FIDIA GROUP

Annual Report

at 31 December 2016

Board of Directors
15 March 2017

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

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Board of Directors
15 March 2017

BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

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. n° 735673 Registered office in San Mauro Torinese (Turin) Corso Lombardia No. 11 Website: http://www.fidia.it - http://www.fidia.com e-mail: info@fidia.it
Board of Directors	
Chairman and CEO	Giuseppe Morfino (a)
Executive Deputy Chairman	Carlos Maidagan (b)
Directors	Luigino Azzolin (c) (1) Anna Ferrero (c) (1) (2) Guido Giovando (c) (1) (2) Francesco Profumo (d) Mariachiara Zanetti (2) (c)

(a) Appointed Chairman at the Shareholders' Meeting on 29 April 2015 until the approval of the financial statements for 2016; appointed CEO by the Board of Directors on 29 April 2015.

(a) Appointed at the Shareholders' Meeting on 29 April 2015 until the approval of the financial statements for 2016; appointed Deputy Chairman by the Board of Directors on 29 April 2015.

(c) Appointed at the Shareholders' Meeting on 29 April 2015 until the approval of the financial statements for 2016.

(d) Appointed at the Shareholders' Meeting on 29 April 2015 until the approval of the financial statements for 2016; appointed Lead Independent Director by the Board of Directors on 29 April 2015.

(1) Member of the Internal Control and Risk Committee

(2) Member of the Remuneration Committee.

Board of Statutory Auditors (*)

Statutory Auditors	Maurizio Ferrero – Chairman Michela Rayneri Roberto Panero (e)
Alternate Auditors	Giovanni Rayneri Chiara Olliveri Siccardi

(e) Stepped in as Senior Auditor after the resignation of Gian Piero Balducci on 31 January 2017, until approval of the financial statements for 2016;

(*) Appointed at the Shareholders' Meeting on 29 April 2015 until the approval of the financial statements for 2016.

Independent Auditors (**) EY SpA (former Reconta Ernst&Young)

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

POWERS OF THE CHAIRMAN, DEPUTY CHAIRMAN AND CEO

Chairman of the Board of Directors and CEO: Giuseppe Morfino

He is the company's legal representative in respect of third parties and the courts, with sole signing authority, to exercise the fullest powers of ordinary and extraordinary administration, with the power to appoint and to dismiss special proxy-holders for single operations or Groups of operations, with the sole exclusion of the powers and rights expressly reserved to the Board of Directors under the law or the company's Bylaws. The Board of 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 connected with purchases/disposal of equity investments, business units and real estate.

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

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- 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 connected with purchases/disposal of equity investments, business units and real estate.

In his capacity as Deputy Chairman, he is also vested with the capacity of "employer" as well as person in charge of the plants, emissions and wastes.

Organization of the FIDIA GROUP

FIDIA S.p.A.
Italia

FIDIA GmbH Germania	100% Fidia S.p.A.
FIDIA S.a.r.l. Francia	93.19% Fidia S.p.A. 6.81% Fidia GmbH
FIDIA IBERICA S.A. Spagna	99,993% Fidia S.p.A 0,007% altri
FIDIA Co. Stati Uniti	100% Fidia S.p.A.
FIDIA DO BRASIL Ltda Brasile	99.75% Fidia S.p.A. 0.25% altri
Beijing Fidia M. & E. Co. Cina	96% Fidia S.p.A. 4% Bamtri
Shenyang Fidia NC & M Co. Ltd. Cina	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. 2016

Report on Operations

Overview of results

The period 2016 was characterized by revenues equal to €58,850 thousand, slightly down from €60,324 in the previous period (-2.4%).

The main reason for this is the loss of production hours following the transfer of production from the old to the new Forlì plant, which has now been completed.

Also due to the aforementioned transfer, the value of production declined by 5.9% (from €63,332 thousand in 2015 to €59,617 thousand in 2016).

Nevertheless, the Group's consolidated net profit increased from €2,377 thousand (of which €2,723 thousand attributable to the Group and a loss of €345 thousand attributable to non-controlling interests) in 2015 to €2,443 thousand (of which €2,462 thousand attributable to the Group and a loss of €19 thousand attributable to non-controlling interests) in 2016 (+2.8%).

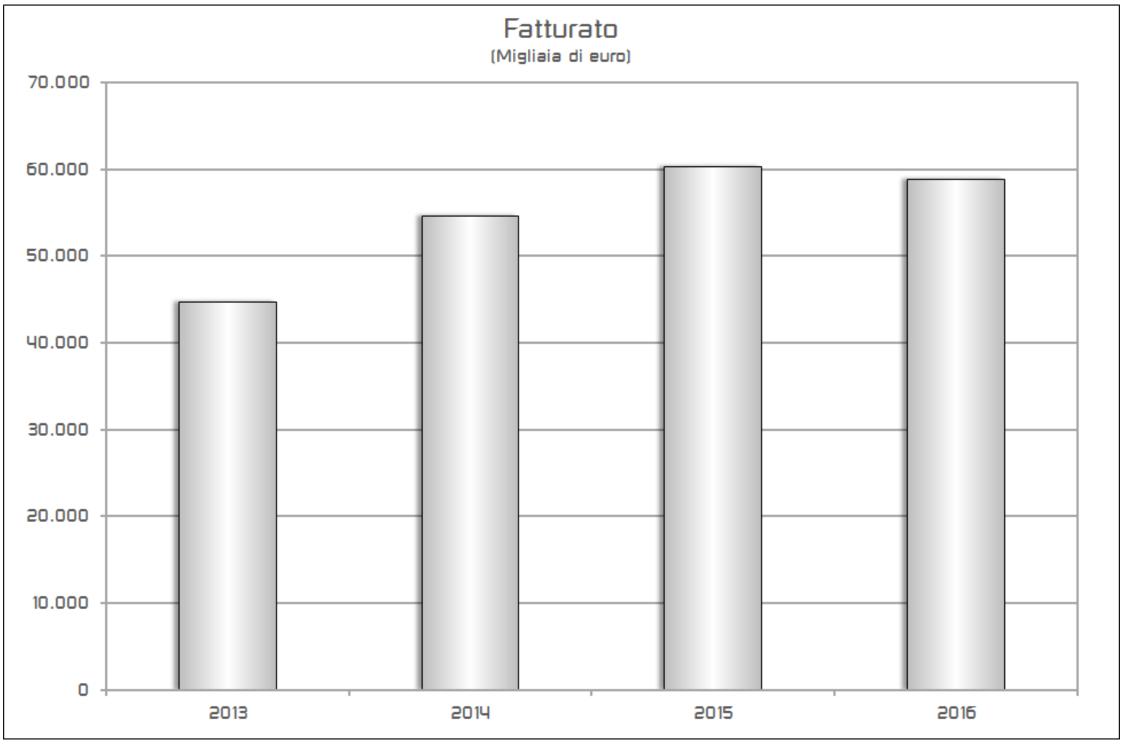
EBITDA was equivalent to €4,264 thousand (7.2% of value of production) versus €5,690 thousand in 2015 (9.0% of value of production).

The Group's overall new orders decreased significantly compared to 2015, amounting to €46.1 thousand, and stand at €29.8 thousand due to an unusual simultaneous slowdown in all the main areas in which the Group operates: Europe, North America and China.

The order backlog at 31 December 2016, combined with robust acquisition of new orders from the beginning of the year, also allows us to saturate production for the first half of the current year.

At the end of 2016, NFP recorded a loss of €7,412 thousand (profit of €6,465 thousand at 31 December 2015).
The main factors leading to this worsening can be traced back to the increased volume of receivables of approximately €5.4 million (due to the collection of two large job orders delivered in December 2017), as well as investments for the purchase of the new Fidia Co headquarters and the continuation of the construction of the new production site of Fidia SpA in Forlì, for a total of approximately €4.6 million.

The trend in revenue in the 2013-2016 period is illustrated in the chart below:



Other main economic and equity data:

(€ thousand)	2016	2015
Pre-tax profit	3,218	3,510
Profit/(loss) of the period	2,443	2,377
Attributable to:		
- Group	2,462	2,723
- NCIs	(19)	(345)
Basic earnings per ordinary share	0.482	0.533
Diluted earnings per ordinary share	0.482	0.533
R&D expenditure (€mil)	2.1	2.4
Total assets	58,319	56,549
Net financial position - (payables)/receivables	(7,412)	6,465
Equity of Group and NCIs	18,938	19,027
Equity of Group	16,867	16,585
Number of employees at year-end	341	341

SHAREHOLDERS

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

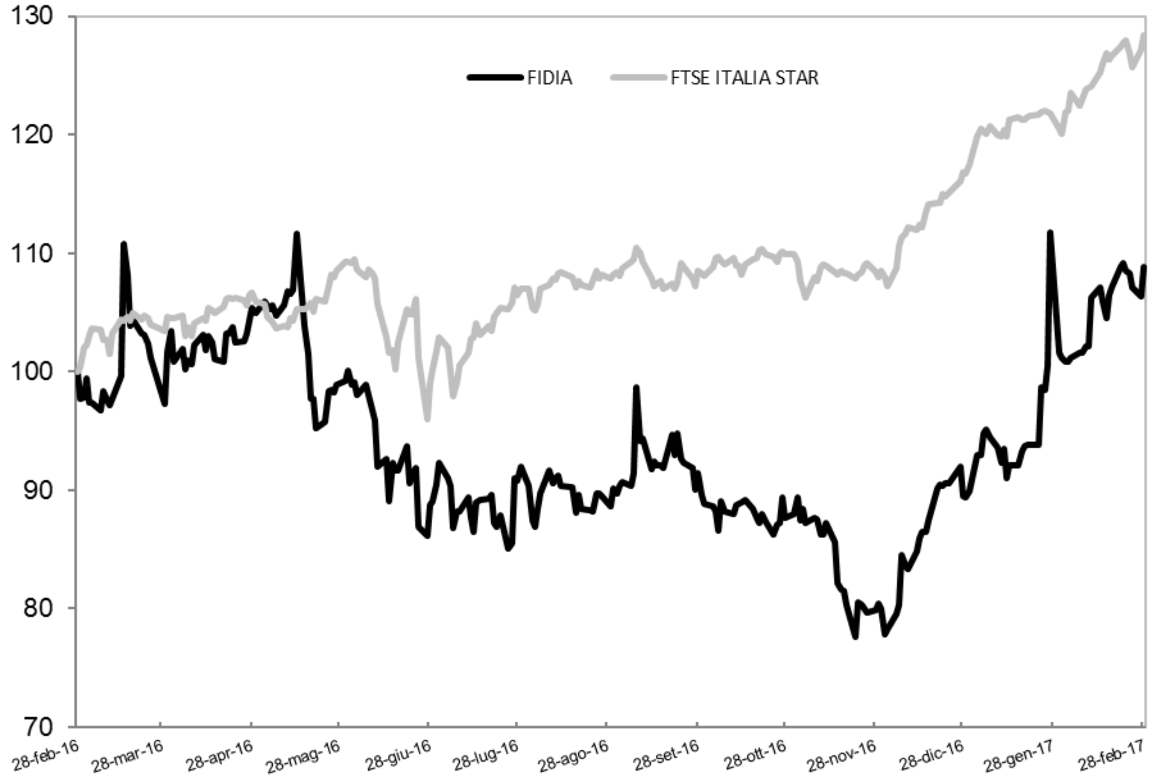
Shareholders can also contact the Company at the following:

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

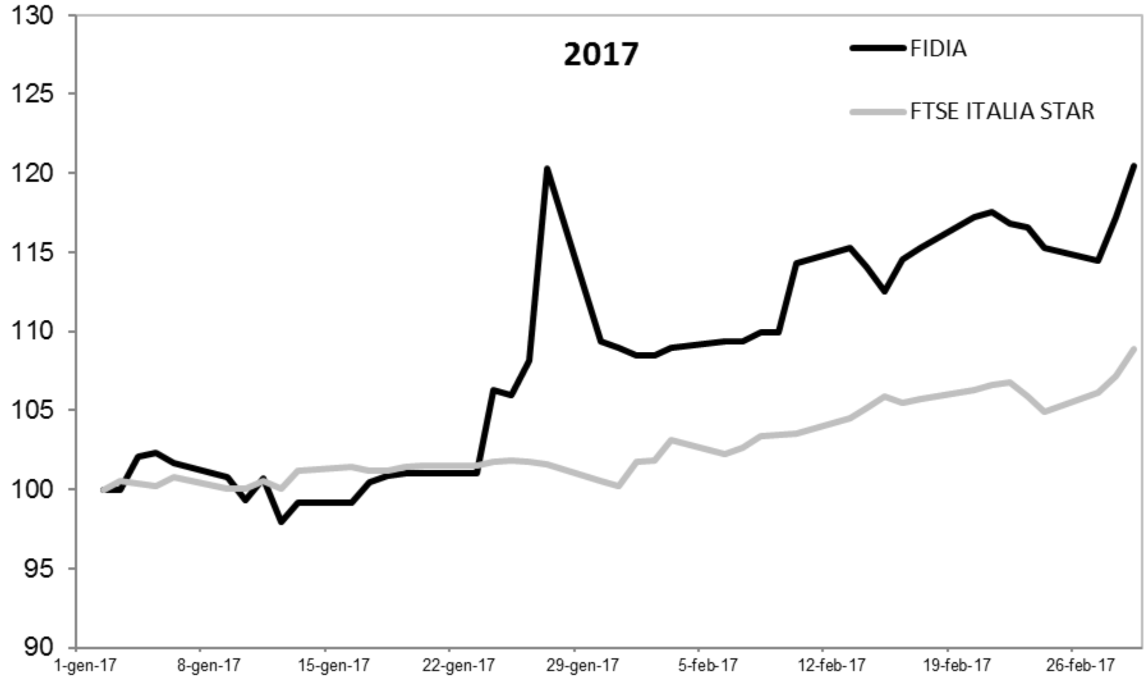
Trend of Fidia stock vs. Star Index

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

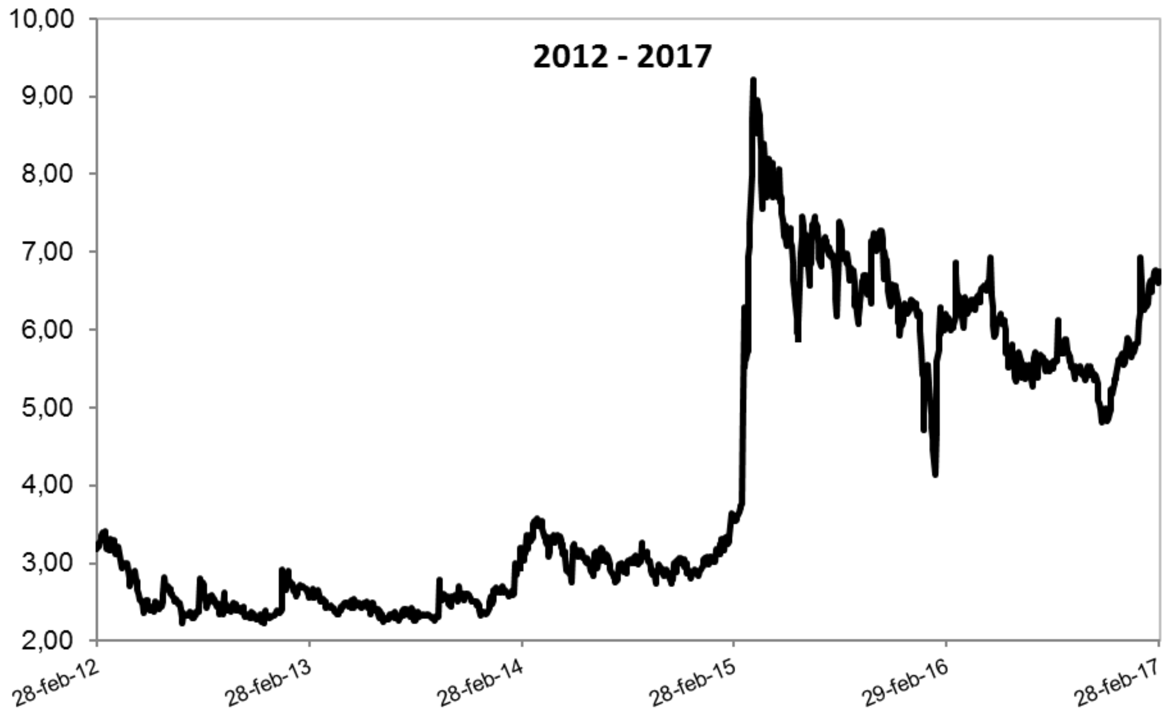
The following chart shows share price performance from 28 February 2016 to 28 February 2017 in comparison with the FTSE Italia STAR Index.



Please note share price performance in the early months of 2017 (at 28 February 2017) in comparison with the FTSE Italia STAR Index.



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

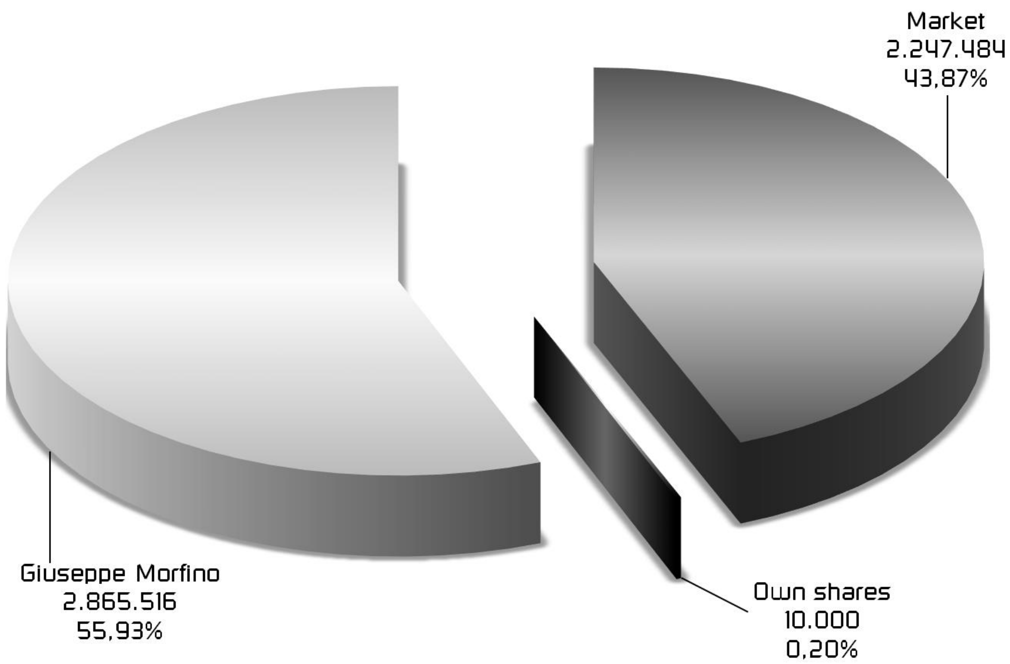


Major shareholders

There was no variation of share capital during 2016. Therefore, the number of ordinary shares, equal to 5,123,000, was unchanged compared to 31 December 2015. The holders of ordinary shares at 10 March 2017 are:

Giuseppe Morfino	No. 2,865,516 equal to 55.93%;
Market	No. 2,247,484 equal to 43.87%;
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)	2016	2015
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)	0.482	0.533
Diluted earnings per ordinary share (2)	0.482	0.533
Net equity of Group per share	3.299	3.244

(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) 30.12.2016	(euro) 30.12.2015	(euro) 30.12.2014	(euro) 30.12.2013	(euro) 30.12.2012
Ordinary shares	5.575	6.380	2.894	2.360	2.320

In 2016, no purchases of own shares were made; on the date of approval of this document, own shares held in the portfolio amounted to 10,000 (equal to 0.20% of share capital), thus totaling €46 thousand.

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

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

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

Risks associated with global financial markets and general economic conditions

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.

Based on the results, the year 2016 was a positive year for the Group, confirming the results of the previous year.

The international scenario remains, however, complicated.

The conditions in the global economy have improved slightly, but adverse effects could result from the adoption and spread of restrictive trade policies.

The increase in long-term yields in the United States will also be extended to other advanced economies, albeit mitigated by the different monetary policy approaches. The Governing Council of the ECB has extended the duration of the securities purchase programme at least until December 2017 or beyond if necessary.

Overall, it is estimated that growth risks are still present. In addition to financial conditions, the main factors of uncertainty are linked to the global context. In particular, there is a high risk that the growth of the global economy, compared the projections, may be affected by the emergence and spread of protectionist pressures, as well as by possible turbulence in emerging economies.

In the euro area, output growth is continuing at a moderate yet gradually consolidating pace, thanks to the buoyancy of domestic demand.

Uncertainty about the trend of the world economy, partly influenced by geopolitical tensions, is the greatest risk factor for business.

As far as Italy is concerned, according to available indicators, the recovery of the economy continued in autumn, albeit moderately, driven by the recovery of investments and growth in household spending. Total employment stabilised in the third quarter of 2016; both fixed-term and no-term employees increased. In recent months, lending to the non-financial private sector has continued to grow, albeit moderately, with an increase in loans to businesses.

Projections indicate that the Italian economy will continue to grow in the next three years, driven by domestic demand and, already in 2017, by the gradual strengthening of foreign demand. The economic situation presupposes that credit conditions remain relaxed and that the implementation of the reform process initiated in recent years is not interrupted. On the other hand, risks of downward inflation projections are related to wage trends in the private sector.

In this context of global economic instability, however, the impact on the real economy, limited to the scope of our business, has not prevented us from recording a substantial order backlog to date.

During the year, the Group will continue in its ongoing investment in research and development to maintain the technological prerogatives of our business and to finalise investment for the construction of a new industrial plant in Forlì which will have positive effects on production capacity.

More generally, the outlook of the Group and expectations in terms of impact on the economic and financial position remain positive.

Risks linked to Group results

The Fidia Group operates in sectors that are historically marked by 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 associated with financing requirements

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

Despite the synergies resulting from the reorganization implemented in recent years, commercial performance and inventory management have generated a greater demand for working capital, which has avoided situations of financial stress. However, events that hinder the maintenance of normal sales volumes, or that may cause contractions, may have negative effects on the ability to generate cash flow from operations.

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

Finally, despite the Group has hitherto continued to receive the support of banking partners and has reached a good degree of financial independence, the current conditions for access to credit and the restrictive policies applied by several banks could lead the Group to a situation of having to resort to loans in an 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 associated with relationships with employees and suppliers

In the various countries in which the Group operates, employees are protected by laws and/or collective labor agreements that grant them, through trade unions, the right to be consulted on specific issues, among which reorganization and lay-offs. Said laws and/or collective labor agreements applicable to the Group could affect its ability to strategically redefine and reposition its operations in a flexible manner. Fidia's ability to cut staff or adopt other measures to interrupt employer-employee relationships also on a temporary basis is hence contingent on restraints set by the law and by procedures involving trade unions.

The labor reforms recently introduced in Italy (Law No. 92/2012, and then Job Act 183/2015) have had a minimal impact on simplifying the processes enabling enterprises to hire new staff more easily and to have a greater flexibility in laying off staff.

However, in terminating employment relationships a prudent stance is still warranted, given the novelty of the provisions introduced and the consequent lack of new case-law.

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.

Risks associated with management

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 associated with selling in international markets and exposure to changes in local conditions

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

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

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

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.

Research and Development

R&D activities have always been one of the strengths of the Group and received substantial investment over the years. A team of 34 people supported by specialized consultants is currently dedicated to R&D activities.

The costs incurred by the Group in 2016 amounted to about €2.1 million, equal to about 3.5% of revenues (€2.4 million in 2015 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, a substantial portion of the costs (about €1.7 million) is represented by personnel expenses.

Capitalised costs amounted to approximately €304 thousand.

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

In the **numerical controls and drives sectors**, the main R&D fields that characterized activities during 2016 were:

- **Green Electric Drives novel structures for high performance drives** - From the last quarter of 2015 and for three years Fidia has been funding a scholarship for a PhD at the Polytechnic of Turin (PhD in Electrical, Electronics and Communications Engineering) titled: *Green Electric Drives novel structures for high performance drives*. The activity of the doctorate program will be followed by both academic and company tutors to ensure that the solutions developed can have a genuine impact on future Xpower™ digital drive lines. This scholarship was funded to honour the memory of our engineer, Mario Vesco, Technical Director of the Numerical Control Division until his premature death on 18 March 2015.

- **ViMill® - Look-ahead Virtual Milling** - we are developing new releases with additional features that increasingly meet the needs of customers to interface and integrate ViMill in production process management equipment. More robust management of input and an improvement in both the pre-treatment of 3D models that are not always reliable and of the core libraries for graphical modeling complete the picture of an increasingly integrated, user-friendly and error-free software that is able to eliminate the risk of errors introduced by the operator.

- **nC19** - The activities for putting into production and certifying the new compact numeric control nC19 have been completed. It is based on a Panel PC hardware architecture with 19" TFT oriented in portrait mode and with full-touch functions. The nC19 represents an evolution of the FIDIA numerical control in terms of performance and usability and it is characterised by the use of a hardware architecture specific to operating needs of operators to provide maximum reliability and robustness.

- **WS5 User interface** - The year 2016 saw the completion of the development of the official first version of the new user interface with an innovative design across the various platforms, featuring remote control and optimized for new CNCs with full-touch interface. The release was enhanced with features that make the system more flexible and further developments and additional modules are already in the pipeline to fully the tap the potential of this new architecture.

- **Axis Control and CNC functions** - In 2016, the axis control logic was improved by intervening on various aspects to improve the quality and machining time of the produced pieces. Five official logic versions were released, and new branches were opened to integrate more consistent improvements aimed at increasing flexibility, usability and applicability of the FIDIA control system also in fields other than milling.

- **I/O Line** – The goal of the I/O Line project is the overhaul of the management of input and output devices used as accessories for numerical control and machine tools. The development marks the transition from the solution previously adopted (I/O LUX), based on infrared data transmission, to the new I/O Line solution that uses communication through the FFB field bus developed by FIDIA. In 2016, all the planned modules went into production.

- **iMonitor** - SW suite designed to monitor the details of the operations carried out on machines equipped with FIDIA numerical control. It analyzes actual machining times, machine downtime and the main events that occur during machining in order to monitor and identify problems and to determine the maintenance interventions needed to achieve maximum efficiency. iMonitor represents FIDIA's response to the demand for an integrated tool for machine monitoring that is able to improve the control of the workshop and manage more attentively and effectively maintenance interventions. It has functions for the control of the machine status from a remote device, such as a telephone, tablet and PC. The first half of 2016 saw an initial consolidation of the SW which subsequently evolved into a tool available on the market at the beginning of 2017.
  iMonitor is part of the solutions in line with Industry 4.0 criteria that equip the FIDIA numerical control system. The future will see iMonitor still play a leading role because new developments and features will be added to meet the growing demands for production monitoring and data collection.

In the **high-speed milling systems** segment, 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 characterized 2016 were:

- **New series of Horizontal HTF Machining Centers** - In the aerospace sector, where Fidia has gained a significant market share with Vertical Milling Systems, series K medium-sized Open Frame machines and series GTF large-sized Gantry machines, high-speed and high-output horizontal machining centres are increasingly in demand for the production of medium-sized parts.

  The main advantages are that it is easier to dispose of the considerable amount of burr produced.

  In view of the above, studies and projects for the creation of the new HTF series were started in 2014.

  A first patent for an innovative high-rigidity bi-axis milling head has been obtained and two others are pending.

  A first prototype of the new HTF center is expected later this year or in early 2018.

- **New K series** - The success over the years of the machines of the K series for the aerospace industry has led us to continue, also in 2016, the design of a new range of machines with modular architecture and enhanced dynamic performance. This modularity allows implementing customised solutions, based on the combination of standard modules. The objective of the new K series is to repeat the success of the previous series and consolidate the presence of FIDIA in the aerospace industry.

- **New D321 Gantry machine for finishing and superfinishing** - In 2016 the development of a new machine was started for the finishing and superfinishing of moulds based on gantry architecture that will complement the current offering in the DIGIT series with open frame architecture. The first D321 machine is expected to be presented at the next EMO in Hanover.

- **Series M5 milling heads** - The set of milling heads saw the renewal or introduction of the three new versions S, L and E in 2016. The modernizations of the components and functions allow to accommodate more powerful spindles to apply high torque with substantial chip removal. They maintain characteristics similar to the current series with which they share some common parts, among which the v3 platform that allows quickly and effectively changing the machining head, drastically increasing the versatility of the machines which are equipped with them.

Finally, in 2016 the Group continued its activities in the collaborative research field. The year 2016 saw the participation of Fidia in 4 projects co-funded by the European Commission as part of FP7 and 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.

- **EASE-R3** – Integrated Framework for a cost-effective and ease of repair, renovation and re-use of machine tools within modern factory: Project co-ordinated by FIDIA in the development of innovative approaches to support the selection of optimal maintenance strategies.
- **T-REX** - Lifecycle extension through product redesign and repair, renovation, reuse, recycling strategies for usage&reusage-oriented business models: development and implementation of new business models centred on the use and reuse of production systems;
- **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.

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 financial review

FOREWORD

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 2016 and 31 December 2015, in addition to the conventional IFRS financial indicators, a number of alternative performance indicators have been provided to allow for a better assessment of the economic and financial trends.

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

The Group uses alternative performance indicators, such as:

- EBIT,
- operating income from ordinary business, which is obtained by adding any extraordinary cost items not falling under EBIT,
- EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), which is the sum of the EBIT as per the financial statements, the item "Depreciation/amortisation of fixed assets," the item "Bad debts provision" and "Non-recurring income/(expenses)."

  Other parameters mentioned:

- "Value of production", which is given by the algebraic addition of the items "Net revenue," "Other revenue 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".

Scope of consolidation

The companies comprised in the consolidation area are listed below:

Name	Registered office	Percentage held by Parent Company at 31/12/2016
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)	96%
Fidia do Brasil Ltda.	São Paulo (Brazil)	99.75%
Shenyang Fidia NC&M Co., Ltd	Shenyang (China)	51%
OOO Fidia	Moscow (Russia)	100%

The scope of consolidation has changed with respect to the consolidated financial statements at 31 December 2015 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 92% to 96%.

GROUP FINANCIAL PERFORMANCE

Reclassified consolidated income statement (€ thousand)	2016	%	2015	%
Net revenue	58,850	98.7%	60,324	95.3%
Change in finished goods and WIP	(866)	-1.5%	887	1.4%
Other revenues and earnings	1,634	2.7%	2,121	3.3%
Value of production	59,617	100.0%	63,332	100.0%
Raw materials and consumables	(20,325)	-34.1%	(21,421)	-33.8%
Commissions, transport and subcontractors	(6,214)	-10.4%	(8,415)	-13.3%
Other services and operating costs	(11,407)	-19.1%	(10,605)	-16.7%
Value added	21,671	36.4%	22,891	36.1%
Personnel costs	(17,407)	-29.2%	(17,201)	-27.2%
EBITDA	4,264	7.2%	5,690	9.0%
Bad debts provision	(166)	-0.3%	(848)	-1.3%
Depreciation/amortisation of fixed assets	(661)	-1.1%	(696)	-1.1%
Operating profit from ordinary business	3,436	5.8%	4,146	6.5%
Non-recurring income/(expenses)	0	0.0%	0	0.0%
Operating profit (EBIT)	3,436	5.8%	4,146	6.5%
Net finance expenses and revenue	(342)	-0.6%	(199)	-0.3%
Profit (loss) on exchange rates	124	0.2%	(437)	-0.7%
Earnings before taxes (EBT)	3,218	5.4%	3,510	5.5%
Income taxes (current, prepaid and deferred)	(775)	-1.3%	(1,133)	-1.8%
Profit/(loss) of the period	2,443	4.1%	2,377	3.7%
- (Profit)/Loss of NCIs	(19)	0.0%	(345)	0.5%
- Profit/(Loss) of Group	2,462	4.1%	2,723	4.3%

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 relating to order entry and backlog orders will not be shown because they almost match with the revenues as the time to fulfil the intervention requests is very short.

These trends are described in detail in the following paragraphs.

Net revenue

Year 2016 ended with a drop in turnover YOY (-2.4%) to €58,850 thousand compared to €60,324 thousand in 2015. This performance is the result of differing trends in the three business lines in which the Group operates. In the electronics sector - CNC - the increase in revenues compared to 2015 is rather strong (+2.6%); the high-speed milling systems sector - HSM - closed the year with a slight decrease (-1.8%), as did the after-sales service sector - Service - (-6.2%) thus marking a setback compared to a trend that has been in progress for several fiscal years now.

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

Revenues by line of business (€ thousand)	2016	%	2015	%	% Change
Numerical controls, drives and software	4,625	7.8%	4,477	7.4%	3.3%
High Speed Milling System	41,483	70.5%	42,239	70.0%	-1.8%
After-sales service	12,742	21.7%	13,608	22.6%	-6.4%
Grand total	**58,850**	**100%**	**60,324**	100.0%	**-2.4%**

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

Net total sales (€thousand)	2016	%	2015	%	% Change
ITALY	4,977	8.5%	6,614	11.0%	-24.8%
EUROPE	17,402	29.6%	18,368	30.4%	-5.3%
ASIA	22,496	38.2%	21,177	35.1%	6.2%
NORTH and SOUTH AMERICA	13,962	23.7%	14,052	23.3%	-0.6%
REST OF THE WORLD	13	0.0%	113	0.2%	-88.7%
TOTAL	**58,850**	**100%**	60,324	100%	**-2.4%**

Numerical Control and software (CNC)

Revenues from the electronics sector (CNC) recorded an increase compared to 2015 (+3.3%) from €4,477 thousand in 2015 to €4,625 thousand in 2016.

High Speed Milling System

The high speed milling (HSM) systems sector reported a slight reduction in revenues compared to 2015, from €42,239 thousand in 2015 to €41,483 thousand in 2016, equal to a 1.8% drop.

At 31 December 2016, 71 milling machines were delivered and accepted, equal to the year before. The average revenue per machine slightly decreased with a constant USD exchange rate and is an indicator of growing interest of the market for Gantry range milling systems, which have been subject to considerable investment in research and development during present and previous years.

After-sale 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.

The year 2016 recorded revenues of €12,742 thousand, down by 6.4% compared to €13,608 thousand YOY.

Sales and marketing activity

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

Total (€thousand)	2016	2015	% Change
Backlog orders at 01/01	30,926	31,540	-1.9%
New orders	29,763	46,102	-35.4%
Net revenue	(46,082)	(46,716)	-1.4%
Backlog orders at 31/12	14,607	30,926	-52.8%

The year 2016 closed with a decrease in backlog orders compared to year-end 2015 as a result of increased revenue a weaker trend in new orders in the mechanical sector.

Considering the acquisition of new orders in the early months of 2017, the production capacity of the high-speed milling systems business unit is saturated for the first part of the year and the company can ensure better performing delivery times.

Other revenues and earnings

Other revenue and revenue in 2016 amounted to €1,634 thousand versus €2,121 thousand YOY. Said item comprises revenues from ordinary business activities, but which are not sales of goods and services.

This item includes:

- EU and Italy's Ministry of Education, University and Research (MIUR) grants to Fidia S.p.A. on research and development activity carried out by the parent company Fidia S.p.A. (€399 thousand at 31 December 2016; €451 thousand at 31 December 2015);
- increases in tangible assets built within the Group and devoted solely to demonstrations for customers and the capitalization of product development costs (€483 thousand at 31 December 2016; €747 thousand at 31 December 2015);
- capital gains from transfers (€21 thousand at 31 December 2016; €46 thousand at 31 December 2015);
- release of the warranty, bad debts and legal risks provisions and/or any accruals in excess of the risk to be covered (€179 thousand at 31 December 2016; €325 thousand at 31 December 2015);
- contingent assets, damages from insurance companies, recovery of costs incurred and others (€551 thousand at 31 December 2016; €552 thousand at 31 December 2015).

Value of production

At year-end, the value of production reached €59,617 thousand, down by 5.9% YOY (€63,332 thousand). This is due to the combined effect of decreased sales revenues (€1,474 thousand less than in 2015) and of a negative change in inventories of finished goods and W.I.P. (-€1,753 thousand YOY), and in other revenue and income (-€487 thousand YOY).

Other services and operating costs

This item, equal to €11,407 thousand, increased by 7.6% YOY (€10,605 thousand).

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

production costs and expenses for miscellaneous technical service, €3,934 thousand at 31 December 2016, versus €3,291 thousand at 31 December 2015 (+€643 thousand);

expenses incurred for trade fairs, entertainment expenses, travel expenses and commercial services, €1,240 thousand at 31 December 2016, versus €1,063 thousand at 31 December 2015 (+€177 thousand, equal to 16.6%);

R&D costs and related refund of expenses, €508 thousand at 31 December 2016, versus €587 thousand at 31 December 2015 (-€79 thousand);

overheads, technical and administrative consulting, utilities, rent, legal expenses, contingent liabilities and other expenses, €5,725 thousand at 31 December 2016, versus €5,664 thousand at 31 December 2015 (+€61 thousand, equal to about 1%).

Value added

At year-end, value added amounted to €21,671 thousand versus €22,891 thousand the year before (equivalent to 36.4% of value of production in 2016 and 36.1% in 2015). The growth is due mostly to increased value of production.

Personnel

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

Staffing	2016	2015	Abs. change	% Change
Executives	8	8	0	0.0%
Clerks and supervisors	282	281	1	0.4%
Workers	51	52	-1	-1.9%
Total number of employees	341	341	0	0.0%
Total mean No. of employees	340.0	334.5	5.5	1.6%
Cost of labour (€thousand)	2016	2015	Abs. change	% Change
Cost of labour	17,407	17,201	206	1.20%

Cost of personnel increased compared with the previous year (+1.20%, equivalent to an increase of about €206 thousand), while Group personnel increased on average by about 1.6%.

EBITDA

EBITDA was positive and amounted to €4,264 thousand (+7.2% in value of production), down by -€1,426 thousand, compared to the previous year (€5,690 thousand, equal to 9.0% of value of production), mainly due to the growth of revenues.

Operating profit from ordinary business

Operating income from ordinary business registered a profit of €3,436 thousand, versus a gain of €4,146 thousand at 31 December 2015.

Non-recurring revenue

No non-recurring income was recorded in 2016.

Operating profit (EBIT)

EBIT at 31 December 2016 amounted to €3,436 thousand, while EBIT at 31 December 2015 was positive at €4,146 thousand.

Finance expenses and revenue and net exchange rate differences

Net financial expenses grew as compared to 2015 (net charges equivalent to €342 thousand versus €199 thousand the previous year) mainly as a result of financial exposure that was on average higher in 2016, compared to the same period the year before.

Net differences in exchange rates, either realized or resulting from measurement in the financial statements, generated a net gain of €124 thousand versus a net loss of €437 thousand at 31 December 2015. The amount for the year 2016 is due mainly to balance sheet measurements of our branch in Beijing considering the trend in the exchange rate of the currency of that country during 2016.

Earnings before taxes (EBT)

EBT resulted in a profit of €3,218 thousand versus a profit of €3,510 thousand in 2015.

Income tax

Profit/(loss) of the period was mainly due to current, deferred and paid taxes totalling €775 thousand, which can be broken down as follows:

- IRAP (Italian Regional Production Tax) €89 thousand;
- IRES (Italian Corporate Income Tax) €14 thousand;
- income tax of foreign subsidiaries €609 thousand;
- paid and deferred taxes amounting to €63 thousand.

Profit/(loss) of the period

A profit of €2,443 thousand was recorded for the year, compared to a profit of €2,377 thousand in 2015.

Group consolidated statement of financial position

At 31 December 2016, the reclassified consolidated statement of financial position was as follows:

Group statement of financial position (€thousand)	31/12/2016	31/12/2015
Property, plant and equipment	10,452	6,452
Intangible fixed assets	1,338	1,099
Non-current financial assets	16	16
Deferred tax assets	850	1,052
The item includes:	968	1,393
Capital assets – (A)	13,625	10,012
Net trade receivables	14,797	9,646
Closing balances	19,375	19,929
Other current assets	1,596	917
Short-term current assets – (B)	35,769	30,492
Trade payables	(10,095)	(11,335)
Other current liabilities	(10,441)	(13,827)
Short-term (current) liabilities – (C)	(20,535)	(25,162)
Net working capital (D) = (B+C)	15,233	5,330
Termination benefits (E)	(2,330)	(2,372)
Other long-term liabilities (F)	(179)	(408)
Net invested capital (G) = (A+D+E+F)	26,350	12,562
Financial position		
Financial assets available for sale		
Bank deposits and cash	(8,925)	(16,041)
Short-term loans	4,419	3,347
Assets/liabilities for current derivatives	198	148
Other current financial payables	-	69
Short-term financial position (receivable)/payable	(4,308)	(12,477)
Long-term loans, net of current portion	11,697	6,006
Assets/liabilities for long-term derivatives	23	6
Net financial position (receivable)/payable (H)	7,412	(6,465)
Share capital	5,123	5,123
Reserves	9,282	8,739
Profit/(loss) of the period for Group	2,462	2,723
Total shareholders' equity of Group	16,867	16,585
Shareholders' equity attributable to minority interests	2,071	2,442
Total shareholders' equity (I)	18,938	19,027
Shareholders' equity and net financial position (L) = (H+I)	26,350	12,562

Compared to 31 December 2015, the Group statement of financial position registered the following changes:

- increased capital assets (from €10,012 thousand to €13,625 thousand) mainly as a result of continuing investment in property consisting of an industrial building undergoing renovation and the purchase of the new Fidia Co headquarters;
- increase in trade receivables from customers (from €9,646 thousand to €14,797 thousand) linked to their different composition. Trade receivables were recorded net of bad debts provision in the amount of €705 thousand;
- decrease in inventories (from €19,929 thousand to €19,375 thousand) due to better management. Inventories were posted net of provision for obsolete inventories in the amount of €2,430 thousand;
- increase in other current assets (from €917 thousands to €1,596 thousand) due to tax receivables (i.e., VAT) and to a slight increase in current receivables for funded research activities;
- decreased trade payables to suppliers (from €11,335 thousand to €10,095 thousand) due to a different purchased product/supplier mix;

- decrease in other current liabilities (from €13,827 thousand to €10,441 thousand), in particular due to less advances from customers (advances accounted in part for advances received and in part for machines already delivered but not yet accepted) and to greater payables to personnel and directors;
- decrease in provisions for termination benefits (from €2,372 thousand to €2,330 thousand) due to normal dynamics related to personnel and specifically to outgoing senior staff;
- decrease in other long-term liabilities (from €408 thousand to €179 thousand), due to the change in dynamics of advances received for multi-year European and Italian funded research projects.

At 31 December 2016 the net financial position was negative at €7,412 thousand; the change from 31 December 2015 was negatively affected by the increase in working capital and specifically of receivables, in addition to a lower level of advances on new orders and increased borrowings for the construction of the new plant in Forlì.

The trend in the net financial position is illustrated below.

Net financial position

Financial position (€thousand)	31/12/2016	31/12/2015
Financial assets available for sale	-	-
Bank deposits and cash	8,925	16,041
Overdrawn bank accounts and short-term advances	(486)	(507)
Short-term loans	(3,933)	(2,840)
Assets/liabilities for current derivatives	(198)	(148)
Other current financial payables	-	(69)
Short-term financial position	4,308	12,477
Long-term loans, net of current portion	(11,697)	(6,006)
Assets/liabilities for long-term derivatives	(23)	(6)
Net financial position	(7,412)	6,465

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

Cash on hand, bank deposits (€thousand)	31/12/2016	31/12/2015
Fidia S.p.A.	4,319	9,776
Fidia Co.	565	2,334
Fidia GmbH	767	1,190
Fidia Iberica S.A.	466	578
Fidia S.a.r.l.	444	408
Beijing Fidia Machinery & Electronics Co., Ltd	1,673	881
Fidia do Brasil Ltda.	81	76
Shenyang Fidia NC & M Co., Ltd	610	798
Total cash and cash equivalents	8,925	16,041

Financial payables (€thousand)	31/12/2016	31/12/2015
Short-term loans and advances		
Fidia S.p.A.	(4,347)	(3,265)
Fidia GmbH	(57)	(67)
Fidia Co.		-
Fidia Iberica S.A.	(15)	(15)
Total	(4,419)	(3,347)
Assets/(liabilities) for current derivatives		
Fidia S.p.A.	(198)	(148)
Total	(198)	(148)
Other current financial payables		
Fidia S.p.A.	-	(69)
Total	-	(69)
Long-term loans, net of current portion		
Fidia S.p.A.	(11,630)	(5,891)
Fidia GmbH	(44)	(77)
Fidia Iberica S.A.	(23)	(38)
Total	(11,697)	(6,006)
Assets/(liabilities) for long-term derivatives		
Fidia S.p.A.	(23)	(6)
Total	(23)	(6)
Total financial liabilities	(16,337)	(9,576)

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

Short consolidated cash flow statement (€thousand)	2016	2015
A) Cash on hand and cash equivalents at beginning of year	15,534	9,039
B) Cash from (used in) operating activities during the period	(6,465)	5,076
C) Cash from/(used in) investing activities	(4,832)	(3,239)
C) Cash from/(used in) financing activities	4,253	3,676
Currency translation differences	(51)	982
E) Net change in cash and cash equivalents	(7,094)	6,495
F) Cash and cash equivalents at year end	8,440	15,534
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	8,925	16,041
Overdrawn bank accounts and short-term advances	(486)	(507)
	8,440	15,534

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

FINANCIAL RATIOS

INVESTMENT MIX RATIOS

RATIOS	2016			2015		
1) Weight of fixed assets						
Capital assets / Total assets	13,625 / 58,319	=	23.40%	10,012 / 56,549	=	17.70%
2) Weight of working capital						
Current assets / Total assets	44,694 / 58,319	=	76.60%	46,537 / 56,549	=	82.30%

LOAN MIX RATIOS

RATIOS	2016			2015		
1) Weight of current liabilities						
Current liabilities / Total liabilities (except net equity)	25,152 / 39,381	=	63.90%	28,730 / 37,522	=	76.60%
2) Weight of non-current liabilities						
Consolidated liabilities / Total liabilities (except net equity)	14,229 / 39,381		36.10%	8,792 / 37,522	=	23.40%
3) Weight of own capital						
Own capital / Net invested capital	18,938 / 26,350	=	71.90%	19,027 / 12,562	=	151.50%

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

The loans mix indicator shows:

- a prevalence of short-term loans, which is consistent with the level of investing activities;
- hedging of the net invested capital from own resources and capital of NCIs.

FINANCIAL POSITION RATIOS

LIQUIDITY RATIOS

INDICATOR	2016			2015		
Current assets / Current liabilities	44,694 / 25,152		1.78	46,537 / 28,730	=	1.62

CAPITAL ASSETS COVERAGE RATIO

INDICATOR	2016			2015		
Own capital / Capital assets	18,938 / 13,625	=	1.39	19,027 / 10,012	=	1.90

CASH RATIO

INDICATOR	2016			2015		
Short-term assets / Short-term liabilities	35,769 / 20,535	=	1.74	30,492 / 25,162	=	1.21

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

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

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

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

ECONOMIC POSITION RATIOS

ROE

	2016			2015		
Net income pertaining to Group	2,462	=	14.60%	2,723	=	16.40%
Equity of Group	16,867			16,585		

ROI

	2016			2015		
Operating income from ordinary business	3,436	=	7.00%	4,146	=	10.24%
Invested capital	49,394			40,504		

ROS

	2016			2015		
Operating income from ordinary business	3,436	=	5.80%	4,146	=	6.90%
Sales	58,850			60,324		

ROE, which measures the profitability of own capital, was positive due to profit in 2016.

ROI, which measures profitability from operations, showed a positive value given the operating profit registered by the Group in 2016.

ROS, which represents average operating income per unit of revenue; in this case as well, the operating profit positively affected the value of this ratio, which is positive and in line with the previous year.

Disclosure by line of business

Economic and financial trend by line of business

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

The last columns show those items that cannot be classified; these items are mainly general and administrative costs and costs for advertising, promotion and exhibitions for the companies operating in all business lines.

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

Consolidated income statement by sector

Data by year - 2016 (€ thousand)	CNC		HSM		SERVICE		N/A	Total
Revenues	4,625	63.9%	41,483	99.8%	12,742	100.0%		58,850
Cross-sector revenues	2,613	36.1%	99	0.2%	-	0.0%	-	
Total reclassified revenue	7,238	100.0%	41,582	100.0%	12,742	100.0%	-	
Change in finished goods and WIP	99	1.4%	(1,241)	-3.0%	276	2.2%	-	(866)
Raw materials and consumables	(1,732)	-23.9%	(17,347)	-41.7%	(1,063)	-8.3%	(183)	(20,325)
Cross-sector expenses	(16)	-0.2%	(3,473)	-8.4%	711	5.6%	66	-
Commissions, transport and subcontractors	(687)	-9.5%	(5,056)	-12.2%	(461)	-3.6%	(10)	(6,214)
Sales margin	4,902	67.7%	14,465	34.8%	12,204	95.8%	(127)	31,445
Other operating income	489	6.8%	598	1.4%	279	2.2%	269	1,634
Other operating costs	(520)	-7.2%	(3,062)	-7.4%	(2,765)	-21.7%	(5,060)	(11,407)
Personnel costs	(2,682)	-37.1%	(5,725)	-13.8%	(5,007)	-39.3%	(3,992)	(17,407)
Depreciation and amortization	(18)	-0.3%	(268)	-0.6%	(170)	-1.3%	(372)	(828)
Operating profit	2,170	30.0%	6,006	14.4%	4,541	35.6%	(9,282)	3,436

Data by year - 2015 (€ thousand)	CNC		HSM		SERVICE		N/A	Total
Revenues	4,477	60.1%	42,239	100.0%	13,608	100.0%	-	60,324
Cross-sector revenues	2,976	39.9%		0.0%	-	0.0%	-	
Total reclassified revenue	7,453	100.0%	42,239	100.0%	13,608	100.0%	-	
Change in finished goods and WIP	(11)	-0.1%	579	1.4%	319	2.3%	-	887
Raw materials and consumables	(1,903)	-25.5%	(17,393)	-41.2%	(1,990)	-14.6%	(135)	(21,421)
Cross-sector expenses	28	0.4%	(4,034)	-9.6%	876	6.4%	154	-
Commissions, transport and subcontractors	(687)	-9.2%	(7,241)	-17.1%	(479)	-3.5%	(8)	(8,415)
Sales margin	4,880	65.5%	14,150	33.5%	12,334	90.6%	11	31,375
Other operating income	583	7.8%	921	2.2%	261	1.9%	356	2,121
Other operating costs	(476)	-6.4%	(2,019)	-4.8%	(2,923)	-21.5%	(5,187)	(10,605)
Personnel costs	(2,895)	-38.8%	(5,287)	-12.5%	(5,173)	-38.0%	(3,846)	(17,201)
Depreciation and amortization	(182)	-2.4%	(411)	-1.0%	(249)	-1.8%	(702)	(1,544)
Operating profit	1,910	25.6%	7,354	17.4%	4,250	31.2%	(9,368)	4,146

The electronics sector (CNC), as already explained in the first part of the Report, closed 2016 with increased revenues compared to the year before. This had a positive effect on sales margin, up from €4,880 thousand in 2015 to €4,902 thousand in 2016; the margin increased from 25.6% to 30.0%. EBIT (from €1,910 thousand in 2015 to €2,170 thousand in 2016) benefited from decreased personnel costs (from €2,895 thousand in 2015 to €2,682 thousands in 2016) and from a lower incidence of consumption of raw materials (from €1,903 thousand in 2015 to €1,732 thousand in 2016).

The high speed milling systems sector (HSM) showed decreased revenues (€41,483 thousand in 2016 versus €42,239 thousand in 2015). Consequently, the margin on sales is growing (€14,465 thousand compared to €14,150 thousand in the previous year) and increased in 2016 compared to 2015. However, the operating result was affected by the increase in personnel costs and "Other operating costs" and amounted in 2016 to €6,006 thousand, compared to €7,354 thousand in 2015.

Finally, Service showed a decrease in revenue (€12,742 thousand versus €13,608 thousand in 2015), without resulting in a decrease in the sales margin in absolute terms (€12,204 thousand versus €12,334 thousand in 2015) and in an increase in percentage terms (95.8% in 2016 versus 90.6% in 2015). The other items that contribute to the operating income all decreased, resulting in an operating margin from ordinary operations greater than in 2015 (€4,541 thousand versus €4,250 thousand the previous year), up from 31.2% in 2015 to 35.6% in 2016.

Consolidated Statement of Financial Position by sector

31 December 2016 (€ thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	19	7,979	27	2,428	10,452
Intangible fixed assets	648	468	-	223	1,338
Investments	-	-	-	16	16
Deferred tax assets	-	-	-	850	850
Other non-current receivables and assets	17	182	-	770	968
Total non-current assets	683	8,628	27	4,286	13,625
Inventory	2,351	11,132	5,893	-	19,375
Trade receivables and other current receivables	1,931	10,501	2,781	516	15,730
Current taxes receivable	-	-	-	664	664
Other current financial receivables	-	-	-	-	-
Cash and cash equivalents	-	-	-	8,925	8,925
Total current assets	4,282	21,633	8,674	10,105	44,694
Total assets	4,965	30,261	8,701	14,392	58,319
Other non-current payables and liabilities	10	22	30	27	89
Deferred tax liabilities	-	-	-	51	51
Employee severance indemnities	610	1,158	304	258	2,330
Long-term provisions	20	-	19	-	39
Other non-current financial liabilities	-	-	-	23	23
Non-current financial liabilities	-	-	-	11,697	11,697
Total non-current liabilities	639	1,181	354	12,055	14,229
Current financial liabilities	-	-	-	4,419	4,419
Other current financial liabilities	-	-	-	198	198
Trade payables and other current payables	2,198	11,474	944	3,445	18,061
Current taxes payable	-	-	-	1,021	1,021
Short-term provisions	104	1,131	180	39	1,453
Total current liabilities	2,302	12,605	1,123	9,122	25,152
Total liabilities	2,941	13,786	1,477	21,177	39,381
Shareholders' equity	-	-	-	18,938	18,938
Total liabilities	2,941	13,786	1,477	40,115	58,319

31 December 2015 (€ thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	28	5,134	23	1,267	6,452
Intangible fixed assets	455	357	-	287	1,099
Investments	-	-	-	16	16
Deferred tax assets	-	-	-	1,052	1,052
Other non-current receivables and assets	-	257	-	1,136	1,393
Total non-current assets	483	5,748	23	3,758	10,012
Inventory	2,301	12,564	5,064	-	19,929
Trade receivables and other current receivables	918	6,347	2,589	516	10,370
Current taxes receivable	-	-	-	193	193
Other current financial receivables	-	-	-	4	4
Cash and cash equivalents	-	-	-	16,041	16,041
Total current assets	3,219	18,911	7,653	16,754	46,537
Total assets	3,702	24,659	7,676	20,512	56,549
Other non-current payables and liabilities	157	86	26	21	290
Deferred tax liabilities	-	-	59	-	59
Employee severance indemnities	570	1,215	208	379	2,372
Long-term provisions	-	-	-	59	59
Other non-current financial liabilities	-	-	-	6	6
Non-current financial liabilities	-	-	-	6,006	6,006
Total non-current liabilities	727	1,301	293	6,471	8,792
Current financial liabilities	-	-	-	3,347	3,347
Other current financial liabilities	-	-	-	221	221
Trade payables and other current payables	1,444	16,092	1,239	3,510	22,285
Current taxes payable	-	-	-	1,558	1,558
Short-term provisions	80	1,046	115	78	1,319
Total current liabilities	1,524	17,138	1,354	8,714	28,730
Total liabilities	2,251	18,439	1,647	15,185	37,522
Shareholders' equity	-	-	-	19,027	19,027
Total liabilities	2,251	18,439	1,647	34,212	56,549

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 fiscal year 2011, the Report on Directors' Remuneration is also drawn up. This document too will be made available to the public on the aforementioned website, within the set time, i.e., twenty-one days before the date set for the General Shareholders' Meeting to approve the financial statements.

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

Management and coordination

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

Subsidiaries conduct their business with complete management and operating autonomy.

Internal control system

The internal control and risk management system consists of various components of the organization chart and procedures, among which the Board of Directors, the Control and Risks Committee, the General Manager, the controller, the internal audit function, the director in charge as per article 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 of the implementation of the Organization Model as per Italian Legislative Decree No. 231/2001, a Supervisory Board was appointed in order to ensure the required information flows. The Supervisory Board informs the Board of Directors of its activities through periodic reports and through the Control and Risks Committee and the Board of Auditors.

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

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

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

With reference to 31 December 2016, 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 aforementioned Article 36 subsist.

* * *

Interests held by members of administration and control bodies, general managers and executives with strategic responsibilities in office at 31 December 2016 are reported below.

Name and Surname	Company	No. shares held at 31/12/2015	No. shares purchased in 2016	No. shares sold in 2016	No. shares held at 31/12/2016
Giuseppe Morfino	Fidia ordinary shares	2,850,166	15,350		2,865,516

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 fiscal years.

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

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

The economic and financial relations in the fiscal year between the parent company Fidia S.p.A. and its subsidiaries and associates are illustrated in Note 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 2016 there were no transactions with related parties that can be defined as having "major relevance."

In 2016, 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 status of the Parent Company Fidia S.p.A.

ECONOMIC TRENDS

The reclassified statement of comprehensive income is illustrated below:

Economic trend (€thousand)	2016	%	2015	%
Net revenue	43,431	98.8%	49,050	96%
Changes in inventories of finished goods and Pending contracts	(959)	-2.2%	332	0.6%
Other revenues and earnings	1,481	3.4%	1,769	3.5%
Value of production	43,953	100.0%	**51,151**	**100.0%**
Raw materials and consumables	(16,974)	-38.6%	(19,879)	-38.9%
Commissions, transport and subcontractors	(5,820)	-13.2%	(8,379)	-16.4%
Other services and operating costs	(8,572)	-19.5%	(8,529)	-16.7%
Value added	12,588	28.6%	**14,364**	**28.1%**
Personnel costs	(11,282)	-25.7%	(11,265)	-22.0%
EBITDA	1,306	3.0%	**3,099**	**6.1%**
Bad debts provision	(8)	0.0%	(575)	-1.1%
Depreciation/amortisation of fixed assets	(359)	-0.8%	(387)	-0.8%
Operating profit from ordinary business	**939**	**2.1%**	**2,137**	**4.2%**
Non-recurring income/(expenses)		0.0%	-	0.0%
Impairment (losses)/reversals	329	0.7%	10	0.0%
EBIT	1,268	2.9%	**2,147**	**4.2%**
Net finance (expenses) and revenue	1,100	2.5%	368	0.7%
Profit (loss) on exchange rates	(95)	-0.2%	(81)	-0.2%
Earnings before tax (EBT)	2,273	5.2%	**2,434**	**4.8%**
Income taxes (current, prepaid and deferred)	(108)	-0.2%	(290)	-0.6%
Net operating result	2,165	4.9%	**2,143**	**4.2%**

The year 2016 closed with a decrease in revenues of 11.5% YOY (€43,431 thousand versus €49,050 thousand in 2015).

This trend was mainly due to all the business units: high speed milling systems sector - HSM-, down by 10.8%, after-sales service sector - Service - down by 16.7% and finally electronics, which recorded negative performance (-7.1%).

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)	2016	%	2015	%	% Change
Numerical controls, drives and software	3,258	7.5%	3,507	7.1%	-7.1%
High Speed Milling System	34,033	78.4%	38,168	77.8%	-10.8%
After-sales service	6,140	14.1%	7,375	15.0%	-16.7%
Grand Total	43,431	100.0%	49,050	100%	-11.5%

Total revenues (€thousand)	2016	%	2015	%	% Change
ITALY	4,977	11.5%	6,636	13.5%	-25.0%
EUROPE	12,082	27.8%	14,755	30.1%	-18.1%
ASIA	17,879	41.2%	17,980	36.7%	-0.6%
NORTH and SOUTH AMERICA	8,237	19.0%	9,600	19.6%	-14.2%
REST OF THE WORLD	257	0.6%	79	0.2%	222.8%
Total	43,431	100.0%	49,050	100%	-11.5%

As already noted, total revenue of Fidia S.p.A. decreased (-11.5%) compared to 2015 as a result of the overall performance of the HSM sector (-10.8%), Service sector (-16.7%), and CNC sector, which decreased by 7.1%.

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

Total backlog orders (€thousand)	2016	2015	% Change
Backlog orders at 01/01	23,848	25,607	-6.9%
New orders	22,973	39,916	-42.4%
Net revenue	(37,291)	(41,675)	-10.5%
Backlog orders at 31/12	9,530	23,848	-60.0%

The final order backlog at 31 December 2016 decreased by -60.0% over the previous year, especially due to the trend on new orders recorded during the period.

EBITDA was positive amounting to about €1,306 thousand, compared to €3,099 thousand in 2015.

The operating income from ordinary business was also positive and amounted to €939 thousand compared to €2,137 thousand at 31 December 2015.

EBIT was positive at €1,268 thousand and did not include any non-recurring revenues. At 31 December 2015, EBIT was positive at €2,147 thousand.

With reference to the measurement of investments, the result of the impairment test carried out on 2016 showed write-backs equivalent to €329 thousand.

Financial management made an overall positive contribution to the statement of comprehensive income of Fidia S.p.A. through dividends distributed by some subsidiaries (€1,498 thousand; €600 thousand in 2015) despite the increase in net financial expenses (totalling €398 thousand in 2016 and €232 thousand in 2015). Foreign exchange management generated losses of €95 thousand (net loss of €81 thousand at 31 December 2015).

The net profit after taxes of €108 thousand amounted to €2,165 thousand versus a net profit of €2,143 thousand at 31 December 2015.

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

Staffing	2016	2015	Abs. change	% Chg
Executives	6	6	0	0.0%
Clerks and supervisors	144	140	4	2.9%
Workers	49	50	-1	-2.0%
Total number of employees	199	196	3	1.5%
Total mean No. of employees	198.0	191.0	7	3.7%

Cost of labour (€ thousand)	2016	2015	Abs. change	% Chg
	11,282	11,265	17	0.15%

Personnel expenses increased overall by €17 thousand YOY (+0.15%) with an average increase in staffing of 3.7%.

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased from 22.0% in 2015 to 25.7% in the current period.

Statement of financial position

The reclassified statement of financial position was as follows:

Statement of Financial Position (€thousand)	31.12.2016	31.12.2015
Property, plant and equipment	8,222	5,399
Intangible fixed assets	1,326	1,086
Non-current financial assets	10,574	9,882
Deferred tax assets	367	376
Other non-current receivables and assets	786	1,129
Capital assets – (A)	21,276	**17,872**
Net trade receivables	11,133	6,009
Closing balances	12,120	12,633
Other current assets	2,457	1,224
Short-term (current) assets – (B)	25,710	**19,866**
Trade payables	(13,800)	(15,551)
Other current liabilities	(5,784)	(8,394)
Short-term (current) liabilities – (C)	(19,583)	**(23,945)**
Net working capital (D) = (B+C)	6,127	**(4,079)**
Termination benefits (E)	(2,330)	(2,372)
Other long-term liabilities (F)	-	(216)
Net invested capital (G) = (A+D+E+F)	25,073	**11,205**
Financial position		
Financial assets available for sale		-
Cash, bank deposits and short-term loans made	(4,319)	(9,776)
Short-term loans	6,279	3,732
Assets/liabilities for current derivatives	198	148
Other short-term financial liabilities	-	69
Short-term financial position (receivable)/payable	2,158	**(5,828)**
Long-term loans, net of current portion	11,630	5,891
Assets/liabilities for long-term derivatives	23	6
Net financial position (receivable)/payable (H)	13,811	69
Share capital	5,123	5,123
Reserves	3,973	3,869
Profit/(loss) of the period	2,165	2,143
Total shareholders' equity (I)	11,261	**11,136**
Shareholders' equity and net financial position (L) = (H+I)	25,073	**11,205**

Compared to 31 December 2015, capital assets showed significant increases due to the realisation of a real estate investment consisting of land and an industrial building located in Forlì and to the capitalisation of R&D activities.

Net working capital worsened mainly because of the increase in the value of the receivables and lesser advances received from customers, matched by steady levels of stock and an increase in trade payables.

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 and to a change in the trend of other long-term liabilities relating to advances received for multi-year European and Italian funded research projects.

The foregoing resulted in a negative net financial position of €13,811 thousand at 31 December 2016, which recorded a further worsening of the negative balance of €69 thousand at 31 December 2015.

Net financial position

Financial position (€thousand)	31.12.2016	31.12.2015
Financial assets available for sale	-	-
Bank deposits and cash	4,319	9,776
Overdrawn bank accounts and short-term advances	(486)	(507)
Short-term loans	(5,793)	(3,225)
Assets/(liabilities) for current derivatives	(198)	(148)
Other current financial payables	-	(69)
Short-term financial position	**(2,158)**	**5,828**
Long-term loans, net of current portion	(11,630)	(5,891)
Assets/(liabilities) for long-term derivatives	(23)	(6)
Net financial position	**(13,811)**	**(69)**

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

Short cash flow statement (€ thousand)	2016	2015
A) Cash on hand and cash equivalents at beginning of year	9,269	3,084
B) Cash from (used in) operating activities during the period	(7,917)	5,191
C) Cash from/(used in) investing activities	(3,785)	(2,851)
C) Cash from/(used in) financing activities	6,268	3,845
E) Net change in cash and cash equivalents	(5,436)	6,185
F) Cash and cash equivalents at year end	3,833	9,269
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	4,319	9,776
Overdrawn bank accounts and short-term advances	(486)	(507)
	3,833	9,269

During the period, a dividend to shareholders resolved on the 2015 result was paid for a total of €2,045 thousand in the month of May.

Reconciliation between equity and net profit of the Parent Company and the Group

According to Consob Notice of 28 July 2006, the comparison between the operating result of year 2015 and the equity at 31 December 2016 of the Group (share pertaining to the Group) with the equivalent values of the parent company Fidia S.p.A. is provided.

Comparison of operating result and equity of the Parent Company and Group (€ thousand)	Shareholders' equity 31.12.2015	Changes in Equity 2016	Profit/(loss) 31.12.2016	Shareholders' equity 31.12.2016
Financial Statements of Fidia S.p.A.	11,136	(2,039)	2,165	11,261
Consolidation adjustments:				
* Elimination of carrying value of equity investments	6,179	(196)	(7)	5,976
* Transactions between consolidated companies	(675)	-	304	(371)
* Exchange rate differences on infra-Group transactions	(55)	55	-	-
Consolidated financial statements of Group (share pertaining to Group)	16,585	(2,180)	2,462	16,867

Trends in Group Companies

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

Fidia GmbH

Revenue of year 2016 was equal to €5,624 thousand, down compared to €8,166 thousand in 2015 (-31.1%). The year 2016 closed with a profit of €481 thousand, as opposed to a profit of €423 thousand in 2015. Staff increased from 22 units at 31 December 2015 to 26 units at 31 December 2016.

Fidia Iberica S.A.

The revenue for 2016 amounted to €3,464 thousand, up from €2,178 thousand the previous year (+59.1%). The year 2016 closed with a net profit of €138 thousand versus a net profit of €102 thousand in 2015. Staff was unchanged compared to 2015 and amounted to 10 employees.

Fidia S.a.r.l.

The revenue for 2016 amounted to €2,166 thousand, down from €3,439 thousand the previous year (-37.0%). The period closed with a profit of €96 thousand over a profit of €117 thousand in 2015. Staff was unchanged compared to 2015 and amounted to 7 employees.

OOO Fidia

The company has not done any business during 2016.

Fidia Co.

Revenue in 2016 amounted to €12,270 thousand (USD 13,582 thousand), up by €10,898 thousand (USD 12,091 thousand) YOY (+12.6%). The year 2016 closed with a profit (profit for 2016 equal to €616 thousand versus a profit for 2015 of €597 thousand). Staff increased from 18 units at 31 December 2015 to 20 units at 31 December 2016.

Beijing Fidia Machinery & Electronics Co. Ltd.

Revenue in 2016 amounted to €5,700 thousand (RMB 41.9 million), down from €6,611 thousand (RMB 46.1 million) the previous year (-13.8%). Net profit amounted to €545 thousand over €552 thousand the year before. Staff increased from 29 units at 31 December 2015 to 27 units at 31 December 2016.

Shenyang Fidia NC&M Co. Ltd.

Revenue in 2016 amounted to €4,617 thousand (RMB 33.9 million) versus €3,007 thousand (RMB 21.0 million) in 2015; the year closed with a loss of €114 thousand versus a net loss of €826 thousand in 2015. Staff decreased from 51 units at 31 December 2015 to 45 units at 31 December 2016.

Fidia do Brasil Ltda

Revenue in 2016 turnover amounted to €902 thousand (3,479 thousand real) over €679 thousand (2,513 thousand real) the previous year. The year 2016 closed with a profit of €28 thousand over a loss of €0.5 thousand in 2015. Staff decreased from 8 units at 31 December 2015 to 7 units at 31 December 2016.

ASSOCIATES

Prometec Consortium

Equity at 31 December 2016 amounted to €10 thousand (interest of Fidia S.p.A.: 20%).

Subsequent events and outlook

The period 2017 began with a positive trend in new orders, amounting to over €6,500 thousand in the first two months; we also recorded a significant increase in new negotiations.

There were no other significant events after the reporting date.

Proposal for approval of Financial Statements and allocation of operating result

Shareholders,
We invite you to approve the Financial Statements at 31 December 2016.
We also submit the proposal to:
allocate the profit for the period, amounting to €2,164,912.51 as follows:

- 5% to legal reserve, equal to € 108,245.63;
- A dividend of € 0.20 per share to shareholders for the outstanding shares, totalling 1,022,600.00;
- The remaining amount to retained earnings, equal to € 1,034,066.88.

San Mauro Torinese, 15 March 2017
On behalf of the Board of Directors
The Chairman and CEO
Mr. Giuseppe Morfino

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Fidia Group

Consolidated Financial Statements at 31 December 2016

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FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2016 Consolidated statement of comprehensive income (*)

€ thousand	Notes	FY2016	FY2015
- Net sales	1	58,850	60,324
- Other revenues	2	1,634	2,121
- Total revenues		**60,483**	**62,445**
- Changes in inventories of finished goods and work in progress		(866)	887
- Consumption of raw materials	3	(20,325)	(21,421)
- Personnel costs	4	(17,407)	(17,201)
- Other operating expenses	5	(17,621)	(19,020)
- Depreciation and amortization	6	(828)	(1,544)
- Profit/(loss) from ordinary business		**3,436**	4,146
- Non-recurring income/(expenses)	7	-	-
- Operating profit/(loss)		**3,436**	4,146
- Finance revenue (expenses)	8	(218)	(636)
- Profit/(loss) before tax		**3,218**	3,510
- Income tax	9	(775)	(1,133)
- Profit/(loss) for continuing operations		**2,443**	2,377
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**2,443**	2,377
Profit/(loss) attributable to:			
Shareholders of parent company		2,462	2,723
Non-controlling interests		(19)	(345)

EUR	Notes	FY2016	FY2015
Basic earnings per ordinary share	10	0.482	0.533
Diluted earnings per ordinary share	10	0.482	0.533

(*) 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. 33.

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2016 Consolidated statement of comprehensive income

€ thousand	Notes	FY2016	FY2015
- Profit/(loss) (A)		**2,443**	**2,377**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:			
Profit/(loss) on cash flow hedges	20	66	388
Profit/(loss) on translation of financial statements of foreign companies	20	(72)	1,167
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss	20	(16)	(109)
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)		**(22)**	**1,446**
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	20	(59)	29
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	20	14	(13)
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)		**(45)**	**16**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)		**(67)**	**1,462**
Total comprehensive profit/(loss) of the period (A)+(B)		**2,376**	**3,839**
Total comprehensive profit/(loss) attributable to:			
Shareholders of parent company		2,464	4,021
Non-controlling interests		(88)	(182)

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2016 Consolidated Statement of Financial Position (*)

€ thousand	Notes	31 December 2016	31 December 2015
ASSETS			
- Property, plant and equipment	11	10,452	6,452
- Intangible assets	12	1,338	1,099
- Investments	13	16	16
- Other non-current receivables and assets	14	968	1,393
- Pre-paid tax assets	9	850	1,052
TOTAL NON-CURRENT ASSETS		**13,625**	**10,012**
- Inventory	15	19,375	19,929
- Trade receivables	16	14,797	9,646
- Current tax receivables	17	664	193
- Other current receivables and assets	17	933	724
- Other current financial receivables	18	-	4
- Cash and cash equivalents	19	8,925	16,041
TOTAL CURRENT ASSETS		**44,694**	**46,537**
TOTAL ASSETS		**58,319**	**56,549**
LIABILITIES			
SHAREHOLDERS' EQUITY:			
- Share capital and reserves attributable to shareholders of parent company		16,867	16,585
- Non-controlling interests		2,071	2,442
TOTAL CONSOLIDATED EQUITY	**20**	**18,938**	**19,027**
- Other non-current payables and liabilities	21	89	290
- Termination benefits	22	2,330	2,372
- Deferred tax liabilities	9	51	59
- Provisions for risks and expenses	28	39	59
- Other non-current financial liabilities	23	23	6
- Non-current financial liabilities	24	11,697	6,006
TOTAL NON-CURRENT LIABILITIES		**14,229**	**8,792**
- Current financial liabilities	24	4,419	3,347
- Other current financial liabilities	25	198	221
- Trade payables	26	10,095	11,335
- Current tax payables	27	1,021	1,558
- Other current payables and liabilities:	27	7,966	10,950
- Provisions for risks and expenses	28	1,453	1,319
TOTAL CURRENT LIABILITIES		**25,152**	**28,730**
TOTAL LIABILITIES		**58,319**	**56,549**

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

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2016 Consolidated statement of cash flow (*)

€ thousand	2016	2015
A) Cash and cash equivalents at beginning of period	**15,534**	**9,039**
B) Cash from/(used in) operating activities during the period		
- Profit/(loss)	2,443	2,377
- Depreciation and amortization	661	697
- Net losses (gains) on disposal of tangible assets	(21)	(32)
- Net change in provisions for termination benefits	(42)	(73)
- Net change in provisions for risks and expenses	114	111
- Net change (assets) liabilities for (pre-paid) deferred taxes	194	248
Net change in working capital:		
- receivables	(5,405)	2,198
- inventory	553	(1,210)
- payables	(4,962)	760
Total	**(6,465)**	**5,076**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible fixed assets	(4,552)	(2,721)
intangible fixed assets	(349)	(570)
- Profit on sale of:		
tangible fixed assets	23	52
Total	**(4,878)**	**(3,239)**
D) Cash from/(used in) financing activities		
- New loans	10,317	7,500
- Loans paid	(3,533)	(2,662)
- Distribution of dividends	(2,045)	(1,278)
- Change in capital and reserves	(133)	245
- Net change in amounts due by other interests	(352)	165
- Net change in current and non-current financial assets and liabilities	(2)	(294)
Total	**4,252**	**3,676**
Differences in exchange rates	(3)	982
E) Net change in cash and cash equivalents	**7,094**	**6,495**
F) Cash and cash equivalents at year end	**8,440**	**15,534**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	8,925	16,041
Overdrawn bank accounts	(485)	(507)
	8,440	**15,534**

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

FIDIA GROUP: Consolidated Financial Statements at 31 December 2016

Overview of changes in consolidated shareholders' equity

(€thousand)	Share capital	Own shares	Capital reserves	Retained earnings	Cash flow hedge reserve	Translation reserve	Reserve for actuarial profit/loss	Other reserves	Profit/(loss)	Total shareholders' equity of Group	Other non-controlling interests	Total shareholders' equity
Balance at 31 December 2014	**5,123**	**(45)**	**1,240**	**3,162**	**(344)**	**1,713**	**(66)**	**213**	**2,894**	**13,890**	**2,623**	**16,513**
Allocation of result	-	-	-	1,616	-	-	-	-	(2,894)	(1,278)	-	(1,278)
Total comprehensive profit/(loss)	-	-	-	-	279	1,003	16	-	2,723	4,021	(181)	3,840
Other changes	-	-	-	(48)	-	-	-	-	-	(48)	-	(48)
Balance at 31 December 2015	**5,123**	**(45)**	**1,240**	**4,730**	**(65)**	**2,716**	**(50)**	**213**	**2,723**	**16,585**	**2,442**	**19,027**
Allocation of result	-	-	-	678	-	-	-	-	(2,723)	(2,045)	-	(2,045)
Total comprehensive profit/(loss)	-	-	-	-	50	(3)	(45)	-	2,462	2,464	(88)	2,376
Other changes	-	-	-	(139)	-	-	-	-	-	(139)	(283)	(422)
Balance at 31 December 2016	**5,123**	**(45)**	**1,240**	**5,269**	**(15)**	**2,713**	**(95)**	**213**	**2,462**	**16,867**	**2,071**	**18,938**

FIDIA GROUP: Consolidated Financial Statements at 31 December 2016

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

€ thousand	Notes	FY2016	Of which related parties	FY2015	Of which related parties
- Net sales	1	58,850		60,324	
- Other revenues	2	1,634		2,121	
- Total revenues		**60,483**		**62,445**	
- Changes in inventories of finished goods and work in progress		(866)		887	
- Consumption of raw materials	3	(20,325)	0	(21,421)	0
- Personnel costs	4	(17,407)	(1,013)	(17,201)	(1,043)
- Other operating expenses	5	(17,621)	(164)	(19,020)	(175)
- Depreciation and amortization	6	(828)		(1,544)	
- Profit/(loss) from ordinary business		**3,436**		**4,146**	
- Non-recurring income/(expenses)	7	-		-	
- Operating profit/(loss)		**3,436**		**4,146**	
- Finance revenue (expenses)	8	(218)		(636)	
- Profit/(loss) before tax		**3,218**		**3,510**	
- Income tax	9	(775)		(1,133)	
- Profit/(loss) for continuing operations		**2,443**		**2,377**	
- Profit/(loss) for discontinued operations		-		-	
- Profit/(loss)		**2,443**		**2,377**	
Profit/(loss) attributable to:					
Shareholders of parent company		**2,462**		**2,723**	
Non-controlling interests		**(19)**		**(345)**	

FIDIA GROUP: Consolidated Financial Statements at 31 December 2016 Consolidated Statement of Financial Position

as per Consob Resolution no. 15519 of 27 July 2006

€ thousand	Notes	31 December 2016	Of which related parties	31 December 2015	Of which related parties
ASSETS					
- Property, plant and equipment	11	10,452		6,452	
- Intangible assets	12	1,338		1,099	
- Investments	13	16		16	
- Other non-current receivables and assets	14	968		1,393	
- Pre-paid tax assets	9	850		1,052	
TOTAL NON-CURRENT ASSETS		**13,625**		**10,012**	
- Inventory	15	19,375		19,929	
- Trade receivables	16	14,797		9,646	
- Current tax receivables	17	664		193	
- Other current receivables and assets	17	933	6	724	39
- Other current financial receivables	18	-		4	
- Cash and cash equivalents	19	8,925		16,041	
TOTAL CURRENT ASSETS		**44,694**		**46,537**	
TOTAL ASSETS		**58,319**		**56,549**	
LIABILITIES					
SHAREHOLDERS' EQUITY:					
- Share capital and reserves attributable to shareholders of parent company		16,867		16,585	
- Non-controlling interests		2,071		2,442	
TOTAL CONSOLIDATED EQUITY	**20**	**18,938**		**19,027**	
- Other non-current payables and liabilities	21	89		290	
- Termination benefits	22	2,330		2,372	
- Deferred tax liabilities	9	51		59	
- Provisions for risks and expenses	28	39		59	
- Other non-current financial liabilities	23	23		6	
- Non-current financial liabilities	24	11,697		6,006	
TOTAL NON-CURRENT LIABILITIES		**14,229**		**8,792**	
- Current financial liabilities	24	4,419		3,347	
- Other current financial liabilities	25	198		221	
- Trade payables	26	10,095	2	11,335	2
- Current tax payables	27	1,021		1,558	
- Other current payables and liabilities:	27	7,966	334	10,950	226
- Provisions for risks and expenses	28	1,453		1,319	
TOTAL CURRENT LIABILITIES		**25,152**		**28,730**	
TOTAL LIABILITIES		**58,319**		**56,549**	

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2016 Consolidated statement of cash flow as per Consob Resolution no. 15519 of 27 July 2006

€ thousand	2016	Of which related parties	2015	Of which related parties
A) Cash and cash equivalents at beginning of period	**15,534**		**9,039**	
- Profit/(loss)	2,443		2,377	
- Depreciation and amortization of tangible and intangible assets	661		697	
- Net losses (gains) on disposal of tangible assets	(21)		(32)	
- Net change in provisions for termination benefits	(42)		(73)	
- Net change in provisions for risks and expenses	114		111	
- Net change (assets) liabilities for (pre-paid) deferred taxes	194		248	
Net change in working capital:				
- receivables	(5,405)	33	2,198	(20)
- inventory	553		(1,210)	
- payables	(4,962)	108	760	(29)
Total	**(6,465)**		**5,076**	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible fixed assets	(4,552)		(2,721)	
intangible fixed assets	(349)		(570)	
- Profit on sale of:				
tangible fixed assets	23		52	
Total	**(4,878)**		**(3,239)**	
D) Cash from/(used in) financing activities				
- New loans	10,317		7,500	
- Loans paid	(3,533)		(2,662)	
- Distribution of dividends	(2,045)		(1,278)	
- Change in capital and reserves	(133)		245	
- Net change in amounts due by other interests	(352)		165	
- Net change in current and non-current financial assets and liabilities	(2)		(294)	
Total	**4,252**		**3,676**	
Differences in exchange rates	(3)		982	
E) Net change in cash and cash equivalents	**7,094**		**6,495**	
F) Cash and cash equivalents at year end	**8,440**		**15,534**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	8,925		16,041	
Overdrawn bank accounts	(485)		(507)	
	8,440		**15,534**	

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 2016 was authorized by the Board of Directors on 15 March 2017. 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 2016 consolidated financial statements were drawn up in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union and with the provisions implementing Article 9 of Italian Legislative Decree No. 38/2005. IFRS also include all the reviewed international accounting standards (IAS) and interpretations of the IFRS Interpretations Committee, previously called International Financial Reporting Interpretations Committee (IFRIC), and before then Standing Interpretations Committee (SIC).

The Financial Statements were drawn up based on the historical cost principle, amended as requested for the evaluation of some financial instruments and a building as well as on the assumption of going concern.

The Group has concluded that there are no significant uncertainties (as set out by para. 25 of IAS 1) on going concern

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 business and those charges and earnings that are the result of non-recurrent transactions in ordinary business management, such as the restructuring expenses and any other atypical revenues/(charges), as these can be treated like the former. It is deemed that this allows for a better measurement of the actual performance of the normal business management, it being understood that any atypical expenses and earnings are specified in detail.

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

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

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

Finally, please be noted that with reference to Consob Resolution n° 15519 of July 27, 2006 on financial statements, supplementary schedules for the 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 book value of Equity allocated to the shareholders of the parent company and to non-controlling interests is adjusted to reflect the change in the interest share. Any difference between the 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 equity of the shareholders 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 book value 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 39, IAS 28 or IAS 31.

Associates

Associated companies are companies in which the Group exercises significant influence, as defined by IAS 28 - *Investments in associates*, but not control or joint control over the financial and operating policies. Investments in associates are accounted for under the equity method, from the date on which significant influence starts up to the moment in which this considerable influence ceases to exist.

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

Interests 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 signification transactions between Group companies were eliminated as well as any unrealized profit and loss on intragroup transactions.

Transactions in foreign currency

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

Consolidation of foreign entities

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

Business combinations

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

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

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

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

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

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

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

- If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the above-mentioned measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognized at that date.
Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

PROPERTY, PLANT AND EQUIPMENT

Cost

Property, consisting 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 writedown and these were not revalued. The cost comprises ancillary expenses and direct costs needed to make the asset available for use and indirect costs in the amount reasonably attributable to these.

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

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

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

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

Depreciation

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

Description	Depreciation rates
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

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

INTANGIBLE 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.

Writedown 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 writedown is posted if the recoverable amount is lower than the book value.

Should there no longer be a writedown of an asset other than goodwill or should the writedown be reduced, the book value of the asset or the unit generating the cash flows is increased until the recoverable amount is estimated again and it cannot exceed the amount that would have been determined if there had been no writedown. A reversal of writedown 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, as defined by IAS 39, include trade receivables, other receivables and current assets and other current financial assets (which include the positive fair value of derivatives), as well as cash and cash equivalents.

In particular, Cash and Cash Equivalents comprises bank account and securities held for trading that can be readily cashed in and are subject to a non-significant risk of change. For the purpose of representation in the consolidated cash flow statement, cash and cash equivalents are represented by cash and cash equivalents as defined above, net of bank overdrafts, since these are considered an integral part of the Group's liquidity management

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

Valuation

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

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

Cash 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.

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

DERIVATIVES

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

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

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

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

- fair value hedge: if a derivative is designated as a hedge of the exposure of changes in the fair value of a balance-sheet asset or liability attributable to a given risk that may have effects on the statement of comprehensive income, the gain or loss resulting from re-measurements of the fair value of the hedging instrument are recognized in profit or loss. Gains or loss on the hedged item attributable to the hedged risk change the book value of said item and are recognized in profit or loss;
- cash flow hedge: if a derivative is designated as a hedge for exposure to variability in the future cash flows of an asset or liability reported in the income statement or of a transaction deemed highly probable that could have effects on the income statement, the effective portion of the profit or loss on the derivative is recorded in Other Comprehensive Profit/(Loss). Accrued gains or loss are reversed from Other Comprehensive Profit/(Loss) and recognized in profit or loss in the same period in which the correlated economic effect of the hedged transaction occurs. Gains or loss of a hedge (or part of a hedge), which has become ineffective, are immediately recognized in profit or loss. If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realized, accumulated gains and losses accumulated recorded in Other Comprehensive Profit/(Loss) up to that moment are recognized in the 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 Other Comprehensive Profit/(Loss) is immediately recognized in profit or loss.

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

Fair value

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

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

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

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

Criteria for measuring fair value

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

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

The market factors considered for the calculation of fair value and measured at the measurement date of 31 December 2015 were: time value of money, i.e., base interest rate without risk, credit risk, exchange rates of foreign currencies, size of the future changes in price of a financial instrument, i.e., the latter's volatility, the costs to service an asset or financial liability.

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

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

In particular, financial assets and liabilities were divided into:

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

Financial assets and liabilities evaluated at amortized cost

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

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

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

Financial assets and liabilities measured at fair value

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

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

The fair value of the interest rate swaps and interest rate caps is calculated based on the market data available on the measurement date by discounting the contract flows of estimated future cash with the short and medium-to-long term exchange rate curves measured by market info providers.

Interest rates

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

	EUR Curve			USD Curve	
	2016	2015		2016	2015
1W	-	-	1W	0.723%	0.390%
1M	-0.368%	-0.205%	1M	0.772%	0.430%
2M	-0.338%	-0.165%	2M	0.819%	0.515%
3M	-0.319%	-0.131%	3M	0.998%	0.613%
6M	-0.221%	-0.040%	6M	1.318%	0.846%
9 M	-0.139%	0.004%	9 M	-	-
12M	-0.082%	0.060%	12M	1.686%	1.178%
2 year	-0.161%	-0.029%	2 year	1.457%	1.172%
3 years	-0.108%	0.063%	3 years	1.677%	1.410%
4 year	-0.023%	0.196%	4 year	1.838%	1.588%
5 year	0.077%	0.331%	5 year	1.959%	1.730%
7 year	0.313%	0.620%	7 year	2.143%	1.955%
10 year	0.661%	1.001%	10 year	2.320%	2.187%
15 year	1.028%	1.397%	15 year	2.479%	2.417%
20 year	1.177%	1.565%	20 year	2.544%	2.528%
30 years	1.236%	1.613%	30 years	2.570%	2.613%

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 realizable value. The evaluation of inventories includes the direct costs of materials and labor and the indirect costs (both variable and fixed).

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

PROVISIONS FOR RISKS AND EXPENSES

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

The estimate changes are recognized in profit or loss of the period in which the change occurred.

TERMINATION BENEFITS

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

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

OWN SHARES

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

REVENUE RECOGNITION

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

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

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

- the seller has transferred to the buyer the significant risks and rewards of ownership;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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 fiscal year 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 book value in the consolidated statement of financial position. The deferred tax assets on tax losses and on temporary differences are stated to the extent in which it is probable that there is a future taxable income on which these can be recovered. Deferred tax assets and liabilities are determined with the tax rates that are expected to be applicable in the relevant tax systems of the countries in which the Group has operations, in the periods in which temporary differences will be realized or written off.

EARNINGS PER SHARE

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

USE OF ESTIMATES

The preparation of financial statements and related disclosures that conform to IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used are based on experience and other factors deemed relevant. The results that will be stated in the final balance could hence differ from said estimates. The estimates and assumptions are periodically revised and effects of each change are recognized in profit or loss in the period in which the estimate is revised if the revision has effects on said period or in following periods if the revisions has effects both on the current period and on future periods.

In this context, 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 book value 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 book value of the assets and liabilities in the period following the one of reference of the statement of financial position.

Recoverable value of non-current assets

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

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

Bad debts provision

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

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.

Employee severance indemnities

For the evaluation of employee severance indemnities, 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 2016

- In May 2014 the IASB issued certain amendments to 'IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations" to clarify the accounting of acquisitions of interests in joint operations. These amendments had no significant impact on the Group's financial statements.
- In May 2014 IASB issued an amendment to “IAS 16 - Property, Plant and Equipment" and to "IAS 38 - Intangible assets" clarifying that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate; there are limited circumstances when the presumption can be overcome. These amendments had no significant impact on the Group's financial statements.
- In August 2014 the IASB issued an amendment to “IAS 27 - Separate Financial Statements.” The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. This amendment came into force on 01/01/2016 and had no significant impact on the Group's financial statements.

- Annual Improvements 2012-2014 Cycle (effective from 01/01/2016): a series of amendments to IFRS to address four topics addressed during the 2012-2014 cycle. They relate largely to clarifications. These amendments had no significant impact on the Group's financial statements.
- In September 2014 IASB issued certain minor amendments to “IFRS 10 - Consolidated Financial Statements" and to "IAS 28 - Investments in Associates and Joint Ventures (2011)" that address a conflict identified between the requirements of IFRS 10 and IAS 28 (2011) concerning the sale or contribution of assets between an investor and its associate or joint venture. If the transaction relates to a strategic asset, profit or loss are recognized in full, while if it does not relate to a strategic asset, profit or is recognized in part. The amendments are effective for annual periods beginning on or after 1 January 2016. These amendments had no significant impact on the Group's financial statements.
- In December 2014 IASB issued an amendment to “IAS 1 - Presentation of Financial Statements" to improve the presentation and disclosure of financial statements. These amendments clarify that materiality considerations apply to the all parts of the financial statements and that information should not be obscured by aggregating or by providing immaterial information. Furthermore, these amendments clarify that entities should resort to the opinion of an expert to determine where and in what order disclosures are to be presented in the financial statements. These amendments had no significant impact on the Group's financial statements.

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

- In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The new standard will apply to all customer contracts. The main concept established by the new standard is the recognition of revenues by companies to represent the transfer of goods or services to customers in the amount that reflects the consideration (i.e., payment) that the company expects to receive in exchange for those goods or services. The standard provides for greater disclosure of revenues, provides guidance for transactions that were not previously treated exhaustively, and improves guidance concerning multiiple element contracts. On 11 September 2015, the IASB issued an amendment to this standard, postponing its date of adoption from 1 January 2018. This standard was subsequently amended on 12 April 2016; the amendment applicable from 1 January 2018 is intended to clarify the guidelines for the identification of an obligation to sell an asset or provide one or more services and also intends to clarify the accounting of licenses relating to intellectual property. At the date of approval of this Financial Report, an analysis of the impacts deriving from the application of this standard is underway; at present, it is considered that these effects are not significant for the purposes of the Consolidated Financial Statements and the Separate Financial Statements.
- In July 2014, the IASB issued an amendment to "IFRS 9 - Financial Instruments" that streamlines the measurement model and establishes three main measurement categories for financial assets: amortised cost, fair value through comprehensive income and fair value through profit or loss. The classification criterion depends on the entity's operating model and the contractual cash flow characteristics of the financial asset. The amendment introduces a new model on expected losses; for financial liabilities, the main change relates to the accounting of changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to changes in the creditworthiness of the liability. According to the new standard, these changes must be recognised in the statement of comprehensive income and will no longer pass through profit or loss. The standard also reformed the hedge accounting approach. The amendments are effective for annual periods beginning on or after 1 January 2018.
- In January 2016, the IASB issued an amendment to IFRS 16 “Leasing." The amendment establishes the principles for the recognition, measurement, presentation and disclosure of lease agreements for both parties involved and replaces the previous standard IAS 17 "Leasing". IFRS 16 defines the lease as a contract that transfers the right to use an asset for a specified period of time to the client (the lessee), in exchange for a consideration; the distinction between operating and financial leases is eliminated; and a single accounting model is introduced whereby a lessee is required to recognise assets and liabilities for all leases with a maturity of more than 12 months, unless the underlying asset is of low value, and to recognise the depreciation of the assets in relation to interest expense separately in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2019.
- In January 2016, the IASB issued an amendment to IAS 12 "Income Taxes." The amendment clarifies the requirements for the recognition of deferred tax assets on unrealised losses relating to liabilities measured at fair value. The amendment is effective for annual periods beginning on or after 1 January 2017.
- In January 2016, the IASB issued an amendment to IAS 7 “Statement of Cash Flows." The amendment requires additional disclosures that allow users of financial statements to measure changes in liabilities arising from financing activities. The amendment is effective for annual periods beginning on or after 1 January 2017.

The Group will adopt these new standards, amendments and interpretations on the basis of the set date of application and will evaluate its potential impacts when these will be adopted by the European Union.

RISK MANAGEMENT

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

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

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

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

For more details, see Note 31.

CONSOLIDATION AREA

The Group Consolidated Financial Statements at 31 December 2016 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 2016	Size of interest 2015
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	400,843	99.75%	99.75%
Beijing Fidia M&E Co Ltd, Beijing - China	USD	1,500,000	96.00%	92.00%
Shenyang Fidia NC & Machine Company Ltd, Shenyang – China	Rmb	42,517,648	51.00%	51.00%
OOO Fidia, Moscow, Russian Federation	Rouble	3,599,790	100%	100%

The scope of consolidation changed compared to the Consolidated Financial Statements at 31 December 2015, in particular a further 4% of the Chinese subsidiary "Beijing Fidia M&E Co. Ltd" was acquired from a minority shareholder, bringing the total share in their possession to 96%.

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 91.5 % of total sales.

Turnover by geographical area **€ thousand**	**FY2016**	**%**	**FY2015**	**%**
Italy	4,977	8.5%	6,614	11.0%
Europe	17,402	29.6%	18,368	30.4%
Asia	22,496	38.2%	21,177	35.1%
North and South America	13,962	23.7%	14,052	23.3%
Rest of the World	13	0.0%	113	0.2%
Total revenue	**58,850**	**100%**	**60,324**	**100%**

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

Turnover by business line € thousand	**FY2016**	**%**	**FY2015**	**%**
Numerical controls, drives and software	4,625	7.8%	4,477	7.4%
High-speed milling systems	41,483	70.5%	42,239	70.0%
After-sales service	12,742	21.7%	13,608	22.6%
Total revenue	**58,850**	**100%**	**60,324**	**100%**

2. OTHER REVENUE

This item comprises:

€ thousand	**FY2016**	**FY2015**
Contributions for operating expenses	399	451
Increase in fixed assets for internal work	483	747
Contingent assets	325	202
Gain from tangible assets	21	46
Recovery of costs incurred	126	192
Insurance refunds	47	139
Release of bad debt and legal risks provisions	180	325
Other miscellaneous revenues and earnings	53	19
Total	**1,634**	**2,121**

Other revenue amounted to €1,634 thousand (€2,121 thousand in 2015), down by €487 thousand YOY.

This item includes €399 thousand (€451 thousand at 31 December 2015) 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 2016 and allocated by the European Union and the Italian Ministry of University and Research. Applied and basic research and development activities are a structural component and are carried out on an ongoing basis by Fidia S.p.A. This item also comprises increases in tangible assets built within the Group and devoted solely to demonstrations for customers (€483 thousand at 31 December 2016; €747 thousand at 31 December 2015).

3. RAW MATERIALS

These are:

€ thousand	FY2016	FY2015
Production materials	18,935	19,165
Service materials	1,285	1,426
Consumables	141	98
Equipment and software	57	60
Packaging	269	286
Others	148	142
Change in inventory raw materials and consumables	(510)	244
Total	**20,325**	**21,421**

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

For comparative purposes, the production materials for 2015 includes a reclassification of €502 thousand, previously recorded under other operating costs to make it compatible with the allocation decisions made in 2016.

4. PERSONNEL EXPENSES

Personnel expenses amounted to €17,407 thousand versus €17,201 thousand of the year before and consist of:

€ thousand	FY2016	FY2015
Wages and salaries	13,205	13,074
Social security charges	3,521	3,496
TFR	482	475
Other personnel expenses	199	156
Total	**17,407**	**17,201**

Cost of personnel increased compared with the previous year (+1.20%, equivalent to an increase of about €206 thousand), while Group personnel increased on average by about 1.9%.

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased slightly from 27.2% in 2015 to 29.2% in the current year.

The change recorded in 2016 in the number of employees, broken down by category, is illustrated below:

	31 December 2015	Inbound	Outbound	Change in level	31 December 2016	Period average
Executives	8	-	-	-	8	8
Clerks and cadres	281	23	(22)	-	282	281.5
Workers	52	3	(4)	-	51	51.5
Total	**341**	**26**	**(26)**	**-**	**341**	**341**

5. OTHER OPERATING EXPENSES

Other operating expenses in the amount of €17,621 thousand, down by €1,399 thousand, versus €19,020 thousand at 31 December 2015, are illustrated in detail in the table below:

€ thousand	FY2016	FY2015
Outsourced work	3,293	4,362
Travel expenses	1,939	1,931
Transportation and customs	1,503	1,755
Rent paid for offices and plants	1,348	1,350
Technical, legal and administrative consulting	1,351	1,500
Utilities	524	543
Commissions	1,418	2,298
Car rental expenses	378	326
Warranty provisions	171	121
Other provisions	28	18
Auditors' emoluments	62	58
Insurance	455	420
Advertising, trade fairs and other commercial costs	662	547
Non-income taxes	420	306
Maintenance and housekeeping	225	222
Personnel-related expenses	293	275
Bank services	252	241
Motor vehicle management expenses	119	107
Bad debts	-	115
Stock exchange listing fees	111	119
Costs for repairs and interventions	1,868	1,207
Research project costs	172	143
Entertainment expenses	165	153
Contributions and payments	69	65
Contingent liabilities	164	139
Penalties and surcharges	3	3
Others	628	696
Total	**17,621**	**19,020**

The decrease YOY is due mostly to lower costs related to the production, commercial and technical areas, as well as to a less use of contractors and lower commissions; these costs have declined because of the lower levels of production and revenue.

As in Note 3, for comparative purposes, €502 thousand previously recorded under transport and duties have been reclassified under costs for production materials.

6. DEPRECIATION AND AMORTIZATION

€ thousand	FY2016	FY2015
Amortization of intangible fixed assets	108	171
Amortization of property, plant and equipment	553	525
Writedown of trade receivables	166	273
Writedown of other non-current receivables and assets	-	575
Total	**828**	**1,544**

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

7. NON-RECURRING REVENUE

This item is not present in the period under examination.

8. FINANCE REVENUE AND EXPENSES

Finance revenue and expenses consist of:

€ thousand	FY2016	FY2015
Finance revenue	45	39
Borrowing costs	(252)	(238)
Net profit (loss) on derivatives	(178)	-
Profit (loss) from foreign currency transactions	167	(437)
Total	**(218)**	**(636)**

In the year 2015, the balance of finance revenue (expenses) was negative, amounting to €218 thousand (€636 thousand in 2014).
Finance revenue consists of:

€ thousand	FY2016	FY2015
Interests received from banks	17	26
Interests and commercial discounts	1	1
Other interests received	27	12
Total	**45**	**39**

Finance expenses consist of:

€ thousand	FY2016	FY2015
Interests paid on borrowings from banks	(19)	(48)
Interest paid on M/L-term borrowings from banks	(160)	(110)
Borrowing costs on termination benefits	(19)	(27)
Interest paid on leasing	(2)	(3)
Other borrowing costs	(52)	(50)
Total	**(252)**	**(238)**

Net profit and loss on derivatives:

€ thousand	FY2016	FY2015
Financial charges on derivatives	(185)	(50)
Financial expenses on derivatives	7	50
Total	**(178)**	**-**

Finance expenses on derivatives (€185 thousand) comprises the fair value impact for the component excluded from hedging (time value of forward) of the futures contracts put in place to limit the risk on the EUR/USD exchange rate linked to sales orders in USD and the change in fair value relating to the component excluded from the hedging relationship of interest rate swap contracts on loans and financial charges recorded on contracts closed during the year.

Finance revenue on derivatives equal to €7 thousand comprises the value of the ineffective component of hedging derivatives (two interest rate caps) entered into to hedge interest rate risk on two medium-to-long term floating rate loans.

Profit (loss) on foreign currency transactions consists of:

€ thousand	FY2016	FY2015
Currency gain	206	195
Revenue from exchange rate adjustment	192	21
Profit on currency forward contract	43	4
Currency loss	(166)	(398)
Expenses from exchange rate adjustment	(108)	(225)
Loss on currency forward contract	-	(34)
Total	**167**	**(437)**

9. INCOME TAXES

Taxes stated in the consolidated statement of comprehensive income were:

€ thousand	FY2016	FY2015
Income tax: IRAP (Italian Regional Tax on Production Activities)	89	173
Income tax: IRES (Italian Corporate Income Tax)	14	107
Income tax of foreign subsidiaries	477	600
Deferred tax assets	202	295
Deferred tax liabilities	(7)	(42)
Total	**775**	**1,133**

The decrease in current taxes reflects the higher lower income realized by the parent company and some subsidiaries compared with the previous year. The amount of deferred tax is the result of recognition in the financial statements of part of the deferred taxes of some Group companies.

At 31 December 2016, the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€ thousand	31 December 2016	31 December 2015
Pre-paid tax assets	850	1,052
Deferred tax liabilities	(51)	(59)
Total	**799**	**993**

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

€ thousand	At 31/12/2015	Posted to income statement	Stated to shareholders' equity	Others Changes	Exchange rate differences	At 31/12/2016
Pre-paid taxes for:						
Application of IAS 19	126	(2)	14	-	-	138
Application of IAS 16- Property, plant and equipment	48	(2)	-	-	-	46
Loss from previous periods	378	(114)	-	-	(1)	263
Writedown provisions	259	(27)	-	-	9	241
Cash flow hedge reserve	23	-	(18)	-	-	5
Miscellaneous	218	(57)	-	-	(4)	157
Total deferred tax assets	**1,052**	**(202)**	**(4)**	**-**	**4**	**850**
Deferred tax liabilities for:						
Fair value measurement	57	(8)	-	-	-	49
Cash flow hedge reserve	2	-	(2)	-	-	-
Miscellaneous	-	1	-	-	-	1
Total deferred taxes	**59**	**(7)**	**(2)**	**-**	**-**	**51**

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

The comprehensive value of tax loss at 31 December 2016 and the relevant amounts for which no assets for pre-paid taxes, divided by year due, are stated below (for Fidia SpA only).

		Year due					
€ thousand	**At 31 December 2016**	**2017**	**2018**	**2019**	**2020**	**Beyond 2021**	**Unlimited or unforeseeable**
Tax loss	646	-	-	-	-	-	646

Other temporary differences for which no deferred tax assets were recognized amounted to €6,087 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:

		2016	**2015**
Net earnings pertaining to Group	€ thousand	2,462	2,723
Earnings attributable to ordinary shares	€ thousand	2,462	2,723
Mean number of ordinary shares in circulation in the period	Number	5,113,000	5,113,000
Earnings per ordinary share	EUR	0.482	0.533
Diluted earnings per ordinary share	EUR	0.482	0.533

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

STATEMENT OF FINANCIAL POSITION

11. PROPERTY, PLANT AND EQUIPMENT

In 2016 and 2015 the changes in original cost of Property, Plant and Equipment were as follows:

€ thousand	Initial balance at 1 January 2016 Purchase Price	Revaluations	Total	Changes in period Additions	Decreases	(Write-downs) Write-backs	Exchange rate Differences	Reclassifications	Total	Balance 31.12.2016
Buildings	480	380	860	1,200	-	-	-	71	1,271	2,131
Lightweight constructions	11	-	11	-	-	-	-	-	-	11
Total property	**491**	**380**	**871**	**1,200**	**-**	**-**	**-**	**71**	**1,271**	**2,142**
Plant and equipment	1,919	-	1,919	93	-	-	4	-	97	2,016
Industrial equipment	2,101	-	2,101	217	-	-	(5)	-	212	2,313
Electrical tools	1,074	-	1,074	4	(59)	-	-	-	(55)	1,019
Total plant, machinery and equipment	**5,094**	**-**	**5,094**	**314**	**(59)**	**-**	**(1)**	**-**	**254**	**5,348**
Furnishing	1,178	-	1,178	57	-	-	5	-	62	1,240
Electronic equipment	1,746	-	1,746	42	(6)	-	11	-	47	1,793
Means of transportation	1,449	-	1,449	147	(93)	-	4	-	58	1,507
Total other goods	**4,373**	**-**	**4,373**	**246**	**(99)**	**-**	**20**	**-**	**167**	**4,540**
Work in progress	4,729	-	4,729	2,791	-	-	2	(71)	2,722	7,451
Total original cost of property, plant and equipment	**14,687**	**380**	**15,067**	**4,552**	**(158)**	**-**	**21**	**-**	**4,414**	**19,481**

€ thousand	Initial balance at 1 January 2015 Purchase Price	Revaluations	Total	Changes in period Additions	Decreases	(Write-downs) Write-backs	Exchange rate Differences	Others Changes	Total	Balance 31.12.2015
Buildings	480	380	860	-	-	-	-	-	-	860
Lightweight constructions	9	-	9	2	-	-	-	-	2	11
Total property	**489**	**380**	**869**	**2**	**-**	**-**	**-**	**-**	**2**	**871**
Plant and equipment	1,972	-	1,972	105	(171)	-	13	-	(53)	1,919
Industrial equipment	1,939	-	1,939	161	(15)	-	16	-	162	2,101
Electrical tools	1,189	-	1,189	17	(144)	-	12	-	(115)	1,074
Total plant, machinery and equipment	**5,100**	**-**	**5,100**	**283**	**(330)**	**-**	**41**	**-**	**(6)**	**5,094**
Furnishing	1,271	-	1,271	7	(113)	-	13	-	(93)	1,178
Electronic equipment	1,690	-	1,690	70	(32)	-	18	-	56	1,746
Means of transportation	1,213	-	1,213	355	(144)	-	25	-	236	1,449
Total other goods	**4,174**	**-**	**4,174**	**432**	**(289)**	**-**	**56**	**-**	**199**	**4,373**
Work in progress	2,725	-	2,725	2,004	-	-	-	-	2,004	4,729
Total original cost of property, plant and equipment	**12,488**	**380**	**12,868**	**2,721**	**(619)**	**-**	**97**	**-**	**2,199**	**15,067**

In 2016 and 2015, the changes in the relevant accrued depreciation were the following:

€ thousand	Initial balance 1.1.2016	Changes in period					Final balance 31.12.2016
		Depreciation	Disposals	Others changes	Exchange rate Differences	Total	
Buildings	470	74	-	-	1	75	545
Lightweight constructions	7	1	-	-	-	1	8
Total property	**477**	**75**	**.**	**-**	**1**	**76**	**553**
Plant and equipment	1,715	86	.	-	4	90	1,805
Industrial equipment	1,862	97	-	-	(5)	92	1,954
Electrical tools	1,048	10	(59)	-	(1)	(50)	998
Total plant, machinery and equipment	**4,625**	**193**	**(59)**	**-**	**(2)**	**132**	**4,757**
Furnishing	985	24	-	-	4	28	1,013
Electronic equipment	1,623	52	(5)	-	11	58	1,681
Means of transportation	905	209	(91)	-	2	120	1,025
Total other goods	**3,513**	**285**	**(96)**	**-**	**17**	**206**	**3,719**
Total cumulated depreciation of property, plant and equipment	**8,615**	**553**	**(155)**	**-**	**16**	**414**	**9,029**

€ thousand	Initial balance 1.1.2015	Changes in period					Final balance 31.12.2015
		Depreciation	Disposals	Others changes	Exchange rate differences	Total	
Buildings	427	43	-	-	-	43	470
Lightweight constructions	6	1	-	-	-	1	7
Total property	**433**	**44**	**-**	**-**	**-**	**44**	**477**
Plant and equipment	1,721	142	(160)	-	12	(6)	1,715
Industrial equipment	1,779	84	(15)	-	14	83	1,862
Electrical tools	1,171	8	(145)	-	14	(123)	1,048
Total plant, machinery and equipment	**4,671**	**234**	**(320)**	**-**	**40**	**(46)**	**4,625**
Furnishing	1,057	32	(113)	-	9	(72)	985
Electronic equipment	1,589	48	(30)	-	16	34	1,623
Means of transportation	857	167	(135)	-	16	48	905
Total other goods	**3,503**	**247**	**(278)**	**-**	**41**	**10**	**3,513**
Total cumulated depreciation of property, plant and equipment	**8,607**	**525**	**(598)**	**-**	**81**	**8**	**8,615**

The net book value of Property, Plant and Equipment at 31 December 2016 and 31 December 2015 can be broken down as follows:

€ thousand	Initial balance 1.1.2016	Changes in period							Final balance 31.12.2016
		Additions	Disposals	(Write-downs) Write-backs	Reclassifications	Depreciation	Exchange rate Differences	Total	
Buildings	390	1,200	-	-	71	(74)	(1)	1,196	1,586
Lightweight constructions	4	-	-	-	-	(1)	-	(1)	3
Total property	**394**	**1,200**	**-**	**-**	**-**	**(75)**		**(43)**	**1,589**
Plant and equipment	204	93	-	-	-	(86)	-	7	211
Industrial equipment	239	217	-	-	-	(97)	-	120	359
Electrical tools	26	4	-	-	-	(10)	1	(5)	21
Total plant, machinery and equipment	**469**	**314**	**-**	**-**	**-**	**(193)**	**1**	**122**	**591**
Furnishing	193	57	-	-	-	(24)	1	34	227
Electronic equipment	123	42	(1)	-	-	(52)	-	(11)	112
Means of transportation	544	147	(2)	-	-	(209)	2	(62)	482
Total other goods	**860**	**246**	**(3)**	**-**	**-**	**(285)**	**3**	**(39)**	**821**
Work in progress	4,729	2,791	-	-	(71)	-	2	2,722	7,451
Total net value of property, plant and equipment	**6,452**	**4,552**	**(3)**	**-**	**-**	**(553)**	**5**	**4,000**	**10,452**

€ thousand	Initial balance 1.1.2015	Changes in period							Final balance 31.12.2015
		Additions	Disposals	(Write-downs)) Write-backs	Others Changes	Depreciation	Exchange rate Differences	Total	
Buildings	433	-	-	-	-	(43)	-	(43)	390
Lightweight constructions	3	2	-	-	-	(1)	-	1	4
Total property	**436**	**2**	**-**	**-**	**-**	**(44)**	**-**	**(42)**	**394**
Plant and equipment	251	105	(11)	-	-	(142)	1	(47)	204
Industrial equipment	160	161	-	-	-	(84)	2	79	239
Electrical tools	18	17	1	-	-	(8)	(2)	8	26
Total plant, machinery and equipment	**429**	**283**	**(10)**	**-**	**-**	**(234)**	**1**	**40**	**469**
Furnishing	214	7	-	-	-	(32)	4	(21)	193
Electronic equipment	101	70	(2)	-	-	(48)	2	22	123
Means of transportation	356	355	(9)	-	-	(167)	9	188	544
Total other goods	**671**	**432**	**(11)**	**-**	**-**	**(247)**	**15**	**189**	**860**
Work in progress	2,725	2,004	-	-	-	-	-	2,004	4,729
Total net value of property, plant and equipment	**4,261**	**2,721**	**(21)**	**-**	**-**	**(525)**	**16**	**2,191**	**6,452**

Capital expenditure made in 2016, amounting to €4,551 thousand, are attributable to the acquisition of the new headquarters of Fidia Co for €1,200 thousand and €2,791 thousand for the advancement of the real estate investment of the parent company Fidia S.p.A., which in 2014 acquired land and an industrial building to be renovated under a lease contract. As this property complex is not yet ready for use, it has not yet been depreciated and is classified under "Assets in progress" for €7,439 thousand.
The residual part of the capital expenditure consists of physiological investments for the upkeep of the production structure.

At 31 December 2016, the Group has no buildings burdened by collateral, but, by virtue of the lease contract entered into for the purchase of the industrial building to be renovated of Fidia S.p.A., this asset is in the name of the leasing company.

Capital expenditure does not include capitalized borrowing costs.

Buildings consists of the headquarters of Fidia Iberica and Fidia Co.

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

12. INTANGIBLE FIXED ASSETS

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

In 2016 and 2015 the changes in net book value of Intangible Assets were as follows:

€ thousand	Initial balance 1.1.2016	Changes in period: Additions	Depreciation	Reclassifications	Exchange rate Differences	Total	Final balance 31.12.2016
Development Costs	-	-	-	252	-	252	252
Licenses	72	12	(27)	6	-	(9)	63
Software	211	31	(81)	-	(2)	(52)	159
Work in progress	816	306	-	(258)	-	48	864
Total net value of intangible fixed assets	**1,099**	**349**	**(108)**	**-**	**(2)**	**239**	**1,338**

€ thousand	Initial balance 1.1.2015	Changes in period: Additions	Depreciation	Reclassifications	Exchange rate Differences	Total	Final balance 31.12.2015
Utilization rights for know-how	57	-	(63)	-	6	(57)	-
Licenses	82	12	(22)	-	-	(10)	72
Software	257	39	(86)	-	1	(46)	211
Work in progress	298	518	-	-	-	518	816
Total net value of intangible fixed assets	**694**	**569**	**(171)**	**-**	**7**	**405**	**1,099**

Capital expenditure in 2016 amounted to €349 thousand and mainly refer to development costs incurred and capitalised (€306 thousand) not yet amortized because they have not yet been fully amortized; the only exception is the I/O line project, completed and transferred at the end of the year, which therefore has 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).

13. INVESTMENTS

Investments are as follows:

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Investments measured with the equity method	2	2
Investments measured at cost	14	14
Total interests	**16**	**16**

Investments measured at cost were:

€ thousand	Balance at 31 December 2016
Probest Service S.p.A. - Milan	10
Elkargi (Fidia Iberica)	4
Total investments measured at cost	**14**

Investments measured with the equity method were as follows:

€ thousand	Share Capital	Size of investment	
		31/12/2016	31/12/2015
Prometec Consortium - Rivoli (Turin)	10	20.00%	20.00%

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

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

€ thousand	Balance 31 December 2016	Balance 31 December 2015
Security deposits	85	54
Non-recurring trade receivables	160	236
Receivables for foreign VAT	6	15
Withholding tax on foreign income	690	686
Multi-year pre-paid expenses	22	2
Sundry receivables	6	400
Total	**968**	**1,393**

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

This item decreased by €425 thousand, mainly due to the reclassification of the advance paid by Fidia Spa to Mediocredito Italiano (€400 thousand) as part of the lease contract for the construction of the office part of the new production site in Forlì to directly reduce financial debt. This reclassification was needed based on the actual state of progress of the works, the costs of which are capitalised under work in progress.

Withholding tax receivables on foreign income consist of receivables claimed by Fidia S.p.A. with tax authorities for final withholding tax on wages for technical training activities carried out by the parent company on behalf of the subsidiary Shenyang Fidia NC&M Co. Ltd. in previous years and on dividends received from the subsidiary Beijing Fidia M&E Co Ltd, Beijing. 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. The value of these receivables is adjusted by a bad debt provision of €579 thousand recognised in previous years and which has not changed during the period.

15. INVENTORY

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Raw/auxiliary materials and consumable supplies	10,827	10,592
Provisions for raw materials depreciation	(1,928)	(2,014)
Net value of raw materials, subsidiary materials and consumables	**8,899**	**8,578**
Semi-finished products and work in progress	5,243	**6,283**
Finished products and goods for resale	5,641	5,418
Finished products and goods depreciation provision	(502)	(528)
Net value finished products and goods	**5,139**	**4,890**
Advances	94	178
Total inventory	**19,375**	**19,929**

Inventory decreased by €554 thousand YOY as a result of an improvement in their management.
For comparative purposes, €104 thousand booked in the previous year under other current receivables and assets have been reclassified to inventory.

The provisions for depreciation equivalent to €2,430 thousand (€2,542 thousand at 31 December 2015) 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 31/12/2015	Provisions/(release)	Exchange rate effect	Balance 31/12/2016
Provisions for raw materials depreciation	2,014	(72)	(14)	1,928
Provisions for depreciation finished products	528	(43)	17	502
Total	**2,542**	**115**	**3**	**2,430**

16. TRADE RECEIVABLES

At 31 December 2016 these amounted to €14,797 thousand, namely €5,151 thousand higher YOY. Trade receivables are detailed as follows:

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Trade receivables from customers	15,502	10,438
Taxed supplementary	(705)	(792)
Total trade receivables	**14,797**	**9,646**

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

€ thousand	31 December 2016	31 December 2015
Unexpired	4,708	6,064
Due up to 1 month	6,685	444
Due 1 to 3 months	1,900	1,042
Due 3 months to 6 months	282	696
Due 6 months to 1 year	678	695
Due over 1 year	1,249	1,497
Total	**15,502**	**10,438**

Receivables were aligned at the expected realizable value by means of allocations to the provisions for writedown of receivables equal to €166 thousand. Said provision, in the amount of €705 thousand (€792 thousand at 31 December 2015) was made for estimated potential loss on receivables depending on the time frames inherent in the nature of the business.

The analysis of credit positions is analytically defined, on the individual positions, in order to take into account, in addition to the factors that are inherent to the business, also the receipts that occurred in the first months following the reporting date, the existence of any related liabilities, or the residual portions of transactions that are substantially collected or in any case correlated to the balance for inspection.

Based on this analysis, the provision of €705 thousand has been reasonably allocated.

Receivables include €400 thousand in bank receipts submitted for collection or under reserve, which were not due yet at year-end.

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

The changes in the bad debt provision illustrated below.

€ thousand	
Balance at 31 December 2015	**792**
Provisions in period	166
Amounts used	(262)
Currency gain/(loss)	9
Balance at 31 December 2016	**705**

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Italy	914	958
Europe	2,893	3,769
Asia	8,221	2,680
North and South America	3,455	2,958
Rest of the World	19	73
Total	**15,502**	**10,438**

Receivables from Asian customers increased by €5,541 thousand due to the delivery of 2 machines at the end of December, the collection of which occurred in the first few months of 2017.

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Current tax receivables:		
Receivables from tax authorities for VAT	361	12
Tax receivables for income tax and IRAP	282	146
Receivables for short-term foreign VAT	14	31
Other tax receivables:	7	4
Total current tax receivables	**664**	**193**
Other current receivables:		
Contributions for research projects	122	77
Other pre-paid expenses	214	237
Prepaid expenses	32	31
Receivables from employees	147	151
Advances from suppliers	161	79
Other current receivables	257	149
Total other current receivables	**933**	**724**

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. OTHER CURRENT FINANCIAL ASSETS

This item was completely zeroed at 31 December 2016.

19. CASH AND CASH EQUIVALENTS

The overall amount of cash of the Group amounted to €8,925 thousand (€16,041 thousand at 31 December 2015) and consisted mostly of temporary cash in bank deposits pending future use and shares of liquidity funds, which can be immediately converted into cash. These amounts are subject to a negligible risk of change in value. It is deemed that the book value of the cash and cash equivalents is aligned to the fair value at year-end.

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

20. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity at 31 December 2016 amounted to €18,938 thousand, down by €89 thousand from €19,027 thousand at 31 December 2015. This difference is the result of:

- profit of the period (€2,443 thousand);
- negative changes in exchange rates due to translation of financial statements of subsidiaries denominated in currencies other than EUR (€72 thousand);
- negative effect of the accounting of actuarial losses on the termination benefits net of the tax effect (€45 thousand);
- positive change of the cash flow edge reserve net of the theoretical tax effect (€50 thousand);
- dividends paid (€2,045 thousand);
- negative change in the scope of consolidation (€131 thousand);
- other minor negative changes (€289 thousand).

Share capital

The share capital of Fidia S.p.A. at 31 December 2016, fully subscribed and paid in, is unchanged compared to 31 December 2015 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 2014 and the number of circulating shares at 31 December 2016:

	At 31 December 2014	Increase in share capital	(Purchases)/ sales of own shares	At 31 December 2015	Increase in share capital	(Purchases)/ sales of own shares	At 31 December 2016
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 2016	10,000	10.00	0.20%	45.52	4.55
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Write-backs	-	-	-	-	-
Situation at 31 December 2016	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**

Capital reserves

In 2016, share premium reserve was unchanged compared to 31 December 2015 and amounted to €1,240 thousand.

Retained Earnings

Retained Earnings comprised:

- Legal reserve of Fidia S.p.A. for a value equal to €775 thousand at 31 December 2016 increased by €108 thousand compared to the previous year for the allocation of profit of the year 2016, as per resolution passed by the shareholders' meeting on 27 April 2016;
- Earnings carried forward in the amount of €539 thousand at 31 December 2016 (€1,568 thousand at 31 December 2015);

- Profit attributable to shareholders of the parent company in the amount €2,462 thousand (€2,723 thousand at 31 December 2015).

Other profit/(loss)

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

€ thousand	31 December 2016	31 December 2015
Profit/(loss) on cash flow hedge in the period	66	388
Profit/(loss) on cash flow hedge reclassified in profit or loss	-	-
Profit/(loss) on cash flow hedge	**66**	**388**
Profit(loss) on translation of financial statements of foreign companies in the period	(72)	1,167
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	**(72)**	**1,167**
Actuarial profit/(loss) on defined benefit plans (termination benefits) in the period	(59)	29
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)**	**29**
Tax effect for Other components of statement of comprehensive income	**(2)**	**(122)**
Total Other profit/(loss), net of tax effect	**(67)**	**1,462**

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

	31 December 2016			31 December 2015		
€ thousand	Gross value	Tax (expense)/benefit	Net value	Gross value	Tax (expense)/benefit	Net value
Profit/(loss) on cash flow hedge instruments	66	(16)	50	388	(109)	279
Profit/(loss) on translation of financial statements of foreign companies	(72)	-	(72)	1,167	-	1,167
Actuarial gains/(losses) on defined benefit plans	(59)	14	(45)	29	(13)	16
Total other profit/(loss)	**(65)**	**(2)**	**(67)**	**1,584**	**(122)**	**1,462**

Cash Flow Hedge reserve

The cash flow hedge reserve includes the fair value of some forward contracts to cover the risk of EUR/USD exchange rate fluctuations on contracts denominated in that currency acquired by the parent company Fidia S.p.A.

In 2016, the cash flow hedge provisions registered the following changes:

Type of financial instrument € thousand	Nature of hedged risk	Initial balance 1.1. 2016	Increases	Decreases	CFH provisions released to profit or loss	Final balance at 31/12/2016
Interest rate swap	Interest rate risk	-	-	(15)	-	(15)
Flexible forward	Exchange rate risk	(65)	-		65	-
Total		**(65)**	**-**	**(15)**	**65**	**(15)**

Non-controlling interests

Non-controlling interests in the amount of €2,071 thousand (€2,442 thousand at 31 December 2015) refer to the following consolidated companies with the line-by-line method:

€ thousand	% non-controlling interests 2016	% non-controlling interests 2015	Balance 31 December 2016	Balance 31 December 2015
Fidia Beijing M&E Co. Ltd.	4%	8%	202	457
Fidia do Brasil Ltda	0.25%	0.25%	-	-
Shenyang Fidia NC&M Co Ltd	49%	49%	1,869	1,985
Fidia Iberica S.A.	0.01%	0.01%	-	-
Total			**2,071**	**2,442**

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Advances for research projects	-	213
Other non-current payables	89	77
Total	**89**	**290**

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

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

22. EMPLOYEE SEVERANCE INDEMNITIES

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 2016	**2,372**
Amount accrued and allocated in year	482
Benefits paid out in year	(119)
Amount transferred to State Fund and complementary pension scheme	(476)
Borrowing costs on termination benefits	19
Accounting of actuarial losses	59
Substitute tax	(7)
Balance at 31 December 2016	**2,330**

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 costs, hence leading to an increase in finance costs of the fiscal year in the amount of €19 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2016	At 31 December 2015
Discount rate	-0.22%	0.02%
Future inflation rate	1.5%	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 on future benefits is determined, according to the provisions of IAS 19, at market yields.

The structure in interest rates used refers to the EUR Composite rates having an AA rating; the rate used was the one with an average financial duration equal to the average financial duration of benefits for the communities under consideration and, in keeping with this approach, has been correlated with the future annual inflation rate Finally, according to the Italian Decree Law No. 201/2011 the age for retirement was updated.

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

Specifically, a 10% increase and decrease was assumed with regard to the parameters used for the measurement of the termination benefits fund at 31 December 2016.

	Ipotesi di Base	Variazioni delle Ipotesi di Base									
Tasso d'inflazione proiettato	Curva	1,40%	1,60%								
Incidenza media dell'anticipo sul TFR maturato inizio anno	70,00%			63,00%	77,00%						
Tasso di richiesta di anticipo: Dirigente	3,00%					2,70%	3,30%				
Tasso di richiesta di anticipo: Quadro	3,00%					2,70%	3,30%				
Tasso di richiesta di anticipo: Impiegato	3,00%					2,70%	3,30%				
Tasso di richiesta di anticipo: Operaio	3,00%					2,70%	3,30%				
Tasso di richiesta di anticipo: Apprendista	3,00%					2,70%	3,30%				
Tasso di attualizzazione	Curva							-10%	+10%		
Tasso di uscita per dimissioni e licenziamento: Dirigente	5,00%									4,50%	5,50%
Tasso di uscita per dimissioni e licenziamento: Quadro	3,00%									2,70%	3,30%
Tasso di uscita per dimissioni e licenziamento: Impiegato	3,00%									2,70%	3,30%
Tasso di uscita per dimissioni e licenziamento: Operaio	3,00%									2,70%	3,30%
Tasso di uscita per dimissioni e licenziamento: Apprendista	3,00%									2,70%	3,30%
Società	**Fondo TFR (€000)**	**Variazione percentuale del TFR su base IAS rispetto alle Ipotesi di Base**									
Fidia S.p.A.	**2.330**	**-0,48%**	**0,48%**	**0,04%**	**-0,04%**	**0,04%**	**-0,04%**	**0,54%**	**-0,56%**	**0,09%**	**-0,08%**

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

The item comprises the fair value of interest rate cap contracts to cover (cash flow hedge) the risk of variability of the interest expense flows of five medium-to-long term loans concluded by the parent company Fidia S.p.A.

€ thousand	31 December 2016		31 December 2015	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest rate risk - BNL Interest Rate Swap	2,105	10	-	-
Interest rate risk - INTESA Interest Rate Swap	2,450	8	-	-
Interest rate risk - INTESA Interest Rate Swap	3,000	3	-	-
Interest Rate Cap BNL	237	1	553	3
Interest Rate Cap Banco Popolare	250	1	500	3
Total		**23**		**6**

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 €16,116 thousand and are specified in detail in the following tables:

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Overdrawn bank accounts and short-term advances	486	507
Accrued liabilities on loans	39	31
Loan - BNL “1,500” (part medium/long term and part short term)	235	546
Loan - Banco Popolare (part medium/long term and part short term)	248	495
Short-term loan - MPS	697	698
Loan - ISP “3,500” (part medium/long term and part short term)	2,433	3,122
Short-term loan - Banca Nazionale del Lavoro	-	749
Loan - BNL “2,500” (part medium/long term and part short term)	2,085	-
Loan - ISP “3,000” (part medium/long term and part short term)	2,979	-
Loan - UNICREDIT (part medium/long term and part short term)	1,308	-
Loan - MPS (part medium/long term and part short term)	1,372	-
Autodesk financing	-	17
Autodesk financing no. 2	44	-
Lease - Volkswagen Bank	93	136
Lease - Skoda Bank	36	57
Lease - Banco Popular Espanol	35	46
Real estate lease - Mediocredito Italiano	4,026	2,949
Total	**16,116**	**9,353**

€ thousand	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and short-term advances	525	-	-	525
Medium-to-long term bank loans	3,067	7,593	-	10,660
Short-term loans	697	-	-	697
Autodesk financing	33	11	-	44
Lease - Volkswagen Bank	64	29	-	93
Lease - Skoda Bank	21	15	-	36
Banco Popular Espagnol	12	23	-	35
Property lease with Mediocredito Italiano	-	-	4,026	4,026
Total	**4,419**	**7,671**	**4,026**	**16,116**

With regard to the determination of the repayment terms for the instalments of the real estate lease with Mediocredito Italiano, the latter is subject to completion of the building works and definition of the amortisation plan; since this date is not yet known, the total amount is conventionally placed in the category “beyond 5 years”.

The current loans have the following characteristics:

Loan - BNL "1,500" (part medium/long term and part short term)

Original amount	€1,500 thousand
Residual amount	€235 thousand
Date of loan	08/10/2012
Term	Loan due date 30/09/2017
Grace period	1 quarterly instalment (31/12/2012)
Repayment	19 quarterly instalments (31/03/2013 to 30/09/2017)
Interest rate	3-month Euribor, base 360 + 3.35% spread

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

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

Original amount	€1,250 thousand
Residual amount	€248 thousand
Date of loan	09/11/2012
Term	Loan due date 31/12/2017
Grace period	1 quarterly instalment (31/12/2012)
Repayment	20 quarterly instalments (31/03/2013 to 31/12/2017)
Interest rate	3-month Euribor, base 360 + 3.78% spread

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

Short-term loan - Monte dei Paschi di Siena

Original amount	€700 thousand
Residual amount	€697 thousand
Date of loan	15/12/2016
Term	Loan due date 30/06/2017
Grace period	4 quarterly instalments (31/12/2016 to 31/03/2017)
Repayment	3 monthly instalments (30/04/2017 to 30/06/2017)
Interest rate	1.350%

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

Original amount	€3,500 thousand
Residual amount	€2,433 thousand
Date of loan	20/04/2015
Term	Loan due date 01/04/2020
Grace Period	Not provided
Repayment	20 quarterly instalments (01/07/2015 to 01/04/2020)
Interest rate	3-month Euribor, base 360 + 2.00% 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	€2,085 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 thousandousand
Residual amount	€2,979 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 contract has been entered into.

Loan - UNICREDIT (part medium/long term and part short term)

Original amount	€1,500 thousand
Residual amount	€1,308 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 - MPS "1,500" (part medium/long term and part short term)

Original amount	€1,500 thousand
Residual amount	€1,372 thousand
Date of loan	24/08/2016
Term	Loan due date 30/09/2019
Grace period	1 monthly instalment at 30/09/2016
Repayment	12 quarterly instalments (31/12/2016 to 30/09/2019)
Interest rate	6-month Euribor, base 360 + 1.1% spread

Autodesk financing no. 2

Original amount	€66 thousand
Residual amount	€44 thousand
Date of loan	23/05/2016
Term	Loan due date 23/04/2018
Repayment	24 monthly instalments (23/05/2016 to 23/04/2018)
Interest rate	0%

Lease with Volkswagen Bank Italy

Original amount	€85 thousand
Residual amount	€25 thousand
Date of loan	03/01/2014
Term	Loan due date 30/11/2017
Repayment	47 monthly instalments (03/01/14 to 30/11/2017)
Interest rate	4.54%

Lease No. 1 - Volkswagen Bank Germany

Original amount	€29 thousand
Residual amount	€2 thousand
Date of loan	28/02/2015
Term	Loan due date 15/02/2017
Repayment	36 monthly instalments (15/03/2014 to 15/02/2017)
Interest rate	1.90%

Lease No. 1 - Skoda Bank Germany

Original amount	€37 thousand
Residual amount	€21 thousand
Date of loan	16/02/2015
Term	Loan due date 15/04/2019
Repayment	48 monthly instalments (15/05/2015 to 15/04/2019)
Interest rate	1.97%

Lease No. 2 - Skoda Bank Germany

Original amount	€34 thousand
Residual amount	€15 thousand
Date of loan	24/02/2015
Term	Loan due date 15/4/2018
Repayment	36 monthly instalments (15/05/2015 to 15/04/2018)
Interest rate	1.97%

Lease No. 2 - Volkswagen Bank Germany

Original amount	€38 thousand
Residual amount	€20 thousand
Date of loan	11/05/2015
Term	Loan due date 15/08/2018
Repayment	36 monthly instalments (15/08/2015 to 15/08/2018)
Interest rate	2.90%

Lease No. 3 - Volkswagen Bank Germany

Original amount	€34 thousand
Residual amount	€19 thousand
Date of loan	20/03/2015
Term	Loan due date 15/08/2018
Repayment	36 monthly instalments (15/09/2015 to 15/08/2018)

Interest rate	2.90%

Lease No. 4 - Volkswagen Bank Germany

Original amount	€33 thousandousand
Residual amount	€24 thousand
Date of loan	22/02/2016
Term	Loan due date 15/02/2019
Repayment	36 monthly instalments (15/03/2016 to 15/02/2019)
Interest rate	2.90%

Lease - Volkswagen Bank Spain

Original amount	€13 thousand
Residual amount	€3 thousand
Date of loan	21/12/2013
Term	Loan due date 21/11/2017
Repayment	48 monthly instalments (21/12/2013 to 21/11/2017)
Interest rate	9.64%

Lease - Banco Popular Espanol

Original amount	€48 thousand
Residual amount	€35 thousand
Date of loan	27/11/2015
Term	Loan due date 27/10/2019
Repayment	48 monthly instalments (27/11/2015 to 27/10/2019)
Interest rate	2.5%

Property lease with Mediocredito Italiano

Original amount	€8,400 thousand
Amount paid	€5,400 thousand
Residual amount	€4,026 thousand
Date of loan	25/06/2014
Term	180 months from the date of completion of the renovation and expansion
Interest rate	3-month Euribor + 3.81% spread

This is the "under construction" property lease agreement, the repayment of which will take place in 179 monthly instalments starting from the date on which the industrial building will be ready for use. Until that date, the user, Fidia S.p.A., will not refund the principal (excluding the initial maxi-instalment, amounting to €2,380 thousand, paid on signing of the lease and relevant addenda).

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

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

€ thousand	Balance at 1 January 2016	New loans	Repayments	Balance at 31 December 2016
BNL loan “1,500”	546	-	(311)	235
Loan - Banco Popolare	495	-	(247)	248
Short-term loan - MPS	698	-	(698)	-
Short-term loan - MPS	-	697	-	697
ISP loan “3,500”	3,122	-	(689)	2,433
Loan - Banca Nazionale del Lavoro	749	-	(749)	-
BNL loan “2,500”	-	2,468	(383)	2,085
ISP loan “3,000”		2,979	-	2,979
UNICREDIT loan		1,489	(181)	1,308
MPS loan		1,499	(127)	1,372
Autodesk financing	17	-	(17)	-
Autodesk financing no. 2	**-**	66	**(22)**	44
Lease - Volkswagen Bank	136	33	(76)	93
Lease - Skoda Bank	57	-	(21)	36
Lease - Banco Popular Espanol	46	-	(11)	35
Real estate lease - Mediocredito Italiano	2,949	1,077	-	4,026
	8,815	**10,308**	**(3,533)**	**15,591**

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

25. OTHER CURRENT FINANCIAL LIABILITIES

This item amounted to €198 thousand and includes the fair value loss of certain contracts for the forward sale of USD entered into by the company to hedge the exchange rate risk on certain supplies denominated in that currency.

At 31 December 2015, this item amounted to €221 thousand, of which €151 thousand related to the negative fair value of US dollar forward sales contracts entered into by the parent company to hedge the exchange rate risk on certain supplies denominated in this currency and €70 thousand to contributions on research activities financed by Fidia S.p.A. as project leader and pending redistribution among the participating partners.

26. TRADE PAYABLES

	At 31 December 2016				At 31 December 2015			
€ thousand	by end of period	1 to 5 years	Beyond 5 years	Total	by end of period	1 to 5 years	Beyon d 5 years	Total
Payables to other suppliers	9,910	182	1	10,093	11,331	-	2	11,333
Payables to associates	2	-	-	2	2	-	-	2
Total trade payables	**9,912**	**182**	**1**	**10,095**	**11,333**	**-**	**2**	**11,335**

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

€ thousand	Due date within 1 month	Due date beyond 1 to 3 months	Due date beyond 3 to 12 months	Total
Payables to other suppliers	7,726	1,029	1,155	9,910
Payables to associates	2	-	-	2
Total trade payables	**7,728**	**1,029**	**1,155**	**9,912**

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

€ thousand	Balance 31 December 2016	Balance 31 December 2015
Italy	7,702	8,063
Europe	528	555
Asia	1,411	2,119
North and South America	454	567
Rest of the World	-	31
Total	**10,095**	**11,335**

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

27. TAX PAYABLES AND OTHER CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Current tax payables:		
- withholding taxes	369	356
- Tax payables for income tax and IRAP	234	538
- Payables to tax authorities for VAT	355	591
- Other short-term tax payables	63	73
Total current tax payables	**1,021**	**1,558**

Other current payables and liabilities:		
Payables to employees	1,532	1,561
Social security payables	752	895
Down payments from customers	3,995	6,692
Payables for compensation	328	224
Payables to State Fund and other funds	77	107
Payables for dividends	200	151
Accrued trade payables	280	260
Sundry accruals and deferrals	395	549
Other payables to the SMTCL company	109	120
Advances for research projects	39	40
Miscellaneous payables	259	351
Total other current payables and liabilities	**7,966**	**10,950**

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

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

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

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

28. PROVISIONS FOR RISKS AND EXPENSES

Provisions for non-current and current risks and expenses amounted to €39 thousand and €1,453 thousand as per the relevant schedule.

€ thousand	Balance 31 December 2015	Accrual	Utilization/ Release	Exchange rate differences	Balance 31 December 2016
Warranty provision	59	6	(26)	-	39
Total other provisions for non-current risks and expenses	**59**	**6**	**(26)**	**-**	**39**
Provisions for tax disputes	8	-	-	2	10
Provisions for legal risks	87	-	-	-	87
Warranty provision	1,224	204	(77)	5	1,356
Total other provisions for current risks and expenses	**1,319**	**204**	**(77)**	**7**	**1,453**

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

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

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

29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2016, these amounted to €1,540 thousand, down by €2,469 thousand compared to €4,010 thousand at 31 December 2015. 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 2016, Fidia Group, though exposed to various risks (product liability, legal and fiscal risks), is not aware of circumstances that might generate foreseeable contingent liabilities or contingent liabilities the amount of which may be estimated and therefore does not deem it necessary to make any further allocations.

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

30. DISCLOSURE BY LINE OF BUSINESS

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

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

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

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

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

The economic measurement of the result attained by each sector is the operating profit/(loss) of the ordinary business that separates the non-recurring revenues and expenses of the ordinary course of business from the results of the sectors. In the Group's management finance 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 2016 and 2015 are as follows:

Data by year - 2016 (€thousand)	CNC		HSM		SERVICE		N/A	Total
Revenues	4,625	63.9%	41,483	99.8%	12,742	100.0%		58,850
Cross-sector revenues	2,613	36.1%	99	0.2%	-	0.0%	-	
Total reclassified revenues	7,238	100.0%	41,582	100.0%	12,742	100.0%	-	
Changes in inventories of finished goods and W.I.P.	99	1.4%	(1,241)	-3.0%	276	2.2%	-	(866)
Raw materials and consumables	(1,732)	-23.9%	(17,347)	-41.7%	(1,063)	-8.3%	(183)	(20,325)
Cross-sector expenses	(16)	-0.2%	(3,473)	-8.4%	711	5.6%	66	-
Commissions, transport and contractors	(687)	-9.5%	(5,056)	-12.2%	(461)	-3.6%	(10)	(6,214)
Sales margin	4,902	67.7%	14,465	34.8%	12,204	95.8%	(127)	31,445
Other operating revenue	489	6.8%	598	1.4%	279	2.2%	269	1,634
Other operating expenses	(520)	-7.2%	(3,062)	-7.4%	(2,765)	-21.7%	(5,060)	(11,407)
Personnel expenses	(2,682)	-37.1%	(5,725)	-13.8%	(5,007)	-39.3%	(3,992)	(17,407)
Depreciation and amortization	(18)	-0.3%	(268)	-0.6%	(170)	-1.3%	(372)	(828)
Operating result	2,170	30.0%	6,006	14.4%	4,541	35.6%	(9,282)	3,436

Data by year - 2015 (€thousand)	CNC		HSM		SERVICE		N/A	Total
Revenues	4,477	60.1%	42,239	100.0%	13,608	100.0%	-	60,324
Cross-sector revenues	2,976	39.9%		0.0%	-	0.0%	-	
Total reclassified revenues	7,453	100.0%	42,239	100.0%	13,608	100.0%	-	
Changes in inventories of finished goods and W.I.P.	(11)	-0.1%	579	1.4%	319	2.3%	-	887
Raw materials and consumables	(1,903)	-25.5%	(17,393)	-41.2%	(1,990)	-14.6%	(135)	(21,421)
Cross-sector expenses	28	0.4%	(4,034)	-9.6%	876	6.4%	154	-
Commissions, transport and contractors	(687)	-9.2%	(7,241)	-17.1%	(479)	-3.5%	(8)	(8,415)
Sales margin	4,880	65.5%	14,150	33.5%	12,334	90.6%	11	31,375
Other operating revenue	583	7.8%	921	2.2%	261	1.9%	356	2,121
Other operating expenses	(476)	-6.4%	(2,019)	-4.8%	(2,923)	-21.5%	(5,187)	(10,605)
Personnel expenses	(2,895)	-38.8%	(5,287)	-12.5%	(5,173)	-38.0%	(3,846)	(17,201)
Depreciation and amortization	(182)	-2.4%	(411)	-1.0%	(249)	-1.8%	(702)	(1,544)
Operating result	1,910	25.6%	7,354	17.4%	4,250	31.2%	(9,368)	4,146

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 2016 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	19	7,979	27	2,428	10,452
Intangible fixed assets	648	468	-	223	1,338
Investments	-	-	-	16	16
Pre-paid tax assets	-	-	-	850	850
Other non-current receivables and assets	17	182	-	770	968
Total non-current assets	683	8,628	27	4,286	13,625
Inventory	2,351	11,132	5,893	-	19,375
Trade receivables and other current receivables	1,931	10,501	2,781	516	15,730
Current tax receivables	-	-	-	664	664
Other current financial receivables	-	-	-	-	-
Cash and cash equivalents	-	-	-	8,925	8,925
Total current assets	4,282	21,633	8,674	10,105	44,694
Total assets	4,965	30,261	8,701	14,392	58,319
Other non-current payables and liabilities	10	22	30	27	89
Deferred tax liabilities	-	-	-	51	51
Employee severance indemnities	610	1,158	304	258	2,330
Long-term provisions	20	-	19	-	39
Other non-current financial liabilities	-	-	-	23	23
Non-current financial liabilities	-	-	-	11,697	11,697
Total non-current liabilities	639	1,181	354	12,055	14,229
Current financial liabilities	-	-	-	4,419	4,419
Other current financial liabilities	-	-	-	198	198
Trade payables and other current payables	2,198	11,474	944	3,445	18,061
Current tax payables	-	-	-	1,021	1,021
Short-term provisions	104	1,131	180	39	1,453
Total current liabilities	2,302	12,605	1,123	9,122	25,152
Total liabilities	2,941	13,786	1,477	21,177	39,381
Shareholders' equity	-	-	-	18,938	18,938
Total liabilities	2,941	13,786	1,477	40,115	58,319

31 December 2015 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	28	5,134	23	1,267	6,452
Intangible fixed assets	455	357	-	287	1,099
Investments	-	-	-	16	16
Pre-paid tax assets	-	-	-	1,052	1,052
Other non-current receivables and assets	-	257	-	1,136	1,393
Total non-current assets	483	5,748	23	3,758	10,012
Inventory	2,301	12,564	5,064	-	19,929
Trade receivables and other current receivables	918	6,347	2,589	516	10,370
Current tax receivables	-	-	-	193	193
Other current financial receivables	-	-	-	4	4
Cash and cash equivalents	-	-	-	16,041	16,041
Total current assets	3,219	18,911	7,653	16,754	46,537
Total assets	3,702	24,659	7,676	20,512	56,549
Other non-current payables and liabilities	157	86	26	21	290
Deferred tax liabilities	-	-	59	-	59
Employee severance indemnities	570	1,215	208	379	2,372
Long-term provisions	-	-	-	59	59
Other non-current financial liabilities	-	-	-	6	6
Non-current financial liabilities	-	-	-	6,006	6,006
Total non-current liabilities	727	1,301	293	6,471	8,792
Current financial liabilities	-	-	-	3,347	3,347
Other current financial liabilities	-	-	-	221	221
Trade payables and other current payables	1,444	16,092	1,239	3,510	22,285
Current tax payables	-	-	-	1,558	1,558
Short-term provisions	80	1,046	115	78	1,319
Total current liabilities	1,524	17,138	1,354	8,714	28,730
Total liabilities	2,251	18,439	1,647	15,185	37,522
Shareholders’ equity	-	-	-	19,027	19,027
Total liabilities	2,251	18,439	1,647	34,212	56,549

31. INFORMATION ON FINANCIAL RISKS

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

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

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

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

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

MARKET RISKS

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

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

The market risks include exchange and interest rate risk.

Exchange rate risk: definition, sources and management policies

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

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

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

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

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

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

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

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

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

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

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

Exchange rate risk: quantitative information and sensitivity analysis

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

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

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

At 31 December 2016 the portfolio of the Group comprised two derivatives (flexible currency forward contracts) in order to protect future currency flows from changes in the EUR/USD exchange rate for which the relevant hedging relationship was established according to the criteria of IAS 39 and hedge accounting was applied and two derivatives (of the same type) classified for trading.

At 31 December 2016 the main currency to which the Group is exposed is the USD.

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

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

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

The results of the sensitivity analysis on exchange rate risk are summarized in the tables below, which show the impacts on profit or loss and equity at 31 December 2016 and 31 December 2015. The impacts on profit or loss are before tax.

EXCHANGE RATE SENSITIVITY ANALYSIS

Exchange Risk at 31 December 2016					
		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	809	(39)		43	
Hedging derivatives	-	-	-	-	-
Trade	3,159	(150)		166	
Effect		(189)	-	209	-
FINANCIAL LIABILITIES					
Derivatives for trading	102	98		(109)	
Hedging derivatives	96	116	-	(128)	-
Overdrawn bank accounts					
Trade payables	132	6		(7)	
Effect		220	-	(244)	-
Total effect		**31**	**-**	**(35)**	**-**

EXCHANGE RATE SENSITIVITY ANALYSIS

Exchange Rate Risk at 31 December 2015

		+5% change		-5% change	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	1,738	(83)		91	
Trade	4		39		(44)
Derivatives for trading	433	(20)		23	
Effect		(103)	39	114	(44)
FINANCIAL LIABILITIES					
Derivatives for trading					
Hedging derivatives	151	91	200	(101)	(220)
Overdrawn bank accounts					
Trade payables	632	30		(33)	
Effect		121	200	(134)	(220)
Total effect		**18**	**239**	**(20)**	**(264)**

Interest rate risk: definition, sources and management policies

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

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

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

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

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

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

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

The counterparts of said financial instruments are primary credit institutions.

Interest rate risk: quantitative information and sensitivity analysis

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

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

At 31 December 2016, the Parent Company had two Interest Rate Caps hedging interest rate risk with negative fair value of €2 thousand and three Interest Rate Swaps hedging interest rate risk with negative fair value of €21 thousand.

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

The three 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, transforming them, through the stipulation of derivative contracts, into fixed-rate loans.

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

At 31 December 2016, there were no fixed rate financial instruments measured at fair value.

The floating rate financial instruments at 31 December 2016 included cash, bank loans and leases.

The sensitivity analysis was carried out in order to present the effects on the income statement and shareholders' equity at 31 December 2016, 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.

At 31 December 2016, the following was assumed:

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

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

The decision to simulate, at 31 December 2016, decreases of 5 bps and 10 bps was caused by the current market scenario characterized by very low interest rates and expansionary monetary policies. These changes have been hypothesized with all other variables constant. The impact before tax that such changes would have had are shown in the table below.

INTEREST RATE SENSITIVITY ANALYSIS					
			Interest Rate Risk at 31 December 2016		
		Change +10 bps		**Change - +5 bps**	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Loans from banks	11,357	(11)		6	
Finance leases	4,190	(4)		2	
IRS hedging derivatives	21	-	15	-	(7)
Cap hedging derivatives	2	-	-	-	-
Total impact		**(15)**	**15 -**	**8**	**(7)-**

INTEREST RATE SENSITIVITY ANALYSIS					
			Interest Rate Risk at 31 December 2015		
		Change +10 bps		**Change - +5 bps**	
€ thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Loans from banks	5,609	(6)		3	
Finance leases	3,189	(3)		1	
IRS hedging derivatives					
Cap hedging derivatives	6				
Total impact		**(9)**	**-**	**4**	**-**

Liquidity risk: definition, sources and management policies

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

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

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

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

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

- plurality of financing entities and diversification of financing sources;
- adequate lines of credit;

- perspective liquidity plans relating to the company planning process.

Liquidity risk: quantitative information

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

The policies implemented by the Group to reduce liquidity risk consisted at 31 December 2016 of:

- recourse to credit institutions and leasing companies to find financial resources;

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

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

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

MATURITY ANALYSIS € thousand	**Carrying amount at 31 December 2016**	**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	11,357	11,777	200	510	3,249	7,819	-
Other loans	44	44	3	6	25	11	-
Overdrawn bank accounts	486	486	486	-	-	-	-
Trade payables	10,095	10,094	5,057	3,570	1,394	72	1
Liabilities for leases	4,190	6,199	9	49	289	1,517	4,335
DERIVATIVE LIABILITIES							
Interest rate swap	21	21	1	2	11	8	-
Interest rate cap	2	2	-	1	1	-	-
Total	**26,195**	**28,623**	**5,756**	**4,137**	**4,968**	**9,427**	**4,336**

MATURITY ANALYSIS € thousand	Carrying amount at 31 December 2015	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	5,609	5,853	192	764	1,857	3,040	-
Other loans	17	17	3	6	8	-	-
Overdrawn bank accounts	507	507	507	-	-	-	-
Trade payables	11,335	11,335	6,093	3,379	1,861	-	2
Liabilities for leases	3,189	4,482	9	35	221	1,164	3,053
DERIVATIVE LIABILITIES							
Interest rate swap							
Interest rate cap	6	6	-	1	3	2	
Total	**20,663**	**22,200**	**6,804**	**4,185**	**3,950**	**4,206**	**3,055**

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 writedowns if there is an objective condition in which these position cannot be recovered either in part or in full. The extent of writedown 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 2016 is the book value of the financial assets stated in the financial statements, plus the face value of collateral provided as indicated in Note No. 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 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 writedown; these are either partially or totally non recoverable. The extent of writedown 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 writedown, provisions are allocated on a collective basis, considering experience and statistical data.

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

Concentration of receivables by sector				
€ thousand	**31 December 2016**	**%**	**31 December 2015**	%
Die construction	335	2.9%	337	5%
Construction of injection molds for the car industry	884	7.6%	928	13%
Car industry	3,726	32.3%	1,765	24%
Aeronautics industry	6,437	55.7%	3,764	51%
Machine tools production	169	1.5%	530	7%
Total	11,551		7,324	
Net total receivables	14,797		9,646	
%	78%		76%	

32. FAIR VALUE HIERARCHIES

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

The levels are as follows:

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

At 31 December 2016, the Group held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €23 thousand and financial liabilities at fair value represented by derivative financial instruments to hedge the exchange rate risk, for an amount of €198 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 - IAS 39 - 31 December 2016						
€ thousand	**Carrying amount at 31 December 2016 (IAS 39)**	**Amortized Cost**	**FV recognized in equity**	**FV recognized in profit or loss**	**IAS 17**	**Fair value at 31 December 2016**
ASSETS						
Cash and cash equivalents	8,925	-	-	-	-	8,925
Total	**8,925**	**-**	**-**	**-**	**-**	**8,925**
LIABILITIES						
Liabilities at amortized cost	11,357	11,357	-	-	-	11,434
Hedging derivatives	221	-	(15)	(178)		221
Liabilities measured according to IAS 17	4,190	-			4,190	4,215
Total	**15,768**	**11,357**	**(15)**	**(178)**	**4,190**	**15,845**

NET PROFIT/LOSS BY CATEGORY - IAS 39 - 31 December 2016		
€ thousand	Net profit and loss	of which interest
ASSETS		
Cash and cash equivalents	17	17
Total	**17**	**17**
LIABILITIES		
Liabilities at amortized cost	(163)	(163)
Hedging derivatives	(178)	(178)
Liabilities measured according to IAS 17	(5)	(5)
Total	**(336)**	**(336)**

33. RELATIONS WITH RELATED PARTIES

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

In particular, these relations regarded:

- 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 2016 financial statements was stated in the relevant supplementary schedules of the statement of comprehensive income, statement of financial situation and cash flow statement.

Data by year - 2016

Counterpart	**Raw materials**						
€ thousand	**and**	**Other operating**	**Personnel**	**Finance**		**Other operating**	**Finance**
	consumables	**revenue**	**expenses**	**revenues**	**Revenue**	**revenue**	**revenue**
Other related parties (Giuseppe and Luca Morfino and Carlos Maidagan)	-	102	179	-	-	-	-
Compensation Board of Directors	-	-	834	-	-	-	-
Compensation Board of Statutory Auditors	-	62	-	-	-	-	-
Total other related parties	**-**	**164**	**1,013**	**-**	**-**	**-**	**-**

Data by year - 2015

Counterpart	**Raw materials**						
€ thousand	**and**	**Other operating**	**Personnel**	**Finance**		**Other operating**	**Finance**
	consumables	**revenue**	**expenses**	**revenues**	**Revenue**	**revenue**	**revenue**
Other related parties (Giuseppe and Luca Morfino and Carlos Maidagan)	-	117	176	-	-	-	-
Compensation Board of Directors	-	-	867	-	-	-	-
Compensation Board of Statutory Auditors	-	58	-	-	-	-	-
Total other related parties	**-**	**175**	**1,043**	**-**	**-**	**-**	**-**

31 December 2016

Counterpart			Other current			Current
€ thousand	Trade	Other current	financial	Trade	Other current	Financial
	receivables	receivables	assets	payables	payables	liabilities
Other related parties Prometec Consortium	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	6	-	-	6	-
Other related parties (Payables to BoD)	-	-	-	-	266	-
Other related parties (Payables to Board of Statutory Auditors)	-	-	-	-	62	-
Total other related parties	**-**	**6**	**-**	**2**	**334**	**-**

31 December 2015

Counterpart			Other current			Current
€ thousand	Trade	Other current	financial	Trade	Other current	Financial
	receivables	Receivable s	assets	payables	payables	liabilities
Other related parties Prometec Consortium	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	39	-	-	2	-
Other related parties (Payables to BoD)	-	-	-	-	166	-
Other related parties (Payables to Board of Statutory Auditors)	-	-	-	-	58	-
Total other related parties	**-**	**39**	**-**	**2**	**226**	**-**

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 2016**	**31 December 2015**
Directors	834	867
Auditors	62	58
Executives with strategic responsibilities	-	-
Total compensation	**896**	**925**

34. NET FINANCIAL POSITION

Pursuant to the Consob Communication issued on 28 July 2006 and according to the CESR recommendation dated 10 February 2005 for the consistent implementation of the European Commission's Regulation on Prospectuses, the net financial position of Fidia Group at 31 December 2016 is the following:

€ thousand		31 December 2016	31 December 2015
A	Cash	20	19
B	Bank deposits	8,905	16,022
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**8,925**	**16,041**
E	**Current financial receivables**	**-**	**4**
F	Current bank payables	1,222	1,985
G	Current part of non-current debt	3,197	1,362
H	Other current financial payables	198	221
I	**Current financial debt (F+G+H)**	**4,617**	**3,568**
J	**Net financial position (receivable)/payable (I-E-D)**	**(4,308)**	**(12,477)**
K	Non-current bank payables	11,697	6,006
L	Bonds issued	-	-
M	Other non-current payables	23	6
N	**Non-current financial debt (K+L+M)**	**11,720**	**6,012**
O	**Net financial position (receivable)/payable (J+N)**	**7,412**	**(6,465)**

35. NOTES TO THE CASH FLOW STATEMENT

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

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

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

36. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in 2016 the company did not have any non-recurrent significant transactions.

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

According to Consob Notice of 28 July 2006, in 2016 there were no atypical and/or unusual transactions as defined by said Notice, by which atypical and/or unusual transactions are all those transactions whose significance/relevance, nature of the counterparts, subject-matter of the transaction, transfer pricing method and timing of the event (near year end) can give rise to doubts on: correctness/completeness of information posted, conflict of interests, safeguard of company equity, safeguard of non-controlling interests.

38. TRANSLATION OF FINANCIAL STATEMENT OF FOREIGN COMPANIES

The exchange rates used for the translation into EUR of the 2016 and 2015 financial statements of the foreign companies are illustrated in the following table:

Currency	Mean exchange rate of fiscal year		Current exchange rate at year-end	
	2016	2015	2016	2015
USD	1.1069	1.1095	1.0541	1.0887
Real (Brazil)	3.85614	3.70044	3.4305	4.31170
Renminbi (China)	7.35222	6.97333	7.3202	7.0608
Rouble (Russia)	74.1446	68.072	64.3	80.6736

39. SUBSEQUENT EVENTS

There were no significant events after year-end 2016.

San Mauro Torinese,
15 March 2017
On behalf of the Board of Directors
The Chairman and Managing Director
Mr. Giuseppe Morfino

Certificate pursuant to Article 81-ter of Consob Reg.

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

1. I sottoscritti Giuseppe Morfino in qualità di Presidente e Amministratore Delegato, Carlos Maidagan Aguirre, in qualità di Vice Presidente Esecutivo e Massimiliano Pagnone in qualità di Dirigente Preposto alla redazione dei documenti contabili societari della Fidia S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-*bis*, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   a. l'adeguatezza in relazione alle caratteristiche dell'impresa e
   b. l'effettiva applicazione,

delle procedure amministrative e contabili per la formazione del bilancio consolidato nel corso del periodo 2016.

2. Si attesta, inoltre, che:

2.1 il bilancio consolidato :

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

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

15 marzo 2017

Presidente e Amministratore Delegato

Giuseppe Morfino

Vice Presidente Esecutivo

Carlos Maidagan Aguirre

Dirigente Preposto alla redazione dei documenti contabili societari

Massimiliano Pagnone

Report of the Board of Statutory Auditors

GRUPPO FIDIA

* * *

RELAZIONE DEL COLLEGIO SINDACALE SUL BILANCIO CONSOLIDATO RELATIVO ALL'ESERCIZIO CHIUSO AL 31 DICEMBRE 2016

Signori Azionisti,

il Consiglio di Amministrazione della Fidia S.p.A. ha redatto il bilancio consolidato del Gruppo al 31 dicembre 2016. Esso ci è stato comunicato nei termini di legge, unitamente alla Relazione sulla Gestione, e risulta redatto in conformità alla normativa prescritta dagli IAS/IFRS e dal D.Lgs. 127/91.

I controlli effettuati dalla E&T S.p.A. (già Reconta Ernst & Young S.p.A.), incaricata della revisione legale, hanno permesso di accertare che i valori espressi in bilancio trovano riscontro nelle risultanze contabili della Controllante, nei bilanci di esercizio delle Controllate e nelle relative informazioni, da queste formalmente comunicate.

I bilanci delle società controllate, redatti dagli organi sociali competenti e trasmessi alla Controllante ai fini della formazione del bilancio consolidato, hanno formato oggetto di esame da parte degli organi preposti al controllo delle singole società e da parte della Società di Revisione, nell'ambito delle procedure seguite per la certificazione del bilancio consolidato. A tali bilanci non si è quindi esteso il controllo del Collegio Sindacale.

La determinazione dell'area di consolidamento, la scelta dei principi di consolidamento delle partecipazioni e delle procedure a tal fine adottate rispondono alle previsioni degli IAS/IFRS e del D.Lgs. 127/91. La formazione del bilancio consolidato è quindi da ritenersi tecnicamente corretta e, nell'insieme, conforme alla specifica normativa.

La Relazione sulla Gestione illustra in modo adeguato la situazione economica, patrimoniale e finanziaria, l'andamento della gestione nel corso dell'anno e i principali rischi e incertezze a cui l'attività è esposta, nonché l'evoluzione, dopo la chiusura dell'esercizio, dell'insieme delle imprese oggetto di consolidamento.

La società di revisione nella propria Relazione ha attestato la coerenza della Relazione sulla Gestione con il bilancio consolidato della Fidia S.p.A. .

Anche da parte nostra possiamo confermarvi che l'esame al quale abbiamo sottoposto la Relazione sulla Gestione ne ha evidenziato la congruenza con i dati del bilancio consolidato.

Sulla base dei controlli effettuati, il Collegio Sindacale concorda sul contenuto e sulla forma del Bilancio Consolidato di Gruppo al 31 dicembre 2016.

San Mauro Torinese, 29 marzo 2017

Il Collegio sindacale

(Dott. Maurizio Ferrero) – Presidente Maurizio Ferrero

(Dott.ssa Michela Rayneri) – Sindaco Effettivo

(Dott. Roberto Panero) – Sindaco Effettivo

Report of Independent Auditors

Building a better working world

Fidia S.p.A.

Bilancio consolidato al 31 dicembre 2016

Relazione della società di revisione indipendente
ai sensi degli artt. 14 e 16 del D.Lgs. 27 gennaio 2010, n. 39

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Building a better working world

RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTT. 14 E 16 DEL D.LGS. 27 GENNAIO 2010, N. 39

Agli Azionisti della Fidia S.p.A.

Relazione sul bilancio consolidato

Abbiamo svolto la revisione contabile dell'allegato bilancio consolidato del Gruppo Fidia, costituito dal conto economico consolidato, dal conto economico complessivo consolidato, dalla situazione patrimoniale-finanziaria consolidata al 31 dicembre 2016, dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data, dal prospetto delle variazioni del patrimonio netto consolidato, da una sintesi dei principi contabili significativi e dalle altre note esplicative.

Responsabilità degli amministratori per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 28 febbraio 2005, n. 38.

Responsabilità della società di revisione

E' nostra la responsabilità di esprimere un giudizio sul bilancio consolidato sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11 del D.Lgs. 27 gennaio 2010, n. 39. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio consolidato non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio consolidato. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio consolidato dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio consolidato dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio consolidato nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo Fidia al 31 dicembre 2016, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 28 febbraio 2005, n. 38.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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EY

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Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio consolidato

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 24 febbraio 1998, n. 58, la cui responsabilità compete agli amministratori della Fidia S.p.A., con il bilancio consolidato del Gruppo Fidia al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del Gruppo Fidia al 31 dicembre 2016.

Torino, 30 marzo 2017

EY S.p.A.

Roberto Grossi
(Socio)

Fidia S.p.A.

Financial Statements at 31 December 2016

FIDIA S.p.A.: Financial Statements at 31 December 2016

Income Statement (*)

(euro)	Notes	FY2016	FY2015
- Net sales	1	43,431,146	49,050,394
- Other revenues	2	1,481,470	1,768,799
Total revenues		**44,912,616**	50,819,193
- Changes in inventories of finished goods and work in progress		(959,466)	331,956
- Consumption of raw materials	3	(16,973,629)	(19,879,189)
- Personnel costs	4	(11,281,842)	(11,264,569)
- Other operating expenses	5	(14,392,004)	(16,908,425)
- Depreciation and amortization	6	(366,665)	(962,131)
- Profit/(loss) from ordinary business		**939,010**	2,136,835
- Recovery/(write-down) of investments	7	329,000	10,000
- Non-recurring income/(expenses)	8	-	-
- Operating profit/(loss)		**1,268,010**	2,146,835
- Finance revenue (expenses)	9	1,004,762	286,736
- Profit/(loss) before tax		**2,272,772**	2,433,572
- Income tax	10	(107,859)	(290,235)
- Profit/(loss) for continuing operations		**2,164,913**	**2,143,337**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**2,164,913**	**2,143,337**

(*) 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 at 31 December 2016

Statement of comprehensive income (*)

(€thousand)	FY2016	FY2015
- Profit/(loss) (A)	**2,165**	**2,143**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:		
Profit/(loss) on cash flow hedges	66	388
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss	(16)	(109)
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)	**50**	**279**
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	(59)	29
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	14	(13)
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)	**(45)**	16
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)	**5**	295
Total comprehensive profit/(loss) of the period (A)+(B)	**2,170**	2,438

FIDIA S.p.A.: Financial Statements at 31 December 2016

Statement of financial position (*)

(euro)	Notes	31 December 2016	31 December 2015
ASSETS			
NON-CURRENT ASSETS			
- Plant and equipment	11	8,222,324	5,399,498
- Intangible assets	12	1,325,800	1,085,622
- Investments	13	10,574,215	9,881,652
- Other non-current receivables and assets	14	786,317	1,129,584
- Pre-paid tax assets	10	367,266	376,130
TOTAL NON-CURRENT ASSETS		**21,275,922**	**17,872,486**
CURRENT ASSETS			
- Inventory	15	12,120,011	12,633,132
- Trade receivables	16	11,132,757	6,009,400
- Current tax receivables	17	459,221	186,302
- Other current receivables and assets	17	1,997,806	1,036,073
- Other current financial receivables	18	-	3,582
- Cash and cash equivalents	19	4,318,990	9,776,240
TOTAL CURRENT ASSETS		**30,028,785**	**29,644,729**
TOTAL ASSETS		**51,304,707**	**47,517,215**
LIABILITIES			
SHAREHOLDERS' EQUITY			
- Share capital		5,123,000	5,123,000
- Share premium reserve		1,239,693	1,239,693
- Legal reserve		774,585	667,418
- Provisions for own shares in portfolio		45,523	45,523
- Extraordinary reserve		309,054	309,054
- Cash flow hedge provisions		(15,161)	(65,420)
- Profit (loss) carried forward		1,793,776	1,802,806
- Own shares		(45,523)	(45,523)
- Reserve profits on exchange rates not realized		8,022	8,022
- Profit (loss) stated directly in equity		(136,712)	(92,203)
- Profit/(loss)		2,164,913	2,143,336
TOTAL SHAREHOLDERS' EQUITY	**20**	**11,261,170**	**11,135,706**
NON-CURRENT LIABILITIES			
- Other non-current payables and liabilities	21	-	213,211
- Termination benefits	22	2,329,916	2,372,099
- Deferred tax liabilities	10	-	2,435
- Other non-current financial liabilities	23	22,854	5,986
- Non-current financial liabilities	24	11,630,347	5,890,569
TOTAL NON-CURRENT LIABILITIES		**13,983,117**	**8,484,300**
CURRENT LIABILITIES			
- Current financial liabilities	24	6,278,783	3,732,100
- Other current financial liabilities	25	198,350	221,023
- Trade payables	26	13,799,710	15,551,050
- Current tax payables	27	325,196	431,777
- Other current payables and liabilities:	27	4,307,538	6,816,414
- Provisions for risks and expenses	28	1,150,843	1,144,845
TOTAL CURRENT LIABILITIES		**26,060,420**	**27,897,209**
TOTAL LIABILITIES		**51,304,707**	**47,517,215**

(*) 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. 32.

FIDIA S.p.A.: Financial statements at 31 December 2016

Statement of Cash Flows (*)

(€thousand)	2016	2015
A) Cash on hand and cash equivalents at beginning of year	**9,269**	**3,084**
B) Cash from/(used in) operating activities		
- Profit/(loss) of the period	2,165	2,143
- Depreciation and amortization of tangible and intangible assets	359	387
- Net losses (gains) on disposal of tangible assets	-	(12)
- Write-down/(recovery in value) of investments	(329)	(10)
- Net change in provisions for termination benefits	(42)	(73)
- Net change in provisions for risks and expenses	6	(29)
- Net change (assets) liabilities for (pre-paid) deferred taxes	6	133
Net change in working capital:		
- receivables	(6,015)	1,705
- inventory	513	-
- payables	(4,580)	947
	(7,917)	**5,191**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible fixed assets	(3,082)	(2,310)
intangible fixed assets	(340)	(564)
Investments	(364)	-
- Profit on sale of:		
tangible fixed assets	-	23
	(3,786)	**(2,851)**
D) Cash from/(used in) financing activities		
- Net change in current and non-current financial assets and liabilities	(2)	(294)
- New loans	11,721	8,217
- Loans paid	(3,414)	(3,095)
- Distribution of dividends	(2,045)	(1,278)
- Change in reserves	6	295
Total	**6,266**	**3,845**
E) Net change in cash and cash equivalents	**(5,436)**	**6,185**
F) Cash and cash equivalents at year end	**3,833**	**9,269**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	4,319	9,776
Overdrawn bank accounts	(486)	(507)
	3,833	**9,269**

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

FIDIA S.p.A.: Financial Statements at 31 December 2016

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	Dividends	Reserve profits on exchange rates not realized	Profit (loss) carried forward	Profit (loss) reported directly to shareholders’ equity	Net result	Total shareholders’ equity
Balance at 31 December 2014	**5,123**	**(46)**	**1,240**	**517**	**46**	**309**	**(343)**			**220**	**(109)**	**3,019**	**9,976**
Allocation of net income of previous year				151				1,278	8	1,582		(3019)	-
Distribution of dividends								(1,278)					(1,278)
Total comprehensive profit/(loss)							278				17	2,143	2,438
Balance at 31 December 2015	**5,123**	**(46)**	**1,240**	**668**	**46**	**309**	**(65)**	**-**	**8**	**1,803**	**(92)**	**2,143**	**11,136**
Allocation of net income of previous year				107				2,045		(9)		(2,143)	-
Distribution of dividends								(2,045)					(2,045)
Total comprehensive profit/(loss)							50				(45)	2,165	2,170
Balance at 31 December 2016	**5,123**	**(46)**	**1,240**	**775**	**46**	**309**	**(15)**	**-**	**8**	**1,794**	**(137)**	**2,165**	**11,261**

FIDIA S.p.A.: Financial Statements at 31 December 2016

Income Statement

as per Consob Resolution no. 15519 of 27 July 2006

(€thousand)	Notes	FY2016	Of which related parties	FY2015	Of which related parties
- Net sales	1	43,431	14,695	49,050	18,821
- Other revenues	2	1,481	230	1,769	172
Total revenues		**44,912**		**50,819**	
- Changes in inventories of finished goods and work in progress		(959)		332	
- Consumption of raw materials	3	(16,974)	(28)	(19,879)	(640)
- Personnel costs	4	(11,282)	(668)	(11,265)	(696)
- Other operating expenses	5	(14,392)	(2,551)	(16,908)	(3,159)
- Depreciation and amortization	6	(367)		(962)	
- Profit/(loss) from ordinary business		**939**		**2,137**	
- Recovery/(write-down) of investments	7	329		10	
- Non-recurring income/(expenses)	8	-		-	
- Operating profit/(loss)		**1,268**		**2,147**	
- Finance revenue (expenses)	9	1,005	1,474	287	592
- Profit/(loss) before tax		**2,273**		**2,434**	
- Income tax	10	108		(290)	
- Profit/(loss) for continuing operations		**2,165**		**2,143**	
- Profit/(loss) for discontinued operations		-		-	
- Profit/(loss)		**2,165**		**2,143**	

FIDIA S.p.A.: FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

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

(€thousand)	Notes	31 December 2016	of which related parties	31 December 2015	of which related parties
ASSETS					
NON-CURRENT ASSETS					
- Plant and equipment	11	8,222		5,399	
- Intangible assets	12	1,326		1,086	
- Investments	13	10,574		9,882	
- Other non-current receivables and assets	14	786		1,130	
- Pre-paid tax assets	10	367		376	
TOTAL NON-CURRENT ASSETS		**21,276**		**17,872**	
CURRENT ASSETS					
- Inventories	15	12,120		12,633	
- Trade receivables	16	11,133	2,785	6,009	3,213
- Current tax receivables	17	459		186	
- Other current receivables and assets	17	1,998	1,414	1,036	638
- Other current financial receivables	18	-		4	
- Cash and cash equivalents	19	4,319		9,776	
TOTAL CURRENT ASSETS		**30,029**		**29,644**	
TOTAL ASSETS		**51,305**		**47,517**	
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital		5,123		5,123	
- Share premium reserve		1,240		1,240	
- Legal reserve		775		667	
- Provisions for own shares in portfolio		46		46	
- Extraordinary reserve		309		309	
- Cash flow hedge provisions		(15)		(65)	
- Profit (loss) carried forward		1,794		1,803	
- Own shares		(46)		(46)	
- Reserve profits on exchange rates not realized		8		8	
- Profit (loss) stated directly in equity		(137)		(92)	
- Profit/(loss)		2,165		2,143	
TOTAL SHAREHOLDERS' EQUITY	**20**	**11,261**		**11,136**	
NON-CURRENT LIABILITIES					
- Other non-current payables and liabilities	21	-		213	
- Termination benefits	22	2,330		2,372	
- Deferred tax liabilities	10	-		2	
- Other non-current financial liabilities	23	23		6	
- Non-current financial liabilities	24	11,630		5,891	
TOTAL NON-CURRENT LIABILITIES		**13,983**		**8,484**	
CURRENT LIABILITIES					
- Current financial liabilities	24	6,279	1,932	3,732	467
- Other current financial liabilities	25	198		221	
- Trade payables	26	13,800	4,871	15,551	5,129
- Current tax payables	27	325		432	
- Other current payables and liabilities:	27	4,308	834	6,816	2,384
- Provisions for risks and expenses	28	1,151		1,145	
TOTAL CURRENT LIABILITIES		**26,061**		**27,897**	
TOTAL LIABILITIES		**51,305**		**47,517**	

STATEMENT OF CASH FLOWS

as per Consob Resolution no. 15519 of 27 July 2006

(€thousand)	2016	of which related parties	2015	of which related parties
A) Cash on hand and cash equivalents at beginning of year	**9,269**		**3,084**	
B) Cash from/(used in) operating activities				
- Profit/(loss) of the period	2,165		2,143	
- Depreciation and amortization of tangible and intangible assets	359		387	
- Net losses (gains) on disposal of tangible assets	-		(12)	
- Write-down/(recovery in value) of investments	(329)		(10)	
- Net change in provisions for termination benefits	(42)		(73)	
- Net change in provisions for risks and expenses	6		(29)	
- Net change (assets) liabilities for (pre-paid) deferred taxes	6		133	
Net change in working capital:				
- receivables	(6,015)	(348)	1,705	(2,226)
- inventory	513		-	
- payables	(4,580)	(1,806)	947	1,505
	(7,917)		**5,191**	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible fixed assets	(3,082)		(2,310)	
intangible fixed assets	(340)		(564)	
Investments	(364)		-	
- Profit on sale of:				
tangible fixed assets	-		23	
	(3,786)		**(2,851)**	
D) Cash from/(used in) financing activities				
- Net change in current and non-current financial assets and liabilities	(2)		(294)	
- New loans	11,721	1,932	8,217	
- Loans paid	(3,414)		(3,095)	409
- Distribution of dividends	(2,045)		(1,278)	
- Change in reserves	6		295	
	6,266		**3,845**	
E) Net change in cash and cash equivalents	**(5,436)**		**6,185**	
F) Cash and cash equivalents at year end	**3,833**		**9,269**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	4,319		9,776	
Overdrawn bank accounts	(486)		(507)	
	3,833		**9,269**	

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 2016, 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 15 March 2017.

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 Cash Flow Statement, Statement of Changes in Equity and the values stated in the Notes are presented in € thousand.

Fidia S.p.A., in the capacity of parent company, has also drafted the Consolidated Financial Statements of the Fidia Group at 31 December 2016.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2016 financial statements are the separate financial statements of the parent company Fidia S.p.A. and were drawn up in compliance with the International Financial Reporting Standards (“IFRS") issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union and with the provisions implementing article 9 of Italian Legislative Decree No. 38/2005. IFRS also include all the reviewed international accounting standards (IAS) and interpretations of the IFRS Interpretations Committee, previously called International Financial Reporting Interpretations Committee (IFRIC), and before then Standing Interpretations Committee (SIC).

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

Financial Statements

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

Finally, please be noted that with reference to Consob Resolution n° 15519 of July 27, 2006 on financial statements, supplementary schedules for the 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 writedown and these were not revalued. The cost comprises ancillary expenses and direct costs needed to make the asset available for use and indirect costs in the amount reasonably attributable to these.

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

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

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

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

Depreciation

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

Description	Depreciation rates
Lightweight constructions	5.00%
Generic and specific plants	12.50%
Machinery	6.67% /15.00%/48.11%
Industrial and commercial equipment	20.00% /25.00%
Electronic office equipment	20.00%
Office furnishing	6.67%
Forklifts/internal vehicles	20.00%
Motor vehicles	25.00%

Borrowing costs

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

Intangible 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.

Writedown 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 writedown is posted if the recoverable amount is lower than the book value.

Should there no longer be a writedown of an asset other than goodwill or should the writedown be reduced, the book value of the asset or the unit generating the cash flows is increased until the recoverable amount is estimated again and it cannot exceed the amount that would have been determined if there had been no writedown. A reversal of writedown 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, as defined by IAS 39, include trade receivables, other receivables and current assets and other current financial assets (which include the positive fair value of derivatives), as well as cash and cash equivalents. In particular, Cash and Cash Equivalents comprises bank account and securities held for trading that can be readily cashed in and are subject to a non-significant risk of change.

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

Valuation

Investments

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

Associated companies are companies in which the Company exercises significant influence, as defined by IAS 28 - Investments in associates, but not control or joint control over the financial and operating policies.

Investments in other companies relate to non-current assets that are not held for trading.

The positive difference, arising at the time of purchase between the acquisition cost and the equity share at current values of the Company's subsidiary, is hence stated in the book value of the investment.

Investments in subsidiaries and associates are stated at adjusted cost in case of impairment loss.

In accordance with the cost method, investments are subject to impairment tests whenever there is objective evidence of impairment as a result of the investment due to one or more events that occurred after the initial recognition and have had an impact on future cash flows of the subsidiary and on the dividends that it could distribute. In these cases, impairment loss is determined as the difference between the carrying amount of the investment and its recoverable value, normally determined based on the higher between the value in use and its fair value less costs to sell.

For each period, the Company assesses whether there is objective evidence that an impairment loss of an investment recognized in prior years may have decreased or no longer exist. In these cases, the investment's recoverable value is re-valuated and, if applicable, it is restored its value of cost.

If the Company's share of the impairment loss exceeds the book value of the investment and the Company must stand in, the value of the investment is written off and any further losses are stated as provisions in the liabilities. If the impairment loss should no longer subsist subsequently or register a reduction, a recovery of value is recognized in profit or loss within the limits of the cost.

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

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

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

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

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

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

Derivatives

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

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

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

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

- fair value hedge: if a derivative is designated as a hedge of the exposure of changes in the fair value of a balance-sheet asset or liability attributable to a given risk that may have effects on the statement of comprehensive income, the gain or loss resulting from re-measurements of the fair value of the hedging instrument are recognized in profit or loss. Gains or loss on the hedged item attributable to the hedged risk change the book value of said item and are recognized in profit or loss;
- cash flow hedge: if a derivative is designated as a hedge for exposure to variability in the future cash flows of an asset or liability reported in the income statement or of a transaction deemed highly probable that could have effects on the income statement, the effective portion of the profit or loss on the derivative is recorded in Other Comprehensive Profit/(Loss). Accrued gains or loss are reversed from Other Comprehensive Profit/(Loss) and recognized in profit or loss in the same period in which the correlated economic effect of the hedged transaction occurs. Gains or loss of a hedge (or part of a hedge), which has become ineffective, are immediately recognized in profit or loss. If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realized, accumulated gains and losses accumulated recorded in Other Comprehensive Profit/(Loss) up to that moment are recognized in the 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 Other Comprehensive Profit/(Loss) is immediately recognized in profit or loss.

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

Fair value

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

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

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

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

Criteria for measuring fair value

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

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

The market factors considered for the calculation of fair value and measured at the measurement date of 31 December 2016 were: time value of money, i.e., base interest rate without risk, credit risk, exchange rates of foreign currencies, size of the future changes in price of a financial instrument, i.e., the latter's volatility, the costs to service an asset or financial liability.

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

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

In particular, financial assets and liabilities were divided into:

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

Financial assets and liabilities evaluated at amortized cost

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

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

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

Financial assets and liabilities measured at fair value

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

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

The fair value of the interest rate swaps and interest rate caps is calculated based on the market data available on the measurement date by discounting the contract flows of estimated future cash with the short and medium-to-long term exchange rate curves measured by market info providers.

Interest rates

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

	EUR Curve			USD Curve	
	2016	2015		2016	2015
1W	-	-	1W	0.723%	0.390%
1M	-0.368%	-0.205%	1M	0.772%	0.430%
2M	-0.338%	-0.165%	2M	0.819%	0.515%

3M	-0.319%	-0.131%		3M	0.998%	0.613%
6M	-0.221%	-0.040%		6M	1.318%	0.846%
9 M	-0.139%	0.004%		9 M	-	-
12M	-0.082%	0.060%		12M	1.686%	1.178%
2 year	-0.161%	-0.029%		2 year	1.457%	1.172%
3 years	-0.108%	0.063%		3 years	1.677%	1.410%
4 year	-0.023%	0.196%		4 year	1.838%	1.588%
5 year	0.077%	0.331%		5 year	1.959%	1.730%
7 year	0.313%	0.620%		7 year	2.143%	1.955%
10 year	0.661%	1.001%		10 year	2.320%	2.187%
15 year	1.028%	1.397%		15 year	2.479%	2.417%
20 year	1.177%	1.565%		20 year	2.544%	2.528%
30 years	1.236%	1.613%		30 years	2.570%	2.613%

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 realizable value. The evaluation of inventories includes the direct costs of materials and labor and the indirect costs (both variable and fixed).

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

Provisions for risks and expenses

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

The estimate changes are recognized in profit or loss of the period in which the change occurred.

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 labor services already rendered and includes assumptions of future salary increases. Actuarial profit and loss are accounted for in a specific equity item.

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

Own shares

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

Dividends received

Dividends received from subsidiaries are recognized in profit or loss when the right to receive payment is ascertained.

Revenue recognition

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

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

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

- the seller has transferred to the buyer the significant risks and rewards of ownership;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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 fiscal year in which the resolution to allocate the grant is made.

Cost recognition

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

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

Advertising and research costs, in compliance with IAS 38, are recognized in profit or loss in the year in which these are incurred.

Financial income and expenses

Finance revenue and expenses are recognized in profit or loss in the fiscal year in which these are incurred.

Taxes

The charge for income tax is determined based on the provisions of Italian Presidential Decree 917 of 22 December 1986 and following amendments (Consolidated Act on Income Tax). Income taxes are recognized in profit or loss, except for those items debited or credited in Other Comprehensive Profit/(Loss). In these cases the tax effect is recognized directly in the Other Comprehensive Profit/(Loss).

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

Deferred tax liabilities and pre-paid taxes are determined based on all the temporary differences between the values of the asset and liabilities of the financial statements and the corresponding amounts for tax purposes. The pre-paid taxes on tax losses and on temporary differences are stated to the extent in which it is probable that there is a future taxable income on which these can be recovered.

Use of estimates

The preparation of financial statements and related disclosures that conform to IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and 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 book value 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 book value of the assets and liabilities in the period following the one of reference of the statement of financial position.

Recoverable value of non-current assets

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

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

With reference to investments in subsidiaries, the evaluation process of investments held by the management (impairment test) has taken into account the expected trends in 2017. 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. 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.

Employee severance indemnities

For the evaluation of employee severance indemnitie, the management uses various statistical assumptions and evaluation factors in order to anticipate future events for the calculation of expenses and liabilities for said provisions. The assumptions regard the discount rate and future inflation rate. Moreover, the Company's actuaries use subjective factors such as mortality and resignation rates, as well as rates concerning requests for advances.

Contingent liabilities

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

Accounting standards, amendments and interpretations effective at 1 January 2016

- In May 2014 the IASB issued certain amendments to 'IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations" to clarify the accounting of acquisitions of interests in joint operations. These amendments had no significant impact on the Group's financial statements.
- In May 2014 IASB issued an amendment to “IAS 16 - Property, Plant and Equipment" and to "IAS 38 - Intangible assets" clarifying that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate; there are limited circumstances when the presumption can be overcome. These amendments had no significant impact on the Group's financial statements.
- In August 2014 the IASB issued an amendment to “IAS 27 - Separate Financial Statements.” The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. This amendment came into force on 01/01/2016 and had no significant impact on the Group's financial statements.
- Annual Improvements 2012-2014 Cycle (effective from 01/01/2016): a series of amendments to IFRS to address four topics addressed during the 2012-2014 cycle. They relate largely to clarifications. These amendments had no significant impact on the Group's financial statements.
- In September 2014 IASB issued certain minor amendments to “IFRS 10 - Consolidated Financial Statements" and to "IAS 28 - Investments in Associates and Joint Ventures (2011)" that address a conflict identified between the requirements of IFRS 10 and IAS 28 (2011) concerning the sale or contribution of assets between an investor and its associate or joint venture. If the transaction relates to a strategic asset, profit or loss are recognized in full, while if it does not relate to a strategic asset, profit or is recognized in part. The amendments are effective for annual periods beginning on or after 1 January 2016. These amendments had no significant impact on the Group's financial statements.
- In December 2014 IASB issued an amendment to “IAS 1 - Presentation of Financial Statements" to improve the presentation and disclosure of financial statements. These amendments clarify that materiality considerations apply to the all parts of the financial statements and that information should not be obscured by aggregating or by providing immaterial information. Furthermore, these amendments clarify that entities should resort to the opinion of an expert to determine where and in what order disclosures are to be presented in the financial statements. These amendments had no significant impact on the Group's financial statements.

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

- In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The new standard will apply to all customer contracts. The main concept established by the new standard is the recognition of revenues by companies to represent the transfer of goods or services to customers in the amount that reflects the consideration (i.e., payment) that the company expects to receive in exchange for those goods or services. The standard provides for greater disclosure of revenues, provides guidance for transactions that were not previously treated exhaustively, and improves guidance concerning multiiple element contracts. On 11 September 2015, the IASB issued an amendment to this standard, postponing its date of adoption from 1 January 2018. This standard was subsequently amended on 12 April 2016; the amendment applicable from 1 January 2018 is intended to clarify the guidelines for the identification of an obligation to sell an asset or provide one or more services and also intends to clarify the accounting of licenses relating to intellectual property. At the date of approval of this Financial Report, an analysis of the impacts deriving from the application of this standard is underway; at present, it is considered that these effects are not significant for the purposes of the Consolidated Financial Statements and the Separate Financial Statements.
- In July 2014, the IASB issued an amendment to "IFRS 9 - Financial Instruments" that streamlines the measurement model and establishes three main measurement categories for financial assets: amortised cost, fair value through comprehensive income and fair value through profit or loss. The classification criterion depends on the entity's operating model and the contractual cash flow characteristics of the financial asset. The amendment introduces a new model on expected losses; for financial liabilities, the main change relates to the accounting of changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to changes in the creditworthiness of the

liability. According to the new standard, these changes must be recognised in the statement of comprehensive income and will no longer pass through profit or loss. The standard also reformed the hedge accounting approach. The amendments are effective for annual periods beginning on or after 1 January 2018.

- In January 2016, the IASB issued an amendment to IFRS 16 “Leasing." The amendment establishes the principles for the recognition, measurement, presentation and disclosure of lease agreements for both parties involved and replaces the previous standard IAS 17 "Leasing". IFRS 16 defines the lease as a contract that transfers the right to use an asset for a specified period of time to the client (the lessee), in exchange for a consideration; the distinction between operating and financial leases is eliminated; and a single accounting model is introduced whereby a lessee is required to recognise assets and liabilities for all leases with a maturity of more than 12 months, unless the underlying asset is of low value, and to recognise the depreciation of the assets in relation to interest expense separately in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2019.
- In January 2016, the IASB issued an amendment to IAS 12 "Income Taxes." The amendment clarifies the requirements for the recognition of deferred tax assets on unrealised losses relating to liabilities measured at fair value. The amendment is effective for annual periods beginning on or after 1 January 2017.
- In January 2016, the IASB issued an amendment to IAS 7 “Statement of Cash Flows." The amendment requires additional disclosures that allow users of financial statements to measure changes in liabilities arising from financing activities. The amendment is effective for annual periods beginning on or after 1 January 2017.

The Group will adopt these new standards, amendments and interpretations on the basis of the set date of application and will evaluate its potential impacts when these will be adopted by the European Union.

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 11.5% and amounted to €43,431 thousand, versus €49,050 thousand in 2015.

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

Turnover by geographical area	**FY2016**	**%**	**FY2015**	%
€ thousand				
Italy	4,977	11.5%	6,636	13.5%
Europe	12,082	27.8%	14,755	30.1%
Asia	17,879	41.2%	17,980	36.7%
North and South America	8,237	19.0%	9,600	19.6%
Rest of the World	257	0.6%	79	0.2%
Total revenue	**43,431**	**100%**	**49,050**	**100%**

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

Turnover by business line	**FY2016**	**%**	**FY2015**	%
€ thousand				
Numerical controls, drives and software	3,258	7.5%	3,507	7.1%
High-speed milling systems	34,033	78.4%	38,168	77.8%
After-sales service	6,140	14.1%	7,375	15.0%
Total revenue	**43,431**	100%	**49,050**	100%

2. OTHER REVENUE

This item comprises:

€ thousand	**FY2016**	**FY2015**
Contributions for operating expenses	399	451
Increase in fixed assets for internal work	460	747
Gain from tangible assets	-	13
Recovery of warranty provisions	18	51
Recovery of bad debt provisions	-	45
Contingent assets	244	65
Recovery of costs incurred	305	320
Insurance refunds	22	59
Other miscellaneous revenues and earnings	33	17
Total	**1,481**	**1,769**

Grants for operating expenses basically consist of funds for research projects stated by year of accrual in the statement of comprehensive income at 31 December 2016 and allocated by the European Union and Italian University and Research Ministry. Applied and basic research and development activities are a structural component and are carried out on an ongoing basis by Fidia S.p.A.

3. RAW MATERIALS

These are:

€ thousand	FY2016	FY2015
Production materials	16,017	17,742
Service materials	1,048	1,315
Consumables	63	47
Equipment and software	53	48
Packaging	200	248
Others	83	92
Change in inventory raw materials and consumables	(490)	387
Total	**16,974**	**19,879**

The decrease in costs for raw materials and other materials substantially reflects the decreased revenue for the year and the different mix in their composition.

4. PERSONNEL EXPENSES

Personnel expenses amounted to €11,282 thousand, up by 0.2% versus €11,265 thousand in 2015. These consist of:

€ thousand	FY2016	FY2015
Wages and salaries	8,405	8,342
Social security charges	2,370	2,405
TFR	482	475
Other personnel expenses	25	43
Total	**11,282**	**11,265**

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased from 22.0% in 2015 to 25.7% in the current year.

Exit flexibility has been pursued including through the adoption of the novelties introduced by Italian Law 92/2012 and later by the Job Act (Law 183/2014).

In the table below the change recorded in 2016 in the number of employees, broken down by category, is illustrated below:

	31 December 2015	Inbound	Outbound	Change	31 December 2016	Period average
Executives	6	-	-		6	6.0
Clerks and cadres	140	15	(11)	4	144	142.0
Workers	50	3	(4)	(1)	49	50.0
Total	**196**	**18**	(15)	3	199	198.0

5. OTHER OPERATING EXPENSES

Other working expenses are as follows:

€ thousand	FY2016	FY2015
Outsourced work	3,293	4,362
Travel expenses	522	567
Transportation and customs	839	1,071
Rent due	594	557
Technical, legal and administrative consulting	1,150	1,209
Utilities	327	354
Commissions	1,687	2,946
Car and equipment rental	324	288
Auditors' emoluments	62	58
Insurance	313	292
Advertising, trade fairs and other commercial costs	321	453
Non-income taxes	279	145
Maintenance and housekeeping	135	156
Charges for personnel services	250	234
Motor vehicle management expenses	14	13
First-supply services	1,203	1,587
Bank services	231	219
Stock exchange listing fees	111	119
Costs for repairs and interventions	1,539	992
Research project costs	17	12
Entertainment expenses	185	195
Patent costs	100	79
Contributions and payments	39	38
Contingent liabilities	164	161
Warranty provisions	26	4
Other provisions	28	18
Others	639	778
Total	**14,392**	**16,908**

Other operating expenses amounted to €14,392 thousand, down by €2,516 thousand compared to €16,908 thousand last year.

The YOY decrease is due to lower commission costs, due to a different sales mix, and lower costs associated with the production and technical areas, as well as to less use of contractors. Repair and intervention costs instead increased to meet the needs of equipment.

6. DEPRECIATION AND AMORTIZATION

€ thousand	FY2016	FY2015
Amortization of intangible fixed assets	100	99
Depreciation of tangible fixed assets	259	288
Writedown of trade receivables	8	-
Writedown of other non-current receivables and assets	-	575
Total	**367**	**962**

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. The existing reserves are considered commensurate to possible cases of insolvency.

In 2015, the write-down of other non-current receivables and assets represents the allocation to the bad debt provision of €373 thousand in relation to the receivables due from tax authorities for withholding taxes on dividends paid in previous years by the subsidiary Fidia Beijing, in addition to losses on non-trade receivables of approximately €200 thousand.

7. RECOVERY/(WRITE-DOWN) OF INVESTMENTS

€ thousand	FY2016	FY2015
Write-down of investments	-	(248)
Write-back of value of investments	329	258
Total	**329**	**10**

The result of the impairment test carried out on the investments held in the subsidiary Fidia Co. (USA) led to a write-back of €329 thousand. The write-back, resulting from the results of the impairment test is related to the fact that the US company has consolidated a trend of positive economic results in recent years.

Considering also the economic financial outlook, estimated over a three-year period, there was a possibility to make a write-back in addition to one already made in 2015.

8. NON-RECURRING REVENUE

In 2016, there were no such events.

9. FINANCE REVENUE AND EXPENSES

Finance revenue and expenses consist of:

€ thousand	FY2016	FY2015
Finance revenue	1,499	603
Borrowing costs	(264)	(235)
Net profit (loss) on derivatives	(178)	-
Profit (loss) from foreign currency transactions	(52)	(81)
Total	**1,005**	**287**

Finance revenue consists of:

€ thousand	FY2016	FY2015
Dividends from subsidiaries	1,498	600
Interests received from banks	1	2
Other interests received	-	1
Total	**1,499**	**603**

Dividends from subsidiaries consisted of:

€ thousand	FY2016	FY2015
Beijing Fidia Machinery & Electronics Co. Ltd.	898	-
Fidia Iberica S.A.	200	300
Fidia Sarl	-	-
Fidia GmbH	400	300
Total	**1,498**	**600**

Finance expenses consist of:

€ thousand	FY2016	FY2015
Interests paid on short-term borrowings	(42)	(51)
Interest paid on M/L-term borrowings	(157)	(107)
Interests paid on lease payables	(2)	(2)
Borrowing costs on termination benefits	(19)	(27)
Other borrowing costs	(44)	(48)
Total	**(264)**	**(235)**

Net profit and loss on derivatives:

€ thousand	FY2016	FY2015
Financial charges on derivatives	(185)	(50)
Financial expenses on derivatives	7	50
Total	(178)	-

Financial expense on derivatives, amounting to €185 thousand, included the fair value impact of the portion not included in the hedging relationship (time value of forwards) of forward contracts entered into to limit the risk of the EUR/USD exchange rate, correlated to existing sales orders in USD in addition to those closed during the year and the value of the ineffective component of an interest rate swap derivative contract entered into to hedge interest rate risk on a medium/long-term floating rate loan.

Financial income from derivatives, amounting to €7 thousand, included the fair value impact of the ineffective portion of two interest rate caps entered into to hedge the interest rate risk on two medium/long-term floating rate loans and the fair value impact of two forward contracts entered into to limit the EUR/USD exchange rate risk entered into during the year.

Profit (loss) on foreign currency transactions consists of:

€ thousand	**FY2016**	**FY2015**
Currency gain	102	127
Revenue from exchange rate adjustment	34	21
Profit on currency forward contract	43	4
Loss on currency forward contract	-	(34)
Currency loss	(123)	(170)
Expenses from exchange rate adjustment	(108)	(30)
Total	**(52)**	**(81)**

10. INCOME TAXES

Taxes recognized in profit or loss are:

€ thousand	FY2016	FY2015
Income tax:		
IRAP (Italian Regional Tax on Production Activities)	89	173
IRES (Italian Corporate Income Tax)	14	107
Deferred tax assets absorbed	167	260
Deferred tax assets	(162)	(250)
Total	**108**	**290**

At 31 December 2016, the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€ thousand	31 December 2016	31 December 2015
Pre-paid tax assets	367	376
Deferred tax liabilities	-	(2)
Total	**367**	**374**

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

		Posted in	Recognized in	
€ thousand	**At 31 December 2015**	**Income Statement**	**shareholders' equity**	**At 31 December 2016**
Pre-paid taxes for:				
Application of IAS 19 - Termination Benefits	103	(5)	14	112
Tax loss	250			250
Cash Flow Hedge reserve	23		(18)	5
Total deferred tax assets	**376**	(5)	(4)	367
Deferred tax liabilities for:				
Cash Flow Hedge reserve	2		(2)	-
Total deferred taxes	**2**	**-**	**(2)**	**-**

Following the issue of Decree Law no. 98 of 6 July 2011, enacted with amendments by Law no. 111 of 15 July 2011, tax losses are carried forward indefinitely.

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

STATEMENT OF FINANCIAL POSITION

11. TANGIBLE FIXED ASSETS

In 2016 and 2015 the changes in Plant and Equipment are detailed in the following schedule:

€	Prior changes			Changes in period						
€ EUR	Purchase price	Depreciation reserve	Initial balance 1.1.2016	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Write-downs/ Write-backs	Final balance
Plant and machinery	1,607	(1,410)	197	90	-	90		(84)	-	202
Industrial equipment	1,807	(1,603)	204	160	-	160		(82)	-	282
Electrical tools	763	(745)	18	5	-	5		(6)	-	16
Furnishing	774	(627)	147	19	-	19		(17)	-	149
Electronic equipment	1,284	(1,208)	76	31	(6)	25	5	(33)	-	73
Means of transportation	320	(243)	77	-	-	0		(31)	-	46
Other tangible assets	28	(7)	20	-	-	0		(6)	-	15
Assets under development	4,660	-	4,660	2,779		2,779			-	7,439
Total plant and equipment	**11,242**	**(5,843)**	**5,399**	**3,082**	**(6)**	**3,078**	**5**	**(259)**	**-**	**8,222**

€	Prior changes			Changes in period						
€ EUR	Purchase price	Depreciation reserve	Initial balance 1.1.2015	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Write-downs/ Write-backs	Final balance
Plant and machinery	1,724	(1,484)	240	107	(171)	(64)	160	(139)	-	197
Industrial equipment	1,670	(1,552)	118	152	(15)	137	15	(66)	-	204
Electrical tools	774	(766)	8	15	(26)	(11)	26	(5)	-	18
Furnishing	882	(720)	162	4	(113)	(109)	113	(19)	-	147
Electronic equipment	1,258	(1,202)	56	47	(21)	(26)	21	(27)	-	76
Means of transportation	283	(216)	67	37	-	(37)	-	(27)	-	77
Other tangible assets	23	(10)	13	13	(7)	(6)	6	(5)	-	20
Assets under development	2,725	-	2,725	1,935	-	1,935	-	-	-	4,660
Total plant and equipment	**9,339**	**(5,950)**	**3,389**	**2,310**	**(353)**	**1,957**	**341**	**(288)**	**-**	**5,399**

Capital expenditure made during 2016 amounted to €3,082 thousand.

Work in progress, which represents the bulk of new capital expenditure, refers to renovation work carried out in the period on the new site under construction in Forlì.

The parent company Fidia S.p.A. acquired this real estate complex through a leasing contract in the previous period. As it is not yet ready for use, this capital expenditure item has not yet been subject to depreciation.

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

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

Amortization of tangible assets, equivalent to €259 thousand, is recognized in profit or loss under "Depreciation and amortization" (Note No. 6).

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 fiscal years:

	Prior changes			Changes in period					
€ thousand	Purchase price	Depreciation reserve	Initial balance 1.1.2016	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Final balance
Licenses	115	(44)	71	19	-	19	-	(27)	63
Software	958	(759)	199	21	-	21	-	(73)	147
Development Costs	-	-	-	252		252			252
Assets under development	816	-	816	306	(258)	48	-	-	864
Total intangible fixed assets	1,889	(803)	1,086	**598**	**(258)**	**340**	**-**	**(100)**	**1,326**

	Prior changes			Changes in period					
€ thousand	Purchase price	Depreciation reserve	Initial balance 1.1.2015	Additions	Decreases	Total	Decrease in Deprec. reserve	Depreciation of year	Final balance
Licenses	103	(21)	82	12	-	12	-	(23)	71
Software	924	(684)	240	34	-	34	-	(75)	199
Assets under development	298	-	298	518	-	518	-	-	816
Total intangible fixed assets	**1,325**	**(705)**	**620**	**564**	**-**	**564**	**-**	**(98)**	**1,086**

The increases recorded in "Software" during the year relate mainly to the introduction of new functions of the Navision ERP software that went into operation at the beginning of 2014. This implementation has also allowed improving R&D processes and the relative measurement of future costs and benefits of individual projects, in accordance with IAS 38 in terms of capitalization.
Development costs incurred and capitalised during the year amounted to €304 thousand and were not yet amortised because they have not yet been fully amortized; the only exception is the I/O line project, completed and transferred to the end of the year, which therefore has not yet started 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).

13. INVESTMENTS

At 31 December 2016 these amounted to €10,574 thousand. The following changes were registered:

€ thousand	**Balance at 31 December 2015**	**Increases**	**Decreases**	**Write-downs**	**Write-backs**	**Balance at 31 December 2016**
Investments in subsidiaries	9,870	362	-	-	329	10,561
Investments in associates	2	-	-		-	2
Interests in other entities	11	-	-	-	-	11
Total interests	**9,882**	**362**	**-**	**-**	**329**	**10,574**

€ thousand	**Balance at 31 December 2014**	**Increases**	**Decreases**	**Write-downs**	**Write-backs**	**Balance at 31 December 2015**
Investments in subsidiaries	9,860	-	(1)	(248)	258	9,870
Investments in associates	2	-	-	-	-	2
Interests in other entities	11	-	-	-	-	11
Total interests	**9,873**	**-**	**(1)**	**(248)**	**258**	**9,882**

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

€ thousand	Balance at 31 December 2015	Increases	Decreases	(Write-downs)/ Write-backs	Balance at 31 December 2016
Subsidiaries					
Fidia GmbH	1,208				1,208
Historical cost	1,208				1,208
Provision for writedown	-				-
Fidia Co.	5,211			329	5,540
Historical cost	7,078				7,078
Provision for writedown	(1,867)			329	(1,538)
Fidia Iberica S.A.	171				171
Historical cost	171				171
Provision for writedown	-				-
Fidia Sarl	221				221
Historical cost	221				221
Provision for writedown	-				-
Beijing Fidia M&E Co. Ltd.	1,185	364			1,549
Historical cost	1,185	364			1,549
Provision for writedown	-				-
Fidia Do Brasil Ltda	82				82
Historical cost	350				350
Provision for writedown	(268)				(268)
Shenyang Fidia NC & Machine Co. Ltd.	1,790				1,790
Historical cost	2,443				2,443
Provision for writedown	(653)				(653)
OOO Fidia	-				-
Historical cost	100				100
Provision for writedown	(100)				(100)
Fidia India Private Ltd.	-				-
Historical cost	-				-
Provision for writedown	-		-		-
Total investments in subsidiaries	**9,870**	**364**	**-**	**329**	**10,561**
Historical cost	12,758				13,120
Provision for writedown	(2,888)				(2,559)
Associates					
Prometec Consortium	2				2
Total investments in associates	**2**				**2**
Others					
Probest Service S.p.A.	10				10
Consorzio C.S.E.A.	-				-
Historical cost	6.5				6.5
Provision for writedown	(6.5)				(6.5)
Total investments in others	**11**				**11**
Total interests	**9,882**	**364**	**-**	**329**	**10,574**

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 2015 and 2016 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 company Fidia Co (USA) for which the indicators showed write-backs at the reporting date.

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 2017-2019 time-frame. The assumptions used in forecasting cash flows for the explicit forecast period were based on prudent assumptions and using future realistic and achievable expectations.
In order to determine the value in use of the subsidiaries, the discounted cash flows of the 3 years of explicit forecast plus a terminal value were taken into account; the latter value was determined by using the criterion of discounting the perpetuity. The discount rate applied to future cash flows was calculated taking into account the sector in which the company operates, the debt structure and the current economic situation. In particular, the WACC rate was equal to about 8.08% for Fidia Co. (USA).
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 recovery for the investment in Fidia Co. equivalent to €329 thousand.

The recognized effects resulted in the alignment of the cost of the investments with the related recoverable amount.

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

The sensitivity analysis showed that:

- Fidia Co. (USA): changes of +/-0.5% on WACC do not result in significant impacts in terms of determining the recoverable amount and changes in revenues of +/-5% would cause negligible impacts.

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Security deposits	64	28
Receivables for foreign VAT	6	15
Receivables for EU contributions to R&D	-	-
Withholding tax on foreign income	690	685
Other current	26	402
Total other non-current receivables and assets	**786**	**1,130**

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

Withholding tax on foreign income consist of receivables claimed with tax authorities for final withholding tax on wages for technical training activities carried out on behalf of the subsidiary Shenyang Fidia NC&M Co. Ltd. in prior fiscal years. The deadline for the use of these receivables is expected from 2017 onwards.

At 31 December 2016, €400 thousand were no longer recorded under Other Receivables, due to the reclassification of the advance paid by Fidia Spa to Mediocredito Italiano (€ 400 thousand) as part of the lease contract for the construction of the office part of the new production site in Forlì to directly reduce financial debt. This reclassification was needed based on the actual state of progress of the works, the costs of which are capitalised under work in progress.

15. INVENTORY

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Raw/auxiliary materials and consumable supplies	8,175	7,691
Provisions for raw materials depreciation	(1,622)	(1,628)
Net value of raw materials, subsidiary materials and consumables	**6,553**	**6,063**
Semi-finished products and work in progress	**4,909**	**5,180**
Finished products and goods for resale	751	1,459
Finished products and goods depreciation provision	(110)	(130)
Net value finished products and goods	**641**	**1,329**
Advances	17	61
Total inventory	**12,120**	**12,633**

Inventories recorded a decrease of €513 thousand YOY.

The provisions for depreciation equivalent to €1,732 thousand (€1,758 thousand at 31 December 2015) 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 2016 these amounted to €11,133 thousand, up €5,124 thousand YOY. In detail:

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Trade receivables from customers	8,598	3,142
Taxed supplementary	(251)	(346)
Total trade receivables from others	**8,347**	**2,796**
Receivables from subsidiaries	2,785	3,213
Total trade receivables	**11,133**	**6,009**

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

€ thousand	31 December 2016	31 December 2015
Unexpired	904	777
Due up to 1 month	5,747	214
Due 1 to 3 months	825	497
Due 3 months to 6 months	256	541
Due 6 months to 1 year	332	546
Due over 1 year	534	567
Total	**8,598**	**3,142**

All trade receivables are due within one year.

The bad debt provisions, amounting to €251 thousand (€346 thousand at 31 December 2015) were allocated to cover the risk of default related to doubtful receivables and overdue receivables. The changes in the provisions for writedown of receivables were:

Balance at 31 December 2015 € thousand	**346**
Provisions in period	8
Amounts used	(103)
Balance at 31 December 2016	**251**

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Italy	914	958
Europe	499	607
Asia	6,974	1,167
North and South America	192	337
Rest of the World	19	73
Total	**8,598**	**3,142**

Receivables from subsidiaries were the following:

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Fidia Co.	1,318	1,571
Fidia Sarl	196	436
Fidia Iberica S.A.	578	697
Fidia GmbH	144	166
Fidia do Brasil Ltda	295	224
Beijing Fidia M&E Co. Ltd.	20	49
Shenyang Fidia NC & Machine Co. Ltd.	234	70
Total Receivables	**2,785**	3,213

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Europe	918	1,299
North and South America	1,613	1,795
Asia	254	119
Total	**2,785**	**3,213**

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 2016	Balance at 31 December 2015
Current tax receivables:		
Receivables from tax authorities for VAT	270	8
Tax receivables for income tax and IRAP	83	146
Receivables for short-term foreign VAT	14	31
Other tax receivables:	92	1
Total current tax receivables	**459**	186
Contributions for research projects	122	77
Accruals and prepayments	113	138
Receivables from employees	18	50
Advances from suppliers	158	62
Dividends receivable	1,408	600
Other current receivables	179	109
Total other current receivables and assets	**1,998**	1,036

Receivables for research projects equal to €122 thousand consisted of grants from the European Union and the University and Research Ministry for projects aimed at developing new products and technologies.

It is deemed that the carrying amount of Other current receivables and assets is near the fair value. Other current receivables will be due entirely by the next fiscal year.

18. OTHER CURRENT FINANCIAL ASSETS

This item is not present at 31 December 2016.

19. CASH AND CASH EQUIVALENTS

The overall total of cash amounted to €4,319 thousand (€9,776 thousand at 31 December 2015). This item is composed of temporary cash on bank accounts pending future use amounting to €4,311 thousand and cash on hand and checks in the amount of €8 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 2016 amounted to €11,261 thousand, up by €125 thousand YOY. The change was due to:

- profit realized in the period (€2,165 thousand);
- negative effect of the accounting of actuarial losses on the termination benefits net of the theoretical tax effect (€45 thousand);
- Positive change of the cash flhow edge reserve net of the theoretical tax effect (€50 thousand);
- Negative effect of the distribution of dividends amounting to €2,045 thousand

The main classes composing the Equity and related changes are the following.

Share capital

Capital issued amounted to €5,123,000 and was unchanged compared to Tuesday, December 31, 2016. 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 2014 and the number of circulating shares at 31 December 2016:

	At 31 December 2014	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2015	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2016
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 2015.

Legal reserve

Legal reserve, equal to €775 thousand, increased by €108 thousand compared to the previous year for the allocation of profit of the year 2015, as per resolution passed by the shareholders' meeting on 27 April 2016.

Provisions for own shares in portfolio

At 31 December 2016, it amounted to €46 thousand and was unchanged YOY.

These reserves are not available until own shares are held.

Extraordinary reserve

At 31 December 2016, it amounted to €309 thousand and was unchanged compared to 31 December 2015.

Reserve of exchange rate profit not realized

At 31 December 2016 it amounted to €8 thousand and was set up in the year 2015 as a result of the allocation of the 2014 profit as per the resolution passed by the shareholders' meeting on 29 April 2015.

Earnings (loss) carried forward

At 31 December 2016 earnings carried forward amounted to €1,794 thousand, down €10 thousand YOY for the allocation of profit of the year 2015 as per the resolution passed by the shareholders' meeting on 27 April 2016.

Own shares

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

There were no changes in 2016, 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 2016	10,000	10.00	0.20%	46	4.55
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Write-backs	-	-	-	-	-
Situation at 31 December 2016	10,000	10.00	0.20%	46	4.55

Profit (loss) stated directly in equity

At 31 December 2016, it amounted to -€137 thousand as opposed to €-92 thousand at 31 December 2015; the change was due to the accounting of actuarial losses for termination benefits in 2016, 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 2016, the cash flow hedge provisions registered the following changes:

	Cash Flow Hedge reserve					
€ thousand Type of financial instrument	Nature of hedged risk	Opening holdings at 1 January 2016	Increases	Decreases	CFH provisions stated in profit or loss	Final balance at 31 December 2016
- Interest rate swap	Interest rate risk	-	(15)	-	-	(15)
- *forward*	Exchange rate risk	(65)	-	-	65	-
Total		**(65)**	**(15)**	**-**	**65**	**(15)**

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

				Utilizations in previous 3 fiscal years	
€ thousand	Amount	Availability	Distributability	To cover losses	Other reasons
Capital issued:	5,123				
Capital reserves:					
Provisions for share premium (1)	1,240	A, B, C	990		-
Profit reserves:					
Provisions for own shares	46	----	----	-	-
Legal reserve	775	B	----	-	-
Cash Flow Hedge reserve	(15)	----	----	-	-
Profit (loss) stated directly in equity	(137)	----	----	-	-
Extraordinary reserve	309	A, B, C	309	802	-
Profit (loss) carried forward	1,794	A, B, C	1,810	546	-
Total distributable share			3,093	1,348	-

(1) Fully available for increase of share capital and coverage of loss. For other utilizations, it is necessary to adjust in advance the legal reserve to 20% of the issued capital (also through transfer from the provisions for share premium).

Legend:

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 2016	Balance at 31 December 2015
Advances for research projects	-	213
Long-term deferred income	-	-
Total	-	213

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

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

22. EMPLOYEE SEVERANCE INDEMNITIES

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 2016	**2,372**
Amount accrued and allocated in year	482
Benefits paid out in year	(119)
Amount transferred to State Fund and complementary pension scheme	(476)
Borrowing costs on termination benefits	19
Accounting of actuarial losses	59
Substitute tax	(7)
Balance at 31 December 2016	**2,330**

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 costs, hence leading to an increase in finance costs of the fiscal year in the amount of €19 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2016	At 31 December 2015
Discount rate	-0.22%	0.02%
Future inflation rate	1.5%	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 on future benefits is determined, according to the provisions of IAS 19, at market yields.

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

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

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

Specifically, a 10% increase and decrease was assumed with regard to the parameters used for the measurement of the termination benefits fund at 31 December 2016.

	Ipotesi di Base	**Variazioni delle Ipotesi di Base**									
Tasso d'inflazione proiettato	Curva	**1,40%**	**1,60%**								
Incidenza media dell'anticipo sul TFR maturato inizio anno	70,00%			**63,00%**	**77,00%**						
Tasso di richiesta di anticipo: Dirigente	3,00%					**2,70%**	**3,30%**				
Tasso di richiesta di anticipo: Quadro	3,00%					**2,70%**	**3,30%**				
Tasso di richiesta di anticipo: Impiegato	3,00%					**2,70%**	**3,30%**				
Tasso di richiesta di anticipo: Operaio	3,00%					**2,70%**	**3,30%**				
Tasso di richiesta di anticipo: Apprendista	3,00%					**2,70%**	**3,30%**				
Tasso di attualizzazione	Curva							**-10%**	**+10%**		
Tasso di uscita per dimissioni e licenziamento: Dirigente	5,00%									**4,50%**	**5,50%**
Tasso di uscita per dimissioni e licenziamento: Quadro	3,00%									**2,70%**	**3,30%**
Tasso di uscita per dimissioni e licenziamento: Impiegato	3,00%									**2,70%**	**3,30%**
Tasso di uscita per dimissioni e licenziamento: Operaio	3,00%									**2,70%**	**3,30%**
Tasso di uscita per dimissioni e licenziamento: Apprendista	3,00%									**2,70%**	**3,30%**
Società	**Fondo TFR (€000)**	**Variazione percentuale del TFR su base IAS rispetto alle Ipotesi di Base**									
Fidia S.p.A.	**2.330**	**-0,48%**	**0,48%**	**0,04%**	**-0,04%**	**0,04%**	**-0,04%**	**0,54%**	**-0,56%**	**0,09%**	**-0,08%**

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

The item comprises the fair value of two interest rate cap contracts to cover (cash flow hedge) the risk of variability of the interest expense flows of three medium-to-long term loans.

€ thousand		**31 December 2016**		**31 December 2015**
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest rate risk - BNL Interest Rate Swap	2,105	10	-	-
Interest rate risk - INTESA Interest Rate Swap	2,450	8		
Interest rate risk - INTESA Interest Rate Swap	3,000	3		
Interest Rate Cap BNL	237	1	553	3
Interest Rate Cap Banco Popolare	250	1	500	3
Total		**23**		**6**

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 €17,909 thousand and are specified in detail in the following table:

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Overdrawn bank accounts and short-term advances	486	507
Financial accruals and deferrals	39	31
Intra-group loans	1,932	467
Loan - BNL “1,500” (part medium/long term and part short term)	235	546
Loan - Banco Popolare (part medium/long term and part short term)	248	495
Short-term loan - MPS	697	698
Loan - ISP “3,500” (part medium/long term and part short term)	2,433	3,122
Short-term loan - Banca Nazionale del Lavoro	-	749
Loan - BNL “2,500” (part medium/long term and part short term)	2,085	-
Loan - ISP “3,000” (part medium/long term and part short term)	2,979	-
Loan - UNICREDIT (part medium/long term and part short term)	1,308	-
Loan - MPS “1,500” (part medium/long term and part short term)	1,372	-
Autodesk financing	-	17
Autodesk financing no. 2	44	-
Lease - Volkswagen Bank	25	42
Property lease with Mediocredito Italiano	4,026	2,949
Total	**17,909**	9,623

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	525			525
Intra-group loans	1,932			1,932
Medium-to-long term bank loans	3,067	7,593		10,660
Short-term loans	697			697
Autodesk financing	33	11		44
Lease - Volkswagen Bank	25			25
Property lease with Mediocredito Italiano			4,026	4,026
Total	**6,279**	**7,604**	**4,026**	**17,909**

With regard to the determination of the repayment terms for the instalments of the real estate lease with Mediocredito Italiano, the latter is subject to completion of the building works and definition of the amortisation plan; since this date is not yet known, the total amount is conventionally placed in the category “beyond 5 years”.

Intra-group loans consist of three interest-bearing loans amounting to €1,932 thousand (and the related interest rate) granted by the subsidiary Fidia Co. for a total of €1,429 thousand and one by the subsidiary Fidia Gmbh for a value of €503 thousand. The contracts with Fidia Co are valid until 27 January 2017 and 18 May 2017 respectively. The contract with Fidia Gmbh runs until 22 March 2017. All contracts can be extended.

Bank loans have the following main characteristics:

<u>Loan - BNL “1,500” (part medium/long term and part short term)</u>
Original amount €1,500 thousand
Residual amount €235 thousand

Date of loan	08/10/2012
Term	Loan due date 30/09/2017
Grace period	1 quarterly instalment (31/12/2012)
Repayment	19 quarterly instalments (31/03/2013 to 30/09/2017)
Interest rate	3-month Euribor, base 360 + 3.35% spread

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

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

Original amount	€1,250 thousand
Residual amount	€248 thousand
Date of loan	09/11/2012
Term	Loan due date 31/12/2017
Grace period	1 quarterly instalment (31/12/2012)
Repayment	20 quarterly instalments (31/03/2013 to 31/12/2017)
Interest rate	3-month Euribor, base 360 + 3.78% spread

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

Short-term loan - Monte dei Paschi di Siena

Original amount	€700 thousand
Residual amount	€697 thousand
Date of loan	15/12/2016
Term	Loan due date 30/06/2017
Grace period	4 quarterly instalments (31/12/2016 to 31/03/2017)
Repayment	3 monthly instalments (30/04/2017 to 30/06/2017)
Interest rate	1.350%

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

Original amount	€3,500 thousand
Residual amount	€2,433 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	€2,085 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 thousandousand
Residual amount	€2,979 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.

Loan - UNICREDIT (part medium/long term and part short term)

Original amount	€1,500 thousand
Residual amount	€1,308 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 - MPS **“1,500”** (part medium/long term and part short term)

Original amount	€1,500 thousand
Residual amount	€1,372 thousand
Date of loan	24/08/2016
Term	Loan due date 30/09/2019
Grace period	1 monthly instalment at 30/09/2016
Repayment	12 quarterly instalments (31/12/2016 to 30/09/2019)
Interest rate	3-month Euribor, base 360 + 1.1% spread

Autodesk financing no. 2

Original amount	€66 thousand
Residual amount	€44 thousand
Date of loan	23/05/2016
Term	Loan due date 23/04/2018
Repayment	24 monthly instalments (23/05/2016 to 23/04/2018)
Interest rate	0%

Lease - Volkswagen Bank

Original amount	€85 thousand
Residual amount	€25 thousand
Date of loan	03/01/2014
Term	Loan due date 30/11/2017
Repayment	47 monthly instalments (03/01/2014 to 30/11/2017)
Interest rate	4.54%

Property lease with Mediocredito Italiano

Original amount	€8,400 thousand
Amount paid	€5,400 thousand
Residual amount	€4,026 thousand
Date of loan	25/06/2014
Term	180 months from the date of completion of the renovations and expansion
Interest rate	3-month Euribor + 3.81% spread

This is the “under construction” property lease agreement, in three tranches, the repayment of which will take place in 179 monthly instalments starting from the date on which the industrial building will be ready for use. Until that date, the user, Fidia S.p.A., will not refund the principal (excluding the initial maxi-instalment relating to the decided three ease tranches, amounting to €2,380 thousand, paid on signing of the lease), but only interests. The total amount funded by the leasing company may reach, depending on the state of progress of the renovation and expansion, up to €8,400 thousand.

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

€ thousand	Balance at 1 January 2016	New loans	Repayments	Balance at 31 December 2016
Intra-group loans	467	1,465	-	1,932
Loan - BNL “1,500” (part medium/long term and part short term)	546	-	(311)	235
Loan - Banco Popolare (part medium/long term and part short term)	495	-	(247)	248
Short-term loan - MPS	698		(698)	-

Short-term loan - MPS	-	697		697
Loan - ISP “3,500” (part medium/long term and part short term)	3,122	-	(689)	2,433
Short-term loan - Banca Nazionale del Lavoro	749	-	(749)	-
Loan - BNL “2,500” (part medium/long term and part short term)	-	2,468	(383)	2,085
Loan - ISP “3,000” (part medium/long term and part short term)	-	2,979	-	2,979
Loan - UNICREDIT (part medium/long term and part short term)	-	1,489	(181)	1,308
Loan - MPS “1,500” (part medium/long term and part short term)	-	1,499	(127)	1,372
Autodesk financing	17	-	(17)	-
Autodesk financing no. 2	-	66	(22)	44
Lease - Volkswagen Bank	42		(17)	25
Property lease with Mediocredito Italiano	2,949	1,077	-	4,026
Total	**9,085**	**11,740**	**(3,441)**	**17,384**

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

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

25. OTHER CURRENT FINANCIAL LIABILITIES

This item amounted to €198 thousand and includes the fair value loss of certain contracts for the forward sale of USD entered into by the company to hedge the exchange rate risk on certain supplies denominated in that currency.

26. TRADE PAYABLES

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Payables to other suppliers	8,928	10,423
Payables to subsidiaries	4,870	5,126
Payables to associates	2	2
Total trade payables	13,800	15,551

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

€ thousand	Due date within 1 month	Due date beyond 1 to 3 months	Due date beyond 3 to 12 months	Due between 1 and 5 years	Total
Payables to other suppliers	4,436	3,221	1,271		8,928
Payables to subsidiaries	3,629	1,241			4,870
Payables to associates	2				2
Total trade payables	8,067	4,462	1,271		13,800

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Italy	7,701	8,063
Europe	328	377
Asia	892	1,833
North and South America	7	119
ROW	-	31
Total	8,928	10,423

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Fidia Co.	126	140
Fidia S.a.r.l.	14	42
Fidia Iberica S.A.	49	40
Fidia GmbH	154	126
Beijing Fidia M&E Co. Ltd.	4,525	4,710
Shenyang Fidia NC&M Co. Ltd.	-	52
Fidia do Brasil Ltda	2	16
Total payables to subsidiaries	4,870	5,126

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Europe	217	208
Asia	4,525	4,762
North and South America	128	156
Total	4,870	**5,126**

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

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Prometec Consortium	2	2
Total	**2**	**2**

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

27. TAX PAYABLES, OTHER CURRENT PAYABLES AND LIABILITIES

€ thousand	Balance at 31 December 2016	Balance at 31 December 2015
Current tax payables:		
- withholding taxes	325	320
- Payables to tax authorities for IRES	-	8
- Payables to tax authorities for IRAP	-	-
- Payables to tax authorities for VAT	-	104
Total current tax payables	**325**	432

Other current payables and liabilities:		
Payables to employees	780	818
Social security payables	670	802
Down payments from customers	2,277	4,742
Payables for compensation	328	223
Deferrals	-	1
Accrued expenses	102	81
Miscellaneous payables	151	148
Total other current payables and liabilities	4,308	6,816

Payables to employees pertain to benefits accrued at year-end (accrual of bonuses, overtime, etc.) as well as to the amounts due for holidays accrued and not yet taken.

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

Down payments from customers include advances from customers for orders yet to be processed and for sales of milling systems already delivered but still in course of acceptance, which according to IAS 18 – Revenue, cannot be stated in the revenue. This item comprises also advances received from subsidiaries in the amount of €500 thousand.

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

28. PROVISIONS FOR RISKS AND EXPENSES

Provisions for risks and expenses amounted to €1,151 thousand as per the schedule.

€ thousand	**Balance 1 January 2016**	**Accrual**	**Utilization /Release**	**Balance 31 December 2016**
Warranty provisions	1,115	26	(18)	1,123
Provisions for legal risks	30	28	(30)	28
Total other provisions for risks and expenses	**1,145**	**54**	**(48)**	**1,151**

Product warranty provisions comprise the best possible estimate of the obligation undertaken by the Company by contract, law or custom with regard to expenses related to warranty on its products for a certain period effective as of sale to the final customer. This estimated is calculated based on the experience of the Company and the specific contract terms.

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

29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2016, these amounted to €1,540 thousand, down by €2,470 thousand compared to €4,010 thousand at 31 December 2015. 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 2016 the Company was not aware of any facts liable of generating foreseeable and appraisable potential liabilities and hence it deemed that there was no need to make further provisions.

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

30. INFORMATION ON FINANCIAL RISKS

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

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

MARKET RISKS

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

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

The market risks include exchange and interest rate risk.

Exchange rate risk: definition, sources and management policies

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

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

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

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

- economic/competitive: comprises all effects that a change in market exchange rates can have on the Company income and may hence impact strategic decisions (products, markets and investments) and Company competitiveness on the reference market;
- transaction: consists in the possibility that changes in exchange rate relations occur between the date on which a financial obligation between the counterparts becomes highly probably and/or certain and the date of transaction settlement. These changes cause a difference between the expected and effective financial flows.

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

The Company implements a hedging policy only for transaction risk resulting from existing business transactions and from future contractual obligations to hedge cash flows. The goal is to set in advance the exchange rate at which the relevant transactions in foreign currency will be measured.

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

The instruments used are forward contracts (including of the flexible type) correlated by amount, due date and reference parameters with the hedged position.

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

Exchange rate risk: quantitative information and sensitivity analysis

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

In particular, when the Company incurs costs in currencies other than the presentation currency of the relevant revenues (and vice versa), the change in exchange rates can affect the earnings.

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

At 31 December 2016 the portfolio of the Company comprised two derivatives (flexible currency forward contracts) in order to protect future currency revenue flows from changes in the EUR/USD exchange rate for which the relevant hedging relationship was established according to the criteria of IAS 39 and hedge accounting was applied and two derivatives (of the same type) classified for trading.

At 31 December 2016, the main currency to which the Company is exposed is the USD.

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

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

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

The results of the sensitivity analysis on exchange rate risk are summarized in the tables below, which show the impacts on profit or loss and equity at 31 December 2016 and 31 December 2015. The impacts on profit or loss are before tax.

EXCHANGE RATE RISK SENSITIVITY ANALYSIS					
		Exchange Risk at 31 December 2016			
		+5% change		-5% change	
€ thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL ASSETS					
Cash and cash equivalent	809	(39)		43	
Hedging derivatives	-		-		-
Trade	4,478	(213)		236	
Effect		(252)	-	278	-
FINANCIAL LIABILITIES					
Derivatives for trading	102	98	-	(109)	-
Hedging derivatives	96	116	-	(128)	-
Overdrawn bank accounts					
Trade payables	258	12		(14)	
Effect		226	-	(250)	-
Total effect		**(25)**	**-**	**28**	**-**

EXCHANGE RATE RISK SENSITIVITY ANALYSIS					
		Exchange Rate Risk at 31 December 2015			
		+5% change		-5% change	
€ thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL ASSETS					
Cash and cash equivalent	1,737	(83)		91	
Derivatives for trading	4		39		(44)
Trade	1,992	(95)		105	
Effect		(178)	39	196	(44)
FINANCIAL LIABILITIES					
Derivatives for trading					
Hedging derivatives	151	91	200	(101)	(220)
Overdrawn bank accounts					
Trade payables	768	37		(40)	
Effect		128	200	(141)	(220)
Total effect		**(50)**	**239**	**55**	**(264)**

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

Interest rate risk: definition, sources and management policies

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

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

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

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

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

Exposure to interest rate risk is hedged through the use of Interest Rate Swaps and Interest Rate Caps.

Interest Rate Swaps are used in order to predetermine the interest paid on various forms of financing in order to ensure stability of cash flows.

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

The counterparts of said financial instruments are primary credit institutions.

Interest rate risk: quantitative information and sensitivity analysis

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

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

At 31 December 2016, the Parent Company had two Interest Rate Caps hedging interest rate risk with negative fair value of €2 thousand and three Interest Rate Swaps hedging interest rate risk with negative fair value of €21 thousand.

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

The three 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, transforming them, through the stipulation of derivative contracts, into fixed-rate loans.

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

At 31 December 2016, there were no fixed rate financial instruments measured at fair value.

The floating rate financial instruments at 31 December 2016 included cash, bank loans and leases.

The sensitivity analysis was carried out in order to present the effects on the income statement and shareholders' equity at 31 December 2016, 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.

At 31 December 2016, the following was assumed:

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

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

The decision to simulate, at 31 December 2016, decreases of 5 bps and 10 bps was caused by the current market scenario characterized by very low interest rates and expansionary monetary policies. These changes have been hypothesized with all other variables constant. The impact before tax that such changes would have had are shown in the table below.

INTEREST RATE SENSITIVITY ANALYSIS					
€ thousand		Interest Rate Risk at 31 December 2016			
		+10-bps change		-5-bps change	
	Carrying amount	P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES					
Loans from banks	11,357	(11)		6	
Finance leases	4,051	(4)		2	
IRS hedging derivatives	21	-	15	-	(7)
Cap hedging derivatives	2	-	-	-	-
Total impact		**(15)**	**15-**	**8**	**(7)**

INTEREST RATE SENSITIVITY ANALYSIS					
€ thousand		Interest Rate Risk at 31 December 2015			
		+10-bps change		-5-bps change	
	Carrying amount	P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL LIABILITIES					
Loans from banks	5,609	(5)		2	
Finance leases	2,992	(3)		1	
IRS hedging derivatives					
Cap hedging derivatives	6				
Total impact		**(8)**	**-**	**3**	

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 2016 in:

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

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

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

MATURITY ANALYSIS							
€ thousand	**Carrying amount at 31 December 2016**	**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	11,357	11,777	200	510	3,249	7,819	
Other loans	1,967	1,986	482	510	983	11	
Leasing	4,051	6,057	2	36	235	1,449	4,335
Overdrawn bank accounts	486	486	486				
Trade payables	13,800	13,800	8,067	4,462	1,271	-	-
Interest rate swap	21	21	1	2	11	8	-
Interest rate cap	2	2	-	1	1	-	-
TOTAL	**31,684**	**34,129**	**9,238**	**5,521**	**5,748**	**9,287**	**4,335**

MATURITY ANALYSIS							
€ thousand	**Carrying amount at 31 December 2015**	**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	5,609	5,853	192	764	1,857	3,040	
Other loans	484	485	471	6	8		
Leasing	2,992	4,278	2	19	158	1,046	3,053
Overdrawn bank accounts	507	507	507				
Trade payables	15,551	15,551	9,185	4,702	1,664		
Interest rate swap		0					
Interest rate cap	6	6	-	1	3	2	
TOTAL	**25,149**	**26,680**	**10,357**	**5,492**	**3,690**	**4,088**	**3,053**

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 writedowns if there is an objective condition in which these positions cannot be recovered either in part or in full. The extent of writedown 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 2015 is the book value of the financial assets stated in the Statement of Financial Position, plus the face value of collateral provided as indicated in Note No. 29.

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

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

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

- letters of credit;
- insurance policies.

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

Positions, if individually significant, are subject to specific writedown; these are either partially or totally non recoverable. The extent of writedown 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 writedown, provisions are allocated on a collective basis, considering experience and statistical data.

31. 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 2016, the Company held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €23 thousand and financial liabilities at fair value represented by derivative financial and trading instruments to hedge exchange rate risk, for an amount of €198 thousand, classified within Level 2 of the hierarchical assessment of fair value.

32. INTRA-GROUP RELATIONS AND RELATIONS WITH RELATED PARTIES

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

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

The impact of these transactions on the individual items in the 2016 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 - 2016

Counterpart € thousand	**Raw materials and consumables**	**Other operating services**	**Personnel expenses**	**Finance revenues**	**Revenues**	**Other revenues services**	**Finance revenues**
Fidia GmbH	27	342			2,803	34	400
Fidia Sarl		25		3	1,252	4	
Fidia Iberica S.A.		160			1,589	56	200
Fidia Co.	1	231		21	7,235	122	
Fidia do Brasil Ltda		14			97	12	
Beijing Fidia Machinery & E. Co. Ltd.		1,611			996	2	898
Shenyang Fidia NC&M Co. Ltd.		4			723		
OOO Fidia							
Total Group companies	**28**	**2,387**		**24**	**14,695**	**230**	**1,498**
Other related parties (associates)							
Other related parties (Giuseppe and Luca Morfino)		102	82				
Compensation Board of Directors			586				
Compensation Board of Statutory Auditors		62					
Total other related parties		**164**	**668**				
Total Group companies and other related parties	**28**	**2,551**	**668**	**24**	**14,695**	**230**	**1,498**
Total item	**16,974**	**14,392**	**11,282**	**494**	**43,431**	**1,481**	**1,499**
As % of financial statements items	**0.2%**	**18%**	**6%**	**5%**	**34%**	**16%**	**100%**

Data by year - 2015

Counterpart € thousand	**Raw materials and consumables**	**Other operating costs**	**Personnel expenses**	**Finance revenue**	**Revenue**	**Other operating revenue**	**Finance revenue**
Fidia GmbH	6	382			5,002	42	300
Fidia Sarl		78		1	2,601	11	
Fidia Iberica S.A.	12	171			2,169	6	300
Fidia Co.	2	182		8	6,687	106	
Fidia do Brasil Ltda		170			66	6	
Beijing Fidia Machinery & E. Co. Ltd.	10	1,993			1,131	1	
Shenyang Fidia NC&M Co. Ltd.	609	8			1,165		
OOO Fidia							
Total Group companies	**640**	**2,984**		**8**	**18,821**	**172**	**600**
Other related parties (associates)							
Other related parties (Giuseppe and Luca Morfino)		117	79				
Compensation Board of Directors			617				
Compensation Board of Statutory Auditors		58					
Total other related parties		**175**	**696**				
Total Group companies and other related parties	**640**	**3,159**	**696**	**8**	**18,821**	**172**	**600**
Total item	**19,879**	**16,908**	**11,265**	**316**	**49,050**	**1,769**	**603**
As % of financial statements items	**3%**	**19%**	**6%**	**3%**	**38%**	**10%**	**100%**

31 December 2016

Counterpart € thousand	Trade receivables	Other current Other current receivables	financial assets	Trade payables	Other current payables	Current financial liabilities
Fidia GmbH	146	400		154	150	503
Fidia Sarl	195			13	350	
Fidia Iberica S.A.	578	200		49		
Fidia Co.	1318			126		1,429
Fidia do Brasil Ltda	295			2		
Beijing Fidia Machinery & E. Co. Ltd.	20	808		4,525		
Shenyang Fidia NC&M Co. Ltd.	233					
OOO Fidia						
Total Group companies	**2,785**	**1,408**	**-**	**4,869**	**500**	**1,932**
Other related parties (associates)				2		
Other related parties (Giuseppe and Luca Morfino)		6			6	
Other related parties (Payables to BoD members of Fidia SpA)					266	
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)					62	
Total other related parties		**6**		**2**	**334**	
Total Group companies and other related parties	**2,785**	**1,414**	**-**	**4,871**	**834**	**1,932**
Total item	**11,133**	**1,998**		**13,800**	**4,308**	**6,279**
As % of financial statements items	**25%**	**71%**		**35%**	**19%**	**31%**

31 December 2015

Counterpart € thousand	Trade receivables	Other current Other current receivables	financial assets	Trade payables	Other current payables	Current financial liabilities
Fidia GmbH	166	300		127	150	
Fidia Sarl	436			42	315	
Fidia Iberica S.A.	697	299		40		
Fidia Co.	1,571			140	1,694	467
Fidia do Brasil Ltda	224			16		
Beijing Fidia Machinery & E. Co. Ltd.	49			4,710		
Shenyang Fidia NC&M Co. Ltd.	70			52		
OOO Fidia						
Total Group companies	**3,213**	**599**		**5,127**	**2,159**	**467**
Other related parties (associates)				2		
Other related parties (Giuseppe and Luca Morfino)		39			2	
Other related parties (Payables to BoD members of Fidia SpA)					165	
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)					58	
Total other related parties		**39**		**2**	**225**	
Total Group companies and other related parties	**3,213**	**638**		**5,129**	**2,384**	**467**
Total item	**6,009**	**1,036**		**15,551**	**6,886**	**3,732**
As % of financial statements items	**53%**	**61.5%**		**33%**	**35%**	**13%**

The most significant relations in the fiscal year between Fidia S.p.A. and the Group companies were mainly of a commercial nature. The foreign subsidiaries of Fidia deal mostly with the sales and servicing of the Group's products in the relevant markets and for this purpose they purchase from the Parent Company.

The joint-venture Shenyang Fidia NC & M Co. Ltd. manufactures and sells numerical controls and milling systems designed by Fidia for the Chinese market. The strategic components are purchased mainly from the Parent Company at normal market conditions and the remaining parts from local suppliers.

In 2016, 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);

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.

33. 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 2015 was:

	€ thousand	31 December 2016	31 December 2015
A	Cash	8	1
B	Bank deposits	4,311	9,775
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**4,319**	**9,776**
E	Current financial receivables	**-**	4
F	Current bank payables	1,222	1,985
G	Current part of non-current debt	3,125	1,279
H	Other current financial payables	198	221
I	Current financial payables from Group companies	1,932	467
J	**Current financial debt (F+G+H+I)**	**6,477**	**3,952**
K	**Net current financial debt (J-E-D)**	**2,158**	**(5,828)**
L	Non-current bank payables	11,630	5,891
M	Bonds issued	-	-
N	Other non-current payables	23	6
O	**Non-current financial debt (L+M+N)**	**11,653**	**5,897**
P	**Net financial debt (K+O)**	**13,811**	**69**

34. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in 2016 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 2016 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. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

FAIR VALUE BY CATEGORY - IAS 39 - 31 December 2016

€ thousand	Carrying amount at 31 December 2016 (IAS 39)	Amortized Cost	FV recognized in equity	FV recognized in profit or loss	IAS 17	Fair value at 31 December 2016
ASSETS						
Cash and cash equivalents	4,319	-		-		4,319
Total	4,319		**-**	**-**	**-**	4,319
LIABILITIES						
Liabilities at amortized cost	11,357	11,357	-	-	-	11,434
Hedging derivatives	221	-	(15)	(178)	-	221
Liabilities measured according to IAS 17	4,051	-	-	-	4,051	4,051
Total	15,629	11,357	(15)	**(178)**	4,051	15,706

NET PROFIT/LOSS BY CATEGORY - IAS 39 - 31 December 2016

€ thousand	Net profit and loss	of which interest
ASSETS		
Cash and cash equivalents	1	1
Total	**1**	**1**
LIABILITIES		
Liabilities at amortized cost	(163)	(163)
Hedging derivatives	(178)	(178)
Liabilities measured according to IAS 17	(2)	(2)
Total	**(343)**	(343)

37. 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	**2,273**		
Theoretical tax		**(625)**	**27.50%**
Increases of a permanent nature	794	(218)	9.61%
Decreases of a permanent nature	(1,002)	276	-12.13%
Temporary changes in which no deferred tax assets are recorded	(1,997)	549	-24.16%
Actual tax	**(68)**	**(19)**	**0.82%**

	IRES (ITALIAN CORPORATE INCOME TAX)	**IRAP (ITALIAN REGIONAL TAX ON PRODUCTION ACTIVITIES)**	**Total**
Current taxes	(14)	(89)	(103)
Deferred tax assets	(5)	-	(5)
Deferred taxes	-	-	-
Total	**(19)**	**(89)**	**(108)**

38. SUBSEQUENT EVENTS

There were no significant events after year-end 2016.

ANNEXES

The annexes comprise additional information compared to the Notes, which these are an integral part of.

This information is comprised in the following annexes:

- The list of investments with further information required by CONSOB (Notice No. DEM/6064293 of July 28, 2006);
- summary of main data of the last financial statements of the subsidiaries and associates (article 2429 of the Italian Civil Code) at 31 December 2015;
- information as per article 149/XII of the Consob Regulation on Issuers.

San Mauro Torinese, 15 March 2017

On behalf of the Board of Directors

The Chairman and Managing Director

Mr. Giuseppe Morfino

Annexes

Fidia S.p.A.

FINANCIAL STATEMENTS AT 31 DECEMBER 2016

List of investments with further information required by CONSOB (Notice No. DEM/6064293 of 28 July 2006)

(EUR)

0	Share capital	Book value of shareholders' equity	Profit (loss) at 31/12/2016	Profit (loss) at 31/12/2015	% held	Share of accrued shareholder's equity	Net value as per financial statements	Difference between accrued shareholders' equity and carrying amount
SUBSIDIARIES								
Fidia Gmbh – Germany	520.000	1.762.041	480.585	422.601	100,00%	**1.762.041**	**1.207.754**	**554.287**
Robert-Bosch-Strasse, 18 - 63303 Dreieich (Germany)								
Fidia Co. (*) - United States	379.471	7.028.202	646.889	608.596	100,00%	**7.028.202**	**5.540.027**	**1.488.174**
3098 Research Drive - 48309 Rochester Hills (Michigan, USA)								
Fidia Iberica S.A. – Spain	180.300	768.793	137.880	101.768	99,993%	**768.739**	**171.440**	**597.299**
Parque Tecnologico de Zamudio - Edificio 208 - 48170 Zamudio (Bilbao)								
Fidia S.a.r.l. – France	300.000	641.346	95.800	117.064	93,19%	**597.670**	**221.434**	**376.236**
47 bis, Avenue de l'Europe - 77184 Emerainville (France)								
Beijing Fidia Machinery & Electronics Co. Ltd. (*) - China	1.750.564	5.057.114	547.817	544.785	96,00%	**4.854.830**	**1.548.610**	**3.306.220**
Room 106, Building C, No. 18 South Xihuan Road - Beijing Development Area - 100176 Beijing (PRC)								
Fidia Do Brasil Ltda (*) – Brazil	116.555	104.385	31.981	(417)	99,75%	**104.124**	**82.486**	**21.638**
Av. Salim Farah Maluf, 4236 - 3° andar Mooca - Sao Paulo - CEP 03194-010 (Brazil)								
Shenyang Fidia NC & Machine Company Limited (*) - China	5.808.263	3.268.972	(114.252)	(815.872)	51,00%	**1.667.176**	**1.789.592**	**(122.416)**
n.1, 17A, Kaifa Road - Shenyang Economic & Technological Development Zone - 110142 Shenyang (PRC)								
OOO Fidia (*) - Russia	55.984	20	-	-	100,00%	**20**	**-**	**20**
ul. Prospekt Mira 52, building 3, 129110 Moscow (Russia - Russian Federation)								
ASSOCIATES								
Consorzio Prometec – Italy	10.329	10.329	-	-	20,00%	**2.066**	**2.066**	**-**
Via Al Castello n. 18/A - Rivoli (Turin)								

(*) The amounts were translated into EUR at the exchange rates at 31/12/2015 and 31/12/2014.

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	**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 of					
balance-sheet information	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016
Inclusion in scope of consolidation (line by line)	YES	YES	YES	YES	YES
ASSETS					
Non-current assets					
- Property, plant and equipment	225.631	1.594.115	4.067	396.654	72.885
- Intangible assets	260	8.446	-	1.279	266
- Investments	22.867	-	-	3.366	-
- Other non-current financial assets	-	-	-	-	-
- Pre-paid tax assets	16.078	176.775	22.668	12.632	97.372
- Other non-current receivables and assets	-	14.791	6.866	161.037	-
Total non-current assets	**264.836**	**1.794.127**	**33.601**	**574.968**	**170.523**
Current assets					
- Inventories	360.806	3.107.655	432.998	217.807	512.507
- Trade receivables and other current receivables	1.586.290	4.653.096	522.595	939.701	1.491.776
- Cash and cash equivalents	766.746	595.640	444.442	465.884	278.930
Total current assets	**2.713.842**	**8.356.392**	**1.400.035**	**1.623.391**	**2.283.213**
Total assets	**2.978.677**	**10.150.519**	**1.433.636**	**2.198.359**	**2.453.736**
LIABILITIES					
Shareholders' equity					
- Share capital	520.000	400.000	300.000	180.300	399.843
- Other reserves	761.456	6.326.542	245.546	450.613	(151.461)
- Profit (loss) of the period	480.585	681.886	95.800	137.880	109.710
TOTAL SHAREHOLDERS' EQUITY	**1.762.041**	**7.408.427**	**641.346**	**768.793**	**358.092**
Non-current liabilities					
- Other non-current payables and liabilities	-	-	68.004	-	71.811
- Termination benefits	-	-	-	-	-
- Deferred tax liabilities	1.848	-	-	48.768	-
- Other non-current financial liabilities	43.604	20.460	-	42.878	-
- Non-current financial liabilities	-	-	-	-	-
Total non-current liabilities	**45.452**	**20.460**	**68.004**	**91.646**	**71.811**
Current liabilities					
- Current financial liabilities	56.979	-	-	15.033	-
- Trade payables and other current payables	1.069.166	2.539.823	724.286	1.256.332	1.980.303
- Short-term provisions	45.038	181.808	-	66.554	43.530
Total current liabilities	**1.171.184**	**2.721.632**	**724.286**	**1.337.920**	**2.023.833**
Total liabilities	**2.978.677**	**10.150.519**	**1.433.636**	**2.198.359**	**2.453.736**

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	42.735	42.735	42.735	42.735	42.735
INCOME STATEMENT					
- Net sales	5.623.920	13.582.053	2.165.747	3.464.215	3.479.101
- Other operating revenue	203.791	350.669	7.511	187.165	51.199
Total revenue	**5.827.711**	**13.932.722**	**2.173.258**	**3.651.380**	**3.530.300**
- Changes in inventories of finished goods and work in progress	2.256	126.767	4.970	(710.168)	150.706
- Raw materials and consumables	2.842.364	8.253.895	1.358.483	1.573.778	2.083.450
- Personnel costs	1.530.317	1.611.301	380.796	596.174	779.077
- Other operating costs	686.918	3.015.845	288.607	516.325	945.864
- Depreciation and amortization	110.011	222.133	4.209	69.497	15.783
Operating profit from ordinary business	**660.356**	**956.314**	**146.133**	**185.438**	**(143.168)**
- Non-recurring income/(expenses)	-	-	-	-	-
Operating profit	**660.356**	**956.314**	**146.133**	**185.438**	**(143.168)**
- Finance revenue (expenses)	(4.647)	22.571	(348)	6.933	294.185
Profit (loss) before taxes	**655.709**	**978.886**	**145.785**	**192.371**	**151.017**
Income tax	(175.124)	(297.000)	(49.985)	(54.491)	(41.307)
Net profit (loss) for the period	**480.585**	**681.886**	**95.800**	**137.880**	**109.710**

SUMMARY OVERVIEW OF THE ESSENTIAL DATA OF THE LAST FINANCIAL STATEMENTS OF THE COMPANIES
SUBSIDIARIES AND ASSOCIATES
(Article 2429 of the Civil Code)

	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC&M Company Ltd	OOO Fidia	Prometec
Accounting currency	RMB	RMB	RUR	EUR
Period of reference of balance-sheet information	31/12/2016	31/12/2016	31/12/2016	31/12/2016
	YES	YES		
ASSETS				
Non-current assets				
- Property, plant and equipment	314.873	199.393	-	
- Intangible assets	21.083	-	-	
- Investments	-	-	-	
- Other non-current financial assets	-	-	-	
- Pre-paid tax assets	545.764	123.808	-	
- Trade receivables and other long-term receivables	-	-	-	
Total non-current assets	**881.719**	**323.201**	**-**	**-**
Current assets				
- Inventories	14.642.543	17.174.285	-	
- Trade receivables	39.172.171	12.548.888	1.263	
- Cash and cash equivalents	12.246.757	4.464.857	44	
Total current assets	**66.061.470**	**34.188.030**	**1.307**	**-**
Total assets	**66.943.189**	**34.511.231**	**1.307**	**-**
LIABILITIES				
Shareholders' equity				
- Share capital	12.681.907	42.642.247	3.599.790	
- Other reserves	20.327.050	(17.876.371)	(3.598.483)	
- Profit (loss) of the period	4.010.132	(836.346)	-	
TOTAL SHAREHOLDERS' EQUITY	**37.019.089**	**23.929.529**	**1.307**	**-**
Non-current liabilities				
- Other non-current payables and liabilities	-	-	-	-
- Termination benefits	-	-	-	-
- Deferred tax liabilities	-	-	-	-
- Other non-current financial liabilities	-	-	-	-
- Non-current financial liabilities	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**
Current liabilities				
- Current financial liabilities	-	-	-	-
- Trade payables and other current payables	29.924.100	10.539.649	-	-
- Short-term provisions	-	42.052	-	-
Total current liabilities	**29.924.100**	**10.581.701**	**-**	**-**
Total liabilities	**66.943.189**	**34.511.231**	**1.307**	**-**

	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC&M Company Ltd	OOO Fidia	Prometec
Accounting currency	RMB	RMB	RUR	EUR
balance-sheet information	31/12/2016	31/12/2016	31/12/2016	31/12/2016
INCOME STATEMENT				
- Net sales	41.904.178	33.944.351	-	-
- Other operating revenue	432.103	101.824	-	-
Total revenue	**42.336.282**	**34.046.175**	**-**	**-**
- Changes in inventories of finished goods and w ork in progress	6.208.537	(3.179.919)	-	-
- Raw materials and consumables	23.557.792	20.793.172	-	-
- Personnel costs	9.108.475	5.302.745	-	-
- Other operating costs	11.568.927	5.332.479	-	-
- Depreciation and amortization	228.607	305.930	-	-
Operating profit	**4.081.017**	**(868.070)**	**-**	**-**
- Non-recurring income/(expenses)	-	-	-	
Operating profit	**4.081.017**	**(868.070)**	**-**	**-**
- Finance revenue (expenses)	1.255.533	44.764	-	-
Profit (loss) before taxes	**5.336.550**	**(823.306)**	**-**	**-**
Income tax	(1.326.418)	(13.040)	-	-
Net profit (loss) for the period	**4.010.132**	**(836.346)**	**-**	**-**

Informazioni ai sensi dell'art. 149-duodecies del Regolamento Emittenti Consob

Il seguente prospetto, redatto ai sensi dell'art. 149-*duodecies* del Regolamento Emittenti Consob, evidenzia i corrispettivi di competenza dell'esercizio 2016 per i servizi di revisione e per quelli diversi dalla revisione resi dal Revisore principale, da entità appartenenti alla sua rete e da altre società di revisione

	Soggetto che ha erogato il servizio	**Destinatario**	**Corrispettivi di competenza dell'esercizio 2016** (in migliaia di euro)
Revisione contabile	E&Y S.p.A	Capogruppo - Fidia S.p.A.	61
	Rete E&Y	Società controllate	54
	Mazars Beijing	Società controllata: Shenyang Fidia NC&M Co. Ltd.	18
Servizi di attestazione			-
Altri servizi			-
Totale			**133**

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

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

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

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

delle procedure amministrative e contabili per la formazione del bilancio d'esercizio nel corso del periodo 2016.

2. Si attesta, inoltre, che:

2.1 il bilancio d'esercizio:

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

2.2 La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente unitamente alla descrizione dei principali rischi ed incertezze cui è esposto.

15 marzo 2017

Presidente e Amministratore Delegato

Giuseppe Morfino

Vice Presidente Esecutivo

Carlos Maidagan Aguirre

Dirigente Preposto alla redazione dei documenti contabili societari

Massimiliano Pagnone

Report of the Board of Statutory Auditors

FIDIA S.P.A.

Sede legale: Corso Lombardia 11, San Mauro Torinese (To)
Capitale sociale: Euro 5.123.000 i.s.v.
Iscritta al registro delle Imprese di Torino al n. 05787820017

* * *

RELAZIONE DEL COLLEGIO SINDACALE
ALL'ASSEMBLEA DEGLI AZIONISTI CONVOCATA PER L'APPROVAZIONE
DEL BILANCIO AL 31/12/2016
(ai sensi dell'art. 153 del D. Lgs. 24 febbraio 1998, n.58)

Signori Azionisti,

Nel corso dell'esercizio chiuso al 31 dicembre 2016 e sino alla data odierna il Collegio Sindacale, nelle persone pro-tempore in carica, ha effettuato l'attività di vigilanza attenendosi a quanto previsto dalla Legge, dalle Norme di comportamento del Collegio Sindacale di Società quotate raccomandate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e alle indicazioni della Consob.

Con la presente relazione adempiamo a quanto disposto dall'articolo 153 del Decreto Legislativo 24 febbraio 1998, n. 58 (T.U.F.), il quale prevede che il Collegio Sindacale sia chiamato a riferire all'Assemblea degli Azionisti convocata per l'approvazione del bilancio sull'attività di vigilanza svolta nel corso dell'esercizio, sulle omissioni e sui fatti censurabili eventualmente rilevati, oltrechè a formulare proposte in ordine al bilancio, alla approvazione dello stesso e alle materie di propria competenza.

Abbiamo esaminato il bilancio al 31 dicembre 2016, redatto dagli Amministratori ai sensi di legge e da questi comunicato al Collegio Sindacale nel corso della riunione consiliare del 15 marzo 2017.

Il bilancio di esercizio della Società capogruppo Fidia S.p.A., preceduto dalla relazione sulla gestione riportante anche tutti gli elementi relativi al Bilancio Consolidato, evidenzia un utile netto d'esercizio di Euro 2.164.912,51 .

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

La Società aderisce al codice di autodisciplina del Comitato per la Corporate Governance delle società quotate.

Per quanto attiene alla revisione legale, rammentiamo che, ai sensi del T.U.F., la società di revisione E&Y S.p.A. (già Reconta Ernst & Young S.p.A.) ha svolto nel corso dell'esercizio 2016 i controlli relativi alla regolare tenuta della contabilità sociale e ha provveduto, in relazione al bilancio in oggetto, all'accertamento della corrispondenza dello stesso alle risultanze dei libri e delle scritture contabili.

Nel corso dell'esercizio, e sino alla data della odierna relazione, il Collegio ha incontrato i responsabili della società di revisione al fine di uno scambio reciproco di informazioni, ai sensi dell'articolo 150, comma 3, del T.U.F. e dà atto che non è stata segnalata da parte dei Revisori l'esistenza di alcun fatto censurabile.

Diamo atto che la società di revisione ci ha consegnato la Relazione ai sensi dell'art. 19, comma 3, del D.Lgs. 39/2010 per l'esercizio chiuso al 31 dicembre 2016 concernente gli aspetti rilevanti dell'attività di revisione contabile.

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

Alla suddetta società di revisione non sono stati conferiti, nell'esercizio 2016, ulteriori incarichi oltre alla revisione legale nè sono stati conferiti incarichi a soggetti legati alla società di revisione da rapporti continuativi.

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

Ad integrazione di quanto precedente affermato, Vi segnaliamo in particolare quanto segue:

- abbiamo partecipato alle riunioni dell'Assemblea e del Consiglio di Amministrazione, vigilando sul rispetto delle norme statutarie, legislative e regolamentari che disciplinano il funzionamento degli organi della società e abbiamo ottenuto dagli Amministratori, con la periodicità richiesta dalla legge e dallo statuto sociale, informazioni sull'attività svolta e sulle operazioni, anche di natura straordinaria, di maggior rilievo economico, finanziario e patrimoniale effettuate dalla società, dalle sue controllate e con parti correlate. Al riguardo, sia collegialmente sia singolarmente, abbiamo posto particolare attenzione al fatto che le operazioni deliberate e poste in essere fossero conformi alla legge, allo statuto sociale e che non fossero manifestamente imprudenti o azzardate, in contrasto con le delibere assunte dall'Assemblea, in potenziale conflitto d'interessi o tali da compromettere l'integrità del patrimonio aziendale; l'attività del Collegio Sindacale è stata indirizzata alla verifica, da un lato, della legittimità delle scelte gestionali del Consiglio di Amministrazione e, dall'altro, della conformità delle stesse a criteri di razionalità economica, patrimoniale e finanziaria, con esclusione, per contro, del controllo di merito sull'opportunità e sulla convenienza delle scelte stesse;

- abbiamo vigilato, per quanto di nostra competenza, sull'adeguatezza della struttura organizzativa della società e sul rispetto dei principi di corretta amministrazione tramite osservazioni dirette, raccolta di informazioni dai responsabili della funzione organizzativa e incontri con la società di revisione nell'ambito di un reciproco scambio di dati e di informazioni rilevanti;
- abbiamo valutato e vigilato sull'adeguatezza del sistema di controllo interno e del sistema amministrativo e contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, attraverso le informazioni dei responsabili delle rispettive funzioni, l'esame dei documenti aziendali e l'analisi dei risultati del lavoro svolto dalla società di revisione;
- abbiamo vigilato sulle modalità di concreta attuazione delle regole di governo societario previste dal Codice di Autodisciplina adottato dalla società;
- abbiamo verificato la corretta applicazione dei criteri adottati dal Consiglio di Amministrazione al fine di valutare l'indipendenza dei propri componenti non esecutivi, nonché la corretta applicazione delle relative procedure di accertamento. Il Collegio ha altresì provveduto a valutare, con esito positivo, l'indipendenza dei propri componenti;
- abbiamo effettuato, nel corso dell'esercizio, cinque verifiche, partecipando inoltre a tutte le cinque riunioni del Consiglio di Amministrazione, alle tre riunioni del Comitato Controllo e Rischi, alle due riunioni del Comitato per la Remunerazione e all'unica Assemblea;
- per quanto attiene ai comitati istituiti in seno al Consiglio di Amministrazione, il Comitato Controllo e Rischi (già Comitato per il Controllo Interno), anche in veste di Comitato per le operazioni con Parti Correlate, si è riunito nel corso dell'esercizio 2016 tre volte, mentre il Comitato per la Remunerazione si è riunito due volte nel corso dell'esercizio;
- la funzione di Internal Audit per il triennio 2016- 2018 è stata attribuita dal Consiglio di Amministrazione alla dott.ssa Alessandra RIORDA in conformità con le indicazioni espresse dal Comitato Controllo e Rischi;
- l'organismo di vigilanza istituito ai sensi del D.Lgs. 231/2001 si è riunito due volte nel corso dell'esercizio;
- abbiamo vigilato sull'adeguatezza del flusso reciproco di informazioni tra la società e le società controllate ai sensi dell'articolo 114, comma 2, del T.U.F. assicurato dalle istruzioni emanate dalla direzione della società nei confronti del Gruppo. Una ulteriore garanzia di informazione reciproca è

rappresentata dalla presenza negli organi sociali delle società controllate di alcuni membri del Consiglio di Amministrazione della capogruppo;

- le informazioni fornite dagli Amministratori nella relazione sulla gestione sono da ritenersi esaurienti e complete, in particolare con riferimento all'analisi dei rischi, che è stata effettuata in maniera dettagliata e puntuale, così come le informazioni riportate nella nota integrativa.

Diamo atto che la Fidia S.p.A. non è in una situazione di dipendenza o di controllo da parte di altre società e non risulta che gli Azionisti della società abbiano stipulato patti parasociali ai sensi dell'art. 122 del T.U.F. .

Possiamo attestare che:

- il Collegio Sindacale, in ossequio al T.U.F., è stato costantemente informato per quanto di sua competenza;
- le verifiche periodiche e i controlli a cui abbiamo sottoposto la società non hanno evidenziato operazioni atipiche e/o inusuali effettuate nell'esercizio, comprese quelle infra-gruppo e con parti correlate;
- per quanto riguarda le operazioni infra-gruppo, gli Amministratori, nella relazione sulla gestione, evidenziano e illustrano l'esistenza di rapporti tra la società e le società del gruppo, precisando che gli stessi sono avvenuti a condizioni normali di mercato. Il Collegio attesta che i precitati rapporti, essenzialmente di natura commerciale, rispondono all'interesse sociale;
- la relazione sulla gestione contiene tutte le informazioni obbligatorie indicate dalle vigenti norme, delle quali è stata accertata la corrispondenza e la coerenza con i dati e con le risultanze di bilancio;
- nel complesso, quindi, riteniamo che i documenti sottopostiVi forniscano una informativa chiara e completa, alla luce dei principi sanciti dalla Legge;
- ai sensi dell'art. 2408 del Codice civile, non abbiamo ricevuto alcuna denunzia da parte degli Azionisti in merito ad eventuali fatti censurabili;
- non ci sono stati presentati esposti da parte di Azionisti e/o di terzi;
- nel corso dell'esercizio il Collegio ha dato parere favorevole alla proposta che una porzione rilevante della remunerazione variabile dell'ing. Carlos Maidagan, amministratore investito di particolari cariche, sia corrisposta in adeguato lasso temporale rispetto al periodo di maturazione e parere favorevole alla proposta di adeguamento dello stipendio allo stesso erogato dalla controllata Fidia Iberica S.A. per Euro 20.000= all'anno.

Operazioni atipiche e/o inusuali

Nel corso dell'esercizio 2016, e successivamente alla chiusura dello stesso, il Collegio non ha riscontrato operazioni che, per loro natura o per dimensioni, rivestano caratteristiche di atipicità o possano dirsi inusuali.

Operazioni atipiche e/o inusuali con parti correlate

Il Consiglio di Amministrazione ha approvato in data 11 novembre 2010 la procedura per le operazioni con parti correlate, i contenuti della quale sono riassunti nella "Relazione sul governo societario e gli assetti proprietari". La procedura è altresì reperibile nella versione integrale sul sito internet del Gruppo (www.fidia.it).

Sulla base di queste premesse diamo atto che le operazioni effettuate dalla società con parti correlate fanno parte dell'ordinaria gestione, che sono regolate secondo le normali condizioni di mercato e che nel corso del 2016 non sono state sottoposte al Consiglio di Amministrazione deliberazioni in merito a operazioni con parti correlate.

Operazioni atipiche e/o inusuali con terzi o con società infragruppo

Evento non occorso.

Operazioni infragruppo e con parti correlate di natura ordinaria

Nella Relazione sulla Gestione gli Amministratori hanno fornito l'informativa circa le operazioni ordinarie infragruppo o poste in essere con parti correlate.

Il Collegio, anche tenuto conto dell'art. 2391-bis Codice Civile, non ritiene di dover aggiungere alcunché a detta informativa, che appare adeguata; sembra invece utile specificare che, in esecuzione del proprio mandato, il Collegio ha verificato nel corso dell'esercizio che le operazioni infragruppo o con parti correlate fossero eseguite in applicazione di quanto previsto dalla citata procedura per la loro effettuazione e a condizioni di mercato. Le operazioni infragruppo esaminate dal Collegio appaiono congrue, nell' interesse della società e del Gruppo, adeguatamente motivate e documentate.

Valutazione circa l'adeguatezza delle informazioni rese dagli Amministratori in ordine alle operazioni atipiche e/o inusuali

Non sono intervenute operazioni atipiche e/o inusuali e non si fa quindi luogo a valutazioni.

Operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla società

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

Investimento in fabbricato industriale (in costruzione)

Le immobilizzazioni in corso, che costituiscono la parte preponderante dei nuovi investimenti e che ammontano a fine esercizio a Euro 7,4 mln, si riferiscono ai costi di costruzione e di ampliamento di un fabbricato industriale che la società ha acquisito nel 2014 tramite un contratto di leasing *"in costruendo"*. Nel 2016 sono stati sostenuti costi per 2,8 mln per l'avanzamento della costruzione. Non essendo ancora pronto per l'uso, il fabbricato non è stato oggetto di ammortamento. .

Investimento in costi di sviluppo

I costi di sviluppo sono iscritti all'attivo con il nostro consenso per 1,1 mln circa, di cui 0,258 mln per progetti ultimati e completati ma non ancora entrati in funzione nell'esercizio e dunque non ammortizzati, e 0,864 mln classificati nelle immobilizzazioni immateriali in corso in quanto ancora in fase di completamento. Il dividendo proposto dal Consiglio di Amministrazione all'assemblea, pari a Euro 0,20 per azione, è tale per cui, dopo il pagamento dello stesso, residuerebbero riserve disponibili sufficienti a coprire il suddetto 'ammontare dei costi di sviluppo iscritti all'attivo, secondo quanto prescritto dall'art. 2426 del Codice Civile.

Applicazione dell'*impairment test*

L'organo amministrativo della società, nell'ambito del processo di formazione del bilancio di esercizio al 31.12.2016, ha proceduto a effettuare un test di congruità sul *fair value* delle partecipazioni.
Dalle valutazioni effettuate, confrontando il valore di carico delle partecipazioni con il corrispondente valore recuperabile derivante dalla valutazione in base ai flussi di cassa futuri generabili dalle società partecipate, sono emersi indicatori di recupero di valore per la controllata Fidia Co., per la quale è stata effettuata una ripresa di

valore di 329 migliaia di Euro a parziale assorbimento delle svalutazioni effettuate negli esercizi precedenti.

Piani di *stock option*

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

Azioni proprie

Il Collegio rileva che al 31.12.2016 (come al 31.12.2015) la società aveva in portafoglio n. 10.000 azioni proprie, per un valore di mercato (al corso del titolo del 31.12.2016) di 57,5 migliaia di Euro.

Signori Azionisti,

alla luce di quanto fin ora esposto, e in considerazione del contenuto della relazione della società di revisione E&Y S.p.A. , che ha emesso un giudizio senza rilievi né richiami d'informativa sul bilancio d'esercizio, il Collegio Sindacale, per quanto a sua conoscenza, ritiene di non avere né osservazioni né proposte sul bilancio, sulla relazione di gestione e sulla proposta di destinazione dell'utile dell'esercizio 2016, pari a Euro 2.164.912,51 che conseguentemente, e per quanto di sua specifica competenza, risultano suscettibili della Vostra approvazione.

San Mauro Torinese, 29 marzo 2017

Il Collegio Sindacale

(Dott. Maurizio Ferrero) – Presidente

(Dott.ssa Michela Rayneri) – Sindaco Effettivo

(Dott. Roberto Panero) – Sindaco Effettivo

Report of Independent Auditors

EY

Building a better working world

Fidia S.p.A.

Bilancio d'esercizio al 31 dicembre 2016

Relazione della società di revisione indipendente
ai sensi degli artt. 14 e 16 del D.Lgs. 27 gennaio 2010, n. 39

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RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTT. 14 E 16 DEL D.LGS. 27 GENNAIO 2010, N. 39

Agli Azionisti della Fidia S.p.A.

Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio della Fidia S.p.A., costituito dal conto economico, dal conto economico complessivo, dalla situazione patrimoniale-finanziaria al 31 dicembre 2016, dal rendiconto finanziario per l'esercizio chiuso a tale data, dal prospetto delle variazioni del patrimonio netto, da una sintesi dei principi contabili significativi e dalle altre note esplicative.

Responsabilità degli amministratori per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 28 febbraio 2005, n. 38.

Responsabilità della società di revisione

E' nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11 del D.Lgs. 27 gennaio 2010, n. 39. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Fidia S.p.A. al 31 dicembre 2016, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 28 febbraio 2005, n. 38.

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Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio d'esercizio

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 24 febbraio 1998, n. 58, la cui responsabilità compete agli amministratori della Fidia S.p.A., con il bilancio d'esercizio della Fidia S.p.A. al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio della Fidia S.p.A. al 31 dicembre 2016.

Torino, 30 marzo 2017

EY S.p.A.

Roberto Grossi
(Socio)