



Half-Year Report at 30 June 2017

FIDIA GROUP

**Board of Directors
14 September 2017**

Fidia S.p.A.

Registered office in San Mauro Torinese, Corso Lombardia, 11

Capital paid in €5,123,000.00

Turin Register of Companies

Taxpayer's Code 05787820017

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Issue date: 14/09/2017

**This Report is also available at:
www.fidia.com**

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

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

(a) Appointed Chairman at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for FY2019; appointed Managing Director 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 FY2019.

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 SpA (former Reconta Ernst&Young)

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

POWERS OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND DEPUTY CHAIRMAN

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

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

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

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

Deputy Chairman of the Board of Directors: Mr. Carlos Maidagan.

Organization of the FIDIA GROUP



INTERIM REPORT

SHAREHOLDERS AND TREND OF FIDIA SHARES

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 1 January 2017 to 5 September 2017.



In the first half of 2017 the number of ordinary shares, equal to 5,123,000, was unchanged compared to 31 December 2016.

The holders of ordinary shares at 14 September 2017 are:

Giuseppe Morfino No. 2,865,516 equal to 55.93%;

Market No. 2,247,484 equal to 43.87%;

Own shares No. 10,000 equal to 0.20%.

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

ECONOMIC AND FINANCIAL PERFORMANCE OF THE GROUP

The first half of 2017 was characterised by revenues of €17,329 thousand, down (-35.8%) from the result recorded at the end of the first half del 2016 (€26,985 thousand).

The operating margins which in the second quarter of the period improved significantly are affected by the negative performance in the first quarter.

Sales performance, also in the second quarter, remained satisfactory, and overall in the first half of the year new orders were much higher than the performance recorded in the same period of 2016, totalling €26,001 thousand compared to €16,736 thousand in the first half of 2016 (+55%).

More specifically, the reclassified income statement of the first half del 2017 compared with that of the first half of 2016 is as follows:

(€thousand)	1st Half 2017	%	1st Half 2016	%
Net revenue	17,329	76.7%	26,985	86.8%
Changes in inventories of finished goods and W.I.P.	4,117	18.2%	3,121	10.1%
Other revenues and income	1,143	5.1%	978	3.1%
Value of production	22,588	100.0%	31,083	100.0%
Raw materials and consumables	(8,547)	-37.8%	(11,170)	-35.9%
Commissions	(155)	-0.7%	(664)	-2.1%
Transport	(614)	-2.7%	(666)	-2.1%
Contractors	(1,241)	-5.5%	(2,099)	-6.8%
Other services and operating costs	(5,188)	-23.0%	(5,398)	-17.4%
Added value	6,844	30.3%	11,087	35.7%
Personnel expenses	(9,001)	-39.8%	(8,831)	-28.4%
EBITDA	(2,157)	-9.5%	2,257	7.2%
Bad debts provision	(99)	-0.4%	(82)	-0.3%
Depreciation	(425)	-1.9%	(325)	-1.0%
Operating profit from ordinary business	(2,680)	-11.9%	1,849	5.9%
Non-recurring (expenses)/revenue	-	0.0%	-	0.0%
EBIT	(2,680)	-11.9%	1,849	5.9%
Net finance income and costs	(26)	-0.1%	(113)	-0.4%
Profit/(Loss) on exchange rates	146	0.6%	201	0.6%
Earnings before tax (EBT)	(2,560)	-11.3%	1,937	6.2%
Income taxes (current, paid and deferred)	(212)	-0.9%	(715)	-2.3%
Net profit (loss) for the period	(2,772)	-12.2%	1,222	3.9%
- (Profit)/Loss of non-controlling interests	(78)	-0.3%	(8)	0.0%
- Profit/(Loss) of Group	(2,694)	-11.9%	1,230	4.0%

ANALYSIS OF ECONOMIC TRENDS

Revenues

The first half of the period reported revenues of €17,329 thousand, down 35.8% YOY.

The trend is due to the mechanics segment (HSM) which recorded revenue of €9,652 thousand compared to €18,605 thousand of the first half of the previous year (-48.1%), to the electronics segment (CNC) and Service segment which reported lower results compared to the first half of 2016 with revenue at €1,691 thousand (-6.7% compared to €1,812 thousand at 30 June 2016) and €5,986 thousand (-8.9% compared to €6,568 thousand at 30 June 2016) respectively.

The trend is mainly due to the significant and temporary drop in machine production due to the completion of the move to the new production plant as well as to the level of orders recorded at the end of 2016.

The revenues trend per business line is shown in the table below:

(€thousand)	1st Half 2017	%	1st Half 2016	%	% Chg
Numerical controls, drives and software	1,691	9.8%	1,812	6.7%	-6.7%
High-speed milling systems	9,652	55.7%	18,605	68.9%	-48.1%
After-sales service	5,986	34.5%	6,568	24.3%	-8.9%
Grand total	17,329	100%	26,985	100%	-35.8%

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

(€thousand) GEOGRAPHICAL AREA	TOTAL REVENUES 1st Half 2017	%	TOTAL REVENUES 1st Half 2016	%	% Chg
ITALY	1,639	9.5%	2,118	7.8%	-22.6%
EUROPE	5,177	29.9%	8,833	32.7%	-41.4%
ASIA	5,801	33.5%	7,966	29.5%	-27.2%
NORTH and SOUTH AMERICA	4,540	26.2%	8,061	29.9%	-43.7%
REST OF THE WORLD	172	1.0%	7	0.0%	
TOTAL	17,329	100%	26,985	100.0%	-35.8%

Numerical Control and Software

The revenues of the electronic segment are down by 6.7% compared to the 1st half of 2016 at €1,691 thousand versus €1,812 thousand in the same period of last year.

High-Speed Milling Systems

The high-speed milling systems revenue (HSM) showed decreased revenues compared with that recorded the previous year, reaching a total value of €9,652 thousand compared to €18,605 thousand of the first half of 2016 (-48.1%)

After-sales service

Revenues of the Service segment, which comprise revenues from the after-sales service, from the sale of spare parts and from scheduled maintenance recorded a decrease (-8.9%) compared to the same period of last year, amounting to €5,986 thousand (€6,568 thousand at 30 June 2016).

Sales and marketing activity

Commercial activity in the first half of the year was very positive and the trend continued in the third quarter.

The following tables show the trend in the backlog orders and in the new orders in the two periods under consideration.

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.

	TOTAL	TOTAL	Chg.
(€thousand)	30/6/2017	30/6/2016	%
Order backlog at 1/1	14,607	30,927	-52.8%
New orders	26,001	16,736	55.4%
Revenues	-11,343	-20,417	-44.4%
Order backlog at 30/6	29,265	27,246	7.4%

Other revenues and income

Other revenues and earnings in 1st half 2017 were equal to €1,143 thousand (€978 thousand in the same period of 2016). This figure includes the other revenues from ordinary activity, but that cannot be included in the typical sale of goods and services.

This item includes:

- release of the warranty, bad debts and/or any accruals in excess of the risk to be covered (€468 thousand versus €296 thousand at 30 June 2016);
- increases in tangible assets built on a time and materials basis and the capitalization of product development costs (€283 thousand versus €180 thousand at 30 June 2016);
- recovery of costs, contingent assets and other sundry revenues (€252 thousand; €231 thousand in the same period of last year).
- research grants from the EU and Italian Ministry of Education, University and Research (MIUR) as part of the funded research activity carried out by the parent company Fidia S.p.A. (€134 thousand, €264 thousand at 30 June 2016);
- capital gains from disposals of tangible assets (€6 thousand versus €7 thousand at 30 June 2016).

Value of production

In the first half, the value of production (consisting of net revenues, changes in inventories of finished goods and WIP and other revenues and earnings) decreased compared to the same period of 2016 (€22,588 thousand versus €31,083 thousand of 30 June 2016) due to decreased revenue.

Commissions and transport

These items amounted in the first half to €769 thousand, down from €1,330 thousand in the same period of 2016 as a result of cost saving measures adopted in recent years and of the changed geographical mix of sales.

Contractors

This item totalled €1,241 thousand in the first half, down compared to €2,099 thousand in the same period of 2016, mainly due to the lower volume of revenues recorded in the first half of 2017 and decreased as a percentage of revenues (5.5% compared to 6.8% in the first half of 2016).

Other services and operating costs

This item amounts in the first half to €5,188 thousand and is almost in line with the €5,398 thousand in the same period of 2016.

Added value

Added value decreased in absolute terms (from €11,087 thousand at 30 June 2016 to €6,844 thousand at 30 June 2017), mainly due to lower revenues and worsened as a percentage (30.3% compared with 35.7% in the same period of 2016) thanks to the low value of production achieved and the incidence of fixed costs (such as other operating costs).

Personnel

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

	1st Half 2017	1st Half 2016	Abs. change	% Chg
Executives	8	8	0	0.0%
Clerks and cadres	279	279	0	0.0%
Workers	51	53	-2	-3.8%
Total employees	338	340	-2	-0.6%
Total average number of employees in the first half	340.5	340.0	0.5	0.1%

	1st Half 2017	1st Half 2016	Abs. change	% Chg
Labour cost (€thousand)	9,001	8,831	170	1.93%

Personnel costs increased by €170 thousand compared to the first half of 2016 (+1.93%), mainly due to the inflation rate and in Italy to the renewal of the national collective labour agreement. The percentage of personnel costs compared with value of production increased from 28.4% at 30 June 2016 to 39.8% at 30 June 2017 due to decreased value of production realised.

EBITDA

EBITDA was negative at -€2,157 thousand (+€2,257 thousand at 30 June 2016).

Operating profit from ordinary business

The operating result of ordinary operations as at 30 June 2017 was also negative, amounting to -€2,680 thousand, compared to a positive result of €1,849 thousand at 30 June 2016.

This result was affected by the higher depreciation of fixed assets compared to the first half of 2016 (+€100 thousand), mainly related to the depreciation of two development projects (€54 thousand) and to the depreciation of the new building in Forlì (€31 thousand), which began on 1 June 2017.

Non-recurring revenue

In the first half of 2017 there were no non-recurring revenue or expenses, as was the case in the same period of 2016.

EBIT

Due to the lack of non-recurring items, EBIT at 30 June 2017 was equal to trading profit and was negative at €2,680 thousand (at 30 June 2016 it was positive at €1,849 thousand).

Finance charges and revenue - Net exchange rate differences

Charges for financing activities were better compared with those of the first half del 2016 (net charges of €26 thousand at 30 June 2017 versus €113 thousand of the same period of the previous year). Net differences in exchange rates, either realized or resulting from measurement in the financial statements, generated net revenue of €146 thousand versus a net profit of €201 thousand at 30 June 2016.

Earnings before tax (EBT)

EBT resulted in a loss of €2,560 thousand versus a profit of €1,937 thousand at 30 June 2016.

Profit (loss) of Group

Group loss for the year after tax of €212 thousand and after losses of NCIs (€78 thousand) amounted to €2,694 thousand versus a profit of €1,230 thousand in the first half of 2016.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group reclassified statement of financial position was as follows:

(€thousand)	30/6/2017	31/12/2016	30/6/2016
Net tangible assets	11,552	10,452	8,924
Intangible fixed assets	1,508	1,338	1,212
Financial fixed assets	16	16	16
Other financial assets	1,666	1,818	2,087
Capital assets – (A)	14,743	13,625	12,239
Net trade receivables from customers	8,895	14,797	11,867
Closing inventories	22,406	19,375	24,088
Other current assets	2,038	1,596	2,084
Short-term (current) assets – (B)	33,339	35,769	38,038
Trade payables to suppliers	(8,861)	(10,095)	(11,477)
Other current liabilities	(13,127)	(10,441)	(11,957)
Short-term (current) liabilities – (C)	(21,988)	(20,535)	(23,434)
Net working capital (D) = (B+C)	11,351	15,233	14,604
Termination benefits (E)	(2,282)	(2,330)	(2,501)
Other long-term liabilities (F)	(154)	(179)	(198)
Net invested capital (G) = (A+D+E+F)	23,658	26,350	24,144
Financial position			
Financial assets held for sale			
Cash on hand, bank deposits	(9,642)	(8,925)	(8,061)
Short-term loans	5,543	4,419	3,083
(Assets)/liabilities for current derivatives	(21)	198	64
Other current financial payables	-	-	69
Short-term financial position (receivable)/payable	(4,120)	(4,308)	(4,846)
Long-term loans, net of current portion	13,583	11,697	11,293
(Assets)/liabilities for long-term derivatives	20	23	36
Net financial position (receivable)/payable (H)	9,483	7,412	6,483
Share capital	5,123	5,123	5,123
Provisions	9,857	9,282	8,969
Net profit (loss) for the period	(2,694)	2,462	1,230
Total shareholders' equity of Group	12,286	16,867	15,322
Total equity of non-controlling interests	1,888	2,071	2,339
Total shareholders' equity (I)	14,174	18,938	17,661
Shareholders' equity and net financial position (L) = (H+I)	23,658	26,350	24,144

Net financial position

The trend in net financial position is shown below.

(€thousand)	30/6/2017	31/12/2016	30/6/2016
Financial position			
Financial assets held for sale	-	-	-
Cash on hand, bank deposits	(9,642)	(8,925)	(8,061)
Overdrawn bank accounts and short-term advances	510	486	627
Short-term loans	5,033	3,933	2,456
(Assets)/liabilities for current derivatives	(21)	198	64
Other current financial payables	-	-	69
Short-term financial position (receivable)/payable	(4,120)	(4,308)	(4,846)
Long-term loans, net of current portion	13,583	11,697	11,293
(Assets)/liabilities for long-term derivatives	20	23	36
Net financial position - (receivable)/payable	9,483	7,412	6,483

The detail of assets and liabilities inside the net financial position follows in the table below:

(€thousand)	30/6/2017	31/12/2016	30/6/2016
Financial assets held for sale	-	-	-
Cash on hand, bank deposits			
Fidia S.p.A.	5,957	4,319	4,083
Fidia Co.	676	565	667
Fidia GmbH	572	767	644
Fidia Iberica S.A.	554	466	683
Fidia S.a.r.l.	510	444	500
Beijing Fidias Machinery & Electronics Co., Ltd	1,094	1,673	1,079
Fidia do Brasil Ltda.	158	81	72
Shenyang Fidias NC & M Co., Ltd	123	610	334
OOO Fidias	-	-	-
	9,642	8,925	8,061
Total cash and cash equivalents	9,642	8,925	8,061

(€thousand)	30/6/2017	31/12/2016	30/6/2016
Short-term loans and advances			
Fidia S.p.A.	(5,476)	(4,347)	(3,003)
Fidia GmbH	(53)	(57)	(65)
Fidia Iberica S.A.	(13)	(15)	(15)
	(5,543)	(4,419)	(3,083)
Assets/(liabilities) for current derivatives			
Fidia S.p.A.	21	(198)	(64)
	21	(198)	(64)
Other current financial payables			
Fidia S.p.A.	-	-	(69)
	-	-	(69)
Long-term loans, net of current portion			
Fidia S.p.A.	(13,548)	(11,630)	(11,191)
Fidia GmbH	(18)	(44)	(71)
Fidia Iberica S.A.	(17)	(23)	(31)
	(13,583)	(11,697)	(11,293)
Assets/(liabilities) for long-term derivatives			
Fidia S.p.A.	(20)	(23)	(36)
	(20)	(23)	(36)
Total financial payables	(19,125)	(16,337)	(14,545)

At 30 June 2017 the net financial position was negative at €9,483 thousand; the change from 31 December 2016 was negatively affected by the increase in working capital and specifically of inventory, in addition to a lower level of revenues and receipts, as well as to increased borrowings for the construction of the new plant in Forlì.

The following table contains a condensed cash flow statement at 30 June 2017 showing the cash flows composing the net financial position.

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

(€thousand)	1st Half 2017	Year 2016	1st Half 2016
A) Cash and cash equivalents at beginning of period	8,440	15,534	15,534
B) Cash from/(used in) operating activities	592	(6,465)	(7,458)
C) Cash from/(used in) investing activities	(1,812)	(4,878)	(2,912)
D) Cash from/(used in) financing activities	2,682	4,252	2,666
Differences in exchange rates	(770)	(3)	(396)
E) Net change in cash and cash equivalents	691	(7,094)	(8,100)
F) Cash and cash equivalents at end of period	9,132	8,440	7,434
Breakdown of cash and cash equivalents:			
Cash and cash equivalents	9,642	8,925	8,061
Overdrawn bank accounts	(510)	(486)	(627)
	9,132	8,440	7,434

ALTERNATIVE PERFORMANCE INDICATORS

In this Report, in addition to conventional IFRS financial indicators, a number of alternative performance indicators have been provided to allow 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.

Below follow the alternative performance indicators used by the Group and the related explanation of their content and basis for calculation:

- EBIT,
- EBITDA ("Earnings Before Interest, Taxes, depreciation, amortization and write-downs"), which is the sum of the EBIT as per the financial statements, the item "Depreciation/amortisation of fixed assets" and the item "Bad debts provision";
- EBT (Earnings before tax);
- Adjusted EBITDA, EBIT and EBT: these are the same alternative performance indicators net of non-recurring items. At 30 June 2017 these indicators are the same as the non-adjusted but without non-recurring items.
- "Value of production", which is given by the algebraic addition of the items "Net revenue," "Other revenue", and "Changes in inventories of finished goods and work in progress."

The comment of the alternative performance indicators is provided in the paragraphs above.

Below follow indicators relating to the financial structure and to the economic and financial situation:

FINANCIAL RATIOS

INVESTMENT MIX RATIOS

RATIOS	30 June 2017	31 December 2016
1) Weight of fixed assets		
Capital assets	14,744	13,625
<hr/> Total assets	<hr/> 57,746 = 25.50%	<hr/> 58,319 = 23.40%
2) Weight of working capital		
Current assets	43,002	44,694
<hr/> Total assets	<hr/> 57,746 = 74.50%	<hr/> 58,319 = 76.60%

LOAN MIX RATIOS

RATIOS	30 June 2017	31 December 2016
1) Weight of current liabilities		
Current liabilities	27,531	25,152
<hr/> Total liabilities (except net equity)	<hr/> 43,572 = 63.20%	<hr/> 39,381 = 63.90%
2) Weight of non-current liabilities		
Non-current liabilities	16,041	14,229
<hr/> Total liabilities (except net equity)	<hr/> 43,572 = 36.80%	<hr/> 39,381 = 36.10%
3) Weight of own capital		
Own capital	14,174	18,938
<hr/> Net invested capital	<hr/> 23,680 = 59.90%	<hr/> 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;
- a reduction in the hedging of net invested capital with own capital, due to a worsening of net financial payables/receivables in the first half of 2017.

FINANCIAL POSITION RATIOS

LIQUIDITY RATIOS

INDICATOR	30 June 2017	31 December 2016
$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{43,002}{27,531} = 1.56$	$\frac{44,694}{25,152} = 1.78$

CAPITAL ASSETS COVERAGE RATIO

INDICATOR	30 June 2017	31 December 2016
$\frac{\text{Own capital}}{\text{Capital assets}}$	$\frac{14,174}{14,744} = 0.96$	$\frac{18,938}{13,625} = 1.39$

CASH RATIO

INDICATOR	30 June 2017	31 December 2016
$\frac{\text{Short-term assets}}{\text{Short-term liabilities}}$	$\frac{33,360}{21,988} = 1.52$	$\frac{35,769}{20,535} = 1.74$

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 strong coverage of capital assets with own funds.

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

ECONOMIC POSITION RATIOS

ROE

	30 June 2017		30 June 2016			
$\frac{\text{Net income pertaining to Group}}{\text{Equity of Group}}$	$\frac{-2,694}{12,286}$	=	-21.90%	$\frac{1,230}{15,322}$	=	8.00%

ROI

	30 June 2017		30 June 2016			
$\frac{\text{Operating income from ordinary business}}{\text{Invested capital}}$	$\frac{-2,680}{23,680}$	=	-11.30%	$\frac{1,849}{24,144}$	=	7.70%

ROS

	30 June 2017		30 June 2016			
$\frac{\text{Operating income from ordinary business}}{\text{Sales}}$	$\frac{-2,680}{17,329}$	=	-15.50%	$\frac{1,849}{26,985}$	=	6.90%

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

ROI, which measures profitability from operations, was negative given the operating loss registered by the Group in the first half of 2017.

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

SEGMENT REPORTING

Economic performance by business sector

The following table shows earning performance broken down by business segment. The data of the Group are presented with a breakdown into three segments (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 trade fairs incurred for all three business lines.

Inter-segment revenues consist of numerical controls, electrical control panels, drives and systems transferred from the electronics segment to the milling systems segment and of mechanical components and milling heads provided to the electronics segment for specific applications.

Progressive data at June (€thousand)	CNC 2017	%	HSM 2017	%	SERVICE 2017	%	N/A 2017	TOTAL 2017
Revenues	1.691	78,2%	9.652	99,0%	5.986	100,0%	-	17.329
Cross-sector revenues	470	21,8%	94	1,0%	-	0,0%		
Total reclassified revenues	2.161	100,0%	9.746	100,0%	5.986	100,0%		
Changes in inventories of finished goods and W.I.P.	262	12,1%	3.832	39,3%	23	0,4%	-	4.117
Raw materials and consumables	(376)	-17,4%	(7.513)	-77,1%	(596)	-10,0%	(62)	(8.547)
Cross-sector expenses	132	6,1%	(1.065)	-10,9%	356	5,9%	14	
Commissions, transport and contractors	(299)	-13,8%	(1.452)	-14,9%	(248)	-4,1%	(11)	(2.010)
Sales margin	1.880	87,0%	3.548	36,4%	5.521	92,2%	(59)	10.888
Other operating revenue	296	13,7%	513	5,3%	147	2,5%	187	1.143
Other operating costs	(206)	-9,5%	(1.200)	-12,3%	(1.282)	-21,4%	(2.499)	(5.188)
Personnel costs	(1.387)	-64,2%	(2.937)	-30,1%	(2.756)	-46,0%	(1.921)	(9.001)
Depreciation, amortization and writedowns	(68)	-3,1%	(181)	-1,9%	(86)	-1,4%	(188)	(523)
Operating profit/(loss)	515	23,8%	(257)	-2,6%	1.544	25,8%	(4.480)	(2.680)

Progressive data at June (€thousand)	CNC 2016	%	HSM 2016	%	SERVICE 2016	%	N/A 2016	TOTAL 2016
Revenues	1.812	60,1%	18.605	99,9%	6.568	100,0%	-	26.985
Cross-sector revenues	1.202	39,9%	25	0,1%	-	0,0%	-	
Total reclassified revenues	3.014	100,0%	18.630	99,9%	6.568	100,0%	-	
Changes in inventories of finished goods and W.I.P.	250	8,3%	2.886	15,5%	(16)	-0,2%	-	3.121
Raw materials and consumables	(610)	-20,2%	(9.876)	53,0%	(592)	-9,0%	(92)	(11.170)
Cross-sector expenses	(4)	-0,1%	(1.552)	-8,3%	322	4,9%	6	-
Commissions, transport and contractors	(397)	-13,2%	(2.836)	15,2%	(193)	-2,9%	(3)	(3.429)
Sales margin	2.254	74,8%	7.253	38,9%	6.089	92,7%	(89)	15.507
Other operating revenue	275	9,1%	508	2,7%	98	1,5%	96	978
Other operating costs	(252)	-8,4%	(1.131)	-6,1%	(1.582)	-24,1%	(2.433)	(5.398)
Personnel costs	(1.453)	-48,2%	(2.922)	15,7%	(2.525)	-38,4%	(1.932)	(8.831)
Depreciation, amortization and writedowns	(8)	-0,3%	(178)	-1,0%	(48)	-0,7%	(173)	(407)
Operating profit/(loss)	816	27,1%	3.530	19,0%	2.033	31,0%	(4.531)	1.849
	(621)	-20,6%	(192)	-1,0%	- 2.023	-30,8%	(8.973)	(11.809)

RESEARCH & DEVELOPMENT

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, also supported by specialized consultants, is currently dedicated to R&D activities.

The costs incurred by the Group in the first half of 2017 amounted to about €1.1 million, equal to about 6.1% of revenues (€1.35 million in the first half of 2016 equal to about 5.0% of revenues), and were recorded mainly by the parent Fidia S.p.A.

Since the R&D activities are mainly carried out with internal resources, a substantial portion of the costs (about €1.0 million) is represented by personnel expenses.

The costs capitalized amounted to approximately €270 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 R&D in recent years has enabled the Group to strengthen its presence in the aerospace sector and to receive orders for machinery for the processing of components for the energy industry and of innovative materials (e.g., carbon fibre and titanium), as well as of non-ferrous materials (e.g. 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 the first half of 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. This scholarship was funded to honour the memory of our engineer, Mario Vesco, Technical Director of the Numerical Control Division until his premature death on 18 March 2015.
- **ViMill® – Look-ahead Virtual Milling** – 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. More robust management of input and an improvement in both the pre-treatment of 3D models that are not always reliable and of the core libraries for graphical modeling complete the picture of an increasingly integrated, user-friendly and error-free software that is able to eliminate the risk of errors introduced by the operator.
- **Axis Control and CNC Functions** - During the first half of 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. Six 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.

HiMonitor is one of the solutions in line with the Industry 4.0 criteria that equip FIDIA numerical controls. In 2017 HiMonitor continues to play a leading role in the future as new

developments and functions will be released 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 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 applications, 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 avoids abrupt and potentially harmful transients and substantially reduces 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 the first half of 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. It is estimated that the first HTF series machines will be presented at the beginning of 2018.
- **D321** - In the course of the first half of 2017 the development of a new machine was started for the finishing of the moulds of the DIGIT series based on gantry architecture that will complement the current offering in the DIGIT series with open frame architecture. The first D321 machine will be presented at the EMO trade fair in Hanover.
- **Series M5 milling heads** - The set of milling heads saw the continued development of three new versions S, L and E in the first half of 2017. The modernizations of the components and functions allow to accommodate more powerful spindles to apply high torque with substantial chip removal. They maintain characteristics similar to the current series with which they share some common parts, among which the v3 platform that allows quickly and effectively changing the machining head, drastically increasing the versatility of the machines which are equipped with them.

Finally, the Group's activities in the field of collaborative research continued in the first half of 2017 and a new project, coordinated by FIDIA, will be financed by the European Commission from 1 October 2017. 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. The first half of 2017 saw the participation of Fidia in 2 projects co-funded by the

European Commission as part of Horizon 2020. 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.

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.

INTRA-GROUP RELATIONS AND RELATIONS WITH RELATED PARTIES

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

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

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

The manufacturing of milling systems, numerical controls, 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, with the sole exception of Shenyang Fidia NC & M Co. Ltd., deal with the sales and servicing 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 subsidiary 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.

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

Under Article 7.2(c) of the above-mentioned "Guidelines", in the first half of 2017 there were no transactions with related parties that can be defined as having "major relevance."

Pursuant to Consob Resolution No. 15519 of 27 July 2006, supplementary consolidated income statement, consolidated statement of financial position and statement of cash flow schedules were drawn up, which show the impact of related party transactions on the individual financial statement items.

TRENDS IN GROUP COMPANIES

A brief overview of the performance of the Group companies during the first half is provided below. Data refers to the financial statements drawn up according to IAS/IFRS international accounting standards and all companies are consolidated with the line-by-line method.

	Fidia S.p.A.	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.
Accounting currency	KEUR	KEUR	KUSD	KEUR	KEUR
Period of reference of balance-sheet information	30.06.2017	30.06.2017	30.06.2017	30.06.2017	30.06.2017
ASSETS					
Non-current assets					
- Property, plant and equipment	9,552	186	1,558	4	365
- Intangible assets	1,499	-	7	-	2
- Investments	10,574	23	-	-	3
- Other non-current financial assets	-	-	-	-	-
- Trade receivables and other long-term receivables	761	-	2	7	122
- Pre-paid tax assets	353	18	174	23	0
Total non-current assets	22,739	227	1,741	33	492
Current assets					
- Inventories	14,437	316	4,219	314	231
- Trade receivables and other current receivables	8,236	1,497	3,505	271	694
- Cash and cash equivalents	5,957	572	771	510	554
Total current assets	28,631	2,384	8,495	1,095	1,479
Total assets	51,369	2,611	10,236	1,128	1,971
LIABILITIES					
Shareholders' equity					
- Share capital	5,123	520	400	300	180
- Other reserves	5,225	1,242	7,008	341	588
- Profit (loss) of the period	(2,969)	24	14	27	170
TOTAL SHAREHOLDERS' EQUITY	7,288	1,786	7,422	668	938
Non-current liabilities					
- Other non-current payables and liabilities	-	-	-	68	-
- Termination benefits	2,282	-	-	-	-
- Deferred tax liabilities	1	3	-	-	45
- Other non-current financial liabilities	21	-	4	-	23
- Non-current financial liabilities	13,548	18	-	-	17
Total non-current liabilities	15,852	21	4	68	86
Current liabilities					
- Current financial liabilities	7,299	53	-	-	13
- Trade payables and other current payables	20,127	714	2,676	392	894
- Short-term provisions	802	37	134	0	39
Total current liabilities	28,229	804	2,810	392	947
Total liabilities	51,369	2,611	10,236	1,128	1,971

	Fidia S.p.A.	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.
Accounting currency	KEUR	KEUR	KUSD	KEUR	KEUR
Period of reference of balance-sheet information	30.06.2017	30.06.2017	30.06.2017	30.06.2017	30.06.2017
<u>INCOME STATEMENT</u>					
- Net sales	11,314	1,884	3,522	1,422	931
- Other revenues	1,082	147	114	5	173
Total revenue	12,396	2,031	3,636	1,427	1,103
- Changes in inventories of finished goods and Work in Progress	2,999	(45)	10	10	13
- Raw materials and consumables	6,570	764	1,800	972	367
- Personnel costs	5,715	784	904	201	297
- Other operating costs	6,009	343	811	222	170
- Depreciation, amortization and write-downs	255	52	126	1	51
Operating profit from ordinary business	(3,155)	44	5	41	232
- Non-recurring income/(expenses)					
Operating profit	(3,155)	44	5	41	232
- Finance revenue (expenses)	195	1	14	0	4
Profit (loss) before taxes	(2,960)	45	20	41	237
Income tax	9	21	6	15	67
Net profit (loss) for the period	(2,969)	24	14	27	170

	Fidia do Brasil Ltda	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidia NC&M Company Ltd
Accounting currency	KREAIS	KRMB	KRMB
Period of reference of balance-sheet information	30.06.2017	30.06.2017	30.06.2017
<u>ASSETS</u>			
Non-current assets			
- Property, plant and equipment	64	235	256
- Intangible assets	-	5	-
- Investments	-	-	-
- Other non-current financial assets	-	-	-
- Trade receivables and other long-term receivables	-	-	-
- Pre-paid tax assets	94	943	119
Total non-current assets	158	1,183	375
Current assets			
- Inventories	570	21,326	23,633
- Trade receivables and other current receivables	1,510	39,693	13,211
- Cash and cash equivalents	593	8,463	948
Total current assets	2,673	69,482	37,792
Total assets	2,831	70,664	38,167
<u>LIABILITIES</u>			
Shareholders' equity			
- Share capital	400	12,814	42,518
- Other reserves	(42)	22,195	(18,588)
- Profit (loss) of the period	(239)	1,977	(1,336)
TOTAL SHAREHOLDERS' EQUITY	119	36,986	22,593
Non-current liabilities			
- Other non-current payables and liabilities	41	-	-
- Termination benefits	-	-	-
- Deferred tax liabilities	-	-	-
- Other non-current financial liabilities	-	-	-
- Non-current financial liabilities	-	-	-
Total non-current liabilities	41	-	-
Current liabilities			
- Current financial liabilities	-	-	-
- Trade payables and other current payables	2,632	33,678	15,538
- Short-term provisions	11	-	36
Total current liabilities	2,672	33,678	15,574
Total liabilities	2,831	70,664	38,167

	Fidia do Brasil Ltda	Beijing Fidia M.&E. Co. Ltd.	Shenyang Fidua NC&M Company Ltd
Accounting currency	KREAIS	KRMB	KRMB
Period of reference of balance-sheet information	30.06.2017	30.06.2017	30.06.2017
<u>INCOME STATEMENT</u>			
- Net sales	2,267	23,682	10,612
- Other revenues	16	161	6
Total revenue	2,283	23,843	10,618
- Changes in inventories of finished goods and Work in Progress	57	654	5,567
- Raw materials and consumables	1,390	12,704	12,642
- Personnel costs	461	4,986	2,694
- Other operating costs	622	6,034	2,041
- Depreciation, amortization and write-downs	11	291	41
Operating profit	(145)	482	(1,232)
- Finance revenue (expenses)	(91)	1,628	(83)
Profit (loss) before taxes	(236)	2,110	(1,315)
Income tax	3	133	5
Net profit (loss) for the period	(239)	1,977	(1,320)

SIGNIFICANT EVENTS OCCURRING AFTER THE FIRST HALF AND BUSINESS OUTLOOK FOR THE CURRENT PERIOD

Significant events occurring after the first half

It should be noted that on 14 July 2017 the Board of Directors evaluated a new organisational structure of the company and, in this regard, the General Manager and Vice Chairman Mr. Carlos Maidagan made available to the Board of Directors the proxies previously received in order to allow the best possible consideration of the decisions on the matter.

General Management and the position of Employer have been assigned to the Chairman and Chief Executive Officer, Mr. Giuseppe Morfino

Mr. Maidagan has been entrusted with two important commercial expansion projects: in Fidia Shenyang for the Chinese market and in Fidia GMBH for the German market.

Business outlook

The second quarter of the period closed with a significantly better result compared to the first, but it was still negative as was the first half as a whole.

On the commercial front, the performance achieved was very satisfactory in the first half of the year and this positive trend is continuing to date.

Machine deliveries were lower than expected in the first half of the year, but production planning supports the full-year revenue forecasts.

Based on these assumptions, the Group's management expects a substantial improvement in economic performance in the second half of the year.

During the first half business operations were conducted to support the Group's production capacity and the timeliness of deliveries, including through policies based on higher levels of inventory.

This, as well as the industrial building now in operation, will allow us to increase efficiency and production volumes adapting them to Group commercial results that are expected to be high in the current year.

The general economic situation is therefore expected to improve significantly during the second half of the year.

As a result of the above, the Group's net financial position was a debt of approximately €9.5 million, down from the end of last year, despite the fact that the company has the resources needed to meet its financial needs over the next twelve months.

FIDIA GROUP

**Condensed consolidated half-year financial statements at 30
June 2017**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (*)

(€thousand)	Notes	1st Half 2017	1st Half 2016
- Net sales	1	17.329	26.985
- Other revenues	2	1.143	978
Total revenues		18.472	27.963
- Changes in inventories of finished goods and W.I.P.		4.117	3.121
- Raw materials and consumables	3	(8.547)	(11.170)
- Personnel costs	4	(9.001)	(8.831)
- Other operating costs	5	(7.197)	(8.827)
- Depreciation, amortization and writedowns	6	(523)	(407)
- Operating profit/(loss) from ordinary business		(2.680)	1.849
- Non-recurring income/(expenses)	7	0	0
Operating profit/(loss)		(2.680)	1.849
- Finance revenue/(expenses)	8	120	88
- Profit/(loss) before tax		(2.560)	1.937
- Income tax	9	(212)	(715)
Profit/(loss) for continuing operations		(2.772)	1.222
- Profit/(loss) for discontinued operations		-	-
Profit (loss) for the period		(2.772)	1.222
Profit/(loss) attributable to:			
- Shareholders of parent company		(2.694)	1.230
- Non-controlling interests		(78)	(8)

(EUR)

Earnings per ordinary share	10	(0,53)	0,24
Diluted earnings per ordinary share	10	(0,53)	0,24

(*) 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ thousand)	Notes	1st half 2017	1st Half 2016
Profit (loss) for the period (A)		(2,772)	1,222
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:			
Profit/(loss) on cash flow hedges	20	3	39
Profit(loss) on translation of financial statements of foreign companies	20	(993)	(497)
Tax effect pertaining to Other comprehensive profit/(loss) that may be reclassified in profit or loss	20	(1)	(9)
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)		(991)	(467)
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:			
Net actuarial gains/(losses) on defined benefit plans	20	21	(137)
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	20	(5)	33
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)		16	(104)
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)		(975)	(571)
Total comprehensive profit/(loss) for the period (A)+(B)		(3,747)	651
Total comprehensive profit/(loss) due to:			
Shareholders of parent company		(3,564)	752
Non-controlling interests		(183)	(101)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(€thousand)	Notes	30 giugno 2017	31 dicembre 2016
ASSETS			
NON-CURRENT ASSETS			
- Property, plant and equipment	11	11.552	10.452
- Intangible assets	12	1.508	1.338
- Investments	13	16	16
- Other non-current receivables and assets	14	892	968
- Pre-paid tax assets	9	776	850
TOTAL NON-CURRENT ASSETS		14.744	13.625
CURRENT ASSETS			
- Inventories	15	22.406	19.375
- Trade receivables	16	8.895	14.797
- Current tax receivables	17	1.014	664
- Other current receivables and assets	17	1.024	933
- Other current financial receivables	18	21	-
- Cash and cash equivalents	19	9.642	8.925
TOTAL CURRENT ASSETS		43.002	44.694
TOTAL ASSETS		57.746	58.319
LIABILITIES			
SHAREHOLDERS' EQUITY			
- Share capital and reserves attributable to shareholders of parent company		12.286	16.867
- Non-controlling interests		1.888	2.071
TOTAL CONSOLIDATED EQUITY	20	14.174	18.938
NON-CURRENT LIABILITIES			
- Other non-current payables and liabilities	21	79	89
- Termination benefits	22	2.282	2.330
- Deferred tax liabilities	9	49	51
- Provisions for risks and charges	28	26	39
- Other non-current financial liabilities	23	21	23
- Non-current financial liabilities	24	13.583	11.697
TOTAL NON-CURRENT LIABILITIES		16.041	14.229
CURRENT LIABILITIES			
- Current financial liabilities	24	5.543	4.419
- Other current financial liabilities	25	-	198
- Trade payables	26	8.861	10.095
- Current tax payables	27	653	1.021
- Other current payables and liabilities:	27	11.463	7.966
- Provisions for risks and expenses	28	1.011	1.453
TOTAL CURRENT LIABILITIES		27.531	25.152
TOTAL LIABILITIES		57.746	58.319

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

CONSOLIDATED CASH FLOW STATEMENT (*)

(€thousand)	1st half 2017	1st Half 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) of Group and NCIs	(2.772)	1.222
- Depreciation, amortization and write-downs of tangible fixed assets	425	325
- Net losses (gains) on disposal of tangible assets	0	(7)
- Net change in provision for employee severance pay	(48)	129
- Net change in provisions for risks and charges	(455)	(146)
- Net change (assets) liabilities for (pre-paid) deferred taxes	72	327
Net change in working capital:		
- Receivables	5.538	(3.258)
- inventory	(3.030)	(4.263)
- payables	862	(1.787)
	592	(7.458)
C) Cash from/(used in) investing activities		
- Investments in		
property, plant and equipment	(1.547)	(2.819)
intangible fixed assets	(274)	(166)
- Profit on sale of:		
property, plant and equipment	9	73
non-current financial assets		
	(1.812)	(2.912)
D) Cash from/(used in) financing activities		
- Change in loans	2.986	4.903
- Dividends paid	0	(2.045)
- Other changes in capital and reserves	(83)	(138)
- Net change in current and non-current financial assets and liabilities	(220)	(54)
	2.682	2.666
Currency translation differences	(770)	(396)
E) Net change in cash and cash equivalents	692	(8.100)
F) Cash and cash equivalents at end of period	9.132	7.434
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	9.642	8.061
Overdrawn bank accounts	(510)	(627)
	9.132	7.434

(*) 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.

STATEMENT 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	Result for the period	Total shareholders' equity of Group	Non-controlling interests	Total shareholders' equity
Balance at 1 January 2016	5,123	(45)	1,240	4,730	(65)	2,716	(50)	213	2,723	16,585	2,442	19,027
Allocation of profit				678					(2,723)	(2,045)		(2,045)
Comprehensive result for the period	-	-	-	-	30	(404)	(104)	-	1,230	752	(101)	651
Other changes	-	-	-	30	-	-	-	-	-	30	(2)	28
Balance at 30 June 2016	5,123	(45)	1,240	5,438	(35)	2,312	(154)	213	1,230	15,322	2,339	17,661
Balance at 1 January 2017	5,123	(45)	1,240	5,269	(15)	2,713	(95)	213	2,462	16,867	2,071	18,938
Allocation of profit				1,439					(2,462)	(1,023)		(1,023)
Comprehensive result for the period	-	-	-	-	2	(888)	16	-	(2,694)	(3,564)	(183)	(3,747)
Other changes	-	-	-	6	-	-	-	-	-	6	-	6
Balance at 30 June 2017	5,123	(45)	1,240	6,714	(13)	1,825	(79)	213	(2,694)	12,286	1,888	14,174

CONSOLIDATED INCOME STATEMENT

pursuant to CONSOB Resolution No. 15519 of 27 July 2006

(€thousand)	Notes	1st half 2017	of which related parties	1st Half 2016	of which related parties
- Net sales	1	17.329		26.985	163
- Other revenues	2	1.143		978	
Total revenues		18.472		27.963	
- Changes in inventories of finished goods and W.I.P.		4.117		3.121	
- Raw materials and consumables	3	(8.547)		(11.170)	
- Personnel costs	4	(9.001)	(468)	(8.831)	(457)
- Other operating costs	5	(7.197)	(81)	(8.827)	(80)
- Depreciation, amortization and writedowns	6	(523)		(407)	
- Operating profit/(loss) from ordinary business		(2.680)		1.849	
- Non-recurring income/(expenses)	7	0		0	
Operating profit/(loss)		(2.680)		1.849	
- Finance revenue/(expenses)	8	120		88	
- Profit/(loss) before tax		(2.560)		1.937	
- Income tax	9	(212)		(715)	
Profit/(loss) for continuing operations		(2.772)		1.222	
- Profit/(loss) for discontinued operations		-		-	
Profit (loss) for the period		(2.772)		1.222	
Profit/(loss) attributable to:					
- Shareholders of parent company		(2.694)		1.230	
- Non-controlling interests		(78)		(8)	

(EUR)

Earnings per ordinary share	10	(0,53)		0,24	
Diluted earnings per ordinary share	10	(0,53)		0,24	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

pursuant to CONSOB Resolution No. 15519 of 27 July 2006

(in migliaia di euro)	Note	30 giugno 2017	Di cui parti correlate	31 dicembre 2016	Di cui parti correlate
ATTIVO					
ATTIVITA' NON CORRENTI					
- Immobili, impianti e macchinari	11	11.552		10.452	
- Immobilizzazioni immateriali	12	1.508		1.338	
- Partecipazioni	13	16		16	
- Altri crediti e attività non correnti	14	892		968	
- Attività per imposte anticipate	9	776		850	
TOTALE ATTIVITA' NON CORRENTI		14.744		13.625	
ATTIVITA' CORRENTI					
- Rimanenze	15	22.406		19.375	
- Crediti commerciali	16	8.895	-	14.797	-
- Crediti per imposte correnti	17	1.014		664	
- Altri crediti e attività correnti	17	1.024	-	933	6
- Altre attività finanziarie correnti	18	21		-	
- Disponibilità liquide e mezzi equivalenti	19	9.642		8.925	
TOTALE ATTIVITA' CORRENTI		43.002		44.694	
TOTALE ATTIVO		57.746		58.319	
PASSIVO					
PATRIMONIO NETTO					
- Capitale emesso e riserve attribuibili ai soci della controllante		12.286		16.867	
- Interessenze di pertinenza di terzi		1.888		2.071	
TOTALE PATRIMONIO NETTO CONSOLIDATO	20	14.174		18.938	
PASSIVITA' NON CORRENTI					
- Altri debiti e passività non correnti	21	79		89	
- Trattamento di fine rapporto	22	2.282		2.330	
- Passività per imposte differite	9	49		51	
- Fondi per rischi ed oneri	28	26		39	
- Altre passività finanziarie non correnti	23	21		23	
- Passività finanziarie non correnti	24	13.583		11.697	
TOTALE PASSIVITA' NON CORRENTI		16.041		14.229	
PASSIVITA' CORRENTI					
- Passività finanziarie correnti	24	5.543		4.419	
- Altre passività finanziarie correnti	25	-		198	
- Debiti commerciali	26	8.861	2	10.095	2
- Debiti per imposte correnti	27	653		1.021	
- Altri debiti e passività correnti	27	11.463	186	7.966	334
- Fondi per rischi ed oneri	28	1.011		1.453	
TOTALE PASSIVITA' CORRENTI		27.531		25.152	
TOTALE PASSIVO		57.746		58.319	

CONSOLIDATED CASH FLOW STATEMENT

pursuant to CONSOB Resolution No. 15519 of 27 July 2006

(in migliaia di euro)	1° semestre 2017	Di cui parti correlate	1° semestre 2016	Di cui parti correlate
A) Disponibilità e mezzi equivalenti all'inizio del periodo	8.440		15.534	
B) Disponibilità generate (assorbite) dalle operazioni del periodo:				
- Risultato del Gruppo e dei Terzi	(2.772)		1.222	
- Ammortamenti e svalutazioni di immobilizzazioni materiali	425		325	
- Minusvalenze (plusvalenze) nette da alienazioni di immob.ni materiali	0		(7)	
- Variazione netta del fondo trattamento di fine rapporto	(48)		129	
- Variazione netta dei fondi rischi ed oneri	(455)		(146)	
- Variazione netta (attività) passività per imposte (anticipate) differite	72		327	
Variazione netta del capitale di esercizio:				
- crediti	5.538	6	(3.258)	(23)
- rimanenze	(3.030)		(4.263)	
- debiti	862	(148)	(1.787)	62
	592		(7.458)	
C) Disponibilità generate (assorbite) dall'attività di investimento				
-Investimenti in:				
immobili, impianti e macchinari	(1.547)		(2.819)	
immobilizzazioni immateriali	(274)		(166)	
-Realizzo della vendita di:				
immobili, impianti e macchinari	9		73	
immobilizzazioni finanziarie				
	(1.812)		(2.912)	
D) Disponibilità generate (assorbite) dall'attività di finanziamento				
- Variazione finanziamenti	2.986		4.903	
- Dividendi pagati	0		(2.045)	
- Variazione di capitale e riserve	(83)		(138)	
- Variazione netta delle altre attività e passività finanziarie correnti e non	(220)		(54)	
	2.682		2.666	
Differenze cambi da conversione	(770)		(396)	
E) Variazione netta delle disponibilità monetarie	692		(8.100)	
F) Disponibilità e mezzi equivalenti a fine periodo	9.132		7.434	
Dettaglio delle disponibilità e mezzi equivalenti :				
Disponibilità liquide e mezzi equivalenti	9.642		8.061	
Conti correnti passivi bancari	(510)		(627)	
	9.132		7.434	

Notes

SIGNIFICANT ACCOUNTING STANDARDS

These Condensed Half-Year Consolidated Financial Statements at 30 June 2017 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. The designation "IFRS" also includes all currently valid International Accounting Standards ("IAS"), as well as all interpretations of the International Accounting Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

These Half-Year Consolidated Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, applying the same accounting standards used in the preparation of the Consolidated Financial Statements at 31 December 2016.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of this condensed Half-Year Report, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

For a more detailed description of the most significant valuation processes for the Group, reference should be made to the section "Use of estimates" in the consolidated financial statements at 31 December 2016.

It should also be noted that certain valuation processes, in particular the more complex ones, such as the determination of any impairment losses on non-current assets, are carried out in full only when the annual financial statements are drawn up, when all the information that may be necessary is available, except in cases where there are indications of impairment that require an immediate assessment of any impairment losses..

The Group carries out activities that historically show changes in total sales during the year and usually generate higher revenues in the second half than in the first half of the year.

Taxes have been determined on the basis of the best estimate of the best tax rate estimate expected for the whole financial year by each company included in the scope of consolidation.

The Group is exposed to financial risks associated with its operations: credit risk, liquidity risk, market risk (mainly foreign exchange and interest rate risks).

These Condensed Half-Year Consolidated Financial Statements do not include all the information and explanatory notes on financial risk management required in the preparation of the annual financial statements. For a detailed description of this information, refer to the consolidated financial statements of the Fidia Group at 31 December 2016, section of the Notes entitled "Risk Management", as well as to Note 31 of the Notes to the Financial Statements, entitled "Information on financial risks."

Financial Statements

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

Within said statement of comprehensive income by nature, under the profit/(loss), a specific distinction has been made between profit/(loss) of ordinary 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 cash flow statement were added in order to underscore significant relations with related parties and not to impair the overall readability of the financial statements.

Accounting principles, amendments and interpretations adopted from 1 January 2017

There are no standards and interpretations endorsed by the European Union and in force as of 01/01/2017.

Accounting standards, amendments and interpretations not yet effective and not adopted in advance

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

Accounting standards and interpretations issued by the IASB and endorsed by the European Union

- "IFRS 15 - Revenues from contracts with customers: on 29 October 2016, EU Regulation no. 2016/1905 was issued, which implemented at EU level IFRS 15 - Revenues from contracts with customers and related amendments. IFRS 15 replaces "IAS 18 - Revenue", "IAS 11 - Construction Contracts" and the related interpretations on the recognition of revenue, consisting of "IFRIC 13 - Customer Loyalty Programmes", "IFRIC 15 - Agreements for the Construction of Real Estate", "IFRIC 18 - Transfers of Assets from Customers" and "SIC 31 - Barter Transactions Involving Advertising Services". The application of the new standard from 1 January 2018 involves, alternatively, a method for restating all the comparative periods presented in the financial statements ("complete retrospective method") and a "simplified method" that involves the recognition of the cumulative effect of the first

application of the standard as an adjustment to the opening balance of shareholders' equity for the annual period in which the new standard is adopted, leaving the figures for all the comparative periods presented unchanged. The new standard, which involves recording revenues upon transfer of control of goods or services to customers at an amount that reflects the amount expected to be received in exchange for such products or services, introduces a methodology divided into five steps to analyse the transactions and define the methodology of recording revenues with reference both to the timing of detection ("point in time" / "over time"), and to their amount. The Group plans to adopt the new standard from the mandatory date of adoption. The valuation of the effects deriving from the application of IFRS 15 is in progress. At present, it is believed that the adoption of this standard will not have a significant impact on the recognition and measurement of revenues.

- "IFRS 9 - Financial Instruments": on 29 November 2016, EU Regulation no. 2016/2067 was issued, which implemented at EU level "IFRS 9 - Financial Instruments" with regard to the classification, measurement and derecognition of financial assets/liabilities, impairment of financial instruments, and hedge accounting. IFRS 9, which must be applied as from 1 January 2018, (i) modifies the model for the classification and measurement of financial assets; (ii) introduces the concept of expected credit losses among the variables to be considered in the valuation and impairment of financial assets; and (iii) modifies the provisions of hedge accounting. The Group expects that the adoption of this standard will not have a significant impact on its financial statements.

Accounting standards and interpretations issued by the IASB and not yet endorsed by the European Union

- "IFRS 16 - Leases", applicable from 1 January 2019 with the complete or simplified retrospective approach described above with reference to IFRS 15. IFRS 16 replaces "IAS 17 - Leases" and the related interpretations "IFRIC 4 - Determining Whether an Arrangement Contains a Lease", "SIC 15 - Operating Leases - Incentives", "SIC 27 - Evaluating the Substance of Transactions in the Legal Form of a Lease". From the lessee's point of view, IFRS 16 requires all leases, regardless of whether they are operating or finance leases, to be recorded in the balance sheet as a liability, represented by the present value of future lease payments, against the recognition under assets of a right to use the asset leased. Leasing contracts lasting 12 months or less and leases of low-value assets may be excluded from the application of IFRS 16. The Group is evaluating the impact that the new standard will have on the accounting treatment of its lease contracts. At the moment it is expected that the adoption of this standard will not have a significant impact on its financial statements, in the absence of operating leases for significant amounts.
- Amendments to IAS 7 - Statements of Cash Flows: Disclosure Initiative. The changes concern the disclosures that companies will have to provide to enable investors to assess changes in liabilities arising from financing activities. The new provisions will be applicable for annual periods beginning on or after 1 January 2017, except for any subsequent deferrals following the endorsement by the European Union of the amendments to the standards, which has not yet taken place at the date of these interim financial statements.
- Amendments to IAS 12 - Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses. The changes made provide clarifications in relation to the recognition of deferred tax assets relating to debt instruments measured at fair value. The new provisions will be applicable for annual periods beginning on or after 1 January 2017, except for any subsequent deferrals following the endorsement by the European Union of the amendments to the standards, which has not yet taken place at the date of these interim financial statements.
- Amendments to IFRS 2 - Classification and measurement of share-based payments, applicable from 1 January 2018.

- Clarification of IFRS 15 - Revenues from Contracts with Customers", applicable from 1 January 2018.
- Improvements to IFRSs (2014-2016 cycle) - Amendments to IFRS 12 and IAS 28, applicable from 1 January 2017 and 1 January 2018, respectively.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration issued, applicable from 1 January 2018.
- Amendments to IAS 40 - Investment Property, applicable from 1 January 2018.
- IFRIC 23 – Uncertainty over Income Tax Treatments, applicable from 1 January 2019.
- Amendments to IFRS 10 – Consolidated Financial Statements and to IAS 28 – Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, whose application is deferred indefinitely.

Scope of consolidation

The scope of consolidation has not changed in the first half of 2017 in comparison to the Consolidated Financial Statements at 31 December 2016. The companies included in the scope of consolidation, compared with those resulting at the end of 2016 and at the end of the same period of last year, are listed below:

Name / Registered office	Currency	Share capital	Equity ownership at 30/6/2017	Equity ownership at 31/12/2016	Equity ownership at 30/6/2016
Fidia SpA, S. Mauro T.se - Italy	EUR	5,123,000	100%	100%	100%
Fidia GmbH, Dreieich - Germany	EUR	520,000	100%	100%	100%
Fidia Co, Rochester Hills (USA)	USD	400,000	100%	100%	100%
Fidia Sarl, Emerainville – France	EUR	300,000	100%	100%	100%
Fidia Iberica S.A., Zamudio - Spain	EUR	180,300	99.993%	99.993%	99.993%
Fidia do Brasil Ltda, Sao Paulo – Brazil	Reals	400,843	99.75%	99.75%	99.75%
Beijing Fidias M&E Co Ltd., Beijing - China	USD	1,500,000	96%	96%	92%
Shenyang Fidias NC & Machine Company Ltd., Shenyang – China	Rmb	42,517,648	51%	51%	51%
OOO Fidias, Moscow – Russian Federation	Rouble	3,599,790	100%	100%	100%

The scope of consolidation has changed with respect to the consolidated financial statements at 30 June 2016 due to the acquisition in the second half of 2016 by the Parent Company of a further 4% of the subsidiary Beijing Fidias Machinery & Electronics Co., Ltd; the final equity investment has increased from 92% to 96%.

OTHER INFORMATION

The condensed consolidated half-year financial statements at 30 June 2017 were approved by the Board of Directors on 14 September 2017, which authorized their publication on the same date.

COMPOSITION AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

The breakdown by segment of net revenues from third parties (net of intragroup items) is shown in the following table:

(€thousand)	1st Half 2017	%	1st Half 2016	%	% Chg
Numerical controls, drives and software	1,691	9.8%	1,812	6.7%	-6.7%
High-speed milling systems	9,652	55.7%	18,605	68.9%	-48.1%
After-sales service	5,986	34.5%	6,568	24.3%	-8.9%
Grand total	17,329	100%	26,985	100%	-35.8%

2. OTHER REVENUES AND INCOME

Other revenues and earnings in 1st half 2017 were equal to €1,143 thousand (€978 thousand in the same period of 2016). This figure includes the other revenues from ordinary activity, but that cannot be included in the typical sale of goods and services.

This item includes:

- release of the warranty, bad debts and/or any accruals in excess of the risk to be covered (€468 thousand versus €296 thousand at 30 June 2016);
- increases in tangible assets built on a time and materials basis and the capitalization of product development costs (€283 thousand versus €180 thousand at 30 June 2016);
- recovery of costs, contingent assets and other sundry revenues (€252 thousand; €231 thousand in the same period of last year).
- research grants from the EU and Italian Ministry of Education, University and Research (MIUR) as part of the funded research activity carried out by the parent company Fidia S.p.A. (€134 thousand, €264 thousand at 30 June 2016);
- capital gains from disposals of tangible assets (€6 thousand versus €7 thousand at 30 June 2016).

3. RAW MATERIALS AND OTHER CONSUMABLES

These are:

(€thousand)	1st half 2017	1st half 2016
Production materials	7.165	11.591
Service materials	495	649
Consumables	47	79
Equipment and software	27	26
Packaging	86	131
Others	72	64
Change in inventory raw materials and consumables	655	(1.370)
Total	8.547	11.170

In the first half of 2017, raw materials and other consumables, amounting to €8,547 thousand, decreased YOY (€11,170 thousand) due to lower revenues realised.

4. PERSONNEL EXPENSES

Personnel costs show an increase of €170 thousand compared to the first half of 2016 (+1.93%) and amounted to €9,001 thousand against €8,831 thousand in the corresponding period of 2016. These amounts are detailed below:

(€thousand)	1st half 2017	1st half 2016
Wages and salaries	6.780	6.669
Social security charges	1.861	1.852
TFR	229	219
Other personnel expenses	131	91
Total	9.001	8.831

Changes in the headcount during the first half of 2017, broken down by category, are shown below:

	30/6/2016	31/12/2016	Inbound	Outbound	Change	30/6/2017	Period average
Executives	8	8	-	-		8	8,0
Clerks and cadres	279	282	11	(14)		279	281,5
Workers	53	51	-	-		51	51,0
Total	340	341	11	(14)	0	338	340,5

5. OTHER OPERATING COSTS

Other operating costs are detailed as follows:

(€thousand)	1st half 2017	1st half 2016
Contractors	1.241	2.099
Bonuses and commissions	155	664
Production costs	2.297	2.560
Commercial expenses	537	450
Research & Development	202	284
Overheads and administrative expenses	2.765	2.770
Total	7.197	8.827

Other operating costs amounted to €7,197 thousand and are therefore down by approximately €1,630 thousand compared to the first half of 2016. The trend is mainly due to lower production and commercial expenses.

6. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

(€thousand)	1st half 2017	1st half 2016
Amortization of property, plant and equipment	321	272
Amortization of intangible fixed assets	104	53
Bad debts	99	82
Total	523	407

During the first half, approximately €99 thousand of trade receivables were written down by the parent company and its subsidiaries.

Amortisation and depreciation of tangible and intangible fixed assets increased by approximately €100 thousand, in relation to the start in the second half of 2017 of the amortisation of two development projects (€54 thousand) and the new building in Forlì (€31 thousand).

7. NON-RECURRING REVENUE

In the first half of 2017, there were no non-recurring revenue or expenses.

8. FINANCE REVENUE (EXPENSES)

Finance revenue and expenses consist of:

(€thousand)	1st half 2017	1st half 2016
Finance revenue	20	19
Borrowing costs	(130)	(124)
Net profit (loss) on derivatives	84	(8)
Profit (loss) from foreign currency transactions	146	201
Total	120	88

Finance revenue consists of:

(€thousand)	1st half 2017	1st half 2016
Interests received from banks	5	5
Interests and commercial discounts	0	0
Other financial revenue	16	14
Total	20	19

Finance expenses consist of:

(€thousand)	1st half 2017	1st half 2016
Interests paid on short-term borrowings from banks	(9)	(11)
Interests paid on medium/long-term borrowings from banks	(88)	(70)
Interests paid on payables to leasing companies	(1)	(1)
Borrowing costs on termination benefits	(6)	(14)
Other borrowing costs	(26)	(27)
Total	(130)	(124)

Net profit (loss) on derivatives consist in:

(€thousand)	1st half 2017	1st half 2016
Loss on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	(1)	0
- fair value adjustment on forward contracts	0	(24)
Profit on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	1	4
- fair value adjustment on forward contracts	84	12
Total	84	(8)

Expenses and income from derivative instruments include the fair value measurement of four interest rate swaps and two interest rate cap contracts entered into by the parent company Fidia S.p.A. to hedge the risk of interest rate fluctuations on two medium/long-term loans, as well as some forward

hedging contracts entered into to hedge the risk of exchange rate fluctuations between the EUR and USD.

Profit (loss) on foreign currency transactions consists of:

(€thousand)	1st half 2017	1st half 2016
Exchange rate gain	83	90
Revenue from exchange rate adjustment	259	205
Profit on currency forward contract	-	-
Exchange rate loss	(121)	(41)
Expenses from exchange rate adjustment	(75)	(52)
Loss on currency forward contract	-	-
Total	146	202

9. INCOME TAX

The following table shows the taxes allocated in the Consolidated Income Statement:

(€thousand)	1st half 2017	1st half 2016
Current taxes		
IRES (Italian Corporate Income Tax)	-	-
IRAP (Italian Regional Tax on Production Activities)	-	13
Income tax of foreign subsidiaries	167	463
Total current taxes	167	476
Pre-paid taxes absorbed	102	323
Prepaid taxes	(55)	(82)
Deferred taxes	1	1
Deferred taxes absorbed	(3)	(3)
Total	212	715

Current taxes at 30 June 2017 are zero because the parent company has a tax loss for both IRES and IRAP purposes.

At 30 June 2017, the net balance between prepaid taxes and deferred tax liabilities incurred by the individual consolidated companies is made up as follows:

(€thousand)	30 giugno 2017	31 dicembre 2016
Deferred tax assets	776	850
Deferred tax liabilities	(49)	(51)
Total	727	799

Deferred tax assets amounted to €776 thousand and are down compared to year-end. For these assets, mainly generated by temporary differences in assets and liabilities, tax losses and consolidation adjustments, recovery on the basis of the budget and forecasts for the following years is considered probable.

10. EARNING PER SHARE

At 30 June 2017, the share capital of Fidia S.p.A. consisted of 5,123,000 ordinary shares with the same rights at the time of distribution of profits and is unchanged with respect to paragraph 20 of the Consolidated Financial Statements at 31 December 2016.

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

		1st half 2017	1st half 2016
Net earnings pertaining to Group	€thousand	(2.694)	1.230
Profit/(loss) of ordinary shares	€thousand	(2.694)	1.230
Number of circulating ordinary shares	number	5.113.000	5.113.000
Base earnings per share	EUR	(0,53)	0,24
Diluted earnings per share	EUR	(0,53)	0,24

No difference has been recorded between the base earnings per share and diluted result per share as Fidia S.p.A. does not have any equity instruments with dilutive effects.

STATEMENT OF FINANCIAL POSITION

11. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment during the first half of 2017:

(€thousand)	Land and buildings	Total plant, machinery and equipment	Other assets	Assets under construction and advances	Total
Net carrying amount at 31/12/2016	1.589	591	821	7.451	10.452
Additions	2	27	45	1.473	1.547
Reclassifications/transfers	8.769	120		(8.889)	-
Net value of divestments		(9)			(9)
Depreciation	(74)	(99)	(148)		(321)
(Write-downs)/Write-backs				-	
Currency gain/(loss)	(94)	(2)	(20)	(1)	(117)
Net carrying amount at 30/6/2017	10.192	628	698	34	11.552

Capital expenditure made in the first half of 2017 amounted to approximately €1,547 thousand. Work in progress refers to a plot of land with adjoining industrial building under construction, that the parent company Fidia S.p.A. acquired, through lease, in 2014. This investment became ready for use on June 1 and was depreciated from that date.

At 30 June 2017, there were no assets encumbered by guarantees or other constraints that could limit their full availability.

12. INTANGIBLE FIXED ASSETS

The table below shows the changes in intangible fixed assets during the first half of 2017:

(€thousand)	Development costs	Licenses	Software	Assets under development	Total
Net carrying amount at 31/12/2016	252	63	159	864	1.338
Increases		-	4	271	275
Reclassifications/transfers	288			(288)	-
Depreciation	(54)	(13)	(37)		(104)
Currency gain/(loss)		(1)			(1)
Closing net carrying amount at 30/6/2017	486	49	126	846	1.508

Increases in the first half of 2017 amounted to €275 thousand and mainly refer to development costs incurred and capitalized (€271 thousand) not yet amortised as not yet completed and therefore the projects to which they refer have not started yet to produce the related benefits.

During the first half of 2017, a development project for a total amount of €288 thousand was completed and therefore amortised with the project completed at the end of the previous year.

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

Based on the growth in order acquisition and the recovery forecasts expected in the second half of the year, no impairment indicators have been identified in relation to the value of development costs.

13. EQUITY INVESTMENTS

This item, amounting to €16 thousand and unchanged compared to 31 December 2016, is made up of investments in associated companies valued at equity and investments in other companies valued at cost.

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

The other non-current receivables and assets are detailed below:

(€thousand)	Balance 30/06/2017	Balance 31/12/2016
Receivables for EU grants	-	-
Security deposits	63	85
Non-recurring trade receivables	121	160
Receivables for foreign VAT	9	6
Withholding tax on foreign income	688	690
Multi-year pre-paid expenses	5	22
Other non-current receivables	3	6
Total	890	968

The decrease of €78 thousand compared to the balance at 31 December 2016 is due to normal transactions related to the business.

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 five years.

The value of these receivables is adjusted by a bad debt provision of €579 thousand recognised in previous years and which has not changed during the period.

15. INVENTORY

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

(€thousand)	Balance 30/06/2017	Balance 31/12/2016
Raw materials	10.149	10.827
Provisions for raw materials depreciation	(2.033)	(1.928)
	8.117	8.899
Semi-finished products and work in progress	8.887	5.243
Finished products and goods for resale	5.716	5.641
Provisions for depreciation finished products	(468)	(502)
	5.248	5.139
Advances	155	94
Net value	22.406	19.375

Inventory at the end of the first half of the year was approximately €3,030 thousand higher than at 31 December 2016. The increase is mainly due to the higher stock of work in progress resulting from a different state of production progress compared to the end of last year; on the other hand, the stock of raw materials decreased, in line with expectations.

The provisions for depreciation equivalent to €2,501 thousand (€2,430 thousand at 31 December 2016) were reported to hedge the non-utilisation of some components in period under consideration; 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.

Below follows the detail of the changes in the provisions for raw materials and finished products depreciation in the first half of the year:

(€thousand)	Balance 31 December 2016	Accrual/ (utilization)	Exchange rate effect	Balance 30 giugno 2017
Provisions for raw materials depreciation	1.928	125	(20)	2.033
Provisions for depreciation finished products	502	(13)	(21)	468
Total	2.430	112	(41)	2.501

16. TRADE RECEIVABLES

(€thousand)	Balance 30/06/2017	Balance 31/12/2016
Trade receivables from others	9.600	15.502
Taxed supplementary	(705)	(705)
Receivables from associates	-	-
Total	8.895	14.797

Gross trade receivables decreased by approximately €5,902 thousand compared to 31 December 2016; this change is mainly due to the different trend of revenues in the two periods under comparison.

The bad debt provisions, amounting to €705 thousand (€705 thousand at 31 December 2016) were allocated to cover the risk of default related to doubtful and overdue receivables.

The changes in the bad debt provision (€ thousand) are illustrated below:

Balance at 31 December 2016	705
Accrual	99
Utilizations/write-backs	(75)
Currency gain/(loss)	(25)
Balance at 30 June 2017	705

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

(€thousand)	Balance 30/06/2017	Balance 31/12/2016
Tax receivables for VAT	628	361
Receivables for income tax and IRAP	366	168
Receivables for short-term foreign VAT	8	14
Others	11	121
Total current tax assets	1.014	664
Research grants	24	122
Other pre-paid expenses	487	214
Pre-paid expenses	24	32
Receivables from employees	249	147
Advances from suppliers	150	161
Others	89	257
Total other current receivables	1.024	933
Total	2.038	1.596

The change in Other pre-paid expenses is mainly due to costs relating to future commercial exposures, amounting to approximately €189 thousand.

There are no receivables due beyond five years.

18. OTHER CURRENT FINANCIAL ASSETS

This item amounts to €21 thousand, due to the fair value of forward contracts for the sale of USD entered into to reduce the risk associated with exchange rate fluctuations. The evaluation, as for other derivatives in place, has been performed according to the market parameters at the reporting date of the quarter.

19. CASH AND CASH EQUIVALENTS

The overall amount of cash of the Group amounted to €9,642 thousand (€8,925 thousand at 31 December 2016) and consisted of temporary cash in bank deposits pending future use. It is deemed that their carrying amount is aligned to the fair value at the reporting date.

The related credit risk is not material too, because the Group operates with primary national and international banks.

20. SHAREHOLDERS' EQUITY

Consolidated shareholders' equity amounts to €14,174 thousand, down €4,764 thousand on 31 December 2016 due to the combined effect of the loss for the period (-€2,772 thousand), the dividends resolved upon by the latest shareholders' meeting (-€1,023 thousand) and the recognition of actuarial gains on staff termination benefits (+€16 thousand, net of the tax effect estimated at approximately €5 thousand), the fair value valuation of hedging derivatives set aside in the cash flow hedge reserve (+€2 thousand, net of the tax effect of approximately €1 thousand), the effect of exchange rate fluctuations on the translation of the financial statements of subsidiaries denominated in currencies other than the euro (-€993 thousand) and other minor changes (€6 thousand).

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

(€thousand)	Balance at 30 June 2017			Balance at 30 June 2016		
	Gross value	Tax (expense)/benefit	Net value	Gross value	Tax (expense)/benefit	Net value
Profit/(loss) on cash flow hedge instruments	3	(1)	2	39	(9)	30
Profit/(loss) on translation of financial statements of foreign companies	(993)		(993)	(497)	-	(497)
Actuarial gains/(losses) on defined benefit plans	21	(5)	16	(137)	33	(104)
Total other profit/(loss)	(969)	(6)	(975)	(595)	24	(571)

At 30 June 2017, the fully paid share capital was unchanged compared to 31 December 2016 and consisted of 5,123,000 ordinary shares with a nominal value of €1 each, totalling €5,123,000.

For more complete disclosure on the Company's share capital, see Note 20 to the consolidated financial statements at 31 December 2016.

Own shares consisted of 10,000 ordinary shares issued by Fidia S.p.A. for a value of €45 thousand (unchanged from 31 December 2016).

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

This item, which amounts to €79 thousand (€89 thousand at 31 December 2016) and includes €68 thousand in medium/long-term payables to the personnel of the French subsidiary Fidia Sarl plus other minor items.

22. TERMINATION BENEFITS

Termination benefits reflects the residual obligation of Fidia S.p.A., the only Italian company in the Group, relating to the indemnity paid to employees and settled upon termination of employment. Under certain conditions, employees may receive a partial advance on those benefits while they are still in the Company's employ. It is an unfunded defined benefit plan.

Changes in the termination benefits are illustrated in the table below (€ thousand):

Balance at 31 December 2016	2.330
Amount accrued and allocated in period	229
Benefits paid out in period	(33)
Amount transferred to State Fund and complementary pension scheme	(224)
Substitute tax	(5)
Borrowing costs on termination benefits	6
Accounting of actuarial losses	(21)
Balance at 30 June 2017	2.282

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 for the period in the amount of about €6 thousand.

Termination benefits are calculated based on the following actuarial assumptions:

	At 30 June 2017	At 31 December 2016
Discount rate (*)	-0,03%	-0,22%
Future inflation rate	1,50%	1,50%
Frequency of request for advances	3,00%	3,00%
Relative frequency of resignation/dismissal cadres, employees, and workers	3,00%	3,00%
Relative frequency of resignations/dismissals managers	5,00%	5,00%

The discount rate on future benefits is determined, according to the provisions of IAS 19, at market yields; The structure in interest rates used refers to the EUR Composite rates having an AA rating. The rate used was the one with an average financial duration equal to the average financial duration of benefits for the communities under consideration.

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item amounts to €20 thousand (€23 thousand at 31 December 2016) and consists of the fair value of four interest rate swap and two interest rate cap contracts signed in order to cover the risk on interest rate change on four medium/long-term loans (cash flow hedge).

24. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities amounted to €19,126 thousand as per the schedule.

(€thousand)	Balance 30/06/2017	Balance 31/12/2016
Overdrawn bank accounts and short-term advances	510	486
Accrued liabilities on loans	78	39
Loan - BNL "1.500" (part medium/long term and part short term)	79	235
Loan - Banco Popolare (part medium/long term and part short term)	125	248
Loan - MPS (short term)	-	697
Loan - ISP "3.500" (part medium/long term and part short term)	2.087	2.433
Loan - BNL "2500" (part medium/long term and part short term)	1.826	2.085
Loan - ISP "3000" (part medium/long term and part short term)	2.812	2.979
Loan - UNICREDIT (part medium/long term and part short term)	1.126	1.308
Loan - MPS (part medium/long term and part short term)	1.122	1.372
Loan - BNL "MINIMUTUO" (part medium/long term and part short term)	1.496	-
Loan - BPM (part medium/long term and part short term)	1.488	-
Loan - UNICREDIT "MUTUO PLAFOND SUPERCASH ROTATIVO"	550	
Autodesk financing no. 2	27	44
Volkswagen Bank (finance lease)	62	93
Skoda Bank Germany (finance lease)	26	36
Banco Popular Espanol	29	35
Mediocredito Italiano (finance lease)	5.683	4.026
Total	19.126	16.116

	By 1 year	By 5 years	Beyond 5 years	Total
Overdrawn bank accounts and short-term advances	588			588
M/L-term bank loans	4.296	7.865		12.161
Short-term bank loans	550	-	-	550
Autodesk financing	27			27
Volkswagen Bank (finance lease)	51	11		62
Skoda Bank (finance lease)	19	7		26
Banco Popular Espanol	12	17		29
Mediocredito Italiano (finance lease)			5.683	5.683
Total	5.543	7.900	5.683	19.126

With regard to the determination of the terms for repayment of property lease instalments to Mediocredito Italiano, this is subject to receipt of the amortisation plan, which is still being defined; the total amount is therefore conventionally placed in the category "over 5 years".

The current loans have the following characteristics:

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

Original amount	€1,500 thousand
Residual amount	€79 thousand
Date of loan	08/10/2012
Term	Loan due date 30/09/2017
Grace period	1 quarterly instalment (31/12/2012)
Repayment	19 quarterly instalments (31/03/2013 to 30/09/2017)
Interest rate	3-month Euribor, base 360 + 3.35% spread

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

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

Original amount	€1,250 thousand
Residual amount	€125 thousand
Date of loan	09/11/2012
Term	Loan due date 31/12/2017
Grace period	1 quarterly instalment (31/12/2012)
Repayment	20 quarterly instalments (31/03/2013 to 31/12/2017)
Interest rate	3-month Euribor, base 360 + 3.78% spread

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

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

Original amount	€3,500 thousand
Residual amount	€2,087 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	€1,826 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	€2,812 thousand
Date of loan	17/05/2016
Term	Loan due date 01/04/2021
Grace period	3 quarterly instalments at 01/07/2016, 01/10/2016 and 01/01/2017
Repayment	17 quarterly instalments (01/04/2017 to 01/04/2021)
Interest rate	3-month Euribor, base 360 + 1.5% spread

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

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

Original amount	€1,500 thousand
Residual amount	€1,126 thousand
Date of loan	16/05/2016
Term	Loan due date 31/05/2020
Grace Period	Not provided
Repayment	16 quarterly instalments (31/08/2016 to 31/05/2020)
Interest rate	3-month Euribor, base 360 + 1.35% spread

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

Original amount	€1,500 thousand
Residual amount	€1,122 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 + 1.10% spread

Loan - BNL "MINIMUTUO" (part medium/long term and part short term)

Original amount	€1,500 thousand
Residual amount	€1,496 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	€1,488 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 + 1.40% spread

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

Loan - UNICREDIT "MUTUO PLAFOND SUPERCASH ROTATIVO"

Original amount	€810 thousand
Residual amount	€550 thousand
Date of loan	04/05/2017
Term	Loan due date 30/09/2017
Grace Period	Not provided
Redemption	Single instalment at maturity
Interest rate	Fixed rate equal to 1.50%.

Autodesk financing

Original amount	€66 thousand
Residual amount	€27 thousand
Date of loan	23/05/2016
Term	Loan due date 23/04/2018
Repayment	24 monthly instalments (23/05/2016 to 23/04/2018)
Interest rate	0%

Lease with Volkswagen Bank Italy

Original amount	€85 thousand
Residual amount	€15 thousand
Date of loan	3/1/2014
Term	Loan due date 30/11/2017
Repayment	47 monthly instalments (03/01/2014 to 30/11/2017)
Interest rate	4.54%

Lease No. 1 - Skoda Bank Germany

Original amount	€37 thousand
Residual amount	€17 thousand
Date of loan	15/05/2015
Term	Loan due date 15/04/2019
Repayment	48 monthly instalments (15/4/2014 to 15/04/2019)
Interest rate	1.97%

Lease No. 2 - Skoda Bank Germany

Original amount	€34 thousand
Residual amount	€9 thousand
Date of loan	24/02/2015
Term	Loan due date 15/04/2018
Repayment	36 monthly instalments (15/5/2015 to 15/04/2018)
Interest rate	1.97%

Lease - Volkswagen Bank Germany No. 2

Original amount	€38 thousand
Residual amount	€13 thousand
Date of loan	11/5/2015
Term	Loan due date 15/8/2018
Repayment	36 monthly instalments (15/8/2015 to 15/8/2018)
Interest rate	2.90%

Lease - Volkswagen Bank Germany No. 3

Original amount	€34 thousand
Residual amount	€13 thousand
Date of loan	20/3/2015
Term	Loan due date 15/8/2018
Repayment	36 monthly instalments (15/8/2015 to 15/8/2018)
Interest rate	2.90%

Lease No. 4 - Volkswagen Bank Germany

Original amount	€33 thousand
Residual amount	€19 thousand
Date of loan	15/3/2016
Term	Loan due date 15/2/2019
Repayment	36 monthly instalments (15/8/2015 to 15/8/2018)
Interest rate	2.90%

Lease - Volkswagen Bank Spain

Original amount	€13 thousand
Residual amount	€2 thousand
Date of loan	21/12/2013
Term	Loan due date 21/11/2017
Repayment	48 monthly instalments (21/12/2013 to 21/11/2017)
Interest rate	9.64%

Lease - Banco Popular Espanol

Original amount	€48 thousand
Residual amount	€29 thousand
Date of loan	27/11/2015
Term	Loan due date 27/10/2019
Repayment	48 monthly instalments (27/11/2015 to 27/10/2019)
Interest rate	2.5%

Lease - Mediocredito Italiano

Original amount	€8,400 thousand
Amount paid	€5,400 thousand
Residual amount	€5,683 thousand
Date of loan	25/6/2014
Interest rate	3-month Euribor + 3.81% spread

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

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

25. OTHER CURRENT FINANCIAL LIABILITIES

This item amounted to €0 thousand and normally includes the fair value loss of certain contracts for the forward sale of USD entered into by the parent company Fidia S.p.A. to hedge the exchange rate risk on certain supplies denominated in that currency.

At 31 December 2016, this item totalled €198 thousand.

26. TRADE PAYABLES

(€thousand)	Balance 30/06/2017	Balance 31/12/2016
Payables to other suppliers	8.859	10.093
Payables to subsidiaries	2	2
Total trade payables	8.861	10.095

Trade payables, amounting to €8,861 thousand at 30 June 2017, show a decrease of €1,234 thousand compared to 31 December 2016 due to lower purchase volumes.

27. TAX LIABILITIES AND OTHER CURRENT PAYABLES AND LIABILITIES

(€thousand)	Balance 30/06/2017	Balance 31/12/2016
Payables to personnel	2.087	1.532
Social security payables	709	752
Advance from customers	6.391	3.995
Advances for EU grants	14	39
Payables for emoluments	305	328
Payables to State Fund and other funds	43	77
Payables for dividends	1.023	200
Sundry accruals and deferred income	630	675
Sundry payables to the SMTCL company	-	109
Miscellaneous payables	261	259
Total other payables	11.463	7.965
Withholding tax	210	369
Tax payables for income tax and IRAP	314	234
Tax payables for VAT	87	355
Other short-term tax payables	41	64
Total tax payables	653	1.021
Total	12.116	8.986

Payables to personnel refer mainly to accrued holiday pay and deferred payment of wages and salaries; the change compared to 31 December 2016 is due to the accrual during the year of indemnities (typically 13th month's salary) which are paid at the end of the period.

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

28. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges amounted to €1,037 thousand, of which €1,011 thousand (€1,453 thousand at 31 December 2016) for the short term, and €26 thousand for the long term (€39 thousand at 31 December 2016). This item refers to

- €945 thousand for the warranty provision, which represents the best estimate of the commitments undertaken by the Group by contract, by law or custom, in relation to charges related to the warranty on its products for a certain period starting from their sale to the end customer;
- €83 thousand to a provision set aside by the subsidiary Fidia Co and parent company for legal risks;
- €9 thousand to a provision set aside for tax disputes.

(€thousand)	Balance at 1 January 2017	Accrual	Utilisations/write- backs	Exchange rate effect	Balance at 30 June 2017
Warranty provision	39	4	(16)	(1)	26
Total other provisions for non- current risks and expenses	39	4	(16)	(1)	26
Provisions for tax disputes	10	0	-	(1)	9
Warranty provision	1.356	26	(456)	(7)	919
Provisions for legal risks	87	-	-	(4)	83
Provisions for other risks	-	-	-	-	-
Total short-term provisions	1.453	26	(456)	(12)	1.011
Provisions for risks and charges	1.492	30	(472)	(13)	1.037

29. GUARANTEES GRANTED AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 30 June 2017, sureties issued on behalf to third parties totalled €788 thousand (€2,800 thousand at 30 June 2016).

This item consists primarily of performance bonds for commercial transactions with the Parent Company's foreign customers for advances received on future supplies and for the correct fulfilment of contractual obligations during the warranty period.

Contingent liabilities

Although the Fidia Group is subject to various types of risks (product, legal and tax liability) at 30 June 2017, it is not aware of any other facts, other than those covered by specific provisions present in these financial statements, which could generate foreseeable or estimated potential liabilities and consequently does not deem it necessary to make any further provisions.

30. OTHER INFORMATION

The following table shows the exchange rates used to translate the values of companies outside of the euro area into euro:

Currency	1st half 2017		At 31 December 2016		1st half 2016	
	Average	At 30 June	Average	At 30 June	Average	At 30 June
Dollar - USA	1.08302	1.1412	1.1069	1.0541	1.11553	1.1102
Real - Brazil	3.44311	3.76	3.85614	3.4305	4.13492	3.5898
RMB - China	7.44483	7.7385	7.35222	7.3202	7.29365	7.3755
Rouble - Russia	62.80568	67.5449	74.1446	64.3	78.41223	71.5200

31. SEGMENT REPORTING

Within the Fidia Group, three main areas of business were identified: i) high-speed milling systems (HSM), ii) numerical controls, drives, and software (CNC) and iii) after-sales services.

Below follow the consolidated economic results broken down by sector at 30 June 2017 and 30 June 2016.

Progressive data at June (€thousand)	CNC 2017	%	HSM 2017	%	SERVICE 2017	%	N/A 2017	TOTAL 2017
Revenues	1.691	78,2%	9.652	99,0%	5.986	100,0%	-	17.329
Cross-sector revenues	470	21,8%	94	1,0%	-	0,0%		
Total reclassified revenues	2.161	100,0%	9.746	100,0%	5.986	100,0%		
Changes in inventories of finished goods and W.I.P.	262	12,1%	3.832	39,3%	23	0,4%	-	4.117
Raw materials and consumables	(376)	-17,4%	(7.513)	-77,1%	(596)	-10,0%	(62)	(8.547)
Cross-sector expenses	132	6,1%	(1.065)	-10,9%	356	5,9%	14	
Commissions, transport and contractors	(299)	-13,8%	(1.452)	-14,9%	(248)	-4,1%	(11)	(2.010)
Sales margin	1.880	87,0%	3.548	36,4%	5.521	92,2%	(59)	10.888
Other operating revenue	296	13,7%	513	5,3%	147	2,5%	187	1.143
Other operating costs	(206)	-9,5%	(1.200)	-12,3%	(1.282)	-21,4%	(2.499)	(5.188)
Personnel costs	(1.387)	-64,2%	(2.937)	-30,1%	(2.756)	-46,0%	(1.921)	(9.001)
Depreciation, amortization and writedowns	(68)	-3,1%	(181)	-1,9%	(86)	-1,4%	(188)	(523)
Operating profit/(loss)	515	23,8%	(257)	-2,6%	1.544	25,8%	(4.480)	(2.680)

Progressive data at June (€thousand)	CNC 2016	%	HSM 2016	%	SERVICE 2016	%	N/A 2016	TOTAL 2016
Revenues	1.812	60,1%	18.605	99,9%	6.568	100,0%	-	26.985
Cross-sector revenues	1.202	39,9%	25	0,1%	-	0,0%	-	
Total reclassified revenues	3.014	100,0%	18.630	99,9%	6.568	100,0%	-	
Changes in inventories of finished goods and W.I.P.	250	8,3%	2.886	15,5%	(16)	-0,2%	-	3.121
Raw materials and consumables	(610)	-20,2%	(9.876)	-53,0%	(592)	-9,0%	(92)	(11.170)
Cross-sector expenses	(4)	-0,1%	(1.552)	-8,3%	322	4,9%	6	-
Commissions, transport and contractors	(397)	-13,2%	(2.836)	-15,2%	(193)	-2,9%	(3)	(3.429)
Sales margin	2.254	74,8%	7.253	38,9%	6.089	92,7%	(89)	15.507
Other operating revenue	275	9,1%	508	2,7%	98	1,5%	96	978
Other operating costs	(252)	-8,4%	(1.131)	-6,1%	(1.582)	-24,1%	(2.433)	(5.398)
Personnel costs	(1.453)	-48,2%	(2.922)	-15,7%	(2.525)	-38,4%	(1.932)	(8.831)
Depreciation, amortization and writedowns	(8)	-0,3%	(178)	-1,0%	(48)	-0,7%	(173)	(407)
Operating profit/(loss)	816	27,1%	3.530	19,0%	2.033	31,0%	(4.531)	1.849
	(621)	-20,6%	(192)	-1,0%	- 2.023	-30,8%	(8.973)	(11.809)

The last columns show those items that cannot be classified; these items are mainly general and administrative costs and costs for advertising, promotion and trade fairs incurred for all three business lines.

Inter-segment revenues consist of numerical controls, electrical control panels, drives and systems transferred from the electronics segment to the milling systems segment and of mechanical components and milling heads provided to the electronics segment for specific applications.

Segment assets consist of operating assets that are used by the segment in the performance of its operations and are directly attributable or reasonably allocable to the segment. These assets do not include income tax assets.

Segment liabilities consist of operating liabilities that arise from the performance of the segment's operations and are directly attributable or reasonably allocable to the segment. These liabilities do not include income tax liabilities.

Below follow the consolidated statements of financial position by segment at 30 June 2017 and 31 December 2016.

At 30 June 2017	CNC	HSM	SERVICE	Non allocable	Total
(€thousand)					
Property, plant and equipment	15	9.307	19	2.211	11.552
Intangible fixed assets	789	544	-	176	1.508
Equity investments				16	16
Other non-current financial assets	-	-	-	2	2
Other non-current receivables and assets	-	137	-	753	890
Deferred tax assets	-	-	-	776	776
Total non-current assets	803	9.988	19	3.934	14.744
Inventory	2.320	14.089	5.997		22.406
Trade receivables and other receivables	1.092	5.193	3.560	75	9.920
Current taxes receivable	-	-	-	1.014	1.014
Other current financial assets	-	-	-	21	21
Cash and cash equivalents	-	-	-	9.642	9.642
Total current assets	3.412	19.282	9.557	10.752	43.002
Total assets	4.215	29.270	9.576	14.686	57.746
Other non-current payables and liabilities	10	23	30	16	79
Employee severance indemnities	605	1.116	302	258	2.282
Long-term provisions	3	20	3	-	26
Deferred tax liabilities	-	-	-	49	49
Other non-current financial liabilities	-	-	-	21	21
Non-current financial liabilities	-	-	-	13.583	13.583
Total non-current liabilities	619	1.159	336	13.927	16.041
Current financial liabilities	-	-	-	5.543	5.543
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	2.072	13.637	1.104	3.512	20.324
Current taxes payable				653	653
Short-term provisions	90	723	160	38	1.011
Total current liabilities	2.162	14.360	1.264	9.746	27.531
Total liabilities	2.780	15.519	1.599	23.674	43.572
Shareholders' equity	-	-	-	14.174	14.174
Total liabilities	2.780	15.519	1.599	37.848	57.746

At 31 December 2016	CNC	HSM	SERVICE	Non allocable	Total
(€thousand)					
Property, plant and equipment	19	7.979	27	2.428	10.452
Intangible fixed assets	648	468	-	223	1.338
Equity investments	-	-	-	16	16
Other non-current financial assets	-	-	-	-	-
Other non-current receivables and assets	17	182	-	770	968
Deferred tax assets	-	-	-	850	850
Total non-current assets	684	8.629	27	4.287	13.625
Inventory	2.351	11.132	5.893	-	19.375
Trade receivables and other receivables	1.931	10.501	2.781	516	15.730
Current taxes receivable	-	-	-	664	664
Other current financial assets	-	-	-	-	-
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
Employee severance indemnities	610	1.158	304	258	2.330
Long-term provisions	20	-	19	-	39
Deferred tax liabilities	-	-	-	51	51
Other non-current financial liabilities	-	-	-	23	23
Non-current financial liabilities	-	-	-	11.697	11.697
Total non-current liabilities	639	1.181	354	12.055	14.229
Current financial liabilities	-	-	-	4.419	4.419
Other current financial liabilities	-	-	-	198	198
Trade payables and other current payables	2.198	11.474	944	3.445	18.061
Current taxes payable	-	-	-	1.021	1.021
Short-term provisions	104	1.131	180	39	1.453
Total current liabilities	2.302	12.605	1.123	9.122	25.152
Total liabilities	2.941	13.786	1.477	21.177	39.381
Shareholders' equity	-	-	-	18.938	18.938
Total liabilities	2.941	13.786	1.477	40.115	58.319

32. FAIR VALUE HIERARCHIES

IFRS 13 establishes a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three levels. The fair value hierarchy gives the highest priority to listed (unadjusted) prices in active markets for identical assets or liabilities (Level 1 data) and the lowest priority to non-observable inputs (Level 3 data). In some cases, the data used to measure the fair value of an asset or liability could be classified in different levels of the fair value hierarchy. In such cases, the fair value measurement is classified entirely at the same hierarchy level in which the lowest level input is classified, considering its importance for valuation. The hierarchy levels are:

Level 1 - listed prices recognised on an active market for identical assets or liabilities subject to valuation that the entity can access at the measurement date;

Level 2 - Fair values measured using valuation techniques for which inputs significant to the fair value measurement are based on observable market data;

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

At 30 June 2017, the Group held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €23 thousand and net financial liabilities at fair value represented by derivative financial instruments to hedge the exchange rate risk, for an amount of €21 thousand, classified within Level 2 of the hierarchical assessment of fair value.

During the first half of 2017, there were no transfers of assets and liabilities from one level to another.

33. RELATED-PARTY TRANSACTIONS

The Group is engaged in transaction with associated companies and other related parties on commercial terms that are normal in the respective markets considering the characteristics of the goods and services involved.

In detail such transactions have been the following:

- professional services for consulting in research projects carried out by the associate Consorzio Prometec;
- compensation for the employment of Mr. Luca Morfino, an employee of Fidia S.p.A., and Mr. Carlos Maidagan, an employee of Fidia Iberica.
- compensation to the Board of Directors and Board of Auditors.

The impact of said transactions on the single items was stated in the relevant supplementary schedules of the statement of comprehensive income, statement of financial situation and cash flow statement and detailed in the tables below.

Counterparty (€ thousand)	Other operating costs	Personnel expenses	Revenues
Compensation Board of Directors	-	365	-
Compensation Board of Statutory Auditors	30	-	-
Other related parties	51	103	-
Total related parties	81	468	-
Total item	7,197	9,001	-
As % of financial statements items	1.1%	5.2%	-

Counterparty (€ thousand)	Trade receivables	Other current receivables	Trade payables	Other current payables
Payables to BoD members of Fidia SpA	-	-	-	150
Payables to members of the Board of Statutory Auditors of Fidia S.p.A.	-	-	-	31
Other related parties	-	-	2	5
Total related parties	-	-	2	186
Total item	-	-	8,861	9,970
As % of financial statements items	-	-	0.02%	1.87%

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 30 June 2017 was the following:

(€thousand)	30 giugno 2017	31 dicembre 2016
A Cash	14	20
B Bank deposits	9.628	8.905
C Other cash	-	-
D Liquidity (A+B+C)	9.642	8.925
E Current financial receivables	21	-
F Current bank payables	510	1.222
G Current part of non-current bank borrowings	4.296	3.197
H Other current financial payables	737	198
I Current financial debt (F+G+H)	5.543	4.617
J Net current financial position (receivables)/payables (I-E-D)	(4.120)	(4.308)
K Non-current bank payables	13.583	11.697
L Bonds issued	-	-
M Other non-current financial payables	20	23
N Non-current financial debt (K+L+M)	13.603	11.720
O Net financial position (receivable)/payable (J+N)	9.483	7.412

35. Significant non-recurring events and transactions

In the first half of 2017, the Group did not undertake any significant non-recurring transactions as defined by Consob Communication of 28 July 2006.

36. POSITIONS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with the CONSOB Communication dated 28 July 2006, it is hereby stated that no atypical and/or unusual transactions were undertaken during the first half of 2017. As defined by said Communication, atypical and/or unusual transactions are those that, due to their significance, the nature of the counterparts, the object of the transaction, the methods of determination of the price of transfer, and timing (proximity to year-end) may give rise to doubts as to the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of an entity's assets or the protection of minority shareholders.

COMPANIES OF THE FIDIA GROUP AT 30 June 2017

In accordance with Consob Regulation 11971 of 14 May 1999, as subsequently amended, a complete list of Group companies and significant investments is provided below.

The list includes companies broken down by type of control and method of consolidation.

The following are also shown for each company: name, registered office, country and share capital stated in original currency. Additionally, the percentage consolidated and the percentage interest held directly by Fidia S.p.A. is also shown.

IMPRESE CONSOLIDATE CON IL METODO INTEGRALE				
Denominazione / Sede	Moneta	Capitale Sociale	Quota di partecipazione consolidata 30 giugno 2017	
			Percentuale di possesso della capogruppo 30 giugno 2017	
Società Capogruppo:				
Fidia S.p.A., San Mauro Torinese (TO)	Euro	5.123.000		
Società Controllate estere:				
Fidia GmbH, Dreiech, Germania	Euro	520.000	100%	100%
Fidia Co, Troy U.S.A.	USD	400.000	100%	100%
Fidia Sarl, Emerainville, Francia	Euro	300.000	100%	93,19%
Fidia Iberica S.A., Zamudio, Spagna	Euro	180.300	99,993%	99,993%
Fidia do Brasil Ltda, Sao Paulo, Brasile	Reais	400.843	99,75%	99,75%
Beijing Fidia M&E Co Ltd, Beijing, Cina	USD	1.500.000	96%	96%
Shenyang Fidia NC & Machine Co Ltd, Shenyang, Cina	Rmb	42.517.648	51%	51%
OOO Fidia, Mosca, Federazione Russa	Rublo	3.599.790	100%	100,00%

IMPRESE CONSOLIDATE CON IL METODO DEL PATRIMONIO NETTO				
Denominazione / Sede	Moneta	Capitale Sociale	Quota di partecipazione	
			30/06/2017	31/12/2016
Consorzio Prometec - Bruzolo di Susa (TO)	Euro	10.329	20%	20%

San Mauro Torinese, 14 September 2017

On behalf of the Board of Directors

The Chairman and CEO

Mr. Giuseppe Morfino