flow hedge reserve in accordance with point (a) must be accounted for as follows: (i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a firm commitment to which fair value hedge accounting applies, the company must remove that amount from the cash flow hedge reserve and include it directly in the initial cost, or other carrying amount, of the asset or liability. This is not a reclassification adjustment (see IAS 1) and therefore does not affect other comprehensive income; (ii) for cash flow hedges, other than those referred to in (i), the amount is to be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment (see IAS 1) in the same period(s) in which the hedged expected future cash flows affects profit or loss (e.g., in the periods(s) in which the interest income or interest expense is recognised or when the forecast sale occurs); (iii) however, if the amount is a loss and the company does not expect to recover all or part of the loss in one or more future periods, the company must immediately reclassify the amount that it does not expect to recover to profit or loss, as a reclassification adjustment (see IAS 1).

If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realised, accumulated gains and losses accumulated up to that moment are recognised in the statement of comprehensive income 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 cash flow hedge reserve are 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 2019 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.

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	
	2019	**2018**
1W	-	-
1M	-0.438%	-0.363%
2M	-	-
3M	-0.383%	-0.309%
6M	-0.324%	-0.237
9 M	-	-
12M	-0.387%	-0.117%
2 year	-0.362%	-0.175%
3 years	-0.312%	-0.077%
4 year	-0.251%	0.054%
5 year	-0.205%	0.198%
7 year	-0.073%	0.469%
10 year	0.128%	0.811%
15 year	0.401%	1.170%
20 year	0.543%	1.327%
30 years	0.588%	1.377%

INVENTORY

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 realisable amount. The evaluation of inventories includes the direct costs of materials and labour 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 realisable amount. The realisable amount 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 CHARGES

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 labour 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 shareholders' 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

The Group accounts for revenues, in accordance with IFRS 15 - Revenue from Contracts with Customers, when control of the goods and services is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for these goods or services. The accounting standard is applied using a model consisting of the following five fundamental phases:

1. Identification of the contract with the customer
2. Identification of the contractual obligations (i.e., performance obligations) contained therein
3. Determination of the transaction fee
4. Allocation of the price to the various contractual obligations
5. Recognition of revenue upon fulfilment of contractual obligations.

In particular, revenues from the sale of machinery are recognized when installation and testing are formally accepted by the buyer, which generally coincides with obtaining the right to payment from the Group and the transfer of material possession of the asset, which incorporates the transfer of the significant risks and rewards of ownership.

The Group identifies the extension of warranty with respect to normal market conditions as a performance obligation to be accounted for separately.

Revenue from services is recorded on the basis of the state of progress in the reporting period in which they are rendered.

RESEARCH GRANTS

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 period in which the resolution to allocate the contribution 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 EXPENSES

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 full liability method. These are calculated on all temporary differences arising between the taxable base of an asset or liability and its carrying amount 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, persistently weak economic growth makes the future outlook uncertain. 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 carrying amount of the relevant items. Of course, to date, these can be neither estimated nor foreseen. The balance-sheet items mainly affected by said situations of uncertainty are bad debt provisions and provisions for slow-moving/obsolete inventories, non-current assets (tangible and intangible assets), termination benefits, product warranty, pre-paid taxes and potential liabilities.

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

Recoverable value of non-current assets

The management periodically revises the carrying amount of the non-current assets held and used and of the assets that must be divested when facts or circumstances call for said revision.

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

The losses recorded in the last 2 years (and in the previous one), the crisis in some markets where the Group records significant volumes and the level of indebtedness were considered as indicators of impairment, also taking into account the contraction of the machine tool market, which has consolidated in the last 2 years and which in 2019 recorded -18% in orders related to robots (fifth consecutive quarter of decrease) and therefore carried out an impairment test on the value of non-current assets of the Fidia Group.

In accordance with IAS 36, management has identified the "Fidia Group" CGU as the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows generated by other assets or groups of assets. In fact, although for the purposes of segment reporting, 3 business segments (HSM, CNC, Service) have been identified, given the close interdependence between them, the smallest cash generating unit is the Group as a whole.

At 31 December 2019, the recoverable amount of the "Gruppo Fidia" CGU was tested for impairment in order to verify the existence of any impairment losses, by comparing the carrying amount of the unit (the net invested capital of the CGU) and the value in use, i.e., the present value of expected future cash flows that are expected to arise from its continued use and disposal at the end of its useful life.

The value in use was determined by discounting back the cash flows in the Group's business plan, approved by the Board of Directors of Fidia SpA and covering the period 2020-2022. 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 CGU, 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 prospective cash flows is equal to 6.15% for 2020, 6.35% for 2021, 6.55% for 2022 and 6.75% for the terminal value, calculated taking into account the sector in which the CGU operates, the countries in which the CGU expects to achieve the planned results, the debt structure when fully operational and the current economic situation. For cash flows after the explicit projection period, a prudential growth rate of 0% was assumed.

The determination of the value in use according to the process illustrated led to a recoverable amount higher than the carrying amount of the cash generating unit, allowing no reduction in the value of assets at 31 December 2019.

Compared to the basic assumptions just described, a sensitivity analysis on the results was also carried out compared to the WACC and the forecast results. In particular, even with increases in the cost of capital, the values in use do not show impairment losses. In fact, the WACC that would make the recoverable amount of the CGU equal to its carrying amount would be equal to the discount rates used in the base case, each increased by 750 bps.

A sensitivity analysis was also carried out with forecast results below the expectations reflected in the 2020-2022 plan; if the expected operating results along the plan were to be reduced by 5% and the discount rates were to remain unchanged, again the value in use would not show impairment losses.

At the end of the test at 31 December 2019, the CGU's value in use was greater than its carrying amount of € 2.3 million.

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.

Provisions for slow-moving inventory

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

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 AT 1 JANUARY 2019

Accounting principles, amendments and interpretations adopted from 1 January 2019

The Group adopts IFRS 16 for the first time. The impact and nature of the changes following the adoption of this new accounting standard are described below. Several other amendments and interpretations apply for the first time in 2019 but have no impact on the Group's consolidated financial statements. The Group has not early adopted any other standards, interpretations or amendments published but not yet in force.

Pursuant to IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors,* the nature and impact of each change are indicated and briefly illustrated below:

IFRS16 – Leasing

With effect from 1 January 2019, the new accounting standard IFRS 16 "Leases" came into force, which defines a single model for the recognition of lease contracts. IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases using a single accounting model in the financial statements similar to the accounting for finance leases that were governed by IAS 17.

The standard includes two exceptions to recognition for lessees - leasing of "low value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease period of less than or equal to 12 months). At the inception date of a lease, the lessee will recognise a lease liability (i.e., the lease liability) and an asset that represents the right to use the underlying asset during the lease term (i.e., the right to use). Lessees are required to recognise separately interest expense on the lease liability and depreciation on the right of use.

Lessees are also required to reconsider the amount of the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or in the rate used to determine those payments). In general, the lessee recognises the difference from re-measuring the amount of the lease liability as an adjustment to the right of use.

The method of accounting for the lessor in accordance with IFRS 16 remains substantially unchanged from the accounting policy under IAS 17. Lessors will continue to classify all leases using the same classification principle as set out in IAS 17 and distinguishing between two types of lease: operating leases and finance leases.

The Group has adopted the new standard from the mandatory date of adoption, using the modified method. This method consists in accounting for the cumulative effect of the initial application of the new standard on opening initial equity, without restating comparative data.

The application of the new standard led to the recognition at 1 January 2019 of tangible fixed assets and the related financial debt for an amount of € 2 million.

The following table shows the impact of the adoption of IFRS 16 on the consolidated financial statements:

€ thousand	Published 31/12/2018	Effects of adoption of IFRS 16	Restated 01/01/2019
Non-current assets	14,902	1,838	16,740
Current assets	44,830	-	44,830
Total assets	**59,732**	**1,838**	**61,570**
Shareholders' equity	(11,961)	-	(11,961)
Non-current liabilities	(11,845)	(1,068)	(12,913)
Current liabilities	(35,926)	(770)	(36,696)
Total shareholders' equity and liabilities	**(59,732)**	**(1,838)**	**(61,570)**

The table below reconciles future obligations for operating leases at 31 December 2018 with financial liabilities for leases (both operating and financial) at 1 January 2019:

(€ thousand)	01/01/2019
Future obligations for operating leases at 31 December 2018	2,136
Practical expedients adopted:	
- "short-term" leases	(144)
- leases classified as low-value assets	(75)
Operating leases at 1 January 2019	1,917
Operating leases discounted to 1 January 2019	1,838
Financial leases at 31 December 2018	5,940
Total liabilities for leases at 1 January 2019	7,778

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The Interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties that have an effect on the application of IAS 12 and does not apply to taxes or duties that do not fall within the scope of IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to uncertain tax treatments. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9: *Prepayments Features with Negative Compensation*

In accordance with IFRS 9, a debt instrument may be measured at amortised cost or at fair value in the statement of comprehensive income, provided that the contractual cash flows are "exclusively principal and interest payments on the reference amount" (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is a plan amendment, curtailment or settlement. The amendments specify that when a plan amendment, curtailment or settlement occurs during the period, an entity is required to determine the cost of service for the remainder of the period following the amendment, curtailment or settlement of the plan, using key actuarial assumptions to remeasure the net defined benefit liability (asset) so that it reflects the benefits provided by the plan and the plan assets after that event. An entity must also determine net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to settle the net defined benefit liability (asset).

These changes did not have any impact on the consolidated financial statements as the Group did not record any plan amendments, curtailments or settlements during the period under review.

Amendments to IAS 28: *Long-term interests in associates and joint venture*

The amendments specify that an entity applies IFRS 9 for long-term investments in an associate or joint venture, for which the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interest).

This clarification is relevant because it implies that the expected credit loss model of IFRS 9 applies to such long-term investments.

The amendments also clarify that, in applying IFRS 9, an entity shall not take into account any losses of the associate or joint venture or any impairment of the investment recognised as an adjustment to the net investment in the associate or joint venture resulting from the application of IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements.

Annual improvements 2015-2017 Cycle

IFRS 3 *Business Combination*

The amendments explain that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that has taken place in several stages, including a review at fair value of the investment previously held in the assets and liabilities of the joint operation. In doing so, the acquirer shall revalue the previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date coincides with or is subsequent to the first annual period beginning on or after 1 January 2019, with early application permitted.

This amendment did not have any impact on the Group consolidated financial statements as there was no business combination in which joint control was obtained.

IFRS 11 *Joint Arrangements*

An entity that participates in a joint operation, without having joint control, could obtain joint control of the joint operation if its activity constitutes a business as defined in IFRS 3.

The amendments clarify that investments previously held in this joint operation are not remeasured. An entity applies those amendments to transactions in which it has joint control from the beginning of the period beginning on or after 1 January 2019, with early application permitted.

This amendment did not have any impact on the Group consolidated financial statements as there was no business combination in which joint control was obtained.

IAS 12 *Income Taxes*

The amendments clarify that the effects of taxes on dividends are related to past transactions or events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognises the effects of income taxes deriving from dividends in profit or loss, other comprehensive income or equity consistently with the way in which the entity has previously recognised such past transactions or events.

An entity applies those amendments for annual periods beginning on or after 1 January 2019, and early application is permitted. When an entity first applies those amendments, it applies them to the effects that taxes on dividends recognised from the beginning of the first annual reporting period have had. Since the Group's current practice is in line with these amendments, the Group has not recorded any impact resulting from these changes on its consolidated financial statements.

IAS 23 *Borrowing Costs*

The amendments clarify that an entity treats as non-specific loans any loan made that from the outset was intended to develop an asset, when all the actions necessary to prepare that asset for use or sale are completed.

An entity applies those amendments to borrowing costs incurred from the beginning of the period in which the entity first applies those amendments. An entity applies those amendments for annual periods beginning on or after 1 January 2019, and early application is permitted. Since the Group's current practice is in line with these amendments, the Group has not recorded any impact resulting from these changes on its consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT APPLICABLE YET AND NOT ADOPTED IN ADVANCE BY THE GROUP

The following are the standards and interpretations which, at the date of preparation of the Group's consolidated financial statements, had already been issued but were not yet in force. The Group intends to adopt these principles and interpretations, if applicable, when they enter into force.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a new comprehensive standard for insurance contracts that covers recognition and measurement, presentation and disclosure. When effective, IFRS 17 will replace IFRS 4 - Insurance Contracts which was issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g., life, non-life, direct insurance, re-insurance) regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features.

Limited exceptions will apply for this purpose. The overarching objective of IFRS 17 is to present an accounting model for insurance contracts that is more than useful and consistent for insurers. In contrast to the provisions of IFRS 4 which are largely based on the maintenance of previous accounting policies, IFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. The heart of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation characteristics (variable fee approach)
- A simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 will be in force for reporting periods beginning on or after 1 January 2021 and will require the presentation of comparative balances. Early application is allowed, in which case the entity must also have adopted IFRS 9 and IFRS 15 at or before the date of first-time application of IFRS 17. This standard does not apply to the Group.

Amendments to IFRS 3: *Definition of a Business*

In October 2018, the IASB issued amendments to the definition of business in IFRS 3 Definition of a Business to support entities in determining whether or not a set of acquired assets constitutes a business. The changes clarify what the minimum requirements are for having a business, remove the assessment of the ability of market participants to replace any missing elements, add guidance to support entities in assessing whether an acquired process is substantial, narrow the definitions of business and output, and introduce an optional fair value concentration test. New illustrative examples have been published together with the amendments.

Since the amendments apply prospectively to transactions or other events occurring on or after the date of first application, the Group is not affected by these amendments on the date of first application.

Amendments to IAS 1 and IAS 8: *Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' in the standards and to clarify certain aspects of the definition. The new definition indicates that information is material if, as a result of its omission, or as a result of its incorrect or unintelligible presentation ('obscuring'), one could reasonably expect to influence the decisions that the main users of the financial statements would make based on the financial information contained therein.

The changes to the definition of material are not expected to have a significant impact on the consolidated financial statements of the group.

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 29.

CONSOLIDATION AREA

The Group Consolidated Financial Statements at 31 December 2019 include Fidia S.p.A. and 8 consolidated subsidiaries, of which Fidia S.p.A. directly holds the majority of votes and over which it has control.

The companies comprised in the consolidation area are listed below:

Name / Registered office	Currency	Share Capital	Size of interest 2019	Size of interest 2018
Fidia Gmbh, Dreiech - Germany	EUR	520,000	100%	100%
Fidia Co, Rochester Hill - 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	399,843	99.75%	99.75%
Beijing Fidia M&E Co Ltd, Beijing - China	USD	1,500,000	100.00%	96.00%
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%

The scope of consolidation has changed from the consolidated financial statements at 31 December 2018 due to the acquisition by the Parent Company of a further 4% of the subsidiary Beijing Fidia Machinery & Electronics Co., Ltd; the final equity investment increased from 96% to 100%.

It should also be noted that Fidia Sarl is 100% subsidiary of the parent company Fidia SpA (directly through its 93.19% interest and indirectly through its 6.81% interest held in Fidia Gmbh).

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 91.6 % of total sales.

Revenue by geographical area (€ thousand)

	FY2019	%	FY2018	%
Italy	3,823	8.4%	11,274	19.5%
Europe	12,358	27.0%	15,773	27.3%
Asia	17,786	38.8%	16,805	29.1%
North and South America	11,816	25.8%	13,875	24.0%
Rest of the World	-	0.0%	14	0.0%
Total revenue	**45,783**	**100%**	**57,741**	**100%**

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

Revenues by line of business (€ thousand)

	FY2019	%	FY2018	%
Numerical controls, drives and software	2,305	5.0%	3,467	6.0%
High-speed milling systems	31,304	68.4%	40,923	70.9%
After-sales service	12,174	26.6%	13,351	23.1%
Total revenue	**45,783**	**100%**	**57,741**	**100%**

2. OTHER REVENUES AND INCOME

This item comprises:

(€ thousand)

	FY2019	FY2018
Contributions for operating expenses	478	348
Contingent assets	433	149
Gain from tangible assets	52	32
Recovery of costs incurred	106	107
Insurance refunds	28	79
Release to income of warranty provisions and others	795	164
Other miscellaneous revenues and earnings	974	1,115
Total	**2,866**	**1,994**

Other revenues and income amounted to € 2,866 thousand (€ 1,994 thousand in 2018), an increase of € 872 thousand compared to the previous year.

This item includes € 478 thousand (€ 348 thousand at 31 December 2018) 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 2019 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.

Other revenues and income mainly includes the capitalisation of product development costs (€ 555 thousand at 31 December 2019; € 799 thousand at 31 December 2018).

3. RAW MATERIALS

These are:

(€ thousand)

	FY2019	FY2018
Production materials	15,426	22,386
Service materials	1,460	1,565
Consumables	82	187
Equipment and software	16	85
Packaging	543	521
Others	128	137
Change in inventory raw materials and consumables	1,121	(1,487)
Total	**18,776**	**23,394**

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

4. PERSONNEL COSTS

Personnel expenses amounted to € 17,632 thousand versus € 17,654 thousand of the year before and consist of:

(€ thousand)

	FY2019	FY2018
Wages and salaries	13,317	13,376
Social security charges	3,588	3,578
TFR	460	478
Other personnel expenses	**267**	**222**
Total	**17,632**	**17,654**

Personnel costs are substantially unchanged compared to the previous year (-0.10%, i.e., a reduction of about € 22 thousand) and the Group's staff is about 3.7% lower on average. The reduction in personnel costs is still reflected in the lower cost since the outgoing staff was mainly in the second half of the year.

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased from 30.0% in 2018 to 36.3% in the current period.

The change recorded in 2019 in the number of employees, broken down by category, is illustrated below:

	31 December 2018	**Inbound**	**Outbound**	**Change**	**31 December 2019**	**Period average**
Executives	11	2	(2)	1	12	12.5
Clerks and cadres	272	8	(28)	(1)	251	259.0
Workers	53	-	(3)	-	50	51.0
Total	**336**	**10**	**(33)**	**-**	**313**	**322.5**

5. OTHER OPERATING COSTS

Other operating expenses in the amount of € 13,153 thousand, down by € 3,470 thousand, versus € 16,623 thousand at 31 December 2018, are illustrated in detail in the table below:

(€ thousand)

	FY2019	**FY2018**
Outsourced work	2,130	2,703
Travel expenses	2,054	1,920
Transportation and customs	1,609	1,937
Rent paid for offices and plants	223	1,067
Technical, legal and administrative consulting	1,038	1,318
Utilities	475	495
Commissions	582	549
Car rental expenses	145	340
Warranty provisions	187	800
Auditors' emoluments	65	65
Insurance	443	463
Advertising, trade fairs and other commercial costs	442	603
Non-income taxes	361	400
Maintenance and housekeeping	247	274
Personnel-related expenses	251	291
Bank services	204	237
Motor vehicle management expenses	123	119
Bad debts	34	321
Costs related to stock market listing	128	134
Costs for repairs and interventions	1,686	1,829
Research project costs	160	199
Entertainment expenses	71	59
Contributions and payments	39	47
Contingent liabilities	165	122
Penalties and surcharges	12	10
Others	279	321
Total	**13,153**	**16,623**

The decrease compared to last year was due to lower costs linked to the production and technical areas and to a lower use of outsourcing; these costs have been reduced due to the slowdown in production levels. There was also a reduction in the allocation to the warranty fund, also linked to the reduction in sales volume and all overheads thanks to the cost containment policy adopted to cope with the reduction in revenue.

6. DEPRECIATION AND AMORTIZATION

(€ thousand)

	FY2019	**FY2018**
Amortization of intangible fixed assets	303	228
Amortization of property, plant and equipment	2,016	954
Write-down of intangible assets	-	10
Write-down of trade receivables	116	124
Write-downs and provisions for other non-current receivables and assets	30	351
Total	**2,466**	**1,667**

Amortisation and depreciation of tangible fixed assets increased by approximately € 1,062 thousand compared to the previous year mainly as a result of the adoption of IFRS 16.

Amortization of tangible and intangible assets was carried out according to the rates already described above. Bad debts consist of the estimate of possible outstanding credits. Said provisions along with the existing reserves are considered commensurate to possible cases of insolvency.

The write-down and provisions of other receivables and non-current assets represents the update of the provision of € 30 thousand against the results of an inspection by the National Institute for Occupational Accident Insurance at the parent company.

7. NON-RECURRING REVENUE

This item is not present. The item relating to the previous reporting period referred to non-recurring charges of € 272 thousand, attributable to the loss accounted for by the US subsidiary Fidia Co., which was subject to computer fraud.

8. FINANCE REVENUE AND EXPENSES

Finance revenue and expenses consist of:

(€ thousand)

	FY2019	FY2018
Finance revenue	43	55
Borrowing costs	(630)	(543)
Net Profit (Loss) on derivatives	-	1
Profit (Loss) from foreign currency transactions	(142)	(67)
Total	**(729)**	**(554)**

In the year 2019, the balance of finance revenue (expenses) was negative, amounting to € 729 thousand (€ 554 thousand in the previous period).

Finance revenue consists of:

(€ thousand)

	FY2019	FY2018
Interests received from banks	16	9
Interests and commercial discounts	1	-
Other interests received	26	46
Total	**43**	**55**

Finance expenses consist of:

(€ thousand)

	FY2019	FY2018
Interest paid on loans from banks and leasing companies	(435)	(323)
Interest paid on M/L-term borrowings from banks	(91)	(125)
Borrowing costs on termination benefits	(14)	(21)
Other borrowing costs	(90)	(74)
Total	**(630)**	**(543)**

Net profit and loss on derivatives:

(€ thousand)

	FY2019	FY2018
Financial charges on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	-	-
Financial income on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	-	1
Total	**-**	**1**

Expenses and income from derivative instruments include the fair value measurement of five interest rate swaps entered into by the parent company Fidia S.p.A. to hedge the risk of interest rate fluctuations on five medium/long-term loans.

Profit (Loss) on foreign currency transactions consists of:

(€ thousand)

	FY2019	FY2018
Realised exchange gains	277	472
Unrealised exchange gains	5	7
Realised exchange losses	(383)	(546)
Unrealised exchange losses	(41)	-
Total	**(142)**	**(67)**

9. INCOME TAX

Taxes stated in the consolidated statement of comprehensive income were:

(€ thousand)

	FY2019	FY2018
Income tax: IRAP (Italian Regional Tax on Production Activities)	-	56
Income tax of foreign subsidiaries	265	363
Prior period taxes	(35)	93
Deferred tax assets	(2)	(209)
Deferred tax liabilities	51	1
Total	**279**	**304**

The decrease in current taxes reflects the higher lower income realized by the parent company and some subsidiaries compared with the previous year (in particular, the parent company Fidia SpA realised a tax loss for both IRAP and IRES purposes). 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 2019, the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

(€ thousand)

	31 December 2019	31 December 2018
Deferred tax assets	976	957
Deferred tax liabilities	(97)	(47)
Total	**879**	**910**

Assets for deferred tax assets are substantially in line with the previous year.

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.

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

(€ thousand)

	At 31/12/2018	Posted to income statement	Stated to equity	Others Changes	Exchange rate gain/(loss)	At 31/12/2019
Deferred tax assets for:						
Application of IFRS 15	16	(10)	-	-	-	6
Application of IAS 19	128	(12)	14	-	-	130
Application of IAS 16 - *Property, plant and equipment*	37	(16)	-	-	-	21
Loss from previous periods	250	50	-	-	-	300
Write-down provisions	346	(74)	-	-	5	277
Cash flow hedge reserve	20	-	34	-	-	54
Miscellaneous	160	64	-	(36)	-	188
Total deferred tax assets	**957**	**2**	**48**	**(36)**	**5**	**976**
Deferred tax liabilities for:						
Fair value measurement	34	(5)	-	-	-	29
Miscellaneous	13	56	-	-	(1)	68
Total deferred taxes	**47**	**51**	**-**	**-**	**(1)**	**97**

The comprehensive value of tax loss at 31 December 2019 and the relevant amounts for which no assets for pre-paid taxes, divided by year due, are stated below (for Fidia SpA only).

(€ thousand)

		Year due					
	At 31 December 2019	**2020**	**2021**	**2022**	**2023**	**Beyond 2024**	**Unlimited or unforeseeable**
Tax loss		-	-	-	-	-	6,235

Other temporary differences for which no deferred tax assets were recognized amounted to € 6,025 thousand, mainly related to accruals in provisions and non-deductible interest payable.

10. Earnings per share

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

		2019	2018
Net earnings pertaining to Group	€ thousand	(4,118)	(1,314)
Profit/(Loss) of ordinary shares	€ thousand	(4,118)	(1,314)
Mean number of ordinary shares in circulation in the period	Number	5,113,000	5,113,000
Earnings per share	EUR	(0.805)	(0.257)
Diluted earnings per ordinary share	EUR	(0.805)	(0.257)

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.

11. PROPERTY, PLANT AND EQUIPMENT

During 2019 the changes in the net carrying amount of Property, plant and equipment were as follows:

(€ thousand)

	Land and buildings	Total plant, machinery and equipment	Other assets	Assets under construction and advances	Total
Net carrying amount at 31/12/2018	**9,530**	**1,024**	**756**	**3**	**11,313**
First-time adoption of IFRS 16	1,595	-	243	-	1,838
Net carrying amount at 01/01/2019	11,125	1,024	999	3	13,151
Increases and acquisitions	1,946	72	621		2,639
Reclassifications/transfers	- -	-	-	-	-
Decreases and disposals	(902)	-	(74)	-	(976)
Depreciation	(1,247)	(321)	(448)	-	(2,016)
(Write-downs)/Write-backs	-	-	-	-	-
Exchange rate gain/(loss)	25	1	3	-	29
Net carrying amount at 31/12/2019	**10,947**	**776**	**1,101**	**3**	**12,827**
Of which rights of use:					
Lease pursuant to IAS 17 at 31/12/2018	8,182	346	158	-	8,686
First-time adoption IFRS 16	1,595	-	243	-	1,838
Increases	1,945	-	363	-	2,308
Net decreases	(902)	-	-	-	(902)
Depreciation	(1,160)	(95)	(240)	-	(1,495)
Exchange rate gain/(loss)	-	-	-	-	-
Net carrying amount at 31/12/2019	**9,660**	**251**	**524**	**-**	**10,435**

In 2019 and 2018 the changes in original cost of Property, Plant and Equipment were as follows:

	Initial balance at 31/12/2018				Changes in period						
	Purchase Price	Revaluations	Total	First-time adoption IFRS 16	Balance 1/1/2019	Additions	Decreases	Net change in rights of use	Exchange rate Differences	Total	Balance 31/12/2019
Land and buildings	10,445	380	10,825	1,595	12,420	-	-	949	23	972	13,392
Lightweight constructions	11		11	-	11	-	-	-	-	-	11
Total property	**10,836**	**380**	**10,836**	**1,595**	**12,431**	**-**	**-**	**949**	**23**	**972**	**13,403**
Plant and equipment	**2,433**	**-**	**2,433**	**-**	**2,433**	**-**	**-**	**-**	**2**	**2**	**2,435**
Industrial equipment	**2,616**	**-**	**2,616**	**-**	**2,616**	**68**	**-**	**-**	**2**	**70**	**2,686**
Electrical tools	**972**	**-**	**972**	**-**	**972**	**4**	**-**	**-**	**1**	**5**	**977**
Total plant, machinery and equipment	**6,021**	**-**	**6,021**	**-**	**6,021**	**72**	**-**	**-**	**5**	**77**	**6,098**
Furnishing	1,296	-	1,296	-	1,296	9	-	-	3	12	1,308
Electronic equipment	1,734	-	1,734	-	1,734	24	(30)	-	4	(2)	1,732
Means of transportation	1,588	-	1,588	243	1,832	226	(303)	363	10	295	2,127
Total other goods	**4,619**	**-**	**4,619**	**243**	**4,862**	**258**	**(333)**	**363**	**17**	**305**	**5,167**
Work in progress	3	-	3	-	3	-	-	-	-	-	3
Total original cost of property, plant and equipment	**21,099**	**-**	**21,479**	**1,838**	**23,317**	**330**	**(333)**	**1,312**	**45**	**1,354**	**24,671**

(€ thousand)

	Initial balance at 1 January 2018			Changes in period						
	Purchase price	Revaluations	Total	Additions	Decreases	(Write-downs) Write-backs	Exchange rate gains losses	Reclassifications	Total	Balance 31/12/2018
Land and buildings	10,390	380	10,770	1	-	-	54	-	55	10,825
Lightweight constructions	11		11	-	-	-	-	-	-	11
Total property	**10,401**	**380**	**10,781**	**1**	**-**	**-**	**54**	**-**	**55**	**10,836**
Plant and equipment	1,975		1,975	391	(8)	-	5	70	458	2,433
Industrial equipment	2,396		2,396	220	(1)	-	1	-	220	2,616
Electrical tools	961		961	13	-	-	(2)	-	11	972
Total plant, machinery and equipment	**5,332**		**5,332**	**624**	**(9)**	**-**	**4**	**70**	**689**	**6,021**
Furnishing	1,266		1,266	24	-	-	6	-	30	1,296
Electronic equipment	1,772		1,772	54	(98)	-	6	-	(38)	1,734
Means of transportation	1,535		1,535	240	(200)	-	14	-	54	1,588
Total other goods	**4,573**		**4,573**	**318**	**(298)**	**-**	**26**	**-**	**46**	**4,619**
Work in progress	70		70	3	-	-	-	(70)	(67)	3
Total original cost of property, plant and equipment	**20,376**	**380**	**20,756**	**946**	**(307)**	**-**	**84**	**-**	**723**	**21,479**

In 2019 and 2018, the changes in the relevant accrued depreciation were the following:

(€ thousand)

		Changes in period						
		Amortisation historical value		Amortisation of rights of use				
	Initial balance 1/1/2019	Depr./ Amortis.	Utilisations	Depr./ Amortis.	Utilisations	Exchange rate gains/(loss)	Total	Final balance 31/12/2019
Land and buildings	1,298	87	-	1,160	(95)	(2)	1,152	2,448
Lightweight constructions	8	-	-	-	-	-	-	8
Total property	**1,306**	**87**	**-**	**1,160**	**(95)**	**(2)**	**1,152**	**2,456**
Plant and equipment	1,846	48	-	95	-	2	145	1,991
Industrial equipment	2,198	171	-	-	-	2	173	2,371
Electrical tools	953	7	-	-	-	-	7	960
Total plant, machinery and equipment	**4,997**	**226**	**-**	**95**	**-**	**4**	**325**	**5,322**
Furnishing	1,058	34	-	-	-	3	37	1,095
Electronic equipment	1,633	40	(30)	-	-	4	15	1,647
Means of transportation	1,171	134	(230)	240	-	7	151	1,322
Total other goods	**3,863**	**208**	**(260)**	**240**	**-**	**14**	**203**	**4,064**
Total cumulated depreciation of property, plant and equipment	**10,166**	**521**	**(260)**	**1,495**	**(95)**	**18**	**1,680**	**11,844**

(€ thousand)

	Initial balance 1/1/2018	Changes in period					Final balance 31/12/2018
		Depreciation	Disposals	Others changes	Exchange rate gains/loss	Total	
Land and buildings	840	454	-	-	4	458	1,298
Lightweight constructions	8	-	-	-	-	-	8
Total property	**848**	**454**	**-**	**-**	**4**	**458**	**1,306**
Plant and equipment	1,765	84	(6)	-	3	81	1,846
Industrial equipment	2,048	151	(1)	-	-	150	2,198
Electrical tools	948	6	-	-	(1)	5	953
Total plant, machinery and equipment	**4,761**	**241**	**(7)**	**-**	**2**	**236**	**4,997**
Furnishing	1,024	30	-	-	4	34	1,058
Electronic equipment	1,686	39	(98)	-	6	(53)	1,633
Means of transportation	1,170	190	(198)	-	10	2	1,172
Total other goods	**3,880**	**259**	**(296)**	**-**	**20**	**(17)**	**3,863**
Total cumulated depreciation of property, plant and equipment	**9,489**	**954**	**(303)**	**-**	**26**	**677**	**10,166**

The net carrying amount of Property, Plant and Equipment at 31 December 2019 can be broken down as follows:

(€ thousand)

	Initial balance 31/12 2018	First-time adoption IFRS 16	Initial balance 1/1/2019	Changes in period								Final balance 31/12 2019
				Right of use								
				Additions	Disposals	(Write-downs) Write-backs	Reclassifications	Depreciation	Net change in rights of use	Exchange rate gains/loss	Total	
Land and buildings	9,527	1,595	11,122	-	-	0		(1,247)	1,044	24	(178)	10,944
Lightweight constructions	3	0	3	-	-	0		0	0	0	0	3
Total property	**9,530**	**1,595**	**11,125**	**0**	**-**	**0**	**0**	**(1,247)**	**1,044**	**24**	**(178)**	**10,947**
Plant and equipment	587		587	-	-	0		(143)	0	0	(143)	444
Industrial equipment	418		418	68	-	0		(171)	0	0	(103)	315
Electrical tools	19		19	4	-	0		(7)	0	1	(2)	17
Total plant, machinery and equipment	**1,024**	**0**	**1,024**	**72**	**-**	**0**	**0**	**(321)**	**0**	**1**	**(248)**	**776**
Furnishing	238		238	9	-	0		(34)	0	0	(25)	213
Electronic equipment	101		101	24	-	0		(40)	0	0	(16)	85
Means of transportation	417	243	660	226	(73)	0		(374)	363	2	145	805
Total other goods	**756**	**243**	**999**	**259**	**(73)**	**0**	**0**	**(448)**	**363**	**2**	**104**	**1,103**
Work in progress	3		3	0	-	0	0	0	0	0	0	3
Total net value of property, plant and equipment	**11,313**	**1,838**	**13,151**	**331**	**(73)**	**0**	**0**	**(2,016)**	**1,407**	**27**	**(324)**	**12,827**

The net carrying amount of Property, Plant and Equipment at 31 December 2018 can be broken down as follows:

(€ thousand)

	Initial balance 1/1/2018	Changes in period							Final balance 31/12/2018
		Additions	Disposals	(Write-downs) Write-backs	Reclassifications	Depreciation	Exchange rate gains/loss	Total	
Land and buildings	9,930	1	-	-	-	(454)	50	(403)	9,527
Lightweight constructions	3	-	-	-	-	-	-	-	3
Total property	**9,933**	**1**	**-**	**-**	**-**	**(454)**	**50**	**(403)**	**9,530**
Plant and equipment	210	391	(2)	-	70	(84)	2	377	587
Industrial equipment	348	220	-	-	-	(151)	1	70	418
Electrical tools	13	13	-	-	-	(6)	(1)	6	19
Total plant, machinery and equipment	**571**	**624**	**(2)**	**-**	**70**	**(241)**	**2**	**453**	**1,024**
Furnishing	242	24	-	-	-	(30)	2	(4)	238
Electronic equipment	86	54	-	-	-	(39)	-	15	101
Means of transportation	365	240	(2)	-	-	(190)	4	52	417
Total other goods	**693**	**318**	**(2)**	**-**	**.**	**(259)**	**6**	**63**	**756**
Work in progress	70	3	-	-	(70)	-	-	(67)	3
Total net value of property, plant and equipment	**11,267**	**946**	**(4)**	**-**	**-**	**(954)**	**58**	**46**	**11,313**

Investments made in 2019, amounting to € 330 thousand for assets purchased and € 29 thousand for new leasing contracts, consist of physiological investments to maintain the production structure.

The remaining part of the item Increases mainly consists of rights of use following the renewal of commitments relating to real estate, with the consequent stipulation of new lease contracts, and to some vehicle lease contracts.

The value of land and buildings includes an industrial building held by the parent company that became ready for use in 2017 and has been depreciated from that date.

At 31 December 2019, the Group has no buildings burdened by collateral, but by virtue of the lease contract entered into for the purchase of the industrial building renovated by Fidia S.p.A., this asset is in the name of the leasing company.

Capital expenditure does not include capitalized borrowing costs.

Buildings consists of the operating headquarters of Fidia S.p.A., Fidia Iberica and Fidia Co. and the rights of use of the offices of the following Group companies: Fidia GmbH, Fidia Sarl, Fidia do Brasil, Fidia Beijing and Shenyang Fidia.

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

With reference to the recoverability of this item in the financial statements and the considerations regarding the impairment test carried out at 31 December 2019, please refer to the previous section "Recoverable amount of non-current assets."

12. INTANGIBLE FIXED ASSETS

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

In 2019 and 2018 the changes in net carrying amount of Intangible Assets were as follows:

(€ thousand)

	Initial balance 1/1/2019	Changes in period						Initial balance at 31/12/2019
		Additions	Depreciation	Reclassifications	Exchange rate Gains/loss	(Write-down) Write-backs	Total	
Development Costs	1,154	-	(278)	-	-	-	(278)	876
Licenses	13	-	(7)	-	-	-	(7)	6
Software	37	7	(18)	-	-	-	(11)	26
Work in progress	1,138	555	-	-	-	-	555	1,693
Total net value of intangible fixed assets	**2,342**	**562**	**(303)**	**-**	**-**	**-**	**259**	**2,601**

(€ thousand)

	Initial balance 1/1/2018	Changes in period						Final balance 31/12/2018
		Additions	Depreciation	Reclassifications	Exchange rate gains/loss	(Write-down) Write-backs	Total	
Development Costs	532	-	(128)	750	-	-	622	1,154
Licenses	37	3	(27)	-	-	-	(24)	13
Software	90	20	(73)	-	-	-	(53)	37
Work in progress	1,099	799	-	(750)	-	(10)	39	1,138
Total net value of intangible fixed assets	**1,758**	**822**	**(228)**	**-**	**-**	**(10)**	**584**	**2,342**

Development costs incurred and capitalised during the period amounted to € 555 thousand; they related to projects not yet amortised (as they had not yet been completed) and projects completed and reclassified at the end of the period, which have therefore 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.

Intangible assets in progress consist mainly of development projects that at the closing date have not yet been fully completed and whose economic benefits are expected to flow to subsequent years.

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

With reference to the recoverability of this item in the financial statements and the considerations regarding the impairment test carried out at 31 December 2019, please refer to the previous section "Recoverable amount of non-current assets."

13. EQUITY INVESTMENTS

Investments are as follows:

(€ thousand)

	Balance at 31 December 2019	Balance at 31 December 2018
Equity investments measured with the equity method	2	2
Equity investments measured at fair value	14	14
Total interests	**16**	**16**

Equity investments measured at fair value are follows:

(€ thousand)

	at 31 December 2019	Balance at 31 December 2018
Probest Service S.p.A. - Milan	10	10
Elkargi (Fidia Iberica)	4	4
Total equity investments measured at fair value	**14**	**14**

Investments measured with the equity method were as follows:

(€ thousand)

	Share Capital	Size of investment	
		31/12/2019	31/12/2018
Prometec Consortium - Rivoli (Turin)	11	20.00%	20.00%

There is a consortium over which the Group has significant influence but not joint or several control on the financial and operating policies, as defined by IAS 28 – Investments in Associates.

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

(€ thousand)

	Balance 31 December 2019	Balance 31 December 2018
Security deposits	11	98
Receivables for foreign VAT	13	9
Withholding tax on foreign income	135	128
Multi-year pre-paid expenses	21	34
Sundry receivables	1	5
Total	**181**	**274**

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

Withholding tax receivables on foreign income consist of receivables from 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 periods. These receivables are recoverable through the realisation of taxable income such as to allow an excess of Italian tax over foreign tax within a maximum of eight years.

15. INVENTORY

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

(€ thousand)

	Balance 31 December 2019	Balance 31 December 2018
Raw/auxiliary materials and consumable supplies	10,817	11,533
Provisions for raw materials depreciation	(2,538)	(2,151)
Net value of raw materials, subsidiary materials and consumables	**8,279**	**9,382**
Semi-finished products and work in progress	4,621	4,228
Finished products and goods for resale	4,621	5,055
Finished products and goods depreciation provision	(604)	(586)
Net value finished products and goods	**4,017**	**4,469**
Advances	361	340
Total inventory	**17,278**	**18,419**

Inventories decreased by € 1,141 thousand compared with the previous year due to the slowdown in revenue.

The provisions for depreciation equivalent to € 3,142 thousand (€ 2,737 thousand at 31 December 2018) 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 2018	Provisions/(use)	Exchange rate effect	Balance 31 December 2019
Provisions for raw materials depreciation	2,151	385	2	2,538
Provisions for depreciation finished products	586	14	4	604
Total	**2,737**	**399**	**6**	**3,142**

16. TRADE RECEIVABLES

At 31 December 2019 these amounted to € 8,837 thousand, namely € 9,224 thousand less compared to 31 December 2018. Trade receivables are detailed as follows:

(€ thousand)

	Balance at 31 December 2019	Balance at 31 December 2018
Trade receivables from customers	9,500	18,729
Provision for bad debts	(663)	(668)
Total trade receivables	**8,837**	**18,061**

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

(€ thousand)

	31 December 2019	31 December 2018
Unexpired	5,433	5,935
Due up to 1 month	1,034	7,771
Due 1 to 3 months	609	2,313
Due 3 months to 6 months	507	374
Due 6 months to 1 year	492	954
Due over 1 year	1,425	1,382
Total	**9,500**	**18,729**

Receivables were aligned at the expected realisable amount by means of allocations to the provisions for write-down of receivables equal to € 116 thousand. In application of IFRS 9, the Group assesses trade receivables using an expected loss approach; the Group has therefore adopted a simplified approach, whereby the provision for bad debts reflects expected losses based on the life of the receivable; in determining the provision, the Group has relied on historical experience, external indicators and prospective information.

Receivables include € 463 thousand in bank receipts submitted for collection or under reserve, which were not due yet at the reporting date.
It is deemed that the net carrying amount of trade receivables is near their fair value.

The changes in the bad debt provision illustrated below.

(€ thousand)

Balance at 31 December 2018	**668**
Provisions in period	116
Utilisations	(123)
Exchange rate gain/(loss)	2
Balance at 31 December 2019	**663**

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

(€ thousand)

	Balance at 31 December 2019	Balance at 31 December 2018
Italy	1,672	4,374
Europe	2,775	4,331
Asia	2,898	7,956
North and South America	1,900	1,974
Rest of the World	255	94
Total	**9,500**	**18,729**

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

(€ thousand)

	Balance at 31 December 2019	Balance at 31 December 2018
Current tax receivables:		
Receivables from tax authorities for VAT	323	596
Tax receivables for income tax and IRAP (Italian Regional Tax on Production Activities)	52	158
Receivables for short-term foreign VAT	-	12
Other tax receivables	259	251
Total current tax receivables	**634**	**1,017**
Other current receivables:		
Research grants	88	121
Receivables from welfare organizations	104	-
Sundry prepayments	117	244
Pre-paid expenses	14	14
Receivables from employees	103	234
Advances from suppliers	97	101
Other current receivables	18	58
Total other current receivables	**541**	**772**

There are no receivables due beyond five years.

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

18. CASH AND CASH EQUIVALENTS

The overall total of cash of the Group amounted to € 4,102 thousand (€ 6,561 thousand at 31 December 2018). This item is composed of temporary cash on bank accounts pending future use amounting to € 4,093 thousand and cash on hand and checks in the amount of € 9 thousand. It is deemed that the carrying amount of the cash and cash equivalents is aligned to the fair value at reporting date.

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

19. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity at 31 December 2019 amounted to € 7,347 thousand, down by € 4,614 thousand from € 11,961 thousand at 31 December 2018. This difference is the result of:

- loss of the period (€ 4,477 thousand);
- positive changes in exchange rates due to translation of financial statements of subsidiaries denominated in currencies other than EUR (€ 186 thousand);
- negative effect of the accounting of actuarial change on the termination benefits net of the theoretical tax effect (€ 45 thousand);
- negative effect of the cash flow hedge reserve net of the theoretical tax effect (€ 108 thousand);
- negative effect of the acquisition of the 4% interest in Fidia Beijing (€ 154 thousand);
- other minor negative changes (€ 16 thousand).

Share capital

The share capital of Fidia S.p.A. at 31 December 2019, fully subscribed and paid in, is unchanged compared to 31 December 2018 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 2017 and the number of circulating shares at 31 December 2019:

	At 31 December 2017	Increase in share capital	(Purchases)/sales of own shares	At 31 December 2018	Increase in share capital	(Purchases)/ sales of own shares	At 31 December 2019
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. Shares	Nominal value	Share in % share capital	Carrying amount	Mean unit value
Situation at 1 January 2019	**10,000**	**1.00**	**0.20%**	**45.52**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Write-backs					
Situation at 31 December 2019	**10,000**	**1.00**	**0.20%**	**45.52**	**4.55**

Capital reserves

In 2019, share premium reserve was unchanged compared to 31 December 2018 and amounted to € 1,240 thousand.

Retained Earnings

Retained Earnings comprised:

- the legal reserve of Fidia S.p.A., amounting to € 883 thousand at 31 December 2019, is unchanged compared to the previous year;
- Earnings carried forward in the amount of € 1,297 thousand at 31 December 2019 (€ 3,078 thousand at 31 December 2018).

Other Profit/(Loss)

The value of other Profit/(Loss) consisted of:

(€ thousand)

	31 December 2019	31 December 2018
Profit/(Loss) on cash flow hedge in the period	(142)	(23)
Profit/(Loss) on cash flow hedge reclassified in profit or loss	-	-
Profit/(Loss) on cash flow hedge	**(142)**	**(23)**
Profit(Loss) on translation of financial statements of foreign companies in the period	186	234
Profit(Loss) on translation of financial statements of foreign companies reclassified in the statement of comprehensive income	-	-
Profit/(Loss) on translation of financial statements of foreign companies	**186**	**234**
Actuarial Profit/(Loss) on defined benefit plans (termination benefits) in the period	(59)	27
Actuarial Profit/(Loss) on defined benefit plans (termination benefits) reclassified in the statement of comprehensive income	-	-
Actuarial Profit/(Loss) on defined benefit plans (termination benefits)	**(59)**	**27**
Tax effect for Other components of statement of comprehensive income	**48**	**-**
Total Other Profit/(Loss), net of tax effect	**33**	**238**

Tax effect pertaining to Other Profit/(Loss) consisted of:

(€ thousand)

	31 December 2019			31 December 2018		
	Gross value	Tax (expense)/ benefit	Net value	Gross value	Tax (expense)/ benefit	Net value
Profit/(Loss) on cash flow hedge instruments	(142)	34	(108)	(23)	6	17
Profit/(Loss) on translation of financial statements of foreign companies	186	-	186	234	-	234
Actuarial gains/(losses) on defined benefit plans	(59)	14	(45)	27	(6)	21
Total other Profit/(Loss)	**(15)**	**48**	**(33)**	**238**	**-**	**238**

Cash Flow Hedge reserve

The cash flow hedge reserve includes the fair value of some derivative instruments (interest rate swaps) entered into by the company to hedge the risk of interest rate fluctuations on five floating rate loans.

In 2019, the cash flow hedge provisions registered the following changes:

Financial instrument by type (€ thousand)

	Nature of hedged risk	Initial balance 1/1/2019	Increases	Decreases	CFH provisions released to P/L	Final balance at 31/12/2019
Interest rate swap	Interest rate risk	(63)	-	(108)	-	(171)
Total		**(63)**	**-**	**(108)**	**-**	**(171)**

Non-controlling interests

Non-controlling interests in the amount of € 1,102 thousand (€ 1,636 thousand at 31 December 2018) refer to the following consolidated companies with the line-by-line method:

(€ thousand)

	% non-controlling interests 2019	% non-controlling interests 2018	Balance 31 December 2019	Balance 31 December 2018
Fidia Beijing M&E Co. Ltd.	0.0%	4%	-	188
Fidia do Brasil Ltda	0.25%	0.25%	(1)	-
Shenyang Fidia NC&M Co Ltd	49%	49%	1,103	1,448
Fidia Iberica S.A.	0.01%	0.01%	-	.
Total			**1,102**	**1,636**

20. OTHER NON-CURRENT PAYABLES AND LIABILITIES

(€ thousand)

	Balance at 31 December 2019	Balance at 31 December 2018
Advances for research projects	120	376
Payables to employees	88	77
Long-term deferred income and other payables	118	171
Total	**326**	**624**

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 period.
Payables to personnel refer to medium/long-term payables to personnel of the subsidiary Fidia Sarl.
Multi-year deferred income is linked to the application of IFRS 15 with particular reference to extended guarantees.

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

21. 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 2019	**2,189**
Amount accrued and allocated in year	479
Benefits paid out in year	(103)
Amount transferred to State Fund and complementary pension scheme	(473)
Finance expenses on termination benefits	14
Accounting of actuarial losses	59
Substitute tax	(6)
Balance at 31 December 2019	**2,159**

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

Please be noted that the interest on charges relating to the defined benefits plans for employees are comprised under finance expense, hence leading to an increase in finance expense of the period in the amount of € 14 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2019	**At 31 December 2018**
Discount rate	EUR Composite AA Curve	EUR Composite AA Curve
Future inflation rate	1.2%	1.5%
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 used to determine the present value of the obligation was derived, in accordance with paragraph 83 of IAS 19, from the AA rating EUR Composite curve recorded at the measurement date:

Year	**31 December 2019**
1	- 0.22%
2	- 0.14%
3	- 0.02%
4	0.08%
5	0.15%
6	0.21%
7	0.28%
8	0.36%
9	0.43%
10	0.50%
11	0.56%
12	0.62%
13	0.67%
14	0.75%
15 +	0.77%

As required by IAS 19, the tables below show a sensitivity analysis for each actuarial assumption relevant at the reporting date, showing the effects that would have arisen as a result of changes in actuarial assumptions reasonably possible at that date, in absolute terms, an indication of the contributions for the subsequent year, the average financial duration of the obligation and the disbursements provided for in the plan.

Sensitivity analysis of Defined Benefit Obligation **(€ thousands)**

	31 December 2019
Inflation rate +0.25%	2,181
Inflation rate -0.25%	2,137
Discount rate +0.25%	2,134
Discount rate -0.25%	2,182
Rate of turnover +1%	2,150
Rate of turnover -1%	2,169

Service cost and duration

Service cost pro futuro	0.00
Duration of the plan	7.3 years

Future plan disbursements **(€ thousand)**

Years	Planned disbursements
1	316
2	311
3	85
4	82
5	80

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 2019.

	Basic Assumptions	Changes in Basic Assumptions									
Inflation rate projections	Curve	1.40%	1.60%								
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	Curve							-10%	+10%		
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	**Employee termination indemnities on an IAS basis(*)**	**Percentage change in termination benefits compared to the basic assumptions**									
Fidia S.p.A.	**2,158,698**	**-48%**	**0.48%**	**0.04%**	**-0.04%**	**0.04%**	**-0.04%**	**0.54%**	**-0.56%**	**0.09%**	**-0.08%**

(*) amounts in EUR

22. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item includes the fair value of interest rate swap contracts entered into to hedge (cash flow hedge) the risk of variability in interest expense flows on four medium/long-term loans and on one property lease contract entered into by the parent company Fidia S.p.A.

(€ thousand)

	31 December 2019		31 December 2018	
Cash Flow Hedge	**Notional**	***Fair value***	**Notional**	***Fair value***
Interest rate risk - BNL Interest Rate Swap	658	1	1,053	3
Interest rate risk - INTESA Interest Rate Swap	350	1	1,050	3
Interest rate risk - INTESA Interest Rate Swap	1,077	2	1,784	2
Interest rate risk - INTESA Interest Rate Swap	3,170	224	3,338	75
Interest rate risk – Interest Rate Swap Banco Popolare	643	2	1,071	5
Total		**230**		**88**

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

23. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities amounted to € 16,506 thousand and are specified in detail in the following tables:

(€ thousand)

	Balance at 31 December 2019	**Balance at 31 December 2018**
Overdrawn bank accounts and short-term advances	2,921	3,369
Financial accruals and deferrals	35	57
ISP "3.500" loan (part medium/long term and part short term)	350	1,047
Loan - BNL "2.500" (part medium/long term and part short term)	525	1,047
ISP "3.000" loan (part medium/long term and part short term)	1,075	1,777
UNICREDIT loan (part medium/long term and part short term)	192	570
Loan - MPS "1,500" (part medium/long term and part short term)	-	375
Loan - BPM "1.500" (part medium/long term and part short term)	650	1,074
UNICREDIT loan (Plafond Supercash Rotativo)	1,473	733
Loan - ISP "1.500" (part medium/long term and part short term)	627	1,120
Short-term MPS loan No. 741876227	-	333
Short-term UNICREDIT loan No. 8250932	193	-
Short-term BNL loan No. 1873555	692	-
EUMACH loan	-	392
Loans and financial liabilities with credit institutions	**8,732**	**11,894**
Mediocredito Italiano (Forli' property lease)	5,107	5,348
San Mauro Torinese property lease (IFRS16)	1,007	-
San Secondo di Pinerolo property lease (IFRS16)	137	-
FIDIA GMBH real property (IFRS16)	13	-
FIDIA SARL property lease (IFRS16)	64	-
FIDIA BEIJING property lease (IFRS16)	637	-
FIDIA do BRASIL property lease (IFRS16)	23	-
Car leases Italy (IFRS16)	342	-
Foreign car leases (IFRS16)	58	-
Lease - Volkswagen Bank	23	46
Lease - Skoda Bank	74	80
Lease - Banco Popular Espanol	14	32
Commerz Real	275	433
Liabilities for leases	**7,774**	**5,939**
Total	**16,506**	**17,833**

	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and other short-term advances	2,956	-	-	2,956
Medium-to-long term bank loans	2,712	706	-	3,418
Short-term loans	2,358	-	-	2,358
Loans and financial liabilities with credit institutions	**8,026**	**706**	**-**	**8,732**
Mediocredito Italiano (Forli' property lease)	253	1,451	3,403	5,107
San Mauro Torinese property lease (IFRS16)	177	830	-	1,007
San Secondo di Pinerolo property lease (IFRS16)	30	107	-	137
FIDIA GMBH real property (IFRS16)	13	-	-	13
FIDIA SARL property lease (IFRS16)	23	41	-	64
FIDIA BEIJING property lease (IFRS16)	637	-	-	637
FIDIA do BRASIL property lease (IFRS16)	3	20	-	23
Car leases Italy (IFRS16)	161	181	-	342
Foreign car leases (IFRS16)	37	21	-	58
Lease - Volkswagen Bank	20	3	-	23
Lease - Skoda Bank	40	34	-	74
Lease - Banco Popular Espanol	7	8	-	14
Commerz Real	275	-	-	275
Liabilities for leases	**1,676**	**2,695**	**3,403**	**7,774**
Total	**9,702**	**3,401**	**3,403**	**16,506**

The breakdown between the short-term portion and the medium/long-term portion is determined according to the maturities originally agreed in the loan agreements and does not take into account the request for standstill, which occurred after the end of the reporting period.

The current loans have the following characteristics:

Loan - ISP "3,500" (part medium/long term and part short term)

Original amount	€ 3,500 thousand
Residual amount	€ 350 thousand
Date of loan	20/04/2015
Term	Loan due date 01/04/2020
Repayment	20 quarterly instalments (01/07/2015 to 01/04/2020)
Interest rate	3-month Euribor, base 360 + 2.0% spread

In order to hedge the interest rate risk, an interest rate swap hedging contract has been entered into.

Loan - BNL "2,500" (part medium/long term and part short term)

Original amount	€ 2,500 thousand
Residual amount	€ 525 thousand
Date of loan	28/01/2016
Term	Loan due date 31/12/2020
Grace period	1 quarterly instalment (31/03/2016)
Repayment	19 quarterly instalments (30/06/2016 to 31/12/2020)
Interest rate	3-month Euribor, base 360 + 1.35% 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.

Loan - ISP "3,000" (part medium/long term and part short term)

Original amount	€ 3,000 thousand
Residual amount	€ 1,075 thousand
Date of loan	17/05/2016
Term	Loan due date 01/04/2021
Grace period	3 quarterly instalments (01/07/2016 to 01/01/2017)
Repayment	17 quarterly instalments (01/04/2017 to 01/04/2021)
Interest rate	3-month Euribor, base 360 + 1.5% spread

In order to hedge the interest rate risk, an interest rate swap hedging contract has been entered into.

UNICREDIT loan (part medium/long term and part short term)

Original amount	€ 1,500 thousand
Residual amount	€ 192 thousand
Date of loan	16/05/2016
Term	Loan due date 31/05/2020
Grace Period	Not provided
Repayment	16 quarterly instalments (31/08/2016 to 31/05/2020)
Interest rate	3-month Euribor, base 360 + 1.35% spread

Loan - Banco Popolare "1.500" (part medium/long term and part short term)

Original amount	€ 1,500 thousand
Residual amount	€ 650 thousand
Date of loan	27/04/2017
Term	Loan due date 30/06/2021
Grace period	3 quarterly instalments at 30/06/2017, 30/09/2017 and 31/12/2017
Repayment	14 quarterly instalments (31/03/2018 to 30/06/2021)
Interest rate	3-month Euribor, base 360 + 1.4% spread

In order to hedge the interest rate risk, an interest rate swap hedging contract has been entered into.

Loan - UNICREDIT "MUTUO PLAFOND SUPERCASH ROTATIVO"

Original ceiling	€ 1,500 thousand
Ceiling used	€ 1,473 thousand
Term	Loan due date 28/01/2019, 19/02/2019, 13/03/2019
Repayment	Every four months
Interest rate	Fixed rate equal to 1.5%

Loan - ISP "1.500" (part medium/long term and part short term)

Original amount	€ 1,500 thousand
Residual amount	€ 627 thousand
Date of loan	31/01/2018
Term	Loan due date 31/01/2021
Repayment	12 quarterly instalments (30/04/2018 to 31/01/2021)
Interest rate	3-month Euribor, base 360 + 1.2% spread

UNICREDIT loan (short term)

Original amount	€ 500 thousand
Residual amount	€ 193 thousand
Date of loan	29/04/2019
Term	Loan due date 31/05/2020
Grace Period	Not provided
Repayment	12 monthly instalments (31/05/2019 to 31/05/2020)
Interest rate	3-month Euribor, base 360 + 1.75% spread

BNL loan (short-term)

Original amount	€ 1,250 thousand
Residual amount	€ 692 thousand
Date of loan	30/05/2019
Term	Loan due date 31/05/2020
Grace Period	3 monthly instalments (30/06/2019 to 30/08/2019)
Repayment	12 monthly instalments (30/09/2019 to 30/05/2020)
Interest rate	Fixed rate 2%

Property lease - Mediocredito Italiano - line 1

Original amount	€ 5,598 thousand
Major instalment	€ 1,260 thousand
Residual amount	€ 3,611 thousand
Date of loan	25/06/2014
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	3.48%
Set redemption	€ 558 thousand

Property lease - Mediocredito Italiano - line 2

Original amount	€ 1,000 thousand
Major instalment	€ 400 thousand
Residual amount	€ 531 thousand
Date of loan	28/05/2015
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	2.42%
Set redemption	€ 100 thousand

Property lease - Mediocredito Italiano - line 3

Original amount	€ 1,802 thousand
Major instalment	€ 722 thousand
Residual amount	€ 965 thousand
Date of loan	30/11/2017
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	2.73%
Set redemption	€ 179 thousand

In order to hedge interest rate risk, an interest rate swap contract was entered into to hedge a portion (€ 3,500 thousand) of the three contracts mentioned above.

IFRS16 - San Mauro Torinese property

Original amount	€ 1,122 thousand
Residual amount	€ 1,007 thousand
Date of first adoption	01/01/2019

IFRS16 - San Secondo Pinerolo property

Original amount	€ 166 thousand
Residual amount	€ 137 thousand
Date of first adoption	01/01/2019

IFRS16 - Fidia GmbH property

Original amount	€ 169 thousand
Residual amount	€ 13 thousand
Date of first adoption	01/01/2019

IFRS16 - Fidia Sarl property

Original amount	€ 86 thousand
Residual amount	€ 64 thousand
Date of first adoption	01/01/2019

IFRS16 - Beijing Fidia building

Original amount	€ 846 thousand
Residual amount	€ 637 thousand
Date of first adoption	01/01/2019

IFRS16 - Fidia do Brasil property

Original amount	€ 41 thousand
Residual amount	€ 23 thousand
Date of first adoption	01/01/2019

IFRS16 - San Mauro Torinese Vehicles

Original amount	€ 481 thousand
Residual amount	€ 342 thousand
Date of first adoption	01/01/2019

IFRS16 - Fidia Sarl Vehicles

Original amount	€ 55 thousand
Residual amount	€ 44 thousand
Date of first adoption	01/01/2019

IFRS16 - Fidia Iberica Vehicles

Original amount	€ 41 thousand
Residual amount	€ 14 thousand
Date of first adoption	01/01/2019

Lease No. 5 - Volkswagen Bank Germany

Original amount	€ 34 thousand
Residual amount	€ 10 thousand
Date of loan	12/12/2017
Term	Loan due date 09/11/2020
Repayment	36 monthly instalments (13/12/2017 to 09/11/2020)
Interest rate	1.97%

Lease No. 6 - Volkswagen Bank Germany

Original amount	€ 28 thousand
Residual amount	€ 13 thousand
Date of loan	15/6/2018
Term	Loan due date 16/05/2021
Repayment	36 monthly instalments (16/06/2018 to 16/05/2021)
Interest rate	1.99%

Lease No. 3 - Skoda Bank Germany

Original amount	€ 29 thousand
Residual amount	€ 9 thousand
Date of loan	09/12/2017
Term	Loan due date 09/11/2020
Repayment	36 monthly instalments (09/12/2017 to 09/11/2020)
Interest rate	1.97%

Lease No. 4 - Skoda Bank Germany

Original amount	€ 35 thousand
Residual amount	€ 15 thousand
Date of loan	14/04/2018
Term	Loan due date 14/03/2021
Repayment	36 monthly instalments (14/04/2018 to 14/03/2021)
Interest rate	1.97%

Lease No. 5 - Skoda Bank Germany

Original amount	€ 33 thousand
Residual amount	€ 21 thousand
Date of loan	21/12/2018
Term	Loan due date 21/11/2021
Repayment	36 monthly instalments (21/12/2018 to 21/11/2021)
Interest rate	3.99%

Lease No. 6 - Skoda Bank Germany

Original amount	€ 32 thousand
Residual amount	€ 29 thousand
Date of loan	01/09/2019
Term	Loan due date 01/08/2023
Repayment	36 monthly instalments (01/09/2019 to 01/08/2023)
Interest rate	3.99%

Lease no. 2 - Banco Popular Español

Original amount	€ 32 thousand
Residual amount	€ 14 thousand
Date of loan	10/01/2018
Term	Loan due date 10/12/2021
Repayment	36 monthly instalments (10/01/2018 to 10/12/2021)
Interest rate	2.5%

Commerz Real loan

Original amount	€ 472 thousand
Residual amount	€ 275 thousand
Date of loan	01/07/2018
Term	Loan due date 01/06//2020
Repayment	24 monthly instalments (01/07/2018 to 01/06/2020)
Interest rate	2.5%

It is deemed that the carrying amount 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 January 2019	New loans	Repayments	Balance at 31 December 2019
ISP "3.500" loan (part medium/long term and part short term)	1,047	-	(697)	350
Loan - BNL "2.500" (part medium/long term and part short term)	1,047	-	(522)	525
ISP "3.000" loan (part medium/long term and part short term)	1,777	-	(703)	1,075
UNICREDIT loan (part medium/long term and part short term)	570	-	(379)	192
Loan - MPS "1,500" (part medium/long term and part short term)	375	-	(375)	-
Loan - BPM "1.500" (part medium/long term and part short term)	1,074	-	(424)	650
UNICREDIT loan (Plafond Supercash Rotativo)	733	3,243	(2,503)	1,473
Loan - ISP "1.500" (part medium/long term and part short term)	1,120	-	(493)	627
Short-term MPS loan No. 741876227	333	-	(333)	-
Short-term UNICREDIT loan No. 8250932	-	499	(306)	193
Short-term BNL loan No. 1873555	-	1,238	(546)	692
Short-term MPS loan No. 00138-0994014743	-	499	(499)	-
EUMACH loan	392		(392)	-
Loans and financial liabilities with credit institutions	**8,468**	**5,479**	**(8,172)**	**5,775**
Mediocredito Italiano (Forli' property lease)	5,348	-	(241)	5,107
San Mauro Torinese property lease (IFRS16)	.	2,119	(1,112)	1,007
San Secondo di Pinerolo property lease (IFRS16)	-	166	(29)	137
FIDIA GMBH real property (IFRS16)	-	169	(156)	13
FIDIA SARL property lease (IFRS16)	-	86	(22)	64
FIDIA BEIJING property lease (IFRS16)	-	846	(209)	637
SHENJANG property lease (IFRS16)	-	114	(114)	-
FIDIA do BRASIL property lease (IFRS16)	-	41	(18)	23
Car leases Italy (IFRS16)	-	481	(139)	342
Foreign car leases (IFRS16)	-	96	(38)	58
Lease - Volkswagen Bank	46		(23)	23
Lease - Skoda Bank	80		(6)	74
Lease - Banco Popular Espanol	32		(18)	14
Commerz Real	433		(158)	275
Liabilities for leases	**5,939**	**4,118**	**(2,283)**	**7,775**
Total	**14,407**	**9,597**	**(10,454)**	**13,550**

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. 29.

24. TRADE PAYABLES

(€ thousand)

	At 31 December 2019				At 31 December 2018			
	by end of period	1 to 5 years	Beyond 5 years	Total	by end of period	1 to 5 years	Beyond 5 years	Total
Payables to other suppliers	11,231	128	38	11,397	16,257	119	16	16,392
Payables to associates	2	-	-	2	2	-	-	2
Total trade payables	**11,234**	**128**	**38**	**11,399**	**16,259**	**119**	**16**	**16,394**

The allocation of the trade payables by due date was as follows:

(€ thousand)

	Due date within 1 month	Due date beyond 1 month up to 3 months	Due date beyond 3 months up to 12 months	Total
Payables to other suppliers	7,641	2,486	1,104	11,231
Payables to associates	2	-	-	2
Total trade payables	**7,643**	**2,486**	**1,104**	**11,234**

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

(€ thousand)

	Balance at 31 December 2019	Balance at 31 December 2018
Italy	8,543	14,061
Europe	546	727
Asia	1,570	1,270
North and South America	596	335
Rest of the World	144	1
Total	**11,399**	**16,394**

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

25. TAX PAYABLES AND OTHER CURRENT PAYABLES AND LIABILITIES

(€ thousand)

	Balance at 31 December 2019	Balance at 31 December 2018
Current tax payables:		
- withholding taxes	343	370
- Tax payables for income tax and IRAP	236	252
- Payables to tax authorities for VAT	270	235
- Other short-term tax payables	112	127
Total current tax payables	**961**	**984**

Other current payables and liabilities:		
Payables to employees	1,162	1,397
Social security payables	747	785
Advance from customers	4,269	4,086
Payables for emoluments	90	109
Payables to State Fund and other funds	83	15
Payables for dividends to be distributed	113	98
Accrued trade payables	105	137
Sundry accruals and deferrals	582	587
Miscellaneous payables	465	505
Total other current payables and liabilities	**7,616**	**7,716**

Payables to employees regard wages accrued for the month of December as well as benefits accrued at year-end (instalments, usually extraordinary, 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 IFRS 15 – *Revenue from Contracts with Customers*, cannot be stated in the revenue.

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

26. PROVISIONS FOR RISKS AND CHARGES

Provisions for non-current and current risks and expenses amounted to € 79 thousand and € 1,273 thousand as per the relevant schedule.

(€ thousand)

	Balance 31 December 2018	**Accrual**	**Utilization/ Release**	**Exchange rate gains/loss**	**Balance 31 December 2019**
Warranty provision	16	62	-	1	79
Total other provisions for non-current risks and expenses	16	62	-	1	79
Provisions for legal risks	54	**-**	**(54)**	**-**	-
Warranty provision	1,665	**125**	**(717)**	**9**	1,082
Other provisions	161	**30**	**-**	**-**	191
Total other provisions for current risks and expenses	1,880	**155**	**(771)**	**9**	1,273

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.

The reduction in the warranty fund was due to the decrease in revenues.

The item "other provisions" was allocated following the results of an inspection of the parent company by the Italian National Institute for Insurance Against Occupational Accidents (Istituto Nazionale Assicurazione Infortuni sul Lavoro, or INAIL).

27. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2019, these amounted to € 537 thousand, down by € 1,994 thousand compared to € 2,531 thousand at 31 December 2018. 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 2019, 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.

28. 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 revenue and expenses 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 2019 and 2018 are as follows:

Data by year - 2019 (€ thousand)

	Sector							
	CNC	%	HSM	%	SERVICE	%	N/A	Total
Revenues	2,305	51.4%	31,303	100.0%	12,174	99.7%	-	45,783
Cross-sector revenues	**2,177**	**48.57%**	**-**	**-**	**32**	**0.26%**		**-**
Total reclassified revenues	**4,482**	**100.0%**	**31,303**	**100.0%**	**12,206**	**100.0%**	**-**	**45,783**
Changes in inventories of finished goods and W.I.P.	(100)	-2.2%	(11)	0.0%	19	0.2%	-	(92)
Raw materials and consumables	(1,294)	-28.9%	(16,149)	-51.6%	(1,234)	-10.1%	(98)	(18,775)
Cross-sector expenses	187	4.2%	(3,048)	-9.7%	616	5.0%	36	-
Commissions, transport and contractors	(393)	-8.8%	(3,437)	-11.0%	(489)	-4.0%	(2)	(4,322)
Sales margin	**2,882**	**64.3%**	**8,658**	**27.6%**	**11,119**	**91.1%**	**(65)**	**22,594**
Other operating revenue	675	15.1%	1,333	4.3%	280	2.3%	579	2,866
Other operating costs	(346)	-7.7%	(2,470)	-7.9%	(2,543)	-20.8%	(3,472)	(8,831)
Personnel costs	(2,342)	-52.2%	(6,406)	-20.5%	(5,401)	-44.2%	(3,484)	(17,632)
Depreciation and amortization	(248)	-5.5%	(835)	-2.7%	(250)	-2.0%	(1,133)	(2,466)
Operating Profit/(Loss)	**621**	**13.9%**	**279**	**0.9%**	**3,206**	**26.3%**	**(7,575)**	**(3,469)**

Data by year - 2018 (€ thousand)

	Sector							
	CNC	%	HSM	%	SERVICE	%	N/A	Total
Revenues	3,467	57.8%	40,923	100.0%	13,350	100.0%	-	57,741
Cross-sector revenues	**2,529**	**42.2%**	**-**	**0.0%**		**0.0%**		
Total reclassified revenues	**5,996**	**100.0%**	**40,923**	**100.0%**	**13,350**	**100.0%**	**-**	**57,741**
Changes in inventories of finished goods and W.I.P.	(177)	-3.0%	(754)	-1.8%	111	0.8%	-	(820)
Raw materials and consumables	(1,870)	-31.2%	(19,672)	-48.1%	(1,702)	-12.7%	(150)	(23,394)
Cross-sector expenses	247	4.1%	(3,993)	-9.8%	1,174	8.8%	43	
Commissions, transport and contractors	(604)	-10.1%	(4,060)	-9.9%	(521)	-3.9%	(4)	(5,189)
Sales margin	**3,591**	**59.9%**	**12,444**	**30.4%**	**12,412**	**93.0%**	**(110)**	**28,337**
Other operating revenue	731	12.2%	827	2.0%	155	1.2%	281	1,994
Other operating costs	(550)	-9.2%	(2,777)	-6.8%	(3,078)	-23.1%	(5,300)	(11,706)
Personnel costs	(2,740)	-45.7%	(5,669)	-13.9%	(5,620)	-42.1%	(3,626)	(17,654)
Depreciation and amortization	(188)	-3.1%	(654)	-1.6%	(91)	-0.7%	(734)	(1,667)
Operating Profit/(Loss)	**844**	**14.1%**	**4,171**	**10.2%**	**3,778**	**28.3%**	**(9,488)**	**(695)**

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 long-term and short-term 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 2019 (€ thousand)	**CNC**	**HSM**	**SERVICE**	**N/A**	**Total**
Property, plant and equipment	35	8,744	309	3,739	12,827
Intangible fixed assets	1,474	1,094	-	33	2,601
Equity investments	-	-	-	16	16
Deferred tax assets	-	-	-	976	976
Other non-current receivables and assets	-	2	-	180	181
Total non-current assets	**1,509**	**9,840**	**309**	**4,943**	**16,601**
Inventory	1,811	8,929	6,538	-	17,278
Trade receivables and other receivables	961	4,897	3,165	356	9,378
Current taxes receivable	-	-	-	634	634
Other current financial assets	-	-	-	-	-
Cash and cash equivalents	-	-	-	4,102	4,102
Total current assets	**2,772**	**13,826**	**9,703**	**5,091**	**31,392**
Total assets	**4,282**	**23,667**	**10,011**	**10,034**	**47,993**

Other non-current payables and liabilities	23	237	41	25	326
Deferred tax liabilities	-	-	-	97	97
Termination benefits	390	1,252	189	328	2,159
Long-term provisions	-	23	56	-	79
Other non-current financial liabilities	-	-	-	230	230
Non-current financial liabilities	42	4,979	88	1,681	6,790
Total non-current liabilities	**456**	**6,491**	**373**	**2,361**	**9,681**
Current financial liabilities	13	647	62	8,994	9,716
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	1,966	13,192	1,177	2,680	19,015
Current taxes payable	-	-	-	961	961
Short-term provisions	1	367	715	191	1,273
Total current liabilities	**1,980**	**14,206**	**1,953**	**12,826**	**30,965**
Total liabilities	**2,436**	**20,697**	**2,326**	**15,186**	**40,645**
Shareholders' equity	-	-	-	7,347	7,347
Total liabilities	**2,436**	**20,697**	**2,326**	**22,533**	**47,993**

31 December 2018 (€ thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	42	9,131	185	1,955	11,313
Intangible fixed assets	1,324	967	-	50	2,342
Equity investments	-	-	-	16	16
Deferred tax assets	-	-	-	958	958
Other non-current receivables and assets	-	2	-	272	274
Total non-current assets	**1,366**	**10,100**	**185**	**3,251**	**14,902**
Inventory	2,079	9,962	6,377	-	18,419
Trade receivables and other receivables	1,556	13,402	3,469	406	18,883
Current taxes receivable	-	-	-	1,017	1,017
Other current financial assets	-	-	-	-	-
Cash and cash equivalents	-	-	-	6,561	6,561
Total current assets	**3,635**	**23,364**	**9,847**	**7,984**	**44,830**
Total assets	**5,001**	**33,464**	**10,032**	**11,235**	**59,732**
Other non-current payables and liabilities	138	273	142	72	624
Deferred tax liabilities	-	-	-	47	47
Termination benefits	626	1,038	314	211	2,189
Long-term provisions	-	3	14	-	16
Other non-current financial liabilities	-	-	-	88	88
Non-current financial liabilities	-	5,223	-	3,658	8,881
Total non-current liabilities	**764**	**6,537**	**470**	**4,076**	**11,846**
Current financial liabilities	-	400	-	8,552	8,952
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	2,600	17,886	1,334	2,289	24,110
Current taxes payable	-	-	-	984	984
Short-term provisions	43	1,135	541	161	1,880
Total current liabilities	**2,643**	**19,420**	**1,875**	**11,986**	**35,925**
Total liabilities	**3,407**	**25,957**	**2,345**	**16,062**	**47,772**
Shareholders' equity	**-**	**-**	**-**	**11,961**	**11,961**
Total liabilities	**3,407**	**25,957**	**2,345**	**28,022**	**59,732**

29. INFORMATION ON FINANCIAL RISKS

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

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

As described in Risk Management, Fidia Group constantly monitors the financial risks 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 periods 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 or 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 carrying amount 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 19).

The Group manages exchange rate risks its policy of fixing the selling prices of products in foreign currencies and, if necessary, through the use of derivative financial instruments, the use of which is reserved for the management of exposure to exchange rate fluctuations connected with future cash flows and assets and liabilities.

In particular, when setting the sale price to the foreign counterparty, the Group, starting from its margin objectives determined in local currency (EUR for the parent company), usually applies the exchange rate in force at the date of the order plus the financial component (cost of carry) connected with the expected due date of the receipts relating to the transaction. For short-term transactions (a few months), the Group usually does not carry out derivative transactions to block the exchange rate (and thus completely neutralise possible short-term fluctuations in the spot exchange rate). For transactions with expected medium/long-term timeframes, on the other hand, the Group carries out hedging operations using derivative financial instruments.

When the Group decides to carry out derivative transactions on exchange rates, it implements a policy of hedging only the transactional exchange rate risk, which therefore derives from existing commercial transactions and from future contractual commitments.

The main hedges for exposure to foreign exchange risk are traditionally provided for the US dollar, which is the most widely used foreign currency in commercial transactions other than the local currency.

The instruments used are typically forward, flexible forward or other types of contracts on exchange rates correlated by amount, due date and reference parameters with the hedged position.

At 31 December 2019, there were no derivative instruments hedging exchange rate risks.

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 exchange rate gains or losses.

At 31 December 2019 the main currency to which the Group is exposed is the USD. At the same date, the Group had no derivative financial instruments in place to hedge its currency exposures.

For the purposes of sensitivity analysis, the potential effects deriving from fluctuations in the reference rates of financial instruments denominated in foreign currencies were analysed.

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

The results of the sensitivity analysis on exchange rate risk are summarized in the tables below, which show the impacts on profit or loss and equity at 31 December 2019 and 31 December 2018. The prevalence of financial liabilities denominated in foreign currencies over financial assets exposes the company to the risk of negative economic effects in the event of devaluation of the local currency (EUR in the case of the parent company and other European subsidiaries) versus the foreign currency. The impacts on profit or loss shown in the tables are before tax.

EXCHANGE RATE SENSITIVITY ANALYSIS (€ thousand)

		+5% change		-5% change	
Exchange Rate Risk at 31 December 2019		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS IN FOREIGN CURRENCIES					
Cash and cash equivalent	51	(2)	-	3	-
Hedging derivatives	-		-	-	-
Trade	142	(7)	-	7	-
Effect		**(9)**	**-**	**10**	**-**
FINANCIAL LIABILITIES IN FOREIGN CURRENCY					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Loans payable	-	-	-	-	-
Overdrawn bank accounts	-	-	-	-	-
Trade payables	643	31	-	(34)	-
Effect		**31**	**-**	**(34)**	**-**
Total effect		**22**	**-**	**(24)**	**-**

EXCHANGE RATE SENSITIVITY ANALYSIS (€ thousand)		+5% change		-5% change	
Exchange Rate Risk at 31 December 2018		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS IN FOREIGN CURRENCIES					
Cash and cash equivalent	218	(10)	-	11	-
Hedging derivatives	-		-	-	-
Trade	87	(4)	-	5	-
Effect		**(14)**	**-**	**16**	**-**
FINANCIAL LIABILITIES IN FOREIGN CURRENCY					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Loans payable	392	20	-	(20)	-
Overdrawn bank accounts	-	-	-	-	-
Trade payables	801	38	-	(42)	-
Effect		**58**	**-**	**(62)**	**-**
Total effect		**44**	**-**	**(46)**	**-**

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

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 and lease contracts 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 expense 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.

At 31 December 2019 exposure to interest rate risk is hedged through the use of Interest Rate Swaps. 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.

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 tackle said risks, the Parent Company uses interest rate derivatives and mainly interest rate swaps.

At 31 December 2019, the Company had five Interest Rate Swap contracts to hedge interest rate risk; these have a total negative fair value amounting to € 230 thousand.

The Interest Rate Swaps were entered into by the Company with the aim of neutralising the risk of variability in interest rate expense flows of the underlying hedged loans and financial leases, transforming them, through the stipulation of derivative contracts, into fixed-rate loans and leases.

In measuring the potential impacts of changes in the interest rates applied, the Group separately analysed the fixed rate financial instruments (for which the impact of the change in rates regards the 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.

At 31 December 2019, some fixed-rate financial instruments were outstanding, but were not measured at fair value, but at amortised cost.

The floating rate financial instruments at 31 December 2019 included cash, bank loans and financial leases and are all denominated in EUR.

The sensitivity analysis was carried out in order to present the effects on the income statement and shareholders' equity at 31 December 2019, assuming that a reasonably possible change in the relevant risk variable occurred on that date and that this change was applied to the risk exposures existing at that date. The sensitivity analysis also includes derivative financial instruments.

At 31 December 2019, the following was assumed:

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

The decision to simulate, at 31 December 2019, decreases of 5 bps and 10 bps was caused by a market scenario that continues to be characterised by very low interest rates and the policy of monetary authorities to basically maintain reference rates unaltered. 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 2019			
			Change +10 bps		Change -5 bps
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Floating rate loans	3,611	(4)		2	
Fixed-rate loans	2,165	-	-	-	-
Floating rate finance leases	5,464	(5)		3	
Operating leases and rent (IFRS16)	6,727	-	-	-	-
IRS hedging derivatives	230	6	25	(3)	(13)
Total impact		**(3)**	25	2	(13)

NB: for the sake of completeness, the table also includes liabilities related to operating leases and rent payable to which, as from 1 January 2019, IFRS 16 has been applied. However, since the cash flows of these liabilities are not parameterised to the market interest rate variable, there are no sensitivity impacts.

INTEREST RATE SENSITIVITY ANALYSIS

		Interest Rate Risk at 31 December 2018			
			Change +10 bps		Change -5 bps
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Floating rate loans	7,010	(7)		4	
Fixed-rate loans	1,459	-	-	-	-
Floating rate finance leases	5,939	(6)		3	
IRS hedging derivatives	88	8	30	(4)	(15)
Cap hedging derivatives	-	-	-	-	-
Total impact		**(5)**	30	3	(15)

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 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 2019 of:

- recourse to credit institutions and leasing companies to find financial resources by avoiding an excessive concentration on one or a few banks;

- lines of credit (mostly of the revolving and stand-by type), mostly automatically renewed and used at the discretion of the Group as needed.

While waiting for the benefits related to the Plan's provisions to be realized, and in order to face a 2020 financial year still characterised by a reduced trend in new orders, the management of the Fidia Group has requested a standstill from the main banks with which it is most exposed. This request, which includes maintaining the short-term credit lines and a moratorium on the payment of principal instalments falling due on medium/long-term loans, was preliminarily accepted by the banks and is expected to be formalised in a short-term standstill agreement.

The management deems that the available resources, in addition to those that will be generated by operations and loans and by the formalisation of the standstill agreement, 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	Carrying amount at 31 December 2019	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	5,775	5,836	956	1,984	2,186	710	-
Other loans	-	-	-	-	-	-	-
Short-term overdrawn bank accounts and advances (*)	2,921	2,921	2,921	-	-	-	-
Trade payables	11,398	11,398	7,642	2,486	1,104	128	38
Liabilities for leases revenues	5,464	7,176	58	116	628	1,887	4,487
Operating leases and rent (IFRS 16) (**)	6,727	7,131	64	524	1,506	4,969	68
DERIVATIVE LIABILITIES							
Interest rate swap	230	228	5	8	37	125	53
Total	**32,515**	**34,691**	**11,645**	**5,118**	**5,463**	**7,819**	**4,646**

(*) The amount includes short-term self-liquidating advances (advance payments on invoices, collection advances, advance payments on exports) of about € 2,860 thousand, which for reasons of prudence has been allocated to the shortest maturity band
(**) As from 1 January 2019 IFRS 16 came into force, according to which operating leases and rents payable have seen a change in the rules of accounting and representation in the financial statements, providing for the recognition of the right to use the asset and the present value of payments due for the contract in the assets and liabilities.
As a result, in the table an item called "Operating leases and rent (IFRS 16)" was added among the financial liabilities to highlight this category which was not provided for until 31 December 2018. Based on the "modified retrospective approach" adopted by the Group, there is no comparative data with 2018.
The amount includes short-term self-liquidating advances (advance payments on invoices, collection advances, advance payments on exports) of about € 3,270 thousand, which for reasons of prudence has been allocated to the shortest maturity band (*)

MATURITY ANALYSIS € thousand	Carrying amount at 31 December 2018	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	8,076	8,228	1,075	984	2,737	3,462	-
Other loans	392	392	-	-	392	-	-
Short-term overdrawn bank accounts and advances (*)	3,369	3,369	3,369	-	-	-	-
Trade payables	16,392	16,392	10,101	4,785	1,371	119	16
Liabilities for finance leases	5,939	7,888	61	120	530	2,224	4,953
DERIVATIVE LIABILITIES							
Interest rate swap	88	83	5	9	40	94	(65)
Total	**34,257**	**36,352**	**14,611**	**5,868**	**5,071**	**5,899**	**4,904**

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 write-downs if there is an objective condition in which these positions cannot be recovered either in part or in full. The extent of write-down 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 2019 is the carrying amount of the financial assets stated in the financial statements, plus the face value of collateral provided as indicated in Note No. 27.

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 write-down; these are either partially or totally non-recoverable. The extent of write-down 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 write-down, provisions are allocated on a collective basis, considering experience and statistical data.

Hedge accounting

At 31 December 2019, the Fidia Group had outstanding cash flow hedges for interest rate risk only.

Floating rate loans expose the company to the risk of fluctuations in interest rates connected with changes in the market rates at which they are linked.

The parent company Fidia Spa has decided to cover 4 loans and one lease contract through 5 Interest Rate Swaps which have the objective of neutralising the variability of the portion of interest flows payable corresponding to the basic parameter to which they are linked (Euribor rate), thus excluding the credit spread component inherent in the interest charged by the counterparties.

There is an economic relationship between the hedged item (borrowings and variable rate leases) and the hedging instruments (IRS). A systematic change in the opposite sign is expected between the change in value of hedged items and hedging instruments as market interest rates change.

Hedging transactions were put in place with the aim of covering all or a large portion of the exposure of the individual underlying loans and leases. With these derivative transactions, floating rate financial liabilities are transformed into fixed rate financial liabilities (for the portion of the notional capital covered).

The following table shows the entire exposure of the Fidia Group to interest rate risk, the exposure relating to the five financial liabilities being hedged and the total amount hedged (equal to the sum of the notional amounts of the five IRSs) at the reporting date and for subsequent periods. The table also shows the average interest rate relating to the 5 liabilities hedged and how it is transformed into a fixed rate following hedging by IRSs.

INTEREST RATE HEDGES (€ thousand)	2019
Floating rate exposures	
Floating rate loans payable	3,611
Floating rate leases	5,464
Total exposure to interest rate risk	9,075

	2019	2020	2021	2022	2023 and beyond
Hedged exposures					
Hedged exposures (residual capital)	6,210	4,286	3,488	3,261	3,027
Average interest rate (floating)	Euribor + 2.85%	Euribor + 2.85%	Euribor + 2.85%	Euribor + 2.85%	Euribor + 2.85%
Total hedged amount (notional of residual derivatives)	5,766	3,571	2,815	2,629	2,436
Average fixed interest rate of (pay leg of derivatives)	0.55%	0.55%	0.55%	0.55%	0.55%
Final average effective rate of hedged exposures	3.40%	3.40%	3.40%	3.40%	3.40%

For comparative purposes, the table below shows the exposure at 31 December 2018.

INTEREST RATE HEDGES (€ thousand)	2018
Floating rate exposures	
Floating rate loans payable	7,010
Floating rate leases	5,939
Total exposure to interest rate risk	12,949

	2018	2019	2020	2021	2022 and beyond
Hedged exposures					
Hedged exposures (residual capital)	8,720	6,523	4,286	3,488	3,261
Average interest rate (floating)	Euribor + 2.53%	Euribor + 2.53%	Euribor + 2.53%	Euribor + 2.53%	Euribor + 2.53%
Total hedged amount (notional of residual derivatives)	8,296	5,766	3,571	2,815	2,629
Average fixed interest rate of (pay leg of derivatives)	0.40%	0.40%	0.40%	0.40%	0.40%
Final average effective rate of hedged exposures	2.93%	2.93%	2.93%	2.93%	2.93%

The main causes of potential ineffectiveness of these hedging relationships have been identified in:

- any mismatch, during the life of the hedging relationship, between the notional amount and the contractual characteristics of the hedging derivatives and those of the underlying liabilities (e.g., due to partial early repayment or renegotiation of liabilities, partial unwinding of the derivative or other),

- changes in the creditworthiness of the counterparty to the hedging instrument (measured on the basis of publicly available information) or changes in the credit risk of the hedged item, such that they outweigh the changes in value resulting from the economic relationship being hedged and due to changes in market interest rates (dominant effect of credit risk).

On the date of designation of the hedging relationships and thereafter on a quarterly basis (on the occasion of the expiry of the interim reports and the annual financial statements), a qualitative and quantitative verification of the effectiveness of the hedging relationships is envisaged.

For the purposes of quantitative verification of the effectiveness of the hedging relationship, the hypothetical derivative method of perfect hedging is used.

The following table shows the aggregate information regarding the hedging instruments in place at 31 December 2019 (IRS), i.e.: the notional value, the carrying amount (fair value), the balance sheet item used to determine the fair value of the derivatives, and any component of change in fair value attributable to the ineffectiveness component.

Hedge accounting - Hedging instruments (2019)

Cash flow hedges (€ thousand)	Notional of hedging instruments	Carrying amount of hedging derivatives		Balance sheet item used for derivatives	Change in fair value used to calculate ineffectiveness
		Assets	Current		
Interest rate risk					
Interest Rate Swaps	5,766	-	230	other financial assets - other financial liabilities	-
Total	**5,766**	-	**230**		-

For comparative purposes, the table below shows the hedging instruments in place at 31 December 2018.

Hedge accounting - Hedging instruments (2018)

Cash flow hedges (€ thousand)	Notional of hedging instruments	Carrying amount of hedging derivatives		Balance sheet item used for derivatives	Change in fair value used to calculate ineffectiveness
		Assets	Current		
Interest rate risk					
Interest Rate Swaps	8,296	-	88	other financial assets - other financial liabilities	-
Total	**8,296**	**-**	**88**		**-**

The following table provides aggregate information on the hedged financial liabilities at 31 December 2019, i.e.: the carrying amount (amortised cost), the balance sheet item used to recognise the liabilities in question, any fair value change component attributable to the ineffective component, and the cumulative amount in the cash flow hedge reserve (i.e., the effective component of the hedge).

Hedge accounting - hedged items (2019)

Cash flow hedges (€ thousand)	Carrying amount of hedged items		Balance sheet item used for derivatives	Change in fair value used to calculate ineffectiveness	Cash Flow Hedge reserve (*)
	Assets	Current			
Interest rate risk					
Floating rate loans payable	-	2,599	Financial liabilities	-	5
Floating rate leases	-	3,611	Financial liabilities	-	220
Total	**-**	**6,210**		**-**	**225**

(*) The amount of the cash flow hedge reserve is expressed gross of tax effects

For comparative purposes, the table below shows the hedged items in place at 31 December 2018.

Hedge accounting - hedged items (2018)

Cash flow hedges (€ thousand)	Carrying amount of hedged items		Balance sheet item used for derivatives	Change in fair value used to calculate ineffectiveness	Cash Flow Hedge reserve (*)
	Assets	Current			
Interest rate risk					
Floating rate loans payable	-	4,945	Financial liabilities	-	12
Floating rate leases	-	3,775	Financial liabilities	-	71
Total	**-**	**8,720**		**-**	**83**

(*) The amount of the cash flow hedge reserve is expressed gross of tax effects

Finally, the table below provides a summary of the effects of applying hedge accounting.

Hedge accounting - summary of effects (2019)

Cash flow hedges (€ thousand)	Change in fair value of hedging derivatives among other comprehensive income items	Ineffectiveness recognised in profit or loss (*)	P/L item (including ineffectiveness)	Amount reclassified from Cash flow hedge reserve to P/L	P/L item affected by reclassification
Interest rate risk					
IRS BNL	2	-	finance expenses and revenue	2	finance expenses and revenue
IRS INTESA 1	1	-	finance expenses and revenue	1	finance expenses and revenue
IRS INTESA 2	-	-	finance expenses and revenue	-	finance expenses and revenue
IRS INTESA 3	(148)	-	finance expenses and revenue	-	finance expenses and revenue
IRS BPM	3	-	finance expenses and revenue	3	finance expenses and revenue
Total	**(142)**	**-**		**7**	

(*) Also includes the accrued component of the differentials accrued at 31 December 2019 of the hedging IRSs included in the fair value of the derivatives and excluded from the calculation of hedge effectiveness

For comparative purposes, the table below shows the effects of hedge accounting on the 2018 financial statements.

Hedge accounting - summary of effects (2018)

Cash flow hedges (€ thousand)	Change in fair value of hedging derivatives among other comprehensive income items	Ineffectiveness recognised in profit or loss (*)	P/L item (including ineffectiveness)	Amount reclassified from Cash flow hedge reserve to P/L	P/L item affected by reclassification
Interest rate risk					
IRS BNL	1	-	finance expenses and revenue	1	finance expenses and revenue
IRS INTESA 1	2	-	finance expenses and revenue	2	finance expenses and revenue
IRS INTESA 2	(3)	-	finance expenses and revenue	-	finance expenses and revenue
IRS INTESA 3	(26)	-	finance expenses and revenue	-	finance expenses and revenue
IRS BPM	3	-	finance expenses and revenue	3	finance expenses and revenue
Total	**(23)**	**1**		**6**	

(*) Also includes the accrued component of the differentials accrued at 31 December 2018 of the hedging IRSs included in the fair value of the derivatives and excluded from the calculation of hedge effectiveness

30. 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 2019, the Group held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of € 230 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.

All categories below are classified as level 2 fair value.

FAIR VALUE BY CATEGORY - IFRS 9 - 31 December 2019

€ thousand	Carrying amount at 31 December 2019	Amortized Cost	FV recognised in equity	FV recognized in P/L	IFRS 9	Fair value at 31 December 2019
Cash and cash equivalents	4,102					4,102
Total	**4,102**					**4,102**
LIABILITIES						
Liabilities at amortized cost	12,077	12,077				12,077
Hedging derivatives	230		230			230
Total	**12,306**	**12,077**	**230**			**12,306**

NET PROFIT AND LOSS BY CATEGORY - IFRS 9 - 31 December 2019 (€ thousand)

	Net profit and loss	of which from interest
ASSETS		
Cash and cash equivalents	9	9
Hedging derivatives	-	-
Total	**9**	**9**
LIABILITIES		
Liabilities at amortized cost	(510)	(510)
Total	**(510)**	**(510)**

31. 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:

- salary to Mr. Luca Morfino, employee of Fidia S.p.A.;
- compensation to the Board of Directors and Board of Auditors.

The impact of said transactions on the single items of the 2019 financial statements was stated in the relevant supplementary schedules of the statement of comprehensive income, statement of financial situation and statement of cash flows.

Data by year - 2019 (€ thousand)

Counterpart	Raw materials and consumables	Other operating services	Personnel expenses	Finance revenues	Revenues	Other revenues services	Finance revenues
Other related parties (Giuseppe and Luca Morfino and Carlos Maidagan)	11	113	194	-	-	-	-
Compensation Board of Directors	-	-	611	-	-	-	-
Compensation Board of Statutory Auditors	-	64	-	-	-	-	-
Total other related parties	**11**	**177**	**805**	**-**	**-**	**-**	**-**

Data by year - 2018 (€ thousand)

Counterpart	Raw materials and consumables	Other operating costs	Personnel cost	Finance expense	Revenues	Other operating revenues	Finance revenues
Other related parties (Giuseppe and Luca Morfino and Carlos Maidagan)	3	75	194		-	-	-
Compensation Board of Directors			642		-	-	-
Compensation Board of Statutory Auditors		66			-	-	-
Total other related parties	**3**	**141**	**836**				

31 December 2019 (€ thousand)

Counterpart	Trade receivables	Other current receivables	Others current financial assets	Trade payables	Others current payables	Current Financial liabilities
Other related parties Prometec Consortium	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	18	-	-	7	-
Other related parties (Payables to BoD)	-	-	-	-	25	-
Other related parties (Payables to Board of Statutory Auditors)	-	-	-	-	64	-
Total other related parties	**-**	**18**	**-**	**2**	**96**	**-**

31 December 2018 (€ thousand)						
Counterpart	**Trade receivables**	**Other current receivables**	**Others current financial assets**	**Trade payables**	**Others current payables**	**Current Financial liabilities**
Other related parties Prometec Consortium	-	-	-	2		-
Other related parties (Giuseppe and Luca Morfino)	-	15		-	5	-
Other related parties (Payables to BoD)	-	-	-	-	45	-
Other related parties (Payables to Board of Statutory Auditors)	-	-	-	-	64	-
Total other related parties	**-**	**15**	**-**	**2**	**114**	**-**

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

The remuneration of the Directors, Statutory Auditors and executives with strategic responsibilities of Fidia S.p.A., for the performance of their functions in the parent company and in the companies included in the consolidated financial statements, is as follows:

(€ **thousand**)		
	31 December 2019	**31 December 2018**
Directors	619	642
Auditors	64	66
Executives with strategic responsibilities	-	-
Total compensation	**683**	**708**

32. 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 2019 is the following:

(€ thousand)

		31 December 2019	31 December 2018
A	Cash	9	12
B	Bank deposits	4,093	6,549
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**4,102**	**6,561**
E	**Current financial receivables**	**-**	**-**
F	Current bank payables	5,314	4,492
G	Current part of non-current debt	2,712	4,068
H	Other current financial payables	1,676	392
I	**Current financial debt (F+G+H)**	**9,702**	**8,952**
J	**Net financial position (receivable)/ payable (I-E-D)**	**5,600**	**2,391**
K	Non-current bank payables	706	8,881
L	Bonds issued	-	-
M	Other non-current financial payables	6,328	88
N	**Non-current financial debt (K+L+M)**	**7,034**	**8,969**
O	**Net financial position (receivable)/payable (J+N)**	**12,634**	**11,360**

33. NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows the impact of changes in "Cash and Cash Equivalents" during the period. 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 statement of cash flows were classified under this item.

34. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in 2019 the company did not have any non-recurrent significant transactions.

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

According to Consob Notice of 28 July 2006, in 2019 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.

36. TRANSLATION OF FINANCIAL STATEMENT OF FOREIGN COMPANIES

The exchange rates used for the translation into EUR of the 2019 and 2018 financial statements of the foreign companies are illustrated in the following table:

	Mean exchange rate of period		Current exchange rate at year-end	
Currency	**2019**	**2018**	**2019**	**2018**
USD	1.1195	1.181	1.1234	1.145
Real (Brazil)	4.4134	4.3085	4.5157	4.444
Renminbi (China)	7.7355	7.8081	7.8205	7.8751
Rouble (Russia)	72.4553	74.0416	69.9563	79.7153

37. INFORMATION ON THE TRANSPARENCY OF PUBLIC DISBURSEMENTS

Information required by Article 1, paragraph 125 of Law no. 124 of 4 August 2017

Pursuant to the provisions of Article 3-quater of Legislative Decree 135/2018, for disbursements received, please refer to the indications contained in the National Register of State Aid, Transparency section, which provides an overall picture of disbursements made by public bodies.

With reference to disbursements, and on the basis of the interpretation of the Assonime Circular 5/2019, they do not fall within the scope of Law 124/2017:

- amounts received as consideration for public works, services and supplies
- remunerated assignments falling within the typical exercise of the company's business
- the forms of incentive/subsidy received under a general aid scheme for all eligible parties
- public resources from public bodies in other countries (European or non-European) and from the European institutions
- training contributions received from inter-professional funds set up in the legal form of associations.

Disbursements are identified according to the cash criterion; as provided for by the law, disbursements of less than € 10 thousand per disbursing party are excluded.

38. SUBSEQUENT EVENTS

Information about significant events that occurred after the reporting date is provided in the section of the Directors' Report entitled "Significant Events Occurring After the Reporting Date".

San Mauro Torinese,
13 March 2020
On behalf of the Board of Directors
The Chairman and CEO
Mr. Giuseppe Morfino

Certificate pursuant to Article 81-ter
Consob Issuers' Regulation

Certification of the consolidated financial statements in the period 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 CEO, and Antonio Breggia Bicchiere, in the capacity as Chief Financial Officer of Fidia S.p.A. 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 2019.

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 2020

Chairman and CEO

Giuseppe Morfino

Financial Reporting Officer

Antonio Breggia Bicchiere

Report of Independent Auditors

Fidia S.p.A.

Consolidated financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Building a better working world

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Fidia S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fidia Group (the Group), which comprise the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position as at December 31, 2019, the consolidated statement of cash flows for the year then ended, the consolidated statement of changes in equity and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Fidia S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit response
Going concern assumption The Group's 2019 financial statements resulted in a net loss of Eur 4.1 million and show a net financial indebtedness of Eur 12.6 million as of December 31, 2019 (of which Eur 5.6 million related to short-term indebtedness).	Our audit procedures in response to the key audit matter included, among others: • understanding, also through management inquiries, of the main assumptions underlying the going concern basis of accounting;

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Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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On January 10, 2010, the Board of Directors of Fidia S.p.A. approved the Group Business Plan (the "Plan") for the period 2020-2022.
The Plan shows an improvement of profitability through an increase of revenues, in line with the industry expectation, and cost saving actions through the structure optimization and manufacturing efficiencies.
The economic benefits related to the above actions, already started during 2019, also impact the future cash flows and the net indebtedness, for which is expected a reduction over the Plan period.

The assumptions surrounding the Plan are subject to uncertainties that could lead the above actions to present the effects in a manner and with a timeline different compared to the current forecasts, and therefore they could impact the going concern assessment, referred but not limited to the twelve months period after the date of approval of the financial statements for the year ended December 31, 2019.

In order to achieve the Plan benefits and deal with the fiscal year 2020, still subject to a lower order acquisition trend, the Group has requested to certain banks a standstill agreement. This request, providing the availability of short-term credit lines and the delay in repaying the medium-long term loans becoming due, has been preliminarily accepted by the banks and it is expected to be formalized in the short term.
The benefits on the liquidity arising from the above agreement, together with the expected 2020 cash flows, will allow the Group to fulfill its short-term financial liabilities.

Based on the degree of judgment required to the management in estimating forecasts and their possible future effects on the going concern basis of accounting, we have determined this area represents a key audit matter.

Paragraphs "Business Outlook" of the Directors' report and paragraph "Going concern" of the notes to the Consolidated Financial Statements describe the results achieved in the fiscal year,

- understanding of the process for the preparation of the Plan approved by the Board of Directors of Fidia S.p.A. on January 10, 2020 and analysis of the main assumptions underlying the expectations contained therein;
- analysis of the historical forecasts' accuracy;
- sensitivity analysis of the main assumptions of the Plan with respect to the forecast of future cash flows;
- analysis of the subsequent events occurred after December 31, 2019, including the documentation related to the acceptance of the standstill proposal by the bank institutions.

Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statements related to the going concern basis.

the actions taken by the Directors and the Directors' considerations on the assumption for the going concern basis.	
Recoverability of non-current assets of Fidia Group The non-current assets of Fidia Group as of December 31, 2019 have been tested for impairment, as a part of the group's process for evaluating the recoverability of the sole Cash Generating Unit (CGU) of the Group. The processes and methodologies for assessing and determining the recoverable amount of the CGU, in terms of value in use, are based on assumptions, sometimes complex, that by their nature are determined based on the Directors' judgment, with particular reference to the cash flow projections, as well as to the determination of long-term growth and discounting rates applied to these cash flow projections. Based on the level of judgment required and on the complexity of the assumptions used in the estimation of the CGU's recoverable amount, we have deemed this area as a key audit matter. The Group provides disclosures related to the CGU valuation in the section "Significant Accounting Standards" within the paragraph "Recoverable value of non-current assets" of the Consolidated Financial Statements.	Our audit procedures in response to the key audit matter included, among the others: • assessment of the assumptions used to identify the Cash Generating Unit (CGU); • analysis of the procedure set up by the Group for the assessment of criteria and methodologies selected for the impairment test approved on March 6, 2020; • verification of the appropriateness of the CGU's perimeter and of the net asset allocation to the CGU; • analysis of the assumptions underlying the cash flow projections, including consistency with industry market data and expectations; • testing of the consistency of projected future cash flows within the Group Plan; • analysis of the historical forecasts' accuracy; • assessment of long-term growth and discounting rates. As part of our audit procedures we involved our internal experts in valuation techniques who performed an independent recalculation and sensitivity analysis on key assumptions, to determine the changes which might significantly impact the valuation of the recoverable amount. Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statements related to the recoverability of the non-current assets.
Revenue recognition on the sale of machines The Group's net sales for 2019 amount to Eur 46 million, of which Eur 31 million related to the sale of machines, recognized when the installation and testing are formally accepted by the customer. The peculiarity of the contractual conditions for this type of transactions makes the revenue recognition a complex process, with regards to the different ways of acceptance by the customer and, therefore, we have determined that this area represents a key audit matter.	Our audit procedures in response to the key audit matter included, among others: • understanding of the revenue recognition process adopted by the Group; • analysis of the internal policy and of key controls set up by the Group on the revenue recognition process; • testing of key controls on the revenue recognition process, including those related to the management of the contracts with customers; • cut-off testing and test of details, including the examination of the supporting

The Group provides disclosures of the revenue recognition criteria in the section "Significant Accounting Standards" within the paragraph "Revenue recognition" of the Consolidated Financial Statements.	documentation related to the revenue recognized within the income statements or to the revenues and margin deferred, as the transaction relates the following year. Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statements related to the revenue recognition.
Recoverability of deferred tax assets and other tax assets As at December 31, 2019 deferred tax assets and other tax assets recorded in the Consolidated Financial Statements amount to Eur 976 thousand and to Eur 135 thousand, respectively. Deferred tax assets are related to the temporary differences between statutory and tax values of certain assets and liabilities and to the tax losses that can be carried forward indefinitely. Other tax assets are mainly related to withholding taxes on the profit realized in foreign countries. The recoverability of these assets is subject to the estimation made by the management on the future tax benefit over the period of their related reversal. The processes and methodologies for assessing the recoverability of these assets are based on assumptions, sometimes complex, that by their nature are determined based on the Directors' judgment, with particular reference to the consistency between the future taxable income expected from the Group entities and the projections of the Group Business Plan. Based on the level of judgment required for the estimation of future taxable income we have determined that this area represents a key audit matter. The Group provides disclosures of the criteria for recognition and measurement of these assets in the section "Significant Accounting Standards" within the paragraph "Taxes" of the Consolidated Financial Statements and in Note 9.	Our audit procedures in response to the key audit matter included, among others: • analysis of the assumptions underlying the future taxable benefits and their consistency with the projections of the Group Business Plan for the period 2020-2022; • analysis of the historical forecasts' accuracy; • verification of the mathematical accuracy of the calculation provided by the management. Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statements related to the recoverability of deferred tax assets and other tax assets.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Fidia S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Fidia S.p.A., in the general meeting held on April 27, 2012, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Fidia S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Fidia Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Fidia Group as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Fidia Group as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Turin, March 27, 2020

EY S.p.A.
Signed by: Roberto Grossi, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Fidia S.p.A. - Financial Statements as of December 31, 2019

FIDIA S.p.A.: Financial Statements as of December 31, 2019

Income Statement (*)

(euro)	Notes	FY2019	FY2018
- Net sales	1	32,199,357	46,436,597
- Other revenues and income	2	2,669,197	1,831,087
Total revenues		**34,868,554**	**48,267,684**
- Changes in inventories of finished goods and work in progress		16,497	(2,294,754)
- Consumption of raw materials	3	(15,310,734)	(21,165,083)
- Personnel costs	4	(10,796,921)	(11,171,320)
- Other operating costs	5	(10,938,728)	(12,874,779)
- Depreciation, amortization and write-downs	6	(1,343,266)	(1,246,011)
- Profit/(Loss) from ordinary business		**(3,504,598)**	**(484,264)**
- Recovery/(write-down) of investments	7	(685,323)	(267,000)
- Non-recurring income/(expenses)	8	-	-
- Operating Profit/(Loss)		**(4,189,921)**	**(751,264)**
- Financial income/(expenses)	9	427,556	54,640
- Profit/(Loss) before tax		**(3,762,365)**	**(696,624)**
- Income tax	10	(14,174)	(142,413)
- Profit/(Loss) for continuing operations		**(3,776,539)**	**(839,037)**
- Profit/(Loss) for discontinued operations		-	-
- Profit/(Loss)		**(3,776,539)**	**(839,037)**

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

FIDIA S.p.A.: Financial Statements as of December 31, 2019

Statement of comprehensive income (*)

(€ thousand)	FY2019	FY2018
- Profit/(Loss) (A)	**(3,777)**	**(839)**
Other comprehensive Profit/(Loss) that may subsequently be reclassified in profit or loss:		
Profit/(Loss) on cash flow hedges	(142)	(23)
Tax effect pertaining to Other comprehensive Profit/(Loss) that may subsequently be reclassified in profit or loss	34	6
Total Other comprehensive Profit/(Loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)	**(108)**	**(17)**
Other comprehensive Profit/(Loss) that may not subsequently be reclassified in profit or loss:		
Actuarial Gains/(Losses) on defined benefit plans	(59)	27
Tax effect pertaining to Other comprehensive Profit/(Loss) that may not be reclassified in profit or loss	14	(6)
Total Other comprehensive Profit/(Loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)	**(45)**	**21**
Total Other comprehensive Profit/(Loss), net of tax effect (B)=(B1)+(B2)	**(153)**	**4**
Total comprehensive Profit/(Loss) of the period (A)+(B)	**(3,930)**	**(835)**

FIDIA S.p.A.: Financial Statements as of December 31, 2019

Statement of financial position (*)

(euro)	Notes	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS			
- Property, plant and equipment	11	10,048,938	9,053,761
- Intangible assets	12	2,596,342	2,333,461
- Investments	13	11,313,799	11,844,833
- Other non-current receivables and assets	14	170,521	201,766
- Pre-paid tax assets	10	426,184	392,194
TOTAL NON-CURRENT ASSETS		**24,555,784**	**23,826,015**
CURRENT ASSETS			
- Inventory	15	11,263,318	12,171,300
- Trade receivables	16	6,806,229	14,249,733
- Current tax receivables	17	457,144	716,419
- Other current receivables and assets	17	1,941,763	1,015,554
- Other current financial receivables	18	120,605	241,210
- Cash and cash equivalents	19	933,653	3,474,578
TOTAL CURRENT ASSETS		**21,522,712**	**31,868,793**
TOTAL ASSETS		**46,078,496**	**55,694,808**
LIABILITIES			
SHAREHOLDERS' EQUITY			
- Share capital		5,123,000	5,123,000
- Share premium reserve		1,239,693	1,239,693
- Legal reserve		882,831	882,831
- Provisions for own shares in portfolio		45,523	45,523
- Extraordinary reserve		309,054	309,054
- Cash flow hedge provisions		(170,722)	(63,125)
- Profit (Loss) carried forward		542,049	1,381,086
- Own shares		(45,523)	(45,523)
- Reserve profits on exchange rates not realized		8,022	8,022
- Profit (Loss) stated directly in equity		(194,641)	(149,717)
- Profit/(Loss)		(3,776,539)	(839,037)
TOTAL SHAREHOLDERS' EQUITY	**20**	**3,962,748**	**7,891,807**
NON-CURRENT LIABILITIES			
- Other non-current payables and liabilities	21	209,648	547,432
- Termination benefits	22	2,158,698	2,189,208
- Deferred tax liabilities	10	-	-
- Other non-current financial liabilities	23	229,606	88,154
- Non-current financial liabilities	24	6,678,836	8,524,693
TOTAL NON-CURRENT LIABILITIES		**9,276,789**	**11,349,488**
CURRENT LIABILITIES			
- Current financial liabilities	24	10,917,129	10,141,182
- Trade payables	25	15,620,353	20,049,270
- Current tax payables	26	350,371	434,967
- Other current payables and liabilities:	26	4,858,561	4,531,379
- Provisions for risks and expenses	27	1,092,545	1,296,716
TOTAL CURRENT LIABILITIES		**32,838,959**	**36,453,513**
TOTAL LIABILITIES		**46,078,496**	**55,694,808**

(*) 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 as of December 31, 2019

Statement of Cash Flows (*)

(€ thousand)	2019	2018
A) Cash and cash equivalents at beginning of year	**106**	**6,893**
B) Cash from/(used in) operating activities		
- Profit/(Loss) of the period	(3,777)	(839)
- Depreciation and amortization of tangible and intangible assets	1,313	816
- Net loss (gain) on disposal of tangible assets		-
- Write-down/(recovery in value) of investments	685	267
- Net change in provision for termination benefits	(31)	(103)
- Net change in provisions for risks and charges	(204)	477
- Net change (assets) liabilities for (pre-paid) deferred taxes	(34)	(10)
- Net change in working capital:		
- receivables	6,808	(6,544)
- inventory	908	640
- payables (**)	(4,524)	3,228
	1,144	**(2,068)**
C) Cash from/(used in) investing activities		
- Investments in		
tangible fixed assets	(146)	(281)
intangible fixed assets	(562)	(814)
Equity investments	(154)	-
- Proceeds from the sale of:		
tangible fixed assets	(95)	-
	(957)	**(1,095)**
D) Cash from/(used in) financing activities		
- Net change in other current and non-current financial assets and liabilities	262	82
- New loans	7,011	4,485
- Loans paid (***)	(9,400)	(8,195)
- Change in reserves	(153)	4
Total	(2,280)	(3,624)
E) Net change in cash and cash equivalents	(2,093)	(6,787)
F) Cash and cash equivalents at year end	(1,987)	106
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	934	3,475
Overdrawn bank accounts	(2,921)	(3,369)
	(1,987)	**106**

(*) According to Consob Resolution No. 15519 of 27 July 2006, the effects of relations with related parties on the statement of cash flows of Fidia S.p.A. are posted in the relevant Statement of Cash Flows Schedule illustrated below.
(**) of which € 0 thousand in taxes paid
(***) of which € 462 thousand in interest paid

FIDIA S.p.A.: Financial Statements as of December 31, 2019

Statement of Changes in Shareholders' Equity

(€ thousand)	Share capital	Own shares	Share premium reserve	Legal reserve	Reserve for own shares in portfolio	Extraordinary reserve	Cash flow hedge reserve	Reserve profits on exchange rates not realized	Profit (Loss) carried forward	Profit (Loss) reported directly to shareholders' equity	Net Profit/(Loss)	Total shareholders' equity
Balance at 31 December 2017	**5,123**	**(46)**	**1,240**	**883**	**46**	**309**	**(46)**	**8**	**2,828**	**(170)**	**(1,428)**	**8,747**
Impact of adopting IFRS15									(19)			(19)
Balance at 1 January 2018	5,123	(46)	1,240	883	46	309	(46)	8	2,809	(170)	(1,428)	8,728
Allocation of net income of previous year	-	-	-	-	-	-	-	-	(1,428)	-	1,428	-
Distribution of dividends										-	-	-
Total comprehensive Profit/(Loss)							(17)			21	(839)	(835)
Balance at 31 December 2018	5,123	(46)	1,240	883	46	309	(63)	8	1,381	(149)	(839)	7,893
Allocation of net income of previous year									(839)		839	-
Total comprehensive Profit/(Loss)							(108)			(45)	(3,777)	(3,930)
Balance at 31 December 2019	**5,123**	**(46)**	**1,240**	**883**	**46**	**309**	**(171)**	**8**	**542**	**(194)**	**(3,777)**	**3,963**

FIDIA S.p.A.: Financial Statements as of December 31, 2019

Income Statement

as per Consob Resolution no. 15519 of 27 July 2006

(€ thousand)	Notes	FY2019	Of which related parties	FY2018	Of which related parties
- Net sales	1	32,199	10,698	46,437	13,433
- Other revenues and income	2	2,669	795	1,831	277
Total revenues		**34,868**		**48,268**	
- Changes in inventories of finished goods and work in progress		17		(2,295)	
- Consumption of raw materials	3	(15,311)	(34)	(21,165)	(23)
- Personnel costs	4	(10,797)	(464)	(11,171)	(487)
- Other operating costs	5	(10,939)	(2,456)	(12,875)	(2,086)
- Depreciation, amortization and write-downs	6	(1,343)		(1,246)	
- Profit/(Loss) from ordinary business		**(3,505)**		**(484)**	
- Recovery/(write-down) of investments	7	(685)		(267)	
- Non-recurring income/(expenses)	8			-	
- Operating Profit/(Loss)		**(4,190)**		**(751)**	
- Financial Income/(Expenses)	9	427	1,061	55	634
- Profit/(Loss) before tax		**(3,763)**		**(697)**	
- Income tax	10	(14)		(142)	
- Profit/(Loss) for continuing operations		**(3,777)**		**(839)**	
- Profit/(Loss) for discontinued operations		**-**		**-**	
- Profit/(Loss)		**(3,777)**		**(839)**	

FIDIA S.p.A.: Financial Statements as of December 31, 2019

Statement of financial position

as per Consob Resolution no. 15519 of 27 July 2006

(€ thousand)	Notes	31 December 2019	of which related parties	31 December 2018	of which related parties
ASSETS					
NON-CURRENT ASSETS					
- Plant and equipment	11	10,049	76	9,054	
- Intangible assets	12	2,596		2,333	
- Investments	13	11,314		11,845	
- Other non-current receivables and assets	14	171		202	
- Pre-paid tax assets	10	426		392	
TOTAL NON-CURRENT ASSETS		**24,556**		**23,826**	
CURRENT ASSETS					
- Inventory	15	11,263		12,171	
- Trade receivables	16	6,806	2,566	14,250	2,167
- Current tax receivables	17	457		716	
- Other current receivables and assets	17	1,942	1,597	1,016	619
- Other current financial receivables	18	121	121	241	241
- Cash and cash equivalents	19	934		3,475	
TOTAL CURRENT ASSETS		**21,523**		**31,869**	
TOTAL ASSETS		**46,079**		**55,695**	
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital		5,123		5,123	
- Share premium reserve		1,240		1,240	
- Legal reserve		883		883	
- Provisions for own shares in portfolio		46		46	
- Extraordinary reserve		309		309	
- Cash flow hedge provisions		(171)		(63)	
- Profit (Loss) carried forward		542		1,381	
- Own shares		(46)		(46)	
- Reserve profits on exchange rates not realized		8		8	
- Profit (Loss) stated directly in equity		(194)		(150)	
- Profit/(Loss)		(3,777)		(839)	
TOTAL SHAREHOLDERS' EQUITY	**20**	**3,963**		**7,892**	
NON-CURRENT LIABILITIES					
- Other non-current payables and liabilities	21	209		547	
- Termination benefits	22	2,159		2,189	
- Other non-current financial liabilities	23	230		88	
- Non-current financial liabilities	24	6,679		8,525	
TOTAL NON-CURRENT LIABILITIES		**9,277**		**11,349**	
CURRENT LIABILITIES					
- Current financial liabilities	24	10,917	2,272	10,141	1,816
- Trade payables	25	15,620	5,391	20,049	4,364
- Current tax payables	26	350		435	
- Other current payables and liabilities:	26	4,859	833	4,531	964
- Provisions for risks and expenses	27	1,093		1,297	
TOTAL CURRENT LIABILITIES		**32,839**		**36,454**	
TOTAL LIABILITIES		**46,079**		**55,695**	

FIDIA S.p.A.: Financial Statements as of December 31, 2019

Statement of Cash Flows

as per Consob Resolution no. 15519 of 27 July 2006

(€ thousand)	2019	Related parties	2018	Related parties
A) Cash and cash equivalents at beginning of year	**106**		**6,893**	
B) Cash from/(used in) operating activities				
- Profit/(Loss) of the period	(3,777)		(839)	
- Depreciation and amortization of tangible and intangible assets	1,313		816	
- Net loss (gain) on disposal of tangible assets			-	
- Write-down/(recovery in value) of investments	685		267	
- Net change in provision for termination benefits	(31)		(103)	
- Net change in provisions for risks and charges	(204)		477	
- Net change (assets) liabilities for (pre-paid) deferred taxes	(34)		(10)	
Net change in working capital:				
- receivables	6,808	(279)	(6,544)	(33)
- inventory	908		640	
- payables (*)	(4,524)	896	3,228	1,176
	1,144		**(2,068)**	
C) Cash from/(used in) investing activities				
- Investments in				
tangible fixed assets	(146)		(281)	
intangible fixed assets	(562)		(814)	
Equity investments	(154)		-	
- Proceeds from the sale of:				
tangible fixed assets	(95)		-	
	(957)		**(1,095)**	
D) Cash from/(used in) financing activities				
- Net change in other current and non-current financial assets and liabilities	262	121	82	(60)
- New loans	7,011	556	4,485	477
- Loans paid (**)	(9,400)	(101)	(8,195)	(420)
- Change in reserves	(153)		4	
	(2,280)		**(3,624)**	
E) Net change in cash and cash equivalents	(2,093)		**(6,787)**	
F) Cash and cash equivalents at year end	(1,987)		**106**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	934		3,475	
Overdrawn bank accounts	(2,921)		(3,369)	
	(1,987)		**106**	

(*) of which € 0 thousand in taxes paid

(**) of which € 462 thousand in interest paid

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 2019, consist of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, 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 2020.

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 statement of comprehensive income and Statement of Financial Position are presented in units of Euro, while the Statement of Comprehensive Income, the Statement of Cash Flows, 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 2019.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2019 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.

Going concern

The financial statements at 31 December 2019 were prepared on the assumption that the Fidia S.p.A. will continue to operate in the foreseeable future.

In particular, the following factors were taken into account which are not considered, at this stage, such as to generate significant doubts about the prospect of going concern for the company:

- the main risks and uncertainties to which Fidia S.p.A. is exposed and for which reference should be made to the information contained in the section "Business outlook" in the Directors' Report on Operations;
- the preliminary acceptance by the banks of the standstill request; for a detailed description, please refer to the sections "Business Outlook" and "Significant Events Occurring After the Reporting Date" in the Directors' Report on Operations;
- the identification, analysis, objectives and management policy of financial risks (market risk, credit risk and liquidity risk;), described in Note 29 "Information on financial risks”.

Financial Statements

The Company presents the statement of comprehensive income 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 statement of comprehensive income 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 statement of cash flows 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 statement of comprehensive income, statement of financial position 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 write-down 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 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.

Depreciation

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

Description	Depreciation rates
Buildings	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. 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 fixed 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.

Write-down of 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. A write-down is posted if the recoverable amount is lower than the carrying amount.

Should there no longer be a write-down of an asset other than goodwill or should the write-down be reduced, the carrying amount 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 write-down. A reversal of write-down is immediately recognized in profit or loss.

Financial instruments

Presentation

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 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

Equity 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 carrying amount 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 carrying amount 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 periods 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 profit or loss.

Cash and cash equivalents

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.

Any fixed-rate financial liabilities hedged by derivatives are measured according to the procedures set for hedge accounting applicable to fair value hedges: gains and losses arising from re-measurement at fair value, due to changes in interest rates, are recognized in income and offset by the effective portion of gain or loss arising from re-measurements at fair value of the hedging instrument.

Derivatives

Derivative financial instruments are used by the Parent Company solely for hedging purposes, in order to reduce interest rate risk (Interest Rate Swap and Interest Rate Cap) and, if necessary, exchange rate risk (forward sales contracts to hedge USD risk on sales).

All derivative financial instruments are measured at fair value in accordance with the accounting standard IFRS 9.

Consistent with the provisions of IFRS 9, derivative financial instruments may be accounted for in accordance with the procedures established for hedge accounting only if the following eligibility criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the start of the hedging relationship there is formal designation and documentation of the hedging relationship, the entity's risk management objectives and the strategy for effecting the hedge. The documentation must include identification of the hedging instrument, the hedged item, the nature of the hedged risk and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedging relationship);
- the hedging relationship meets all of the following hedge effectiveness requirements:
    1. there is an economic ratio between the hedged item and the hedging instrument (see paragraphs B6.4.4-B6.4.6);
    2. the effect of credit risk does not outweigh the changes in value resulting from the economic ratio (see paragraphs B6.4.7 to B6.4.8);
    3. the hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, this designation shall not reflect an imbalance between the weights of the hedged item and the hedging instrument that would result in the ineffectiveness of the hedge (whether or not it is recognised) that would result in an accounting result that would be inconsistent with the objective of hedge accounting (see paragraphs B6.4.9-B6.4.11).

The eligible coverage ratios are as follows:

- fair value hedge: hedge of the exposure to changes in the fair value of the recognised asset or liability or unrecognised firm commitment, or a component thereof, that is attributable to a particular risk and could affect profit or loss for the period;
- cash flow hedge: hedge of the exposure to variability in cash flows attributable to a particular risk associated with all the assets or liabilities recognised or a component thereof (such as all or only some future interest payments on a floating rate debt) or to a highly probable forecast transaction that could affect profit or loss;
- hedge of a net investment in a foreign operation as defined in IAS 21.

As regards the cash flow hedges used by the Fidia Group, as long as the eligibility criteria are met, the hedges of financial instruments must be accounted for as follows (see 6.5.11):

i. the separate component of shareholders' equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following absolute amounts: (i) cumulative gain or loss on the hedging instrument since the inception of the hedge; (ii) cumulative change in the fair value (at present value) of the hedged item (i.e., the present value of the cumulative change in expected future cash flows hedged) since the inception of the hedge;
ii. the portion of the gain or loss on the hedging instrument that is found to be an effective hedge (i.e., the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)) shall be recognised in other comprehensive income;
iii. any remaining gain or loss on the hedging instrument (or gains or losses necessary to offset the change in the cash flow hedge reserve calculated in accordance with point (a)) represent the ineffective portion of the hedge that must be recognised in profit or loss;
iv. the amount accumulated in the cash flow hedge reserve in accordance with point (a) must be accounted for as follows: (i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a firm commitment to which fair value hedge accounting applies, the company must remove that amount from the cash flow hedge reserve and include it directly in the initial cost, or other carrying amount, of the asset or liability. This is not a reclassification adjustment (see IAS 1) and therefore does not affect other comprehensive income; (ii) for cash flow hedges, other than those referred to in (i), the amount is to be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment (see IAS 1) in the same period(s) in which the hedged expected future cash flows affects profit or loss (e.g., in the periods(s) in which the interest income or interest expense is recognised or when the forecast sale occurs); (iii) however, if the amount is a loss and the company does not expect to recover all or part of the loss in one or more future periods, the company must immediately reclassify the amount that it does not expect to recover to profit or loss, as a reclassification adjustment (see IAS 1).

If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realised, accumulated gains and losses accumulated up to that moment are recognised in the statement of comprehensive income 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 cash flow hedge reserve are 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

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 2019 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.

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		
	2019	2018
1W		-
1M	-0.438%	-0.363%
2M	-	-
3M	-0.383%	-0.309%
6M	-0.324%	-0.237
9 M	-	-
12M	-0.387%	-0.117%
2 year	-0.362%	-0.175%
3 years	-0.312%	-0.077%
4 year	-0.251%	0.054%
5 year	-0.205%	0.198%
7 year	-0.073%	0.469%
10 year	0.128%	0.811%
15 year	0.401%	1.170%
20 year	0.543%	1.327%
30 years	0.588%	1.377%

Inventory

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 realisable amount. The evaluation of inventories includes the direct costs of materials and labour 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 realisable amount. The realisable amount 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 charges

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.

Post-employment 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 labour 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

The Company accounts for revenues, in accordance with IFRS 15 - Revenue from Contracts with Customers, when control of the goods and services is transferred to the customer for an amount that reflects the consideration that the Company expects to receive in exchange for these goods or services. The accounting standard is applied using a model consisting of the following five fundamental phases:

1. Identification of the contract with the customer
2. Identification of the contractual obligations (i.e., performance obligations) contained therein
3. Determination of the transaction fee
4. Allocation of the price to the various contractual obligations
5. Recognition of revenue upon fulfilment of contractual obligations.

In particular, revenues from the sale of machinery are recognized when installation and testing are formally accepted by the buyer, which generally coincides with obtaining the right to payment by the Company and the transfer of material possession of the asset, which incorporates the transfer of the significant risks and rewards of ownership.

The Company identifies the extension of warranty with respect to normal market conditions as a performance obligation to be accounted for separately.

Revenue from services is recorded on the basis of the state of progress in the reporting period in which they are rendered.

Research grants

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 period 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 expenses

Finance revenue and expenses are recognized in profit or loss in the period 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 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, persistently weak economic growth makes the future outlook uncertain. 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 carrying amount of the relevant items. Of course, to date, these can be neither estimated nor foreseen. The balance sheet items mainly affected by said situations of uncertainty are bad debt provisions and provisions for slow-moving/obsolete inventories, non-current assets (tangible and intangible assets), termination benefits, product warranty, pre-paid taxes and potential liabilities.

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

Recoverable value of non-current assets

The management periodically revises the carrying amount of the non-current assets held and used and of the assets that must be divested when facts or circumstances call for said revision.

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

The losses recorded in the last 2 years (and in the previous one), the crisis in some markets where the company records significant volumes and the level of indebtedness were considered as indicators of impairment, also taking into account the contraction of the machine tool market, which has consolidated in the last 2 years and which in 2019 recorded -18% in orders related to robots (fifth consecutive quarter of decrease) and therefore carried out an impairment test on the value of non-current assets of Fidia S.p.A.

At 31 December 2019, the recoverable amount of Fidia S.p.A. was tested for impairment in order to verify the existence of any impairment losses, by comparing the carrying amount of the company (the net invested capital of the company) and the value in use, i.e., the present value of expected future cash flows that are expected to arise from its continued use and disposal at the end of its useful life.

The value in use was determined by discounting back the cash flows in the Company's business plan, approved by the Board of Directors of Fidia SpA and covering the period 2020-2022. 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 Fidia S.p.A., 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 prospective cash flows is equal to 6.15% for 2020, 6.35% for 2021, 6.55% for 2022 and 6.75% for the terminal value, calculated taking into account the sector in which the Company operates, the countries in which the Company expects to achieve the planned results, the debt structure when fully operational and the current economic situation. For cash flows after the explicit projection period, a prudential growth rate of 0% was assumed.

The determination of the value in use according to the process illustrated led to a recoverable amount higher than the carrying amount of Fidia S.p.A., allowing no reduction in the value of assets at 31 December 2019.

Compared to the basic assumptions just described, a sensitivity analysis on the results was also carried out compared to the WACC and the forecast results. In particular, even with increases in the cost of capital, the values in use do not show impairment losses. In fact, the WACC that would make the recoverable amount of Fidia S.p.A. equal to its carrying amount would be equal to the discount rates used in the base case, each increased by 650 bps.

A sensitivity analysis was also carried out with forecast results below the expectations reflected in the 2020-2022 plan; if the expected operating results along the plan were to be reduced by 5% and the discount rates were to remain unchanged, again the value in use would not show impairment losses.

At the end of the test at 31 December 2019, the Company's value in use was greater than its carrying amount of € 1.3 million.

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 the period 2020-2022. 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 statement of financial position.

Provisions for slow-moving inventory

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

Product warranty

When a product is sold, the Company allocates provisions for the estimated product warranty costs. If the warranty exceeds 12 months, the portion of the Revenue is carried forward to the relevant period, and the relative cost is not consequently set aside. 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 principles, amendments and interpretations adopted from 1 January 2019

The company adopts IFRS 16 for the first time. The impact and nature of the changes following the adoption of this new accounting standard are described below. Several other amendments and interpretations apply for the first time in 2019 but have no impact on the Company's financial statements. The company has not early adopted any other standards, interpretations or amendments published but not yet in force.

Pursuant to IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature and impact of each change are indicated and briefly illustrated below:

IFRS16 – Leasing

With effect from 1 January 2019, the new accounting standard IFRS 16 "Leases" came into force, which defines a single model for the recognition of lease contracts. IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases using a single accounting model in the financial statements similar to the accounting for finance leases that were governed by IAS 17.

The standard includes two exceptions to recognition for lessees - leasing of "low value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease period of less than or equal to 12 months). At the inception date of a lease, the lessee will recognise a lease liability (i.e., the lease liability) and an asset that represents the right to use the underlying asset during the lease term (i.e., the right to use). Lessees are required to recognise separately interest expense on the lease liability and depreciation on the right of use.

Lessees are also required to reconsider the amount of the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or in the rate used to determine those payments). In general, the lessee recognises the difference from re-measuring the amount of the lease liability as an adjustment to the right of use.

The method of accounting for the lessor in accordance with IFRS 16 remains substantially unchanged from the accounting policy under IAS 17. Lessors will continue to classify all leases using the same classification principle as set out in IAS 17 and distinguishing between two types of lease: operating leases and finance leases.

The company has adopted the new standard from the mandatory date of adoption, using the modified method. This method consists in accounting for the cumulative effect of the initial application of the new standard on opening initial equity, without restating comparative data.

The application of the new standard led to the recognition at 1 January 2019 of tangible fixed assets and the related financial debt for an amount of € 2 million.

The following table shows the impact of the adoption of IFRS 16 on the consolidated financial statements:

€ thousand	Published 31/12/2018	Effects of adoption of IFRS 16	Restated 01/01/2019
Non-current assets	23,826	1,342	25,168
Current assets	31,869	-	31,869
Total assets	**55,695**	**1,342**	**57,037**
Shareholders' equity	-	-	
Non-current liabilities	(11,349)	(936)	(12,285)
Current liabilities	(36,453)	(406)	(36,859)
Total shareholders' equity and liabilities	**(55,695)**	**(1,342)**	**(57,037)**

The table below reconciles future obligations for operating leases at 31 December 2018 with financial liabilities for leases (both operating and financial) at 1 January 2019:

(€ thousand)	01/01/2019
Future obligations for operating leases at 31 December 2018	1,473
Practical expedients adopted:	
- "short-term" leases	-
- leases classified as low-value assets	(67)
Operating leases at 1 January 2019	1,406
Operating leases discounted to 1 January 2019	1,343
Financial leases at 31 December 2018	5,348
Total liabilities for leases at 1 January 2019	6,691

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The Interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties that have an effect on the application of IAS 12 and does not apply to taxes or duties that do not fall within the scope of IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to uncertain tax treatments. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9: *Prepayments Features with Negative Compensation*

In accordance with IFRS 9, a debt instrument may be measured at amortised cost or at fair value in the statement of comprehensive income, provided that the contractual cash flows are "exclusively principal and interest payments on the reference amount" (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is a plan amendment, curtailment or settlement. The amendments specify that when a plan amendment, curtailment or settlement occurs during the period, an entity is required to determine the cost of service for the remainder of the period following the amendment, curtailment or settlement of the plan, using key actuarial assumptions to remeasure the net defined benefit liability (asset) so that it reflects the benefits provided by the plan and the plan assets after that event. An entity must also determine net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to settle the net defined benefit liability (asset).

These changes did not have any impact on the consolidated financial statements, as the Group did not record any plan amendments, curtailments or settlements during the period under review.

Amendments to IAS 28: *Long-term interests in associates and joint venture*

The amendments specify that an entity applies IFRS 9 for long-term investments in an associate or joint venture, for which the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interest).

This clarification is relevant because it implies that the expected credit loss model of IFRS 9 applies to such long-term investments.

The amendments also clarify that, in applying IFRS 9, an entity shall not take into account any losses of the associate or joint venture or any impairment of the investment recognised as an adjustment to the net investment in the associate or joint venture resulting from the application of IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements.

Annual improvements 2015-2017 Cycle

IFRS 3 *Business Combination*

The amendments explain that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that has taken place in several stages, including a review at fair value of the investment previously held in the assets and liabilities of the joint operation. In doing so, the acquirer shall revalue the previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date coincides with or is subsequent to the first annual period beginning on or after 1 January 2019, with early application permitted.

This amendment did not have any impact on the Group consolidated financial statements as there was no business combination in which joint control was obtained.

IFRS 11 *Joint Arrangements*

An entity that participates in a joint operation, without having joint control, could obtain joint control of the joint operation if its activity constitutes a business as defined in IFRS 3.

The amendments clarify that investments previously held in this joint operation are not remeasured. An entity applies those amendments to transactions in which it has joint control from the beginning of the period beginning on or after 1 January 2019, with early application permitted.

This amendment did not have any impact on the Group consolidated financial statements as there was no business combination in which joint control was obtained.

IAS 12 *Income Taxes*

The amendments clarify that the effects of taxes on dividends are related to past transactions or events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognises the effects of income taxes deriving from dividends in profit or loss, other comprehensive income or equity consistently with the way in which the entity has previously recognised such past transactions or events.

An entity applies those amendments for annual periods beginning on or after 1 January 2019, and early application is permitted. When an entity first applies those amendments, it applies them to the effects that taxes on dividends recognised from the beginning of the first annual reporting period have had. Since the Group's current practice is in line with these amendments, the Group has not recorded any impact resulting from these changes on its consolidated financial statements.

IAS 23 *Borrowing Costs*

The amendments clarify that an entity treats as non-specific loans any loan made that from the outset was intended to develop an asset, when all the actions necessary to prepare that asset for use or sale are completed.

An entity applies those amendments to borrowing costs incurred from the beginning of the period in which the entity first applies those amendments. An entity applies those amendments for annual periods beginning on or after 1 January 2019, and early application is permitted. Since the Group's current practice is in line with these amendments, the Group has not recorded any impact resulting from these changes on its consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT APPLICABLE YET AND NOT ADOPTED EARLY BY THE COMPANY

The following are the standards and interpretations which, at the date of preparation of the company's financial statements, had already been issued but were not yet in force. The company intends to adopt these principles and interpretations, if applicable, when they enter into force.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a new comprehensive standard for insurance contracts that covers recognition and measurement, presentation and disclosure. When effective, IFRS 17 will replace IFRS 4 - Insurance Contracts which was issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g., life, non-life, direct insurance, re-insurance) regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features.

Limited exceptions will apply for this purpose. The overarching objective of IFRS 17 is to present an accounting model for insurance contracts that is more than useful and consistent for insurers. In contrast to the provisions of IFRS 4 which are largely based on the maintenance of previous accounting policies, IFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. The heart of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation characteristics (variable fee approach)
- A simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 will be in force for reporting periods beginning on or after 1 January 2021 and will require the presentation of comparative balances. Early application is allowed, in which case the entity must also have adopted IFRS 9 and IFRS 15 at or before the date of first-time application of IFRS 17. This standard does not apply to the company.

Amendments to IFRS 3: *Definition of a Business*

In October 2018, the IASB issued amendments to the definition of business in IFRS 3 Definition of a Business to support entities in determining whether or not a set of acquired assets constitutes a business. The changes clarify what the minimum requirements are for having a business, remove the assessment of the ability of market participants to replace any missing elements, add guidance to support entities in assessing whether an acquired process is substantial, narrow the definitions of business and output, and introduce an optional fair value concentration test. New illustrative examples have been published together with the amendments.

Since the amendments apply prospectively to transactions or other events occurring on or after the date of first application, the company is not affected by these amendments on the date of first application.

Amendments to IAS 1 and IAS 8: *Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' in the standards and to clarify certain aspects of the definition. The new definition indicates that information is material if, as a result of its omission, or as a result of its incorrect or unintelligible presentation ('obscuring'), one could reasonably expect to influence the decisions that the main users of the financial statements would make based on the financial information contained therein.

The changes to the definition of material are not expected to have a significant impact on the company's financial statements.

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 declined by 30.7% and amounted to € 32,199 thousand, versus € 46,437 thousand in 2018.

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

Revenue by geographical area				
€ thousand	**FY2019**	**%**	**FY2018**	**%**
Italy	3,808	11.8%	11,219	24.2%
Europe	8,272	25.7%	12,701	27.4%
Asia	14,235	44.2%	14,366	30.9%
North and South America	5,884	18.3%	8,140	17.5%
Rest of the World	-	0.0%	11	0.0%
Total revenue	**32,199**	**100%**	**46,437**	**100%**

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

Revenue by business line				
€ thousand	**FY2019**	**%**	**FY2018**	**%**
Numerical controls, drives and software	1,435	4.4%	2,318	5.0%
High-speed milling systems	25,103	78.0%	37,960	81.7%
After-sales service	5,661	17.6%	6,159	13.3%
Total revenue	**32,199**	**100%**	**46,437**	**100%**

2. OTHER REVENUES AND INCOME

This item comprises:

€ thousand	FY2019	FY2018
Contributions for operating expenses	478	348
Release to income of warranty provisions and others	361	29
Contingent assets	399	69
Recovery of costs incurred	845	337
Insurance refunds	3	35
Other miscellaneous revenues and earnings	583	1,013
Total	**2,669**	**1,831**

The item recovery of costs incurred mainly includes the charge-back relating to the Commercial and Technical Agreement signed with the Branches in 2019 (impact on the 2019 income statement of € 626 thousand).

This item includes € 478 thousand (€ 348 thousand at 31 December 2018) 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 2019 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.

Other revenues and income mainly includes the capitalisation of product development costs (€ 555 thousand at 31 December 2019; € 799 thousand at 31 December 2018).

3. RAW MATERIALS

These are:

€ thousand	FY2019	FY2018
Production materials	12,673	20,402
Service materials	1,110	1,353
Consumables	36	142
Equipment and software	11	75
Packaging	507	496
Others	94	97
Change in inventory raw materials and consumables	880	(1,399)
Total	**15,311**	**21,165**

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

4. PERSONNEL COSTS

Personnel expenses amounted to € 10,797 thousand, down 3.35% versus € 11,171 thousand the year before. These consist of:

€ thousand	FY2019	FY2018
Wages and salaries	7,964	8,276
Social security charges	2,373	2,409
TFR	460	479
Other personnel expenses	-	8
Total	**10,797**	**11,171**

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased from 24.3% in 2018 to 30.9% in the current year.

In the table below the change recorded in 2019 in the number of employees, broken down by category, is illustrated below:

	31 December 2018	Inbound	Outbound	Change	31 December 2019	Period average
Executives	6	2	(1)	1	8	8
Clerks and cadres	138	2	(14)	(1)	125	130.5
Workers	51	-	(3)	-	48	49
Total	**195**	**4**	**(18)**	**-**	**181**	**187.5**

5. OTHER OPERATING COSTS

Other working expenses are as follows:

€ thousand	FY2019	FY2018
Outsourced work	2,104	2,689
Travel expenses	702	558
Transportation and customs	963	1,173
Rent due	11	355
Technical, legal and administrative consulting	697	972
Utilities	342	351
Commissions	923	679
Car and equipment rental	133	286
Auditors' emoluments	66	64
Insurance	266	305
Advertising, trade fairs and other commercial costs	316	229
Non-income taxes	242	275
Maintenance and housekeeping	98	156
Charges for personnel services	203	239
Motor vehicle management expenses	10	8
First-supply services	1,334	1,104
Bank services	178	217
Costs related to stock market listing	128	134
Costs for repairs and interventions	1,347	1,556
Research project costs	14	15
Entertainment expenses	80	55
Patent costs	77	109
Contributions and payments	33	39
Contingent liabilities	165	122
Warranty provisions	108	443
Others	399	742
Total	**10,939**	**12,875**

Other operating expenses amounted to € 10,939 thousand, down by € 1,936 thousand compared to € 12,875 thousand last year.

The decrease compared to last year was due to lower costs linked to the production and technical areas and to a lower use of outsourcing; these costs have been reduced due to the slowdown in production levels. There was also a reduction in the allocation to the warranty fund, also linked to the reduction in sales volume and all overheads thanks to the cost containment policy adopted to cope with the reduction in revenue.

6. DEPRECIATION AND AMORTIZATION

€ thousand	FY2019	FY2018
Amortization of intangible fixed assets	300	220
Depreciation of tangible fixed assets	1,013	606
Write-down of trade receivables	-	58
Write-downs and provisions for other non-current receivables and assets	30	351
Total	**1,343**	**1,513**

Amortization of tangible and intangible assets was carried out according to the rates already described above.

Amortisation and depreciation of tangible fixed assets increased by approximately € 407 thousand compared to the previous year mainly as a result of the adoption of IFRS 16.

The write-down and provisions of other receivables and non-current assets was based on the results of an inspection by the National Institute for Occupational Accident Insurance.

7. RECOVERY/(WRITE-DOWN) OF EQUITY INVESTMENTS

€ thousand	FY2019	FY2018
Write-down of investments	(685)	(267)
Recovery of value of investments	-	-
Total	**(685)**	**(267)**

The result of the impairment test carried out on the equity investment held in the subsidiaries Shenyang Fidia NC&M Co. Ltd and Fidia do Brasil Ltda, led to a write-down of € 602 thousand and € 83 thousand. The loss in value, resulting from the impairment test, is related to the fact that both companies have recorded a trend of negative economic results in recent years.

8. NON-RECURRING REVENUE

In 2019, there were no such events.

9. FINANCE REVENUE AND EXPENSES

Finance revenue and expenses consist of:

€ thousand	FY2019	FY2018
Finance revenue	1,139	690
Borrowing costs	(638)	(553)
Net Profit (Loss) on derivatives	-	1
Profit (Loss) from foreign currency transactions	(73)	(83)
Total	**428**	**55**

Finance revenue consists of:

€ thousand	FY2019	FY2018
Dividends from subsidiaries	1,110	656
Interests received from banks	1	2
Interests and commercial discounts	1	-
Other financial revenues	27	31
Total	**1,139**	**690**

Dividends from subsidiaries consisted of:

€ thousand	FY2019	FY2018
Beijing Fidia Machinery & Electronics Co. Ltd.	438	425
Fidia Iberica S.A.	179	-
Fidia Sarl	94	231
Fidia GmbH	399	
Total	**1,110**	**656**

Finance expenses consist of:

€ thousand	FY2019	FY2018
Interest paid on loans from banks and leasing companies	(400)	(321)
Interest expense on M/L-term loans from banks	(91)	(125)
Finance expenses on termination benefits	(14)	(21)
Other borrowing costs	(133)	(87)
Total	**(638)**	**(553)**

Net profit and loss on derivatives:

€ thousand	FY2019	FY2018
Financial charges on derivatives due to fair value adjustment	-	-
Fair value adjustment on IRS and IRC contracts	-	-
Financial income on derivatives due to fair value adjustment	-	-
Fair value adjustment on IRS and IRC contracts	-	1
Total	**-**	**1**

Expenses and income from derivative instruments include the non-effective component relating to the fair value measurement of five interest rate swaps entered into to hedge the risk of interest rate fluctuations on five medium/long-term loans.

Profit (Loss) on foreign currency transactions consists of:

€ thousand	FY2019	FY2018
Realised exchange gains	6	65
Unrealised exchange gains	5	5
Realised exchange losses	(46)	(153)
Unrealised exchange losses	(38)	-
Total	**(73)**	**(83)**

10. INCOME TAX

Taxes recognized in profit or loss are:

€ thousand	FY2019	FY2018
Income tax:		
IRAP (Italian Regional Tax on Production Activities)	-	56
IRES (Italian Corporate Income Tax)	-	-
Deferred tax assets absorbed	14	66
Deferred tax assets	-	(69)
Taxes relating to previous years	-	90
Total	**14**	**142**

In 2019, the parent company Fidia S.p.A. recorded a tax loss for IRES and IRAP purposes.
At 31 December 2019, the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€ thousand	31 December 2019	31 December 2018
Deferred tax assets	426	392
Deferred tax liabilities	-	-
Total	**426**	**392**

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

€ thousand	At 31 December 2018	Stated in profit or loss	Stated in equity	At 31 December 2019
Pre-paid taxes for:				
Application of IAS 19 - Termination Benefits	106	(4)	14	124
Application of IFRS 15	16	(10)	-	6
Tax loss	250	-	-	250
Cash Flow Hedge reserve	20	-	34	54
Total deferred tax assets	**392**	**(14)**	**48**	**426**

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.

The comprehensive value of tax loss at 31 December 2019 and the relevant amounts for which no assets for pre-paid taxes, divided by year due, were stated, amounted to:

(€ thousand)

	At 31 December 2019	Year due					
		2020	2021	2022	2023	Beyond 2024	Unlimited or unforeseeable
Tax loss		-	-	-	-	-	6,235

Statement of financial position

11. TANGIBLE FIXED ASSETS

In 2019 and 2018 the changes in Plant and Equipment are detailed in the following schedule:

	Initial balance at 1 January 2019					Changes in period					
€ thousand	Purchase cost	Deprec. reserve	Net carrying amount at 31 December 2018	First-time adoption IFRS 16	Net carrying amount at 1 January 2019	Additions	Decreases	Total	Decrease. Deprec. reserve	Depreciation	Net carrying amount at 31 December 2019
Land and buildings	8.766	(586)	8.180	1.163	9.343	1.122	(997)	125	95	(621)	8.942
Lightweight constructions	10	(8)	2		2			-			2
Total property	**8.776**	**(594)**	**8.182**	**1.163**	**9.345**	**1.122**	**(997)**	**125**	**95**	**(621)**	**8.944**
Plant and equipment	1.725	(1.497)	228		228			-		(44)	184
Industrial equipment	2.264	(1.897)	367		367	54		54		(148)	273
Electrical tools	780	(762)	18		18	4		4		(7)	15
Furnishing	862	(681)	181		181	2		2		(20)	163
Electronic equipment	1.254	(1.185)	69		69	5	(29)	(24)	29	(25)	49
Means of transportation	321	(316)	5	179	184	378	(31)	347	31	(145)	417
Other tangible assets	28	(24)	4		4	4		4		(3)	5
Total of property, plant and equipment	**16.010**	**(6.956)**	**9.054**	**1.342**	**10.396**	**1.569**	**(1.057)**	**512**	**155**	**(1.013)**	**10.050**

Of which rights of use:

	Property	Total plant, machinery and equipment	Other assets	Total
Lease pursuant to IAS 17 at 31/12/2018	8,182			8,182
First-time adoption IFRS 16	1,163	-	179	1,342
Increases	1,122	-	301	1,423
Decreases	(902)	-	-	(902)
Depreciation	(251)		(141)	(392)
Net carrying amount at 31/12/2019	9,314	-	339	9,653

€ EUR	Initial balance at 1 January 2018			Changes in period						Net carrying amount at 31 December 2018
	Purchase cost	Depreciation reserve	Net carrying amount 1/1/2018	Additions	Decreases	Reclassifications	Total	Decrease in Deprec. reserve	Depreciation of the period	
Land and buildings	8,765	(216)	8,549	1	-	-	1	-	(370)	8,180
Lightweight constructions	10	(7)	3	-	-	-	-	-	(1)	2
Total property	**8,775**	**(223)**	**8,552**	**1**	**-**	**-**	**1**	**-**	**(371)**	**8,182**
Plant and equipment	1,662	(1,460)	202	1	(8)	70	63	8	(45)	228
Industrial equipment	2,055	(1,773)	282	210	(1)	-	209	1	(125)	367
Electrical tools	767	(756)	11	13	-		12	-	(6)	18
Furnishing	843	(662)	181	20	-	-	19	-	(19)	181
Electronic equipment	1,315	(1,260)	55	37	(98)		(61)	98	(23)	69
Means of transportation	321	(305)	16	-	-		-	-	(11)	5
Other tangible	28	(19)	9	-	-		-	-	(5)	4
Assets under development	70	-	70	-	-	(70)	(70)	-	-	-
Total property, plant and equipment	**15,836**	**(6,458)**	**9,378**	**282**	**(107)**	**-**	**175**	**107**	**(606)**	**9,054**

Investments made in 2019, amounting to € 1,569 thousand, consisted of physiological investments to maintain the production structure, of which € 1,423 thousand relates to the recording of rights of use deriving from the application of IFRS 16.

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 € 1,013 thousand, is recognized in profit or loss under "Depreciation and amortization" (Note No. 6).

With reference to the recoverability of this item in the financial statements and the considerations regarding the impairment test carried out at 31 December 2019, please refer to the previous section "Recoverable amount of non-current assets."

12. INTANGIBLE FIXED 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 periods:

€ thousand	Initial balance at 1 January 2019			Changes in period						Net carrying amount at 31 December 2019
	Purchase price	**Depreciation reserve**	**Net carrying amount 1/1/2019**	**Additions**	**Decreases-Write-downs**	**Reclassifications**	**Total**	**Decrease in Deprec. reserve**	**Depreciation of year**	
Licenses	135	(122)	13	-	-	-	-	-	(7)	6
Software	331	(301)	30	7	-	-	7	-	(15)	22
Development Costs	1,391	(237)	1,154	-	-	-	-	-	(278)	877
Assets under development	1,136	-	1,136	555	-	-	555	-	-	1,691
Total intangible fixed assets	**2,993**	**(660)**	**2,333**	**562**	**-**	**-**	**562**	**-**	**(300)**	**2,596**

€ thousand	Initial balance at 1 January 2018			Changes in period						Net carrying amount at 31 December 2018
	Purchase price	**Depreciation reserve**	**Net carrying amount 1/1/2018**	**Additions**	**Decreases**	**Reclassifications**	**Total**	**Decrease in Deprec. reserve**	**Depreciation of year**	
Licenses	132	(95)	37	3	-	-	3	-	(27)	13
Software	320	(236)	84	11	-	-	11	-	(65)	30
Development Costs	641	(109)	532	-	-	750	750	-	(128)	1,154
Assets under development	1,098	-	1,098	799	(11)	(750)	38	-	-	1,136
Total intangible fixed assets	**2,191**	**(440)**	**1,750**	**813**	**(11)**	**-**	**802**	**-**	**(220)**	**2,333**

Intangible assets in progress consist mainly of development projects that at the closing date have not yet been fully completed and whose economic benefits are expected to flow to subsequent years.

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

With reference to the recoverability of this item in the financial statements and the considerations regarding the impairment test carried out at 31 December 2019, please refer to the previous section "Recoverable amount of non-current assets."

13. EQUITY INVESTMENTS

At 31 December 2019 these amounted to € 11,314 thousand. The following changes were registered:

€ thousand	Balance at 31 December 2018	Increases	Decreases	Write-downs	Write-backs	Balance at 31 December 2019
Investments in subsidiaries	11,832	154	-	(685)	-	11,301
Investments in associates	2	-	-	-	-	2
Equity investments in other entities	11	-	-	-	-	11
Total interests	**11,845**	**154**	**-**	**(685)**	**-**	**11,314**

€ thousand	Balance at 31 December 2017	Increases	Decreases	Write-downs	Write-backs	Balance at 31 December 2018
Investments in subsidiaries	12,099		-	(267)	-	11,832
Investments in associates	2	-	-		-	2
Equity investments in other entities	11	-	-	-	-	11
Total interests	**12,112**		**-**	**(267)**	**-**	**11,845**

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

€ thousand	Balance at 31 December 2018	Increases	Decreases	(Write-downs)/ Write-backs	Balance at 31 December 2019
Subsidiaries					
Fidia GmbH	1,208	-	-	-	1,208
Historical cost	1,208	-	-	-	1,208
Provision for write-down	-	-	-	-	-
Fidia Co.	7,078	-	-	-	7,078
Historical cost	7,078	-	-	-	7,078
Provision for write-down	-	-	-	-	-
Fidia Iberica S.A.	171	-	-	-	171
Historical cost	171	-	-	-	171
Provision for write-down	-	-	-	-	-
Fidia Sarl	221	-	-	-	221
Historical cost	221	-	-	-	221
Provision for write-down	-	-	-	-	-
Beijing Fidia M&E Co. Ltd.	1,549	154	-	-	1,703
Historical cost	1,549	-	-	-	1,703
Provision for write-down	-	-	-	-	-
Fidia Do Brasil Ltda	82	-	-	-	-
Historical cost	350	-	-	-	350
Provision for write-down	(268)	-	-	(82)	(350)
Shenyang Fidia NC & Machine Co. Ltd.	1,523	-	-	-	920
Historical cost	2,443	-	-	-	2,443
Provision for write-down	(920)	-	-	(603)	(1,523)
OOO Fidia	-	-	-	-	-
Historical cost	100	-	-	-	100
Provision for write-down	(100)	-	-	-	(100)
Fidia India Private Ltd.	-	-	-	-	-
Historical cost	-	-	-	-	-
Provision for write-down	-	-	-	-	-
Total investments in subsidiaries	**11,832**	**154**	**-**	**(685)**	**11,301**
Historical cost	13,120	-	-	-	13,274
Provision for write-down	(1,288)	-	-	-	(1,973)
Associates		-	-	-	
Prometec Consortium	2	-	-	-	2
Total investments in associates	**2**	**-**	**-**	**-**	**2**
Others					
Probest Service S.p.A.	11	-	-	-	11
Consorzio C.S.E.A.	-	-	-	-	-
Historical cost	6.5	-	-	-	6.5
Provision for write-down	(6.5)	-	-	-	(6.5)
Total investments in others	**11**	**-**	**-**	**-**	**11**
Total interests	**11,845**	**-**	**-**	**-**	**11,314**

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 2018 and 2019 there were no investments provided as collateral for financial liabilities and potential liabilities.

Impairment test

The impairment test was carried out on the controlling interest in the companies Fidia Do Brasil Ltda and Shenyang Fidia NC&Machine Co. Ltd. (China) for which the indicators showed impairment losses at the closing date of the period.

- 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 2020-2022 timeframe. 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 prospective cash flows was calculated taking into account the sector in which the company operates, the debt structure and the current economic situation; in particular, the WACC rate was approximately 10.17% for Shenyang Fidia NC & Machine Co. Ltd. (China) and 14.55% for Fidia Do Brasil Ltda.
- 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 result of the impairment test was independently approved and separate from these 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 write-down for the investment in Shenyang Fidia NC & Machine Co. Ltd equivalent to € 603 thousand and for the investment in Fidia Do Brasil Ltda amounting to € 82 thousand.

The sensitivity analysis showed that:

- changes of +/-0.5% on WACC do not result in significant impacts in terms of determining the recoverable amount;
- changes in EBITDA of +/- 5% would also have insignificant impacts.

For the remaining investments, substantial consistency was recorded;

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

€ thousand	**Balance at 31 December 2019**	**Balance at 31 December 2018**
Security deposits	2	27
Receivables for foreign VAT	13	9
Withholding tax on foreign income	135	133
Other current	21	34
Total other non-current receivables and assets	**171**	**202**

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

Withholding tax receivables on foreign income consist of receivables from 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 periods. These receivables are recoverable through the realisation of taxable income such as to allow an excess of Italian tax over foreign tax within a maximum of eight years.

15. INVENTORY

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

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Raw/auxiliary materials and consumable supplies	8,027	8,744
Provisions for raw materials depreciation	(1,721)	(1,558)
Net value of raw materials, subsidiary materials and consumables	**6,306**	**7,186**
Semi-finished products and work in progress	**3,685**	**4,198**
Finished products and goods for resale	1,136	611
Finished products and goods depreciation provision	(108)	(112)
Net value finished products and goods	1,028	**499**
Advances	244	288
Total inventory	**11,263**	**12,171**

Inventories recorded a decrease of € 908 thousand YOY.

The provisions for depreciation equivalent to € 1,829 thousand (€ 1,670 thousand at 31 December 2018) 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 2019 these amounted to € 6,806 thousand, namely € 7,444 thousand lower compared to 31 December 2018. In detail:

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Trade receivables from customers	4,516	12,380
Provision for bad debts	(276)	(296)
Total trade receivables from others	**4,240**	**12,084**
Receivables from subsidiaries	2,566	2,166
Total trade receivables	**6,806**	**14,250**

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

€ thousand	31 December 2019	31 December 2018
Unexpired	2,340	2,025
Due up to 1 month	566	6,784
Due 1 to 3 months	247	1,734
Due 3 months to 6 months	81	324
Due 6 months to 1 year	454	676
Due over 1 year	828	837
Total	**4,516**	**12,380**

All trade receivables are due within one year.
Receivables were aligned at the expected realisable amount by means of the provisions for write-down of receivables equal to € 276 thousand. In application of IFRS 9, the Group assesses trade receivables using an expected loss approach. The Company has therefore adopted a simplified approach, whereby the provision for bad debts reflects expected losses based on the life of the receivable; in determining the provision, the Company has relied on historical experience, external indicators and prospective information.
`

. The changes in the provisions for write-down of receivables were:

€ thousand	
Balance at 31 December 2018	**296**
Provisions in period	-
Utilisations	(20)
Balance at 31 December 2019	**276**

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

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Italy	1,672	4,374
Europe	936	2,004
Asia	1,653	5,908
Rest of the World	255	94
Total	**4,516**	**12,380**

Receivables from subsidiaries were the following:

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Fidia Co.	245	38
Fidia Sarl	51	101
Fidia Iberica S.A.	375	530
Fidia GmbH	248	538
Fidia do Brasil Ltda	853	537
Beijing Fidia M&E Co. Ltd.	389	201
Shenyang Fidia NC & Machine Co. Ltd.	405	221
Total receivables	**2,566**	**2,166**

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

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Europe	674	1,170
North and South America	1,098	574
Asia	794	422
Total	**2,566**	**2,166**

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 2019	Balance at 31 December 2018
Current tax receivables:		
Receivables from tax authorities for VAT	204	470
Tax receivables for income tax and IRAP	22	9
Receivables for short-term foreign VAT	-	12
Other tax receivables	231	225
Total current tax receivables	**457**	**716**
Research grants	88	121
Accruals and prepayments	83	193
Receivables from employees	15	12
Advances from suppliers	60	72
Dividends receivable	1,593	618
Other current receivables	103	-
Total other current receivables and assets	**1,942**	**1,016**

It is deemed that the carrying amount of Other current receivables and assets is near the fair value. Other current receivables will be due entirely by the next period.

18. OTHER CURRENT FINANCIAL ASSETS

This item represents an interest-bearing loan from the Parent Company to the Fidia do Brasil branch, amounting to € 121 thousand, including accrued interest, expiring on 15 May 2020.

19. CASH AND CASH EQUIVALENTS

The overall total of cash amounted to € 934 thousand (€ 3,475 thousand at 31 December 2018). This item is composed of temporary cash on bank accounts pending future use amounting to € 933 thousand and cash on hand and checks in the amount of € 1 thousand. It is deemed that the carrying amount 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. SHAREHOLDERS' EQUITY

Shareholders' equity at 31 December 2019 amounted to € 3,963 thousand, down by € 3,929 thousand compared to 31 December 2018. The change was due to:

- loss of the period (-€ 3,777 thousand);
- negative effect of the accounting of actuarial change on the termination benefits net of the theoretical tax effect (€ 45 thousand);
- negative effect of the cash flow hedge reserve net of the theoretical tax effect (€ -108 thousand).

The main classes composing the Shareholders' Equity and related changes are the following.

Share capital

Capital issued amounted to € 5,123,000 and was unchanged compared to 31 December 2018. 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 at 31 December 2017 and the number of circulating shares at 31 December 2019:

	At 31 December 2017	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2018	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2019
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 2018.

Legal reserve

Legal reserve in the amount of € 883 thousand was unchanged compared to 31 December 2018.

Provisions for own shares in portfolio

At 31 December 2019, it amounted to € 46 thousand and was unchanged YOY.

These reserves are not available until own shares are held.

Extraordinary reserve

At 31 December 2019, it amounted to € 309 thousand and was unchanged compared to 31 December 2018.

Reserve for unrealised foreign exchange gains/losses

At 31 December 2019, it amounted to € 8 thousand and was unchanged compared to 31 December 2018.

Earnings (loss) carried forward

At 31 December 2019 earnings carried forward amounted to € 542 thousand, down € 839 thousand YOY for the allocation of loss of the year 2018 as per the resolution passed by the shareholders' meeting on 29 April 2019.

Own shares

Own shares consisted of 10,000 ordinary shares issued by Fidia S.p.A. for a value of € 46 thousand.

There were no changes in 2019, as illustrated in the following table.

	No. Shares	Nominal Value (€ /000)	Share in % share capital	Carrying amount (€ /000)	Mean unit value (€)
Situation at 1 January 2019	**10,000**	**1.00**	**0.20%**	**46**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Write-backs	-	-	-	-	-
Situation at 31 December 2019	**10,000**	**1.00**	**0.20%**	**46**	**4.55**

Profit (Loss) stated directly in equity

At 31 December 2019, it amounted to -€ 195 thousand compared to -€ 150 thousand at 31 December 2018; the change was due to the accounting of actuarial changes for termination benefits in 2019, net of theoretical tax effect.

Cash flow hedge reserve

The cash flow hedge reserve includes the fair value of some derivative instruments (interest rate swaps) entered into by the company to hedge the risk of interest rate fluctuations on three floating rate loans.

In 2019, the cash flow hedge provisions registered the following changes:

€ thousand Type of financial instrument	Cash Flow Hedge reserve					
	Nature of hedged risk	Opening holdings at 1 January 2019	Increases	Decreases	CFH provisions stated in P/L	Final balance at 31 December 2019
- Interest rate swap	Interest rate risk	(63)	(108)	-	-	(171)
Total		**(63)**	**(108)**	**-**	**-**	**(171)**

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 Shareholders' Equity items is provided below, and it specifies the utilisation of provisions:

€ thousand	Amount	Availability	Distributability	Utilizations in previous 3 reporting periods	
				To cover losses	Other reasons
Capital issued:	5,123				
Capital reserves:					
Provisions for share premium (1)	1,240	A, B	----		-
Profit reserves:					
Provisions for own shares	46	----	----	-	-
Legal reserve	883	B	----	-	-
Cash Flow Hedge reserve	(171)	----	----	-	-
Profit (Loss) stated directly in equity	(195)	----	----	-	-
Extraordinary reserve	309	A, B, C	309		-
Earnings (Loss) carried forward	561	A, B, C	561	2,267	9
Unrealised exchange gains and others	8	A, B	----		
Application of new IFRS	(19)				
Total distributable share			**870**	**2,267**	**9**

(1) Fully available for increase of share capital and coverage of loss. For other utilisations, 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:

A: for capital increase

B: To cover losses

C: for distribution to shareholders

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Advances for research projects	120	376
Long-term deferred income and other payables	90	171
Total	**210**	**547**

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 period.

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	
Amount at 1 January 2019	**2,189**
Amount accrued and allocated in year	479
Benefits paid out in year	(103)
Amount transferred to State Fund and complementary pension scheme	(473)
Borrowing costs on termination benefits	14
Accounting of actuarial losses	59
Substitute tax	(6)
Balance at 31 December 2019	**2,159**

Actuarial profit and loss are stated off the statement of comprehensive income 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 expenses, hence leading to an increase in finance expenses of the period in the amount of € 14 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2019	At 31 December 2018
Discount rate	EUR Composite AA Curve	EUR Composite AA Curve
Future inflation rate	1.2%	1.5%
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 used to determine the present value of the obligation was derived, in accordance with paragraph 83 of IAS 19, from the AA rating EUR Composite curve recorded at the measurement date:

Year	31 December 2019
1	- 0.22%
2	- 0.14%
3	- 0.02%
4	0.08%
5	0.15%
6	0.21%
7	0.28%
8	0.36%
9	0.43%
10	0.50%
11	0.56%
12	0.62%
13	0.67%
14	0.75%
15 +	0.77%

As required by IAS 19, the tables below show a sensitivity analysis for each actuarial assumption relevant at the reporting date, showing the effects that would have arisen as a result of changes in actuarial assumptions reasonably possible at that date, in absolute terms, an indication of the contributions for the subsequent year, the average financial duration of the obligation and the disbursements provided for in the plan.

Sensitivity analysis of Defined Benefit Obligation (€ thousands)

	31 December 2019
Inflation rate +0.25%	2,181
Inflation rate -0.25%	2,137
Discount rate +0.25%	2,134
Discount rate -0.25%	2,182
Rate of turnover +1%	2,150
Rate of turnover -1%	2,169

Service cost and duration

Service cost pro futuro	0.00
Duration of the plan	7.3 years

Future plan disbursements (€ thousand)

Years	Planned disbursements
1	316
2	311
3	85
4	82
5	80

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 2019.

	Basic Assumptions	**Changes in Basic Assumptions**									
Inflation rate projections	Curve	1.40%	1.60%								
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	Curve							-10%	+10%		
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	**Employee termination indemnities on an IAS basis(*)**	**Percentage change in termination benefits compared to the basic assumptions**									
Fidia S.p.A.	**2,158,698**	**-48%**	**0.48%**	**0.04%**	**-0.04%**	**0.04%**	**-0.04%**	**0.54%**	**-0.56%**	**0.09%**	**-0.08%**

(*) amounts in EUR

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item includes the fair value of interest rate swap contracts entered into to hedge (cash flow hedge) the risk of variability in interest expense flows on four medium/long-term loans and on one property lease contract.

€ thousand	31 December 2019		31 December 2018	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest rate risk - BNL Interest Rate Swap	658	1	1,053	3
Interest rate risk - INTESA Interest Rate Swap	350	1	1,050	2
Interest rate risk - INTESA Interest Rate Swap	1,077	2	1,784	2
Interest rate risk - INTESA Interest Rate Swap	3,170	224	3,338	75
Interest rate risk – Interest Rate Swap Banco Popolare	643	2	1,071	5
Total		**230**		**88**

Financial flows relating to cash flow hedges impact on the statement of comprehensive income 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 € 17,596 thousand and are specified in detail in the following table:

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Overdrawn bank accounts and short-term advances	2,921	3,369
Financial accruals and deferrals	37	57
Intra-group loans	2,269	1,816
ISP loan "3.500" (part medium/long term and part short term)	350	1,047
BNL loan "2,500" (part medium/long term and part short term)	525	1,047
ISP loan "3,000" (part medium/long term and part short term)	1,075	1,777
UNICREDIT loan (part medium/long term and part short term)	192	570
MPS loan "1.500" (part medium/long term and part short term)	-	375
BPM loan "1.500" (part medium/long term and part short term)	650	1,074
UNICREDIT loan (Plafond Supercash Rotativo)	1,473	733
ISP loan "1.500" (part medium/long term and part short term)	627	1,120
Short-term MPS loan No. 741876227	-	333
Short-term UNICREDIT loan No. 8250932	193	-
Short-term BNL loan No. 1873555	692	-
Loans and financial liabilities with credit institutions	**11,004**	**13,318**
Mediocredito Italiano (Forli' property lease)	5,107	5,348
San Mauro Torinese property lease (IFRS16)	1,007	-
San Secondo di Pinerolo property lease (IFRS16)	137	-
Car leases (IFRS16)	341	
Liabilities for leases	**6,592**	**5,348**
Total	**17,596**	**18,666**

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

€ thousand	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and other short-term advances	2,955	-	-	2,955
Intra-group loans	2,272	-	-	2,272
Medium-to-long term bank loans	2,712	706	-	3,418
Short-term loans	2,359	-	-	2,359
Loans and financial liabilities with credit institutions and inter-group companies	**10,298**	**706**	**-**	**11,004**
Mediocredito Italiano (Forli' property lease)	253	1,451	3,403	5,107
San Mauro Torinese property lease (IFRS16)	177	830	-	1,007
San Secondo di Pinerolo property lease (IFRS16)	30	107	-	137
Car leases Italy (IFRS16)	161	180	-	341
Liabilities for leases	**621**	**2,568**	**3,403**	**6,592**
Total	**10,919**	**3,274**	**3,403**	**17,596**

Intra-group loans consist of two interest-bearing loans amounting to € 2,272 thousand (and the related interest rate) granted by the subsidiary Fidia Co. for a total of € 1,869 thousand and one by the subsidiary Fidia Gmbh for a value of € 402 thousand. The contracts with Fidia Co are valid until 30 June 2020. The contract with Fidia Gmbh runs until 22 March 2020. All contracts can be extended.

Bank loans have the following main characteristics:

Loan - ISP "3,500" (part medium/long term and part short term)

Original amount	€ 3,500 thousand
Residual amount	€ 350 thousand
Date of loan	20/04/2015
Term	Loan due date 01/04/2020
Repayment	20 quarterly instalments (01/07/2015 to 01/04/2020)
Interest rate	3-month Euribor, base 360 + 2.0% spread

In order to hedge the interest rate risk, an interest rate swap hedging contract has been entered into.

Loan - BNL "2,500" (part medium/long term and part short term)

Original amount	€ 2,500 thousand
Residual amount	€ 525 thousand
Date of loan	28/01/2016
Term	Loan due date 31/12/2020
Grace period	1 quarterly instalment (31/03/2016)
Repayment	19 quarterly instalments (30/06/2016 to 31/12/2020)
Interest rate	3-month Euribor, base 360 + 1.35% 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.

Loan - ISP "3,000" (part medium/long term and part short term)

Original amount	€ 3,000 thousand
Residual amount	€ 1,075 thousand
Date of loan	17/05/2016
Term	Loan due date 01/04/2021
Grace period	3 quarterly instalments (01/07/2016 to 01/01/2017)
Repayment	17 quarterly instalments (01/04/2017 to 01/04/2021)
Interest rate	3-month Euribor, base 360 + 1.5% spread

In order to hedge the interest rate risk, an interest rate swap hedging contract has been entered into.

UNICREDIT loan (part medium/long term and part short term)

Original amount	€ 1,500 thousand
Residual amount	€ 192 thousand
Date of loan	16/05/2016
Term	Loan due date 31/05/2020
Grace Period	Not provided
Repayment	16 quarterly instalments (31/08/2016 to 31/05/2020)
Interest rate	3-month Euribor, base 360 + 1.35% spread

Loan - Banco Popolare "1.500" (part medium/long term and part short term)

Original amount	€ 1,500 thousand
Residual amount	€ 650 thousand
Date of loan	27/04/2017
Term	Loan due date 30/06/2021
Grace period	3 quarterly instalments at 30/06/2017, 30/09/2017 and 31/12/2017
Repayment	14 quarterly instalments (31/03/2018 to 30/06/2021)
Interest rate	3-month Euribor, base 360 + 1.4% spread

In order to hedge the interest rate risk, an interest rate swap hedging contract has been entered into.

Loan - UNICREDIT "MUTUO PLAFOND SUPERCASH ROTATIVO"

Original ceiling	€ 1,500 thousand
Ceiling used	€ 1,473 thousand
Term	Loan due date 28/01/2019, 19/02/2019, 13/03/2019
Repayment	Every four months
Interest rate	Fixed rate equal to 1.5%

Loan - ISP "1.500" (part medium/long term and part short term)

Original amount	€ 1,500 thousand
Residual amount	€ 627 thousand
Date of loan	31/01/2018
Term	Loan due date 31/01/2021
Repayment	12 quarterly instalments (30/04/2018 to 31/01/2021)
Interest rate	3-month Euribor, base 360 + 1.2% spread

UNICREDIT loan (short term)

Original amount	€ 500 thousand
Residual amount	€ 193 thousand
Date of loan	29/04/2019
Term	Loan due date 31/05/2020
Grace Period	Not provided
Repayment	12 monthly instalments (31/05/2019 to 31/05/2020)
Interest rate	3-month Euribor, base 360 + 1.75% spread

BNL loan (short-term)

Original amount	€ 1,250 thousand
Residual amount	€ 692 thousand
Date of loan	30/05/2019
Term	Loan due date 31/05/2020
Grace Period	3 monthly instalments (30/06/2019 to 30/08/2019
Repayment	12 monthly instalments (30/06/2019 to 30/05/2020)
Interest rate	Fixed rate 2%

Property lease - Mediocredito Italiano - line 1

Original amount	€ 5,598 thousand
Major instalment	€ 1,260 thousand
Residual amount	€ 3,611 thousand
Date of loan	25/06/2014
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	3.48%
Set redemption	€ 558 thousand

Property lease - Mediocredito Italiano - line 2

Original amount	€ 1,000 thousand
Major instalment	€ 400 thousand
Residual amount	€ 531 thousand
Date of loan	28/05/2015
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	2.42%
Set redemption	€ 100 thousand

Property lease - Mediocredito Italiano - line 3

Original amount	€ 1,802 thousand
Major instalment	€ 722 thousand
Residual amount	€ 965 thousand
Date of loan	30/11/2017
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	2.73%
Set redemption	€ 179 thousand

In order to hedge interest rate risk, an interest rate swap contract was entered into to hedge a portion (€ 3,500 thousand) of the three contracts mentioned above.

IFRS16 - San Mauro Torinese property

Original amount	€ 1,122 thousand
Residual amount	€ 1,007 thousand
Date of first adoption	01/01/2019

IFRS16 - San Secondo Pinerolo property

Original amount	€ 166 thousand
Residual amount	€ 137 thousand
Date of first adoption	01/01/2019

IFRS16 - San Mauro Torinese Vehicles

Original amount	€ 481 thousand
Residual amount	€ 342 thousand
Date of first adoption	01/01/2019

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

€ thousand	Balance at 1 January 2019	New loans	Repayments	Balance at 31 December 2019
Intra-group loans	1,816	556	(100)	2,272
ISP "3.500" loan (part medium/long term and part short term)	1,047	-	(697)	350
Loan - BNL "2.500" (part medium/long term and part short term)	1,047	-	(522)	525
ISP "3.000" loan (part medium/long term and part short term)	1,777	-	(703)	1,075
UNICREDIT loan (part medium/long term and part short term)	570	-	(379)	192
Loan - MPS "1,500" (part medium/long term and part short term)	375	-	(375)	-
Loan - BPM "1.500" (part medium/long term and part short term)	1,074	-	(424)	650
UNICREDIT loan (Plafond Supercash Rotativo)	733	3,243	(2,503)	1,473
Loan - ISP "1.500" (part medium/long term and part short term)	1,120	-	(493)	627
Short-term MPS loan No. 741876227	333	-	(333)	-
Short-term UNICREDIT loan No. 8250932	-	499	(306)	193
Short-term BNL loan No. 1873555	-	1,238	(546)	692
Short-term MPS loan No. 00138-0994014743	-	499	(499)	-
Loans and financial liabilities with credit institutions	**9,892**	**6,035**	**(7,880)**	**8,049**
Mediocredito Italiano (Forli' property lease)	5,348	-	(241)	5,107
San Mauro Torinese property lease (IFRS16)	.	2,119	(1,112)	1,007
San Secondo di Pinerolo property lease (IFRS16)	-	166	(29)	137
Car leases Italy (IFRS16)	-	481	(139)	342
Liabilities for leases	**5,348**	**2,766**	**(1,521)**	**6,593**
Total	**15,240**	**8,801**	**9,401**	**14,642**

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

For more information on the management of interest and exchange rate risk on loans, please refer to Note No. 29.

25. TRADE PAYABLES

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Payables to other suppliers	10,228	15,687
Payables to subsidiaries	5,390	4,360
Payables to associates	2	2
Total trade payables	**15,620**	**20,049**

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 date 1 to 5 years	Total
Payables to other suppliers	7,242	1,899	1,039	48	10,228
Payables to subsidiaries	4,243	1,147			5,390
Payables to associates	2	-	-	-	2
Total trade payables	**11,487**	**3,046**	**1,039**	**48**	**15,620**

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

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Italy	8,540	14,061
Europe	-	585
Asia	1,108	1,033
North and South America	436	7
Rest of the World	144	1
Total	**10,228**	**15,687**

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

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Fidia Co.	390	206
Fidia S.a.r.l.	-	23
Fidia Iberica S.A.	4	43
Fidia GmbH	87	145
Beijing Fidia M&E Co. Ltd.	4,596	3,765
Shenyang Fidia NC&M Co. Ltd.	-	-
Fidia do Brasil Ltda	313	178
Total payables to subsidiaries	**5,390**	**4,360**

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

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Europe	91	211
Asia	4,596	3765
North and South America	703	384
Total	**5,390**	**4,360**

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

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Prometec Consortium	2	2
Total	**2**	**2**

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

26. TAX PAYABLES, OTHER CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2019	Balance at 31 December 2018
Current tax payables:		
- withholding taxes	305	330
- Payables to tax authorities for IRAP	-	56
- Payables to tax authorities for VAT	8	-
- Other tax payables	37	49
Total current tax payables	**350**	**435**
Other current payables and liabilities:		
Payables to employees	511	646
Social security payables	652	695
Advance from customers	3,304	2,867
Payables for emoluments	90	109
Deferrals	85	52
Accrued expenses	76	74
Miscellaneous payables	141	88
Total other current payables and liabilities	**4,859**	**4,531**

Payables to employees pertain to benefits accrued at year-end (instalments, usually extraordinary, 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 IFRS 15 – *Revenue from Contracts with Customers*, cannot be stated in the revenue. This item comprises also advances received from subsidiaries in the amount of € 738 thousand.

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

27. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and expenses amounted to € 1,093 thousand as per the schedule.

€ thousand	Balance 31 December 2018	Accrual	Reversal/release	Balance 31 December 2019
Warranty provisions	1,136	108	(342)	902
Other provisions	161	30	-	191
Total other provisions for risks and expenses	**1,297**	**138**	**(342)**	**1,093**

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 reduction in the warranty fund was due to the decrease in revenues.

The item Other provisions reflects the best estimate of the possible impact of the results of an inspection by the Italian National Institute for Insurance Against Occupational Accidents (Istituto Nazionale Assicurazione Infortuni sul Lavoro, or INAIL).

28. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2019, these amounted to € 537 thousand, down by € 1,994 thousand compared to € 2,531 thousand at 31 December 2018. 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 2019 the Company was not aware of any facts liable of generating foreseeable and appraisable potential liabilities and hence it deemed that there was no need to make further provisions.

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

29. INFORMATION ON FINANCIAL RISKS

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

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

MARKET RISKS

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

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

The market risks include exchange and interest rate risk.

Exchange rate risk: definition, sources and management policies

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

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

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

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 exchange rate risks through its policy of fixing the selling prices of products in foreign currencies and, if necessary, through the use of derivative financial instruments, the use of which is reserved for the management of exposure to exchange rate fluctuations connected with future cash flows and assets and liabilities.

In particular, when setting the sale price to the foreign counterparty, the Company, starting from its margin objectives determined in local currency, usually applies the exchange rate in force at the date of the order plus the financial component (cost of carry) connected with the expected due date of the receipts relating to the transaction. For short-term transactions (a few months), the Company usually does not carry out derivative transactions to block the exchange rate (and thus completely neutralise possible short-term fluctuations in the spot exchange rate). For transactions with expected medium/long-term timeframes, on the other hand, the Company carries out hedging operations using derivative financial instruments.

When the Company decides to implement transactions on exchange rate derivatives, it 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.

The main hedges for exposure to foreign exchange risk are traditionally provided for the US dollar, which is the most widely used foreign currency in commercial transactions other than the local currency.

The instruments used are typically forward, flexible forward or other types of contracts on exchange rates correlated by amount, due date and reference parameters with the hedged position.

At 31 December 2019, there were no derivative instruments hedging exchange rate risks.

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 exchange rate gains or losses.

At 31 December 2019, the main currency to which the Company is exposed is the USD. At the same date, the Company had no derivative financial instruments in place to hedge its currency exposures.

For the purposes of sensitivity analysis, the potential effects deriving from fluctuations in the reference rates of financial instruments denominated in foreign currencies were analysed.

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

The results of the sensitivity analysis on exchange rate risk are summarized in the tables below, which show the impacts on profit or loss and equity at 31 December 2019 and 31 December 2018. The prevalence of financial liabilities denominated in foreign currencies over financial assets exposes the company to the risk of negative economic effects in the event of an increase in the exchange rate, i.e., in the event of a strengthening of the value of the euro against a foreign currency. The impacts on profit or loss shown in the tables are before tax.

EXCHANGE RATE RISK SENSITIVITY ANALYSIS

		Exchange Rate Risk at 31 December 2019			
		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS IN FOREIGN CURRENCIES					
Cash and cash equivalent	36	(2)	-	2	-
Hedging derivatives	-		-		-
Trade	1,181	(56)		62	
Effect		**(58)**	**-**	**64**	**-**
FINANCIAL LIABILITIES IN FOREIGN CURRENCY					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Loans payable	1,869	89	-	(98)	-
Overdrawn bank accounts	-	-	-	-	-
Trade payables	1,059	50		(56)	
Effect		**139**	**-**	**(154)**	**-**
Total effect		**81**	**-**	**(90)**	**-**

EXCHANGE RATE RISK SENSITIVITY ANALYSIS

		Exchange Rate Risk at 31 December 2018			
		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS IN FOREIGN CURRENCIES					
Cash and cash equivalent	204	(10)		11	
Hedging derivatives	-		-		-
Trade	732	(35)		39	
Effect		**(45)**	**-**	**50**	**-**
FINANCIAL LIABILITIES IN FOREIGN CURRENCY					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Loans payable (*)	1,310	62		(69)	
Overdrawn bank accounts					
Trade payables	1,009	48		(53)	
Effect		**110**	**-**	**(122)**	**-**
Total effect		**65**	**-**	**(72)**	**-**

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 and leases 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 expenses on deposits to a minimum.

The strategy adopted is to maintain no more than 30% of the total floating rate exposure.

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.

At 31 December 2019 exposure to interest rate risk is hedged through the use of Interest Rate Swaps.

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.

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 mainly interest rate derivatives.

At 31 December 2019, the Company had five Interest Rate Swap contracts to hedge interest rate risk; these have a total negative fair value amounting to € 230 thousand.

The Interest Rate Swaps were entered into by the Company with the aim of neutralising the risk of variability in interest rate expense flows of the underlying hedged loans and financial leases, transforming them, through the stipulation of derivative contracts, into fixed-rate loans and leases.

In measuring the potential impacts of changes in the interest rates applied, the Company separately analysed the fixed rate financial instruments (for which the impact of the change in rates regards the fair value) and those at floating 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.

At 31 December 2019, some fixed-rate financial instruments were outstanding, but were not measured at fair value, but at amortised cost.

The floating rate financial instruments at 31 December 2019 included cash, bank loans and leases and are all denominated in EUR.

The sensitivity analysis was carried out in order to present the effects on the income statement and shareholders' equity at 31 December 2019, assuming that a reasonably possible change in the relevant risk variable occurred on that date and that this change was applied to the risk exposures existing at that date. The sensitivity analysis also includes derivative financial instruments.

At 31 December 2019, the following was assumed:

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

The decision to simulate, at 31 December 2019, decreases of 5 bps and 10 bps was caused by a market scenario that continues to be characterised by very low interest rates and the policy of monetary authorities to basically maintain reference rates unaltered. 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	Carrying amount	Interest Rate Risk at 31 December 2019			
		+10-bps change		-5-bps change	
		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES					
Floating rate loans	3,611	(4)	-	2	-
Fixed-rate loans	4,434	-	-	-	-
Floating-rate finance leases	5,107	(5)	-	3	-
Operating leases and rent (IFRS16)	1,486	-	-	-	-
IRS hedging derivatives	**230**	**6**	**25**	**(3)**	**(13)**
Total impact		**(3)**	**25**	**2**	**(13)**

NB: for the sake of completeness, the table also includes liabilities related to operating leases and rent payable to which, as from 1 January 2019, IFRS 16 has been applied. However, since the cash flows of these liabilities are not parameterised to the market interest rate variable, there are no sensitivity impacts.

INTEREST RATE SENSITIVITY ANALYSIS

€ thousand	Carrying amount	Interest Rate Risk at 31 December 2018			
		+10-bps change		-5-bps change	
		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES					
Floating rate loans	7,010	(7)	-	4	-
Fixed-rate loans	2,876	-	-	-	-
Floating-rate finance leases	5,348	(5)	-	3	-
IRS hedging derivatives	**88**	**8**	**30**	**(4)**	**(15)**
Total impact		**(4)**	**30**	**3**	**(15)**

Liquidity risk: definition, sources and management policies

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

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

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

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

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

Liquidity risk: quantitative information

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

The policies implemented to reduce liquidity risk consisted at 31 December 2019 of:

- recourse to credit institutions and leasing companies to find financial resources by avoiding an excessive concentration on one or a few banks;
- 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.

While waiting for the benefits related to the Plan's provisions to be realized, and in order to face a 2020 financial year still characterised by a reduced trend in new orders, the management of Fidia S.p.A. has requested a standstill from the main banks with which it is most exposed. This request, which includes maintaining the short-term credit lines and a moratorium on the payment of principal instalments falling due on medium/long-term loans, was preliminarily accepted by the banks and is expected to be formalised shortly in a standstill agreement.

The management deems that the available resources, in addition to those that will be generated by operations and loans and by the formalisation of the standstill agreement, 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 due date.

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

MATURITY ANALYSIS							
€ thousand	**Carrying amount at 31 December 2019**	**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	5,775	5,836	956	1,984	2,186	710	-
Other loans	2,269	2,296	-	415	1,881	-	-
Short-term overdrawn bank accounts and advances (*)	2,921	2,921	2,921	-	-	-	-
Trade payables	15,620	15,620	11,487	3,046	1,039	48	-
Liabilities for finance leases	5,107	6,815	39	78	349	1,862	4,487
Operating leases and rent (IFRS 16) (**)	1,486	1,587	37	70	297	1,115	68
DERIVATIVE LIABILITIES							
Interest rate swap	230	228	5	8	37	125	53
TOTAL	**33,409**	**35,304**	**15,445**	**5,601**	**5,790**	**3,861**	**4,608**

(*) The amount includes short-term self-liquidating advances (advance payments on invoices, collection advances, advance payments on exports) of about € 2,860 thousand and, for reasons of prudence, it has been allocated to the shortest maturity band

(**) As from 1 January 2019 IFRS 16 came into force, according to which operating leases and rents payable have seen a change in the rules of accounting and representation in the financial statements, providing for the recognition of the right to use the asset and the present value of payments due for the contract in the assets and liabilities. As a result, in the table an item called "Operating leases and rent (IFRS 16)" was added among the financial liabilities to highlight this category which was not provided for until 31 December 2018. Based on the "modified retrospective approach" adopted by the company, there is no comparative data with 2018.

MATURITY ANALYSIS							
€ thousand	Carrying amount at 31 December 2018	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	8,076	8,228	1,075	954	2,737	3,462	-
Other loans	1,810	1,831	-	505	1,326	-	-
Finance leases	5,348	7,281	39	78	349	1,862	4,953
Overdrawn bank accounts	3,369	3,369	3,369	-	-	-	-
Trade payables	20,049	20,049	13,326	5,395	1,329	-	-
DERIVATIVE LIABILITIES							
Interest rate swap	88	83	5	9	40	94	(65)
TOTAL	**38,741**	**40,841**	**17,813**	**6,939**	**5,782**	**5,419**	**4,888**

(*) The amount includes short-term self-liquidating advances (advance payments on invoices, collection advances, advance payments on exports) of about € 3,270 thousand and, for reasons of prudence, it has been allocated to the shortest maturity band

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 write-downs if there is an objective condition in which these positions cannot be recovered either in part or in full. The extent of write-down 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 2019 is the carrying amount of the financial assets stated in the Statement of Financial Position, plus the face value of collateral provided as indicated in Note No. 28.

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

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

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

- letters of credit;
- insurance policies.

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

Positions, if individually significant, are subject to specific write-down; these are either partially or totally non-recoverable. The extent of write-down 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 write-down, provisions are allocated on a collective basis, considering experience and statistical data.

Hedge Accounting

At 31 December 2019, the Company had outstanding cash flow hedges for interest rate risk only.

Floating rate loans expose the company to the risk of fluctuations in interest rates connected with changes in the market rates at which they are linked.

The Company has decided to cover 4 loans and one lease contract through 5 Interest Rate Swaps which have the objective of neutralising the variability of the portion of interest flows payable corresponding to the basic parameter to which they are linked (Euribor rate), thus excluding the credit spread component inherent in the interest charged by the counterparties.

There is an economic relationship between the hedged item (borrowings and variable rate leases) and the hedging instruments (IRS). A systematic change in the opposite sign is expected between the change in value of hedged items and hedging instruments as market interest rates change.

Hedging transactions were put in place with the aim of covering all or a large portion of the exposure of the individual underlying loans and leases. With these derivative transactions, floating rate financial liabilities are transformed into fixed rate financial liabilities (for the portion of the notional capital covered).

The following table shows the entire exposure of the parent company Fidia SpA to interest rate risk, the exposure relating to the five financial liabilities being hedged and the total amount hedged (equal to the sum of the notional amounts of the five IRSs) at the reporting date and for subsequent periods. The table also shows the average interest rate relating to the 5 liabilities hedged and how it is transformed into a fixed rate following hedging by IRSs.

INTEREST RATE HEDGES (€ thousand)	2019
Floating rate exposures	
Floating rate loans payable	3,611
Floating rate leases	5,107
Total exposure to interest rate risk	8,718

	2019	2020	2021	2022	2023 and beyond
Hedged exposures					
Hedged exposures (residual capital)	6,210	4,286	3,488	3,261	3,027
Average interest rate (floating)	Euribor + 2.85%	Euribor + 2.85%	Euribor + 2.85%	Euribor + 2.85%	Euribor + 2.85%
Total hedged amount (notional of residual derivatives)	5,766	3,571	2,815	2,629	2,436
Average fixed interest rate of (pay leg of derivatives)	0.55%	0.55%	0.55%	0.55%	0.55%
Final average effective rate of hedged exposures	3.40%	3.40%	3.40%	3.40%	3.40%

For comparative purposes, the table below shows the exposure at 31 December 2018.

INTEREST RATE HEDGES (€ thousand)	2018
Floating rate exposures	
Floating rate loans payable	7,010
Floating rate leases	5,348
Total exposure to interest rate risk	12,358

	2018	2019	2020	2021	2022 and beyond
Hedged exposures					
Hedged exposures (residual capital)	8,720	6,523	4,286	3,488	3,261
Average interest rate (floating)	Euribor + 2.53%	Euribor + 2.53%	Euribor + 2.53%	Euribor + 2.53%	Euribor + 2.53%
Total hedged amount (notional of residual derivatives)	8,296	5,766	3,571	2,815	2,629
Average fixed interest rate of (pay leg of derivatives)	0.40%	0.40%	0.40%	0.40%	0.40%
Final average effective rate of hedged exposures	2.93%	2.93%	2.93%	2.93%	2.93%

The main causes of potential ineffectiveness of these hedging relationships have been identified in:

- any mismatch, during the life of the hedging relationship, between the notional amount and the contractual characteristics of the hedging derivatives and those of the underlying liabilities (e.g., due to partial early repayment or renegotiation of liabilities, partial unwinding of the derivative or other)
- changes in the creditworthiness of the counterparty to the hedging instrument (measured on the basis of publicly available information) or changes in the credit risk of the hedged item, such that they outweigh the changes in value resulting from the economic relationship being hedged and due to changes in market interest rates (dominant effect of credit risk).

On the date of designation of the hedging relationships and thereafter on a quarterly basis (on the occasion of the expiry of the interim reports and the annual financial statements), a qualitative and quantitative verification of the effectiveness of the hedging relationships is envisaged.

For the purposes of quantitative verification of the effectiveness of the hedging relationship, the hypothetical derivative method of perfect hedging is used.

The following table shows the aggregate information regarding the hedging instruments in place at 31 December 2019 (IRS), i.e.: the notional value, the carrying amount (fair value), the balance sheet item used to determine the fair value of the derivatives, and any component of change in fair value attributable to the ineffectiveness component.

Hedge accounting - Hedging instruments 2019

Cash flow hedges (€ thousand)	Notional of hedging instruments	Carrying amount of hedging derivatives		Balance sheet item used for derivatives	Change in fair value used to calculate ineffectiveness
		Assets	Current		
Interest rate risk					
Interest Rate Swaps	5,766	-	230	other financial assets - other financial liabilities	-
Total	**5,766**	**-**	**230**		**-**

For comparative purposes, the table below shows the hedging instruments in place at 31 December 2018.

Hedge accounting - Hedging instruments (2018)

Cash flow hedges (€ thousand)	Notional of hedging instruments	Carrying amount of hedging derivatives		Balance sheet item used for derivatives	Change in fair value used to calculate ineffectiveness
		Assets	Current		
Interest rate risk					
Interest Rate Swaps	8,296	-	88	other financial assets - other financial liabilities	-
Total	**8,296**	**-**	**88**		**-**

The following table provides aggregate information on the hedged financial liabilities at 31 December 2019, i.e.: the carrying amount (amortised cost), the balance sheet item used to recognise the liabilities in question, any fair value change component attributable to the ineffective component, and the cumulative amount in the cash flow hedge reserve (i.e., the effective component of the hedge).

Hedge accounting - hedged items (2019)

Cash flow hedges (€ thousand)	Carrying amount of hedged items		Balance sheet item used for derivatives	Change in fair value used to calculate ineffectiveness	Cash Flow Hedge reserve (*)
	Assets	Current			
Interest rate risk					
Floating rate loans payable	-	2,599	Financial liabilities	-	5
Floating rate leases	-	3,611	Financial liabilities	-	220
Total	**-**	**6,210**		**-**	**225**

(*) The amount of the cash flow hedge reserve is expressed gross of tax effects

For comparative purposes, the table below shows the hedged items in place at 31 December 2018.

Hedge accounting - hedged items (2018)

Cash flow hedges (€ thousand)	Carrying amount of hedged items		Balance sheet item used for derivatives	Change in fair value used to calculate ineffectiveness	Cash Flow Hedge reserve (*)
	Assets	Current			
Interest rate risk					
Floating rate loans payable	-	4,945	Financial liabilities	-	12
Floating rate leases	-	3,775	Financial liabilities	-	71
Total	**-**	**8,720**		**-**	**83**

(*) The amount of the cash flow hedge reserve is expressed gross of tax effects

Finally, the table below provides a summary of the effects of applying hedge accounting.

Hedge accounting - summary of effects (2019)

Cash flow hedges (€ thousand)	Change in fair value of hedging derivatives among other comprehensive income items	Ineffectiveness recognised in profit or loss (*)	P/L item (including ineffectiveness)	Amount reclassified from Cash flow hedge reserve to P/L	P/L item affected by reclassification
Interest rate risk					
IRS BNL	2	-	finance expenses and revenue	2	finance expenses and revenue
IRS INTESA 1	1	-	finance expenses and revenue	1	finance expenses and revenue
IRS INTESA 2	-	-	finance expenses and revenue	-	finance expenses and revenue
IRS INTESA 3	(148)	-	finance expenses and revenue	-	finance expenses and revenue
IRS BPM	3	-	finance expenses and revenue	3	finance expenses and revenue
Total	**(142)**	**-**		**7**	

(*) Also includes the accrued component of the differentials accrued at 31 December 2019 of the hedging IRSs included in the fair value of the derivatives and excluded from the calculation of hedge effectiveness

For comparative purposes, the table below shows the effects of hedge accounting on the 2018 financial statements.

Hedge accounting - summary of effects (2018)

Cash flow hedges (€ thousand)	Change in fair value of hedging derivatives among other comprehensive income items	Ineffectiveness recognised in profit or loss (*)	P/L item (including ineffectiveness)	Amount reclassified from Cash flow hedge reserve to P/L	P/L item affected by reclassification
Interest rate risk					
IRS BNL	1	-	finance expenses and revenue	1	finance expenses and revenue
IRS INTESA 1	2	-	finance expenses and revenue	2	finance expenses and revenue
IRS INTESA 2	(3)	-	finance expenses and revenue	-	finance expenses and revenue
IRS INTESA 3	(26)	-	finance expenses and revenue	-	finance expenses and revenue
IRS BPM	3	-	finance expenses and revenue	3	finance expenses and revenue
Total	**(23)**	**1**		**6**	

(*) Also includes the accrued component of the differentials accrued at 31 December 2018 of the hedging IRSs included in the fair value of the derivatives and excluded from the calculation of hedge effectiveness

30. 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 2019, the Company held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of € 230 thousand, classified within Level 2 of the hierarchical assessment of fair value.

31. INTRA-GROUP AND RELATED PARTIES TRANSACTIONS

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 2019 financial statements, as already shown in the supplementary schedules of the Statement of Comprehensive Income and Statement of Financial Position as well as in the comment on each item, is summarized in the following tables:

Data by year 2019

Counterpart € thousand	Raw materials and consumables	Other operating costs	Personnel expenses	Finance Expenses	Revenues	Other operating revenue	Finance revenues
Fidia GmbH	9	385	.	9	1,558	155	398
Fidia Sarl	-	-	-	-	1,196	57	94
Fidia Iberica S.A.	-	76	-	-	1,764	70	179
Fidia Co.	1	212	-	46	3,635	249	-
Fidia do Brasil Ltda	-	135	-	-	817	49	7
Beijing Fidia Machinery & E. Co. Ltd.	13	1,471	-	-	932	215	438
Shenyang Fidia NC&M Co. Ltd.	-	-	-	-	796	-	-
OOO Fidia	-	-	-	-	-	-	-
Total Group companies	**23**	**2,279**	**-**	**55**	**10,698**	**795**	**1,116**
Other related parties (associates)	-	-	-	-	-	-	-
Other related parties (Giuseppe and Luca Morfino)	11	113	68	-	-	-	-
Compensation Board of Directors	-	-	396				
Compensation Board of Statutory Auditors	-	64	-				
Total other related parties	**11**	**177**	**464**	**-**	**-**	**-**	**-**
Total Group companies and other related parties	**34**	**2,456**	**464**	**55**	**10,698**	**795**	**1,116**
Total item	**15,311**	**10,939**	**10,797**	**638**	**32,199**	**2,669**	**1,139**
As % of balance sheet item	**0.2%**	**22%**	**4%**	**9%**	**33%**	**30%**	**98%**

Data by year - 2018

Counterpart € thousand	Raw materials and consumables	Other operating costs	Personnel expenses	Finance Expenses	Revenues	Other operating revenue	Finance revenues
Fidia GmbH	12	247	-	10	2,380	48	-
Fidia Sarl	-	22	-	-	277	6	231
Fidia Iberica S.A.	1	61	-	-	1,971	8	-
Fidia Co.	5	160	-	21	6,244	155	-
Fidia do Brasil Ltda	-	146	-	-	838	6	9
Beijing Fidia Machinery & E. Co. Ltd.	1	1,304	-	-	779	54	426
Shenyang Fidia NC&M Co. Ltd.	1	5	-	-	944	-	-
OOO Fidia	-	-	-	-	-	-	-
Total Group companies	**20**	**1,945**	**-**	**31**	**13,433**	**277**	**666**
Other related parties (associates)							
Other related parties (Giuseppe and Luca Morfino)	3	75	75	-	-	-	-
Compensation Board of Directors	-	-	412	-	-	-	-
Compensation Board of Statutory Auditors	-	66	-	-	-	-	-
Total other related parties	**3**	**141**	**487**	**-**	**-**	**-**	**-**
Total Group companies and other related parties	**23**	**2,086**	**487**	**31**	**13,433**	**277**	**666**
Total item	**21,165**	**12,875**	**11,171**	**553**	**46,437**	**1,831**	**691**
As % of balance sheet item	**0.1%**	**16%**	**4%**	**6%**	**29%**	**15%**	**96%**

31 December 2019

Counterpart € thousand	Trade receivables	Other current receivables	Other current financial assets	Trade Payables	Other trade payables	Current financial liabilities
Fidia GmbH	248	398	-	87	-	403
Fidia Sarl	51	-	-	-	-	-
Fidia Iberica S.A.	375	179	-	4	-	-
Fidia Co.	245	-	-	390	738	1,869
Fidia do Brasil Ltda	853	-	121	313	-	-
Beijing Fidia Machinery & E. Co. Ltd.	389	1,016	-	4,595	-	-
Shenyang Fidia NC&M Co. Ltd.	405	-	-	-	-	-
OOO Fidia	-	-	-	-	-	-
Total Group companies	**2,566**	**1,593**	**121**	**5,389**	**738**	**2,272**
Other related parties (associates)	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	3	-	-	7	-
Other related parties (Payables to BoD members of Fidia SpA)	-	-	-	-	24	-
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)	-	-	-	-	64	-
Total other related parties	**-**	**3**	**-**	**2**	**95**	**-**
Total Group companies and other related parties	**2,566**	**1,597**	**121**	**5,391**	**833**	**2,272**
Total item	**6,806**	**1,942**	**121**	**15,620**	**4,859**	**10,550**
As % of balance sheet item	**38%**	**82%**	**100%**	**35%**	**17%**	**22%**

31 December 2018						
Counterpart € thousand	**Trade receivables**	**Other current assets**	**Other current financial assets**	**Trade payables**	**Other current payables**	**Current financial liabilities**
Fidia GmbH	538	-	-	145	450	503
Fidia Sarl	101	-	-	23	200	-
Fidia Iberica S.A.	531	-	-	43	200	-
Fidia Co.	38	-	-	207	-	1,313
Fidia do Brasil Ltda	537	-	241	178	-	-
Beijing Fidia Machinery & E. Co. Ltd.	201	618	-	3,766	-	-
Shenyang Fidia NC&M Co. Ltd.	221	-	-	-	-	-
OOO Fidia	-		-	-	-	-
Total Group companies	**2,167**	**618**	**241**	**4,632**	**850**	**1,816**
Other related parties (associates)	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	1	-	-	5	-
Other related parties (Payables to BoD members of Fidia SpA)	-	-	-	-	45	-
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)	-	-	-	-	64	-
Total other related parties	**-**	**1**	**-**	**2**	**114**	**-**
Total Group companies and other related parties	**2,167**	**619**	**241**	**4,634**	**964**	**1,816**
Total item	**14,250**	**1,016**	**241**	**20,049**	**4,531**	**10,141**
As % of balance sheet item	**15%**	**61%**	**100%**	**22%**	**21%**	**18%**

The most significant relations in the period 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 2019, intra-group relations also regarded financial management, which envisaged:

- distribution of dividends from subsidiaries (see Note No. 9);
- distribution of dividends from subsidiaries (see Note No. 24 and Note no. 18).

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

- 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 2019 was:

	€ thousand	31 December 2019	31 December 2018
A	Cash	1	2
B	Bank deposits	933	3,473
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**934**	**3,475**
E	**Current financial receivables**	**121**	**241**
F	Current bank payables	5,316	4,732
G	Current part of non-current debt	2,712	3,593
H	Other current financial payables	620	-
I	Current financial payables from Group companies	2,270	1,816
J	**Current financial debt (F+G+H+I)**	**10,918**	**10,141**
K	**Net current financial debt (J-E-D)**	**9,863**	**6,425**
L	Non-current bank payables	706	8,525
M	Bonds issued	-	-
N	Other non-current financial payables	6,203	88
O	**Non-current financial debt (L+M+N)**	**6,909**	**8,613**
P	**Net financial debt (K+O)**	**16,772**	**15,038**

33. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in 2019 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 2019 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 - IFRS 9 - 31 December 2019

€ thousand	Carrying amount at 31 December 2019	Amortized Cost	FV recognised in equity	FV recognised in profit or loss	IFRS 9	Fair value at 31 December 2019
ASSETS						
Cash and cash equivalents	934					934
Total	**934**					**934**
LIABILITIES						
Liabilities at amortized cost	10,895	10,895				10,895
Hedging derivatives	230		230			230
Total	**11,125**	**10,895**	**230**			**11,125**

NET PROFIT AND LOSS BY CATEGORY - IFRS 9 - 31 December 2019

€ thousand	Net profit and loss	of which interest
ASSETS		
Cash and cash equivalents	1	1
Hedging derivatives	-	-
Total	**1**	**1**
LIABILITIES		
Liabilities at amortized cost	(397)	(397)
Total	**(397)**	**(397)**

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	**(3,777)**	**-**	
Theoretical tax	-	-	24%
Increases of a permanent nature	**527**	**(126)**	**3%**
Decreases of a permanent nature	(1,180)	283	-8%
Temporary changes in which no deferred tax assets are recorded	1,323	(317)	8%
Deduction of tax losses and ACE use	-	-	0%
Actual IRES tax	**(3,108)**	**(161)**	**4%**

	IRES	IRAP	Total
Current taxes	-	-	-
Deferred tax assets	13	1	14
Deferred taxes	-	-	-
Taxes relating to previous years	-	-	-
Total	**13**	**1**	**14**

37. INFORMATION ON THE TRANSPARENCY OF PUBLIC DISBURSEMENTS

Information required by Article 1, paragraph 125 of Law no. 124 of 4 August 2017

Pursuant to the provisions of Article 3-quater of Legislative Decree 135/2018, for disbursements received, please refer to the indications contained in the National Register of State Aid, Transparency section, which provides an overall picture of disbursements made by public bodies.

With reference to disbursements, and on the basis of the interpretation of the Assonime Circular 5/2019, they do not fall within the scope of Law 124/2017:

- amounts received as consideration for public works, services and supplies
- remunerated assignments falling within the typical exercise of the company's business
- the forms of incentive/subsidy received under a general aid scheme for all eligible parties
- public resources from public bodies in other countries (European or non-European) and from the European institutions
- training contributions received from inter-professional funds set up in the legal form of associations.

Disbursements are identified according to the cash criterion; as provided for by the law, disbursements of less than € 10 thousand per disbursing party are excluded.

38. SUBSEQUENT EVENTS

Information about significant events that occurred after the reporting date is provided in the section of the Directors' Report entitled "Significant Events Occurring After the Reporting Date".

39. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders,

We invite you to approve the Financial Statements at 31 December 2019.

We also propose carrying forward the loss of the period, amounting to € 3,776,538.84.

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:

- list of investments with further information required by CONSOB (Notice No. DEM/6064293 of July 28, 2006);
- summary of main data of the last financial statements of the subsidiaries and associates (article 2429 of the Italian Civil Code) at 31 December 2017;
- information as per article 149/XII of the Consob Regulation on Issuers.

San Mauro Torinese, 13 March 2020
On behalf of the Board of Directors
The Chairman and CEO
Mr. Giuseppe Morfino

Annexes

Fidia S.p.A. - Financial Statements as of December 31, 2019

List of investments with additional information required by CONSOB (Notice No. DEM/6064293 of 28 July 2006)

SUBSIDIARIES	Share capital	Net equity carrying amount	Profit (Loss) at 31/12/2019	Profit (Loss) at 31/12/2018	% held	Portion of net equity carrying amount of period	Net carrying amount	Difference between equity and carrying amount
Fidia Gmbh – Germany Robert-Bosch-Strasse, 18 - 63303 Dreieich (Germany)	520.000	1,134,447	(123.493)	209.003	100.00%	1,134,447	1,207,754	(73.307)
Fidia Co. (*) - United States 3098 Research Drive - 48309 Rochester Hills (Michigan - United States)	356.062	7,236,318	451.813	(99.423)	100.00%	7,236,318	7,077,645	158.673
Fidia Iberica S.A. – Spain Parque Tecnologico de Zamudio - Edificio 208 - 48170 Zamudio (Bilbao)	180.300	318.775	26.628	5.381	99,993%	318.753	171.440	147.313
Fidia S.a.r.l. - France 47 bis, Avenue de l'Europe - 77184 Emerainville (France)	300.000	379.076	105.906	(35.526)	93.19%	353.261	221.434	131.827
Beijing Fidia Machinery & Electronics Co. Ltd. (*) - China Room 106, Building C, No. 18 South Xihuan Road - Beijing Development Area - 100176 Beijing (PRC)	1,638,575	4,489,427	237.481	403.154	100.00%	4,489,427	1,702,900	2,786,527
Fidia Do Brasil Ltda (*) – Brazil Av. Salim Farah Maluf, 4236 - 3° andar Mooca - Sao Paulo - CEP 03194-010 (Brazil)	88.545	(225.694)	(174.023)	(81.309)	99.75%	(225.130)	-	(225.130)
Shenyang Fidia NC & Machine Company Limited (*) - China n.1, 17A, Kaifa Road - Shenyang Economic & Technological Development Zone - 110142 Shenyang (PRC)	5,436,692	1,706,818	(722.870)	(518.799)	51.00%	870.477	919.754	(49.277)
OOO Fidia (*) - Russia ul. Prospekt Mira 52, building 3, 129110 Moscow (Russia - Russian Federation)	51.458	19	-	-	100.00%	19	-	19
ASSOCIATES								
Consorzio Prometec – Italy Via Al Castello n. 18/A - Rivoli (Turin)	10.329	10.329	-	-	20.00%	2.066	2.066	-

Summary overview of the essential data of the last financial statements of the companies

SUBSIDIARIES AND ASSOCIATES (Article 2429 of the Civil Code)

Subsidiaries	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Accounting currency	EUR	USD	EUR	EUR	REALS
Period of reference for balance-sheet information	12/31/2019	31/12/19	31/12/19	31/12/19	31/12/19
Inclusion in scope of consolidation (line by line)	YES	YES	YES	YES	YES
ASSETS					
Non-current assets					
- Property, plant and equipment	488.100	1,478,084	97.175	273.878	145.266
- Intangible assets	900	2.786	-	858	2.386
- Investments	22.867	-	-	3.366	-
- Other non-current financial assets	-	-	-	-	-
- Pre-paid tax assets	57.653	109.100	15.274	-	117.172
- Other non-current receivables and assets	-	1.988	7.273	1.000	-
Total non-current assets	**569.520**	**1,591,958**	**119.723**	**279.102**	**264.824**
Current assets					
- Inventory	153.934	2,823,045	91.582	148.841	3,920,802
- Trade receivables and other current receivables	1,388,791	4,481,864	204.845	635.378	2,285,871
- Cash and cash equivalents	485.607	885.132	341.978	292.277	184.361
Total current assets	**2,028,333**	**8,190,040**	**638.405**	**1,076,496**	**6,391,035**
Total assets	**2,597,852**	**9,781,998**	**758.128**	**1,355,598**	**6,655,859**
LIABILITIES					
Shareholders' equity					
- Share capital	520.000	400.000	300.000	180.300	399.843
- Other reserves	737.940	7,221,713	(26.830)	111.847	(633.172)
- Profit (Loss) of the period	(123.493)	507.567	105.906	26.628	(785.838)
TOTAL SHAREHOLDERS' EQUITY	**1,134,447**	**8,129,280**	**379.076**	**318.775**	**(1,019,166)**
Non-current liabilities					
- Other non-current payables and liabilities	28.460	-	87.913	-	-
- Termination benefits	-	-	-	-	-
- Deferred tax liabilities	66.451	-	-	28.817	-
- Long-term provisions	-	62.450	-	23.195	-
- Other non-current financial liabilities	-	-	-	-	-
- Non-current financial liabilities	38.280	-	45.109	24.473	15.047
Total non-current liabilities	**133.190**	**62.450**	**133.023**	**76.485**	**15.047**
Current liabilities					
- Current financial liabilities	346.723	-	47.859	18.828	711.056
- Trade payables and other current payables	956.790	1,491,420	187.307	898.659	6,893,184
- Short-term provisions	26.701	98.848	10.863	42.851	55.737
Total current liabilities	**1,330,215**	**1,590,268**	**246.029**	**960.338**	**7,659,978**
Total liabilities	**2,597,852**	**9,781,998**	**758.128**	**1,355,598**	**6,655,859**

Subsidiaries	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Accounting currency	EUR	USD	EUR	EUR	REALS
INCOME STATEMENT					
- Net sales	3,885,851	10,044,298	2,326,825	2,767,382	6,970,941
- Other operating revenue	401.439	905.200	12.833	97.439	35.677
Total revenue	**4,287,290**	**10,949,498**	**2,339,658**	**2,864,821**	**7,006,618**
- Changes in inventories of finished goods and work in progress	27.624	(441.263)	9.914	(31.721)	1,363,743
- Raw materials and consumables	1,550,710	5,241,933	1,308,607	1,675,264	5,384,027
- Personnel costs	1,779,443	2,052,067	419.893	602.329	1,136,814
- Other operating costs	743.515	2,270,513	424.804	439.189	2,315,331
- Depreciation, amortization and write-downs	371.993	279.915	50.786	79.479	104.611
Operating income from ordinary business	**(130.746)**	**663.807**	**145.482**	**36.840**	**(570.421)**
- Non-recurring income/(expenses)	-	-	-	-	-
Operating Profit/(Loss)	**(130.746)**	**663.807**	**145.482**	**36.840**	**(570.421)**
- Finance revenue (expenses)	(7.094)	53.437	(5.459)	(1.727)	(229.939)
Profit (Loss) before taxes	**(137.840)**	**717.244**	**140.023**	**35.113**	**(800.360)**
Income tax	14.348	(209.677)	(34.117)	(8.485)	14.522
Net Profit (Loss) for the period	**(123.493)**	**507.567**	**105.906**	**26.628**	**(785.838)**

Summary overview of the essential data of the last financial statements of the companies

SUBSIDIARIES AND ASSOCIATES (Article 2429 of the Civil Code) (contd)

Subsidiaries	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC&M	OOO Fidia	Prometec
Accounting currency	RMB	RMB	RUR	EUR
Period of reference for balance-sheet information	31/12/19	31/12/19	31/12/19	
Inclusion in scope of consolidation (line by line)	YES	YES	YES	
ASSETS				
Non-current assets				
- Property, plant and equipment	5,038,937	60.502	-	
- Intangible assets	-	-	-	
- Investments	-	-	-	
- Other non-current financial assets	-	-	-	
- Pre-paid tax assets	1,702,937	98.941	-	
- Other non-current receivables and assets	-	-	-	
Total non-current assets	**6,741,874**	**159.443**	**-**	
Current assets				
- Inventory	10,056,777	19,221,661	-	
- Trade receivables and other current receivables	43,221,822	4,073,250	1.263	12,738
- Cash and cash equivalents	7,687,889	1,852,793	44	104
Total current assets	**60,966,488**	**25,147,704**	**1.307**	**12,842**
Total assets	**67,708,362**	**25,307,147**	**1.307**	**12,842**
LIABILITIES				
Shareholders' equity				
- Share capital	12,814,480	42,517,648	3,599,790	10,329
- Other reserves	20,437,867	(23,516,269)	(3,598,483)	-
- Profit (Loss) of the period	1,857,219	(5,653,205)	-	-
TOTAL SHAREHOLDERS' EQUITY	**35,109,566**	**13,348,174**	**1.307**	**10,329**
Non-current liabilities				
- Other non-current payables and liabilities	-	-	-	-
- Termination benefits	-	-	-	-
- Deferred tax liabilities	18.163	-	-	-
- Long-term provisions	-	-	-	-
- Other non-current financial liabilities	-	-	-	-
- Non-current financial liabilities	-	-	-	-
Total non-current liabilities	**18.163**	**-**	**-**	**-**
Current liabilities				
- Current financial liabilities	4,984,573	-	-	-
- Trade payables and other current payables	27,596,060	11,958,973	-	2,513
- Short-term provisions	-	0	-	-
Total current liabilities	**32,580,633**	**11,958,973**	**-**	**2,513**
Total liabilities	**67,708,362**	**25,307,147**	**1.307**	**12,842**

Subsidiaries	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC&M	OOO Fidia	Prometec
Accounting currency	RMB	RMB	RUR	EUR
INCOME STATEMENT				
- Net sales	50,938,491	15,007,749	-	659
- Other operating revenue	298.390	41.062	-	-
Total revenue	**51,236,882**	**15,048,811**	**-**	**659**
- Changes in inventories of finished goods and work in progress	(3,674,138)	4,220,621	-	-
- Raw materials and consumables	18,499,538	17,842,722	-	-
- Personnel costs	11,150,426	3,880,835	-	-
- Other operating costs	13,354,884	2,204,805	-	659
- Depreciation, amortization and write-downs	1,900,101	952.325	-	-
Operating income from ordinary business	**2,657,794**	**(5,611,254)**	**-**	**-**
- Non-recurring income/(expenses)	-	-	-	-
Operating Profit/(Loss)	**2,657,794**	**(5,611,254)**	**-**	**-**
- Finance revenue (expenses)	(250.596)	(31.017)	-	-
Profit (Loss) before taxes	**2,407,198**	**(5,642,271)**	**-**	**-**
Income tax	(549.979)	(10.934)	-	-
Net Profit (Loss) for the period	**1,857,219**	**(5,653,205)**	**-**	**-**

FIDIA S.p.A. - Financial Statements as of December 31, 2019

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 the period 2019 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 the period 2019 (€ thousand)**
Auditing	EY S.p.A.	Parent company - Fidia S.p.A.	77
	EY network	Subsidiaries	75
Certification services	EY S.p.A.	Parent company - Fidia S.p.A.	5
Other services			-
Total			**157**

Certificate pursuant to Article 81-ter of R. E. Consob

Certification of the financial statements in the period 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 CEO, and Antonio Breggia Bicchiere, in the capacity as Chief Financial Officer of Fidia S.p.A. 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 2019.

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 2020

Chairman and CEO

Giuseppe Morfino

Financial Reporting Officer

Antonio Breggia Bicchiere

Report of the Board of Statutory Auditors

FIDIA S.P.A.

Registered office: Corso Lombardia 11, San Mauro Torinese (TO)
Share capital: €5,123,000 fully paid in
Registered in the Companies Register of Turin under 05787820017

* * *

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING FOR THE APPROVAL
OF THE FINANCIAL STATEMENTS AT 31/12/2019
(pursuant to article 153 of Legislative Decree No. 58 of 24 February 1998)

Dear Shareholders,

During the period ended on 31 December 2019 and until today the Board of Statutory Auditors carried out supervisory activity following as required by law, by the standards of conduct of the Board of Statutory Auditors of listed companies recommended by the Italian National Board of Accountants and Accounting Experts and considering the Consob communications on corporate controls and the activity of Boards of Statutory Auditors.

This report was drawn up pursuant to provisions of article 153 of Legislative Decree No. 58 of 24 February 1998 (Consolidated Finance Act), which sets out that the Board of Statutory Auditors is called to report to the shareholders' meeting summoned to approve the financial statements on the supervisory activities carried out during the year, omissions and any reprehensible facts identified, as well as - if need be - to make proposals with regard to the financial statements, to the approval thereof and to matters under its remit.

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 28 April 2017 and its term of office expires with the approval of these Financial Statements at 31/12/2019.

The control body successfully verified the independence requirements of its members, with reference to article 148, paragraph 3, of the Consolidated Finance Act and to the provisions of the Corporate Governance Code for listed companies, informing the Board of Directors of the Company.

The Board of Statutory Auditors reviewed the financial statements at 31 December 2019, which were prepared by the Board of Directors pursuant to law and communicated by the latter to the Board of Statutory Auditors during the meeting held on 13 March 2020.

The consolidated financial statements recorded an operating loss of €4,477,000 (of which €4,118,000 pertaining to the Group), while the separate financial statements of the parent company FIDIA SPA recorded a loss of €3,776,539.

The loss of FIDIA SPA for the period, in addition to the net losses from valuation 2019 recorded directly under shareholders' equity of €357,341, has resulted in a decrease in the share premium reserves and all profit reserves, including the legal reserve, and affects the nominal share capital by €1,160,252, which is thus reduced from nominal €5,123,000 to €3,962,748. As a result, the situation set out by Article 2446 of the Italian Civil Code is not applicable at present.

In the Director's Report on Operations, in particular in the sections "Business outlook" and "Significant events occurring after the reporting date", the Directors explained the main reasons for the loss for the year, the actions taken to reduce costs and the significant events that occurred in 2020, namely the approval of the 2020-2022 business plan and the negotiation of a standstill agreement with the main banks.

In particular, during 2019, specific cost reduction and containment actions were implemented, including the activation of the solidarity contract for the San Mauro Torinese site (as from 2 September 2019) and the Forlì site (as from 2 January 2020), together with rationalisation of the structure and improvement of efficiency in the production organisation of the plants, already started during the year and expected to continue in 2020.

In the Notes to the Consolidated and Separate Financial Statements, the section "Recoverable amount of non-current assets," the directors acknowledged that they tested the recoverable value at 31 December 2019 of the FIDIA Group and FIDIA SPA cash generating units (CGUs) for impairment. The losses recorded in the last two periods (and in the previous one), the stagnation in some markets where the Group has significant volumes, together with the level of indebtedness, were considered indicators of potential impairment. The impairment test was carried out, with the support of the independent external advisor PRAXI SPA, by comparing the net carrying amount (net invested capital) of the CGUs with the value in use, calculated as the present value of expected future cash flows that are expected to arise from the continued use and disposal of the same CGUs at the end of their useful life.

The value in use was determined by discounting the cash flows contained in the 2020-2022 business plan. The assumptions used in forecasting cash flows in the period under consideration were based on prudent assumptions made by the Directors and future realistic and achievable expectations. The determination of the value in use resulted in a recoverable amount of the CGUs higher than their net carrying amount value, thus not requiring a reduction in the value of the assets recorded in the financial statements at 31 December 2019. With respect to the basic assumptions, a sensitivity analysis was also carried out on the results with respect to the rates used for the cost of debt capital and equity and with respect to the forecast results reflected in the plan. The value in use of the FIDIA Group CGU is €2.3 million higher than the net carrying amount, while the value in use of the FIDIA Group CGU is €1.3 million higher than the net carrying amount.

At the beginning of January 2020, the Board of Directors approved an economic and financial plan for the financial years 2020-2022 (of which 2020 represents the budget year) in which it envisages a recovery of operational profitability already in 2020 and a recovery in order backlog and revenues for the following two years, also in accordance with the forecasts of the trade associations UCIMU and CECIMO, which expect that the crisis in the sector may reasonably end in the second half of 2020. The plan foresees that revenues for 2021 and 2022 will return to growth and stabilise at pre-crisis levels.

Pending the economic, equity and financial benefits related to the forecasts of the business plan to be realised and in order to face a 2020 financial year still characterised by a slow trend in new orders, the management of FIDIA SPA has filed a standstill application with the main banks to which it is most exposed; this application, which includes keeping short-term credit lines and a moratorium until 31 July 2020 in the payment of the principal instalments due on medium/long-term loans, has been preliminarily accepted by the banks and is expected to be shortly formalised in a standstill agreement.

In the Report, the Directors state that the benefits related to the standstill requests, together with the cash flow expected from operations in 2020, will allow the Group to have the necessary liquidity to cover its financial needs in the following 12 months.

Having received a favourable opinion from the banks on the standstill request, which is reflected in the repayment by some banks of the loan instalments paid in January 2020, the Group management believes that there are no uncertainties regarding the signing of the agreement, the formal definition of which only requires the completion of the administrative procedure provided for by the banks.

Considering the positive outcome of the actions taken with the banks to defer loan payments, the results expected in the 2020- 2022 plan and the economic benefits of the efficiency measures, the Board of Directors of FIDIA believes (section “Going concern" in the Notes to the Consolidated Financial Statements and the separate financial statements) that there are no significant uncertainties regarding the going concern assumption, which was adopted in the preparation of the separate financial statements of FIDIA SPA and in the consolidated financial statements of the Group at 31 December 2019.

In addition, as reported in the section "Main risks and uncertainties to which Fidia S.p.A. and the Group are exposed," recent developments regarding the coronavirus could have a negative impact on economic conditions at local and global level; however, the severity of the epidemic is currently unknown and therefore not likely to have an impact on the markets in which the Group operates and the performance of its operations.

Having said as much, the specific information required by Consob Communication no. DEM/1025564 of 6 April 2001 and subsequent updates are provided below, according to the order indicated therein.

1. The Board of Statutory Auditors oversaw the most significant economic, financial and equity transactions carried out during 2019, of which it came to learn by attending meetings of the corporate bodies, carrying out periodic audits and meeting with the representatives of the Independent Auditors, the internal auditor, the members of the Control and Risk Committee, the Financial Reporting Officer, the members of the Supervisory Board and the main corporate officers for an exchange of information on the activities carried out and the control programmes. In addition to what has already been mentioned, among the main transactions involving the Company, the following should be noted.

Application of the impairment test

As part of the process of preparing the financial statements for the period ended 31/12/2019, the Board of Directors of the company Shenyang Fidia NC & Machine Co. Ltd (China) and Fidia do Brasil Ltda, for which, at the year-end, indicators of impairment were found. The assessment carried out by comparing the carrying amount of the equity investment with the corresponding recoverable amount deriving from the valuation based on the future cash flows that can be generated by each investee showed the need to make a write-down of €685 thousand, of which €602 thousand for Shenyang Fidia and €83 thousand for Fidia do Brasil.

Stock option plans

The Board states that to date no stock option plans are in place for Directors and employees of the Company and Group.

Own shares

The Board of Statutory Auditors notes that at 31/12/2019 (as at 31/12/2018) the Company had 10,000 own shares in its portfolio recorded in the financial statements at €46 thousand; this value was higher than the value calculated on the basis of the average stock market price in the last six months of the financial year, but there is a specific hedging reserve in shareholders' equity recorded for the corresponding value.

2. The Board of Statutory Auditors found no atypical and/or unusual transactions with Group companies, third parties or related parties during 2019. In the Director's Report on Operations, to which reference should be made to the extent of their competence, the Directors provided information on ordinary intra-Group or related party transactions. These transactions are consistent and in the interest of the Company;.

3. With regard to the transactions referred to in point 2 above, the Board of Statutory Auditors considers the information provided by the Directors in the Report on Operations and the Notes to the Financial Statements to be adequate.

4. The Board of Statutory Auditors received from the independent auditors EY s.p.a. the Reports required by article 14 of Italian Legislative Decree no. 39/2010 and article 10 of EU Regulation no. 537/2014, issued on 27 March 2020 on the separate and consolidated financial statements of the Company at 31 December 2019, in which the independent auditors expressed a positive opinion without qualifications and highlighted the key aspects of the audit. These reports also certify that the Director's Report on Operations and some specific information on corporate governance and ownership structure are consistent with the statutory and consolidated financial statements.

The Board of Statutory Auditors received from the independent auditors the Additional Report pursuant to article 11 of EU Regulation no. 537/2014, issued on

27 March 2020, in which, inter alia, they confirmed their independence.

In compliance with the provisions of Article 2, paragraph 1, of Legislative Decree 254/2016, the company has not prepared a consolidated non-financial statement due to size limits (the number of employees during the year was less than five hundred) and has not adhered to it on a voluntary basis.

5. During the year 2019 and up to today no complaints have been received pursuant to Article 2408 of the Italian Civil Code.

6. The Board of Statutory Auditors has no knowledge of any issues to report.

7. During the year 2019, as certified by EY s.p.a., the Independent Auditors did not receive any assignments other than those of the statutory audit.

8. During 2019, no assignments were conferred on persons linked to EY s.p.a. by ongoing relationships.

Taking into account the aforementioned certification of its independence that EY s.p.a. issued pursuant to article 17 of Legislative Decree no. 39/2010 and considering, also, the absence of other appointments other than the statutory audit, the Board of Statutory Auditors believes that no critical aspects have emerged with regard to the independence of the independent auditors.

9. During the period 2019, the Board of Statutory Auditors issued an opinion required by law.

In accordance with the provisions of the Corporate Governance Code adopted by the Company, the Board of Statutory Auditors has also verified the correct application of the criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members, as well as that the statutory auditors continue to meet the independence requirements according to the criteria provided for by law and the Corporate Governance Code.

10. During 2019 the Board of Directors of the Company met six times; the Remuneration Committee met twice; the Control and Risk Committee, also in its capacity as Committee for transactions with related parties, met four times. During the same year, the Board of Statutory Auditors met eight times and attended all the meetings held during the year, which were held in accordance with the law and the articles of association. The Board of Statutory Auditors, in the person of the Chairman or a Statutory Auditor, also attended two meetings of the Control and Risk Committee and two meetings of the Supervisory Body.

11. The Board of Statutory Auditors has acquired adequate knowledge and supervised, to the extent of its remit, compliance with the principles of correct administration and the adequacy of the administrative structure of the Company to comply with said principles.

In particular, the Board of Statutory Auditors monitored compliance with the law and the Articles of Association of the management choices made by the Directors and verified that the related resolutions were not manifestly imprudent, risky or in any case in conflict with the interests of the Company or such as to compromise the integrity of the Company's assets.

The Board of Statutory Auditors believes, therefore, that the principles of proper administration have been respected, with the clarifications indicated in the following paragraph.

12. The Board of Statutory Auditors monitored, to the extent of its remit, the organisational structure and the internal control system and requested the Board of Directors to draw up a global Enterprise Risk Management (ERM) project to map the global risks of FIDIA SPA and the Group. The activities were carried out in 2019 by a special ERM team, coordinated by Dr. A. Breggia Bicchiere and of which the internal auditor Dr. A. Riorda was also part, and they highlighted the need for risk mitigation actions in the areas of management control, organisation and communication and resource management. The Board of Directors in September 2019 approved a corrective action plan, which is in progress, and the modification of the audit plan as a result of the mapping of areas requiring priority audit.

The Board of Statutory Auditors believes that the main areas that still need to be addressed are greater delegation of activities and management roles by the Chairman and Chief Executive Officer, Mr. G. Morfino, setting out the responsibilities and objectives for the delegated parties, and the development of a succession plan over an appropriate time horizon. Mr. Morfino recently repeated to the Board, in the person of its President, that he intends to implement corrective actions on both fronts in the near future, and that he has already done so; the Board reiterated that the actions must be implemented promptly.

Without prejudice to what has just been explained and specified, the Board of

Statutory Auditors believes, to the extent of its remit, that the organisational structure is, as a whole, adequate with respect to the needs of FIDIA SPA.

13. The Board of Statutory Auditors supervised the Company's internal control system and the activities of the Internal Audit function, also interacting and coordinating with the Control and Risk Committee and the Supervisory Body.

In particular, the Board of Statutory Auditors points out that, during the period:

- it found, during the periodic audit of 15 March 2019, that the industrial processes were not properly synchronised and integrated with the financial processes in the construction of the 2019 budget; in this regard, it noted that the Company’s management took corrective actions;

- the Internal Audit function for the three-year period 2019-2021 was assigned by the Board of Directors to Ms. Alessandra Riorda in accordance with the indications expressed by the Control and Risk Committee; the Board of Statutory Auditors received periodic updates from Ms. Riorda on the progress of the Internal Audit Plan;

- the Supervisory Body set up pursuant to Legislative Decree 231/2001 met twice during the period; information between the Board of Statutory Auditors and the Supervisory Body was ensured on an ongoing basis thanks to the presence of the Chairperson of the Board of Statutory Auditors on the Body;

- in its capacity as Internal Control and Audit Committee pursuant to Legislative Decree no. 39/2010, the Board of Statutory Auditors periodically met with the Company and the Financial Reporting Officer.

In the light of the supervisory activities carried out in accordance with the procedures set out above and to the extent of its remit, the Board of Supervisory Auditors believes that the internal control system is, on the whole, adequate with the needs of FIDIA SPA but can be improved by implementing the measures provided for in the action plan resulting from the ERM project.

14. The Board of Statutory Auditors supervised the Company’s administrative and accounting system and its reliability to correctly represent the management facts by collecting information from the Financial Reporting Officer and from the heads of the company functions as well through the examination of the company documentation received and the analysis of the results of the work carried out by the independent auditors.

In particular, the Board of Statutory Auditors reports that in 2019, the Financial Reporting Officer issued the attestations pursuant to Article 154-bis of the Consolidated Finance Act, confirming in particular that the statutory and consolidated financial statements provide a true and fair view of the equity, economic and financial position of the Company and of the consolidated subsidiaries.

The Board of Statutory Auditors, in the light of the information collected during the supervisory activities carried out, believes, to the extent of its remit, that the administrative and accounting system is adequate and reliable for the purposes of the correct representation of management events and has no observations to make in this regard.

15. The Board of Statutory Auditors oversaw the adequacy of the instructions given by the Company to its subsidiaries pursuant to article 114, paragraph 2, of the Consolidated Finance Act.

16. During the period and up to the date of the present report, the Board of Statutory Auditors met with the representatives of the independent auditors for a mutual exchange of information, in accordance with article 150, paragraph 3, of the Consolidated Finance Act and acknowledges that the independent auditors did not report any reprehensible and/or abnormal fact.

17. The Company adheres to the Corporate Governance Code prepared by the Corporate Governance Committee of Companies Listed of Borsa Italiana S.p.A.

The governance system adopted by the Company is described in the Report on Corporate Governance for the period 2019 approved by the Board of Directors on 13/03/2020.

18. No reprehensible facts, omissions or irregularities were found in the supervisory and control activities carried out during the period, which are of such importance that they should be reported in this Report.

19. The Board of Statutory Auditors, to the best of its knowledge, notes that in the preparation of the consolidated and separate financial statements there is no exception to the law.

Having also considered the results of the activity carried out by the Independent Auditors, within the terms of its remit, does not find any reasons to oppose the approval of the financial statements at 31 December 2019, as per the draft prepared and approved by the Board of Directors at the meeting held on 13 March 2020, and has no comments on the proposal to carry forward the loss for the year.

Turin, 30 March 2020

The Board of Statutory Auditors

Mr. Maurizio Ferrero – Chairman

Ms Chiara Olliveri - Statutory Auditor

Mr. Marcello Rabbia - Statutory Auditor

Report of Independent Auditors

Building a better working world

Fidia S.p.A.

Financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Meucci, 5
10121 Torino

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

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Fidia S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fidia S.p.A. (the Company), which comprise the statement of income, the statement of comprehensive income, the statement of financial position as at December 31, 2019, the statement of cash flows for the year then ended, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit response
Going concern assumption The Company's 2019 financial statements resulted in a net loss of Eur 3.8 million and show a net financial indebtedness of Eur 16.8 million as of December 31, 2019 (of which Eur 9.9 million related to short-term indebtedness).	Our audit procedures in response to the key audit matter included, among others: • understanding, also through management inquiries, of the main assumptions underlying the going concern basis of accounting;

EY S.p.A.
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Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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On January 10, 2010, the Board of Directors of Fidia S.p.A. approved the Business Plan (the "Plan") of Fidia S.p.A. for the period 2020-2022.
The Plan shows an improvement of profitability through an increase of revenues, in line with the industry expectation, and costs saving actions through the structure optimization and manufacturing efficiencies.
The economic benefits related to the above actions, already started during 2019, also impact the future cash flows and the net indebtedness, for which is expected a reduction over the Plan period.

The assumptions surrounding the Plan are subject to uncertainties that could lead the above actions to present the effects in a manner and with a timeline different compared to the current forecasts, and therefore they could impact the going concern assessment, referred but not limited to the twelve months period after the date of approval of the financial statements for the year ended December 31, 2019.

In order to achieve the Plan benefits and deal with the fiscal year 2020, still subject to a lower order acquisition trend, the Company has requested to certain banks a standstill agreement. This request, providing the availability of short-term credit lines and the delay in repaying the medium-long term loans becoming due, has been preliminarily accepted by the banks and it is expected to be formalized in the short term.
The benefits on the liquidity arising from the above agreement, together with the expected 2020 cash flows, will allow the Company to fulfill its short-term financial liabilities.

Based on the degree of judgment required to the management in estimating forecasts and their possible future effects on the going concern basis of accounting, we have determined this area represents a key audit matter.

Paragraphs "Business Outlook" of the Directors' report and paragraph "Going concern" of the notes to the Financial Statements describe the

- understanding of the process for the preparation of the Plan approved by the Board of Directors of Fidia S.p.A. on January 10, 2020 and analysis of the main assumptions underlying the expectations contained therein;
- analysis of the historical forecasts' accuracy;
- sensitivity analysis of the main assumptions of the Plan with respect to the forecast of future cash flows;
- analysis of the subsequent events occurred after December 31, 2019, including the documentation related to the acceptance of the standstill proposal by the bank institutions.

Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statements related to the going concern basis.

results achieved in the fiscal year, the actions taken by the Directors and the Directors' considerations on the assumption for the going concern basis.

Recoverability of non-current assets of Fidia S.p.A. The non-current assets of Fidia S.p.A. as of December 31, 2019 have been tested for impairment, as part of the company's process for evaluating the recoverability of its non-current assets. The processes and methodologies for assessing and determining the recoverable amount, in terms of value in use, are based on assumptions, sometimes complex, that by their nature are determined based on the Directors' judgment, with particular reference to the cash flow projections, as well as to the determination of long-term growth and discounting rates applied to these cash flow projections. Based on the level of judgment required and on the complexity of the assumptions used in the estimation of the recoverable amount of the net invested capital, we have considered that this area represents a key audit matter. The Company provides disclosures related to the non-current assets valuation in the section "Significant Accounting Standards" within the paragraph "Recoverable value of non-current assets" of the Financial Statements.	Our audit procedures in response to the key audit matter included, among others: • assessment of the assumptions used to identify the accounting amounts subjected to impairment test; • analysis of the procedure set up by the Group for the assessment of criteria and methodologies selected for the impairment test approved on March 6, 2020; • analysis of the assumptions underlying the cash flow projections, including consistency with industry market data and expectations; • testing of the consistency of projected future cash flows within the Company's Plan; • analysis of the historical forecasts' accuracy; • assessment of long-term growth and discounting rates. As part of our audit procedures we involved our internal experts in valuation techniques who performed an independent recalculation and sensitivity analysis on key assumptions, to determine the changes which might significantly impact the valuation of the recoverable amount. Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statements related to the recoverability of the non-current assets.
Revenue recognition on the sale of machine The Company's net sales for 2019 amount to Eur 32 million, of which Eur 25 million related to the sale of machines, recognized when the installation and testing are formally accepted by the customer. The peculiarity of the contractual conditions for this type of transactions makes the revenue recognition a complex process, with regards to the different ways of acceptance by the customer and, therefore, we have determined	Our audit procedures in response to the key audit matter included, among others: • understanding of the revenue recognition process adopted by the Company; • analysis of the internal policy and of key controls set up by the Company on the revenue recognition process; • testing of key controls on the revenue recognition process, including those related to the management of the contracts with customers;

that this area represents a key audit matter.

The Company provides disclosures of the revenue recognition criteria in the section "Significant Accounting Standards" within the paragraph "Revenue recognition" of the Financial Statements.

- cut-off testing and test of details, including the examination of the supporting documentation related to the revenue recognized within the income statements or to the revenues and margin deferred, as the transaction relates the following year.

Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statements related to the revenue recognition.

Recoverability of deferred tax assets and of other tax assets

As at December 31, 2019 deferred tax assets and other tax assets recorded in the Financial Statements amount to Eur 426 thousand and to Eur 135 thousand, respectively.

Deferred tax assets are related to the temporary differences between statutory and tax values of certain assets and liabilities and to the tax losses that can be carried forward indefinitely.
Other tax assets are mainly related to withholding taxes on the profit realized in foreign countries.

The recoverability of these assets is subject to estimation made by the management on the future tax benefit over the period of their related reversal.

The processes and methodologies for assessing the recoverability of these assets are based on assumptions, sometimes complex, that by their nature are determined based on the Directors' judgment, with particular reference to the consistency between the future taxable income expected from the Company and the projections of the Company Business Plan.

Based on the level of judgment required for the estimation of future taxable income we have determined that this area represents a key audit matter.

The Company provides disclosures of the criteria for recognition and measurement of these assets in the section "Significant Accounting Standards" within the paragraph "Taxes" of the Financial Statements and in Note 9.

Our audit procedures in response to the key audit matter included, among others:

- analysis of the assumptions underlying the future taxable benefits and their consistency with the projections of the Company Business Plan for the period 2020-2022;
- analysis of the historical forecasts' accuracy;
- verification of the mathematical accuracy of the calculation provided by the management.

Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statements related to the recoverability of deferred tax assets and other tax assets.

Valuation of investment in subsidiaries

As at December 31, 2019 the investment in subsidiaries amount to Eur 11.3 million.

The management assesses, at least annually, the presence of impairment indicators for each subsidiary or the failure of conditions that had led to previous write-downs and, in these cases, executes the test of recoverability of the value of investments, as the higher between the fair value net of selling costs and its value in use.

In the current year has been recorded the write-down of Eur 686 thousand to adjust the carrying value of two investments.

The processes and methodologies for assessing and determining the recoverable amount of the investment in subsidiaries are based on assumptions, sometimes complex, that by their nature imply the use of Director's judgment. In particular, these assumptions refer to the cash flow projections of subsidiaries, the cash flows beyond the explicit forecast period for the estimation of terminal value and the - determination of long-term growth and discounting rates.

Based on the level of judgment required and the complexity of the assumptions used in the estimation of the recoverable amount, we have determined that this area represents a key audit matter.

The Company provides disclosures related to the equity investments in the section "Significant Accounting Standards" within the paragraph "Equity investments" of the Financial Statements and in Note 13.

Our audit procedures in response to the key audit matter included, among others:

- analysis of the internal procedure and key controls implemented by the Company to identify any impairment indicator and to assess the investment in subsidiaries.

For investments in subsidiaries subjected to the impairment test, our procedures have included, among others:

- analysis of assumptions made by management for the cash flow projections estimated for the subsidiaries, and the assessment of such projection against the strategy to manage the subsidiaries within the Group, as well as with the projections of the Group Business Plan for the period 2020-2022;
- analysis of the historical forecasts' accuracy;
- testing of long-term growth and discounting rates.

As part of our audit procedures we involved our internal experts in valuation techniques who performed an independent recalculation and sensitivity analysis on key assumptions, to determine the changes which might significantly impact the valuation of the recoverable amount.

Lastly, we assessed the adequacy of the disclosures reported in the notes to the financial statement in relation to the valuation of the equity investments.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Fidia S.p.A., in the general meeting held on April 27, 2012, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Fidia S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Fidia S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Fidia S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Fidia S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Turin, March 27, 2020

EY S.p.A.
Signed by: Roberto Grossi, Auditor

This report has been translated into the English language solely for the convenience of international readers.