



## **FIDIA GROUP**

### **INTERIM REPORT**

**AT 30 SEPTEMBER 2018**

**Fidia S.p.A.**

Registered office in San Mauro Torinese, Corso Lombardia, 11

Paid-in share capital € 5,123,000

Turin Register of Companies

Taxpayer's Code 05787820017

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## **TABLE OF CONTENTS**

<b>3</b>	<b>Board of Directors and Auditors</b>
<b>5</b>	<b>Fidia Group structure</b>
<b>6</b>	<b>Fidia Group – Reclassified Financial Statements</b>
<b>9</b>	<b>Group financial performance</b>
<b>12</b>	<b>Analysis of financial data</b>
<b>15</b>	<b>Segment Reporting</b>
<b>16</b>	<b>Summary of performance, significant events and business outlook</b>
<b>17</b>	<b>Fidia Group - Consolidated Financial Statements and Notes</b>
<b>23</b>	<b>Fidia Group - Notes to the Financial Statements</b>

**Board of Directors  
13 November 2018**

## **ADMINISTRATIVE AND SUPERVISORY BODIES**

### **Board of Directors**

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

(a) Appointed Chairman at the Shareholders' Meeting on 28 April 2017 until the approval of the financial statements for FY2019; appointed 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 27 April 2018 up to the approval of the 2019 Financial Statements

(1) Member of the Internal Control and Risk Committee

(2) Member of the Remuneration Committee.

### **Board of Statutory Auditors (\*)**

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

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

### **Independent Auditors (\*\*)**

EY S.p.A.

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

## **POWERS OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND DEPUTY CHAIRMAN**

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

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

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

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

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**FIDIA GROUP**

**RECLASSIFIED FINANCIAL STATEMENTS**

**AT 30 SEPTEMBER 2018**

## Reclassified consolidated income statement

(€thousand)	Q3 2018	%	Q3 2017	%
<b>Net revenue</b>	<b>30,499</b>	<b>78.5%</b>	<b>28,835</b>	<b>84.9%</b>
Changes in inventories of finished goods and W.I.P.	6,310	16.2%	3,576	10.5%
Other revenues and income	2,060	5.3%	1,547	4.6%
<b>Value of production</b>	<b>38,869</b>	<b>100.0%</b>	<b>33,958</b>	<b>100.0%</b>
Raw materials and consumables	(17,219)	-44.3%	(12,470)	-36.7%
Commissions, transport and contractors	(3,338)	-8.6%	(3,120)	-9.2%
Other services and operating costs	(7,748)	-19.9%	(7,622)	-19.1%
<b>Added value</b>	<b>10,564</b>	<b>27.2%</b>	<b>10,746</b>	<b>31.6%</b>
Personnel costs	(13,085)	-33.7%	(13,101)	-38.6%
<b>EBITDA</b>	<b>(2,521)</b>	<b>-6.5%</b>	<b>(2,355)</b>	<b>-6.9%</b>
Bad debts provision	(277)	-0.7%	(77)	-0.2%
Depreciation	(886)	-2.3%	(705)	-2.1%
<b>Operating profit from ordinary business</b>	<b>(3,684)</b>	<b>-9.5%</b>	<b>(3,137)</b>	<b>-9.2%</b>
Non-recurring income/(expenses)	(603)	-1.6%	-	0.0%
<b>EBIT</b>	<b>(4,287)</b>	<b>-11.0%</b>	<b>(3,137)</b>	<b>-9.2%</b>
Net finance expenses and revenue	(382)	-1.0%	(69)	-0.2%
Profit/(Loss) on exchange rates	(117)	-0.3%	154	0.5%
<b>Earnings before tax (EBT)</b>	<b>(4,786)</b>	<b>-12.3%</b>	<b>(3,052)</b>	<b>-9.0%</b>
Income taxes (current, paid and deferred)	443	1.1%	(164)	-0.5%
<b>Net profit (loss) for the period</b>	<b>(4,343)</b>	<b>-11.2%</b>	<b>(3,216)</b>	<b>-9.5%</b>
- (Profit)/Loss of non-controlling interests	(167)	-0.4%	(22)	-0.1%
<b>- Profit/(Loss) of Group</b>	<b>(4,175)</b>	<b>-10.7%</b>	<b>(3,194)</b>	<b>-9.4%</b>

## Consolidated statement of financial position

(€thousand)	30/9/2018	31/12/2017	30/9/2017
Net tangible assets	11,404	11,267	11,447
Intangible fixed assets	2,237	1,758	1,669
Non-current financial assets	16	16	16
Other financial assets	1,997	1,497	1,757
<b>Capital assets – (A)</b>	<b>15,654</b>	<b>14,538</b>	<b>14,889</b>
Net trade receivables from customers	9,288	14,339	10,173
Closing inventories	25,646	17,846	21,096
Other current assets	1,733	1,263	1,658
<b>Short-term (current) assets – (B)</b>	<b>36,667</b>	<b>33,448</b>	<b>32,927</b>
Trade payables to suppliers	(13,074)	(9,928)	(8,669)
Other current liabilities	(14,967)	(15,801)	(12,328)
<b>Short-term (current) liabilities – (C)</b>	<b>(28,041)</b>	<b>(25,729)</b>	<b>(20,997)</b>
<b>Net working capital (D) = (B+C)</b>	<b>8,626</b>	<b>7,719</b>	<b>11,930</b>
Termination benefits (E)	(2,223)	(2,292)	(2,282)
Other long-term liabilities (F)	(426)	(470)	(149)
<b>Net invested capital (G) = (A+D+E+F)</b>	<b>21,631</b>	<b>19,494</b>	<b>24,388</b>
<b>Financial position</b>			
Available-for-sale financial assets			
Cash on hand, bank deposits	(5,434)	(11,520)	(7,454)
Short-term loans	8,056	6,329	6,019
(Assets)/liabilities for current derivatives	-	-	-
Other current financial payables	-	-	-
<b>Short-term financial position (receivable)/payable</b>	<b>2,622</b>	<b>(5,171)</b>	<b>(1,435)</b>
Long-term loans, net of current portion	9,942	11,294	12,384
(Assets)/liabilities for long-term derivatives	38	66	22
<b>Net financial position (receivable)/payable (H)</b>	<b>12,602</b>	<b>6,170</b>	<b>10,971</b>
Share capital	5,123	5,123	5,123
Provisions	6,391	9,362	9,571
Net profit (loss) for the period	(4,175)	(3,066)	(3,194)
<b>Total shareholders' equity of Group</b>	<b>7,339</b>	<b>11,419</b>	<b>11,500</b>
Total equity of non-controlling interests	1,690	1,905	1,916
<b>Total shareholders' equity (I)</b>	<b>9,029</b>	<b>13,324</b>	<b>13,417</b>
<b>Shareholders' equity and net financial position (L) = (H+I)</b>	<b>21,631</b>	<b>19,494</b>	<b>24,388</b>



## GROUP FINANCIAL PERFORMANCE

### Revenues

Revenues in the first nine months of 2018 amounted to €30,499 thousand, up 5.8% compared to €28,835 thousand in the same period of the previous year.

The trend is due to the mechanics segment (HSM) which recorded revenue of €19,185 thousand compared to €17,728 thousand at 30 September 2017 (+2.9%) and to the Service segment which reported higher results compared to the first nine months of 2017 with revenue at €9,028 thousand (+8.2% compared to €8,773 thousand at 30 September 2017), while the electronics segment (CNC) stood at €2,286 thousand (slightly down compared to €2,333 thousand at 30 September 2017).

In detail, the trend in revenue per business line is shown in the table below:

(€thousand)	Q3 2018	%	Q3 2017	%	% Chg
Numerical controls, drives and software	2,286	7.5%	2,333	8.1%	-2.0%
High-speed milling systems	19,185	62.9%	17,728	61.5%	2.9%
After-sales service	9,028	29.6%	8,773	30.4%	8.2%
<b>Grand total</b>	<b>30,499</b>	<b>100%</b>	<b>28,835</b>	<b>100%</b>	<b>5.8%</b>

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

(€thousand) GEOGRAPHICAL AREA	TOTAL REVENUES 3 ° trim.2018	%	TOTAL REVENUES 3 ° trim.2017	%	% Chg
ITALY	6,839	22.4%	3,799	13.2%	80.0%
EUROPE	7,707	25.3%	7,330	25.4%	5.1%
ASIA	9,574	31.4%	11,368	39.4%	-15.8%
NORTH and SOUTH AMERICA	6,375	20.9%	6,331	22.0%	0.7%
REST OF THE WORLD	4	0.0%	8	0.0%	-49.5%
<b>TOTAL</b>	<b>30,499</b>	<b>100%</b>	<b>28,835</b>	<b>100%</b>	<b>5.8%</b>

### ***Numerical Control and Software***

Revenues of the electronic segment (CNC) were slightly down YOY at €2,286 thousand (€2,333 thousand at 30 September 2017).

### ***High-Speed Milling Systems***

Revenues in the mechanical segment (HSM) were up by 2.9% compared to the first nine months of 2017 at €19,185 thousand (€17,728 thousand at 30 September 2017).

### ***After-sales service***

In the first nine months of the year, revenues in the Service division increased by 8.2% to €9,028 thousand compared with €8,773 thousand in the first nine months of 2017.

## Sales and marketing activity

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

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 fulfill the intervention requests is very short.

(€thousand)	<b>TOTAL 30/09/2018</b>	<b>TOTAL 30/09/2017</b>	<b>Chg. %</b>
Order portfolio as at January 1st	31,367	14,607	114.7%
<b>New orders</b>	<b>31,332</b>	<b>31,953</b>	<b>-1.9%</b>
Revenues	(21,471)	(20,061)	7.0%
<b>Backlog orders at 30/09</b>	<b>41,228</b>	<b>26,499</b>	<b>55.6%</b>

## Other revenues and income

Other revenues and income in first nine of 2018 were equal to €2,060 thousand (€1,328 thousand in the same period of 2017). 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:

- the surplus of the provisions for warranty and bad debts compared to the risks to be covered (€374 thousand compared to €511 thousand at 30 September 2017);
- increases in tangible assets built on a time and materials basis and the capitalization of product development costs (€1,160 thousand versus €501 thousand at 30 September 2017), up as a result of the increased number of in-house projects under development, including an entire piece of machinery;
- contingent assets, damages from insurance companies, recovery of costs incurred and others (€263 thousand at 30 September 2018; €309 thousand at 30 September 2017).
- research grants from the EU and Italian Ministry of, University and Research (MUR) as part of the funded research activity carried out by the parent company Fidia S.p.A. (€244 thousand, €218 thousand at 30 September 2017);
- capital gains from transfers (€20 thousand at 30 September 2018; €7 thousand at 30 September 2017);

## Value of production

In the first nine months of the current period, the value of production amounted to €38,869 thousand, up compared to the €33,958 thousand of the same period of 2017 (+€4,911 thousand), due to the higher turnover and the change in inventories of finished and semi-finished products.

## Other services and operating costs

The item totalled €7,748 thousand in the first nine months of 2018, up compared to €7,622 thousand in the same period of 2017 (+€126 thousand).

## Added value

At 30 September 2018, it amounted to €10,564 thousand (27.2% of the value of production), down in absolute terms from the €10,746 thousand (31.6% of the value of production) of the same period of the year before; the percentage trend was strongly influenced by the higher incidence of the cost of raw materials.

## Personnel

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

	30/9/2018	30/9/2017	Abs. change	% Chg
Executives	9	8	1	12.5%
Clerks and cadres	273	279	-6	-2.2%
Workers	54	49	5	10.2%
Total employees	336	336	0	0.0%
Total mean No. of employees	334.5	339.0	-4.5	-1.3%

	Q3 2018	Q3 2017	Abs. change	% Chg
Labor cost (€thousand)	13,085	13,101	-16	-0.12%

Comparing the first nine months of 2018 and 2017, personnel costs show a very slight decrease in absolute terms (€16 thousand, or 0.1%). Given the increase in turnover, the incidence of labour costs on revenues went from 38.6% at 30 September 2017 to 33.7% at 30 September 2018.

## EBITDA

EBITDA was negative and amounted to €-2,355 thousand (-6.5% of the value of production) and was therefore down compared to the same period of the previous year, when the Group posted EBITDA of €-2,355 thousand.

## Operating profit from ordinary business

Operating income from ordinary business at 30 September 2018 recorded a loss of €3,684 thousand. This indicator too decreased compared to the negative figure of -€3,137 thousand recorded at 30 September 2017.

## Non-recurring income and charges

In the first nine months of 2018 there were non-recurring charges of €603 thousand due to the loss recorded by the US subsidiary Fidia Co, which was the victim of IT fraud.

Management immediately activated a coordinated set of measures aimed at recovering, even partially, the stolen sum, in collaboration with the competent law enforcement agencies at international level. It also activated a review of internal procedures to adapt them to the changed risk context.

At present, the company does not have sufficient evidence to assume the extent of the recovery of the liquidity subject to fraud, and has therefore taken steps to record the related loss.

Management has also activated an analysis and revision of the internal procedures to adapt them to the changed risk context

## EBIT

EBIT at 30 September 2018 was negative at €4,287 thousand (at 30 September 2017 it was negative at €3,137 thousand).

## Finance expenses and revenue and net exchange rate differences

Charges for financing activities were up compared with the first nine months of 2017 (net charges of €382 thousand at 30 September 2018 versus €69 thousand at 30 September 2017).

Net differences in exchange rates, either realized or resulting from measurement in the financial statements, generated net expenses of €117 thousand versus a net profit of €154 thousand at 30 September 2017.

## Earnings before tax (EBT)

EBT resulted in a loss of €4,786 thousand versus a profit of €3,052 thousand in the same period of 2017.

## Profit (loss) of Group

The Group net result, after positive taxes (due to the allocation of deferred tax assets) of €443 thousand and after losses pertaining to third parties (167 thousand euros), is a loss of -€4,175 thousand compared to a loss of -€3,194 thousand euros in the first nine months of 2017.

## ANALYSIS OF THE FINANCIAL DATA

### Net financial position

(€thousand)	30/9/2018	31/12/2017	30/9/2017
<b>Financial position</b>			
Available-for-sale financial assets	-	-	-
Cash on hand, bank deposits	5,434	11,520	7,454
Overdrawn bank accounts and short-term advances	(2,103)	(247)	(588)
Short-term loans	(5,953)	(6,082)	(5,431)
(Assets)/liabilities for current derivatives	-	-	-
Other current financial payables	-	-	-
<b>Short-term financial position - receivables/(payables)</b>	<b>(2,622)</b>	<b>5,191</b>	<b>1,435</b>
Long-term loans, net of current portion	(9,942)	(11,294)	(12,384)
(Assets)/liabilities for long-term derivatives	(38)	(66)	(22)
<b>Net financial position - receivables/(payables)</b>	<b>(12,602)</b>	<b>(6,170)</b>	<b>(10,971)</b>

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

(€thousand)	30/9/2018	31/12/2017	30/9/2017
<b>Available-for-sale financial assets</b>	-	-	-
<b>Cash on hand, bank deposits</b>			
Fidia S.p.A.	2,841	7,140	3,652
Fidia Co.	333	1,743	679
Fidia GmbH	429	524	647
Fidia Iberica S.A.	451	442	365
Fidia S.a.r.l.	154	402	387
Beijing Fidias Machinery & Electronics Co.,Ltd	921	847	1,374
Fidia do Brasil Ltda.	83	165	215
Shenyang Fidias NC & M Co., Ltd	221	257	135
OOO Fidias	-	-	-
	<b>5,434</b>	<b>11,520</b>	<b>7,454</b>
<b>Total cash and cash equivalents</b>	<b>5,434</b>	<b>11,520</b>	<b>7,454</b>

(€thousand)	30/9/2018	31/12/2017	30/9/2017
<b>Short-term loans and advances</b>			
Fidia S.p.A.	(7,598)	(6,258)	(5,938)
Fidia GmbH	(52)	(59)	(68)
Fidia Iberica S.A.	(19)	(12)	(13)
Fidia do Brasil Ltda.	(387)		
	<b>(8,056)</b>	<b>(6,329)</b>	<b>(6,019)</b>
<b>(Assets)/liabilities for current derivatives</b>			
Fidia S.p.A.	-	-	-
	-	-	-
<b>Other current financial payables</b>			
Fidia S.p.A.	-	-	-
	-	-	-
<b>Long-term loans, net of current portion</b>			
Fidia S.p.A.	(9,394)	(11,238)	(12,319)
Fidia GmbH	(530)	(45)	(51)
Fidia Iberica S.A.	(18)	(11)	(14)
	<b>(9,942)</b>	<b>(11,294)</b>	<b>(12,384)</b>
<b>(Assets)/liabilities for long-term derivatives</b>			
Fidia S.p.A.	(38)	(66)	(22)
	<b>(38)</b>	<b>(66)</b>	<b>(22)</b>
<b>Total financial payables</b>	<b>(18,036)</b>	<b>(17,689)</b>	<b>(18,425)</b>

At 30 September 2018 the net financial position was negative at €12,602 thousand; the change from 30 September 2017 was negatively affected by the increase in the inventory of semi-finished products, which have not generated yet the relevant receipts due to normal delivery dynamics and to the cyclical nature of the business.

The following table contains a condensed statement of cash flows at 30 September 2018 showing the cash flows composing the net financial position.

**SHORT CONSOLIDATED CASH FLOW STATEMENT**

(€thousand)	30/9/2018	30/9/2017
<b>A) Cash and cash equivalents at beginning of period</b>	<b>11,273</b>	<b>8,440</b>
<b>B) Cash from/(used in) operating activities during the period</b>	<b>(4,997)</b>	<b>774</b>
<b>C) Cash from/(used in) investing activities</b>	<b>(1,438)</b>	<b>(2,191)</b>
<b>D) Cash from/(used in) financing activities</b>	<b>(1,548)</b>	<b>888</b>
Currency translation differences	41	(1,045)
<b>E) Net change in cash and cash equivalents</b>	<b>(7,942)</b>	<b>(1,574)</b>
<b>F) Cash and cash equivalents at end of period</b>	<b>3,331</b>	<b>6,866</b>
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	5,434	7,454
Overdrawn bank accounts	(2,103)	(588)
	(3,331)	6,866

## 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 sectors (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 mainly of numerical controls, components and electromechanical systems transferred from the electronics sector to the milling systems sector and reciprocally of mechanical assemblies supplied to the electronics sector for particular applications.

### CONSOLIDATED INCOME STATEMENT by business sector

Progressive data at September 2018 (€thousand)	CNC 2018	%	HSM 2018	%	SERVICE 2018	%	N/A 2018	TOTAL 2018
<b>Revenues</b>	2.286	66,2%	19.185	100,0%	9.028	100,0%	-	30.499
Cross-sector revenues	1.168	33,8%	-	0,0%	-	0,0%	-	
Total reclassified revenues	3.454	100,0%	19.185	100,0%	9.028	100,0%	-	30.499
Changes in inventories of finished goods and W.I.P.	107	3,1%	6.017	31,4%	186	2,1%	-	6.310
Raw materials and consumables	(1.090)	-31,6%	(14.709)	-76,7%	(1.322)	-14,6%	(98)	(17.219)
<b>Cross-sector expenses</b>	235	6,8%	(2.172)	-11,3%	731	8,1%	38	
Commissions, transport and contractors	(461)	-13,3%	(2.498)	-13,0%	(356)	-3,9%	(24)	(3.338)
<b>Sales margin</b>	<b>2.245</b>	<b>65,0%</b>	<b>5.823</b>	<b>30,4%</b>	<b>8.267</b>	<b>91,6%</b>	<b>(84)</b>	<b>16.252</b>
Other operating revenue	545	15,8%	901	4,7%	431	4,8%	184	2.060
Other operating costs	(481)	-13,9%	(1.726)	-9,0%	(2.013)	-22,3%	(3.529)	(7.748)
Non-recurring charges	-	0,0%	-	0,0%	-	0,0%	(603)	(603)
Personnel costs	(1.976)	-57,2%	(4.169)	-21,7%	(4.179)	-46,3%	(2.762)	(13.085)
Depreciation, amortization and writedowns	(113)	-3,3%	(487)	-2,5%	(265)	-2,9%	(298)	(1.164)
<b>Operating profit/(loss)</b>	<b>221</b>	<b>6,4%</b>	<b>343</b>	<b>1,8%</b>	<b>2.241</b>	<b>24,8%</b>	<b>(7.091)</b>	<b>(4.287)</b>

<b>Progressive data at September 2017</b> (€thousand)	<b>CNC</b> <b>2017</b>	<b>%</b>	<b>HSM</b> <b>2017</b>	<b>%</b>	<b>SERVICE</b> <b>2017</b>	<b>%</b>	<b>N/A</b> <b>2017</b>	<b>TOTAL</b> <b>2017</b>
<b>Revenues</b>	<b>2.333</b>	<b>76,3%</b>	<b>17.728</b>	<b>99,5%</b>	<b>8.773</b>	<b>100,0%</b>	-	<b>28.835</b>
Cross-sector revenues	725	23,7%	94	0,5%	-	0,0%	-	
Total reclassified revenues	<b>3.058</b>	<b>100,0%</b>	<b>17.822</b>	<b>100,0%</b>	<b>8.773</b>	<b>100,0%</b>	-	<b>28.835</b>
Changes in inventories of finished goods and W.I.P.	117	3,8%	3.447	19,3%	11	0,1%	-	3.576
Raw materials and consumables	(674)	-22,0%	(10.755)	-60,3%	(952)	-10,8%	(89)	(12.470)
<b>Cross-sector expenses</b>	<b>198</b>	<b>6,5%</b>	<b>(1.572)</b>	<b>-8,8%</b>	<b>560</b>	<b>6,4%</b>	- 5	
Commissions, transport and contractors	(372)	-12,1%	(2.368)	-13,3%	(364)	-4,1%	(16)	(3.120)
<b>Sales margin</b>	<b>2.328</b>	<b>76,1%</b>	<b>6.573</b>	<b>36,9%</b>	<b>8.029</b>	<b>91,5%</b>	<b>(110)</b>	<b>16.821</b>
Other operating revenue	509	16,6%	517	2,9%	358	4,1%	162	1.547
Other operating costs	(323)	-10,6%	(1.591)	-8,9%	(1.930)	-22,0%	(3.778)	(7.622)
Non-recurring charges	-	0,0%	-	0,0%	-	0,0%	-	0
Personnel costs	(2.017)	-65,9%	(4.254)	-23,9%	(4.024)	-45,9%	(2.807)	(13.101)
Depreciation, amortization and writedowns	(101)	-3,3%	(315)	-1,8%	(88)	-1,0%	(278)	(782)
<b>Operating profit/(loss)</b>	<b>397</b>	<b>13,0%</b>	<b>931</b>	<b>5,2%</b>	<b>2.346</b>	<b>26,7%</b>	<b>(6.811)</b>	<b>(3.137)</b>



## **SUMMARY OF THE GROUP PERFORMANCE, SIGNIFICANT EVENTS AND BUSINESS OUTLOOK**

The third quarter of the year closed again with a negative result, as a consequence of some deviations from the delivery plan as a whole.

On the commercial front, the performance achieved was very satisfactory in the first nine months of the year.

Production planning supports the fourth-quarter revenue forecasts.

Based on these assumptions, the Group's management expects an improvement in economic performance in the last part of the year.

During the period, 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.

The general economic situation is therefore expected to improve significantly during the last quarter.

On behalf of the Board of Directors

The Chairman and CEO

Mr. Giuseppe Morfino

# **FIDIA GROUP**

## **Consolidated accounting schedules and Notes**

**at 30 September 2018**

## CONSOLIDATED INCOME STATEMENT

(€thousand)	Notes	3rd Quarter 2018	3rd Quarter 2017
- Net sales	1	30.499	28.835
- Other operating revenue	2	2.060	1.547
<b>Total revenue</b>		<b>32.559</b>	<b>30.382</b>
- Change in finished goods and WIP		6.310	3.576
- Raw materials and consumables	3	(17.219)	(12.470)
- Personnel costs	4	(13.085)	(13.101)
- Other operating costs	5	(11.086)	(10.742)
- Depreciation, amortization and writedowns	6	(1.163)	(782)
<b>- Operating profit/(loss) from ordinary business</b>		<b>(3.684)</b>	<b>(3.137)</b>
- Non-recurring income/(expenses)	7	(603)	0
<b>Operating profit/(loss)</b>		<b>(4.287)</b>	<b>(3.137)</b>
- Financial income/(expense)	8	(499)	85
<b>- Profit (loss) before taxes</b>		<b>(4.786)</b>	<b>(3.052)</b>
<b>- Income tax</b>	9	<b>443</b>	<b>(164)</b>
<b>- Profit (loss) for the period</b>		<b>(4.343)</b>	<b>(3.216)</b>
<b>Profit/(loss) attributable to:</b>			
Shareholders of the parent company		(4.175)	(3.194)
Minority interests		(167)	(22)
<i>(EUR)</i>			
Earning per share	10	(0,82)	(0,62)
Diluted earnings per ordinary share	10	(0,82)	(0,62)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€thousand)	Notes	3rd Quarter 2018	3rd Quarter 2017
<b>Profit (loss) for the period (A)</b>		<b>(4,343)</b>	<b>(3,216)</b>
Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss:			
Profit/(loss) on cash flow hedges		27	1
Profit(loss) on translation of financial statements of foreign companies		54	(1,341)
Tax effect pertaining to Other comprehensive profit/(loss) that may be reclassified in profit or loss		(6)	-
<b>Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)</b>		<b>75</b>	<b>(1,340)</b>
Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss:			
Net actuarial gains/(losses) on defined benefit plans		16	21
Tax effect pertaining to Other comprehensive profit/(loss) that may not be reclassified in profit or loss		(4)	(5)
<b>Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)</b>		<b>12</b>	<b>16</b>
<b>Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)</b>		<b>87</b>	<b>(1,324)</b>
<b>Total comprehensive profit/(loss) for the period (A)+(B)</b>		<b>(4,256)</b>	<b>(4,540)</b>
<b>Total comprehensive profit/(loss) due to:</b>			
Shareholders of the parent company		<b>(4,056)</b>	<b>(4,385)</b>
Non-controlling interests		<b>(200)</b>	<b>(155)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€thousand)	Notes	30/09/2018	31/12/2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
- Property, plant and equipment	11	11.404	11.267
- Intangible assets	12	2.237	1.758
- Investments	13	16	16
- Other non-current receivables and assets	14	690	759
- Pre-paid tax assets	9	1.307	738
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15.654</b>	<b>14.538</b>
<b>CURRENT ASSETS</b>			
- Inventory	15	25.646	17.846
- Trade receivables	16	9.288	14.339
- Current tax receivables	17	712	298
- Other current receivables and assets	17	1.021	965
- Other current financial receivables	18	-	-
- Cash and cash equivalents	19	5.434	11.520
<b>TOTAL CURRENT ASSETS</b>		<b>42.101</b>	<b>44.967</b>
<b>TOTAL ASSETS</b>		<b>57.755</b>	<b>59.505</b>
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
- Share capital and reserves attributable to shareholders of parent company		7.339	11.419
- Non-controlling interests		1.690	1.905
<b>TOTAL CONSOLIDATED EQUITY</b>	20	<b>9.029</b>	<b>13.324</b>
<b>NON-CURRENT LIABILITIES</b>			
- Other non-current payables and liabilities	21	376	402
- Termination benefits	22	2.223	2.292
- Deferred tax liabilities	9	38	47
- Provisions for risks and expenses	28	11	22
- Other non-current financial liabilities	23	38	66
- Non-current financial liabilities	24	9.942	11.294
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12.629</b>	<b>14.123</b>
<b>CURRENT LIABILITIES</b>			
- Current financial liabilities	24	8.056	6.329
- Other current financial liabilities	25	-	-
- Trade payables	26	13.074	9.928
- Current tax payables	27	491	1.743
- Other current payables and liabilities:	27	13.586	12.960
- Provisions for risks and expenses	28	890	1.098
<b>TOTAL CURRENT LIABILITIES</b>		<b>36.097</b>	<b>32.058</b>
<b>TOTAL LIABILITIES</b>		<b>57.755</b>	<b>59.505</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

€thousand	3rd Quarter 2018	3rd Quarter 2017
<b>A) Cash and cash equivalents at beginning of period</b>	<b>11.273</b>	<b>8.440</b>
<b>B) Cash from/(used in) operating activities during the period</b>		
- Profit/(loss) of Group and NCIs	(4.343)	(3.216)
- Depreciation, amortization and writedowns of tangible and intangible assets	886	705
- Net loss (gain) on disposal of tangible assets	(20)	(2)
- Net change in provision for employee severance pay	(69)	(48)
- Net change in provisions for risks and charges	(218)	(427)
- Net change (assets) liabilities for (pre-paid) deferred taxes	(578)	(38)
Net change in working capital:		
- Receivables	4.650	4.658
- inventory	(7.799)	(1.721)
- payables	2.494	863
	<b>(4.997)</b>	<b>774</b>
<b>C) Cash from/(used in) investing activities</b>		
- Investments in		
property, plant and equipment	(812)	(1.726)
intangible fixed assets	(651)	(487)
- Proceeds from the sale of:		
property, plant and equipment	25	22
non-current financial assets	-	-
	<b>(1.438)</b>	<b>(2.191)</b>
<b>D) Cash from/(used in) financing activities</b>		
- Change in loans	(1.481)	2.185
- Dividends paid	0	(1.023)
- Other changes in capital and reserves	(39)	(74)
- Net change in other current and non-current financial assets and liabilities	(28)	(200)
	<b>(1.548)</b>	<b>888</b>
Currency translation differences	41	(1.045)
<b>E) Net change in cash and cash equivalents</b>	<b>(7.942)</b>	<b>(1.574)</b>
<b>F) Cash and cash equivalents at end of period</b>	<b>3.331</b>	<b>6.866</b>
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	5.434	7.454
Overdrawn bank accounts	(2.103)	(588)
	<b>3.331</b>	<b>6.866</b>

## 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 Group Shareholders' Equity	Non-controlling interests	Total shareholders' equity
<b>Balance at 1 January 2017</b>	5,123	(45)	1,240	5,269	(15)	2,713	(95)	213	2,462	16,867	2,071	18,938
Allocation of profit	-	-	-	2,462	-	-	-	-	(2,462)	-	-	-
Distribution of dividends	-	-	-	(1,023)	-	-	-	-	-	(1,023)	-	(1,023)
Comprehensive result for the period	-	-	-	-	1	(1,208)	16	-	(3,194)	(4,385)	(155)	(4,540)
Other changes	-	-	-	41	-	-	-	-	-	41	-	41
<b>Balance at 30 September 2017</b>	5,123	(45)	1,240	6,749	(14)	1,505	(79)	213	(3,194)	11,500	1,916	13,417
<b>Balance at 31 December 2017</b>	5,123	(45)	1,240	6,706	(46)	1,421	(127)	213	(3,066)	11,419	1,905	13,324
<b>Impact of adopting IFRS15</b>				(19)						(19)		(19)
<b>Balance at 1 January 2018</b>	5,123	(45)	1,240	6,687	(46)	1,421	(127)	213	(3,066)	11,400	1,905	13,305
Allocation of profit	-	-	-	(3,066)	-	-	-	-	3,066	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	(17)	(17)
Comprehensive result for the period	-	-	-	-	21	87	12	-	(4,175)	(4,056)	(196)	(4,256)
Other changes	-	-	-	(6)	-	-	-	-	-	(6)	(2)	(8)
<b>Balance at 30 September 2018</b>	5,123	(45)	1,240	3,615	(25)	1,508	(115)	213	(4,175)	7,339	1,690	9,029

## Notes

### **SIGNIFICANT ACCOUNTING STANDARDS**

This Quarterly Report at 30 September 2018 has 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 Quarterly 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 2017, except for the adoption of the new standards and amendments effective from 1 January 2018. The Group has not early adopted any new standard, interpretation or amendment published but not yet in force.

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 Quarterly 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 2017.

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). This Quarterly Report at 30 September 2018 does 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 2017, 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 statement of cash flows were added in order to underscore significant relations with related parties and not to impair the overall readability of the financial statements.

### **Accounting principles, amendments and interpretations adopted from 1 January 2017**

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

#### IFRS 9 – Financial instruments

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

In particular:

a) Classification and measurement

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

b) Impairment

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

c) Hedge accounting

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

### IFRS 15 - Revenue from Contracts with Customers

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

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

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

In its contracts with customers, the Group generally provides warranties for repairs of a general nature and also provides extended warranties.

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

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

The following is a summary of the effects of the adoption of the new standard on the opening balances at 1 January 2018

Amount in €thousand	Published 01/01/2018	Effects of adoption of IFRS 15	Restated 01/01/2018
Non-current assets	14.538	7	14.545
Current assets	44.967		44.967
<b>Total Assets</b>	<b>59.505</b>	<b>7</b>	<b>59.512</b>
Shareholders' equity	13.324	-19	13.305
Non-current liabilities	14.123	0	14.123
Current liabilities	32.058	26	32.084
<b>Total liabilities</b>	<b>59.505</b>	<b>7</b>	<b>59.512</b>

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

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

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

Amendments to IAS 40 - Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development, to or from Investment Property.

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

IFRIC 22 - Foreign Currency Transactions and Advance Consideration issued

The interpretation clarifies that, in defining the spot exchange rate to be used for the initial recognition of the related asset, expense or revenue upon derecognition of a non-monetary asset or a non-monetary liability related to advances on consideration, the transaction date is the date on which the entity initially recognises the non-monetary asset or non-monetary liability related to advances on consideration.

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

Improvements to IFRSs (2014-2016 Cycle)

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

- Amendments 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.

- IFRS 17 - Insurance Contracts. In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a new comprehensive standard for insurance contracts that covers recognition and measurement, presentation and disclosure. When effective, IFRS 17 will replace IFRS 4 - Insurance Contracts which was issued in 2005. IFRS 17 will be in force for reporting periods beginning on or after 1 January 2021, and will require the presentation of comparative balances. This standard does not apply to the Group.

- IFRIC 23 - Uncertainties over Income Tax Treatments. The Interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties that have an effect on the application of IAS 12. An entity shall determine whether it considers any uncertain tax treatment separately or together with other (one or more) uncertain tax treatment(s). The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but some transitional facilities are available.

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

- Improvements to IFRSs (2015-2017 Cycle)

This document supplements and partially amends the existing “IFRS 3 Business combination”, “IFRS 11 Joint Arrangements”, “IAS 12 Income Taxes” and “IAS 23 Borrowing costs disclosure of interests in other entities”. These amendments are applicable from 1 January 2019.

- “IAS 19 - Employee Benefits”. The revision of the standard (effective from 1 January 2019) clarifies how an entity shall account for the modification, reduction or extinction of a defined benefit plan. It is now mandatory that current service cost and net interest for the period after recalculation be determined using the assumptions used for the recalculation.

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

### Scope of consolidation

The scope of consolidation has not changed in the first nine months of 2018 in comparison to the Consolidated Financial Statements at 31 December 2017. The companies included in the scope of consolidation, compared with those resulting at the end of 2017 and at the end of the same period of last year, are listed below:

Name / Registered office	Currency	Share capital	Equity ownership at 30/9/2018	Equity ownership at 31/12/2017	Equity ownership at 30/9/2017
Fidia SpA, S. Mauro T.se - Italy	EUR	5,123,000	100%	100%	100%
Fidia Gmbh, Dreiech - 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%	96%
Shenyang Fidias NC & Machine Company Ltd., Shenyang – China	Rmb	42,517,648	51%	51%	51%
OOO Fidias, Mosca – Russian Federation	Roubl e	3,599,790	100%	100%	100%

### OTHER INFORMATION

The interim directors' report at 30 September 2018 was approved by the Board of Directors on 13 November 2018, which authorised its 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)	3rd Quarter 2018	%	3rd Quarter 2017	%
Numerical controls, drives and software	2.286	7,5%	2.333	8,1%
High-speed milling systems	19.185	62,9%	17.728	61,5%
After-sales service	9.028	29,6%	8.773	30,4%
Total	30.499	100,0%	28.835	100,0%

#### 2. OTHER REVENUES AND INCOME

##### Other revenues and income

Other revenues and income in first nine of 2018 were equal to €2,060 thousand (€1,328 thousand in the same period of 2017). 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:

- the surplus of the provisions for warranty and bad debts compared to the risks to be covered (€374 thousand compared to €511 thousand at 30 September 2017);
- increases in tangible assets built on a time and materials basis and the capitalization of product development costs (€1,160 thousand versus €501 thousand at 30 September 2017), up as a result of the increased number of in-house projects under development, including an entire piece of machinery;
- contingent assets, damages from insurance companies, recovery of costs incurred and others (€263 thousand at 30 September 2018; €309 thousand at 30 September 2017).
- research grants from the EU and Italian Ministry of, University and Research (MUR) as part of the funded research activity carried out by the parent company Fidia S.p.A. (€244 thousand, €218 thousand at 30 September 2017);
- capital gains from transfers (€20 thousand at 30 September 2018; €7 thousand at 30 September 2017);

### 3. RAW MATERIALS AND CONSUMABLES

The consumption of raw materials in the first nine months of 2018 amounted to €17,219 thousand versus €12,470 thousand in the corresponding period of 2017. The change is to be seen in relation to the trend in turnover and the change in stocks of finished and semi-finished products in the two periods under consideration.

### 4. PERSONNEL COSTS

Personnel costs at the end of the third quarter of 2018 amounted to €13,085 thousand, down by about 0.1% compared to €13,101 thousand at 30 September 2017. The cost trend is consistent with the trend in the Group's workforce.

### 5. OTHER OPERATING COSTS

Other operating costs include the following:

(€thousand)	3rd Quarter 2018	3rd Quarter 2017
Contractors	1.895	1.794
Bonuses and commissions	277	398
Production costs	3.723	3.286
Commercial expenses	819	987
Research & Development	400	319
Overheads and administrative expenses	3.971	3.958
<b>Total other operating costs</b>	<b>11.086</b>	<b>10.742</b>

Other operating costs increased by €344 thousand in absolute terms compared to the first nine months of 2018 and 2017. The trend in costs mainly concerned both the items of expenditure linked to production, and only marginally those linked to turnover (which include outsourced work, commissions). Other cost items, mainly of a fixed nature, are on the whole stable.

### 6. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

Depreciation, amortization and write-downs are detailed as follows:

(€thousand)	3rd Quarter 2018	3rd Quarter 2017
Amortization of property, plant and equipment	714	549
Amortization of intangible fixed assets	172	156
Depreciation of property, plant and equipment		-
Bad debts	277	77
<b>Total</b>	<b>1.163</b>	<b>781</b>

During the first nine months of 2018, approximately €277 thousand of trade receivables were written down by the parent company and its subsidiaries.





## 7. NON-RECURRING REVENUE AND CHARGES

In the first nine months of 2018 there were non-recurring charges of €603 thousand due to the loss recorded by the US subsidiary Fidia Co, which was the victim of IT fraud.

## 8. FINANCE REVENUE (EXPENSES)

Financial revenue (expenses) consisted of:

(€thousand)	3rd Quarter 2018	3rd Quarter 2017
Finance revenue	45	27
Borrowing costs	(427)	(195)
Net profit (loss) on derivatives	1	99
Profit (loss) from foreign currency transactions	(117)	154
Total	(499)	85

Finance revenue consists of:

(€thousand)	3rd Quarter 2018	3rd Quarter 2017
Interests received from banks	7	6
Interests and commercial discounts	-	1
Other financial revenues	38	20
Total	45	26

Finance expenses consist of:

(€thousand)	3rd Quarter 2018	3rd Quarter 2017
Interests paid on short-term borrowings from banks	(27)	(14)
Interests paid on medium/long-term borrowings from banks	(100)	(132)
Interests paid on payables to leasing companies	(212)	
Borrowing costs on termination benefits	(10)	(6)
Other borrowing costs	(78)	(43)
Total	(427)	(195)

Net profit (loss) on derivatives consist of:

(€thousand)	3rd Quarter 2018	3rd Quarter 2017
Loss on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	0	(1)
- fair value adjustment on forward contracts	0	0
Profit on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	1	16
- fair value adjustment on forward contracts	0	84
Total	1	99

Income and expenses from derivative instruments include the fair value measurement of five interest rate swap contracts entered into to hedge the risk of fluctuations in interest expense flows relating to five medium/long-term loans.

Profit (loss) on foreign currency transactions consists of:

(€thousand)	3rd Quarter 2018	3rd Quarter 2017
Realised exchange gains	262	151
Unrealised exchange gains	73	324
Realised exchange losses	(448)	(246)
Unrealised exchange losses	(4)	(74)
Total	(117)	154

## 9. INCOME TAX

At 30 September, taxes recognised in the consolidated income statement amounted to -€443 thousand (€164 thousand at 30 September 2017).

The net balance between prepaid taxes and deferred tax liabilities incurred by the individual consolidated companies is made up as follows:

(€thousand)	Balance 30 settembre 2018	Balance 30 settembre 2017
Deferred tax assets	1.037	884
Deferred tax liabilities	(38)	(47)
Total	999	837

## 10. EARNING PER SHARE

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

		3rd Quarter 2018	3rd Quarter 2017
Net earnings pertaining to Group	euro/000	(4.175)	(3.194)
Profit/(loss) of ordinary shares	euro/000	(4.175)	(3.194)
Number of circulating ordinary shares	number	5.113.000	5.113.000
Earning per share	EUR	(0,82)	(0,62)
Diluted earnings per ordinary share	EUR	(0,82)	(0,62)

There is no difference between the earnings per share and diluted earnings per share as Fidia S.p.A. has no financial instruments in circulation with diluting effects.

## STATEMENT OF FINANCIAL POSITION

### 11.PROPERTY, PLANT AND EQUIPMENT

(€thousand)	Land and buildings	Total plant, machinery and equipment	Other assets	Assets under construction and advances	Total
<b>Net carrying amount at 31/12/2017</b>	<b>9.933</b>	<b>571</b>	<b>693</b>	<b>70</b>	<b>11.267</b>
Additions	1	575	237	-	<b>813</b>
Reclassifications/transfers	-	70	-	(70)	-
Net value of divestments	-	(3)	(2)	-	<b>(5)</b>
Depreciation	(339)	(183)	(192)	-	<b>(714)</b>
(Write-downs)/Write-backs	-	-	-	-	-
Currency gain/(loss)	37	2	4	-	<b>43</b>
<b>Net carrying amount at 30/9/2018</b>	<b>9.632</b>	<b>1.032</b>	<b>740</b>	<b>-</b>	<b>11.404</b>

Capital expenditure in the first nine months of 2018 amounted to approximately €813 thousand.

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

At 30 September 2018, there were no assets encumbered by guarantees or other constraints that could limit their full availability.

## 12. INTANGIBLE FIXED ASSETS

(€thousand)	Development costs	Licenses	Software	Assets under development	Total
<b>Net carrying amount at 31/12/2017</b>	<b>532</b>	<b>37</b>	<b>90</b>	<b>1.099</b>	<b>1.758</b>
Increases	-	2	17	631	<b>650</b>
Reclassifications/transfers	-	-	-	-	-
Depreciation	(96)	(21)	(55)	-	<b>(172)</b>
Currency gain/(loss)	-	-	1	-	<b>1</b>
<b>Net carrying amount at 30/9/2018</b>	<b>436</b>	<b>18</b>	<b>53</b>	<b>1.730</b>	<b>2.237</b>

Increases in the first nine months of 2018 amounted to €650 thousand and mainly refer to development costs incurred and capitalized (€631 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.

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 last quarter, 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 with respect to 31 December 2017, consists of investments in associated companies valued at equity (€2 thousand) and investments in other companies valued at cost (€14 thousand).

## 14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

The other non current receivables and assets are detailed below:

(€thousand)	Balance 30/09/2018	Balance 31/12/2017
Grants for research projects	-	57
Security deposits	68	27
Non-recurring trade receivables	21	82
Receivables for foreign VAT	16	7
Withholding tax on foreign income	584	582
Multi-year pre-paid expenses	0	3
Other non-current receivables	1	1
<b>Total</b>	<b>690</b>	<b>759</b>

## 15. INVENTORY

(€thousand)	Balance 30/09/2018	Balance 31/12/2017
Raw materials	11.299	9.947
Provisions for raw materials depreciation	(2.156)	(2.032)
	9.143	7.915
Semi-finished products and work in progress	9.445	6.302
Finished products and goods for resale	7.334	4.035
Provisions for depreciation finished products	(544)	(492)
	6.790	3.543
Advances	268	86
<b>Net value</b>	<b>25.646</b>	<b>17.846</b>

Inventory at the end of the first nine months of the year was approximately €7,800 thousand higher than at 31 December 2017. 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 also increased, in line with production needs.

The provisions for depreciation equivalent to €2,700 thousand (€2,524 thousand at 31 December 2017) 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.

## 16. TRADE RECEIVABLES

(€thousand)	Balance 30/09/2018	Balance 31/12/2017
Trade receivables	10.025	14.990
Provision for bad debts	(737)	(651)
Receivables from associates	-	-
<b>Total</b>	<b>9.288</b>	<b>14.339</b>

Gross trade receivables decreased by approximately €4,965 thousand compared to 31 December 2017; this change is mainly due to the different trend of revenues in the two periods under comparison.

The bad debt provisions, amounting to €737 thousand (€651 thousand at 31 December 2017) were allocated to cover the risk of default related to doubtful and overdue receivables.

## 17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

(€thousand)	Balance 30 settembre 2018	Balance 31 dicembre 2017
Tax receivables for VAT	451	8
Receivables for income tax and IRAP	197	268
Receivables for short-term foreign VAT	7	12
Others	56	9
<b>Total current tax assets</b>	<b>712</b>	<b>297</b>
Research grants	186	-
Sundry prepayments	193	346
Pre-paid expenses	16	21
Receivables from employees	321	151
Advances from suppliers	198	294
Others	106	153
<b>Total other current receivables</b>	<b>1.021</b>	<b>965</b>
<b>Total</b>	<b>1.733</b>	<b>1.262</b>



## **18. OTHER CURRENT FINANCIAL ASSETS**

This item totalled €0 thousand as at 31 December 2017.

## **19. CASH AND CASH EQUIVALENTS**

The overall amount of cash of the Group amounted to €5,434 thousand (€11,520 thousand at 31 December 2017) 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 €9,029 thousand, down €4,295 thousand on 31 December 2017 due to the combined effect of the loss for the period (-€4,343 thousand), the recognition of actuarial gains on staff termination benefits (+€12 thousand, net of the tax effect estimated at approximately €4 thousand), the fair value valuation of hedging derivatives set aside in the cash flow hedge reserve (+€21 thousand, net of the tax effect), the effect of exchange rate fluctuations on the translation of the financial statements of subsidiaries denominated in currencies other than the euro (+€59 thousand), the effect of the retroactive restatement in shareholders' equity of the adoption of the new IFRS15 standard (-€19 thousand net of the tax effect), changes related to non-controlling interests and other minor changes (-€25 thousand).

At 30 September 2018 the fully paid share capital was unchanged compared to 31 December 2017 and consisted of 5,123,000 ordinary shares with a nominal value of €1 each totalling €5,123,000.

Own shares consisted of 10,000 ordinary shares issued by Fidia S.p.A. for a value of €45 thousand (unchanged from 31 December 2017).

## **21. OTHER NON-CURRENT PAYABLES AND LIABILITIES**

This item, amounting to €376 thousand (€402 thousand at 31 December 2017) consists of advances for research projects (€262 thousand), i.e., advances received from the European Union and the Ministry of University and Research (MUR) for approved contributions for financed projects, which are expected to be concluded after the end of the next financial year, as well as of medium/long-term payables to employees of the French subsidiary Fidia Sarl (€72 thousand) and other minor items.

## **22. EMPLOYEE SEVERANCE INDEMNITIES**

Employee severance indemnities (€2,223 thousand at 30 September 2018 and €2,292 thousand at 31 December 2017) 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.

### **23. OTHER NON-CURRENT FINANCIAL LIABILITIES**

This item, which is equal to €38 thousand (€66 thousand at 31 December 2017) includes the fair value of interest rate swap contracts entered into to hedge (cash flow hedge) the risk of variability in interest expense flows on four medium/long-term loans and on one property lease contract entered into by the parent company Fidia S.p.A.

## 24. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

This figure amounts to €17,998 thousand as detailed below.

(€thousand)	Balance 30/09/2018	Balance 31/12/2017
Overdrawn bank accounts and short-term advances	2.103	247
Accrued liabilities on loans	50	44
Loan BNL "MINIMUTUO" (short term)	-	1.124
Loan - BPM (part medium/long term and part short term)	1.179	1.490
Loan - MPS (short term)	-	599
Loan - ISP "3.500" (part medium/long term and part short term)	1.220	1.741
Loan - BNL "2.500" (part medium/long term and part short term)	1.178	1.567
Loan - ISP "3.000" (part medium/long term and part short term)	1.951	2.470
Loan - UNICREDIT (part medium/long term and part short term)	665	942
Loan - MPS "1.500" (part medium/long term and part short term)	500	874
Loan - UNICREDIT SUPERCASH ROTATIVO	500	809
Loan - ISP "1.500" (part medium/long term and part short term)	1.242	-
Autodesk financing	-	11
Loan - MPS "1.000" short term	999	-
Lease - Volkswagen Bank	53	61
Lease - Skoda Bank	56	44
Lease - Banco Popular Espanol	37	23
Commerz Real	472	-
Loan - EUMACH	387	-
Real estate lease - Mediocredito Italiano	5.406	5.578
<b>Total</b>	<b>17.998</b>	<b>17.623</b>

## 25. OTHER CURRENT FINANCIAL LIABILITIES

This item totalled €0 thousand as at 31 December 2017.

## 26. TRADE PAYABLES

(€thousand)	Balance 30/09/2018	Balance 31/12/2017
Payables to other suppliers	13.072	9.926
Payables to subsidiaries	2	2
Total trade payables	13.074	9.928

Trade payables, amounting to €13,072 thousand at 30 September 2018, increased by €3,146 thousand compared to 31 December 2017 due to various operating trends.

## 27. TAX LIABILITIES AND OTHER CURRENT PAYABLES AND LIABILITIES

(€thousand)	Balance 30/09/2018	Balance 31/12/2017
Payables to employees	1.986	1.455
Social security payables	749	796
Advance from customers	9.095	9.232
Payables for emoluments	137	154
Payables to State Fund and other funds	35	93
Payables for dividends to be distributed	96	39
Accrued trade payables	621	151
Sundry accruals and deferrals	482	545
Sundry payables to the SMTCL company	95	139
Advances for research projects	-	-
Miscellaneous payables	289	357
Total other payables	13.586	12.961
Withholding tax	197	337
Tax payables for income tax and IRAP	151	412
Tax payables for VAT	104	878
Other short-term tax payables	39	116
Total tax payables	491	1.743
<b>Total</b>	<b>14.077</b>	<b>14.704</b>

## **28. PROVISIONS FOR RISKS AND CHARGES**

Provisions for risks and charges amounted to €901 thousand, of which €890 thousand (€1,098 thousand at 31 December 2017) for the short term, and €11 thousand for the long term (€22 thousand at 31 December 2017). This item refers to

- €848 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 the period of one year starting from their sale to the end customer,
- €53 thousand to a provision set aside by the subsidiary Fidia Co for legal risks;

## **29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES**

### **Sureties issued on behalf of others**

At 30 September 2018, sureties issued on behalf to third parties totalled €2.774 thousand (€904 thousand at 30 September 2017).

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**

On 8 March 2018, the company was the subject of a tax audit, covering the years from 2013 to 2016. In July 2018, the company, through its legal counsel, submitted a defensive statement on the findings of the tax audit report, believing that it had valid reasons to justify its actions. When preparing the condensed financial statements, taking into account the status of the assessment and on the basis of the above statement, no risk assessments or estimates of provisions were made in relation to the findings included in the tax audit report.

Although the Fidia Group is subject to various types of risks (product, legal and tax liability) at 30 September 2018, 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. SEGMENT REPORTING

### Income statement by business sector

Below are the consolidated results of operations by sector at 30 September 2018 and 30 September 2017:

Progressive data at September 2018 (€thousand)	CNC 2018	%	HSM 2018	%	SERVICE 2018	%	N/A 2018	TOTAL 2018
<b>Revenues</b>	2.286	66,2%	19.185	100,0%	9.028	100,0%	-	30.499
Cross-sector revenues	1.168	33,8%	-	0,0%	-	0,0%	-	
Total reclassified revenues	3.454	100,0%	19.185	100,0%	9.028	100,0%	-	30.499
Changes in inventories of finished goods and W.I.P.	107	3,1%	6.017	31,4%	186	2,1%	-	6.310
Raw materials and consumables	(1.090)	-31,6%	(14.709)	-76,7%	(1.322)	-14,6%	(98)	(17.219)
<b>Cross-sector expenses</b>	235	6,8%	(2.172)	-11,3%	731	8,1%	38	
Commissions, transport and contractors	(461)	-13,3%	(2.498)	-13,0%	(356)	-3,9%	(24)	(3.338)
<b>Sales margin</b>	<b>2.245</b>	<b>65,0%</b>	<b>5.823</b>	<b>30,4%</b>	<b>8.267</b>	<b>91,6%</b>	<b>(84)</b>	<b>16.252</b>
Other operating revenue	545	15,8%	901	4,7%	431	4,8%	184	2.060
Other operating costs	(481)	-13,9%	(1.726)	-9,0%	(2.013)	-22,3%	(3.529)	(7.748)
Non-recurring charges	-	0,0%	-	0,0%	-	0,0%	(603)	(603)
Personnel costs	(1.976)	-57,2%	(4.169)	-21,7%	(4.179)	-46,3%	(2.762)	(13.085)
Depreciation, amortization and writedowns	(113)	-3,3%	(487)	-2,5%	(265)	-2,9%	(298)	(1.164)
<b>Operating profit/(loss)</b>	<b>221</b>	<b>6,4%</b>	<b>343</b>	<b>1,8%</b>	<b>2.241</b>	<b>24,8%</b>	<b>(7.091)</b>	<b>(4.287)</b>

<b>Progressive data at September 2017</b>	<b>CNC</b>		<b>HSM</b>		<b>SERVICE</b>		<b>N/A</b>	<b>TOTAL</b>
(€thousand)	<b>2017</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>2017</b>	<b>2017</b>
<b>Revenues</b>	<b>2.333</b>	<b>76,3%</b>	<b>17.728</b>	<b>99,5%</b>	<b>8.773</b>	<b>100,0%</b>	-	<b>28.835</b>
Cross-sector revenues	725	23,7%	94	0,5%	-	0,0%	-	
Total reclassified revenues	<b>3.058</b>	<b>100,0%</b>	<b>17.822</b>	<b>100,0%</b>	<b>8.773</b>	<b>100,0%</b>	-	<b>28.835</b>
Changes in inventories of finished goods and W.I.P.	117	3,8%	3.447	19,3%	11	0,1%	-	3.576
Raw materials and consumables	(674)	-22,0%	(10.755)	-60,3%	(952)	-10,8%	(89)	(12.470)
<b>Cross-sector expenses</b>	198	6,5%	(1.572)	-8,8%	560	6,4%	5	
Commissions, transport and contractors	(372)	-12,1%	(2.368)	-13,3%	(364)	-4,1%	(16)	(3.120)
<b>Sales margin</b>	<b>2.328</b>	<b>76,1%</b>	<b>6.573</b>	<b>36,9%</b>	<b>8.029</b>	<b>91,5%</b>	<b>(110)</b>	<b>16.821</b>
Other operating revenue	509	16,6%	517	2,9%	358	4,1%	162	1.547
Other operating costs	(323)	-10,6%	(1.591)	-8,9%	(1.930)	-22,0%	(3.778)	(7.622)
Non-recurring charges	-	0,0%	-	0,0%	-	0,0%	-	0
Personnel costs	(2.017)	-65,9%	(4.254)	-23,9%	(4.024)	-45,9%	(2.807)	(13.101)
Depreciation, amortization and writedowns	(101)	-3,3%	(315)	-1,8%	(88)	-1,0%	(278)	(782)
<b>Operating profit/(loss)</b>	<b>397</b>	<b>13,0%</b>	<b>931</b>	<b>5,2%</b>	<b>2.346</b>	<b>26,7%</b>	<b>(6.811)</b>	<b>(3.137)</b>



Below are the statements of financial position broken down by sector at 30 September 2018 and 31 December 2017:

<b>At 30 September 2018</b>	<b>CNC</b>	<b>HSM</b>	<b>SERVICE</b>	<b>Non allocable</b>	<b>Total</b>
<b>(€thousand)</b>					
Property, plant and equipment	47	9.151	251	1.955	11.404
Intangible fixed assets	1.287	879	-	71	2.237
Equity investments	-	-	-	16	16
Other non-current receivables and assets	-	34	-	656	690
Deferred tax assets	-	-	-	1.307	1.307
<b>Total non-current assets</b>	<b>1.335</b>	<b>10.064</b>	<b>251</b>	<b>4.005</b>	<b>15.654</b>
Inventory	2.156	17.263	6.227	-	25.646
Trade receivables and other receivables	1.318	5.242	3.155	595	10.309
Current taxes receivable	-	-	-	712	712
Other current financial assets	-	-	-	-	-
Cash and cash equivalents	-	-	-	5.434	5.434
<b>Total current assets</b>	<b>3.474</b>	<b>22.505</b>	<b>9.381</b>	<b>6.741</b>	<b>42.101</b>
<b>Total assets</b>	<b>4.808</b>	<b>32.569</b>	<b>9.632</b>	<b>10.746</b>	<b>57.755</b>
Other non-current payables and liabilities	184	111	42	39	376
Long-term provisions	-	3	9	-	11
Employee severance indemnities	625	1.082	312	204	2.223
Deferred tax liabilities	-	-	-	38	38
Other non-current financial liabilities	-	-	-	38	38
Non-current financial liabilities	-	-	-	9.942	9.942
<b>Total non-current liabilities</b>	<b>810</b>	<b>1.196</b>	<b>363</b>	<b>10.261</b>	<b>12.629</b>
Current financial liabilities	-	-	-	8.056	8.056
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	1.624	20.274	1.455	3.307	26.660
Current taxes payable	-	-	-	491	491
Short-term provisions	77	664	149	-	890
<b>Total current liabilities</b>	<b>1.701</b>	<b>20.938</b>	<b>1.604</b>	<b>11.854</b>	<b>36.097</b>
<b>Total liabilities</b>	<b>2.509</b>	<b>22.132</b>	<b>1.967</b>	<b>22.114</b>	<b>48.726</b>
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.029</b>	<b>9.029</b>
<b>Total liabilities</b>	<b>2.509</b>	<b>22.132</b>	<b>1.967</b>	<b>31.144</b>	<b>57.755</b>

<b>At 31 December 2017</b>	<b>CNC</b>	<b>HSM</b>	<b>SERVICE</b>	<b>Non allocable</b>	<b>Total</b>
<b>(€thousand)</b>					
Property, plant and equipment	63	9.127	153	1.924	11.266
Intangible fixed assets	1.012	618	-	128	1.758
Equity investments	-	-	-	16	16
Other non-current financial assets	-	-	-	-	-
Other non-current receivables and assets	28	123	-	607	759
Deferred tax assets	-	-	-	738	738
<b>Total non-current assets</b>	<b>1.104</b>	<b>9.869</b>	<b>153</b>	<b>3.412</b>	<b>14.538</b>
Inventory	1.864	9.940	6.042	-	17.846
Trade receivables and other receivables	1.860	10.243	2.709	492	15.304
Current taxes receivable	-	-	-	298	298
Other current financial assets	-	-	-	-	-
Cash and cash equivalents	-	-	-	11.520	11.520
<b>Total current assets</b>	<b>3.724</b>	<b>20.182</b>	<b>8.752</b>	<b>12.309</b>	<b>44.968</b>
<b>Total assets</b>	<b>4.828</b>	<b>30.051</b>	<b>8.905</b>	<b>15.722</b>	<b>59.505</b>
Other non-current payables and liabilities	241	122	33	6	402
Employee severance indemnities	625	1.091	312	264	2.292
Long-term provisions	-	-	22	-	22
Deferred tax liabilities	-	-	-	47	47
Other non-current financial liabilities	-	-	-	66	66
Non-current financial liabilities	-	-	-	11.294	11.294

### 31. TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

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

<b>Currency</b>	<b>3rd Quarter 2018</b>		<b>At 31 December 2017</b>		<b>3rd Quarter 2017</b>	
	<b>Average</b>	<b>At 30 September</b>	<b>Average</b>	<b>At 30 September</b>	<b>Average</b>	<b>At 30 September</b>
Dollar - USA	1.1942	1.1576	1.1297	1.1993	1.1140	1.1806
Real - Brazil	4.2966	4.6535	3.6054	3.9729	3.5352	3.7635
RMB - China	7.7789	7.9662	7.6290	7.8044	7.5766	7.8534
Rouble - Russia	73.4164	76.1422	65.9383	69.3920	64.9992	68.2519

### 32. OTHER INFORMATION

The average headcount in the first nine months of 2018 was 334.5 (339 employees in the first nine months of 2017).

### **33. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS**

According to Consob Notice of 28 July 2006, in the first nine months of 2018, the company did not have any non-recurrent significant transactions.

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

According to Consob Notice of 28 July 2006, in the first nine months of 2018, there were no atypical and/or unusual transactions as defined by said Notice, by which atypical and/or unusual transactions are all those transactions whose significance/relevance, nature of the counterparts, subject-matter of the transaction, transfer pricing method and timing of the event (near year end) can give rise to doubts on: correctness/completeness of information posted, conflict of interests, safeguard of company equity, safeguard of non-controlling interests.

### **35. 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 services rendered by 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.

### 36. 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 September 2018 was the following:

(€thousand)	30 settembre 2018	31 dicembre 2017
Cash	16	14
Bank deposits	5.418	11.505
Other cash	-	-
<b>Liquidity (A+B+C)</b>	<b>5.434</b>	<b>11.519</b>
<b>Current financial receivables</b>	-	-
Current bank payables	3.652	2.822
Current part of non-current bank borrowings	4.017	3.507
Other current financial payables	387	0
<b>Current financial debt (F+G+H)</b>	<b>8.056</b>	<b>6.329</b>
<b>Net current financial position (receivables)/payables (I-E-D)</b>	<b>2.622</b>	<b>(5.190)</b>
Non-current bank payables	9.942	11.294
Bonds issued	-	-
Other non-current financial payables	38	66
<b>Non-current financial debt (K+L+M)</b>	<b>9.980</b>	<b>11.360</b>
<b>Net financial position (receivable)/payable (J+N)</b>	<b>12.602</b>	<b>6.170</b>

### **37. EVENTS SUBSEQUENT TO THE CLOSING OF THE QUARTER**

It should be noted that, at the date of this Board meeting, the process of recovering a large part of the amount subject to IT fraud, indicated under non-recurring charges, is nearing completion.

No other significant events occurred after the reporting date of the third quarter of 2018.

San Mauro Torinese, 13 November 2018

On behalf of the Board of Directors

The Chairman and CEO

Mr. Giuseppe Morfino

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The Financial Reporting Officer, Mr. Massimiliano Pagnone, declares, pursuant to Article 154.2-bis of the Consolidated Finance Act, that the accounting disclosures contained in this Interim Directors' Report at 30 September 2018 corresponds to the documentary records, ledgers and accounting data.