FIDIA GROUP

Annual financial report

at 31 December 2017

Board of Directors
15 March 2018

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

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BOARDS OF DIRECTORS AND 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. no. 735673 Registered office in San Mauro Torinese (Turin) Corso Lombardia No. 11 Website: http://www.fidia.it - http://www.fidia.com e-mail: info@fidia.it

Board of Directors

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

(a) Appointed Chairman at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for FY2019; appointed Chief Executive Officer by the Board of Directors on 28 April 2017 and General Manager by the Board of Directors on 14 July 2017.

(b) Appointed at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for FY2019; appointed Deputy Chairman by the Board of Directors on 28 April 2017.

(c) Appointed at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for FY2019.

(d) Appointed at the Shareholders' Meeting on 14 April 2017 until the approval of the financial statements for FY2017.

(1) Member of the Internal Control and Risk Committee

(2) Member of the Remuneration Committee.

Board of Statutory Auditors (*)

Statutory Auditors	Maurizio Ferrero – Chairman Marcello Rabbia Marina Scandurra
Alternate Auditors	Andrea Giammello Chiara Olliveri Siccardi Roberto Panero

(*) Appointed at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for FY2019.

Independent Auditors (**) EY S.p.A.

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

POWERS OF THE CHAIRMAN, DEPUTY CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

Deputy Chairman of the Board of Directors: Carlos Maidagan.

Organization of the FIDIA GROUP

FIDIA S.p.A. Italia	
FIDIA GmbH Germania 100% Fidia S.p.A.	**Beijing Fidia M. & E. Co.** Cina 96% Fidia S.p.A. 4% Bamtri
FIDIA S.a.r.l. Francia 93.19% Fidia S.p.A. 6.81% Fidia GmbH	**Shenyang Fidia NC & M Co. Ltd.** Cina 51% Fidia S.p.A. 49% Shenyang M.T. Co. Ltd.
FIDIA IBERICA S.A. Spagna 99,993% Fidia S.p.A 0,007% altri	**OOO FIDIA** Russia 100% Fidia S.p.A.
FIDIA Co. Stati Uniti 100% Fidia S.p.A.	
FIDIA DO BRASIL Ltda Brasile 99.75% Fidia S.p.A. 0.25% altri	

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

Directors’ Report

Overview of results

FY 2017 recorded revenues of €46,013 thousand, a significant decrease compared to €58,850 thousand in the previous year (-21.8%).

There were three main reasons:
- the sharp drop in new orders in 2016, with a consequent drop in the order backlog at the reporting date
- the loss of production hours at the beginning of 2017, due to the transfer of production from the old to the new plant in Forlì, equivalent to almost two months of activity
- the postponement of two major orders to the following period, due to delays by our customers

Considering that new orders in 2017 recorded a significant increase, no drastic action was taken on the cost structure, and therefore the Group's consolidated net result recorded a loss of €3,098 thousand, compared to a profit of €2,443 thousand in 2016.

Value of production also recorded a sharp decrease of 19.6% (from €59,617 thousand in 2016 to €47,959 thousand in 2017).

On the commercial front, on the other hand, new orders of the Group grew significantly compared to 2016, when it amounted to €29.8 million, and reached €50.5 million thanks to recovery in all the main areas in which the Group operates: Europe, North America and above all China.

Order backlog at 31 December, combined with robust acquisition of new orders in early 2018, also allows production to be saturated for the entire year.

In financial terms, NFP further improved and, by year-end 2017, it was positive at €6,169 thousand (€7,412 thousand at 31 December 2016).

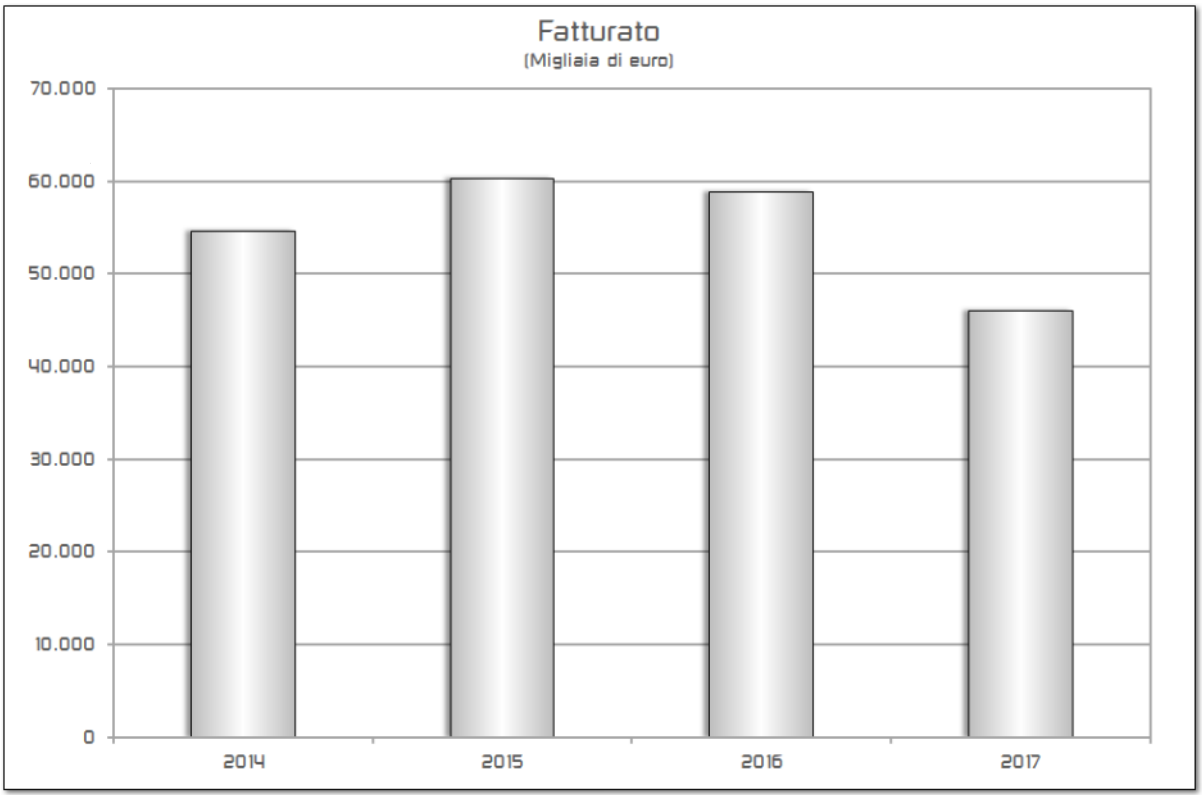
In short, the trends in the 2017 results were as follows:
- EBITDA equivalent to -€1,235 thousand (-2.6% of value of production) versus €4,264 thousand in 2016 (7.2% of value of production);

- Consolidated net result in the amount of -€3,098 thousand (€3,066 thousand recorded by the Group and -€32 thousand by NCIs) versus a consolidated net profit of €2,443 thousand (€2,462 thousand posted by the Group and -€19 thousand posted by NCIs) in 2016;

- Capital expenditure: €1.2 million euro increase in the period, due to the completion of the new plant in Forlì, and the consequent transfer of production, and the capitalisation of R&D costs;

- Final order backlog equivalent to €31.4 million versus €14.6 million in 2016.

The trend in revenue in the 2014-2017 period is illustrated in the chart below:



Other main economic and equity data:

(€thousand)	2017	2016
Result before taxes	(2,425)	3,218
Profit/(loss) of the period	(3,098)	2,443
Attributable to:		
- Group	(3,066)	2,462
- NCIs	(32)	(19)
Basic earnings per ordinary share	(0.600)	0.482
Diluted earnings per ordinary share	(0.600)	0.482
R&D expenditure (€mil)	2.2	2.1
Total assets	59,505	58,319
Net financial position - (payables)/receivables	(6,169)	(7,412)
Equity of Group and NCIs	13,324	18,938
Equity of Group	11,419	16,867
Number of employees at year-end	332	341

Shareholders

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

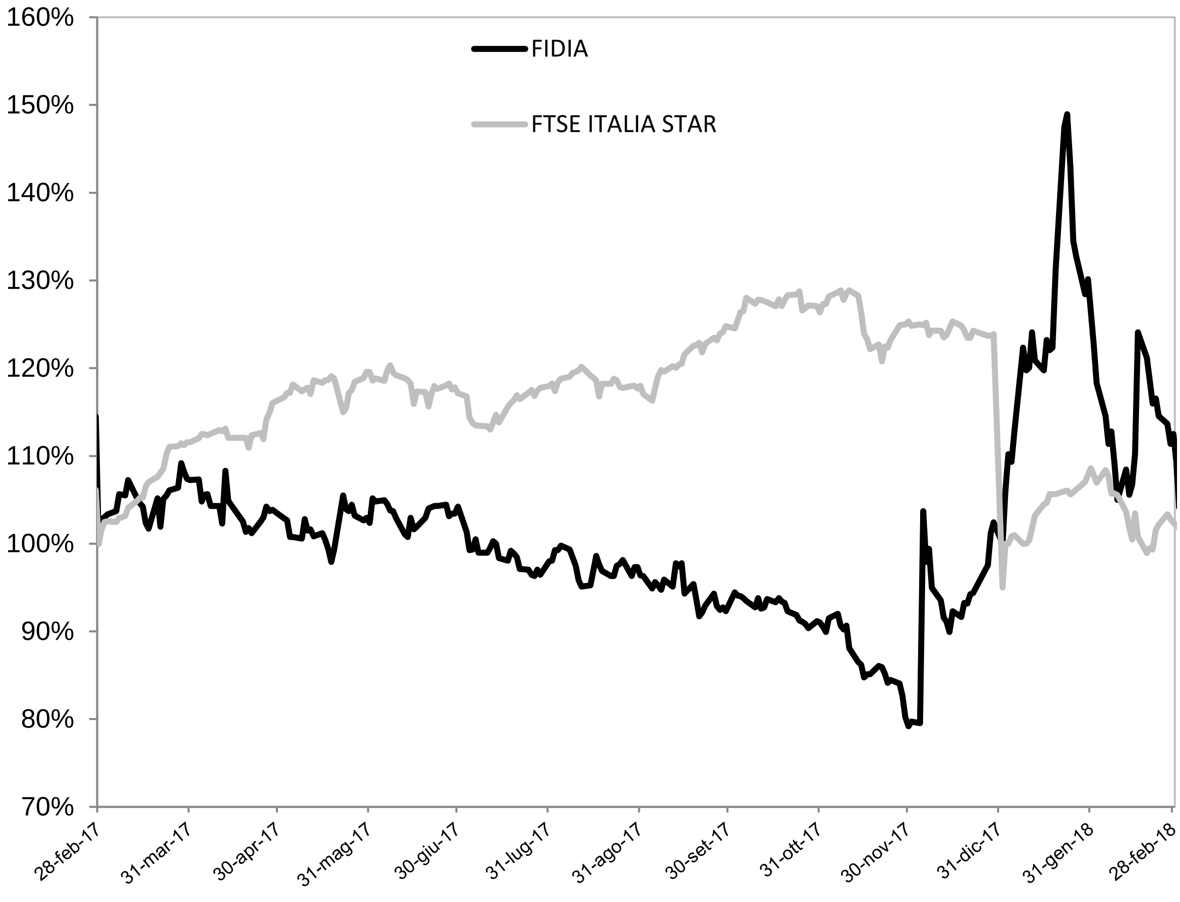
The following contacts are also available for shareholders:

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

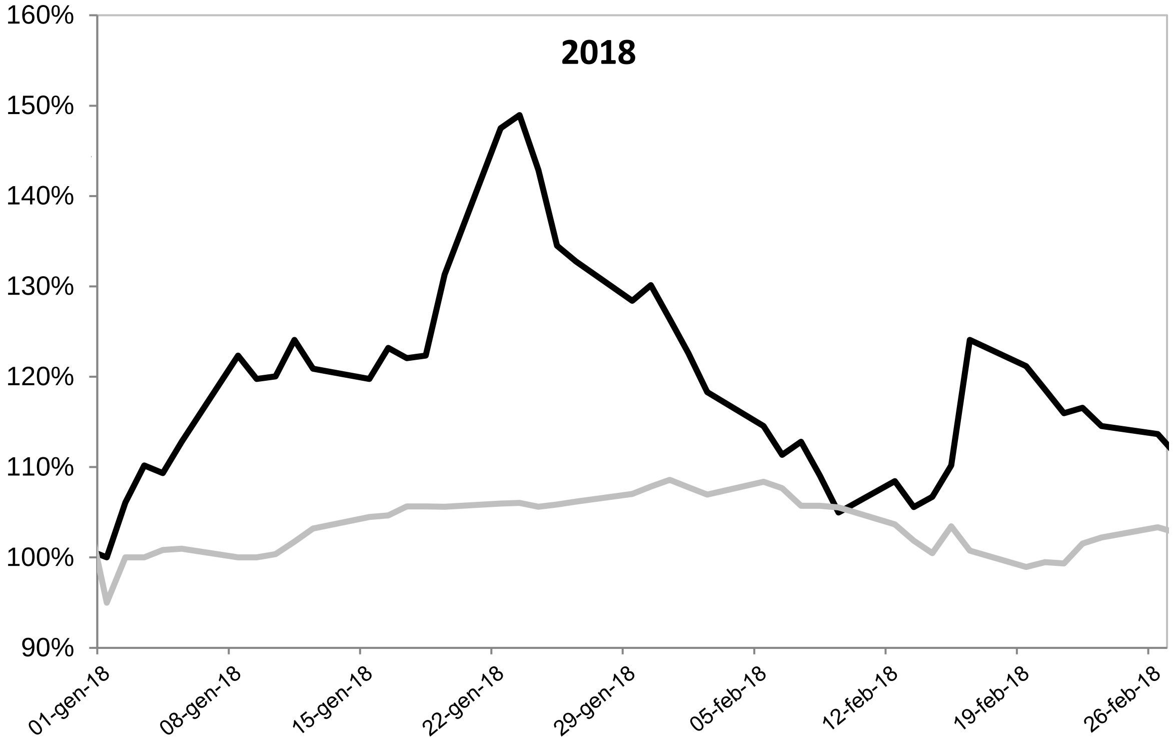
Trend of Fidia stock vs. Star Index

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

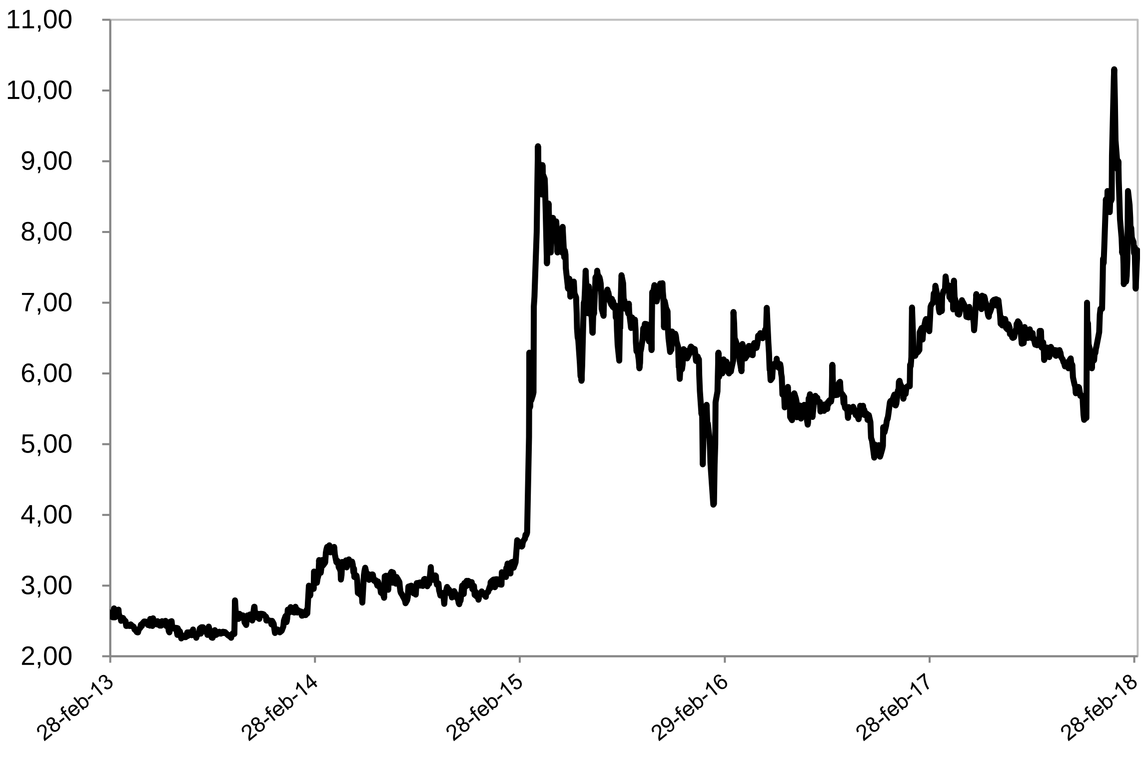
The following chart shows share price performance from 28 February 2017 to 28 February 2018 in comparison with the FTSE Italia STAR Index.



Please note share price performance in the early months of 2018 (at 28 February 2018) in comparison with the FTSE Italia STAR Index.



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



Main shareholders

No changes in the share capital were recorded during 2017. Therefore, the number of ordinary shares, equal to 5,123,000, was unchanged compared to 31 December 2016. The holders of ordinary shares at 10 March 2018 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)	2017	2016
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)	(0.600)	0.482
Diluted earnings per ordinary share (2)	(0.600)	0.482
Net equity of Group per share	2.233	3.299

(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) 30.12.2017	(euro) 30.12.2016	(euro) 30.12.2015	(euro) 30.12.2014	(euro) 30.12.2013
Ordinary shares	6.915	5.575	6.380	2.894	2.360

In 2017, no purchases of own shares were made; on the date of approval of this document, own shares held in the portfolio amounted to 10,000 (equal to 0.20% of share capital), thus totalling €46 thousand.

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

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

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

Risks related to the general economic outlook

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

Based on the results, the year 2017 was a challenging year for the Group and not in line with the results of the previous year.

The international scenario remains, however, complicated.

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

The increase in long-term yields in the US will also extend to the other advanced economies, although to a lesser extent due to the different monetary policy stance. The Governing Council of the ECB extended the duration of the securities purchase programme until at least September 2018 or even beyond if necessary ("Whatever it takes").

Overall, it is believed that there are still risks to growth. In addition to financial conditions, the main factors of uncertainty come from the global scenario. In particular, there is a high risk that the expansion of the global economy, relative to projections, could be affected by the emergence and spread of protectionist pressures and possible turbulence in emerging economies.

In the euro zone, product growth continued at a moderate but gradually consolidating pace, driven by internal demand.

Uncertainty about the performance of the world economy, partly conditioned by geopolitical tensions, represents the greatest risk factor for economic activity.

As regards Italy, according to available indicators, the recovery of the economy continued throughout 2017, albeit moderately, driven by the recovery of investments and the expansion of household spending. Total employment stabilised during 2017; both fixed-term and permanent employees increased. In recent months, lending to the non-financial private sector has continued to expand, albeit modestly, with lending to businesses also increasing.

Projections indicate that the Italian economy will continue to grow over the next three years, driven by domestic demand and the gradual strengthening of foreign demand. The economic framework requires that credit conditions remain relaxed and that the implementation of the reform process launched in recent years continue. Downside risks on inflation projections are linked to wage trends in the private sector.

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

During the year, the Group will continue in its ongoing investment in research and development to maintain the technological prerogatives of our business and in finalizing the 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 linked to the need for financial means

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

The commercial trend and the management of stocks, despite the synergies resulting from the restructuring activities carried out in past years, have generated a greater need for working capital, managed to avoid the creation of situations of financial tension. However, events that hinder the maintenance of normal sales volumes, or that may cause contractions, may have negative effects on the ability to generate cash flow from operations.

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

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

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

Risks linked to fluctuations in exchange and interest rates

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

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

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

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

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

Risks linked to relations with employees and suppliers

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

The labour reforms recently introduced in Italy (Law 92/2012, and then Job Act 183/2015), have minimally led to a simplification of processes that allow companies to facilitate the hiring of new figures and greater outward flexibility.

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.

Management-related risks

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

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

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

The success of Fidia Group's operations depends on its ability to maintain and increase its shares and to expand into new markets with innovative products featuring high technological and quality standards and to ensure adequate levels of profitability.

Ensuring these prerogatives calls for, inter alia, significant investment in research and development.

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

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

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

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.

R&D

R&D activities have always been one of the strengths of the Group and received substantial investment over the years. A team of 36 people supported by specialized consultants is currently dedicated to R&D activities.

The costs incurred by the Group in 2017 amounted to about €2.2 million, equal to about 4.8% of revenues (€2.1 million in 2016 equal to about 3.5% 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 €2.0 million) is represented by personnel expenses.

The costs capitalized amounted to approximately €623 thousand.

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

In the **numerical controls and drives** sectors, the main R&D activities that characterized activities during 2017 were:

- Green Electric Drives novel structures for high performance drives - From the last quarter of 2015 and for three years Fidia will be funding a scholarship commemorating 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 the future Xpower™ digital drive lines. The dual axis XP100-75-D1 drive model that will be launched in 2018 will be one of the beneficiaries of this collaboration. This scholarship was funded in honour of the late Mr. Mario Vesco, Technical Director of the Numerical Control Division until his untimely death on 18 March 2015.

- **ViMill® – Look-ahead Virtual Milling** – The development of new releases is underway with additional functions that increasingly respond to customers' needs to interface and integrate ViMill within production process management systems. Greater robustness in the management of inputs and an improvement both in the pre-treatment of 3D CAD/CAM models, unfortunately not always reliable, and in the core libraries for graphic modelling complete the picture of an increasingly integrated, user-friendly and error-free software, which has the ability to eliminate the risk of errors introduced by the operator.

- **Axis Control and CNC Functions** - During 2017, the axis control logic was improved by acting on various aspects with the aim of improving quality, machining times of the parts produced and usability by those who schedule and manage production. Fourteen versions of official software have been released and new branches have been opened in order to integrate more consistent improvements aimed at increasing the flexibility, usability and applicability of the FIDIA numerical control also in areas other than milling.

- **HiMonitor** - SW suite designed to monitor the details of operations performed on machines equipped with FIDIA numerical control. It analyses actual machining times, downtime and key events during machining in order to monitor and identify issues and determine the maintenance required to achieve maximum efficiency. HiMonitor is FIDIA's answer to the demand for an integrated machine monitoring tool capable of improving workshop control and managing maintenance operations more carefully and effectively. It features remote machine status control via phone, tablet and PC.

  The year 2017 saw the first release on the market and new versions are already being developed to introduce better remote access to data and allow more effective monitoring as well as real-time notifications.

  HiMonitor is one of the solutions in line with the Industry 4.0 criteria that equip FIDIA numerical controls. HiMonitor will continue to play a leading role in the future as new developments and functions are added to meet the growing demands for monitoring and collecting production data.

- **CPU-Z** – The project aims to develop a new CPU board (called CPU10) in single board computer format based on a new concept of System On Chip (SoC) that integrates both multiple computing units based on ARM architecture and their programmable logic.

- **CPU10** represents a change of pace in the design of FIDIA products and is the new architectural solution that meets the growing demands of the market. The solution takes advantage of the high integration present in the new SoC families to provide better performance and products that are flexible/adaptable to the growing demands of the market.

- **nCservice** - The project aims to develop a set of tools and facilities for the maintenance, management and calibration of the machine tool. As already done for the operator interface, the new service tools will be developed with a modern style and will be able to make setup and maintenance operations simple.

  The project will cover different aspects of maintenance thanks to specific tools, such as: parameter oscilloscope, log file analyser, tools for the characterization and assessment of performance and new features in support of PLC development.

- **SCX - XP SOFT CHARGE UNIT** - New model of Power Supply, it is an object that together with one or more drives of the XPower series will function as a DC bus master that powers the drives of the motors in the machine. Using bus soft charge techniques will avoid abrupt and potentially harmful transients and will substantially reduce the noise and ripple current produced.

In the **high-speed milling systems** sector, the Group has continued along the path pursuing an R&D strategy centred, on the one hand, on broadening its range of machines and on searching cutting-edge solutions for processing new materials and gaining access to new sectors and fields of application and, on the other, on the consolidation of cooperation with industry partners and customers through the co-development of new production technologies.

The main projects that characterised 2017 were:

- **New HTF (Horizontal Type FIDIA) series –** The success of the GTF series has led us to enrich the portfolio of solutions by introducing the development of a new family of horizontal machines both for the machining of aeronautical parts in aluminium and titanium, and for the machining of style models. The concepts for both models were presented to the public at the EMO trade fair in Hanover in 2017.

- **Ti/Al HTF horizontal machine pallet changing and loading system** - The HTF series for machining aluminium and titanium aeronautical parts can be equipped with an ad-hoc pallet changing system specially developed to make workpiece loading and unloading operations by the horizontal table simple, efficient and fully automatic. Suitable for medium and large production volumes, the high level of automation means that it is also efficient for small batches.

- **D321** - In 2017 the development of a new die finishing machine of the DIGIT series based on gantry architecture was completed; it will complement the current offering of the DIGIT series with open frame architecture. The first D321 machine was presented at the EMO trade fair in Hanover in 2017, meeting with an immediate success, which quickly translated into orders. The year 2018 will see further developments aimed at increasing FIDIA's offerings to its customers, in particular a new model equipped with linear motors.

- **DL321 –** Given the market success of the D321 series, a new solution from the same family will be developed in 2018. The design will be taken from the D321 with gantry architecture but the DL321 will be equipped with linear motors and oversized strokes ideal for finishing moulds. The large glass front door will continue to facilitate access to large moulds and equipment, offering excellent visibility during machining. In addition, dynamic performance and overall damping will be improved thanks to a larger base.

- **M5 series milling heads** – The set of milling heads saw the completion and marketing of two new S and E versions in 2017. A third L version is planned for 2018. The modernization of components and functions allow fitting both more powerful spindles for high torque applications with large removal of chips and light spindles suitable for machining style models. All three maintain similar characteristics to the previous series with which they share some common parts, including the v3 platform that allows rapid and efficient change of the machining head, drastically increasing the versatility of the machines that are equipped with it. The year 2018 will see further development in the Milling Heads department where a new v4 platform will be introduced to support new and increasingly effective milling head models.

Finally, in 2017 the Group continued its activities in the research collaboration field. In 2017, Fidia participated as a partner in 2 projects co-funded by the European Commission under Horizon 2020 and as a coordinator in a third project, it too co-funded by the European Commission under Horizon 2020 that has been recently awarded. Finally, a fourth metrology project (co-funded by the European Commission through EURAMET) was acquired at the end of 2017 and is being negotiated with an estimated start date in mid-2018.

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.

- **MMTECH** - New aerospace advanced cost-effective materials and rapid manufacturing technologies: development of technologies and methodologies aimed at reducing time and costs over the whole life cycle of aircraft (design, production, maintenance, overhaul, repair and retrofit).

- **MC-SUITE** - ICT Powered Machining Software Suite: development of a new generation of ICT tools for simulation, optimization and improvement of milling and industrial manufacturing processes. The objective is to reduce the gap between the actual machining of a workpiece and the design of its production process.

- **PROGRAMS** - PROGnostics based Reliability Analysis for Maintenance Scheduling: development of a distributed and cloud-based system for machine prognostics. The objective is to reduce the overall cost of the life cycle of a machine by predicting its wear and tear conditions and by predicting and optimising the scheduling of maintenance operations.

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

Economic and financial status of the Group

INTRODUCTION

Alternative performance indicators

In this Directors' Report, 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 2017 and 31 December 2016, 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 Directors' Report 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, tax and amortization"), which is calculated by adding the item "Depreciation, amortization and write-downs of fixed assets", the item "Bad debts provision" and the item "Non-recurring income/expenses" to "EBIT" resulting from the financial statements.
- EBT (Earnings before tax);
- Adjusted EBITDA, EBIT and EBT: these correspond to the same alternative performance indicators net of non-recurring items. At 31 December 2017, these indicators correspond to the same non-adjusted indicators in the absence of non-recurring items.

Other parameters mentioned:

- "Value of production", which is given by the algebraic addition of the items "Net revenues", "Other revenue", and "Changes in inventories of finished goods and work in progress";
- "Value added", which is the result of the algebraic addition of the items "Value of production", "Raw materials and consumables used", "Commissions, shipping and outsourced work" and "Other services and overheads".

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

Consolidation area

The companies comprised in the consolidation area are listed below:

Name	Registered office	Percentage held by Parent Company at 31/12/2017
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%

There was no change in the consolidation area compared to the consolidated financial statements at 31 December 2016.

GROUP FINANCIAL PERFORMANCE

Reclassified consolidated statement of comprehensive income (€thousand)	2017	%	2016	%
Net revenues	46,013	95.9%	58,850	98.7%
Changes in inventories of finished goods and W.I.P.	(79)	-0.2%	(866)	-1.5%
Other revenue	2,025	4.2%	1,634	2.7%
Value of production	47,959	100.0%	59,617	100.0%
Raw materials and consumables	(16,924)	-35.3%	(20,325)	-34.1%
Commissions, transport and contractors	(4,109)	-8.6%	(6,214)	-10.4%
Other services and operating costs	(10,543)	-22.2%	(11,407)	-19.1%
Added value	16,383	34.2%	21,671	36.4%
Personnel	(17,619)	-36.7%	(17,407)	-29.2%
EBITDA	(1,235)	-2.6%	4,264	7.2%
Bad debts provision	(174)	-0.4%	(166)	-0.3%
Depreciation	(982)	-2.0%	(661)	-1.1%
Operating income from ordinary business	(2,391)	-5.0%	3,436	5.8%
Non-recurring income/(expenses)	0	0.0%	0	0.0%
EBIT	(2,391)	-5.0%	3,436	5.8%
Net finance expenses and revenue	(187)	-0.4%	(342)	-0.6%
Profit/(Loss) on exchange rates	153	0.3%	124	0.2%
EBT	(2,425)	-5.1%	3,218	5.4%
Income taxes (current, paid and deferred)	(673)	-1.4%	(775)	-1.3%
Profit/(loss) of the period	(3,098)	-6.5%	2,443	4.1%
- (Profit)/Loss of non-controlling interests	(32)	-0.1%	(19)	0.0%
- Profit/(Loss) of Group	(3,066)	-6.4%	2,462	4.1%

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

The said trends are described in detail below.

Net revenues

The year 2017 closed with revenues down YOY (-21.8%) to €46,013 thousand compared to €58,850 thousand in 2016. This performance is the result of a common trend in the three business lines in which the Group operates. In the electronics sector - CNC- the drop in revenues compared to 2016 was equal to -24.7%; the high-speed milling systems sector - HSM - closed the year with a decrease equal to

-27%, as did the after-sales service sector - Service - (-3.9%).

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

Revenues by line of business	2017	%	2016	%	Change in %
Numerical controls, drives and software	3,483	7.6%	4,625	7.8%	-24.7%
High-speed milling systems	30,283	65.8%	41,483	70.5%	-27.0%
After-sales service	12,247	26.6%	12,742	21.7%	-3.9%
Grand total	**46,013**	**100%**	**58,850**	**100%**	**-21.8%**

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

Net total sales (€thousand)	2017	%	2016	%	Change in %
ITALY	6,509	14.1%	4,977	8.5%	30.8%
EUROPE	12,022	26.1%	17,402	29.6%	-30.9%
ASIA	15,950	34.7%	22,496	38.2%	-29.1%
NORTH and SOUTH AMERICA	11,524	25.0%	13,962	23.7%	-17.5%
REST OF THE WORLD	8	0.0%	13	0.0%	-35.6%
TOTAL	**46,013**	**100%**	**58,850**	**100%**	-21.8%

Numerical controls and software

Revenues from the electronic sector (CNC) decreased compared to 2016 (-24.7%), from €4,625 thousand in 2016 to €3,483 thousand in 2017.

High-speed milling systems

The high-speed milling (HSM) systems sector reported a decrease in revenues compared to 2016; revenue dropped from €41,483 thousand in 2016 to €30,283 thousand in 2017, equal to a 27% decrease.

At 31 December 2017, 57 milling systems had been shipped to and accepted by end customers, compared with 71 the previous year. The average revenue per machine decreased at constant USD exchange rate; the growing interest of the market for the Gantry range milling systems and the renewed family D compact machine which have been subject to considerable investment in research and development during present and previous years has been confirmed.

After-sales service

The Service Division comprises the revenues resulting from after-sales technical service, the sale of spare parts and scheduled maintenance contracts. The offer of a widespread and effective service network is deemed to be strategic for the Group's growth policies and is becoming an increasingly decisive element in guiding the investment decisions of potential customers.

In 2017, revenues amounted to €12,247 thousand, down 3.9% from €12,742 thousand in the previous year.

Commercial activity

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

Total (€thousand)	2017	2016	Change in %
Backlog orders at 01/01	14,607	30,926	-52.8%
New orders	50,527	29,763	69.8%
Net revenues	(33,766)	(46,082)	-26.7%
Backlog orders at 31/12	31,368	14,607	114.7%

The 2017 period closed with an increase in the order backlog compared to the end of 2016 due to lower revenues and a significant increase in new orders in the mechanical sector.

Considering the acquisition of new orders in the early months of 2018, the production capacity of the high-speed milling systems business unit is saturated for most of the year.

Other revenue

Other operating revenue in 2017 amounted to €2,025 thousand versus €1,634 thousand last year. Said item comprises revenues from ordinary business activities, but which are not sales of goods and services.

This item includes:

- research grants received from the European Union and the MIUR (Italian Ministry of Education, University and Research) as part of funded research carried out by the parent company Fidia S.p.A. (€292 thousand at 31 December 2017; €399 thousand at 31 December 2016);
- increases in tangible assets built within the Group and devoted solely to demonstrations for customers and the capitalization of product development costs (€671 thousand at 31 December 2017; €483 thousand at 31 December 2016);
- capital gains from transfers (€7 thousand at 31 December 2017; €21 thousand at 31 December 2016);
- release of the warranty, bad debts and legal risks provisions and/or any accruals in excess of the risk to be covered (€512 thousand at 31 December 2017; €179 thousand at 31 December 2016), which was strongly influenced by the low volume of revenues in 2017, which generated a low volume of new entries in the Warranty Provision.
- contingent assets, damages from insurance companies, recovery of costs incurred and others (€544 thousand at 31 December 2017; €551 thousand at 31 December 2016).

Value of production

At year-end, the value of production reached €47,959 thousand, down 19.6% compared to the year before (€59,617 thousand). This is due to the combined effect of the decrease in revenues from sales (€12,837 thousand less than in 2016), partially offset by a lower decrease in inventories of finished products and work in progress (€787 thousand compared to 2016) and a positive change in other revenue (€391 thousand compared to 2016).

Other services and operating costs

This item, equal to €10,543 thousand, decreased by 7.6% YOY (€11,407 thousand).

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

- production costs and expenses for miscellaneous technical service, €3,541 thousand at 31 December 2017, versus €3,934 thousand at 31 December 2016 (-€393 thousand);
- expenses incurred for trade fairs, entertainment expenses, travel expenses and commercial services, €1,219 thousand at 31 December 2017, versus €1,240 thousand at 31 December 2016 (-€21 thousand, equal to 1.7%);
- R&D costs and related refund of expenses, €440 thousand at 31 December 2017, versus €508 thousand at 31 December 2016 (-€68 thousand);
- overheads, technical and administrative consulting, utilities, rent, legal expenses, contingent liabilities and other expenses, €5,343 thousand at 31 December 2017, €5,725 thousand at 31 December 2016 (-€382 thousand, equal to 6.7%).

Added value

At year-end, value added amounted to €16,383 thousand versus €21,671 thousand the year before (equivalent to 34.2% of value of production in 2017 and 36.4% in 2016). The decrease is mainly due to the lower value of production and the rigid nature of the cost structure of the company.

Personnel

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

Staffing	2017	2016	Abs. change	Change in %
Executives	8	8	0	0.0%
Clerks and cadres	274	282	-8	-2.8%
Workers	50	51	-1	-2.0%
Total employees	332	341	-9	-2.6%
Total mean No. of employees	337.5	340.0	-2.5	-0.7%
Labour cost (€thousand)	2017	2016	Abs. change	Change in %
Labour cost	17,619	17,407	212	1.22%

Cost of personnel increased compared with the previous year (+1.22%, equivalent to an increase of about €212 thousand), while Group personnel was on average lower by about 0.7%.

EBITDA

EBITDA was equivalent to -€1,235 thousand (-2.6% of value of production), down

5,499 thousand YOY (€4,264 thousand or 7.2% of the value of production), mainly due to the decrease in revenues.

Operating income from ordinary business

Operating income from ordinary business registered a loss of -€2,391 thousand, versus a profit of €3,436 thousand at 31 December 2016.

Non-recurring revenue

No non-recurring income was recorded in 2017 or in 2016.

EBIT

EBIT at 31 December 2017 amounted to -€2,391 thousand, while EBIT at 31 December 2016 was positive at €3,436 thousand.

Finance expenses and revenue and net exchange rate differences

Net financial expenses decreased compared to 2016 (net expenses of €187 thousand compared to €342 thousand in the previous year), mainly due to lower expenses on forward contracts, compared to the same period of the previous year.

Net differences in exchange rates, either realized or resulting from measurement in the financial statements, generated a net gain of €153 thousand versus a net gain of €124 thousand at 31 December 2016. The amount for the year 2017 is mainly due to the differences recorded by the subsidiary Fidia Beijing following the exchange rate trend of the Chinese currency (RMB) during FY 2017.

EBT

EBT resulted in a loss of -€2,425 thousand versus a profit of €3,218 thousand in 2016.

Income tax

Profit/(loss) of the period was mainly due to current, deferred and paid taxes totalling €673 thousand, which can be broken down as follows:

- IRAP (Italian Regional Production Tax) €0 thousand;
- IRES (Italian Corporate Income Tax) €0 thousand;
- Income tax of foreign subsidiaries €643 thousand;
- Paid and deferred taxes amounting to €30 thousand.

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

Profit/(loss) of the period

The net result for the year was a loss of €3,098 thousand compared to a profit of €2,443 thousand in 2016.

Group consolidated statement of financial position

At 31 December 2017, the reclassified consolidated statement of financial position was as follows:

Group statement of financial position (€thousand)	31/12/2017	31/12/2016
Net tangible assets	11,267	10,452
Intangible fixed assets	1,758	1,338
Financial fixed assets	16	16
Pre-paid tax assets	738	850
Other non-current assets	759	968
Capital assets	**14,538**	**13,625**
Net trade receivables from customers	14,339	14,797
Closing inventories	17,846	19,375
Other current assets	1,263	1,596
Short-term (current) assets – (B)	**33,448**	**35,769**
Trade payables to suppliers	(9,928)	(10,095)
Other current liabilities	(15,801)	(10,441)
Short-term (current) liabilities – (C)	**(25,729)**	**(20,535)**
Net working capital (D) = (B+C)	**7,719**	**15,233**
Termination benefits (E)	(2,292)	(2,330)
Other long-term liabilities (F)	(470)	(179)
Net invested capital (G) = (A+D+E+F)	**19,494**	**26,350**
Financial position		
Financial assets held for sale		
Cash on hand, bank deposits	(11,520)	(8,925)
Short-term loans	6,329	4,419
Assets/liabilities for current derivatives	-	198
Other current financial payables	-	-
Short-term financial position	**(5,191)**	**(4,308)**
Long-term loans, net of current portion	11,294	11,697
Assets/liabilities for long-term derivatives	66	23
Net financial position (receivable)/payable (H)	**6,169**	**7,412**
Share capital	5,123	5,123
Provisions	9,362	9,282
Profit/(loss) of the period for Group	(3,066)	2,462
Total shareholders' equity of Group	**11,419**	**16,867**
Total equity of non-controlling interests	1,905	2,071
Total shareholders' equity (I)	**13,324**	**18,938**
Shareholders' equity and net financial position (L) = (H+I)	**19,494**	**26,350**

Compared to 31 December 2016, the Group statement of financial position registered the following changes:

- Increased capital assets (from €13,625 thousand to €14,538 thousand) mainly as a result of completed investment in property consisting of an industrial building in Forlì;
- slight decrease in trade receivables from customers (from €14,797 thousand to €14,339 thousand) linked to their different composition. Trade receivables were recorded net of bad debts provision in the amount of €651 thousand;
- decrease in inventories (from €19,375 thousand to €17,846 thousand) due to better management. Inventories were posted net of provision for obsolete inventories in the amount of €2,524 thousand;
- decrease in other current assets (from €1,596 thousand to €1,263 thousand), mainly as a result of tax receivables (i.e., VAT);
- decreased trade payables to suppliers (from €10,095 thousand to €9,928 thousand) due to a different product/supplier mix;

- increase in other current liabilities (from €10,441 thousand to €15,801 thousand), in particular due to greater advances from customers (advances accounted in part for advances received and in part for machines already delivered but not yet accepted);
- decrease in provisions for termination benefits (from €2,330 thousand to €2,292 thousand) due to normal dynamics related to personnel and specifically to outgoing senior staff;
- increase in other long-term liabilities (from €179 thousand to €470 thousand), due to the change in dynamics of advances received for multi-year European and Italian funded research projects.

At 31 December 2017 the net financial position was negative at €6,169 thousand; the change from 31 December 2016 was positively affected by the decrease in working capital and specifically of receivables and inventories, in addition to a higher level of advances on new orders.

The trend in the net financial position is illustrated below.

Trend in net financial position

Financial position	31/12/2017	31/12/2016
Financial assets held for sale	-	-
Cash on hand, bank deposits	11,520	8,925
Overdrawn bank accounts and short-term advances	(247)	(486)
Short-term loans	(6,082)	(3,933)
Assets/liabilities for current derivatives	-	(198)
Other current financial payables	-	-
Short-term financial position	5,191	4,308
Long-term loans, net of current portion	(11,294)	(11,697)
Assets/liabilities for long-term derivatives	(66)	(23)
Net financial position	(6,169)	(7,412)

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

Cash on hand, bank deposits (€thousand)	31/12/2017	31/12/2016
Fidia S.p.A.	7,140	4,319
Fidia Co.	1,743	565
Fidia GmbH	524	767
Fidia Iberica S.A.	442	466
Fidia S.a.r.l.	402	444
Beijing Fidia Machinery & Electronics Co., Ltd	847	1,673
Fidia do Brasil Ltda.	165	81
Shenyang Fidia NC & M Co., Ltd	257	610
Total cash and cash equivalents	11,520	8,925

Financial payables (€thousand)	31/12/2017	31/12/2016
Short-term loans and advances		
Fidia S.p.A.	(6,258)	(4,347)
Fidia GmbH	(59)	(57)
Fidia Iberica S.A.	(12)	(15)
Total	(6,329)	(4,419)
Assets/(liabilities) for current derivatives		
Fidia S.p.A.	-	(198)
Total	-	(198)
Other current financial payables		
Fidia S.p.A.	-	-
Total	-	-
Long-term loans, net of current portion		
Fidia S.p.A.	(11,238)	(11,630)
Fidia GmbH	(45)	(44)
Fidia Iberica S.A.	(11)	(23)
Total	(11,294)	(11,697)
Assets/(liabilities) for long-term derivatives		
Fidia S.p.A.	(66)	(23)
Total	(66)	(23)
Total financial payables	(17,689)	(16,337)

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)	2017	2016
A) Cash on hand and cash equivalents at beginning of year	**8,440**	**15,534**
B) Cash from (used in) operating activities during the period	**5,973**	**(6,465)**
C) Cash from/(used in) investing activities	**(2,398)**	**(4,878)**
D) Cash from/(used in) financing activities	**369**	**4,252**
Currency translation differences	(1,111)	(3)
E) Net change in cash and cash equivalents	**2,833**	**(7,094)**
F) Cash and cash equivalents at year end	**11,273**	**8,440**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	11,520	8,925
Overdrawn bank accounts and short-term advances	(247)	(485)
	11,273	**8,440**

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

FINANCIAL RATIOS

INVESTMENT MIX RATIOS

RATIOS	2017			2016		
1) Weight of fixed assets						
Capital assets / Total assets	14,538 / 59,505	=	24.40%	13,625 / 58,319	=	23.40%
2) Weight of working capital						
Current assets / Total assets	44,967 / 59,505	=	75.60%	44,694 / 58,319	=	76.60%

LOAN MIX RATIOS

RATIOS	2017			2016		
1) Weight of current liabilities						
Current liabilities / Total liabilities (except net equity)	32,058 / 46,181	=	69.42%	25,152 / 39,381	=	63.90%
2) Weight of non-current liabilities						
Consolidated liabilities / Total liabilities (except shareholders' equity)	14,123 / 46,181	=	39.58%	14,229 / 39,381	=	36.10%
3) Weight of own capital						
Own capital / Net invested capital	13,324 / 19,494	=	68.40%	18,938 / 26,350	=	71.90%

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.

FINANCIAL POSITION RATIOS

LIQUIDITY RATIOS

INDICATOR	2017		2016	
Current assets / Current liabilities	44,967 / 32,058 =	1.40	44,694 / 25,152 =	1.78

CAPITAL ASSETS COVERAGE RATIO

INDICATOR	2017		2016	
Own capital / Capital assets	13,324 / 14,538 =	0.92	18,938 / 13,625 =	1.39

CASH RATIO

INDICATOR	2017		2016	
Short-term assets / Short-term liabilities	33,448 / 25,729 =	1.30	35,769 / 20,535 =	1.74

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 substantial 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

	2017			2016		
Net income pertaining to Group / Equity of Group	-3,066 / 11,419	=	-26.90%	2,462 / 16,867	=	14.60%

ROI

	2017			2016		
Operating income from ordinary business / Invested capital	-2,391 / 47,986	=	-5.00%	3,436 / 49,394	=	7.00%

ROS

	2017			2016		
Operating income from ordinary business / Sales	-2,391 / 46,013	=	-5.20%	3,436 / 58,850	=	5.80%

ROE, which measures the profitability of own funds is negative due to the loss accrued in 2017.

ROI, which measures profitability from operations, shows a negative value given the operating loss registered by the Group in 2017.

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

Disclosure by line of business

Economic and financial trend by line of business

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

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

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

Consolidated statement of comprehensive income by sector

Data by year - 2017 (€thousand)	CNC		HSM		SERVICE		N/A	Total
Revenues	3,483	71.0%	30,283	99.7%	12,742	100.0%	-	46,013
Cross-sector revenues	**1,420**	**29.0%**	**94**	**0.3%**		**0.0%**		
Total reclassified revenues	**4,903**	**100.0%**	**30,377**	**100.0%**	**12,247**	**100.0%**	-	**46,013**
Changes in inventories of finished goods and W.I.P.	(93)	-1.9%	(155)	-0.5%	169	1.4%	-	(79)
Raw materials and consumables	(996)	-20.3%	(14,323)	-47.2%	(1,482)	-12.1%	(122)	(16,924)
Cross-sector expenses	286	5.8%	(2,450)	-8.1%	651	5.3%	(2)	**-**
Commissions, transport and contractors	(441)	-9.0%	(3,163)	-10.4%	(485)	-4.0%	(20)	(4,109)
Sales margin	**3,659**	**74.6%**	**10,286**	**33.9%**	**11,099**	**90.6%**	**(144)**	**24,901**
Other operating revenue	703	14.3%	710	2.3%	230	1.9%	382	2,025
Other operating costs	(459)	-9.4%	(2,144)	-7.1%	(2,849)	-23.3%	(5,091)	(10,543)
Personnel expenses	(2,729)	-55.7%	(5,744)	-18.9%	(5,447)	-44.5%	(3,698)	(17,619)
Depreciation, amortization and write-downs	(143)	-2.9%	(503)	-1.7%	(133)	-1.1%	(378)	(1,156)
Operating profit/(loss)	**1,031**	**21.0%**	**2,606**	**8.6%**	**2,901**	**23.7%**	**(8,929)**	**(2,391)**

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 costs	(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, amortization and write-downs	(18)	-0.3%	(268)	-0.6%	(170)	-1.3%	(372)	(828)
Operating profit/(loss)	**2,170**	**30.0%**	**6,006**	**14.4%**	**4,541**	**35.6%**	**(9,282)**	**3,436**

The electronics sector (CNC), as already explained in the first part of the Report, closed 2017 with decreased revenues compared to the year before. This contributed to the reduction in the margin on sales, which decreased (from €4,902 thousand in 2016 to €3,659 thousand in 2017); the margin was down from 30.0% to 21.0%. EBIT (from €2,170 thousand in 2016 to €1,031 thousand in 2017), which was strongly influenced by the drop in Revenues, was affected by higher personnel costs (from €2,682 thousand in 2016 to €2,729 thousand in 2017) and benefited from a lower incidence of raw material consumption (from €1,732 thousand in 2016 to €996 thousand in 2017).

The high-speed milling systems sector (HSM) showed decreased revenues (€30,283 thousand in 2017 versus €41,483 thousand in 2016). The margin on sales was significantly lower (€10,286 thousand compared to €14,465 thousand in the previous year) and with a lower margin in 2017 compared to 2016. However, the operating result was also affected by the increase in personnel costs and "Other operating costs" and amounted in 2017 to €5,744 thousand, compared to €5,725 thousand in 2016.

Finally, Service showed a decrease in revenue (€12,247 thousand versus €12,742 thousand in 2016), resulting in a decrease in the sales margin in absolute terms (€11,099 thousand versus €12,204 thousand in 2016) and in percentage terms (90.6% in 2017 versus 95.8% in 2016). The other items that contribute to the operating income all decreased, resulting in an operating margin from ordinary operations lower than in 2016 (€2,901 thousand versus €4,541 thousand the previous year), down from 35.6% in 2016 to 23.7% in 2017.

Consolidated Statement of Financial Position by sector

31 December 2017 (€thousand)	CNC	HSM	SERVICE	N/A	Totale1\
Property, plant and equipment	63	9,127	153	1,924	11,267
Intangible fixed assets	1,012	618	-	128	1,758
Investments	-	-	-	16	16
Pre-paid tax assets	-	-	-	738	738
Other non-current receivables and assets	**28**	**123**	-	607	759
Total non-current assets	**1,104**	**9,869**	**153**	**3,412**	**14,538**
Inventory	1,864	9,940	6,042	-	17,846
Trade receivables and other current receivables	1,860	10,243	2,709	492	15,304
Current tax receivables	-	-	-	298	298
Other current financial receivables	-	-	-	-	-
Cash and cash equivalents	-	-	-	11,520	11,520
Total current assets	**3,724**	**20,182**	**8,752**	**12,309**	**44,968**
Total assets	**4,828**	**30,051**	**8,905**	**15,722**	**59,505**
Other non-current payables and liabilities	241	122	33	6	402
Deferred tax liabilities	-	-	-	47	47
Termination benefits	625	1,091	312	264	2,292
Long-term provisions	-	-	22	-	22
Other non-current financial liabilities	-	-	-	66	66
Non-current financial liabilities	-	-	-	11,294	11,294
Total non-current liabilities	**866**	**1,214**	**366**	**11,676**	**14,123**
Current financial liabilities	-	-	-	6,329	6,329
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	1,443	17,698	1,080	2,668	22,889
Current tax payables	-	-	-	1,743	1,743
Short-term provisions	77	770	251	0	1,098
Total current liabilities	**1,520**	**18,468**	**1,331**	**10,739**	**32,058**
Total liabilities	**2,386**	**19,682**	**1,698**	**22,415**	**46,181**
Shareholders' equity	-	-	-	**13,324**	**13,324**
Total liabilities	**2,386**	**19,682**	**1,698**	**35,739**	**59,505**

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
Equity 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
Termination benefits	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**

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 Directors' Report, please be noted:

Management and coordination

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

Subsidiaries conduct their business with complete management and operating autonomy.

Internal control system

The internal control and risk management system consists of various components of the organization chart and procedures, among which the Board of Directors, the Control and Risks Committee, the General Manager, the controller, the internal audit function, the director in charge as per article 154-bis of the TUF (Consolidated Finance Act) and the Organization Model as per Italian Legislative Decree No. 231/2001 and works through a set of processes aimed to monitor, for instance, the efficiency of company operations, reliability of financial information, compliance with laws and regulations and the safeguard of company assets.
Alongside the implementation of the Organization Model as per Italian Legislative Decree No. 231/2001, a Supervisory Board was appointed in order to ensure the required information flows. The Supervisory Board informs the Board of Directors of its activities through periodic reports and through the Control and Risks Committee and the Board of Auditors.
On the date of preparation of these financial statements, the Supervisory Board was composed of a member of the Board of Directors, of a member of the Board of Statutory Auditors and of a legal advisor.

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

Fidia S.p.A. controls a number of companies established in countries outside the European Union who are of significant importance pursuant to Article 36 of Consob Regulation No. 16191/2007 as amended by Consob Resolution No. 18214/2012 concerning the regulation of the markets ("Regulation of Markets").
With reference to 31 December 2017, the regulatory provision regards three Group companies (Beijing Fidia M & E Co. Ltd. - China, Shenyang Fidia NC & Machine Company Ltd. - China; Fidia Co. - USA), that adequate procedures have been adopted to ensure compliance with said regulation and that the conditions as per the above-mentioned Article 36 subsist.

* * *

Interests held by members of administration and control bodies, general managers and executives with strategic responsibilities in office at 31 December 2017 are reported below.

Name and last name	Company	No. shares held at 31/12/2016	No. shares purchased in 2017	No. shares sold in 2017	No. shares held at 31/12/2017
Giuseppe Morfino	Fidia ordinary shares	2,865,516	0	0	2,865,516

Non-financial statement

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

Intra-group and related-party transactions

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

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

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

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

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

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

The economic and financial relations in the fiscal year between the parent company Fidia S.p.A. and its subsidiaries and associates are illustrated in Note 33 of the Notes to the Financial Statements.

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

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

Under Article 7.2, item c) of the above-mentioned "Guidelines", it is hereby stated that in 2017 there were no transactions with related parties that can be defined as having "major relevance."

In 2017 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)	2017	%	2016	%
Net revenues	28,787	89.6%	43,431	98.8%
Changes in inventories of finished goods and Work in progress	1,481	4.6%	(959)	-2.2%
Other revenue	1,845	5.7%	1,481	3.4%
Value of production	32,113	100.0%	43,953	100.0%
Raw materials and consumables	(12,933)	-40.3%	(16,974)	-38.6%
Commissions, transport and contractors	(3,693)	-11.5%	(5,820)	-13.2%
Other services and operating costs	(7,762)	-24.2%	(8,572)	-19.5%
Added value	7,725	24.1%	12,588	28.6%
Personnel expenses	(11,237)	-35.0%	(11,282)	-25.7%
EBITDA	(3,512)	-10.9%	1,306	3.0%
Bad debts provision	(4)	0.0%	(8)	0.0%
Depreciation/amortisation/write-downs of fixed assets	(660)	-2.1%	(359)	-0.8%
Operating income from ordinary business	(4,176)	-13.0%	**939**	**2.1%**
Non-recurring income/(expenses)	-	0.0%	-	0.0%
Impairment (losses)/reversals	1,538	4.8%	329	0.7%
EBIT	(2,639)	-8.2%	1,268	2.9%
Net finance (expenses) and revenue	1,197	3.7%	1,100	2.5%
Profit/(Loss) on exchange rates	19	0.1%	(95)	-0.2%
Earnings before tax (EBT)	(1,422)	-4.4%	2,273	5.2%
Income taxes (current, paid and deferred)	(5)	0.0%	(108)	-0.2%
Net profit (loss)	(1,428)	-4.4%	2,165	4.9%

The year 2017 closed with a decrease in revenues of 33.7% YOY (€28,787 thousand versus €43,431 thousand in 2016).

This performance was due to the high-speed milling systems (HSM) business sector, which decreased by 40.7%, and finally to the electronics division, which recorded a negative performance of 25.0%; the after-sales service sector, on the other hand, was in line with 2016 (+0.2%).

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

With reference to the Service sector, data of a commercial nature relating to the order backlog and new orders are not shown, as these basically coincide with the revenue, 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	2017	%	2016	%	Change in %
Numerical controls, drives and software	2,443	8.5%	3,258	7.5%	-25.0%
High-speed milling systems	20,185	70.1%	34,033	78.4%	-40.7%
After-sales service	6,159	21.4%	6,140	14.1%	0.2%
Grand total	28,787	100.0%	43,431	100.0%	-33.7%

Total revenues (€thousand)	2017	%	2016	%	Change in %
ITALY	6,509	22.6%	4,977	11.5%	30.8%
EUROPE	8,107	28.2%	12,082	27.8%	-32.9%
ASIA	9,060	31.5%	17,879	41.2%	-49.3%
NORTH and SOUTH AMERICA	5,106	17.7%	8,237	19.0%	-38.0%
REST OF THE WORLD	4	0.0%	257	0.6%	
Total	28,787	100.0%	43,431	100.0%	-33.7%

As already noted, total revenue of Fidia S.p.A. decreased (-33.7%) compared to 2016 as a result of the overall performance of the HSM sector (-40.7%) and CNC sector, which decreased by 25.0%.

The Service sector was substantially unchanged compared to 2016 (+0.2%),

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

Total backlog orders (€thousand)	2017	2016	Change in %
Backlog orders at 01/01	9,530	23,848	-60.0%
New orders	40,882	22,973	78.0%
Net revenues	(22,628)	(37,291)	-39.3%
Order backlog at 31/12	27,784	9,530	191.5%

The final order backlog at 31 December 2017 was significantly higher by +191.5% over the previous year, especially due to the trend in new orders recorded during the period.

EBITDA was negative amounting to about €3,512 thousand, compared to the positive result of €1,306 thousand in 2016.

The operating income from ordinary business was also negative at €4,176 thousand compared to a positive result of €939 thousand at 31 December 2016.

EBIT was negative at €2,639 thousand and did not include any non-recurring revenues. At 31 December 2016, EBIT was positive at €1,268 thousand.

With reference to the measurement of investments, the result of the impairment test carried out on 2017 showed write-backs equivalent to €1,538 thousand.

Financial management made an overall positive contribution to the income statement of Fidia S.p.A. through dividends distributed by some subsidiaries (€1,451 thousand versus €1,498 thousand in 2016) partially offset by net financial expenses (totalling €254 thousand in 2017 and €398 thousand in 2016). Foreign exchange management generated gains of €19 thousand (net loss of €95 thousand at 31 December 2016).

The net loss after taxes of €5 thousand amounted to €1,428 thousand versus a net profit of €2,165 thousand at 31 December 2016.

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

Staffing	2017	2016	Abs. change	% Chg
Executives	6	6	0	0.0%
Clerks and cadres	139	144	(5)	-3.5%
Workers	48	49	(1)	-2.0%
Total employees	193	199	(6)	-3.0%
Total mean No. of employees	198.0	199.0	(1)	-0.5%

Labour cost (€thousand)	2017	2016	Abs. change	% Chg
	11,237	11,282	(45)	-0.40%

Personnel expenses decreased overall by €45 thousand YOY (-0.40%) despite an average increase of 0.5% in staffing.

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased from 25.7% in 2016 to 35.0% in the current period.

Statement of financial position

The reclassified statement of financial position was as follows:

Statement of Financial Position (€thousand)	31.12.2017	31.12.2016
Net tangible assets	9,378	8,222
Intangible fixed assets	1,750	1,326
Financial fixed assets	12,112	10,574
Pre-paid tax assets	382	367
Other non-current receivables and assets	668	786
Capital assets – (A)	24,291	21,276
Net trade receivables from customers	7,166	11,133
Closing inventories	12,812	12,120
Other current assets	1,806	2,457
Short-term (current) assets – (B)	21,783	25,710
Trade payables to suppliers	(11,998)	(13,800)
Other current liabilities	(10,827)	(5,784)
Short-term (current) liabilities – (C)	(22,825)	(19,583)
Net working capital (D) = (B+C)	(1,042)	6,127
Termination benefits (E)	(2,292)	(2,330)
Other long-term liabilities (F)	(330)	-
Net invested capital (G) = (A+D+E+F)	20,626	25,073
Financial position		
Financial assets held for sale	-	-
Cash, bank deposits and loans made	(7,441)	(4,319)
Short-term loans	8,016	6,279
Assets/liabilities for current derivatives	-	198
Other short-term financial liabilities	-	-
Short-term financial position (receivable)/payable	575	2,158
Long-term loans, net of current portion	11,238	11,630
Assets/liabilities for long-term derivatives	66	23
Net financial position (receivable)/payable (H)	11,879	13,811
Share capital	5,123	5,123
Provisions	5,051	3,973
Profit/(loss) of the period	(1,428)	2,165
Total shareholders' equity (I)	8,747	11,261
Shareholders' equity and net financial position (L) = (H+I)	20,626	25,073

Compared to 31 December 2016, capital assets showed a significant increase due to the completion 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 decreased, mainly due to the reduction in the value of receivables and to the higher level of advances on new orders.

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 €11,879 thousand at 31 December 2017, which was better than the negative balance of €13,811 thousand at 31 December 2016.

Trend in net financial position

Financial position (€thousand)	31.12.2017	31.12.2016
Financial assets held for sale	-	-
Cash, bank deposits and loans made	7,441	4,319
Overdrawn bank accounts	(247)	(486)
Short-term loans	(7,769)	(5,793)
Assets/liabilities for current derivatives	-	(198)
Other current financial payables	-	-
Short-term financial position	**(575)**	**(2,158)**
Long-term loans, net of current portion	(11,238)	(11,630)
Assets/liabilities for long-term derivatives	(66)	(23)
Net financial position	**(11,879)**	**(13,811)**

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	2017	2016
A) Cash on hand and cash equivalents at beginning of year	3,833	9,269
B) Cash from (used in) operating activities during the period	5,259	(7,917)
C) Cash from/(used in) investing activities	(2,240)	(3,786)
D) Cash from/(used in) financing activities	41	6,266
E) Net change in cash and cash equivalents	3,060	(5,436)
F) Cash and cash equivalents at year end	6,893	3,833
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	7,140	4,319
Overdrawn bank accounts and short-term advances	(247)	(486)
	6,893	3,833

During the period, a dividend resolved on the 2016 result was paid to shareholders for a total of €1,023 thousand in the month of July.

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

According to Consob Notice of 28 July 2006, the comparison between the operating result of year 2017 and the equity at 31 December 2017 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	Shareholders' equity at 31.12.2016	Changes in Equity 2017	Result 31.12.2017	Shareholders' equity at 31.12.2017
Financial Statements of Fidia S.p.A.	11,261	(1,086)	(1,428)	8,747
Consolidation adjustments				
* Elimination of book value of investments	5,976	(1,294)	(1,922)	2,760
* Transactions between consolidated companies	(371)	-	284	(87)
* Exchange rate differences on intra-group transactions	-	(1)	-	(1)
Consolidated financial statements of Group (share pertaining to Group)	16,866	(2,381)	(3,066)	11,419

Trends in Group Companies

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

Fidia GmbH

The revenue of year 2017 was equal to €4,023 thousand, down compared to €5,624 thousand of 2016 (-28.5%). The year 2017 closed with a profit of €185 thousand, compared to a profit of €481 thousand in 2016. Staff decreased from 26 units at 31 December 2016 to 24 units at 31 December 2017.

Fidia Iberica S.A.

The revenue for 2017 amounted to €2,121 thousand, down from €3,464 thousand the previous year (-38.8%). The year 2017 closed with a net profit of €122 thousand versus a net profit of €138 thousand in 2016. Staff was unchanged compared to 2016 and amounted to 10 employees.

Fidia S.a.r.l.

Revenue in 2017 amounted to €2,446 thousand, up from €2,166 thousand the previous year (+12.9%). The period closed with a profit of €16 thousand versus a profit of €96 thousand in 2016. Staff was unchanged compared to 2016 and amounted to 7 employees.

OOO Fidia

The company has not done any business during 2017.

Fidia Co.

Revenue in 2017 amounted to €9,242 thousand (USD 10,441 thousand) down from €12,270 thousand (USD 13,582 thousand) the previous year (-24.7%). The year 2017 closed with a profit (profit for 2017 equal to €293 thousand versus a profit for 2016 of €616 thousand). Staff decreased from 20 units at 31 December 2016 to 19 units at 31 December 2017.

Beijing Fidia Machinery & Electronics Co. Ltd.

Revenue in 2017 amounted to €9,408 thousand (RMB 71.8 million), up from €5,700 thousand (RMB 41.9 million) the previous year (+65.1%). Net profit amounted to €603 thousand over €545 thousand the year before. Staff increased from 27 units at 31 December 2016 to 29 units at 31 December 2017.

Shenyang Fidia NC&M Co. Ltd.

Revenue in 2017 amounted to €4,868 thousand (RMB 37.1 million) versus €4,617 thousand (RMB 33.9 million) in 2016; the year closed with a loss of €115 thousand versus a net loss of €114 thousand in 2016. Staff decreased from 45 units at 31 December 2016 to 43 units at 31 December 2017.

Fidia do Brasil Ltda

Revenue in 2017 amounted to €1,501 thousand (5,411 thousand real) compared to €902 thousand (3,479 thousand real) the previous year. The year 2017 closed with a loss of €70 thousand compared to a profit of €28 thousand in 2016. Staff was unchanged at 7 units at 31 December 2017.

ASSOCIATES

Prometec Consortium

Equity at 31 December 2017 amounted to €10 thousand (interest of Fidia S.p.A.: 20%).

Significant Events Occurring After the Reporting Date

On 8 March 2018, the company was the subject of a tax audit, covering the years from 2013 to 2016. Given that this is still a very early pre-audit phase, the information available does not allow risk assessments or provision estimates to be made for the tax audit findings.

Business Outlook

The order backlog at the beginning of the year, which is significantly higher than in the same period of the previous year, allows the Group to confirm its growth and profitability recovery targets for 2018. The improvement of the economic performance is expected to allow a generation of cash flows adequate to meet the financial obligations and the continuation of investment activities in development projects and in the technological evolution of products.

San Mauro Torinese, 15 March 2018
On behalf of the Board of Directors
The Chairman and Chief Executive Officer
Mr. Giuseppe Morfino

Fidia Group

Consolidated Financial Statements at 31 December 2017

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2017 Consolidated statement of comprehensive income (*)

€ thousand	**Notes**	**FY2017**	**FY2016**
- Net sales	1	46,013	58,850
- Other revenues	2	2,025	1,634
- Total revenues		**48,038**	**60,483**
- Changes in inventories of finished goods and work in progress		(79)	(866)
- Consumption of raw materials	3	(16,924)	(20,325)
- Personnel costs	4	(17,619)	(17,407)
- Other operating costs	5	(14,652)	(17,621)
- Depreciation, amortization and write-downs	6	(1,156)	(828)
- Profit/(loss) from ordinary business		**(2,391)**	**3,436**
- Non-recurring income/(expenses)	7	-	-
- Operating profit/(loss)		**(2,391)**	**3,436**
- Finance revenue (expenses)	8	(34)	(218)
- Profit/(loss) before tax		**(2,425)**	**3,218**
- Income tax	9	(673)	(775)
- Profit/(loss) for continuing operations		**(3,098)**	**2,443**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**(3,098)**	**2,443**
Profit/(loss) attributable to:			
Shareholders of parent company		(3,066)	2,462
Non-controlling interests		(32)	(19)

EUR	**Notes**	**FY2017**	**FY2016**
Basic earnings per ordinary share	10	(0.600)	0.482
Diluted earnings per ordinary share	10	(0.600)	0.482

(*) 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 2017 Consolidated statement of comprehensive income

€ thousand	Notes	FY2017	FY2016
- Profit/(loss) (A)		**(3,098)**	**2,443**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:			
Profit/(loss) on cash flow hedges	20	(40)	66
Profit/(loss) on translation of financial statements of foreign companies	20	(1,404)	(72)
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss	20	9	(16)
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)		**(1,435)**	**(22)**
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	20	(44)	(59)
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	20	11	14
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)		**(33)**	**(45)**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)		**(1,468)**	**(67)**
Total comprehensive profit/(loss) of the period (A)+(B)		**(4,566)**	**2,376**
Total comprehensive profit/(loss) attributable to:			
Shareholders of parent company		(4,422)	2,464
Non-controlling interests		(144)	(88)

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2017 Consolidated Statement of Financial Position (*)

€thousand	Notes	31 December 2017	31 December 2016
ASSETS			
- Property, plant and equipment	11	11,267	10,452
- Intangible assets	12	1,758	1,338
- Investments	13	16	16
- Other non-current receivables and assets	14	759	968
- Pre-paid tax assets	9	738	850
TOTAL NON-CURRENT ASSETS		**14,538**	**13,625**
- Inventories	15	17,846	19,375
- Trade receivables	16	14,339	14,797
- Current tax receivables	17	298	664
- Other current receivables and assets	17	965	933
- Other current financial receivables	18	-	-
- Cash and cash equivalents	19	11,520	8,925
TOTAL CURRENT ASSETS		**44,967**	**44,694**
TOTAL ASSETS		**59,505**	**58,319**
LIABILITIES			
SHAREHOLDERS' EQUITY:			
- Share capital and reserves attributable to shareholders of parent company		11,419	16,867
- Non-controlling interests		1,905	2,071
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**20**	**13,324**	**18,938**
- Other non-current payables and liabilities	21	402	89
- Termination benefits	22	2,292	2,330
- Deferred tax liabilities	9	47	51
- Provisions for risks and expenses	28	22	39
- Other non-current financial liabilities	23	66	23
- Non-current financial liabilities	24	11,294	11,697
TOTAL NON-CURRENT LIABILITIES		**14,123**	**14,229**
- Current financial liabilities	24	6,329	4,419
- Other current financial liabilities	25	-	198
- Trade payables	26	9,928	10,095
- Current tax payables	27	1,743	1,021
- Other current payables and liabilities:	27	12,960	7,966
- Provisions for risks and expenses	28	1,098	1,453
TOTAL CURRENT LIABILITIES		**32,058**	**25,152**
TOTAL LIABILITIES		**59,505**	**58,319**

(*) 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 2017 Consolidated cash flow statement (*)

€thousand	2017	2016
A) Cash and cash equivalents at beginning of period	**8,440**	**15,534**
B) Cash from/(used in) operating activities during the period		
- Profit/(loss)	(3,098)	2,443
- Depreciation, amortization and write-downs	982	661
- Net losses (gains) on disposal of tangible assets	(2)	(21)
- Net change in provisions for termination benefits	(38)	(42)
- Net change in provisions for risks and expenses	(372)	114
- Net change (assets) liabilities for (pre-paid) deferred taxes	108	194
Net change in working capital:		
- receivables	1,001	(5,405)
- inventories	1,529	553
- payables (**)	5,862	(4,962)
Total	**5,973**	**(6,465)**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible fixed assets	(1,814)	(4,552)
intangible fixed assets	(627)	(349)
- Profit on sale of:		
tangible fixed assets	43	23
Total	**(2,398)**	**(4,878)**
D) Cash from/(used in) financing activities		
- New loans	6,581	10,317
- Loans paid (***)	(4,835)	(3,533)
Distribution of dividends	(1,023)	(2,045)
- Change in capital and reserves	(199)	(665)
- Net change in current and non-current financial assets and liabilities	(155)	(2)
Total	**369**	**4,252**
Currency translation differences	(1,111)	(3)
E) Net change in cash and cash equivalents	**2,833**	**7,094**
F) Cash and cash equivalents at reporting date	**11,273**	**8,440**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	11,520	8,925
Overdrawn bank accounts	(247)	(485)
	11,273	**8,440**

(*) 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.

(**) of which €226 thousand in taxes paid

(***) of which €202 thousand in interest paid

FIDIA GROUP: Consolidated Financial Statements at 31 December 2017

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 2015	**5,123**	**(45)**	**1,240**	**4,730**	**(65)**	**2,716**	**(50)**	**213**	**2,723**	**16,585**	**2,442**	**19,027**
Allocation of result	-	-	-	2,723	-	-	-	-	(2,723)	-	-	-
Distribution of dividends	-	-	-	(2,045)	-	-	-	-	(2,045)	(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**	**(94)**	**213**	**2,462**	**16,867**	**2,071**	**18,938**
Allocation of result	-	-	-	2,462	-	-	-	-	(2,462)	-	-	-
Distribution of dividends	-	-	-	(1,023)	-	-	-	-	-	(1,023)	(21)	(1,044)
Total comprehensive profit/(loss)	-	-	-	-	(31)	(1,292)	(33)	-	(3,066)	(4,422)	(144)	(4,566)
Other changes	-	-	-	(2)	-	-	-	-	-	(2)	(1)	(3)
Balance at 31 December 2017	**5,123**	**(45)**	**1,240**	**6,706**	**(46)**	**1,421**	**(127)**	**213**	**(3,066)**	**11,419**	**1,905**	**13,324**

FIDIA GROUP: Consolidated Financial Statements at 31 December 2017

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

€thousand	Notes	FY2017	Of which related parties	FY2016	Of which related parties
- Net sales	1	46,013	-	58,850	-
- Other revenues	2	2,025	-	1,634	-
- Total revenues		**48,038**		**60,483**	
- Changes in inventories of finished goods and work in progress		(79)		(866)	
- Consumption of raw materials	3	(16,924)	(1)	(20,325)	-
- Personnel costs	4	(17,619)	(876)	(17,407)	(1,013)
- Other operating costs	5	(14,652)	(134)	(17,621)	(164)
- Depreciation, amortization and write-downs	6	(1,156)		(828)	
- Profit/(loss) from ordinary business		**(2,391)**		**3,436**	
- Non-recurring income/(expenses)	7	-		-	
- Operating profit/(loss)		**(2,391)**		**3,436**	
- Finance revenue (expenses)	8	(34)		(218)	
- Profit/(loss) before tax		**(2,425)**		**3,218**	
- Income tax	9	(673)		(775)	
- Profit/(loss) for continuing operations		**(3,098)**		**2,443**	
- Profit/(loss) for discontinued operations		-		-	
- Profit/(loss)		**(3,098)**		**2,443**	
Profit/(loss) attributable to:					
Shareholders of parent company		**(3,066)**		**2,462**	
Non-controlling interests		**(32)**		**(19)**	

FIDIA GROUP: Consolidated Financial Statements at 31 December 2017 Consolidated Statement of Financial Position

as per Consob Resolution no. 15519 of 27 July 2006

€ thousand	Notes	31 December 2017	Of which related parties	31 December 2016	Of which related parties
ASSETS					
- Property, plant and equipment	11	11,267		10,452	
- Intangible assets	12	1,758		1,338	
- Investments	13	16		16	
- Other non-current receivables and assets	14	759		968	
- Pre-paid tax assets	9	738		850	
TOTAL NON-CURRENT ASSETS		**14,538**		**13,625**	
- Inventories	15	17,846		19,375	
- Trade receivables	16	14,339		14,797	
- Current tax receivables	17	298		664	
- Other current receivables and assets	17	965	3	933	6
- Other current financial receivables	18	-		-	
- Cash and cash equivalents	19	11,520		8,925	
TOTAL CURRENT ASSETS		**44,967**		**44,694**	
TOTAL ASSETS		**59,505**		**58,319**	
LIABILITIES					
SHAREHOLDERS' EQUITY:					
- Share capital and reserves attributable to shareholders of parent company		11,419		16,867	
- Non-controlling interests		1,905		2,071	
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**20**	**13,324**		**18,938**	
- Other non-current payables and liabilities	21	402		89	
- Termination benefits	22	2,292		2,330	
- Deferred tax liabilities	9	47		51	
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- Other current financial liabilities	25	-		198	
- Trade payables	26	9,928	2	10,095	2
- Current tax payables	27	1,743		1,021	
- Other current payables and liabilities:	27	12,960	155	7,966	334
- Provisions for risks and expenses	28	1,098		1,453	
TOTAL LIABILITIES		**32,058**		**25,152**	
TOTAL LIABILITIES		**59,505**		**58,319**	

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2017 Consolidated cash flow statement as per Consob Resolution no. 15519 of 27 July 2006

€ thousand	2017	Of which related parties	2016	Of which related parties
A) Cash and cash equivalents at beginning of period	**8,440**		**15,534**	
- Profit/(loss)	(3,098)		2,443	
- Depreciation, amortization and write-downs of tangible and intangible assets	982		661	
- Net losses (gains) on disposal of tangible assets	(2)		(21)	
- Net change in provisions for termination benefits	(38)		(42)	
- Net change in provisions for risks and expenses	(372)		114	
- Net change (assets) liabilities for (pre-paid) deferred taxes	108		194	
Net change in working capital:				
- receivables	1,001	3	(5,405)	33
- inventories	1,529		553	
- payables (*)	5,862	179	(4,962)	108
Total	**5,973**		**(6,465)**	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible fixed assets	(1,814)		(4,552)	
intangible fixed assets	(627)		(349)	
- Profit on sale of:				
tangible fixed assets	43		23	
Total	**(2,398)**		**(4,878)**	
D) Cash from/(used in) financing activities				
- New loans	6,581		10,317	
- Loans paid (**)	(4,835)		(3,533)	
- Distribution of dividends	(1,023)		(2,045)	
- Change in capital and reserves	(199)		(485)	
- Net change in current and non-current financial assets and liabilities	(155)		(2)	
Total	**369**		**4,252**	
Currency translation differences	(1,111)		(3)	
E) Net change in cash and cash equivalents	**2,833**		**7,094**	
F) Cash and cash equivalents at reporting date	**11,273**		**8,440**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	11,520		8,925	
Overdrawn bank accounts	(247)		(485)	
	11,273		**8,440**	

(*) of which €226 thousand in taxes paid

(**) of which €202 thousand in interest

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 2017 was authorized by the Board of Directors on 15 March 2018. 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 2017 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 write-down and these were not revalued. The cost comprises ancillary expenses and direct costs needed to make the asset available for use and indirect costs in the amount reasonably attributable to these.

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

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

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

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

INTANGIBLE FIXED ASSETS

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

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

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

Software and licenses are amortized over five years.

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

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

There are no intangible assets with indefinite useful life.

Write-down of assets

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

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

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

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

FINANCIAL INSTRUMENTS

Presentation

Financial instruments held by the Group were included in the balance-sheet items described below.

Investments comprises interests held in associates and in other companies.

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

Current financial assets, 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.

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

DERIVATIVES

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 derivative financial instruments are measured at fair value in accordance with IAS 39.

When financial derivative 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 2017 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	
	2017	2016		2017	2016
1W	-	-	1W	1.480%	0.723%
1M	-0.368%	-0.368%	1M	1.564%	0.772%
2M	-0.340%	-0.338%	2M	1.622%	0.819%
3M	-0.329%	-0.319%	3M	1.694%	0.998%
6M	-0.271%	-0.221%	6M	1.837%	1.318%
9 M	-0.217%	-0.139%	9 M	-	-
12M	-0.186%	-0.082%	12M	2.107%	1.686%
2 year	-0.150%	-0.161%	2 year	2.075%	1.457%
3 year	0.012%	-0.108%	3 year	2.166%	1.677%
4 year	0.169%	-0.023%	4 year	2.213%	1.838%
5 year	0.308%	0.077%	5 year	2.246%	1.959%
7 year	0.564%	0.313%	7 year	2.311%	2.143%
10 year	0.887%	0.661%	10 year	2.396%	2.320%
15 year	1.240%	1.028%	15 year	2.488%	2.479%
20 year	1.406%	1.177%	20 year	2.530%	2.544%
30 year	1.498%	1.236%	30 year	2.537%	2.570%

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 labour and the indirect costs (both variable and fixed).

Provisions are calculated for the write-down of materials, finished goods, spare parts and other supplies deemed obsolete or slow-moving, considering their future expected use and 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 CHARGES

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

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

TERMINATION BENEFITS

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

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

OWN SHARES

Own shares are written down from the 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

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

Provisions for slow-moving inventory

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

Product warranty

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

Termination benefits

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

Contingent liabilities

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

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AT 1 JANUARY 2017

The Group has adopted for the first time some amendments to the standards that are in force for reporting periods starting on or after 1 January 2017. The Group has not early adopted any other standards, interpretations or amendments published but not yet in force.

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

- *Amendments to IAS 7 - Statements of Cash Flows: Disclosure initiative*
  The amendments require an entity to provide disclosures about changes in financial liabilities, including both cash flow and non-monetary changes (such as, but not limited to, foreign exchange gains and losses). These amendments had no impact on the Group's consolidated financial statements.

- *Amendments to IFRS 12 - Disclosure of Interests in Other Entities, Improvements to IFRS Standards (2014-2016 Cycle)*
  The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interests in a subsidiary, joint venture or associate (or to its interest in a joint venture or associate) that is classified (or included in a disposal group that is classified) as held for sale.

  These amendments had no impact on the Group's consolidated financial statements.

- *Amendments to IAS 12 - Income Taxes: Recognition of deferred tax assets for unrealised losses*
  The amendments clarify that an entity should consider whether tax law limits the sources of taxable profit against which it may make deductions related to the reversal of deductible temporary differences. In addition, the amendment provides guidance on how an entity should determine future taxable profits and explains the circumstances in which taxable profit could include the recovery of some assets at a value that exceeds their carrying amount.

  These amendments had no impact on the Group's consolidated financial statements.

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

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

- ***IFRS 9 – Financial instruments***

  In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* that replaces IAS 39 *Financial Instruments:* Recognition and Measurement *and all previous versions of IFRS 9.* IFRS 9 brings together all three aspects relating to the project on the accounting of financial instruments: classification and valuation, impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after 1 January 2018; early application is permitted. Except for hedge accounting, retrospective application of the standard is required, but it is not mandatory to provide comparative disclosure. As regards hedge accounting, the standard is generally applied prospectively, with some limited exceptions.

The Group will adopt the new standard from the date of its entry into force and will not restate comparative information. The Group is completing its analysis of the impacts related to IFRS 9, based on currently available information, and does not expect any significant impact on its statement of financial position or shareholders' equity. In particular:

a) Classification and Measurement

The Group does not expect to have a significant impact on its financial statements and shareholders' equity as a result of the application of the classification and measurement requirements set out in IFRS 9. Trade receivables are held for the purpose of collecting the cash flows relating to the collection of principal and interest at contractual due dates. The Group has analysed the characteristics of the contractual cash flows of these instruments and concluded that they comply with the criteria for valuation at amortised cost in accordance with IFRS 9. Therefore, there will be no need to reclassify these financial instruments.

b) Impairment

IFRS 9 requires the Group to record losses on expected receivables on all its portfolio bonds, loans and trade receivables, with reference to either a 12-month period or the entire contractual term of the instrument ("lifetime expected loss"). The Group will apply the simplified approach and will therefore record expected losses on all trade receivables based on their remaining contractual life.

c) Hedge accounting

The Group has established that all existing hedging relationships that are currently designated as effective hedges will continue to qualify for hedge accounting in accordance with IFRS 9. Since IFRS 9 does not change the general principle according to which an entity accounts for effective hedging relationships, the application of the requirements of IFRS 9 for the purpose of defining hedges will not have significant impacts on the Group's financial statements.

The Group does not expect any significant impact on its statement of financial position or shareholders' equity.

- ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and amended in April 2016 and introduces a new five-step model that will apply to revenues from customer contracts. IFRS 15 provides for the recognition of revenues for an amount that reflects the consideration that an entity expects for the transfer of goods or services to the customer.

The new standard supersedes all existing requirements in the IFRSs relating to revenue recognition. The standard is effective for reporting periods beginning on or after 1 January 2018, with full retrospective or modified application. Early adoption is permitted.

The Group plans to adopt the new standard from the mandatory date of adoption, using the modified retrospective method. This method will consist in accounting for the cumulative effect of the initial application of the new standard on opening initial equity, without restating comparative data.

In 2017, the Group completed its preliminary assessment of the effects of IFRS 15, identifying the main effects related to the adoption of the new standard in the treatment of obligations for warranties. In fact, in its contracts with customers, the Group generally provides warranties for repairs of a general nature and also provides extended warranties.

Accordingly, warranties required by law will be regarded in the application of IFRS 15 as insurance-type warranties that will continue to be accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistently with the current practice.

Extended warranties, which provide customers with an additional service to insurance-type warranties, should be considered, with the introduction of the new IFRS 15, as separate services to which a portion of the transaction price should be allocated.

The adoption of the new standard will result in a reduction of the opening balance of shareholders' equity in the region of €40 thousand.

- ***IFRS 16 - Leasing***

IFRS 16 was published in January 2016 and replaces IAS 17 - *Leases, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Leases - Incentives* and *SIC-27 - Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 sets out principles for recognising, measuring, presenting and disclosing leases and requires lessees to account for all leases in the financial statements on a single basis similar to that used to account for finance leases in accordance with IAS 17. The standard provides two exemptions for recognition by lessees - leases relating to "low-value" assets and short-term leases (e.g. contracts due within 12 months or less). At the commencement date of the lease contract, the lessee will recognise a liability for the lease payments and an asset representing the right to use the underlying asset for the term of the contract. Lessees shall account separately for interest expense on the lease liability and amortisation of the asset's right of use.

The accounting required by IFRS 16 for lessors is substantially unchanged from current accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle as set out in IAS 17 and distinguishing between two types of lease: operating leases and finance leases.

IFRS 16 requires lessees and lessors to provide more extensive disclosures than IAS 17.

IFRS 16 will come into force for reporting periods beginning on or after 1 January 2019. Early adoption is permitted, but not before the entity has adopted IFRS 15. A lessee may elect to apply the standard either using a fully retrospective approach or a modified retrospective approach. The transitional arrangements provided for in the standard allow for certain simplifications.

In 2018, the Group will continue to define potential effects and implement IFRS 16 in its consolidated financial statements.

- ***Amendments to IFRS 2 - Classification and measurement of share-based payments***

The IASB has issued amendments to IFRS 2 - *Share-based Payment* that address three main areas: the effects of a vesting condition on the measurement of a cash-settled share-based payment transaction; the classification of a cash-settled share-based payment transaction net of withholding taxes; and accounting if a change in the terms and conditions of a share-based payment transaction changes its classification from cash-settled to cash-settled with equity instruments.

The amendments are effective for reporting periods beginning on or after 1 January 2018; early adoption is permitted. The Group does not expect any effects on its consolidated financial statements.

- ***Amendments to IAS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between IFRS 10 and IAS 28 in relation to loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that any gain or loss on the sale or contribution of assets constituting a business, as defined in IFRS 3, between an investor and an associate or joint venture must be recognised in full. Any gain or loss on the sale or contribution of assets that do not constitute a business is recognised only to the extent of the portion held by third-party investors in the associate or joint venture. The IASB has indefinitely deferred the date of adoption of these amendments, but if an entity decides to apply them early it should do so prospectively.

The Group will adopt these amendments when they enter into force.

- ***IFRS 17 - Insurance Contracts***

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a new comprehensive standard for insurance contracts that covers recognition and measurement, presentation and disclosure. When effective, IFRS 17 will replace IFRS 4 - *Insurance Contracts* which was issued in 2005. IFRS 17 will be in force for reporting periods beginning on or after 1 January 2021 and will require the presentation of comparative balances.

This standard does not apply to the Group.

- ***Amendments to IAS 40 - Investment Property***

The amendments clarify when an entity should transfer property, including property under construction or development, to or from Investment Property. The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier adoption is permitted and must be disclosed.

The Group does not expect any effect on its consolidated financial statements.

- ***Improvements to IFRSs (2014-2016 Cycle)***

These improvements include amendments to IFRS 1 - *First-time Adoption of IFRS* and IAS 28 - *Investments in Associates and Joint Ventures*: The Group does not expect any effect on its consolidated financial statements.

- **IFRIC 22 - *Foreign Currency Transactions and Advance Consideration issued***

The interpretation clarifies that, in defining the spot exchange rate to be used for the initial recognition of the related asset, expense or revenue upon derecognition of a non-monetary asset or a non-monetary liability related to advances on consideration, the transaction date is the date on which the entity initially recognises the non-monetary asset or non-monetary liability related to advances on consideration. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier adoption is permitted and must be disclosed.

The Group does not expect any effect on its consolidated financial statements.

- **IFRIC 23 - *Uncertainties over Income Tax Treatments***

The Interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties that have an effect on the application of IAS 12. An entity shall determine whether it considers any uncertain tax treatment separately or together with other (one or more) uncertain tax treatment(s). The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but some transitional facilities are available.

The Group will apply the interpretation on the date it becomes effective. The Group does not expect any significant impact on its consolidated financial statements.

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 2017 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 2017	Size of interest 2016
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%	96.00%
Shenyang Fidia NC & Machine Company Ltd, Shenyang – China	Rmb	42,517,648	51.00%	51.00%
OOO Fidia, Moscow, Russian Federation	Rouble	3,599,790	100%	100%

There was no change in the consolidation area compared to the consolidated financial statements at 31 December 2016.

CONTENT AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

The breakdown of revenue by geographical area is provided in the table below. Please be noted that sales abroad account for 85.9% of total sales.

Revenue by geographical area (€thousand)

	FY2017	%	FY2016	%
Italy	6,509	14.1%	4,977	8.5%
Europe	12,022	26.1%	17,402	29.6%
Asia	15,950	34.7%	22,496	38.2%
North and South America	11,524	25.0%	13,962	23.7%
Rest of the World	8	0.0%	13	0.0%
Total revenue	**46,013**	**100%**	**58,850**	**100%**

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

Revenues by line of business (€ thousand)

	FY2017	%	FY2016	%
Numerical controls, drives and software	3,483	7.6%	4,625	7.8%
High-speed milling systems	30,283	65.8%	41,483	70.5%
After-sales service	12,247	26.6%	12,742	21.7%
Total revenue	**46,013**	**100%**	**58,850**	**100%**

2. OTHER REVENUE

This item comprises:

(€thousand)

	FY2017	FY2016
Contributions for operating expenses	292	399
Increase in fixed assets for internal work	671	483
Contingent assets	239	325
Gain from tangible assets	7	21
Recovery of costs incurred	106	126
Insurance refunds	88	47
Release of bad debt and legal risks provisions	512	180
Other miscellaneous revenues and earnings	110	53
Total	**2,025**	**1,634**

Other revenue amounted to €2,025 thousand (€1,634 thousand in 2016), up €391 thousand compared to the previous year.

This item includes €292 thousand (€399 thousand at 31 December 2016) relating to grants for research projects recognised by year of accrual in profit or loss of the parent company Fidia S.p.A. at 31 December 2017 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 and the capitalization of product development costs (€671 thousand at 31 December 2017; €483 thousand at 31 December 2016).

3. RAW MATERIALS

These are:

(€thousand)

	FY2017	FY2016
Production materials	14,420	18,935
Service materials	1,081	1,285
Consumables	95	141
Equipment and software	65	57
Packaging	257	269
Others	127	148
Change in inventory raw materials and consumables	(879)	(510)
Total	**16,924**	**20,325**

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

4. PERSONNEL EXPENSES

Personnel expenses amounted to €17,619 thousand versus €17,407 thousand of the year before and consist of:

(€thousand)

	FY2017	FY2016
Wages and salaries	13,352	13,205
Social security charges	3,551	3,521
TFR	499	482
Other personnel expenses	217	199
Total	**17,619**	**17,407**

Cost of personnel increased compared with the previous year (+1.22%, equivalent to an increase of about €212 thousand), while Group personnel was on average lower by about 0.7%.

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased from 29.2% in 2016 to 36.7% in the current period.

The change recorded in 2017 in the number of employees, broken down by category, is illustrated below:

	31 December 2016	Inbound	Outbound	Change	31 December 2017	Period average
Executives	8	-	-	-	8	8
Clerks and cadres	282	21	(29)	-	274	278
Workers	51	3	(4)	-	50	52
Total	**341**	**24**	**(33)**	**-**	**332**	**338**

5. OTHER OPERATING COSTS

Other operating costs in the amount of €14,652 thousand, down by €2,969 thousand, versus €17,621 thousand at 31 December 2016, are illustrated in detail in the table below:

(€thousand)

	FY2017	FY2016
Outsourced work	2,153	3,293
Travel expenses	2,039	1,939
Transportation and customs	1,278	1,503
Rent paid for offices and plants	1,106	1,348
Technical, legal and administrative consulting	1,087	1,351
Utilities	578	524
Commissions	678	1,418
Car rental expenses	379	378
Warranty provisions	105	171
Other provisions	-	28
Auditors' emoluments	46	62
Insurance	457	455
Advertising, trade fairs and other commercial costs	694	662
Non-income taxes	441	420
Maintenance and housekeeping	218	225
Personnel-related expenses	284	293
Bank services	187	252
Motor vehicle management expenses	111	119
Bad debts	113	-
Stock exchange listing fees	122	111
Costs for repairs and interventions	1,580	1,868
Research project costs	170	172
Entertainment expenses	105	165
Contributions and payments	44	69
Contingent liabilities	184	164
Penalties and surcharges	5	3
Others	488	628
Total	**14,652**	**17,621**

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 a change in the composition of sales and of lower levels of production and revenue.

6. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

(€thousand)

	FY2017	FY2016
Amortization of intangible fixed assets	206	108
Amortization of property, plant and equipment	776	553
Write-down of trade receivables	174	166
Write-down of other non-current receivables and assets	-	-
Total	**1,156**	**828**

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

In 2017, there were no such events.

8. FINANCE REVENUE AND EXPENSES

Finance revenue

(€thousand)

	FY2017	FY2016
Finance revenue	43	45
Borrowing costs	(310)	(252)
Net profit (loss) on derivatives	80	(178)
Profit (loss) from foreign currency transactions	153	167
Total	**(34)**	**(218)**

In 2017, the balance of finance revenue (expenses) was negative, amounting to €34 thousand (€218 thousand the year before).

Finance revenue consists of:

(€thousand)

	FY2017	FY2016
Interests received from banks	1	17
Interests and commercial discounts	16	1
Other interests received	26	27
Total	**43**	**45**

Finance expenses consist of:

(€thousand)

	FY2017	FY2016
Interest paid on loans from banks and leasing companies	(64)	(21)
Interest paid on M/L-term borrowings from banks	(168)	(160)
Borrowing costs on termination benefits	(17)	(19)
Other borrowing costs	(61)	(52)
Total	**(310)**	**(252)**

Net profit and loss on derivatives:

(€thousand)

	FY2017	FY2016
Financial charges on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	(5)	(2)
- fair value adjustment on forward contracts	-	(183)
Financial income on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	1	5
- fair value adjustment on forward contracts	84	2
Total	**80**	**(178)**

Income and expenses from derivative instruments include the fair value valuation of five interest rate swap contracts entered into by the parent company Fidia S.p.A. to hedge the risk of interest rate fluctuations on five medium/long-term loans and the fair value impact of the forward contracts entered into to limit the EUR/USD exchange rate risk, which were closed during the year.

Profit (loss) on foreign currency transactions consists of:

(€thousand)

	FY2017	FY2016
Realised exchange gains	190	249
Unrealised exchange gains	355	192
Realised exchange losses	(347)	(166)
Unrealised exchange losses	(44)	(108)
Total	**153**	**167**

9. INCOME TAX

Taxes stated in the consolidated statement of comprehensive income were:

(€thousand)

	FY2017	FY2016
Income tax: IRAP (Italian Regional Tax on Production Activities)	-	89
Income tax: IRES (Italian Corporate Income Tax)	-	14
Income tax of foreign subsidiaries	572	477
Prior period taxes	1	-
Deferred tax assets	104	202
Deferred tax liabilities	(4)	(7)
Total	**673**	**775**

The decrease in current taxes reflects the higher lower income realized by the parent company and some subsidiaries compared with the previous year (in particular, the parent company Fidia SpA realised a tax loss for both IRAP and IRES purposes). The amount of deferred tax is the result of recognition in the financial statements of part of the deferred taxes of some Group companies.

At 31 December 2017, the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

(€thousand)

	31 December 2017	31 December 2016
Pre-paid tax assets	738	850
Deferred tax liabilities	(46)	(51)
Total	**692**	**799**

Deferred tax assets decreased compared to 31 December 2016 by €112 thousand, of which approximately €60 thousand due to the effect of the revaluation of deferred tax assets allocated by the US subsidiary Fidia Co. following the tax reform "Tax Cuts and Jobs Act" implemented in the United States in December 2017. The main change introduced by the tax reform, in fact, concerns the reduction of the tax rate (corporate tax rate from 35% to 21%) with a consequent impact on the valuation of prepaid and deferred taxes.

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

(€thousand)

	At 31/12/2016	Posted to income statement	Stated to shareholders' equity	Others Changes	Exchange rate differences	At 31/12/2017
Deferred tax assets for:						
Application of IAS 19	138	(4)	11	(3)	-	142
Application of IAS 16 - *Property, plant and equipment*	46	(2)	-	(12)	(1)	31
Loss from previous periods	263	(13)	-	-	-	250
Write-down provisions	241	(42)	-	24	(27)	196
Cash flow hedge reserve	5	-	10	-	-	15
Miscellaneous	157	(43)	-	(9)	(1)	104
Total deferred tax assets	**850**	**(104)**	**21**	**-**	**(29)**	**738**
Deferred tax liabilities for:						
Fair value measurement	49	(7)	-	-	-	42
Miscellaneous	2	3	-	-	(1)	4
Total deferred taxes	**51**	**(4)**	**-**	**-**	**(1)**	**46**

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 2017 and the relevant amounts for which no assets for pre-paid taxes, divided by year due, are stated below (for Fidia SpA only).

(€thousand)

		Year due					
	At 31 December 2017	**2018**	**2019**	**2020**	**2021**	**Beyond 2022**	**Unlimited or unforeseeable**
Tax loss	4,696	-	-	-	-	-	4,696

Other temporary differences for which no deferred tax assets were recognized amounted to €4,736 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:

		2017	2016
Net earnings pertaining to Group	€ thousand	(3,066)	2,462
Earnings attributable to ordinary shares	€thousand	(3,066)	2,462
Mean number of ordinary shares in circulation in the period	Number	5,113,000	5,113,000
Earnings per ordinary share	EUR	(0.600)	0.482
Diluted earnings per ordinary share	EUR	(0.600)	0.482

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 2017 and 2016 the changes in original cost of Property, Plant and Equipment were as follows:

(€thousand)

	Initial balance			Changes						
	Purchase Price	Revaluations	Total	Additions	Decreases	(Write-downs) Write-backs	Exchange rate Differences	Reclassifications	Total	Balance 31.12.2017
Land and buildings	1,751	380	2,131	30	(7)	-	(154)	8,770	8,639	10,770
Lightweight constructions	11	-	11	-	-	-	-	-	-	11
Total property	**1,762**	**380**	**2,142**	**30**	**(7)**	**-**	**(154)**	**8,770**	**8,639**	**10,781**
Plant and equipment	2,017	-	2,017	4	(87)	-	(17)	58	(42)	1,975
Industrial equipment	2,313	-	2,313	62	(21)	-	(20)	62	83	2,396
Electrical tools	1,017	-	1,017	1	(44)	-	(13)	-	(56)	961
Total plant, machinery and equipment	**5,347**	**-**	**5,347**	**67**	**(152)**	**-**	**(50)**	**120**	**(15)**	**5,332**
Furnishing	1,240	-	1,240	51	(1)	-	(24)	-	26	1,266
Electronic equipment	1,794	-	1,794	20	(6)	-	(36)	-	(22)	1,772
Means of transportation	1,507	-	1,507	110	(24)	-	(58)	-	28	1,535
Total other goods	**4,541**	**-**	**4,541**	**181**	**(31)**	**-**	**(118)**	**-**	**32**	**4,573**
Work in progress	7,451	-	7,451	1,535	(26)	-	-	(8,890)	(7,381)	70
Total original cost of property, plant and equipment	**19,101**	**380**	**19,481**	**1,813**	**(216)**	**-**	**(322)**	**-**	**1,275**	**20,756**

(€thousand)

	Initial balance			Changes						
	Purchase Price	Revaluations	Total	Additions	Decreases	(Write-downs) Write-backs	Exchange rate Differences	Others Changes	Total	Balance 31.12.2016
Land and 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	2,017
Industrial equipment	2,101	-	2,101	217	-	-	(5)	-	212	2,313
Electrical tools	1,074	**-**	1,074	4	(59)	**-**	**-**	-	(55)	1,017
Total plant, machinery and equipment	**5,094**	-	**5,094**	**314**	**(59)**	-	**(1)**	**-**	**254**	**5,347**
Furnishing	1,178	-	1,178	57	-	-	5	-	62	1,240
Electronic equipment	1,746	-	1,746	42	(6)	-	11	-	47	1,794
Means of transportation	1,449	-	1,449	147	(93)	-	4	-	58	1,507
Total other goods	**4,373**	**-**	**4,373**	**246**	**(99)**	**-**	**20**	**-**	**167**	**4,541**
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**

In 2017 and 2016, the changes in the relevant accrued depreciation were the following:

(€thousand)

	Initial balance 1.1.2017	Changes					Final balance 31.12.2017
				Other changes	Exchange rate Differences	Total	
Land and buildings	545	301	-	-	(6)	295	840
Lightweight constructions	8	-	-	-	-	-	8
Total property	**553**	**301**	**-**	**-**	**(6)**	**295**	**848**
Plant and equipment	1,806	53	(78)	-	(16)	(41)	1,765
Industrial equipment	1,954	132	(21)	-	(17)	94	2,048
Electrical tools	996	9	(44)	-	(13)	(48)	948
Total plant, machinery and equipment	**4,756**	**194**	**(143)**	**-**	**(46)**	**5**	**4,761**
Furnishing	1,013	28	(1)	-	(16)	11	1,024
Electronic equipment	1,682	44	(6)	-	(34)	4	1,686
Means of transportation	1,025	209	(24)	-	(40)	145	1,170
Total other goods	**3,720**	**281**	**(31)**	**-**	**(90)**	**160**	**3,880**
Total cumulated depreciation of property, plant and equipment	**9,029**	**776**	**(175)**	**-**	**(141)**	**460**	**9,489**

(€thousand)

	Initial balance 1.1.2016	Changes in period					Final balance 31.12.2016
		Depreciation	Disposals	Other changes	Exchange rate differences	Total	
Land and 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	1,806
Industrial equipment	1,862	97	-	-	(5)	92	1,954
Electrical tools	1,048	10	(59)	-	(1)	(50)	996
Total plant, machinery and equipment	**4,625**	**193**	**(59)**	**-**	**(2)**	**132**	**4,756**
Furnishing	985	24	-	-	4	28	1,013
Electronic equipment	1,623	52	(5)	-	11	58	1,682
Means of transportation	905	209	(91)	-	2	120	1,025
Total other goods	**3,513**	**285**	**(96)**	**-**	**17**	**206**	**3,720**
Total cumulated depreciation of property, plant and equipment	**8,615**	**553**	**(155)**	**-**	**16**	**414**	**9,029**

The net carrying amount of Property, Plant and Equipment at 31 December 2017 and 31 December 2016 can be broken down as follows:

(€thousand)

	Initial balance 1.1.2017	Changes in period							Final balance 31.12.2017
		Additions	Disposals	(Write-downs) Write-backs	Reclassifications	Depreciation	Exchange rate Differences	Total	
Land and buildings	1,586	30	(7)	-	8,770	(301)	(148)	8,344	9,930
Lightweight constructions	3	-	-	-	-	-	-	-	3
Total property	**1,589**	**30**	**(7)**	**-**	**8,770**	**(301)**	**(148)**	**8,344**	**9,933**
Plant and equipment	211	4	(9)	-	58	(53)	(1)	(1)	210
Industrial equipment	359	62	-	-	62	(132)	(3)	(11)	348
Electrical tools	21	1	-	-	-	(9)	-	(8)	13
Total plant, machinery and equipment	**591**	**67**	**(9)**	**-**	**120**	**(194)**	**(4)**	**(20)**	**571**
Furnishing	227	51	-	-	-	(28)	(8)	15	242
Electronic equipment	112	20	-	-	-	(44)	(2)	(26)	86
Means of transportation	482	110	-	-	-	(209)	(18)	(117)	365
Total other goods	**821**	**181**	**-**	**-**	**-**	**(281)**	**(28)**	**(128)**	**693**
Work in progress	7,451	1,535	(26)	-	(8,890)	-	-	7,381	70
Total net value of property, plant and equipment	**10,452**	**1,814**	**(42)**	**-**	**-**	**(776)**	**(180)**	**815**	**11,267**

(€thousand)

	Initial balance 1.1.2016	Changes in period							Final balance 31.12.2016
		Additions	Disposals	(Write-downs) Write-backs	Other Changes	Depreciation	Exchange rate Differences	Total	
Land and 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**

Capital expenditure made in 2017, amounting to €1,813 thousand, are attributable for €1,451 thousand to the completion of the real estate investment of the parent company Fidia S.p.A., which in 2014 acquired land and an industrial building to be restructured through a leasing contract, which became ready for use in 2017.
The residual part of the capital expenditure consists of physiological investments for the upkeep of the production structure.

At 31 December 2017, the Group has no buildings burdened by collateral, but, by virtue of the lease contract entered into for the purchase of the renovated industrial building 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 S.p.A., Fidia Iberica and Fidia Co.

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

12. INTANGIBLE FIXED ASSETS

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

In 2017 and 2016 the changes in net book value of Intangible Assets were as follows:

(€thousand)

	Initial balance 1.1.2017	Changes in period Additions	Depreciation	Reclassifications	Exchange rate Differences	Total	Final balance 31.12.2017
Development Costs	252	-	(108)	388	-	280	532
Licenses	63	-	(26)	-	-	(26)	37
Software	159	4	(72)	-	(1)	(69)	90
Work in progress	864	623	-	(388)	-	235	1,099
Total net value of intangible fixed assets	**1,338**	**627**	**(206)**	**-**	**(1)**	**420**	**1,758**

(€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**

Capital expenditure in 2017 amounted to €627 thousand and mainly refer to development costs incurred and capitalised (€623 thousand) not yet amortized because they have not yet been fully completed; the only exception is the D321 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, amortization and write-downs” (Note No. 6).

13. EQUITY INVESTMENTS

Equity investments are as follows:

(€thousand)

	Balance at 31 December 2017	Balance at 31 December 2016
Equity 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 2017
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	
		31/12/2017	31/12/2016
Prometec Consortium - Rivoli (Turin)	11	20.00%	20.00%

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

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

(€thousand)

	Balance 31 December 2017	Balance 31 December 2016
Grants for research projects	57	-
Security deposits	27	85
Non-recurring trade receivables	82	160
Receivables for foreign VAT	7	6
Withholding tax on foreign income	582	690
Multi-year pre-paid expenses	3	22
Sundry receivables	1	6
Total	**759**	**968**

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

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 prior fiscal years. 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.

In the reporting period closed, the portion of these receivables that were due at the end of 2017 was written off, for an amount of €107 thousand.

15. INVENTORY

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

(€thousand)

	Balance at 31 December 2017	Balance at 31 December 2016
Raw/auxiliary materials and consumable supplies	9,947	10,827
Provisions for raw materials depreciation	(2,032)	(1,928)
Net value of raw materials, subsidiary materials and consumables	**7,915**	**8,899**
Semi-finished products and work in progress	6,302	5,243
Finished products and goods for resale	4,035	5,641
Finished products and goods depreciation provision	(492)	(502)
Net value finished products and goods	**3,543**	**5,139**
Advances	86	94
Total inventory	**17,846**	**19,375**

Inventory decreased by €1,529 thousand YOY as a result of an improvement in their management.

The provisions for depreciation equivalent to €2,524 thousand (€2,430 thousand at 31 December 2016) 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 31/12/2016	Provisions/(release)	Exchange rate effect	Balance 31/12/2017
Provisions for raw materials depreciation	1,928	126	(22)	2,032
Provisions for depreciation finished products	502	23	(33)	492
Total	**2,430**	**149**	**(55)**	**2,524**

16. TRADE RECEIVABLES

At 31 December 2017 these amounted to €14,339 thousand, namely €458 thousand less compared to 31 December 2016. Trade receivables are detailed as follows:

(€thousand)

	Balance at 31 December 2017	Balance at 31 December 2016
Trade receivables from customers	14,990	15,502
Taxed supplementary	(651)	(705)
Total trade receivables	**14,339**	**14,797**

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

(€thousand)

	31 December 2017	31 December 2016
Unexpired	7,285	4,708
Due up to 1 month	3,003	6,685
Due 1 to 3 months	1,309	1,900
Due 3 months to 6 months	848	282
Due 6 months to 1 year	711	678
Due over 1 year	1,834	1,249
Total	**14,990**	**15,502**

Receivables were aligned at the expected realizable value by means of allocations to the provisions for write-down of receivables equal to €174 thousand. Said provision, in the amount of €651 thousand (€705 thousand at 31 December 2016) 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 €651 thousand has been reasonably allocated.

Receivables include €1,912 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 2016	**705**
Provisions in period	174
Amounts used	(199)
Currency gain/(loss)	(29)
Balance at 31 December 2017	**651**

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

(€thousand)

	Balance at 31 December 2017	**Balance at 31 December 2016**
Italy	2,549	914
Europe	4,579	2,893
Asia	5,843	8,221
North and South America	1,988	3,455
Rest of the World	31	19
Total	**14,990**	**15,502**

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

(€thousand)

	Balance at 31 December 2017	Balance at 31 December 2016
Current tax receivables:		
Receivables from tax authorities for VAT	8	361
Tax receivables for income tax and IRAP	268	282
Receivables for short-term foreign VAT	12	14
Other tax receivables:	9	7
Total current tax receivables	**297**	**664**
Other current receivables:		
Contributions for research projects	-	122
Other pre-paid expenses	346	214
Prepaid expenses	21	32
Receivables from employees	151	147
Advances	294	161
Other current receivables	153	257
Total other current receivables	**965**	**933**

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 is not present at 31 December 2017.

19. CASH AND CASH EQUIVALENTS

The overall amount of cash of the Group amounted to €11,520 thousand (€8,925 thousand at 31 December 2016) 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 2017 amounted to €13,324 thousand, down by €5,614 thousand from €18,938 thousand at 31 December 2016. This difference is the result of:

- loss of the period (-€3,098 thousand);
- negative changes in exchange rates due to translation of financial statements of subsidiaries denominated in currencies other than EUR (€1,426 thousand);
- negative effect of the accounting of actuarial losses on the termination benefits net of the tax effect (€33 thousand);
- negative change of the cash flow hedge reserve net of the theoretical tax effect (€31 thousand);
- dividends paid (€1,023 thousand);
- other minor negative changes (€3 thousand).

Share capital

The share capital of Fidia S.p.A. at 31 December 2017, fully subscribed and paid in, is unchanged compared to 31 December 2016 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 2015 and the number of circulating shares at

	At 31 December 2015	Increase in share capital	(Purchases)/ sales of own shares	At 31 December 2016	Increase in share capital	(Purchases)/ sales of own shares	At 31 December 2017
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 2017	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Write-backs	-	-	-	-	-
Situation at 31 December 2017	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**

Capital reserves

In 2017, share premium reserve was unchanged compared to 31 December 2017 and amounted to €1,240 thousand.

Retained Earnings

Retained Earnings comprised:

- Legal reserve of Fidia S.p.A. for a value equal to €883 thousand at 31 December 2017 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 28 April 2017;
- Earnings carried forward in the amount of €1,437 thousand at 31 December 2017 (€539 thousand at 31 December 2016);
- Loss attributable to shareholders of the parent company in the amount €3,066 thousand (profit of €2,462 thousand at 31 December 2016).

Other profit/(loss)

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

(€thousand)

	31 December 2017	31 December 2016
Profit/(loss) on cash flow hedge in the period	(40)	66
Profit/(loss) on cash flow hedge reclassified in profit or loss	-	-
Profit/(loss) on cash flow hedge	**(40)**	**66**
Profit(loss) on translation of financial statements of foreign companies in the period	(1,404)	(72)
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	**(1,404)**	**(72)**
Actuarial profit/(loss) on defined benefit plans (termination benefits) in the period	(44)	(59)
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)	**(44)**	**(59)**
Tax effect for Other components of statement of comprehensive income	**20**	**(2)**
Total Other profit/(loss), net of tax effect	**(1,468)**	**(67)**

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

(€thousand)

	31 December 2017			31 December 2016		
	Gross value	Tax (expense)/benefit	Net value	Gross value	Tax (expense)/benefit	Net value
Profit/(loss) on cash flow hedge instruments	(40)	9	(31)	66	(16)	50
Profit/(loss) on translation of financial statements of foreign companies	(1,404)	-	(1,404)	(72)	-	(72)
Actuarial gains/(losses) on defined benefit plans	(44)	11	(33)	(59)	14	(45)
Total other profit/(loss)	**(1,488)**	**20**	**(1,468)**	**(65)**	**(2)**	**(67)**

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 2017, the cash flow hedge provisions registered the following changes:

Financial instrument by type (€thousand)

	Nature of hedged risk	Initial balance 1.1. 2017	Increases	Decreases	CFH provisions released to profit or loss	Final balance at 31/12/2017
Interest rate swap	Interest rate risk	(15)	-	(31)	-	(46)
Flexible forward	Exchange rate risk	-	-	-	-	-
Total		**(15)**	**-**	**(31)**	**-**	**(46)**

Non-controlling interests

Non-controlling interests in the amount of €1,905 thousand (€2,071 thousand at 31 December 2016) refer to the following consolidated companies with the line-by-line method:

(€thousand)

	% non-controlling interests 2017	% non-controlling interests 2016	Balance 31 December 2017	Balance 31 December 2016
Fidia Beijing M&E Co. Ltd.	4%	4%	191	202
Fidia do Brasil Ltda	0.25%	0.25%	-	-
Shenyang Fidia NC&M Co Ltd	49%	49%	1,714	1,869
Fidia Iberica S.A.	0.01%	0.01%	-	-
Total			**1,905**	**2,071**

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

(€thousand)

	Balance at 31 December 2017	Balance at 31 December 2016
Advances for research projects	330	-
Other non-current payables	72	89
Total	**402**	**89**

European Union and the Italian University and Research University for funds granted for funded projects whose completion is expected after the end of the next fiscal year.
The other non-current payables are mainly attributable to medium to long term payables to staff of the subsidiary Fidia Sarl.

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

22. TERMINATION BENEFITS

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

Changes in the termination benefits are illustrated in the table below:

(€thousand)

Value at 1 January 2017	**2,330**
Amount accrued and allocated in year	491
Benefits paid out in year	(99)
Amount transferred to State Fund and complementary pension scheme	(484)
Borrowing costs on termination benefits	17
Accounting of actuarial losses	44
Substitute tax	(7)
Balance at 31 December 2017	**2,292**

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 €17 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2017	At 31 December 2016
Discount rate	EUR Composite AA Curve	EUR Composite AA Curve
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 used to determine the present value of the obligation was derived, in accordance with paragraph 83 of IAS 19, from the AA rating EUR Composite curve recorded at the measurement date:

Year	31 December 2017
1	- 0.26%
2	- 0.15%
3	- 0.01%
4	0.15%
5	0.30%
6	0.45%
7	0.60%
8	0.74%
9	0.88%
10	1.00%
11	1.10%
12	1.19%
13	1.29%
14	1.38%
15 +	1.48%

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

Sensitivity analysis of Defined Benefit Obligation (€thousands)

	31 December 2017
Inflation rate +0.25%	2,286
Inflation rate -0.25%	2,299
Discount rate +0.25%	2,323
Discount rate -0.25%	2,262
Rate of turnover +1%	2,256
Rate of turnover -1%	2,329

Service cost and duration

Service cost pro futuro	0.00
Duration of the plan	7.2 years

Future plan disbursements (€thousand)

Years	Planned disbursements
1	106
2	103
3	103
4	104
5	202

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 were assumed with regard to the parameters used for the measurement of the termination benefits fund at 31 December 2017.

	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	**TFR su base IAS(°)**	**Variazione percentuale del TFR su base IAS rispetto alle Ipotesi di Base**									
Fidia S.p.A.	**2.292.314**	**-0,48%**	**0,48%**	**0,04%**	**-0,04%**	**0,04%**	**-0,04%**	**0,54%**	**-0,56%**	**0,09%**	**-0,08%**

(°) importi in Euro.

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

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

(€thousand)

	31 December 2017		**31 December 2016**	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest rate risk	1,579	4	2,105	10
Interest rate risk - INTESA Interest Rate Swap	1,750	4	2,450	8
Interest rate risk - INTESA Interest Rate Swap	2,482	-	3,000	3
Interest rate risk - INTESA Interest Rate Swap	3,500	49	-	-
Interest rate risk – Interest Rate Swap Banco Popolare	1,500	9	-	-
Interest rate risk - Interest Rate Cap BNL	-	-	237	1
Interest rate risk - Interest Rate Cap Banco Popolare	-	-	250	1
Total		**66**		**23**

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 €17,622 thousand and are specified in detail in the following tables:

(€thousand)

	Balance at 31 December 2017	Balance at 31 December 2016
Overdrawn bank accounts and short-term advances	247	486
Accrued liabilities on loans	44	39
Loan - BNL “1,500” (part medium/long term and part short term)	-	235
Loan BNL "MINIMUTUO" (short term)	1,124	-
Loan - Banco Popolare (part medium/long term and part short term)	-	248
Loan - Banco Popolare (part medium/long term and part short term)	1,490	-
Short-term loan - MPS	-	697
Short-term loan - MPS	599	-
Loan - ISP “3.500” (part medium/long term and part short term)	1,741	2,433
Loan - BNL “2.500” (part medium/long term and part short term)	1,567	2,085
Loan - ISP “3.000” (part medium/long term and part short term)	2,470	2,979
Loan - UNICREDIT (part medium/long term and part short term)	942	1,308
Loan - MPS (part medium/long term and part short term)	874	1,372
Loan - UNICREDIT Superflash Rotativo	809	
Autodesk financing	11	44
Lease - Volkswagen Bank	61	93
Lease - Skoda Bank	44	36
Lease - Banco Popular Espanol	23	35
Real estate lease - Mediocredito Italiano	5,578	4,026
Total	**17,623**	**16,116**

(€thousand)

	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and short-term	291	-	-	291
Medium-to-long term bank loans	3,194	5,890	-	9,084
Short-term loans	2,531	-	-	2,531
Autodesk financing	11	-	-	11
Lease - Volkswagen Bank	37	24	-	61
Lease - Skoda Bank	23	21	-	44
Banco Popular Espagnol	12	11	-	23
Property lease - Mediocredito Italiano	230	1,325	4,023	5,578
Total	**6,329**	**7,271**	**4,023**	**17,623**

The current loans have the following characteristics:

<u>Loan - ISP “3.500” (part medium/long term and part short term)</u>
Original amount €3,500 thousand

Residual amount	€1,741 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	€1,567 thousand
Date of loan	28/01/2016
Term	Loan due date 31/12/2020
Grace period	1 quarterly instalment (31/03/2016)
Repayment	19 quarterly instalments (30/06/2016 to 31/12/2020)
Interest rate	3-month Euribor, base 360 + 1.35% spread

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

Loan - ISP "3.000" (part medium/long term and part short term)

Original amount	€3,000 thousand
Residual amount	€2,470 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	€942 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	€874 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

Loan BNL "MINIMUTUO" (short term)

Original amount	€1,500 thousand
Residual amount	€1,124 thousand
Date of loan	01/03/2017
Term	Loan due date 01/09/2018
Grace period	2 quarterly instalments at 01/06/2017 and 01/09/2017
Repayment	4 quarterly instalments (01/12/2017 to 01/09/2018)
Interest rate	Fixed rate equal to 0.90%.

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

Original amount	€1,500 thousand
Residual amount	€1,490 thousand
Date of loan	27/03/2017
Term	Loan due date 30/06/2021
Grace period	3 quarterly instalments at 30/06/2017, 30/09/2017 and 31/12/2017
Repayment	14 quarterly instalments (31/12/2018 to 30/06/2021)
Interest rate	6-month Euribor, base 360 + 1.40% spread

Loan - UNICREDIT Superflash Rotativo

Original ceiling	€810 thousand
Ceiling used	€809 thousand
Date authorised	26/04/2017
Term	Loan due dates 24/02/2018, 08/03/2018 and 06/04/2018
Repayment	Every four months
Interest rate	Fixed rate equal to 1.5%.

Short-term loan - MPS

Original amount	€600 thousand
Residual amount	€599 thousand
Date of loan	08/09/2017
Term	Loan due date 31/03/2018
Grace period	3 quarterly instalments at 31/10/2017, 30/11/2017 and 31/12/2017
Repayment	3 quarterly instalments at 31/01/2018, 28/02/2018 and 31/03/2018
Interest rate	Fixed rate equal to 1.1%.

Autodesk financing

Original amount	€66 thousand
Residual amount	€11 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 No. 2 - Volkswagen Bank Germany

Original amount	€38 thousand
Residual amount	€7 thousand
Date of loan	11/05/2016
Term	Loan due date 15/08/2018
Repayment	36 monthly instalments (15/08/2016 to 15/08/2018)
Interest rate	2.90%

Lease No. 3 - Volkswagen Bank Germany

Original amount	€34 thousand
Residual amount	€8 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 thousand
Residual amount	€13 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 No. 5 - Volkswagen Bank Germany

Original amount	€34 thousand
Residual amount	€33 thousand
Date of loan	12/12/2017
Term	Loan due date 09/11/2020
Repayment	36 monthly instalments (13/12/2017 to 09/11/2020)
Interest rate	1.97%

Lease No. 1 - Skoda Bank Germany

Original amount	€37 thousand
Residual amount	€12 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	€4 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. 3 - Skoda Bank Germany

Original amount	€29 thousand
Residual amount	€28 thousand
Date of loan	09/12/2017
Term	Loan due date 09/11/2020
Repayment	36 monthly instalments (09/12/2017 to 09/11/2020)
Interest rate	1.97%

Lease - Banco Popular Espanol

Original amount	€48 thousand
Residual amount	€23 thousand
Date of loan	27/11/2015
Term	Loan due date 27/10/2019
Repayment	48 monthly instalments (27/11/2016 to 27/10/2019)
Interest rate	2.5%

Property lease with Mediocredito Italiano - line 1

Original amount	€5,598 thousand
Major instalment	€1,260 thousand
Residual amount	€3,929 thousand
Date of loan	25/06/2014
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	3.48%
Set redemption	€558 thousand

Property lease with Mediocredito Italiano - line 2

Original amount	€1,000 thousand
Major instalment	€400 thousand
Residual amount	€585 thousand
Date of loan	28/05/2015
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	2.42%
Set redemption	€100 thousand

Property lease with Mediocredito Italiano - line 3

Original amount	€1,802 thousand
Major instalment	€722 thousand
Residual amount	€1,064 thousand
Date of loan	30/11/2017
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	2.73%
Set redemption	€179 thousand

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 2017	New loans	Repayments	Balance at 31 December 2017
BNL loan “1.500”	235	-	(235)	-
Loan - BNL “MINIMUTUO”	-	1,496	(372)	1,124
Loan - Banco Popolare	248	-	(248)	-
Loan - Banco Popolare	-	1,490	-	1,490
Short-term loan - MPS	697	-	(697)	-
Short-term loan - MPS	-	599	-	599
ISP loan “3.500”	2,433	-	(692)	1,741
BNL loan “2.500”	2,085	-	(518)	1,567
ISP loan “3.000”	2,979	-	(509)	2,470
UNICREDIT loan	1,308	-	(366)	942
MPS loan	1,372	-	(498)	874
Loan - UNICREDIT Superflash Rotativo	-	1,359	(550)	809
Autodesk financing	44	-	(33)	11
Lease - Volkswagen Bank	93	33	(66)	61
Lease - Skoda Bank	36	29	(21)	44
Lease - Banco Popular Espanol	35	-	(12)	23
Real estate lease - Mediocredito Italiano	4,026	1,576	(23)	5,578
	15,591	**6,582**	**(4,840)**	**17,333**

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 was zero in the year under examination. At 31 December 2016 this item amounted to €198 thousand and included 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)

	At 31 December 2017				At 31 December 2016			
	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	9,800	122	4	9,926	9,910	182	1	10,093
Payables to associates	2	-	-	2	2	-	-	2
Total trade payables	**9,802**	**122**	**4**	**9,928**	**9,912**	**182**	**1**	**10,095**

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

(€thousand)

	Due date within 1 month	Due date beyond 1 month up to 3 months	Due date beyond 3 months up to 12 months	Total
Payables to other suppliers	4,797	3,759	1,244	9,800
Payables to associates	2	-	-	2
Total trade payables	**4,799**	**3759**	**1,244**	**9,802**

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

(€thousand)

	Balance at 31 December 2017	Balance at 31 December 2016
Italy	7,291	7,702
Europe	532	528
Asia	1,508	1,411
North and South America	597	454
Rest of the World	-	-
Total	**9,928**	**10,095**

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 2017	Balance at 31 December 2016
Current tax payables		
- withholding taxes	337	369
- Tax payables for income tax and IRAP	412	234
- Payables to tax authorities for VAT	878	355
- Other short-term tax payables	116	63
Total current tax payables	**1,743**	**1,021**
Other current payables and liabilities:		
Payables to employees	1,455	1,532
Social security payables	796	752
Down payments from customers	9,232	3,995
Payables for compensation	154	328
Payables to State Fund and other funds	93	77
Payables for dividends	39	200
Accrued trade payables	151	280
Sundry accruals and deferrals	545	395
Other payables to the SMTCL company	139	109
Advances for research projects	-	39
Miscellaneous payables	357	259
Total other current payables and liabilities	**12,961**	**7,966**

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.

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 CHARGES

Provisions for non-current and current risks and expenses amounted to €22 thousand and €1,098 thousand as per the relevant schedule.

(€thousand)

	Balance 31 December 2016	Accrual	Utilization/ Release	Exchange rate differences	Balance 31 December 2017
Warranty provision	39	5	(19)	(3)	22
Total other provisions for non-current risks and expenses	**39**	**5**	**(19)**	**(3)**	**22**
Provisions for tax disputes	10	-	(10)	-	-
Provisions for legal risks	87	-	(35)	-	52
Warranty provision	1,356	100	(391)	(18)	1,047
Total other provisions for current risks and expenses	**1,453**	**100**	**(436)**	**(18)**	**1,098**

Provision for tax disputes included the estimated liability arising from a tax dispute of the subsidiary Fidia do Brasil. This dispute was closed in 2017.

The provisions for legal risks were set aside to cover possible liabilities deriving from pending litigation, involving in particular Fidia Co.

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 2017 these amounted to €3,515 thousand, up by €1,975 thousand compared to €1,540 thousand at 31 December 2016. 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 2017, 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 2017 and 2016 are as follows:

Data by year - 2017 (€thousand)

	Sector							
	CNC	**%**	**HSM**	**%**	**SERVICE**	**%**	**N/A**	**Total**
Revenues	3,483	71.0%	30,283	99.7%	12,742	100.0%	**-**	46,013
Cross-sector revenues	**1,420**	**29.0%**	**94**	**0.3%**		**0.0%**		
Total reclassified revenues	**4,903**	**100.0%**	**30,377**	**100.0%**	**12,247**	**100.0%**	-	**46,013**
Changes in inventories of finished goods and W.I.P.	(93)	-1.9%	(155)	-0.5%	169	1.4%	-	(79)
Raw materials and consumables	(996)	-20.3%	(14,323)	-47.2%	(1,482)	-12.1%	(122)	(16,924)
Cross-sector expenses	286	5.8%	(2,450)	-8.1%	651	5.3%	(2)	-
Commissions, transport and contractors	(441)	-9.0%	(3,163)	-10.4%	(485)	-4.0%	(20)	(4,109)
Sales margin	**3,659**	**74.6%**	**10,286**	**33.9%**	**11,099**	**90.6%**	**(144)**	**24,901**
Other operating revenue	703	14.3%	710	2.3%	230	1.9%	382	2,025
Other operating costs	(459)	-9.4%	(2,144)	-7.1%	(2,849)	-23.3%	(5,091)	(10,543)
Personnel expenses	(2,729)	-55.7%	(5,744)	-18.9%	(5,447)	-44.5%	(3,698)	(17,619)
Depreciation, amortization and write-downs	(143)	-2.9%	(503)	-1.7%	(133)	-1.1%	(378)	(1,156)
Operating profit/(loss)	**1,031**	**21.0%**	**2,606**	**8.6%**	**2,901**	**23.7%**	**(8,929)**	**(2,391)**

Data by year - 2016 (€thousand)

	Sector							
	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%**	**-**	**58,850**
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 costs	(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, amortization and write-downs	(18)	-0.3%	(268)	-0.6%	(170)	-1.3%	(372)	(828)
Operating profit/(loss)	**2,170**	**30.0%**	**6,006**	**14.4%**	**4,541**	**35.6%**	**(9,282)**	**3,436**

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.

At 31 December 2017 (€thousand)

	CNC	HSM	SERVICE	Non allocable	Total
Property, plant and equipment	63	9,127	153	1,924	11,267
Intangible fixed assets	1,012	618	-	128	1,758
Equity investments	-	-	-	16	16
Pre-paid tax assets	-	-	-	738	759
Other non-current receivables and assets	28	123	-	607	738
Total non-current assets	**1,104**	**9,869**	**153**	**3,412**	**14,538**
Inventory	1,864	9,940	6,042	-	17,846
Trade receivables and other current receivables	1,860	10,243	2,709	492	15,304
Current tax receivables	-	-		298	298
Other current financial receivables	-	-		-	-
Cash and cash equivalents	-	-		11,520	11,520
Total current assets	**3,724**	**20,182**	**8,752**	**12,309**	**44,968**
Total assets	**4,828**	**30,051**	**8,905**	**15,722**	**59,505**
Other non-current payables and liabilities	241	122	33	6	402
Deferred tax liabilities	-	-	-	47	47
Termination benefits	625	1,091	312	264	2,292
Long-term provisions	-	-	22	-	22
Other non-current financial liabilities	-	-	-	66	66
Non-current financial liabilities	-	-	-	11,294	11,294
Total non-current liabilities	**866**	**1,214**	**366**	**11,677**	**14,123**
Current financial liabilities	-	-	-	6,329	6,329
Other current financial liabilities	-	-	-	-	-
Trade payables	1,443	17,698	1,080	2,668	22,889
Current tax payables	-	-	-	1,743	1,743
Short-term provisions	77	770	251	0	1,098
Total current liabilities	**1,520**	**18,468**	**1,331**	**10,739**	**32,059**
Total liabilities	**2,386**	**19,682**	**1,698**	**22,415**	**46,181**
Shareholders' equity	-	-	-	**13,324**	**13,324**
Total liabilities	**2,386**	**19,682**	**1,698**	**35,739**	**59,505**

At 31 December 2016 (€ thousand)

	CNC	HSM	SERVICE	Non-allocable	Total
Property, plant and equipment	19	7,979	27	2,428	10,452
Intangible fixed assets	648	468	-	223	1,338
Equity 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
Termination benefits	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. 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 typically 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 2017 the main currency to which the Group is exposed is the USD. At the same date, the Group had no derivative financial instruments in place to hedge its currency exposures.

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

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

As regards financial derivative instruments, 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 2017 and 31 December 2016. The impacts on profit or loss are before tax.

EXCHANGE RATE SENSITIVITY ANALYSIS (€thousand)

		+5% change		-5% change	
Exchange Rate Risk at 31 December 2017		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	21	(1)	-	1	-
Hedging derivatives	-		-	-	-
Receivables	737	(35)	-	39	-
Effect		(36)	-	40	-
FINANCIAL LIABILITIES					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Overdrawn bank accounts	-	-	-	-	-
Trade payables	389	19	-	(20)	-
Effect		19	-	(20)	-
Total effect		**(17)**	**-**	**20**	**-**

EXCHANGE RATE SENSITIVITY ANALYSIS (€thousand)

		+5% change		-5% change	
Exchange Risk at 31 December 2016		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL ASSETS					
Cash and cash equivalent	809	(39)	-	43	-
Hedging derivatives	.	-	-	-	-
Receivables	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)**	**-**

Interest rate risk: definition, sources and management policies

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

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

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

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

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 2017, the Company had five Interest Rate Swap contracts to hedge interest rate risk; these have a negative fair value amounting to €66 thousand.

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

In measuring the potential impacts of changes in the interest rates applied, the Group separately analysed the fixed rate financial instruments (for which the impact 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 2017, there were no fixed rate financial instruments measured at fair value. All loans are denominated in euro.

The floating rate financial instruments at 31 December 2017 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 2017, 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 2017, decreases of 5 bps and 10 bps was caused by the current market scenario characterized by very low interest rates and continuing 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 2017		
			Change +10 bps		**Change - +5 bps**
€thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Loans from banks	11,615	(8)		4	
Finance leases	5,722	(6)		3	
IRS hedging derivatives	66	-	38	-	(19)
Cap hedging derivatives	-	-	-	-	-
Total impact		**(14)**	**38**	**7**	**(19)**

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)**

Liquidity risk: definition, sources and management policies

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

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

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

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

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

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

Liquidity risk: quantitative information

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

The policies implemented by the Group to reduce liquidity risk consisted at 31 December 2017 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 2017	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	11,615	11,903	568	1,817	3,502	6,016	-
Other loans	11	11	3	6	3	-	-
Overdrawn bank accounts	247	247	247	-	-	-	-
Trade payables	9,928	9,928	4,799	3,759	1,244	122	4
Liabilities for finance	5,722	7,877	46	92	400	1,919	5,418

DERIVATIVE LIABILITIES							
Interest rate swap	66	59	6	10	42	86	(85)
Interest rate cap	-	-	-	-	-	-	-
Total	**27,590**	**30,024**	**5,669**	**5,684**	**5,191**	**8,143**	**5,337**

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 finance 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**

Credit risk: definition, sources and management policies

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

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

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

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

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

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

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

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

Credit risk: quantitative information

The maximum theoretical exposure to credit risk for the Fidia Group at 31 December 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 write-down; these are either partially or totally non-recoverable. The extent of write-down takes into account an estimate of the recoverable flows and relevant date of collection as well as of charges and expenses for future recovery. In case of receivables not subject to specific write-down, provisions are allocated on a collective basis, considering experience and statistical data.

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

Concentration of receivables by sector				
€ thousand	**31 December 2017**	**%**	**31 December 2016**	%
Die construction	1,091	10.3%	335	2.9%
Construction of injection moulds for the car industry	1,486	14.0%	884	7.6%
Car industry	5,577	52.6%	3,726	32.3%
Aeronautics industry	1,858	17.5%	6,437	55.7%
Machine tools production	596	5.6%	169	1.5%
Total	10,608		11,551	
Net total receivables	14,339		14,797	
%	74%		78%	

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 2017, the Group held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €66 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
All categories below are classified as level 2 fair value.

FAIR VALUE BY CATEGORY - IAS 39 - 31 December 2017

€thousand	Carrying amount at 31 December 2017 (IAS 39)	Amortized Cost	FV recognized in equity	FV recognized in profit or loss	IAS 17	Fair value at 31 December 2017
Cash and cash equivalents	11,520	-	-	-	-	11,520
Total	**11,520**	**-**	**-**	**-**	**-**	**11,520**
LIABILITIES						
Liabilities at amortized cost	17,321	17,321	-	-	-	17,321
Hedging derivatives	66	-	146	(80)	-	66
Total	**17,387**	**17,321**	**146**	**(80)**	**-**	**17,387**

NET PROFIT/LOSS BY CATEGORY - IAS 39 - 31 December 2017 (€thousand)

	Net profit and loss	of which from interest
ASSETS		
Cash and cash equivalents	17	17
Hedging derivatives	80	80
Total	**97**	**97**
LIABILITIES		
Liabilities at amortized cost	(221)	(221)
Total	**(221)**	**(221)**

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 2017 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 - 2017 (€thousand)

Counterpart	Raw materials and consumables	Other operating costs	Personnel expenses	Finance expenses	Revenues	Other operating revenues	Finance expenses
Other related parties (Giuseppe and Luca Morfino and Carlos Maidagan)	1	88	188	-	-	-	-
Compensation Board of Directors	-	-	688	-	-	-	-
Compensation Board of Statutory Auditors	-	46	-	-	-	-	-
Total other related parties							

Data by year - 2016 (€thousand)

Counterpart	Raw materials and consumables	Other operating costs	Personnel expenses	Finance expenses	Revenues	Other operating revenues	Finance revenues
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**	**-**	**-**	**-**	**-**

At 31 December 2017 (€thousand)

Counterpart	Trade receivables	Other current receivables	Others current financial assets	Trade payables	Other current payables	Current financial liabilities
Other related parties Prometec Consortium	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	3	-	-	1	-
Other related parties (Payables to BoD)	-	-	-	-	154	-
Other related parties (Payables to Board of Statutory Auditors)	-	-	-	-		-
Total other related parties	**-**	**3**	-	**2**	**155**	

At 31 December 2016 (€thousand)

Counterpart	Trade receivables	Other current receivables	Others current financial assets	Trade payables	Other current payables	Current financial 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**	**-**

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 2017	31 December 2016
Directors	688	834
Auditors	46	62
Executives with strategic responsibilities	-	-
Total compensation	**734**	**896**

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 2017 is the following:

(€thousand)

		31 December 2017	31 December 2016
A	Cash	14	20
B	Bank deposits	11,505	8,905
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**11,519**	**8,925**
E	**Current**	**-**	**-**
F	Current bank payables	2,822	1,222
G	Current part of non-current debt	3,507	3,197
H	Other current financial payables	0	198
I	**Current financial debt (F+G+H)**	**6,329**	**4,617**
J	**Net financial position (receivable)/ payable (I-E-D)**	**(5,191)**	**(4,308)**
K	Non-current bank payables	11,294	11,697
L	Bonds issued	-	-
M	Other non-current payables	66	23
N	**Non-current financial debt (K+L+M)**	**11,360**	**11,720**
O	**Net financial position (receivable)/payable (J+N)**	**6,169**	**7,412**

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 2017 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 2017 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 2017 and 2016 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	
	2017	2016	2017	2016
USD	1.1297	1.1069	1.1993	1.0541
Real (Brazil)	3.6054	3.85614	3.9729	3.4305
Renminbi (China)	7.629	7.35222	7.8044	7.3202
Rouble (Russia)	65.9383	74.1446	69.392	64.3

39. SIGNIFICANT EVENTS AFTER REPORTING DATE

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

San Mauro Torinese,
15 March 2018
On behalf of the Board of Directors
The Chairman and Chief Executive Officer
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, in qualità di Vice Presidente 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 2017.

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 2018

Presidente e Amministratore Delegato

Giuseppe Morfino

Vice Presidente

Carlos Maidagan

Dirigente Preposto alla redazione dei documenti contabili societari

Massimiliano Pagnone

Report of Independent Auditors

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Fidia S.p.A.

Bilancio consolidato al 31 dicembre 2017

Relazione della società di revisione indipendente ai sensi degli artt. 14 del D. Lgs. 27 gennaio 2010, n. 39 e 10 del Regolamento (UE) n. 537/2014

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Relazione della società di revisione indipendente
ai sensi degli artt. 14 del D. Lgs. 27 gennaio 2010, n. 39 e 10 del Regolamento (UE) n. 537/2014

Agli Azionisti della
Fidia S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Fidia (il Gruppo), costituito dal conto economico consolidato, dal conto economico complessivo consolidato, dalla situazione patrimoniale-finanziaria consolidata al 31 dicembre 2017, dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data, dal prospetto delle variazioni del patrimonio netto consolidato e dalle note al bilancio consolidato che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2017, 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.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

EY S.p.A.
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Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Abbiamo identificato i seguenti aspetti chiave della revisione contabile.

Aspetti chiave	Risposte di revisione
Riconoscimento dei ricavi per la vendita di macchine	
I ricavi del Gruppo realizzati nell'esercizio 2017 ammontano a Euro 46 milioni, dei quali Euro 30,5 milioni relativi alla vendita di macchine, riconosciuti al momento in cui l'installazione e il collaudo vengono formalmente accettati dall'acquirente. La peculiarità delle condizioni contrattuali per questa tipologia di transazioni rende il processo di riconoscimento dei ricavi articolato in relazione alle diverse modalità di accettazione da parte del cliente e, pertanto, il riconoscimento dei ricavi è stato ritenuto un aspetto chiave della revisione. Il Gruppo fornisce l'informativa relativa al criterio di riconoscimento dei ricavi nella sezione "Principi contabili significativi" al paragrafo "Riconoscimento dei ricavi" del bilancio consolidato.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • la comprensione del processo adottato dal Gruppo per il riconoscimento dei ricavi; • l'analisi delle procedure e dei controlli chiave posti in essere dal Gruppo sul riconoscimento dei ricavi; • l'esecuzione di sondaggi di conformità sui controlli chiave, inclusi quelli relativi all'applicazione degli accordi contrattuali; • l'esecuzione di procedure di validità con riferimento ai ricavi riconosciuti in prossimità della data di bilancio, tra cui l'esame della documentazione attestante i requisiti per il riconoscimento dei ricavi nel conto economico o per il differimento del ricavo e del relativo margine, laddove di competenza dell'esercizio successivo. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione al riconoscimento dei ricavi.
Valutazione delle immobilizzazioni immateriali	
Le immobilizzazioni immateriali includono attività di sviluppo per Euro 1,6 milioni al 31 dicembre 2017. I processi e le modalità di rilevazione e valutazione delle attività di sviluppo sono basate su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione, in particolare con riferimento alle previsioni dei flussi di cassa futuri, coerentemente con le previsioni del business plan di Gruppo. In considerazione del giudizio richiesto nel definire le assunzioni chiave alla base delle previsioni contenute nel business plan di Gruppo, tale tematica è stata ritenuta un aspetto chiave della revisione.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • l'analisi della procedure e dei controlli chiave posti in essere dal Gruppo ai fini della rilevazione e valutazione delle attività di sviluppo; • l'esecuzione di sondaggi di conformità sui controlli chiave; • lo svolgimento di procedure di validità sugli incrementi delle attività di sviluppo; • l'esame delle assunzioni chiave alla base delle previsioni contenute nel business plan di Gruppo. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla valutazione delle immobilizzazioni immateriali.

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Il Gruppo fornisce l'informativa relativa al criterio di rilevazione e valutazione delle immobilizzazioni immateriali nella sezione "Principi contabili significativi" al paragrafo "Immobilizzazioni immateriali" del bilancio consolidato e nella Nota 12.

Recuperabilità delle attività per imposte anticipate e delle altre attività fiscali

Nel bilancio consolidato al 31 dicembre 2017 sono iscritte attività per imposte anticipate per Euro 738 migliaia ed altre attività fiscali per Euro 583 migliaia.
Le attività per imposte anticipate sono riferite alle differenze temporanee tra i valori civilistici e fiscali di attività e passività di bilancio e alle perdite fiscali riportabili indefinitamente. Le altre attività fiscali sono principalmente riferite a crediti per ritenute subite su redditi prodotti all'estero.

La recuperabilità del valore contabile di tali attività è soggetta a valutazione da parte della Direzione sulla base delle previsioni degli imponibili fiscali attesi negli esercizi in cui è previsto il loro utilizzo.

I processi e le modalità di valutazione della recuperabilità di tali attività sono basati su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione, con particolare riferimento alla coerenza fra le previsioni dei redditi imponibili futuri attesi dalle società del Gruppo con le previsioni del business plan di Gruppo.

In considerazione del giudizio richiesto nel definire le assunzioni chiave alla base delle previsioni dei redditi imponibili futuri, abbiamo ritenuto che tale tematica rappresenti un aspetto chiave della revisione.

Il Gruppo fornisce l'informativa relativa al criterio di rilevazione e valutazione di tali attività nella sezione "Principi contabili significativi" al paragrafo "Imposte" del bilancio consolidato e nella Nota 9.

Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro:

- l'analisi delle previsioni dei redditi imponibili futuri e la loro riconciliazione con le previsioni dei risultati ante imposte del business plan di Gruppo per il periodo 2018-2020;
- la valutazione delle previsioni, rispetto all'accuratezza storica di quelle precedenti;
- la verifica dei calcoli dei modelli utilizzati dalla Direzione.

Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla recuperabilità delle attività per imposte anticipate e delle altre attività fiscali.

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Responsabilità degli amministratori e del collegio sindacale 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 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Fidia S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori

del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'assemblea degli azionisti della Fidia S.p.A. ci ha conferito in data 27 aprile 2012 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi dal 31 dicembre 2012 al 31 dicembre 2020.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

Building a better working world

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58

Gli amministratori della Fidia S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del Gruppo Fidia al 31 dicembre 2017, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio consolidato del Gruppo Fidia al 31 dicembre 2017 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del Gruppo Fidia al 31 dicembre 2017 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Torino, 30 marzo 2018

EY S.p.A.

Roberto Grossi
(Socio)

Fidia S.p.A.

Financial Statements at 31 December 2017

FIDIA S.p.A.: Financial Statements at 31 December 2017

Income Statement (*)

(euro)	Notes	FY2017	FY2016
- Net sales	1	28,787,101	43,431,146
- Other revenues	2	1,845,123	1,481,470
Total revenues		**30,632,224**	**44,912,616**
- Changes in inventories of finished goods and work in progress		1,481,176	(959,466)
- Consumption of raw materials	3	(12,932,999))	(16,973,629)
- Personnel costs	4	(11,237,082)	(11,281,842)
- Other operating costs	5	(11,455,479)	(14,392,004)
- Depreciation, amortization and write-downs	6	(664,216)	(366,665)
- Profit/(loss) from ordinary business		**(4,176,376)**	**939,010**
- Recovery/(write-down) of investments	7	1,537,618	329,000
- Non-recurring income/(expenses)	8	-	-
- Operating profit/(loss)		**(2,638,759)**	**1,268,010**
- Finance revenue (expenses)	9	1,216,500	1,004,762
- Profit/(loss) before tax		**(1,422,258)**	**2,272,772**
- Income tax	10	(5,338)	(107,859)
- Profit/(loss) for continuing operations		**(1,427,596)**	**2,164,913**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**(1,427,596)**	**2,164,913**

(*) 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 2017

Statement of comprehensive income (*)

(€thousand)	FY2017	FY2016
- Profit/(loss) (A)	**(1,428)**	**2,165**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:		
Profit/(loss) on cash flow hedges	(40)	66
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss	9	(16)
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)	**(31)**	**50**
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	(44)	(59)
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	11	14
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)	**(33)**	**(45)**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)	**(64)**	**5**
Total comprehensive profit/(loss) of the period (A)+(B)	**(1,492)**	**2,170**

FIDIA S.p.A.: Financial Statements at 31 December 2017

Statement of financial position (*)

(EUR)	Notes	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
- Property, plant and equipment	11	9,378,478	8,222,324
- Intangible assets	12	1,750,333	1,325,800
- Equity investments	13	12,111,833	10,574,215
- Other non-current receivables and assets	14	667,696	786,317
- Pre-paid tax assets	10	382,488	367,266
TOTAL NON-CURRENT ASSETS		**24,290,828**	**21,275,922**
CURRENT ASSETS			
- Inventories	15	12,811,751	12,120,011
- Trade receivables	16	7,165,575	11,132,757
- Current tax receivables	17	205,817	459,221
- Other current receivables and assets	17	1,600,356	1,997,806
- Other current financial receivables	18	301,266	-
Cash and cash equivalents	19	7,139,753	4,318,990
TOTAL CURRENT ASSETS		**29,224,517**	**30,028,785**
TOTAL ASSETS		**53,515,345**	**51,304,707**
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		5,123,000	5,123,000
Share premium reserve		1,239,693	1,239,693
- Legal reserve		882,831	774,585
- Provisions for own shares in portfolio		45,523	45,523
- Extraordinary reserve		309,054	309,054
- Cash flow hedge provisions		(45,813)	(15,161)
- Profit (loss) carried forward		2,827,843	1,793,776
- Own shares		(45,523)	(45,523)
- Reserve profits on exchange rates not realized		8,022	8,022
- Profit (loss) stated directly in equity		(170,407)	(136,712)
- Profit/(loss)		(1,427,596)	2,164,913
TOTAL SHAREHOLDERS' EQUITY	**20**	**8,746,628**	**11,261,170**
NON-CURRENT LIABILITIES			
- Other non-current payables and liabilities	21	329,545	-
- Termination benefits	22	2,292,314	2,329,916
- Deferred tax liabilities	10	240	-
- Other non-current financial liabilities	23	66,422	22,854
- Non-current financial liabilities	24	11,328,275	11,630,347
TOTAL NON-CURRENT LIABILITIES		**13,926,796**	**13,983,117**
CURRENT LIABILITIES			
- Current financial liabilities	24	8,016,105	6,278,783
- Other current financial liabilities	25	-	198,350
- Trade payables	26	11,998,457	13,799,710
- Current tax payables	27	548,870	325,196
- Other current payables and liabilities:	27	9,458,654	4,307,538
- Provisions for risks and expenses	28	819,835	1,150,843
TOTAL CURRENT LIABILITIES		**30,841,922**	**26,060,420**
TOTAL LIABILITIES		**53,515,345**	**51,304,707**

(*) 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 2017

Cash Flow Statement (*)

(€thousand)	2017	2016
A) Cash on hand and cash equivalents at beginning of year	**3,833**	**9,269**
B) Cash from/(used in) operating activities		
- Profit/(loss)	(1,428)	2,165
- Depreciation, amortization and write-downs of tangible and intangible assets	660	359
- Net losses (gains) on disposal of tangible assets	-	-
- Write-down/(recovery in value) of investments	(1,538)	(329)
- Net change in provisions for termination benefits	(38)	(42)
- Net change in provisions for risks and expenses	(331)	6
- Net change (assets) liabilities for (pre-paid) deferred taxes	(15)	6
Net change in working capital:		
- receivables	4,737	(6,015)
- inventories	(692)	513
- payables (**)	3,903	(4,580)
	(5,259)	**(7,917)**
C) Cash from/(used in) investing activities		
- Investing activities:		
tangible fixed assets	(1,632)	(3,082)
in	(625)	(340)
Equity investments	-	(364)
- Profit on sale of:		
tangible fixed assets	17	-
	(2,240)	**(3,786)**
D) Cash from/(used in) financing activities		
- Net change in current and non-current financial assets and liabilities	(456)	(2)
- New loans	6,519	11,721
- Loans paid (***)	(4,935)	(3,414)
- Distribution of dividends	(1,023)	(2,045)
- Change in reserves	(64)	6
Total	**41**	**6,266**
E) Net change in cash and cash equivalents	**3,060**	**(5,436)**
F) Cash and cash equivalents at reporting date	**6,893**	**3,833**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	7,140	4,319
Overdrawn bank accounts	(247)	(486)
	6,893	**3,833**

(*) 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.

(**) of which €0 thousand in taxes paid

(***) of which €199 thousand in interest paid

FIDIA S.p.A.: Financial Statements at 31 December 2017

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 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**
Allocation of net income of previous year	-	-	-	108	-	-	-	1,023	-	1,034	-	(2,165)	-
Distribution of dividends								(1,023)					(1,023)
Total comprehensive profit/(loss)							(31)				(33)	(1,428)	(1,492)
Balance at 31 December 2017	**5,123**	**(46)**	**1,240**	**883**	**46**	**309**	**(46)**	**-**	**8**	**2,828**	**(170)**	**(1,428)**	**8,747**

FIDIA S.p.A.: Financial Statements at 31 December 2017

Income Statement

as per Consob Resolution no. 15519 of 27 July 2006

(€thousand)	Notes	FY2017	Of which related parties	FY2016	Of which related parties
- Net sales	1	28,787	11,465	43,431	14,695
- Other revenues	2	1,845	243	1,481	230
Total revenues		**30,632**		**44,912**	
- Changes in inventories of finished goods and work in progress		1,481		(959)	
- Consumption of raw materials	3	(12,933)	(25)	(16,974)	(28)
- Personnel costs	4	(11,237)	(523)	(11,282)	(668)
- Other operating costs	5	(11,455)	(2,064)	(14,392)	(2,551)
- Depreciation, amortization and write-downs	6	(664)		(367)	
- Profit/(loss) from ordinary business		**(4,176)**		**939**	
- Recovery/(write-down) of investments	7	1,538		329	
- Non-recurring income/(expenses)	8	-		-	
- Operating profit/(loss)		**(2,639)**		**1,268**	
- Finance revenue (expenses)	9	1,216	1,452	1,005	1,474
- Profit/(loss) before tax		**(1,422)**		**2,273**	
- Income tax	10	(5)		108	
- Profit/(loss) for continuing operations		**(1,428)**		**2,165**	
- Profit/(loss) for discontinued operations		-		-	
- Profit/(loss)		**(1,428)**		**2,165**	

FIDIA S.p.A.: FINANCIAL STATEMENTS AT 31 DECEMBER 2017

STATEMENT OF FINANCIAL POSITION

as per Consob Resolution no. 15519 of 27 July 2006

(€thousand)	Notes	31 December 2017	of which related parties	31 December 2016	of which related parties
ASSETS					
NON-CURRENT ASSETS					
- Plant and equipment	11	9,378		8,222	
- Intangible assets	12	1,750		1,326	
- Equity investments	13	12,112		10,574	
- Other non-current receivables and assets	14	668		786	
- Pre-paid tax assets	10	382		367	
TOTAL CURRENT ASSETS		**24,291**		**21,276**	
CURRENT ASSETS					
- Inventories	15	12,812		12,120	
- Trade receivables	16	7,166	1,570	11,133	2,785
- Current tax receivables	17	206		459	
- Other current receivables and assets	17	1,600	1,182	1,998	1,414
- Other current financial receivables	18	301	301	-	
- Cash and cash equivalents	19	7,140		4,319	
TOTAL CURRENT ASSETS		**29,225**		**30,029**	
TOTAL ASSETS		**53,515**		**51,305**	
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital		5,123		5,123	
- Share premium reserve		1,240		1,240	
- Legal reserve		883		775	
- Provisions for own shares in portfolio		46		46	
- Extraordinary reserve		309		309	
- Cash flow hedge provisions		(46)		(15)	
- Profit (loss) carried forward		2,828		1,794	
- Own shares		(46)		(46)	
- Reserve profits on exchange rates not realized		8		8	
- Profit (loss) stated directly in equity		(170)		(137)	
- Profit/(loss)		(1,428)		2,165	
TOTAL SHAREHOLDERS' EQUITY	**20**	**8,747**		**11,261**	
NON-CURRENT LIABILITIES					
- Other non-current payables and liabilities	21	330		-	
- Termination benefits	22	2,292		2,330	
- Deferred tax liabilities	10	240		-	
- Other non-current financial liabilities	23	66		23	
- Non-current financial liabilities	24	11,238		11,630	
TOTAL NON-CURRENT LIABILITIES		**13,927**		**13,983**	
CURRENT LIABILITIES					
- Current financial liabilities	24	8,016	1,759	6,279	1,932
- Other current financial liabilities	25	-		198	
- Trade payables	26	11,998	3,330	13,800	4,871
- Current tax payables	27	549		325	
- Other current payables and liabilities:	27	9,459	821	4,308	834
- Provisions for risks and expenses	28	820		1,151	
TOTAL CURRENT LIABILITIES		**30,842**		**26,061**	
TOTAL LIABILITIES		**53,515**		**51,305**	

FIDIA S.p.A.: FINANCIAL STATEMENTS AT 31 DECEMBER 2017

CASH FLOW STATEMENT

as per Consob Resolution no. 15519 of 27 July 2006

(€thousand)	2017	of which related parties	2016	of which related parties
A) Cash on hand and cash equivalents at beginning of year	3,833		**9,269**	
B) Cash from/(used in) operating activities				
- Profit/(loss) of the period	(1,428)		2,165	
- Depreciation, amortization and write-downs of tangible and intangible assets	660		359	
- Net losses (gains) on disposal of tangible assets	-		-	
- Write-down/(recovery in value) of investments	(1,538)		(329)	
- Net change in provisions for termination benefits	(38)		(42)	
- Net change in provisions for risks and expenses	(331)		6	
- Net change (assets) liabilities for (pre-paid) deferred taxes	(15)		6	
Net change in working capital:				
- receivables	4,737	1,441	(6,015)	(348)
- inventories	(692)		513	
- payables (*)	3,903	(1,220)	(4,580)	(1,806)
	(5,259)		**(7,917)**	
C) Cash from/(used in) investing activities				
- Investing activities:				
tangible fixed assets	(1,632)		(3,082)	
in	(625)		(340)	
Equity investments	-		(364)	
- Profit on sale of:				
tangible fixed assets	17		-	
	(2,240)		**(3,786)**	
D) Cash from/(used in) financing activities				
- Net change in current and non-current financial assets and liabilities	(456)	(301)	(2)	
- New loans	6,519	(173)	11,721	1,932
- Loans paid (**)	(4,935)		(3,414)	
- Distribution of dividends	(1,023)		(2,045)	
- Change in reserves	(64)		6	
	41		**6,266**	
E) Net change in cash and cash equivalents	3,060		**(5,436)**	
F) Cash and cash equivalents at reporting date	6,893		**3,833**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	7,140		4,319	
Overdrawn bank accounts	(247)		(486)	
	6,893		**3,833**	

(*) of which €0 thousand in taxes paid

(**) of which €199 thousand in interest paid

Notes to Financial Statements

Notes to financial statements

COMPANY INFORMATION

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

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

The Financial Statements at 31 December 2017, 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 2018.

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 2017.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2017 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 write-down and these were not revalued. The cost comprises ancillary expenses and direct costs needed to make the asset available for use and indirect costs in the amount reasonably attributable to these.

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

Borrowing costs

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

Intangible fixed assets

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

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

The main categories of intangible assets held by the Company are the costs for internal product development, rights to use know-how, software and licenses.

Software and licenses are amortized over five years.

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

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

There are no intangible assets with indefinite useful life.

Write-down of losses

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

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

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

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

Financial instruments

Presentation

Financial instruments held by the Company were included in the balance-sheet items described below.

Investments comprises interests held in subsidiaries, associates and in other companies.

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

Current financial assets, 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

Equity investments

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

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

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

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

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

Derivatives

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 derivative financial instruments are measured at fair value in accordance with IAS 39.

When financial derivative 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 2017 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	
	2017	2016
1W	-	-
1M	-0.368%	-0.368%
2M	-0.340%	-0.338%
3M	-0.329%	-0.319%
6M	-0.271%	-0.221%
9 M	-0.217%	-0.139%

	USD Curve	
	2017	2016
1W	1.480%	0.723%
1M	1.564%	0.772%
2M	1.622%	0.819%
3M	1.694%	0.998%
6M	1.837%	1.318%
9 M	-	-

12M	-0.186%	-0.082%	12M	2.107%	1.686%
2 year	-0.150%	-0.161%	2 year	2.075%	1.457%
3 year	0.012%	-0.108%	3 year	2.166%	1.677%
4 year	0.169%	-0.023%	4 year	2.213%	1.838%
5 year	0.308%	0.077%	5 year	2.246%	1.959%
7 year	0.564%	0.313%	7 year	2.311%	2.143%
10 year	0.887%	0.661%	10 year	2.396%	2.320%
1	1.240%	1.028%	1	2.488%	2.479%
20 year	1.406%	1.177%	20 year	2.530%	2.544%
30 year	1.498%	1.236%	30 year	2.537%	2.570%

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 labour and the indirect costs (both variable and fixed).

Provisions are calculated for the write-down of materials, finished goods, spare parts and other supplies deemed obsolete or slow-moving, considering their future expected use and 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 charges

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

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

Post-employment termination benefits

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

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

Own shares

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

Dividends received

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

Revenue recognition

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.

Finance 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 2018. 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.

Termination benefits

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

Contingent liabilities

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

Accounting standards, amendments and interpretations effective at 1 January 2017

The Group has adopted for the first time some amendments to the standards that are in force for reporting periods starting on or after 1 January 2017. The Group has not early adopted any other standards, interpretations or amendments published but not yet in force.
Pursuant to IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors,* the nature and impact of each change are indicated and briefly illustrated below:

- *Amendments to IAS 7 - Statements of Cash Flows: Disclosure initiative*
  The amendments require an entity to provide disclosures about changes in financial liabilities, including both cash flow and non-monetary changes (such as, but not limited to, foreign exchange gains and losses).

  These amendments had no impact on the Group's consolidated financial statements.

- *Amendments to IFRS 12 - Disclosure of Interests in Other Entities, Improvements to IFRS Standards (2014-2016 Cycle)*
  The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interests in a subsidiary, joint venture or associate (or to its interest in a joint venture or associate) that is classified (or included in a disposal group that is classified) as held for sale.

  These amendments had no impact on the Group's consolidated financial statements.

- *Amendments to IAS 12 - Income Taxes: Recognition of deferred tax assets for unrealised losses*
  The amendments clarify that an entity should consider whether tax law limits the sources of taxable profit against which it may make deductions related to the reversal of deductible temporary differences. In addition, the amendment provides guidance on how an entity should determine future taxable profits and explains the circumstances in which taxable profit could include the recovery of some assets at a value that exceeds their carrying amount.

  These amendments had no impact on the Group's consolidated financial statements.

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

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

- ***IFRS 9 – Financial instruments***

  In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* that replaces IAS 39 *Financial Instruments:* Recognition and Measurement *and all previous versions of IFRS 9.* IFRS 9 brings together all three aspects relating to the project on the accounting of financial instruments: classification and valuation, impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after 1 January 2018; early application is permitted. Except for hedge accounting, retrospective application of the standard is required, but it is not mandatory to provide comparative disclosure. As regards hedge accounting, the standard is generally applied prospectively, with some limited exceptions.

The Group will adopt the new standard from the date of its entry into force and will not restate comparative information. The Group is completing its analysis of the impacts related to IFRS 9, based on currently available information, and does not expect any significant impact on its statement of financial position or shareholders' equity. In particular:

d) Classification and Measurement

The Group does not expect to have a significant impact on its financial statements and shareholders' equity as a result of the application of the classification and measurement requirements set out in IFRS 9. Trade receivables are held for the purpose of collecting the cash flows relating to the collection of principal and interest at contractual due dates. The Group has analysed the characteristics of the contractual cash flows of these instruments and concluded that they comply with the criteria for valuation at amortised cost in accordance with IFRS 9. Therefore, there will be no need to reclassify these financial instruments.

e) Impairment

IFRS 9 requires the Group to record losses on expected receivables on all its portfolio bonds, loans and trade receivables, with reference to either a 12-month period or the entire contractual term of the instrument ("lifetime expected loss"). The Group will apply the simplified approach and will therefore record expected losses on all trade receivables based on their remaining contractual life.

f) Hedge accounting

The Group has established that all existing hedging relationships that are currently designated as effective hedges will continue to qualify for hedge accounting in accordance with IFRS 9. Since IFRS 9 does not change the general principle according to which an entity accounts for effective hedging relationships, the application of the requirements of IFRS 9 for the purpose of defining hedges will not have significant impacts on the Group's financial statements.

The Group does not expect any significant impact on its statement of financial position or shareholders' equity.

- ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and amended in April 2016 and introduces a new five-step model that will apply to revenues from customer contracts. IFRS 15 provides for the recognition of revenues for an amount that reflects the consideration that an entity expects for the transfer of goods or services to the customer.

The new standard supersedes all existing requirements in the IFRSs relating to revenue recognition. The standard is effective for reporting periods beginning on or after 1 January 2018, with full retrospective or modified application. Early adoption is permitted.

The Group plans to adopt the new standard from the mandatory date of adoption, using the modified retrospective method. This method will consist in accounting for the cumulative effect of the initial application of the new standard on opening initial equity, without restating comparative data.

In 2017, the Group completed its preliminary assessment of the effects of IFRS 15, identifying the main effects related to the adoption of the new standard in the treatment of obligations for warranties. In fact, in its contracts with customers, the Group generally provides warranties for repairs of a general nature and also provides extended warranties.

Accordingly, warranties required by law will be regarded in the application of IFRS 15 as insurance-type warranties that will continue to be accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistently with the current practice.

Extended warranties, which provide customers with an additional service to insurance-type warranties, should be considered, with the introduction of the new IFRS 15, as separate services to which a portion of the transaction price should be allocated.

The adoption of the new standard will result in a reduction of the opening balance of shareholders' equity in the region of €40

- ***IFRS 16 - Leasing***

IFRS 16 was published in January 2016 and replaces IAS 17 - *Leases, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Leases - Incentives* and *SIC-27 - Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 sets out principles for recognising, measuring, presenting and disclosing leases and requires lessees to account for all leases in the financial statements on a single basis similar to that used to account for finance leases in accordance with IAS 17. The standard provides two exemptions for recognition by lessees - leases relating to "low-value" assets and short-term leases (e.g. contracts due within 12 months or less). At the commencement date of the lease contract, the lessee will recognise a liability for the lease payments and an asset representing the right to use the underlying asset for the term of the contract. Lessees shall account separately for interest expense on the lease liability and amortisation of the asset's right of use.

The accounting required by IFRS 16 for lessors is substantially unchanged from current accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle as set out in IAS 17 and distinguishing between two types of lease: operating leases and finance leases.

IFRS 16 requires lessees and lessors to provide more extensive disclosures than IAS 17.

IFRS 16 will come into force for reporting periods beginning on or after 1 January 2019. Early adoption is permitted, but not before the entity has adopted IFRS 15. A lessee may elect to apply the standard either using a fully retrospective approach or a modified retrospective approach. The transitional arrangements provided for in the standard allow for certain simplifications.

In 2018, the Group will continue to define potential effects and implement IFRS 16 in its consolidated financial statements.

- ***Amendments to IFRS 2 - Classification and measurement of share-based payments***

The IASB has issued amendments to IFRS 2 - *Share-based Payment* that address three main areas: the effects of a vesting condition on the measurement of a cash-settled share-based payment transaction; the classification of a cash-settled share-based payment transaction net of withholding taxes; and accounting if a change in the terms and conditions of a share-based payment transaction changes its classification from cash-settled to cash-settled with equity instruments.

The amendments are effective for reporting periods beginning on or after 1 January 2018; early adoption is permitted. The Group does not expect any effects on its consolidated financial statements.

- ***Amendments to IAS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between IFRS 10 and IAS 28 in relation to loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that any gain or loss on the sale or contribution of assets constituting a business, as defined in IFRS 3, between an investor and an associate or joint venture must be recognised in full. Any gain or loss on the sale or contribution of assets that do not constitute a business is recognised only to the extent of the portion held by third-party investors in the associate or joint venture. The IASB has indefinitely deferred the date of adoption of these amendments, but if an entity decides to apply them early it should do so prospectively.

The Group will adopt these amendments when they enter into force.

- ***IFRS 17 - Insurance Contracts***

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a new comprehensive standard for insurance contracts that covers recognition and measurement, presentation and disclosure. When effective, IFRS 17 will replace IFRS 4 - *Insurance Contracts* which was issued in 2005. IFRS 17 will be in force for reporting periods beginning on or after 1 January 2021 and will require the presentation of comparative balances.

This standard does not apply to the Group.

- ***Amendments to IAS 40 - Investment Property***

The amendments clarify when an entity should transfer property, including property under construction or development, to or from Investment Property. The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier adoption is permitted and must be disclosed.

The Group does not expect any effect on its consolidated financial statements.

- ***Improvements to IFRSs (2014-2016 Cycle)***

These improvements include amendments to IFRS 1 - *First-time Adoption of IFRS* and IAS 28 - *Investments in Associates and Joint Ventures*: The Group does not expect any effect on its consolidated financial statements.

- **IFRIC 22 - *Foreign Currency Transactions and Advance Consideration issued***

The interpretation clarifies that, in defining the spot exchange rate to be used for the initial recognition of the related asset, expense or revenue upon derecognition of a non-monetary asset or a non-monetary liability related to advances on consideration, the transaction date is the date on which the entity initially recognises the non-monetary asset or non-monetary liability related to advances on consideration. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier adoption is permitted and must be disclosed.

The Group does not expect any effect on its consolidated financial statements.

- **IFRIC 23 - *Uncertainties over Income Tax Treatments***

The Interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties that have an effect on the application of IAS 12. An entity shall determine whether it considers any uncertain tax treatment separately or together with other (one or more) uncertain tax treatment(s). The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but some transitional facilities are available.

The Group will apply the interpretation on the date it becomes effective. The Group does not expect any significant impact on its consolidated financial statements.

Risk management

The risks to which Fidia S.p.A. is subject directly or indirectly through its subsidiaries are the same as those of the companies which it is the parent company of. In addition to Note No. 29, please refer to the note on risk management found in the Notes to the Consolidated Financial Statements of the Fidia Group.

CONTENT AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

Revenues for the sale of goods and services declined by 33.7% and amounted to €28,787 thousand, versus €43,431 thousand in 2016.

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

Revenue by geographical area	**FY2017**	**%**	**FY2016**	%
€thousand				
Italy	6,509	22.6%	4,977	11.5%
Europe	8,107	28.2%	12,082	27.8%
Asia	9,060	31.5%	17,879	41.2%
North and South America	5,106	17.7%	8,237	19.0%
Rest of the World	4	0.0%	257	0.6%
Total revenue	**28,787**	**100%**	**43,431**	**100%**

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

Revenue by business line	**FY2017**	**%**	**FY2016**	%
€thousand				
Numerical controls, drives and software	2,443	8.5%	3,258	7.5%
High-speed milling systems	20,185	70.1%	34,033	78.4%
After-sales service	6,159	21.4%	6,140	14.1%
Total revenue	**28,787**	100%	**43,431**	100%

2. OTHER REVENUE

This item comprises:

€thousand	**FY2017**	**FY2016**
Contributions for operating expenses	292	399
Increase in fixed assets for internal work	666	460
Gain from tangible assets	6	-
Recovery of warranty provisions	312	18
Recovery of bad debt provisions	-	-
Contingent assets	194	244
Recovery of costs incurred	308	305
Insurance refunds	12	22
Other miscellaneous revenues and earnings	56	33
Total	**1,845**	**1,481**

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 2017 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.

Other revenue also includes increases in tangible assets built within the Group and devoted solely to demonstrations for customers and the capitalization of product development costs (€666 thousand at 31 December 2017; €460 thousand at 31 December 2016).

3. RAW MATERIALS

These are:

€thousand	FY2017	FY2016
Production materials	10,805	16,017
Service materials	950	1,048
Consumables	58	63
Equipment and software	54	53
Packaging	173	200
Others	88	83
Change in inventory raw materials and consumables	805	(490)
Total	**12,933**	**16,974**

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 €11,237 thousand, down 0.4% versus €11,282 thousand in 2016. These consist of:

€thousand	FY2017	FY2016
Wages and salaries	8,363	8,405
Social security charges	2,374	2,370
TFR	490	482
Other personnel expenses	10	25
Total	**11,237**	**11,282**

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production increased from 25.7% in 2016 to 35% 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 2017 in the number of employees, broken down by category, is illustrated below:

	31 December 2016	Inbound	Outbound	Change	31 December 2017	Period average
Executives	6	0	0	-	6	6.0
Clerks and cadres	144	5	(10)	-	139	142.5
Workers	49	3	(4)	-	48	50.0
Total	199	8	(14)	-	193	198.5

5. OTHER OPERATING COSTS

Other working expenses are as follows:

€thousand	FY2017	FY2016
Outsourced work	2,153	3,293
Travel expenses	561	522
Transportation and customs	641	839
Rent due	399	594
Technical, legal and administrative consulting	898	1,150
Utilities	389	327
Commissions	899	1,687
Car and equipment rental	327	324
Auditors' emoluments	46	62
Insurance	306	313
Advertising, trade fairs and other commercial costs	652	321
Non-income taxes	268	279
Maintenance and housekeeping	148	135
Charges for personnel services	228	250
Motor vehicle management expenses	12	14
First-supply services	940	1,203
Bank services	168	231
Stock exchange listing fees	122	111
Costs for repairs and interventions	1,314	1,539
Research project costs	13	17
Entertainment expenses	112	185
Patent costs	91	100
Contributions and payments	32	39
Contingent liabilities	181	164
Warranty provisions	9	26
Other provisions	0	28
Others	546	639
Total	11,455	**14,392**

Other operating costs amounted to €11,455 thousand, down by €2,937 thousand compared to €14,392 thousand last year.

The decrease compared to the previous year is attributable to lower commission costs, due to lower sales, and lower costs related to the production and technical areas, as well as lower recourse to outsourcing and costs for repairs and interventions.

6. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

€thousand	FY2017	FY2016
Amortization of intangible fixed assets	201	100
Depreciation of tangible fixed assets	459	259
Write-down of trade receivables	4	8
Write-down of other non-current receivables and assets	-	-
Total	664	**367**

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

Bad debts consist of the estimate of possible outstanding credits. The existing reserves are considered commensurate to possible cases of insolvency.

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

€thousand	FY2017	FY2016
Write-down of investments	-	-
Recovery of value of investments	1,538	329
Total	**1,538**	**329**

The result of the impairment test carried out on the investments held in the subsidiary Fidia Co. (USA) led to a write-back of €1,538 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.

8. NON-RECURRING REVENUE

In 2017, there were no such events.

9. FINANCE REVENUE AND EXPENSES

Finance revenue and expenses consist of:

€thousand	FY2017	FY2016
Finance revenue	1,454	1,499
Borrowing costs	(337)	(264)
Net profit (loss) on derivatives	80	(135)
Profit (loss) from foreign currency transactions	19	(95)
Total	1,217	**1,005**

Finance revenue

€thousand	FY2017	FY2016
Dividends from subsidiaries	1,451	1,498
Interests received from banks	1	1
Interests and commercial discounts	1	
Other financial revenues	1	-
Total	**1,454**	**1,499**

Dividends from subsidiaries consisted of:

€thousand	FY2017	FY2016
Beijing Fidia Machinery & Electronics Co. Ltd.	521	898
Fidia Iberica S.A.	430	200
Fidia Sarl	-	-
Fidia GmbH	500	400
Total	**1,451**	**1,498**

Finance expenses consist of:

€thousand	FY2017	FY2016
Interest paid on loans from banks and leasing companies	(63)	(42)
Interest expense on M/L-term loans from banks	(165)	(157)
Borrowing costs on termination benefits	(17)	(2)
Other borrowing costs	(91)	(19)
Total	**(337)**	**(264)**

Net profit and loss on derivatives:

€thousand	FY2017	FY2016
Financial charges on derivatives due to fair value of IRS and IRC		
contracts	(5)	(1)
fair value adjustment on forward contracts	-	(184)
Financial income on derivatives due to fair value adjustment		
fair value adjustment on IRS and IRC contracts	2	5
fair value adjustment on forward contracts	84	46
Total	80	(135)

Income and expenses from derivative instruments include the fair value valuation of five interest rate swap contracts entered into by the parent company Fidia S.p.A. to hedge the risk of interest rate fluctuations on five medium/long-term loans and the fair value impact of the forward contracts entered into to limit the EUR/USD exchange rate risk, which were closed during the year.

Profit (loss) on foreign currency transactions consists of:

€thousand	FY2017	FY2016
Realised exchange gains	148	102
Unrealised exchange gains	172	34
Realised exchange losses	(263)	(123)
Unrealised exchange losses	(38)	(108)
Total	**19**	**(95)**

10. INCOME TAX

Taxes recognized in profit or loss are:

€thousand	FY2017	FY2016
Income tax:		
IRAP (Italian Regional Tax on Production Activities)	-	89
IRES (Italian Corporate Income Tax)	-	14
Deferred tax assets absorbed	5	167
Deferred tax assets	-	(162)
Total	**5**	**108**

In 2017 the parent company Fidia S.p.A. recorded a tax loss for both IRES and IRAP purposes.

At 31 December 2017, the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€thousand	31 December 2017	31 December 2016
Pre-paid tax assets	382	367
Deferred tax liabilities	-	-
Total	**382**	**367**

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

		Posted in	Recognized in	
€thousand	**At 31 December 2016**	**Income Statement**	**shareholders' equity**	**At 31 December 2017**
Pre-paid taxes for:				
Application of IAS 19 - Termination Benefits	112	(5)	11	118
Tax loss	250	-	-	250
Cash Flow Hedge	5		9	14
Total deferred tax assets	367	(5)	20	382
Deferred tax liabilities				
Cash Flow Hedge	-	-	-	-
Total deferred taxes	**-**	**-**	**-**	**-**

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 2017 and 2016 the changes in Plant and Equipment are detailed in the following schedule:

	Initial balance at 1 January 2017			Changes in period						
€ EUR	Purchase	Depreciation reserve	Net carrying amount 1.1.2017	Additions	Decreases	Reclassifications	Total	Decrease in Deprec.	Depreciation of the period	Net carrying amount
Land and buildings	-	-	-	3	(7)	8,769	8,765	-	(216)	8,549
Lightweight constructions	10	(7)	3	-	-	-	-	-	-	3
Total property	**10**	**(7)**	**3**	**3**	**(7)**	**-**	**8,765**	**-**	**(216)**	**8,551**
Plant and equipment	1,686	(1,487)	199	5	(87)	58	(25)	78	(51)	202
Industrial equipment	1,967	(1,685)	282	46	(21)	62	87	21	(108)	282
Electrical tools	767	(751)	16	-	-		-	-	(5)	11
Furnishing	792	(644)	149	50	-		50	-	(18)	181
Electronic equipment	1,309	(1,235)	73,962	7	-		7	-	(25)	55
Means of transportation	320	(274)	46	1	-		1	-	(31)	16
Other tangible assets	28	(13)	15	-	-		-	-	(6)	9
Assets under development	7,439	-	7,439	1,521	-	(8,889)	(7,369)	-	-	70
Total property, plant and equipment	**14,318**	**(6,096)**	**8,222**	**1,632**	**(115)**	**-**	**(1,517)**	**98**	**(459)**	**9,378**

	Initial balance at 1 January 2016			Changes in period						
€ EUR	Purchase	Depreciation reserve	Net carrying amount 1.1.2016	Additions	Decreases	Reclassifications	Total	Decrease in Deprec.	Depreciation of the period	Net carrying amount
Plant and equipment	1,607	(1419)	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	-	-	-	-	-	(31)	46
Other tangible assets	28	(7)	20	-	-	-	-	-	(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**

Capital expenditure made in 2017, amounting to €1,632 thousand, are attributable for €1,451 thousand to the completion of the real estate investment of the parent company Fidia S.p.A., which in 2014 acquired land and an industrial building to be restructured through a leasing contract, which went into operation in 2017.

The residual part of the capital expenditure consists of physiological investments for the upkeep of the production structure.

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 €459 thousand, is recognized in profit or loss under "Depreciation, amortization and write-downs" (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:

	Initial balance at 1 January 2017			Changes in period						
€ thousand	Purchase price	Depreciation reserve	Net carrying amount 1.1.2017	Additions	Decreases	Reclassifications	Total	Decrease in Deprec.	Depreciation of year	Net carrying amount
Licenses	134	(71)	63	-	-	-	-	-	(26)	37
Software	979	(832)	147	3	-	-	3	-	(66)	84
Development Costs	252	-	252	-	-	388	389	-	(109)	532
Assets under development	864	-	864	623	-	(388)	234	-	-	1,098
Total intangible fixed assets	2,229	(903)	1,326	626	-	-	626	-	(201)	1,750

	Initial balance at 1 January 2016			Changes in period						
€ thousand	Purchase price	Depreciation reserve	Net carrying amount 1.1.2016	Additions	Decreases	Reclassifications	Total	Decrease in Deprec.	Depreciation of year	Net carrying amount
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**

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 €623 thousand and were not yet amortised because they have not yet been fully amortized; the only exception is the D321 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 "

13. EQUITY INVESTMENTS

At 31 December 2017 these amounted to €12,112 thousand. The following changes were registered:

€thousand	Balance at	Increases	Decreases	Write-downs	Write-	Balance at

	31 December 2016				backs	31 December 2017
Equity investments in subsidiaries	10,561		-	-	1,538	12,099
Equity investments in associates	2	-	-		-	2
Equity investments in other entities	11	-	-	-	-	11
Total equity investments	**10,574**		**-**	**-**	**1,528**	**12,112**

€thousand	Balance at 31 December 2015	Increases	Decreases	Write-downs	Write-backs	Balance at 31 December 2016
Equity investments in subsidiaries	10,561	362	-	-	329	10,561
Equity investments in associates	2	-	-		-	2
Equity investments in other entities	11	-	-	-	-	11
Total equity investments	**10,574**	**362**	**-**	**-**	**329**	**10,574**

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

€thousand	Balance at 31 December 2016	Increases	Decreases	(Write-downs)/ Write-backs	Balance at 31 December 2017
Subsidiaries					
Fidia GmbH	1,208				1,208
Historical cost	1,208				1,208
Provision for write-down	-				-
Fidia Co.	5,540			1,538	7,078
Historical cost	7,078				7,078
Provision for write-down	(1,538)			1,538	-
Fidia Iberica S.A.	171				171
Historical cost	171				171
Provision for write-down	-				-
Fidia Sarl	221				221
Historical cost	221				221
Provision for write-down	-				-
Beijing Fidia M&E Co. Ltd.	1,549				1,549
Historical cost	1,549				1,549
Provision for write-down	-				-
Fidia Do Brasil Ltda	82				82
Historical cost	350				350
Provision for write-down	(268)				(268)
Shenyang Fidia NC & Machine Co. Ltd.	1,790				1,790
Historical cost	2,443				2,443
Provision for write-down	(653)				(653)
OOO Fidia	-				-
Historical cost	100				100
Provision for write-down	(100)				(100)
Fidia India Private Ltd.	-				-
Historical cost	-				-
Provision for write-down	-		-		-
Total investments in subsidiaries	**10,561**	**-**	**-**	**1,538**	**12,099**
Historical cost	13,120				13,120
Provision for write-down	(2,559)			1,538	(1,021)
Associates					
Prometec Consortium	2				2
Total investments in associates	**2**				**2**
Others					
Probest Service S.p.A.	11				11
Consorzio C.S.E.A.	-				-
Historical cost	6.5				6.5
Provision for write-down	(6.5)				(6.5)
Total investments in others	**11**				**11**
Total equity investments	**10,574**	**-**	**-**	**1,538**	**12,112**

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 2016 and 2017 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 2018-2020 time-frame. The assumptions used in forecasting cash flows for the explicit forecast period were based on prudent assumptions and using future realistic and achievable expectations.
In order to determine the value in use of the subsidiary, the discounted cash flows of the 3 years of explicit forecast plus a terminal value were taken into account; the latter value was determined by using the criterion of discounting the perpetuity. The discount rate applied to future cash flows was calculated taking into account the sector in which the company operates, the debt structure and the current economic situation. In particular, the WACC rate was equal to about 8.72% 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 €1,538 thousand.

The effects identified have therefore determined the full recovery of the cost of the equity investment.

It should be noted that the difference between the cost of the reinstated equity investment and the investee's pro-rata shareholders' equity is exclusively due to changes in the EUR/USD exchange rate during 2017.

The sensitivity analysis showed that:

- changes of +/-1.0% on WACC do not result in significant impacts in terms of determining the recoverable amount;
- changes in EBITDA of +/- 5% would also have insignificant impacts.

In particular, for Shenyang Fidia NC&M Co. Ltd., although there was a negative difference between the cost of the equity investment and the pro-rata equity of the investee company, on the basis of the improved results recorded in 2017 and on the basis of the expected future results, Management considered that there were no indicators of impairment and therefore did not carry out the impairment test.

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

€thousand	Balance at 31 December 2017	Balance at 31 December 2016
Security deposits	18	64
Receivables for foreign VAT	7	6
Receivables for EU contributions to R&D	57	-
Withholding tax on foreign income	582	690
Other current	4	26
Total other non-current receivables and assets	**668**	**786**

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

Withholding tax receivables on foreign income consist of receivables from tax authorities for final withholding tax on wages for technical training activities carried out by the parent company on behalf of the subsidiary Ltd. in prior fiscal years. 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.

In the reporting period closed, the portion of these receivables that were due at the end of 2017 was written off, for an amount of €107 thousand.

15. INVENTORY

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

€thousand	Balance at 31 December 2017	Balance at 31 December 2016
Raw/auxiliary materials and consumable supplies	7,369	8,175
Provisions for raw materials depreciation	(1,582)	(1,622)
Net value of raw materials, subsidiary materials and consumables	5,787	**6,553**
Semi-finished products and work in progress	5,980	**4,909**
Finished products and goods for resale	1,161	751
Finished products and goods depreciation provision	(149)	(110)
Net value finished products and goods	1,012	**641**
Advances	33	17
Total inventory	12,812	**12,120**

Inventories recorded an increase of €692 thousand YOY.

The provisions for depreciation equivalent to €1,731 thousand (€1,732 thousand at 31 December 2016) 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 2017 these amounted to €7,166 thousand, namely €3,967 thousand lower compared to 31 December 2016. In detail:

€thousand	Balance at 31 December 2017	Balance at 31 December 2016
Trade receivables from customers	5,847	8,598
Taxed supplementary	(252)	(251)
Total trade receivables from others	5,595	**8,347**
Receivables from subsidiaries	1,570	2,785
Total trade receivables	7,166	**11,133**

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

€thousand	31 December 2017	31 December 2016
Unexpired	625	904
Due up to 1 month	2,360	5,747
Due 1 to 3 months	947	825
Due 3 months to 6 months	576	256
Due 6 months to 1 year	531	332
Due over 1 year	808	534
Total	**5,847**	**8,598**

All trade receivables are due within one year.

The bad debt provisions, amounting to €252 thousand (€251 thousand at 31 December 2016) were allocated to cover the risk of default related to doubtful receivables and overdue receivables. The changes in the provisions for write-down of receivables were:

Balance at 31 December 2016 €thousand	**251**
Provisions in period	4
Amounts used	(3)
Balance at 31 December 2017	**252**

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

€thousand	**Balance at 31 December 2017**	**Balance at 31 December 2016**
Italy	1,265	914
Europe	2,549	499
Asia	1,978	6,974
North and South America	24	192
Rest of the World	31	19
Total	**5,847**	**8,598**

Receivables from subsidiaries were the following:

€thousand	**Balance at 31 December 2017**	**Balance at 31 December 2016**
Fidia Co.	384	1,318
Fidia Sarl	262	196
Fidia Iberica S.A.	93	578
Fidia GmbH	60	144
Fidia do Brasil Ltda	402	295
Beijing Fidia M&E Co. Ltd.	142	20
Shenyang Fidia NC & Machine Co. Ltd.	227	234
Total receivables	**1,570**	**2,785**

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

€thousand	**Balance at 31 December 2017**	**Balance at 31 December 2016**
Europe	415	918
North and South America	786	1,613
Asia	369	254
Total	**1,570**	**2,785**

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 2017	Balance at 31 December 2016
Balance at 31 December 2016		
Current tax receivables:	8	270
Tax receivables for income tax and IRAP	186	83
83	12	14
Other tax receivables	0	92
Total current tax receivables	**206**	**459**
Contributions for research projects	-	122
Accruals and prepayments	273	113
Receivables from employees	20	18
Advances from suppliers	107	158
Dividends receivable	1,179	1,408
Other current receivables	22	179
Total other current receivables and assets	**1,600**	**1,998**

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 represents an interest-bearing loan from the Parent Company to the Fidia do Brasil branch, amounting to €300 thousand, including accrued interest, expiring on 15 May 2018.

19. CASH AND CASH EQUIVALENTS

The overall total of cash amounted to €7,140 thousand (€4,319 thousand at 31 December 2016). This item is composed of temporary cash on bank accounts pending future use amounting to €7,137 thousand and cash on hand and checks in the amount of €2 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 2017 amounted to €8,747 thousand, down by €2,514 thousand compared to 31 December 2016. The change was due to:

- loss of the period (€1,428 thousand);
- negative effect of the accounting of actuarial losses on the termination benefits net of the theoretical tax effect (€33 thousand);
- negative effect of the cash flow hedge reserve net of the theoretical tax effect (€31 thousand);
- negative effect of the distribution of dividends amounting to €1,023 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 2015 and the number of circulating shares at 31 December 2017:

	At 31 December 2015	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2016	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2017
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 2016.

Legal reserve

Legal reserve, equal to €883 thousand, 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 28 April 2017.

Provisions for own shares in portfolio

At 31 December 2017, it amounted to €46 thousand and was unchanged YOY.

These reserves are not available until own shares are held.

Extraordinary reserve

At 31 December 2017, it amounted to €309 thousand and was unchanged compared to 31 December 2016.

Reserve of exchange rate profit not realized

At 31 December 2017 it amounted to €8 thousand and was set up in the year 2016 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 2017 earnings carried forward amounted to €2,828 thousand, up by €1,034 thousand compared to 31 December 2016 for the allocation of profit of the year 2016 as per the resolution passed by the shareholders' meeting on 28 April 2017.

Own shares

Own shares consisted of 10,000 ordinary shares issued by Fidia S.p.A. for a value of €46 thousand.

There were no changes in 2017, as illustrated in the following table.

	No. Shares	Par Value (€/000)	Share in % share capital	Carrying amount (€/000)	Mean unit value (€)
Situation at 1 January 2017	10,000	10.00	0.20%	46	4.55
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Write-backs	-	-	-	-	-
Situation at 31 December 2017	10,000	10.00	0.20%	46	4.55

Profit (loss) stated directly in equity

At 31 December 2017, it amounted to -€170 thousand compared to -€137 thousand at 31 December 2016; the change was due to the accounting of actuarial losses for termination benefits in 2017, 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 2017, 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 2017	Increases	Decreases	CFH provisions stated in profit or loss	Final balance at 31 December 2017
- Interest rate swap	Interest rate risk	(15)	(31)	-	-	(46)
- *forward*	Exchange rate risk	-	-	-	-	-
Total		**(15)**	**(31)**	-	-	**(46)**

According to article 2427, no. 7-bis, 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 reporting periods	
€thousand	Amount	Availability	Distributability	To cover losses	Other reasons
Capital issued:	5,123				
Capital reserves:					
Provisions for share premium (1)	1,240	A, B	----		-
Profit reserves:					
Provisions for own shares	46	----	----	-	-
Legal reserve	883	B	----	-	-
Cash Flow Hedge reserve	(46)	----	----	-	-
Profit (loss) stated directly in equity	(170)	----	----	-	-
Extraordinary reserve	309	A, B, C	309		-
Earnings (loss) carried forward	2,828	A, B, C	2,828	-	9
Unrealised exchange gains	8	A,B	----		
Total distributable share			3,137	-	9

(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 2017	Balance at 31 December 2016
Advances for research projects	330	-
Long-term deferred income	-	-
Total	**330**	-

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.

22. TERMINATION BENEFITS

This item reflects the benefits set out by Italian law (amended by Italian Law No. 296/06) accrued by employees at 31 December 2006 and which will be paid out when an employee leaves the company.

Under specific conditions, a part of it can be paid in advance to the employee during his working life. It is a non-funded defined benefits plan, considering the benefits almost entirely accrued, with the sole exception of revaluation.

Changes in the termination benefits are illustrated in the table below:

€thousand	
Value at 1 January 2017	**2,330**
Amount accrued and allocated in year	491
Benefits paid out in year	(99)
Amount transferred to State Fund and complementary pension scheme	(484)
Borrowing costs on termination benefits	17
Accounting of actuarial losses	44
Substitute tax	(7)
Balance at 31 December 2017	**2,292**

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 €17 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 31 December 2017	At 31 December 2016
Discount rate	EUR Composite AA e	EUR Composite AA Curve
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 used to determine the present value of the obligation was derived, in accordance with paragraph 83 of IAS 19, from the AA rating EUR Composite curve recorded at the measurement date:

Year	31 December 2017
1	- 0.26%
2	- 0.15%
3	- 0.01%
4	0.15%
5	0.30%
6	0.45%
7	0.60%
8	0.74%
9	0.88%
10	1.00%
11	1.10%
12	1.19%
13	1.29%
14	1.38%
15 +	1.48%

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

Sensitivity analysis of Defined Benefit Obligation (€thousands)

	31 December 2017
Inflation rate +0.25%	2,286
Inflation rate -0.25%	2,299
Discount rate +0.25%	2,323
Discount rate -0.25%	2,262
Rate of turnover +1%	2,256
Rate of turnover -1%	2,329

Service cost and duration

Service cost pro futuro	0.00
Duration of the plan	7.2 years

Future plan disbursements (€thousand)

Years	Planned disbursements
1	106
2	103
3	103
4	104
5	202

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 were assumed with regard to the parameters used for the measurement of the termination benefits fund at 31 December 2017.

	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	**TFR su base IAS(°)**	**Variazione percentuale del TFR su base IAS rispetto alle Ipotesi di Base**									
Fidia S.p.A.	**2.292.314**	**-0,48%**	**0,48%**	**0,04%**	**-0,04%**	**0,04%**	**-0,04%**	**0,54%**	**-0,56%**	**0,09%**	**-0,08%**

(°) importi in Euro.

OTHER NON-CURRENT FINANCIAL LIABILITIES

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

€thousand		31 December 2017		31 December 2016
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest rate risk - BNL Interest Rate Swap	1,579	4	2,105	10
Interest rate risk - INTESA Interest Rate Swap	1,750	4	2,450	8
Interest rate risk - INTESA Interest Rate Swap	2,482	0	3,000	3
Interest rate risk - BNL Interest Rate Swap	3,500	49	-	-
Interest rate risk - INTESA Interest Rate Swap	1,500	9	-	-
Interest rate risk - Interest Rate Cap BNL	-	-	237	1
Interest rate risk - Interest Rate Cap Banco Popolare	-	-	250	1
Total		66		23

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 €19,254 thousand and are specified in detail in the following table:

€thousand	Balance at 31 December 2017	Balance at 31 December 2016
Overdrawn bank accounts and short-term advances	247	486
Financial accruals and deferrals	44	39
Intra-group loans	1,759	1,932
Loan - BNL "1,500" (part medium/long term and part short term)	-	235
Loan - Banco Popolare (part medium/long term and part short term)	-	248
Short-term loan - MPS	-	697
Loan - ISP "3.500" (part medium/long term and part short term)	1,741	2,433
Loan - BNL "2.500" (part medium/long term and part short term)	1,567	2,085

Loan - ISP “3.000” (part medium/long term and part short term)	2,470	2,979
1,932	942	1,308
Loan - BNL “1.500” (part medium/long term and part short term)	874	1,372
Loan - Banco Popolare (part medium/long term and part short term)	1,490	-
Short-term loan - MPS	599	-
Loan BNL "MINIMUTUO" (short term)	1,124	-
Autodesk financing no. 2	11	44
Lease - Volkswagen Bank	-	25
Property lease with Mediocredito Italiano	5,578	4,026
Loan - UNICREDIT (Plafond Supercash Rotativo)	809	-
Total	**19,254**	**17,909**

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	291	-	-	291
Intra-group loans	1,759	-	-	1,759
Medium-to-long term bank loans	3,194	5,890	-	9,084
Short-term loans	2,531	-	-	2,531
Autodesk financing	11	-	-	11
Property lease with Mediocredito Italiano	230	1,325	4,023	5,578
Total	**8,016**	**7,215**	**4,023**	**19,254**

Intra-group loans consist of three interest-bearing loans amounting to €1,759 thousand (and the related interest rate) granted by the subsidiary Fidia Co. for a total of €1,256 thousand and one by the subsidiary Fidia Gmbh for a value of €503 thousand. The contracts with Fidia Co are valid until 26 January 2018 and 18 May 2018 respectively. The contract with Fidia Gmbh runs until 22 March 2018. All contracts can be extended.

Bank loans have the following main characteristics:

Loan - ISP “3.500” (part medium/long term and part short term)
Original amount €3,500 thousand
Residual amount €1,741 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 €1,567 thousand
Date of loan 28/01/2016
Term Loan due date 31/12/2020
Grace period 1 quarterly instalment (31/03/2016)
Repayment 19 quarterly instalments (30/06/2016 to 31/12/2020)
Interest rate 3-month Euribor, base 360 + 1.35% spread

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

Loan - ISP “3.000” (part medium/long term and part short term)

Original amount	€3,000 thousand
Residual amount	€2,470 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	€942 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	€874 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

Loan - BNL **“MINIMUTUO ” (short term)**

Original amount	€1,500 thousand
Residual amount	€1,124 thousand
Date of loan	01/03/2017
Term	Loan due date 01/09/2018
Grace period	2 quarterly instalments at 01/06/2017 and 01/09/2017
Repayment	4 quarterly instalments (01/12/2017 to 01/09/2018)
Interest rate	Fixed rate equal to 0.9%.

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

Original amount	€1,500 thousand
Residual amount	€1,490 thousand
Date of loan	27/04/2017
Term	Loan due date 30/06/2021
Grace period	3 quarterly instalments at 30/06/2017, 30/09/2017 and 31/12/2017
Repayment	14 quarterly instalments (31/03/2018 to 30/06/2021)
Interest rate	3-month Euribor, base 360 + 1.4% spread

Loan - UNICREDIT **"MUTUO PLAFOND SUPERCASH ROTATIVO"**

Original ceiling	€810 thousand
Ceiling used	€809 thousand
Term	Loan due dates 24/02/2018, 08/03/2018 and 06/04/2018
Repayment	Every four months
Interest rate	Fixed rate equal to 1.5%

Loan - MPS "600" **(short term)**

Original amount	€600 thousand
Residual amount	€599 thousand
Date of loan	08/09/2017
Term	Loan due date 31/03/2018
Grace period	3 quarterly instalments at 31/10/2017, 30/11/2017 and 31/12/2017
Repayment	3 quarterly instalments at 31/01/2018, 28/02/2018 and 31/03/2018
Interest rate	Fixed rate equal to 0.9%.

Autodesk financing no. 2

Original amount	€66 thousand
Residual amount	€11 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%

Property lease - Mediocredito Italiano - line 1

Original amount	€5,598 thousand
Major instalment	€1,260 thousand
Residual amount	€3,929 thousand
Date of loan	25/06/2014
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	3.48%
Set redemption	€558 thousand

Property lease - Mediocredito Italiano - line 2

Original amount	€1,000 thousand
Major instalment	€400 thousand
Residual amount	€585 thousand
Date of loan	28/05/2015
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	2.42%
Set redemption	€100 thousand

Property lease - Mediocredito Italiano - line 3

Original amount	€1,802 thousand
Major instalment	€722 thousand
Residual amount	€1,064 thousand
Date of loan	30/11/2017
Term	179 monthly instalments (01/12/2017 to 01/10/2032)
Current leasing rate	2.73%
Set redemption	€179 thousand

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

€thousand	Balance at 1 January 2017	New loans	Repayments	Balance at 31 December 2017
Intra-group loans (*)	1,932		(173)	1,759
Loan - BNL “1.500” (part medium/long term and part short term)	235		(235)	-
Loan - Banco Popolare (part medium/long term and part short term)	248		(248)	-
Short-term loan - MPS	697		(697)	-
Loan - ISP “3.500” (part medium/long term and part short term)	2,433		(692)	1,741
Loan - BNL “2.500” (part medium/long term and part short term)	2,085		(518)	1,567
Loan - ISP “3.000” (part medium/long term and part short term)	2,979		(509)	2,470
Loan - UNICREDIT (part medium/long term and part short term)	1,308		(366)	942
Loan - BNL “1.500” (part medium/long term and part short term)	1,372		(498)	874
Loan - Banco Popolare (part medium/long term and part short term)	-	1,490		1,490
Short-term loan - MPS		599		599
Loan BNL "MINIMUTUO" (short term)		1,496	**(372)**	1,124
Autodesk financing no. 2	44		(33)	11
Lease - Volkswagen Bank	25		(25)	-
Property lease with Mediocredito Italiano	4,026	1,576	(23)	5,578
Loan - UNICREDIT (Plafond Supercash Rotativo)		1,358	(550)	809
Total	**17,384**	**6,519**	**(4,939)**	**18,964**

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.

(*) The change in the period is entirely due to the adjustment of the loan to the year-end exchange rate.

25. OTHER CURRENT FINANCIAL LIABILITIES

This item was zero in the year under examination. At 31 December 2016 this item amounted to €198 thousand and included 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 2017	Balance at 31 December 2016
Payables to other suppliers	8,668	8,928
Payables to subsidiaries	3,328	4,870
Payables to associates	2	2
Total trade payables	11,998	13,800

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	4,238	3,334	1,095		8,668
Payables to subsidiaries	2,918	410	-		3,328
Payables to associates	2	-	-		2
Total trade payables	7,157	3,745	1,095		11,998

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

€thousand	Balance at 31 December 2017	Balance at 31 December 2016
Italy	7,290	7,701
Europe	280	328
Asia	1,092	892
North and South America	6	7
Total	8,668	8,928

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

€thousand	Balance at 31 December 2017	Balance at 31 December 2016
Fidia Co.	97	126
Fidia S.a.r.l.	-	14
Fidia Iberica S.A.	8	49
Fidia GmbH	75	154
Beijing Fidia M&E Co. Ltd.	3,116	4,525
Shenyang Fidia NC&M Co. Ltd.	-	-
Fidia do Brasil Ltda	32	2
Total payables to subsidiaries	**3,328**	4,870

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

€thousand	Balance at 31 December 2017	Balance at 31 December 2016
Europe	83	217
Asia	3,116	4,525
North and South America	129	128
Total	3,328	4,870

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

€thousand	Balance at 31 December 2017	Balance at 31 December 2016
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 2017	Balance at 31 December 2016
Current tax payables:		
- withholding taxes	294	325
- Payables to tax authorities for IRES	-	-
- Payables to tax authorities for IRAP	-	-
- Payables to tax authorities for VAT	255	-
Total current tax payables	**549**	**325**
Other current payables and liabilities:		
Payables to employees	705	780
Social security payables	715	670
Advances from customers	7,717	2,277
Payables for compensation	154	328
Deferrals		-
Accrued expenses	72	102
Miscellaneous payables	96	151
Total other current payables and liabilities	9,459	4,308

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 €665 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 CHARGES

Provisions for risks and expenses amounted to €820 thousand as per the schedule.

€thousand	Balance 1 January 2017	Accrual	Utilization /Release	Balance 31 December 2017
Warranty provisions	1,123	9	(312)	820
Provisions for legal risks	28		(28)	-
Total other provisions for risks and expenses	**1,151**	**9**	**(340)**	**820**

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.

29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2017 these amounted to €3,515 thousand, up by €1,975 thousand compared to €1,540 thousand at 31 December 2016. 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 2017 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 typically 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 2017, the main currency to which the Company is exposed is the USD. At the same date, the Company had no derivative financial instruments in place to hedge its currency exposures.

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

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

As regards financial derivative instruments, 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 2017 and 31 December 2016. The impacts on profit or loss are before tax.

EXCHANGE RATE RISK SENSITIVITY ANALYSIS					
		Exchange Rate Risk at 31 December 2017			
		FINANCIAL ASSETS			
€thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL ASSETS					
Cash and cash equivalent	18	(1)		1	
Hedging derivatives	-		-		-
Receivables	1,017	(44)		58	
Effect		(45)	-	59	-
FINANCIAL LIABILITIES					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Overdrawn bank accounts					
Trade payables	439	21		(23)	
Effect		21	-	(23)	-
Total effect		**(24)**	**-**	**36**	**-**

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	
Derivatives for trading	-		-		-
Receivables	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**	**-**

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

Interest rate risk: definition, sources and management policies

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

The Company is exposed to interest rate oscillations on its own variable rate loans and leases attributable to the Eurozone, which the Company avails itself of to fund its operations.

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

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

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 2017, the Company had five Interest Rate Swap contracts to hedge interest rate risk; these have a negative fair value amounting to €66 thousand.

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

In measuring the potential impacts of changes in the interest rates applied, the Group separately analysed the fixed rate financial instruments (for which the impact 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 2017 there were no fixed rate financial instruments measured at fair value. All loans are denominated in euro.

The floating rate financial instruments at 31 December 2017 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 2017, 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 2017, 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 2017, decreases of 5 bps and 10 bps was caused by the current market scenario characterized by very low interest rates and continuing 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 2017			
		+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	11,615	(8)		4	
Finance leases	5,578	(6)		3	
IRS hedging derivatives	66	-	38	-	(19)
Cap hedging derivatives	-	-	-	-	-
Total impact		(14)	38	7	(19)

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)**

Liquidity risk: definition, sources and management policies

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

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

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

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

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

Liquidity risk: quantitative information

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

The policies implemented to reduce liquidity risk consisted at 31 December 2017 of:

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

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

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

MATURITY ANALYSIS							
€thousand	Carrying amount at 31 December 2017	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	11,615	11,903	568	1,817	3,502	6,016	-
Other loans	1,762	1,779	424	510	845	-	-
Leasing	5,594	7,746	39	78	349	1,862	5,418
Overdrawn bank accounts	-	-	-	-	-	-	-
Trade payables	12,020	12,020	7,180	3,745	1,095	-	-
Interest rate swap	66	59	6	10	42	86	(85)
Interest rate cap	-	-	-	-	-	-	-
TOTAL	31,058	33,506	8,216	6,159	5,833	7,964	5,333

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**

Credit risk: definition, sources and management policies

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

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

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

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

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

The concentration of credit risk is present in the markets of the EU, North America and China. Trade receivables are subject to individual write-downs if there is an objective condition in which these positions cannot be recovered either in part or in full. The extent of write-down takes into account an estimate of the recoverable flows and relevant date of collection.

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

Credit risk: quantitative information

The maximum theoretical exposure to credit risk for Fidia S.p.A. at 31 December 2017 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 write-down; these are either partially or totally non-recoverable. The extent of write-down takes into account an estimate of the recoverable flows and relevant date of collection as well as of charges and expenses for future recovery. In case of receivables not subject to specific write-down, provisions are allocated on a collective basis, considering experience and statistical data.

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 2017, the Company held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €66 thousand, classified within Level 2 of the hierarchical assessment of fair value.

32. INTRA-GROUP AND RELATED-PARTY TRANSACTIONS

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

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

The impact of these transactions on the individual items in the 2017 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 - 2017

Counterpart €thousand	**Raw materials and consumables**	**Other operating costs**	**Personnel expenses**	**Finance Expenses**	**Revenues**	**Other operating revenue**	**Finance revenues**
Fidia GmbH	-	181	-	10	1,579	26	500
Fidia Sarl	-	16	-	-	1,749	12	-
Fidia Iberica S.A.	10	188	-	-	1,174	13	430
Fidia Co.	-	202	-	26	4,037	148	-
Fidia do Brasil Ltda	-	115	-	-	94	13	1
Beijing Fidia Machinery & E. Co. Ltd.	1	1,228	-	-	1,597	31	521
Shenyang Fidia NC&M Co. Ltd.	12	-	-	-	1,236	-	-
OOO Fidia	-	-	-	-	-	-	-
Total Group companies	**23**	**1,930**	**-**	**36**	**11,466**	**243**	**1,452**
Other related parties (associates)							
Other related parties (Giuseppe and Luca Morfino)	1	88	71	-	-	-	-
Compensation Board of Directors	-	-	451	-	-	-	-
Compensation Board of Statutory Auditors	-	46	-	-	-	-	-
Total other related parties	**1**	**134**	**522**	**-**	**-**	**-**	**-**
Total Group companies and other related parties	**24**	**2,064**	**522**	**36**	**14,466**	**243**	**1,452**
Total item	**12,933**	**11,455**	**11,237**	**643**	**28,787**	**1,845**	**3,077**
As % of financial statements items	**0.2%**	**18%**	**5%**	**6%**	**40%**	**13%**	**47%**

Data by year - 2016							
Counterpart €thousand	**Raw materials and consumables**	**Other operating costs**	**Personnel expenses**	**Finance expenses**	**Revenues**	**Other operating revenue**	**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%**

31 December 2017						
		Other current				Current
Counterpart €thousand	**Trade receivables**	**Other current receivables**	**financial assets**	**Trade payables**	**Other current payables**	**financial liabilities**
Fidia GmbH	59	500	-	75	450	503
Fidia Sarl	262	-	-	-	-	-
Fidia Iberica S.A.	93	430	-	8	-	-
Fidia Co.	385	-	-	97	-	1,256
Fidia do Brasil Ltda	402	-	301	32	215	-
Beijing Fidia Machinery & E. Co. Ltd.	142	249	-	3,115	-	-
Shenyang Fidia NC&M Co. Ltd.	227		-	-	-	-
OOO Fidia	-		-	-	-	-
Total Group companies	**1,570**	**1,179**	**301**	**3,327**	**665**	**1,759**
Other related parties (associates)	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	3	-	-	1	-
Other related parties (Payables to BoD members of Fidia SpA)	-	-	-	-	108	-
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)	-	-	-	-	46	-
Total other related parties	**-**	**3**	**301**	**2**	**155**	**-**
Total Group companies and other related parties	**1,570**	**1,182**	**301**	**3,329**	**820**	**1,759**
Total item	**7,166**	**1,600**	**301**	**11,998**	**9,459**	**8,016**
As % of financial statements items	**22%**	**73.8%**	**100%**	**28%**	**9%**	**22%**

31 December 2016

Counterpart €thousand	Trade receivables	Other current receivables	Other current 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%**

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 2017, intra-group relations also regarded financial management, which envisaged:

- distribution of dividends from subsidiaries (see Note No. 9);
- distribution of dividends from subsidiaries (see Note No. 24 and Note no. 18).

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

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

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 2017 was:

	€thousand	31 December 2017	31 December 2016
A	Cash	2	8
B	Bank deposits	7,138	4,311
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**7,140**	**4,319**
E	Current financial receivables	**301**	**-**
F	Current bank payables	2,822	1,222
G	Current part of non-current debt	3,435	3,125
H	Other current financial payables	-	198
I	Current financial payables from Group companies	1,759	1,932
J	**Current financial debt (F+G+H+I)**	**8,016**	**6,477**
K	**Net current financial debt (J-E-D)**	**575**	**2,158**
L	Non-current bank payables	11,238	11,630
M	Bonds issued	-	-
N	Other non-current payables	66	23
O	**Non-current financial debt (L+M+N)**	**11,304**	**11,653**
P	**Net financial debt (K+O)**	**11,879**	**13,811**

34. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

According to Consob Notice of 28 July 2006, in 2017 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 2017 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 2017

€thousand	Carrying amount at 31 December 2017 (IAS 39)	Amortized Cost	FV recognized in equity	FV recognized in profit or loss	IAS 17	Fair value at 31 December 2017
ASSETS						
Cash and cash equivalents	7,140	-		-		7,140
Total	7,140		**-**	**-**	**-**	7,140
LIABILITIES						
Liabilities at amortized cost	17,194	17,194	-	-	-	17,194
Hedging derivatives	66	-	146	(80)	-	66
Total	17,260	17,194	**146**	**(80)**	-	17,260

NET PROFIT/LOSS BY CATEGORY - IAS 39 - 31 December 2017

€thousand	Net profit and loss	of which interest
ASSETS		
Cash and cash equivalents	2	2
Hedging derivatives	80	80
Total	**82**	**82**
LIABILITIES		
Liabilities at amortized cost	(217)	(217)
Total	**(217)**	(217)

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	**(1,422)**		
Theoretical tax		**-**	**24%**
Increases of a permanent nature	1,205	(289)	20.32%
Decreases of a permanent nature	(1,749)	420	-29.54%
Temporary changes in which no deferred tax assets are recorded	573	(136)	9.63%
Actual tax	**(1,393)**	**(5)**	**42.83%**

	IRES (ITALIAN CORPORATE INCOME TAX)	**IRAP (ITALIAN REGIONAL TAX ON PRODUCTION ACTIVITIES)**	**Total**
Current taxes	-	-	-
Deferred tax assets	(5)	-	(5)
Deferred taxes	-	-	-
Total	**(5)**	**-**	**(5)**

38. SIGNIFICANT EVENTS AFTER REPORTING DATE

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

39. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders,

We invite you to approve the Financial Statements at 31 December 2017.

We also submit a proposal to cover the entire loss for the period of €1,427,596.35 through the use of the retained earnings reserve.

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 2017;
- information as per article 149/XII of the Consob Regulation on Issuers.

San Mauro Torinese, 15 March 2018

On behalf of the Board of Directors

The Chairman and Chief Executive Officer

Mr. Giuseppe Morfino

Annexes

FIDIA S.p.A.

BILANCIO AL 31 DICEMBRE 2017

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

(in Euro)

	Capitale sociale	Patrimonio netto contabile	Utile (perdita) al 31.12.2017	Utile (perdita) al 31.12.2016	% di possesso	Quota di patrimonio netto contabile di competenza	Valore netto di bilancio	Differenza tra P.N. di competenza e valore di bilancio
SOCIETA' CONTROLLATE								
Fidia Gmbh – Germania	520.000	1.447.466	185.425	480.585	100,00%	**1.447.466**	**1.207.754**	**239.712**
Robert-Bosch-Strasse, 18 - 63303 Dreieich (Germania)								
Fidia Co. (*) - Stati Uniti	333.528	6.453.041	292.738	646.889	100,00%	**6.453.041**	**7.077.645**	**(624.604)**
3098 Reserch Drive - 48309 Rochester Hills (Michigan - Stati Uniti d'America)								
Fidia Iberica S.A. – Spagna	180.300	461.080	122.287	137.880	99,993%	**461.048**	**171.440**	**289.608**
Parque Tecnologico de Zamudio - Edificio 208 - 48170 Zamudio (Bilbao)								
Fidia S.a.r.l. – Francia	300.000	657.580	16.233	95.800	93,19%	**612.799**	**221.434**	**391.365**
47 bis, Avenue de l'Europe - 77184 Emerainville (Francia)								
Beijing Fidia Machinery & Electronics Co. Ltd. (*) - Cina	1.641.956	4.787.725	603.118	547.817	96,00%	**4.596.216**	**1.548.610**	**3.047.606**
Room 106, Building C, No. 18 South Xihuan Road - Beijing Development Area - 100176 Pechino (R.P.C)								
Fidia Do Brasil Ltda (*) – Brasile	100.643	26.573	(70.040)	31.981	99,75%	**26.506**	**82.486**	**(55.980)**
Av. Salim Farah Maluf, 4236 - 3° andar Mooca - Sao Paulo - CEP 03194-010 (Brasile)								
Shenyang Fidia NC & Machine Company Limited (*) - Cina	5.447.907	2.953.746	(114.997)	(114.252)	51,00%	**1.506.410**	**1.789.592**	**(283.182)**
n.1, 17A, Kaifa Road - Shenyang Economic & Technological Development Zone - 110142 Shenyang (R.P.C.)								
OOO Fidia (*) - Russia	51.876	19	-	-	100,00%	**19**	**-**	**19**
ul. Prospekt Mira 52, building 3, 129110 Mosca (Russia - Federazione Russa)								
SOCIETA' COLLEGATE								
Consorzio Prometec – Italia	10.329	10.329	-	-	20,00%	**2.066**	**2.066**	**-**
Via Al Castello n. 18/A - Rivoli (Torino)								

(*) I valori esposti sono tradotti in Euro ai cambi del 31.12.2017 e 31.12.2016.

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	31/12/17	31/12/17	31/12/17	31/12/17	31/12/17
Inclusion in scope of consolidation (line by line)	YES	YES	YES	YES	YES
ASSETS					
Non-current assets					
- Property, plant and equipment	204.034	1.544	2.935	332.910	56.062
- Intangible assets	(0)	6.045	-	1.958	2.838
- Investments	22.867	-	-	3.366	-
- Other non-current financial assets	-	-	-	-	-
- Pre-paid tax assets	14.819	122.100	24.020	-	96.441
- Other non-current receivables and assets	-	1.988	6.992	82.587	-
Total non-current assets	**241.720**	**1.674.047**	**33.947**	**420.821**	**155.340**
Current assets					
- Inventories	592.520	2.310.324	90.687	192.251	555.513
- Trade receivables and other current receivables	1.443.653	3.268.297	769.112	1.617.929	4.563.263
- Cash and cash equivalents	523.740	2.090.290	402.359	441.858	656.508
Total current assets	**2.559.913**	**7.668.911**	**1.262.157**	**2.252.037**	**5.775.284**
Total assets	**2.801.633**	**9.342.958**	**1.296.104**	**2.672.858**	**5.930.624**
LIABILITIES					
Shareholders' equity					
- Share capital	520.000	400.000	300.000	180.300	399.843
- Other reserves	742.041	7.008.426	341.347	158.493	(41.751)
- Profit (loss) of the period	185.425	330.706	16.233	122.287	(252.521)
TOTAL SHAREHOLDERS' EQUITY	**1.447.466**	**7.739.132**	**657.580**	**461.080**	**105.571**
Non-current liabilities					
- Other non-current payables and liabilities	-	-	72.059	-	-
- Termination benefits	-	-	-	-	-
- Deferred tax liabilities	4.553	-	-	41.913	-
- Other non-current financial liabilities	-	26.450	-	-	-

- Non-current financial liabilities	44.578	-	-	11.293	-
Total non-current liabilities	**49.132**	**26.450**	**72.059**	**53.206**	**-**
Current liabilities					
- Current financial liabilities	59.448	-	-	12.028	1.195.814
- Trade payables and other current payables	1.210.989	1.334.551	566.465	2.119.288	4.592.638
- Short-term provisions	34.598	242.825	-	27.256	36.601
Total current liabilities	**1.305.035**	**1.577.376**	**566.465**	**2.158.572**	**5.825.053**
Total liabilities	**2.801.633**	**9.342.958**	**1.296.104**	**2.672.858**	**5.930.624**

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	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017
INCOME STATEMENT					
- Net sales	4.022.968	10.440.990	2.446.486	2.120.683	5.410.752
- Other operating revenue	269.676	227.167	9.710	266.443	(8.624)
Total revenue	**4.292.645**	**10.668.157**	**2.456.196**	**2.387.127**	**5.402.127**
- Changes in inventories of finished goods and work in progress	(68.286)	(797.331)	7.689	(25.556)	43.006
- Raw materials and consumables	1.583.007	5.354.932	1.680.717	1.115.674	3.153.841
- Personnel costs	1.545.084	1.780.258	384.141	605.451	962.635
- Other operating costs	744.569	1.931.356	372.284	369.865	1.431.227
- Depreciation and amortization	100.928	217.571	1.711	114.868	23.193
Operating profit from ordinary business	**250.771**	**586.709**	**25.032**	**155.712**	**(125.763)**
- Non-recurring income/(expenses)	-	-	-	-	-
Operating profit	**250.771**	**586.709**	**25.032**	**155.712**	**(125.763)**
- Finance revenue (expenses)	3.028	28.424	(0)	6.949	(125.823)
Profit (loss) before taxes	**253.799**	**615.133**	**25.032**	**162.661**	**(251.586)**
Income tax	(68.374)	(284.428)	(8.799)	(40.374)	(935)
Net profit (loss) for the period	**185.425**	**330.706**	**16.233**	**122.287**	**(252.521)**

SUMMARY OVERVIEW OF THE ESSENTIAL DATA OF THE LAST FINANCIAL STATEMENTS OF THE COMPANIES
SUBSIDIARIES AND ASSOCIATES (Article 2429 of the Civil Code)

Subsidiaries	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	31/12/17	31/12/17	31/12/17	31/12/17
Inclusion in scope of consolidation (line by line)	YES	YES		
ASSETS				
Non-current assets				
- Property, plant and equipment	161.278	206.088	-	
- Intangible assets	(0)	-	-	
- Investments	-	-	-	
- Other non-current financial assets	-	-	-	
- Pre-paid tax assets	1.107.038	114.538	-	
- Other non-current receivables and assets	-	-	-	
Total non-current assets	**1.268.317**	**320.626**	**-**	**-**
Current assets				
- Inventories	8.509.742	13.815.224	-	
- Trade receivables and other current receivables	43.915.267	15.824.694	1.263	14.362
- Cash and cash equivalents	6.607.744	2.005.866	44	9.117
Total current assets	**59.032.753**	**31.645.785**	**1.307**	**23.479**
Total assets	**60.301.069**	**31.966.411**	**1.307**	**23.479**
LIABILITIES				
Shareholders' equity				
- Share capital	12.814.480	42.517.648	3.599.790	10.329
- Other reserves	19.949.655	(18.588.119)	(3.598.483)	
- Profit (loss) of the period	4.601.184	(877.314)	-	
TOTAL SHAREHOLDERS' EQUITY	**37.365.319**	**23.052.216**	**1.307**	**10.329**
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	22.935.750	8.876.490	-	13.150
- Short-term provisions	-	37.705	-	-
Total current liabilities	**22.935.750**	**8.914.195**	**-**	**13.150**
Total liabilities	**60.301.069**	**31.966.411**	**1.307**	**23.479**

Subsidiaries	**Beijing Fidia M.&E. Co. Ltd.**	**Shenyang Fidia NC&M Company Ltd**	**OOO Fidia**	**Prometec**
Accounting currency	RMB	RMB	RUR	EUR
Period of reference for balance-sheet information	31/12/2017	31/12/2017	31/12/2017	31/12/2017
INCOME STATEMENT				
- Net sales	71.772.192	37.134.810	-	1.780
- Other operating revenue	294.379	173.357	-	-
Total revenue	**72.066.571**	**37.308.167**	**-**	**1.780**
- Changes in inventories of finished goods and work in progress	(6.370.940)	(2.575.167)	-	-
- Raw materials and consumables	36.680.757	25.484.631	-	-
- Personnel costs	9.923.668	5.364.131	-	-
- Other operating costs	14.402.348	4.515.897	-	1.780
- Depreciation and amortization	481.997	91.639	-	-
Operating profit from ordinary business	**4.206.860**	**(720.298)**	**-**	**-**
- Non-recurring income/(expenses)	-	-	-	
Operating profit	**4.206.860**	**(720.298)**	**-**	**-**
- Finance revenue (expenses)	1.825.903	(147.746)	-	-
Profit (loss) before taxes	**6.032.763**	**(868.045)**	**-**	**-**
Income tax	(1.431.579)	(9.269)	-	-
Net profit (loss) for the period	**4.601.184**	**(877.314)**	**-**	**-**

FIDIA S.p.A. - Bilancio al 31dicembre 2017

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 2017 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 2017** (in migliaia di euro)
Revisione contabile	EY S.p.A.	Capogruppo - Fidia S.p.A.	78
	Rete EY	Società controllate	52
	Mazars Beijing	Società controllata: Shenyang Fidia NC&M Co. Ltd.	18
Servizi di attestazione			2
Altri servizi			-
Totale			**150**

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, in qualità di Vice Presidente 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 2017.

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 2018

Presidente e Amministratore Delegato

Giuseppe Morfino

Vice Presidente

Carlos Maidagan

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.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 31/12/2017
(ai sensi dell'art. 153 del D. Lgs. 24 febbraio 1998, n.58)

Signori Azionisti,

Nel corso dell'esercizio chiuso al 31 dicembre 2017 e sino alla data odierna il Collegio Sindacale ha svolto 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.

La presente relazione è redatta ai sensi 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 – se del caso - a formulare proposte in ordine al bilancio, alla approvazione dello stesso e alle materie di propria competenza.

Abbiamo esaminato il bilancio al 31 dicembre 2017, redatto dal Consiglio di Amministrazione ai sensi di Legge e da questi comunicato al Collegio nel corso della riunione del 15 marzo 2018.

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 una perdita d'esercizio di Euro 1.427.596.

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. .

1

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. ha svolto nel corso dell'esercizio 2017 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 ha consegnato al Collegio le Relazioni rilasciate ai sensi degli art. 14 e 16 del D.Lgs. 39/2010 per l'esercizio chiuso al 31 dicembre 2017 in data odierna. Le suddette Relazioni non contengono rilievi e/o richiami di informativa ed attestano che il bilancio di esercizio e il bilancio consolidato sono redatti con chiarezza e in conformità alle norme che ne disciplinano la redazione e rappresentano in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa delle Società e del Gruppo per l'esercizio chiuso al 31.12.2017. Le predette relazioni attestano altresì che la Relazione sulla gestione e alcune specifiche informazioni sul governo societario e gli assetti proprietari sono coerenti con il bilancio d'esercizio e il bilancio consolidato.

In riferimento alla Relazione aggiuntiva di cui all'art. 11 del Regolamento UE n. 537/2014, E&Y S.p.A. ha illustrato i seguenti punti: indipendenza della Società di revisione e del revisore; flusso informativo con il Comitato Controlli e Rischi; attività di revisione svolta – tempistica – metodologia – livello di significatività adottato; carenze significative nel sistema di controllo interno; questioni significative rilevate e discusse; metodi di valutazione applicati; ambito di consolidamento.

Nel corso dello svolgimento della revisione del bilancio d'esercizio chiuso al 31 dicembre 2017, la Società di revisione non ha rilevato carenze significative nel sistema di controllo interno per l'informativa finanziaria e/o nel sistema contabile, come attestato dalla medesima Società di revisione nella relazione emessa ai sensi dell'art. 11 del Reg. UE n. 537/2014.

Inoltre, il Collegio sindacale ha esaminato l'attestazione che E&Y S.p.A. ha rilasciato in data 30 marzo 2018, ai sensi dell'art. 10 e 17 del D. Lgs. 39/2010, nella quale ha confermato la propria indipendenza.

Alla suddetta Società di revisione non sono stati conferiti, nell'esercizio 2017, 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.).

Il Collegio ha periodicamente incontrato il dirigente preposto alla redazione dei documenti contabili societari (il "Dirigente Preposto"); in particolare, riferisce che nel corso del 2017 il Dirigente Preposto ha reso le proprie attestazioni di cui all'art. 154-bis T.U.F., confermando in particolare che i bilanci di esercizio e consolidato forniscono una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria della Società e delle imprese incluse nel consolidamento.

A integrazione di quanto precedente affermato, il Collegio segnala in particolare quanto segue:

- di avere 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 di avere 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, il Collegio ha 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 sociale; l'attività del Collegio 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;
- di avere vigilato, per quanto di 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;

- di avere 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 assunte dai responsabili delle rispettive funzioni, l'esame dei documenti aziendali e l'analisi dei risultati del lavoro svolto dalla Società di revisione;
- di avere vigilato sulle modalità di concreta attuazione delle regole di governo societario previste dal Codice di Autodisciplina adottato dalla Società;
- di avere 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;
- nel corso del 2017 il Consiglio di Amministrazione si è riunito sette volte, il Comitato Controllo e Rischi, anche in veste di Comitato per le operazioni con Parti Correlate, tre volte e il Comitato per la Remunerazione due volte e l'Assemblea una volta. Nel corso del medesimo anno il Collegio sindacale si è riunito cinque volte ed ha partecipato a tutte le riunioni del Consiglio di Amministrazione e dell'Assemblea tenutesi nel corso dell'esercizio. Il Collegio ha, inoltre, partecipato, in persona del Presidente o di un Sindaco Effettivo, alle riunioni dei Comitati;
- 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; il Collegio Sindacale ha avuto periodici aggiornamenti dalla Dott.ssa Riorda sull'andamento del Piano di Internal Audit;
- l'Organismo di Vigilanza istituito ai sensi del D. Lgs. 231/2001 si è riunito due volte nel corso dell'esercizio; è stato garantito nel continuo il raccordo informativo tra Collegio e Organismo di Vigilanza grazie alla presenza del Presidente del Collegio all'interno dell'Organismo;
- di avere 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. in base alle disposizioni dalla stessa impartite; 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 (rischi connessi alle condizioni generali dell'economia, ai risultati del Gruppo, al fabbisogno dei mezzi finanziari, alla fluttuazione dei tassi di cambio e di interesse, ai rapporti con i dipendenti e i fornitori, al management, all'alta competitività nei settori nei quali il Gruppo opera, alle vendite sui mercati internazionali, alle esposizioni a condizioni locali mutevoli, alla responsabilità civile prodotti, alla politica ambientale), che è stata effettuata in maniera dettagliata e puntuale, così come le informazioni riportate nella nota integrativa.

Il Collegio dà 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 gli stessi sono regolati a condizioni di mercato ritenute normali nei rispettivi mercati di riferimento, tenuto conto delle caratteristiche dei beni e dei servizi prestati.
- 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 sottoposti alla vostra approvazione 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 sono stati presentati esposti da parte di Azionisti e/o di terzi;
- nell'ambito dell'attività di vigilanza e controllo svolta nel corso dell'esercizio, non sono stati rilevati fatti censurabili, omissioni o irregolarità di rilevanza tale da richiederne la segnalazione nella presente relazione;
- nel corso dell'esercizio il Collegio ha dato i seguenti pareri:

* parere favorevole alla proposta di nomina del dott. Massimiliano Pagnone quale dirigente preposto alla redazione dei documenti contabili societari ex art. 154-bis T.U.F.;
* parere favorevole alla cooptazione del Consigliere indipendente ing. Laura Morgagni in sostituzione del prof. ing. Mariachiara Zanetti;
* parere favorevole al compenso deliberato a favore del Presidente e Amministratore Delegato ing. Giuseppe Morfino.

Operazioni atipiche e/o inusuali

Nel corso dell'esercizio 2017, 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 cui contenuti 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 il Consiglio di Amministrazione ha informato il Collegio che le operazioni effettuate dalla Società con parti correlate fanno parte dell'ordinaria gestione, che sono regolate secondo le normali condizioni di mercato.

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 dovere integrare detta informativa, che appare adeguata.

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.

Fabbricato industriale

Nel corso del 2017 sono stati sostenuti costi per 1.451 migliaia di Euro per ultimare la costruzione e l'ampliamento di un fabbricato industriale che la Società ha acquisito nel 2014 tramite un contratto di leasing *"in costruendo"*. L'immobile è stato posto in uso nel corso dell'esercizio e pertanto i costi globalmente sostenuti, pari a 8.765 migliaia di Euro, sono stati iscritti in bilancio alla voce "Fabbricati" (sino al 2016 erano stati iscritti nelle immobilizzazioni materiali in corso) e sono stati oggetto di ammortamento. L'immobile non è gravato da garanzie reali ma, in virtù del contratto di leasing, è intestato alla Società di leasing.

Applicazione dell'*impairment test*

L'organo amministrativo della Società, nell'ambito del processo di formazione del bilancio di esercizio al 31.12.2017, ha proceduto a effettuare il 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., la quale ha consolidato nel 2017 il trend di risultati economici positivi e per la quale è stata effettuata una ripresa di valore di 1.538 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 31.12.2017 (così come al 31.12.2016) la Società aveva in portafoglio n. 10.000 azioni proprie, per un valore di mercato (al corso del titolo del 30.12.2017) di 69,1 migliaia di Euro.

Signori Azionisti,

alla luce di quanto 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 ritiene di non avere né osservazioni né proposte sul bilancio, sulla relazione di gestione e sulla proposta di copertura della perdita dell'esercizio 2017 (pari a Euro 1.427.596,35 mediante l'utilizzo della riserva formata con gli utili portati a nuovo), i quali conseguentemente risultano suscettibili della Vostra approvazione.

San Mauro Torinese, 30 marzo 2018

Il Collegio Sindacale

Dott. Maurizio Ferrero – Presidente Maurizio Ferrero

Dott.ssa Marina Scandurra – Sindaco Effettivo Marina Scandurra

Dott. Marcello Rabbia – Sindaco Effettivo Marcello Rabbia

Report of Independent Auditors

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Fidia S.p.A.

Bilancio d'esercizio al 31 dicembre 2017

**Relazione della società di revisione indipendente
ai sensi degli artt. 14 del D. Lgs. 27 gennaio 2010, n. 39 e
10 del Regolamento (UE) n. 537/2014**

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Relazione della società di revisione indipendente
ai sensi degli artt. 14 del D. Lgs. 27 gennaio 2010, n. 39 e 10 del Regolamento (UE) n. 537/2014

Agli Azionisti della
Fidia S.p.A.

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Fidia S.p.A. (la Società), costituito dal conto economico, dal conto economico complessivo, dalla situazione patrimoniale-finanziaria al 31 dicembre 2017, dal rendiconto finanziario per l'esercizio chiuso a tale data, dal prospetto delle variazioni del patrimonio netto e dalle note al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2017, 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.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio d'esercizio nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

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Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Abbiamo identificato i seguenti aspetti chiave della revisione contabile.

Aspetti chiave	Risposte di revisione
Riconoscimento dei ricavi per la vendita di macchine	
I ricavi della Società realizzati nell'esercizio 2017 ammontano a Euro 29 milioni, dei quali Euro 20 milioni relativi alla vendita di macchine, riconosciuti al momento in cui l'installazione e il collaudo vengono formalmente accettati dall'acquirente. La peculiarità delle condizioni contrattuali per questa tipologia di transazioni rende il processo di riconoscimento dei ricavi articolato in relazione alle diverse modalità di accettazione da parte del cliente e, pertanto, il riconoscimento dei ricavi è stato ritenuto un aspetto chiave della revisione. La Società fornisce l'informativa relativa al criterio di riconoscimento dei ricavi nella sezione "Principi contabili significativi" al paragrafo "Riconoscimento dei ricavi" del bilancio d'esercizio.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • la comprensione del processo adottato dalla Società per il riconoscimento dei ricavi; • l'analisi delle procedure e dei controlli chiave posti in essere dalla Società sul riconoscimento dei ricavi; • l'esecuzione di sondaggi di conformità sui controlli chiave, inclusi quelli relativi all'applicazione degli accordi contrattuali; • l'esecuzione di procedure di validità con riferimento ai ricavi riconosciuti in prossimità della data di bilancio, tra cui l'esame della documentazione attestante i requisiti per il riconoscimento dei ricavi nel conto economico o per il differimento del ricavo e del relativo margine, laddove di competenza dell'esercizio successivo. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione al riconoscimento dei ricavi.
Valutazione delle immobilizzazioni immateriali	
Le immobilizzazioni immateriali includono attività di sviluppo per Euro 1,6 milioni al 31 dicembre 2017. I processi e le modalità di rilevazione e valutazione delle attività di sviluppo sono basate su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione, in particolare con riferimento alle previsioni dei flussi di cassa futuri, coerentemente con le previsioni del business plan della Società. In considerazione del giudizio richiesto nel definire le assunzioni chiave alla base delle previsioni contenute nel business plan della Società, tale tematica è stata ritenuta un aspetto chiave della revisione.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • l'analisi della procedure e dei controlli chiave posti in essere dalla Società ai fini della rilevazione e valutazione delle attività di sviluppo; • l'esecuzione di sondaggi di conformità sui controlli chiave; • lo svolgimento di procedure di validità sugli incrementi delle attività di sviluppo; • l'esame delle assunzioni chiave alla base delle previsioni contenute nel business plan della Società. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla valutazione delle immobilizzazioni immateriali.

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La Società fornisce l'informativa relativa al criterio di rilevazione e valutazione delle immobilizzazioni immateriali nella sezione "Principi contabili significativi" al paragrafo "Immobilizzazioni immateriali" del bilancio d'esercizio e nella Nota 12.

Recuperabilità delle attività per imposte anticipate e delle altre attività fiscali

Nel bilancio d'esercizio al 31 dicembre 2017 sono iscritte attività per imposte anticipate per Euro 382 migliaia ed altre attività fiscali per Euro 583 migliaia.
Le attività per imposte anticipate sono riferite alle differenze temporanee tra i valori civilistici e fiscali di attività e passività di bilancio e alle perdite fiscali riportabili indefinitamente. Le altre attività fiscali sono principalmente riferite a crediti per ritenute subite su redditi prodotti all'estero.

La recuperabilità del valore contabile di tali attività è soggetta a valutazione da parte della Direzione sulla base delle previsioni degli imponibili fiscali attesi negli esercizi in cui è previsto il loro utilizzo.

I processi e le modalità di valutazione della recuperabilità di tali attività sono basati su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione, con particolare riferimento alla coerenza fra le previsioni dei redditi imponibili futuri attesi dalla Società con le previsioni del business plan della Società.

In considerazione del giudizio richiesto nel definire le assunzioni chiave alla base delle previsioni dei redditi imponibili futuri, abbiamo ritenuto che tale tematica rappresenti un aspetto chiave della revisione.

La Società fornisce l'informativa relativa al criterio di rilevazione e valutazione di tali attività nella sezione "Principi contabili significativi" al paragrafo "Imposte" del bilancio d'esercizio e nella Nota 10.

Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro:

- l'analisi delle previsioni dei redditi imponibili futuri e la loro riconciliazione con le previsioni dei risultati ante imposte del business plan della Società per il periodo 2018-2020;
- la valutazione delle previsioni, rispetto all'accuratezza storica di quelle precedenti;
- la verifica dei calcoli dei modelli utilizzati dalla Direzione.

Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla recuperabilità delle attività per imposte anticipate e delle altre attività fiscali.

Valutazione delle partecipazioni in imprese controllate

Le partecipazioni in imprese controllate ammontano ad Euro 12,1 milioni al 31 dicembre 2017.

La Direzione valuta almeno annualmente la presenza di indicatori di impairment di ciascuna partecipazione, ovvero il venir meno delle condizioni che avevano comportato precedenti svalutazioni e, qualora si manifestino, assoggetta a verifica la recuperabilità del valore di tali attività.
Nell'esercizio è stato rilevato un ripristino del valore di una partecipazione di Euro 1,5 milioni.

I processi e le modalità di valutazione e determinazione del valore recuperabile delle partecipazioni sono basate su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione. In particolare, tali assunzioni riguardano le previsioni dei flussi di cassa futuri delle controllate, la determinazione dei flussi di cassa normalizzati alla base della stima del valore terminale e la determinazione dei tassi di crescita di lungo periodo e di attualizzazione.

In considerazione del giudizio richiesto e della complessità delle assunzioni utilizzate nella stima del valore recuperabile, tale tematica è stata ritenuta un aspetto chiave della revisione.

La Società fornisce l'informativa di bilancio relativa alle Partecipazioni in imprese controllate nella sezione "Principi contabili significativi" al paragrafo "Partecipazioni" del bilancio d'esercizio e nella Nota 13.

Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro, l'analisi della procedura e dei controlli chiave posti in essere dalla Società in merito all'identificazione di eventuali perdite di valore e alla valutazione delle partecipazioni.
Inoltre, nel caso delle partecipazioni sottoposte a verifica di valore, esse hanno incluso:

- l'analisi dei flussi di cassa futuri delle società partecipate, coerentemente con la strategia di gestione delle entità legali all'interno del Gruppo e con le previsioni dei flussi di cassa futuri riportati nel business plan di Gruppo per il periodo 2018-2020;
- la valutazione delle previsioni, rispetto all'accuratezza storica di quelle precedenti;
- la verifica della determinazione dei tassi di crescita di lungo periodo e dei tassi di attualizzazione.

Nelle nostre verifiche ci siamo anche avvalsi dell'ausilio di nostri esperti in tecniche di valutazione, che hanno eseguito un ricalcolo indipendente ed effettuato analisi di sensitività sulle assunzioni chiave al fine di determinare i cambiamenti delle assunzioni che potrebbero impattare significativamente la valutazione del valore recuperabile.

Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla valutazione delle partecipazioni.

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Responsabilità degli amministratori e del collegio sindacale 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 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori

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del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'assemblea degli azionisti della Fidia S.p.A. ci ha conferito in data 27 aprile 2012 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi dal 31 dicembre 2012 al 31 dicembre 2020.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio d'esercizio espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

Building a better working world

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58

Gli amministratori della Fidia S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari della Fidia S.p.A. al 31 dicembre 2017, incluse la loro coerenza con il relativo bilancio d'esercizio e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio d'esercizio della Fidia S.p.A. al 31 dicembre 2017 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella 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 2017 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Torino, 30 marzo 2018

EY S.p.A.

Roberto Grossi
(Socio)