FIDIA GROUP

Annual financial report

at 31 December 2018

Board of Directors
15 March 2019

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

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BOARDS OF DIRECTORS AND AUDITORS

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

Board of Directors

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

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

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

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

(d) Appointed at the Shareholders' Meeting on 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, DEPUTY CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

Deputy Chairman of the Board of Directors: Carlos Maidagan.

Organization of the FIDIA GROUP

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

Consolidated financial statements and financial statements of Fidia S.p.A. FY 2018

Directors’ Report

Overview of results

FY 2018 recorded revenues of €57,741 thousand, a significant increase compared to €46,013 thousand in the previous year (+25.5%).

There were two main reasons:
- the good level of the order backlog at the end of 2017;
- the reorganization of production in the new plant in Forlì.

The EBITDA margin was positive by 2.1%.
This modest result is caused by two main factors: the high incidence on revenues of new concept machines (58%) and the acquisition of some important orders on the Chinese market with lower margins.

The Group's consolidated net result is still negative, with a loss of €1,552 thousand, compared to a loss of €3,098 thousand in 2017, partly due to extraordinary charges totalling €885 thousand.
Of these, €272 thousand are of a non-recurring nature, linked to the loss, recorded by the US subsidiary Fidia Co, caused by computer fraud; the remaining are due to the write-down of non-trade receivables and the provision for potential liabilities relating to the results of an inspection by the Italian National Institute for Insurance Against Occupational Accidents (Istituto Nazionale Assicurazione Infortuni sul Lavoro, or INAIL).

Value of production also recorded a sharp increase of 22.8% (from €47,959 thousand in 2017 to €58,915 thousand in 2018).

On the commercial front, the Group's total new orders were down compared the previous year (2017) to €35.9 million, due to the slowdown in Europe and North America in the last few months of 2018, partially offset by the Chinese market, which grew by 48%.

On the contrary, the acquisition of orders in this first part of the year, which amounted to €10.1 million was positive.

The net financial position at the end of 2018 showed net debt of €11,361 thousand (net debt of €6,170 thousand at 31 December 2017), mainly due to the change in net working capital.

In short, the trends in the 2018 results were as follows:

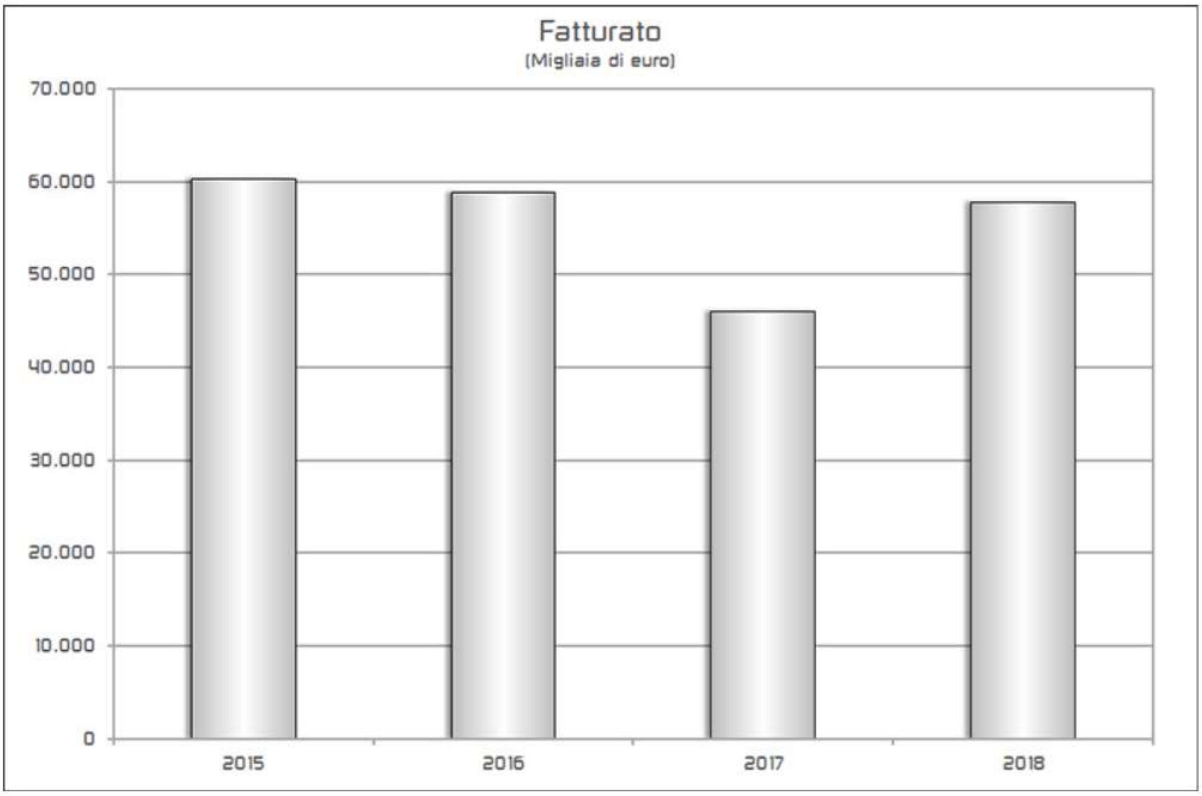
- EBITDA equivalent to €1,244 thousand (2.1% of value of production) versus -€1,235 thousand in 2017 (-2.6% of value of production);

- Consolidated net result in the amount of -€1,552 thousand (€1,314 thousand recorded by the Group and a loss of €238 thousand by NCIs) versus a consolidated net profit of -€3,098 thousand (€3,066 thousand posted by the Group and a loss of €32 thousand posted by NCIs) in 2017;

- Capital expenditure: €0.63 million of net increase in the period, due to the capitalization of assets with a useful life covering multiple years;

- Final order backlog equivalent to €22.9 million versus €31.4 million in 2017.

The trend in revenue in the 2015-2018 period is illustrated in the chart below:



Other main economic and equity data:

(€thousand)	2018	2017
Result before taxes	(1,249)	(2,425)
Profit/(loss) of the period	(1,552)	(3,098)
Attributable to:		
- Group	(1,314)	(3,066)
- NCIs	(238)	(32)
Basic earnings per ordinary share	(0.257)	(0.600)
Diluted earnings per ordinary share	(0.257)	(0.600)
R&D expenditure (€mil)	2.3	2.2
Total assets	59,732	59,505
Net financial position - (payables)/receivables	(11,361)	(6,169)
Equity of Group and NCIs	11,961	13,324
Equity of Group	10,325	11,419
Number of employees at year-end	336	332

Shareholders

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

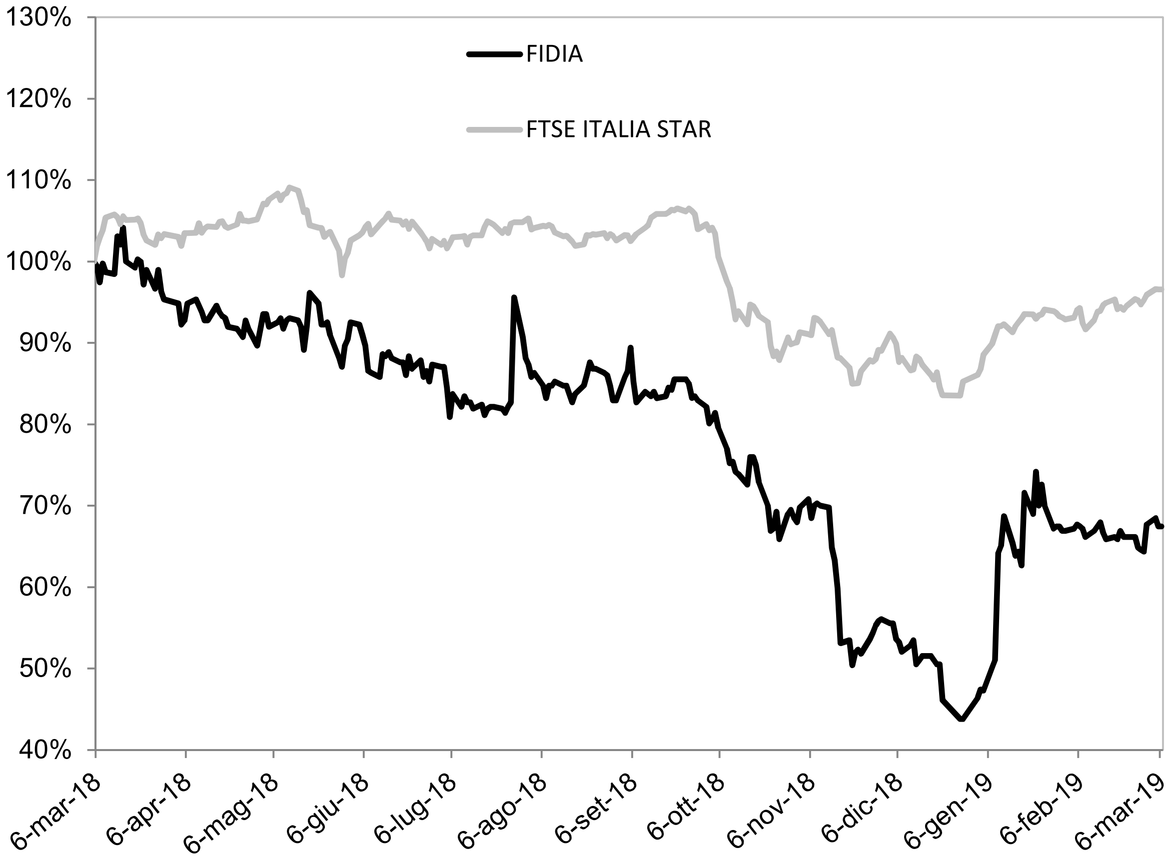
The following contacts are also available for shareholders:

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

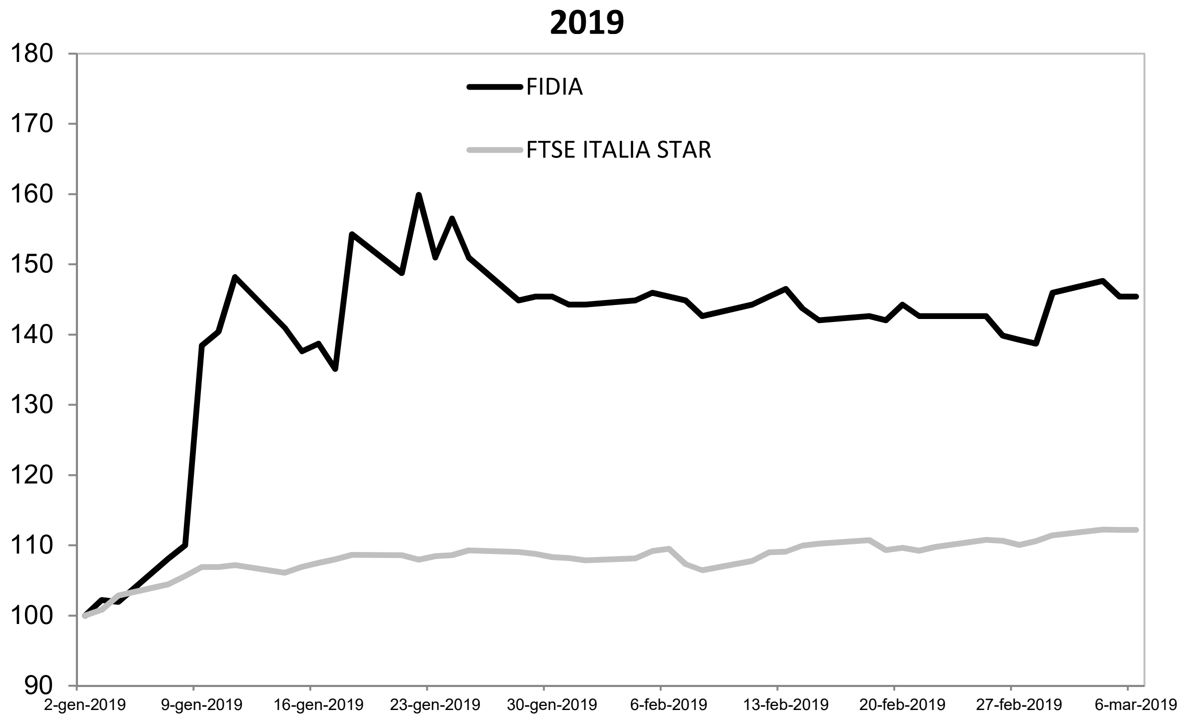
Trend of Fidia stock vs. Star Index

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

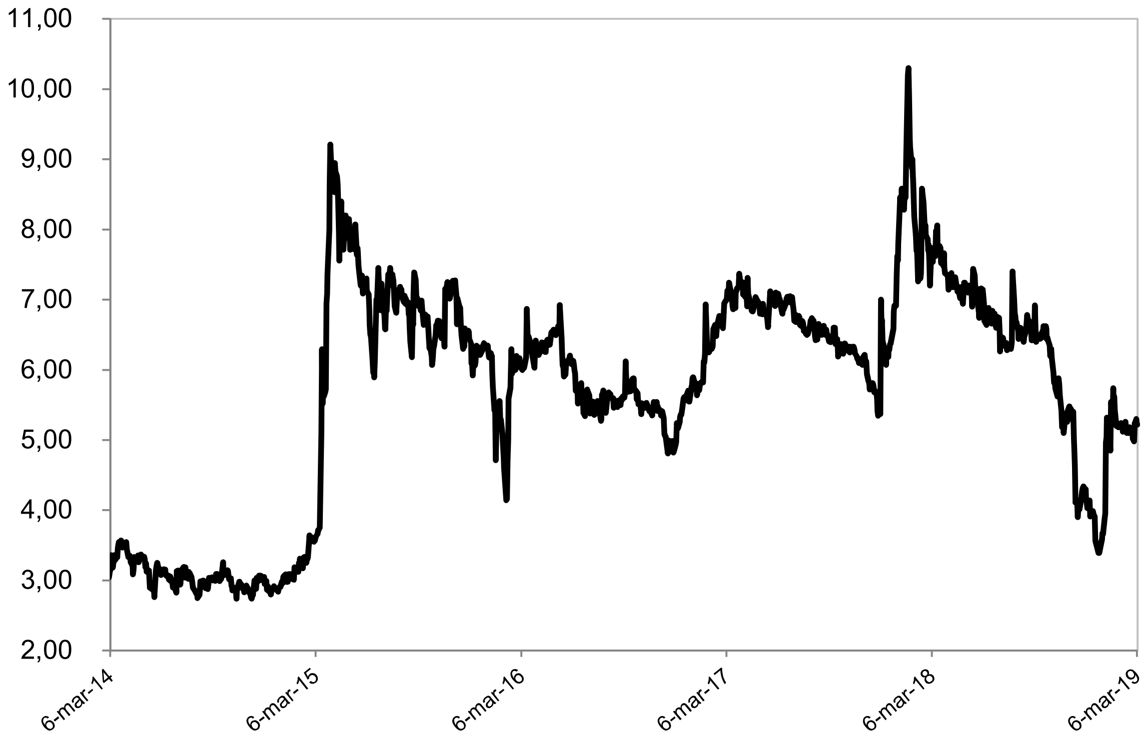
The following chart shows share price performance from 6 March 2018 to 6 March 2019 in comparison with the FTSE Italia STAR Index.



Please note share price performance in the early months of 2019 (at 6 March 2019) in comparison with the FTSE Italia STAR Index.



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

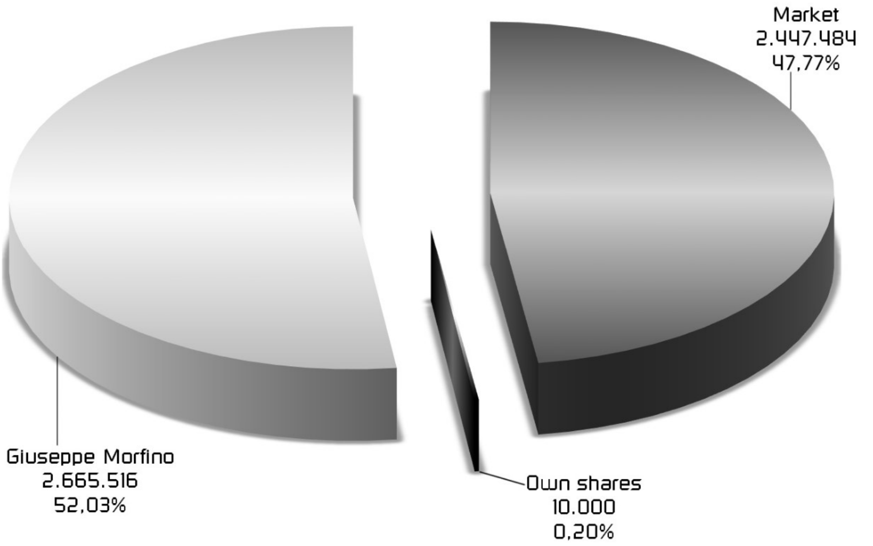


Main shareholders

No changes in the share capital were recorded during 2018. Therefore, the number of ordinary shares, equal to 5,123,000, was unchanged compared to 31 December 2017. The holders of ordinary shares at 10 March 2019 are:

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

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



Main data per share (Euro)	2018	2017
Mean number of shares on date of reference	5,113,000	5,113,000
Face value per share	1.0	1.0
Base earnings per ordinary share (1)	(0.257)	(0.600)
Diluted earnings per ordinary share (2)	(0.257)	(0.600)
Net equity of Group per share	2.019	2.233

(1) and (2): calculated by dividing the earnings to the Parent Company shareholders by the weighted mean of the ordinary shares in circulation during the period.

Closing price per share at:	(EUR) 30.12.2018	(EUR) 30.12.2017	(EUR) 30.12.2016	(EUR) 30.12.2015	(EUR) 30.12.2014
Ordinary shares	3.390	6.915	5.575	6.380	2.894

In 2018, no purchases of own shares were made; on the date of approval of this document, own shares held in the portfolio amounted to 10,000 (equal to 0.20% of share capital), thus totaling €46 thousand.

Market capitalisation amounted to €17.4 million at 31 December 2018 and €26.8 million at the date of the Board of Directors meeting.

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

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

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

Risks related to the general economic outlook

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

The global economy continued to grow in 2018, but the outlook for world trade is weakening. The expansion of the international economy is exposed to a number of risk factors: the repercussions of a negative outcome of trade negotiations between the United States and China, the worsening of financial tensions in emerging countries, and the way in which the process of the United Kingdom's exit from the European Union (Brexit) will be concluded.

Activity in the eurozone slowed down, partly due to temporary factors, but also to a deterioration in business expectations and weak foreign demand. By the end of the year, industrial production had fallen significantly in all major economies. In the autumn, inflation declined as a result of the trend in energy prices. The Governing Council of the European Central Bank (ECB) has reaffirmed its intention to maintain a large degree of monetary accommodation in the long term.

In Italy, after growth had come to a halt in the third quarter, the available economic indicators suggest that the economy may have fallen further at the end of the year. The slowdown in the summer months was due to the slack domestic demand and in particular investments and, to a lesser extent, household spending. According to the usual economic survey conducted by the Bank of Italy in collaboration with Il Sole 24 Ore, in 2019 the investment plans of companies in industry and services would be more limited as a result of both political and economic uncertainty and commercial tensions.

At the international level, among the many signs pointing to a global slowdown, albeit from robust levels, the OECD also includes less industrial orders, both in advanced and emerging countries, the weaker than expected growth of investment and a decline in confidence and suggests slower growth in the trend of industrial production and retail sales.

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

In this domestic and international economic scenario, however, the Company has been able to acquire major orders, enabling it to record an adequate order backlog to date.

During the year, the Group will continue its constant investment activity in research and development - to maintain the technological edge of its business - as well as to take advantage of its now consolidated industrial productivity.

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

Risks linked to Group results

The Fidia Group operates in sectors that are historically marked by a certain cyclical behavior, such as the automotive sector, and in others characterized by greater inertia in reacting to economic trends (aerospace and power generation).

It is difficult to forecast the scope and duration of business cycles. Clearly, like any exogenous event, such as a significant drop in one of the main markets of reference, the volatility of financial markets and the resulting worsening of the situation in capital markets, an increase in the cost of commodities, negative fluctuations in interest and exchange rates, government policies, etc., could negatively impact the sectors in which the Group operates and prejudice the outlook and business, thus affecting its economic and financial results. The profitability of the Group's business is also linked to the risk of fluctuation in interest rates and to the solvency and ability of commercial partners to raise funds as well as to the general economic situation of the countries in which the Group operates.

Risks linked to the need for financial means

The trend in the Group's financial standing depends on several variables, among which the trend in the general economy, financial markets and sectors in which the Group is active. The cyclical nature of revenue in quarters is taken into account due to the effects it may have on working capital and the resulting need for financial resources.

The Fidia Group intends to cover the needs resulting from financial payables falling due, planned investments and other current assets that imply an effect on the working capital through the flows deriving from operations, cash on hand and the renewal or refinancing of bank loans.

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

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

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

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

Risks linked to fluctuations in exchange and interest rates

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

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

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

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

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

Risks linked to relations with employees and suppliers

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

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

Therefore, in the opening or confirmation of new employment relationships, a prudent attitude continues to be necessary, given the novelty of the discipline introduced and the consequent scarcity of court rulings.

Moreover, the Group purchases raw materials and components from a large number of suppliers and is dependent on outsourced services and processing. Close cooperation between the Group and some strategic suppliers is now common practice and, while on the one hand this brings major benefits in economic and quality terms, on the other, the Group heavily relies on said suppliers. Therefore, any difficulties they may experience (due either to endogenous factors or macro-economic variables) can negatively impact the Group.

Management-related risks

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

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

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

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

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

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

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

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

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

Unfavorable political or economic events in these regions could have consequences on the Group outlook and business as well as on its economic results and financial standing.

Risks linked to manufacturer's liability

Being a manufacturer of highly automated machinery, the Group is exposed to the risk of various types of malfunction, which can cause damage to users and, more in general, to third parties.

The Group protects itself against such cases during the planning and design of its machinery and by adopting appropriate manufacturing procedures that also comprise strict quality control tests. Moreover, it is a well-established practice to cover this risk with product liability policies taken out with leading insurance companies.

Nonetheless, it is not possible to exclude that the Group can be exposed to liabilities resulting from issues of this nature despite the procedures adopted.

Risks linked to environmental policy

The Group's operations comply with the local, national and supranational rules and regulations on environmental protection with regard both to its products and its production cycles. Please be noted that the type of business conducted has limited consequences in environmental terms and in terms of emissions into the atmosphere, waste disposal and water treatment. Maintaining these characteristics do not exclude that the Group will be exposed to liabilities arising from environmental issues.

R&D

R&D activities have always been one of the strengths of the Group and received substantial investment over the years. A team of 38 people, also supported by specialized consultants, is currently dedicated to R&D activities.

The costs incurred by the Group in 2018 amounted to about €2.3 million, equal to about 4.0% of revenues (€2.2 million in 2017 equal to about 4.8% of revenues), and were recorded mainly by the parent Fidia S.p.A.

Since the R&D activities are mainly carried out with internal resources, a substantial portion of the costs (about €2.1 million) is represented by personnel expenses.

The capitalized costs amounted to approximately €799 thousand (€623 thousand in 2017)

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

In the **numerical controls and drives** sectors, the main R&D activities that characterized activities during 2018 were:

- **Green Electric Drives novel structures for high performance drives** - From the last quarter of 2015 and for three years Fidia has funded a scholarship commemorating for a PhD at the Polytechnic of Turin (PhD in Electrical, Electronics and Communications Engineering) titled: *Green Electric Drives novel structures for high performance drives*. The activity of the doctorate program will be followed by both academic and company tutors to ensure that the solutions developed can have a genuine impact on the future Xpower™ digital drive lines. The new XP100-75-D1 twin-axis drive model and its single-axis version XP100-75-A1, whose first deliveries are expected in June 2019, are the results of this collaboration. This scholarship was funded in honour of the late Mr. Mario Vesco, Technical Director of the Numerical Control Division until his untimely death on 18 March 2015.
- **ViMill® – Look-ahead Virtual Milling** – The development of new releases is underway with additional functions that increasingly respond to customers' needs to interface and integrate ViMill within production process management systems. In particular, the development of a version of ViMill dedicated to the protection of machine structures and all its equipment was completed. ViMill "Machine Protection" was created to respond precisely to this need of Fidia customers who can thus rely on a simple and effective collision avoidance tool that is completely integrated with the numerical control.
- **Axis Control and CNC Functions** - During 2018, 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. Ten official software versions have been released and new developments are near release to integrate more consistent improvements aimed at increasing the quality and precision of surfaces.
- **HiMonitor** - SW suite designed to monitor the details of operations performed on machines equipped with FIDIA numerical control. It analyses actual machining times, downtime and key events during machining in order to monitor and identify issues and determine the maintenance required to achieve maximum efficiency. HiMonitor is FIDIA's answer to the demand for an integrated machine monitoring tool capable of improving workshop control and managing maintenance operations more carefully and effectively. It features remote machine status control via phone, tablet and PC.

  The year 2018 saw the introduction of new releases on the market that improve the usability and remote access of data and the effectiveness of the tool for production purposes.

  HiMonitor is one of the solutions in line with the Industry 4.0 criteria that equip FIDIA numerical controls.
- **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 tools, such as: parameter oscilloscope, log file analyzer, tools for the characterization and assessment of performance and new features in support of PLC development.

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

In the **high-speed milling systems** sector, the Group has continued along the path pursuing an R&D strategy centered, 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 2018 were:

- **New serie HTF (Horizontal Type FIDIA) series –** The success of the GTF series has led us to enrich the portfolio of solutions by introducing the development of a new family of horizontal machines both for the machining of aeronautical parts in aluminium and titanium, and for the machining of style models.
- **Ti/Al HTF horizontal machine pallet changing and loading system** - The HTF series for machining aluminium and titanium aeronautical parts can be equipped with an ad-hoc pallet changing system specially developed to make workpiece loading and unloading operations by the horizontal table simple, efficient and fully automatic. Suitable for medium and large production volumes, the high level of automation means that it is also efficient for small batches.
- **DL321 –** Given the market success of the D321 series, a new solution from the same family has been developed in 2018. The design will be taken from the D321 with gantry architecture but the DL321 will be equipped with linear motors and oversized strokes ideal for finishing moulds. The large glass front door will continue to facilitate access to large moulds and equipment, offering excellent visibility during machining. In addition, dynamic performance and overall damping will be improved thanks to a larger base.
- **V4 milling head platform** - The strong and continuous evolution of HSC (high speed cutting) technology requires machine tools with high dynamic performance of both feed axes and tool holders. There is a strong demand for multi-functional machines (multitasking) that are able to be modular and reconfigurable, i.e., to satisfy the complex and articulated problems of machining processes. In particular, the need for the market to carry out roughing and finishing operations using the same machines but equipped with different operating heads and in line with the current state of the art has been identified. The configurability and modularity of the five-axis machining systems is strongly conditioned by the morphology of the C polar axis, which therefore must be able to allow automatic coupling of a series of operating heads that are at the same time powerful, fast and reliable. The project has developed and rolled out a polar C axis architecture capable of satisfying the many requests coming from the reference technological sectors by exploiting a mechanical platform for the automatic "in-process" replacement of the milling heads capable of supporting both different types of electrospindles and mechanical drive.

Finally, in 2018 the Group continued its activities in the research collaboration field. The year 2018 saw the participation of Fidia as a partner in 4 projects co-financed by the European Commission under Horizon 2020 and in a fifth project co-financed by the Piedmont Region. Furthermore, Fidia is engaged as coordinator in a sixth project, it too co-financed by the European Commission within Horizon 2020, which started at the end of 2017. Finally, a seventh project, it too co-financed by the European Commission under Horizon 2020, was won in September 2018 and will officially start on 1/1/2019.

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

An overview follows below of the areas of intervention of the 6 main projects funded in December 2018.

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

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

Economic and financial status of the Group

INTRODUCTION

Alternative performance indicators

In this Directors' Report, in the consolidated financial statements of the Fidia Group and in the separate financial statements of the parent company Fidia S.p.A. for the years closed on 31 December 2018 and 31 December 2017, in addition to the conventional IFRS financial indicators, a number of alternative performance indicators have been provided to allow for a better assessment of the economic and financial trends.

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

The Group uses alternative performance indicators, such as:

- EBIT,
- Operating income from ordinary business, which is obtained by adding any extraordinary cost items not falling under EBIT,
- EBITDA ("Earnings before interest, tax, depreciation and amortisation"), which is determined by adding the "EBIT" shown in the financial statements both to the item "Depreciation, amortization and write-downs of fixed assets," the item "Allocation to provisions" and the item "Non-recurring income/expenses."
- EBT (Earnings before tax);
- Adjusted EBITDA, EBIT and EBT: with reference to the above figures, a table showing the impact of Adjustments on the periods 2018 and 2017 is provided below.

€thousand	**31/12/2018 GAAP measures**	**Adjustments**	**31/12/2018 Non-GAAP measures (*adjusted*)**	**31/12/2017 GAAP measures**	**Adjustments**	**31/12/2017 Non-GAAP measures (*adjusted*)**
EBITDA	**1,244**	**262**	**1,506**	**(1,235)**	**107**	**(1,128)**
Allocations to provisions	(475)	351	(124)	(174)		(174)
Depreciation/amortisation /write-downs of fixed assets	(1,192)	-	(1,192)	(982)		(982)
Non-recurring income/(expenses)	(272)	272	-	-		-
EBIT	**(695)**	**885**	**190**	**(2,391)**	**107**	**(2,284)**
Net finance revenue/(expenses)	(487)	-	(487)	(187)		(187)
Profit/(loss) on exchange rates	(67)	-	(67)	153		153
EBT	**(1,249)**	**885**	**(364)**	**(2,425)**	**107**	**(2,318)**

With regard to Adjustments in 2018, €272 thousand are of a non-recurring nature, linked to the loss, recorded by the US subsidiary Fidia Co, caused by computer fraud; the remaining are due to the write-down of non-trade receivables and the provision for potential liabilities relating to the results of an inspection by the Italian National Institute for Insurance Against Occupational Accidents (Istituto Nazionale Assicurazione Infortuni sul Lavoro, or INAIL).

Other parameters mentioned:

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

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

Consolidation area

The companies comprised in the consolidation area are listed below:

Name	Registered office	Percentage held by Parent Company at 31/12/2018
Fidia S.p.A. (Parent Company)	San Mauro Torinese (Turin, Italy)	-
Fidia Co.	Rochester Hills (USA)	100%
Fidia GmbH	Dreiech (Germany)	100%
Fidia Iberica S.A.	Zamudio (Spain)	99.993%
Fidia S.a.r.l.	Emerainville (France)	93.19%
Beijing Fidia Machinery & Electronics Co., Ltd	Beijing (China)	96%
Fidia do Brasil Ltda.	São Paulo (Brazil)	99.75%
Shenyang Fidia NC&M Co., Ltd	Shenyang (China)	51%
OOO Fidia	Moscow (Russia)	100%

There was no change in the consolidation area compared to the consolidated financial statements at 31 December 2017.

GROUP FINANCIAL PERFORMANCE

Reclassified consolidated statement of comprehensive income (€thousand)	2018	%	2017	%
Net revenues	57,741	98.0%	46,013	95.9%
Change in finished goods and WIP	(820)	-1.4%	(79)	-0.2%
Other revenue	1,994	3.4%	2,025	4.2%
Value of production	58,915	100.0%	47,959	100.0%
Raw materials and consumables	(23,394)	-39.7%	(16,924)	-35.3%
Commissions, transport and subcontractors	(5,189)	-8.8%	(4,109)	-8.6%
Other services and operating costs	(11,434)	-19.4%	(10,543)	-22.2%
Added value	18,898	32.1%	16,383	34.2%
Personnel costs	(17,654)	-30.0%	(17,619)	-36.7%
EBITDA	1,244	2.1%	(1,235)	-2.6%
Allocations to provisions	(475)	-0.8%	(174)	-0.4%
Depreciation/amortisation/write-downs of fixed assets	(1,192)	-2.0%	(982)	-2.0%
Operating income/(loss) from ordinary business	(423)	-0.7%	(2,391)	-5.0%
Non-recurring income/(expenses)	(272)	-0.5%	0	0.0%
EBIT	(695)	-1.2%	(2,391)	-5.0%
Net finance expenses and revenue	(487)	-0.8%	(187)	-0.4%
Profit (loss) on exchange rates	(67)	-0.1%	153	0.3%
Earnings before tax (EBT)	(1,249)	-2.1%	(2,425)	-5.1%
Income taxes (current, prepaid and deferred)	(304)	-0.5%	(673)	-1.4%
Profit/(loss) of the period	(1,552)	-2.6%	(3,098)	-6.5%
- (Profit)/Loss of NCIs	(238)	-0.4%	(32)	-0.1%
- Profit/(Loss) of Group	(1,314)	-2.2%	(3,066)	-6.4%

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

With reference to the Service segment, the commercial data (new orders and order backlog) will not be shown because they almost match with the revenues as the time to fulfill the intervention requests is very short.

The said trends are described in detail below.

Net revenues

Revenues for 2018 were up 25.5% on the previous year to €57,741 thousand, compared with €46,013 thousand in 2017. This performance is the result of a common trend in the three business lines in which the Group operates. In fact, in the electronics sector - CNC - the trend of revenues compared to 2017 is almost in line (-0.5%); the high-speed milling systems sector - HSM - closed the period with an increase of over €10.5 million (+35.1%), while the after-sales service sector - Service - rose by 9.0%.

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

Revenues by line of business (€ thousand)	2018	%	2017	%	Change in %
Numerical controls, drives and software	3,467	6.0%	3,483	7.6%	-0.5%
High Speed Milling Systems	40,923	70.9%	30,283	65.8%	35.1%
After-sales service	13,351	23.1%	12,247	26.6%	9.0%
Grand total	57,741	100%	**46,013**	**100%**	25.5%

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

Net total sales (€thousand)	2018	%	2017	%	Change in %
ITALY	11,274	19.5%	6,509	14.1%	73.2%
EUROPE	15,773	27.3%	12,022	26.1%	31.2%
ASIA	16,805	29.1%	15,950	34.7%	5.4%
NORTH and SOUTH AMERICA	13,875	24.0%	11,524	25.0%	20.4%
REST OF THE WORLD	14	0.0%	8	0.0%	64.7%
TOTAL	57,741	100%	**46,013**	**100%**	25.5%

Numerical controls and software

Revenues from the electronics sector (CNC) were substantially in line with 2017 (-0.5%), from €3,483 thousand in 2017 to €3,467 thousand in 2018.

High Speed Milling Systems

The high speed milling (HSM) systems sector reported an increase in revenues compared to 2017; revenue rose from €30,283 thousand in 2017 to €40,923 thousand in 2018 equal to a 35.1% increase.

At 31 December 2018, 69 milling systems had been shipped to and accepted by end customers, compared with 57 the previous year. The average revenue per machine increased at constant USD exchange rate; the growing interest of the market for the Gantry range milling systems and the renewed family D compact machine which have been subject to considerable investment in research and development during present and previous years has been confirmed.

After-sales service

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

In 2018, revenues amounted to €13,351 thousand, up 9.0% from €12,247 thousand in the previous year.

Commercial activity

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

Total (in €thousand) _ HSM+CNC	2018	2017	Change in %
Backlog orders at 01/01	31,368	14,607	114.7%
New orders	35,895	50,527	-29.0%
Net revenues	(44,390)	(33,766)	31.5%
Order backlog at 31/12	22,872	31,368	-27.1%

The 2018 period closed with an order backlog that decreased compared to the end of 2017 due to higher revenues and less new orders in the mechanical sector.

Considering the acquisition of new orders in the early months of 2019, the production capacity of the high-speed milling systems business unit is saturated for most of the year.

Other revenue

Other operating revenue in 2018 amounted to €1,994 thousand versus €2,025 thousand last year. Said item comprises revenues from ordinary business activities, but which are not sales of goods and services.

This item mainly includes:

- research grants 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. (€348 thousand at 31 December 2018, €292 thousand at 31 December 2017);
- capitalization of product development costs (€799 thousand at 31 December 2018, €629 thousand at 31 December 2017);
- capital gains from transfers (€32 thousand at 31 December 2018; €7 thousand at 31 December 2017);
- reversal into income of excess provisions for risks to be covered (€163 thousand at 31 December 2018; €512 thousand at 31 December 2017);
- contingent assets, damages from insurance companies, recovery of costs incurred and others (€461 thousand at 31 December 2018; €544 thousand at 31 December 2017).

Value of production

At the year-end, the value of production reached €58,915 thousand, up 22.8% YOY (€47,959 thousand). This is due to the combined effect of the increase in revenues from sales (€11,728 thousand more than in 2017), partially offset by a lower decrease in inventories of finished products and work in progress (-€741 thousand compared to 2017) and a negative change in other revenue (-€31 thousand compared to 2017).

Other services and operating costs

This item, equal to €11,434 thousand, increased by 8.4% YOY (€10,543 thousand).

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

- production costs and expenses for miscellaneous technical service, €3,654 thousand at 31 December 2018, versus €3,541 thousand at 31 December 2017 (+€114 thousand);
- expenses incurred for trade fairs, entertainment expenses, travel expenses and commercial services, €1,033 thousand at 31 December 2018, versus €1,219 thousand at 31 December 2017 (-€186 thousand, equal to 15.2%);
- R&D costs and related refund of expenses, €496 thousand at 31 December 2018, versus €440 thousand at 31 December 2017 (+€56 thousand);
- overheads, technical and administrative consulting, utilities, rent, legal expenses, contingent liabilities and other expenses, €6,250 thousand at 31 December 2018, versus €5,343 thousand at 31 December 2017 (+€907 thousand, equal to 17.0%). This category includes the impact of the loss of part of the receivables due to Fidia S.p.A. from the tax authorities relating to withholding taxes definitively paid on fees for technical training activities carried out by the parent company for the subsidiary Shenyang Fidia NC&M Co. Ltd. in previous reporting periods (€262 thousand).

Added value

At year-end, added value amounted to €18,898 thousand versus €16,383 thousand the year before (equivalent to 32.1% of value of production in 2018 and 34.2% in 2017). The increase is mainly due to the higher value of production, partially offset by the percentage increase in material consumption.

Personnel

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

Staffing	2018	2017	Abs. change	Change in %
Executives	11	8	3	37.5%
Clerks and supervisors	272	274	-2	-0.7%
Workers	53	50	3	6.0%
Total number of employees	336	332	4	1.2%
Total mean No. of employees	335.0	337.5	-2.5	-0.7%
Cost of labour (€thousand)	**2018**	**2017**	**Abs. change**	**Change in %**
Labor cost	17,654	17,619	36	0.20%

Cost of personnel increased compared with the previous year (+0.20%, equivalent to an increase of about €36 thousand), while Group personnel was on average lower by about 0.7%.

EBITDA

EBITDA was equivalent to €1,244 thousand (2.1% of value of production), up

€2,390 thousand YOY (€-1,235 thousand or -2.6% of the value of production), mainly due to increased revenues.

Operating income/(loss) from ordinary business

Operating income from ordinary business registered a loss of €423 thousand, versus a loss of €2,391 thousand at 31 December 2017.

Non-recurring income and charges

In 2018, non-recurring charges of €272 thousand were recorded, attributable to the loss recorded by the US subsidiary Fidia Co, caused by computer fraud for an amount of USD thousand.

EBIT

EBIT at 31 December 2018 amounted to -€695 thousand, while EBIT at 31 December 2017 was negative at €2,391 thousand.

Finance expenses and revenue and net exchange rate differences

Net financial expenses increased compared to 2017 (net charges of €487 thousand compared to €187 thousand in the previous year) mainly due to the greater use of short-term credit lines, in addition to the weight of interest expense associated with property leasing, which was amortised during the previous year.

Net differences in exchange rates, either realised or resulting from measurement in the financial statements, generated net charges of €67 thousand versus a net gain of €153 thousand at 31 December 2017. The amount for the period 2018 is mainly due to the differences recorded by the subsidiary Fidia Brasil following the exchange rate trend of the local currency (Real) during FY2018 versus the EUR and USD.

Earning before taxes (EBT)

EBT resulted in a loss of -€1,249 thousand versus a loss of -€2,425 thousand in 2017.

Income tax

Profit/(loss) of the period was mainly due to current, deferred and paid taxes totalling €304 thousand, which can be broken down as follows:

- IRAP (Italian Regional Production Tax) €56 thousand;
- IRES (Italian Corporate Income Tax) €0 thousand;
- Income tax of foreign subsidiaries €328 thousand;
- Paid and deferred taxes amounting to -€171 thousand.
- taxes for previous periods amounting to €90 thousand.

It should be noted that the parent company Fidia S.p.A. recorded a tax profit for IRES in the year under review, offset by previous tax losses and other items.

Profit/(loss) of the period

The net result for the period was a loss of €1,552 thousand compared to a loss of €3,098 thousand in 2017.

Group consolidated statement of financial position

At 31 December 2018, the reclassified consolidated statement of financial position was as follows:

Group statement of financial position (€thousand)	31/12/2018	31/12/2017
Property, plant and equipment	11,313	11,267
Intangible fixed assets	2,342	1,758
Non-current financial assets	16	16
Deferred tax assets	958	738
Other non-current assets	274	759
Capital assets – (A)	**14,903**	**14,538**
Net trade receivables	18,061	14,339
Closing balances	18,419	17,846
Other current assets	1,789	1,263
Short-term (current) assets – (B)	**38,269**	**33,448**
Trade payables	(16,394)	(9,928)
Other current liabilities	(10,579)	(15,801)
Short-term (current) liabilities – (C)	**(26,973)**	**(25,729)**
Net working capital (D) = (B+C)	**11,296**	**7,719**
Termination benefits (E)	(2,189)	(2,292)
Other long-term liabilities (F)	(688)	(470)
Net invested capital (G) = (A+D+E+F)	**23,321**	**19,494**
Financial position		
Financial assets held for sale		
Bank deposits and cash	(6,561)	(11,520)
Short-term loans	8,952	6,329
Assets/liabilities for current derivatives	-	-
Other current financial payables	-	-
Short-term financial position (receivable)/payable	**2,391**	(5,191)
Long-term loans, net of current portion	8,881	11,294
Assets/liabilities for long-term derivatives	88	66
Net financial position (receivable)/payable (H)	**11,361**	6,169
Share capital	5,123	5,123
Reserves	6,516	9,362
Profit/(loss) of the period for Group	(1,314)	(3,066)
Total shareholders' equity of Group	**10,325**	11,419
Shareholders' equity attributable to minority interests	1,636	1,905
Total shareholders' equity (I)	**11,961**	13,324
Shareholders' equity and net financial position (L) = (H+I)	**23,321**	19,494

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

- increase in fixed assets (from €14,538 thousand to €14,903 thousand) due to the capitalization of assets with a useful life covering multiple years, such as R&D costs;
- increase in trade receivables (from €14,339 thousand to €18,061 thousand) due to the high volume of revenue generated in the fourth quarter and their different composition. Trade receivables were recorded net of bad debts provision in the amount of €651 thousand;
- increase in the level of inventory (from €17,846 thousand to €18,419 thousand) due to different and higher production requirements. Inventories were posted net of provision for obsolete inventories in the amount of €2,737 thousand;
- increase in other current assets (from €1,263 thousand to €1,789 thousand), mainly as a result of tax receivables (i.e., VAT);
- increase in trade payables (from €9,928 thousand to €16,394 thousand), which follows the trend in inventory;

- decrease in other current liabilities (from €15,801 thousand to €10,579 thousand), mainly due to lower advances from customers linked to the volume and type of orders received;
- decrease in provisions for termination benefits (from €2,292 thousand to €2,189 thousand) due to normal dynamics related to personnel and specifically to outgoing senior staff;
- increase in other long-term liabilities (from €470 thousand to €688 thousand), linked to the application of IFRS 15.

At 31 December 2018, the net financial position was negative by €11,361 thousand; the change compared to 31 December 2017 was negatively affected by the increase in working capital, in addition to the less advances on new orders.

The trend in the net financial position is illustrated below.

Trend in net financial position

Financial position (€thousand)	31/12/2018	31/12/2017
Financial assets held for sale	-	-
Bank deposits and cash	6,561	11,520
Overdrawn bank accounts and short-term advances	(3,369)	(247)
Short-term loans	(5,583)	(6,082)
Assets/liabilities for current derivatives	-	-
Other current financial payables	-	-
Short-term financial position	(2,391)	5,191
Long-term loans, net of current portion	(8,881)	(11,294)
Assets/liabilities for long-term derivatives	(88)	(66)
Net financial position	(11,361)	(6,169)

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

Cash on hand, bank deposits (€thousand)	31/12/2018	31/12/2017
Fidia S.p.A.	3,475	7,140
Fidia Co.	1,108	1,743
Fidia GmbH	224	524
Fidia Iberica S.A.	402	442
Fidia S.a.r.l.	167	402
Beijing Fidia Machinery & Electronics Co., Ltd	783	847
Fidia do Brasil Ltda.	78	165
Shenyang Fidia NC & M Co., Ltd	325	257
Total cash and cash equivalents	6,561	11,520

Financial payables (€thousand)	31/12/2018	31/12/2017
Short-term loans and advances		
Fidia S.p.A.	(8,325)	(6,258)
Fidia GmbH	(216)	(59)
Fidia Iberica S.A.	(18)	(12)
Fidia do Brasil Ltda	(392)	-
Total	(8,952)	(6,329)
Assets/(liabilities) for current derivatives		
Fidia S.p.A.	-	-
Total	-	-
Other current financial payables		
Fidia S.p.A.	-	-
Total	-	-
Long-term loans, net of current portion		
Fidia S.p.A.	(8,525)	(11,238)
Fidia GmbH	(342)	(45)
Fidia Iberica S.A.	(14)	(11)
Total	(8,881)	(11,294)
Assets/(liabilities) for long-term derivatives		
Fidia S.p.A.	(88)	(66)
Total	(88)	(66)
Total financial payables	(17,922)	(17,689)

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

Short consolidated cash flow statement (€thousand)	2018	2017
A) Cash on hand and cash equivalents at beginning of year	**11,273**	**8,440**
B) Cash from (used in) operating activities during the period	**(3,533)**	**5,973**
C) Cash from/(used in) investing activities	**(1,788)**	**(2,398)**
D) Cash from/(used in) financing activities	**(2,948)**	**369**
Currency translation differences	189	(1,111)
E) Net change in cash and cash equivalents	**(8,079)**	**2,833**
F) Cash and cash equivalents at reporting date	**3,192**	**11,273**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	6,561	11,520
Overdrawn bank accounts and short-term advances	(3,369)	(247)
	3,192	**11,273**

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

FINANCIAL RATIOS

INVESTMENT MIX RATIOS

RATIOS	2018			2017		
1) Weight of fixed assets						
Capital assets / Total assets	14,902 / 59,732	=	24.90%	14,538 / 59,505	=	24.40%
2) Weight of working capital						
Current assets / Total assets	44,830 / 59,732	=	75.10%	44,967 / 59,505	=	75.60%

LOAN MIX RATIOS

RATIOS	2018			2017		
1) Weight of current liabilities						
Current liabilities / Total liabilities (except shareholders' equity)	35,925 / 47,772	=	75.20%	32,058 / 46,181	=	69.42%
2) Weight of non-current liabilities						
Consolidated liabilities / Total liabilities (except shareholders' equity)	11,846 / 47,772	=	24.80%	14,123 / 46,181	=	30.58%
3) Weight of own capital						
Own capital / Net invested capital	11,961 / 23,321	=	51.29%	13,324 / 19,494	=	68.40%

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

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

FINANCIAL POSITION RATIOS

LIQUIDITY RATIOS

INDICATOR	2018		2017	
Current assets / Current liabilities	44,830 / 35,925	= 1.25	44,967 / 32,058	= 1.40

CAPITAL ASSETS COVERAGE RATIO

INDICATOR	2018		2017	
Own capital / Capital assets	11,961 / 14,902	= 0.80	13,324 / 14,538	= 0.92

CASH RATIO

INDICATOR	2018		2017	
Short-term assets / Short-term liabilities	38,269 / 26,973	= 1.42	33,448 / 25,729	= 1.30

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 meet short-term financial obligations, considering the prevalence of current assets over current liabilities.

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

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

ECONOMIC POSITION RATIOS

ROE

	2018			2017		
Net income pertaining to Group	-1,314	=	-12.70%	-3,066	=	-26.85%
Equity of Group	10,325			11,419		

ROI

	2018			2017		
Operating income from ordinary business	-423	=	-0.80%	-2,391	=	-5.00%
Invested capital	54,192			47,986		

ROS

	2018			2017		
Operating income from ordinary business	-423	=	-0.75%	-2,391	=	-5.20%
Sales	57,741			46,013		

ROE, which measures the profitability of own funds is negative due to the loss accrued in 2018.

ROI, which measures profitability from operations, shows a negative value given the operating loss registered by the Group in 2018.

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

Disclosure by line of business

Economic and financial trend by line of business

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

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

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

Consolidated statement of comprehensive income by sector

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

Data by year - 2017 (€thousand)	CNC		HSM		SERVICE		N/A	Total
Revenues	3,483	71.0%	30,283	99.7%	12,247	100.0%	-	46,013
Cross-sector revenues	**1,420**	**29.0%**	**94**	**0.3%**		**0.0%**		
Total reclassified revenues	**4,903**	**100.0%**	**30,377**	**100.0%**	**12,247**	**100.0%**	**-**	**46,013**
Change in finished goods and WIP	(93)	-1.9%	(155)	-0.5%	169	1.4%	-	(79)
Raw materials and consumables	(1,262)	-25.7%	(14,057)	-46.3%	(1,482)	-12.1%	(122)	(16,924)
Cross-sector expenses	286	5.8%	(2,450)	-8.1%	651	5.3%	(2)	-
Commissions, transport and contractors	(441)	-9.0%	(3,163)	-10.4%	(485)	-4.0%	(20)	(4,109)
Sales margin	**3,393**	**69.2%**	**10,552**	**34.7%**	**11,099**	**90.6%**	**(144)**	**24,901**
Other operating revenue	703	14.3%	710	2.3%	230	1.9%	382	2,025
Other operating costs	(459)	-9.4%	(2,144)	-7.1%	(2,849)	-23.3%	(5,091)	(10,543)
Personnel costs	(2,729)	-55.7%	(5,744)	-18.9%	(5,447)	-44.5%	(3,698)	(17,619)
Depreciation, amortization and writedowns	(143)	-2.9%	(503)	-1.7%	(133)	-1.1%	(378)	(1,156)
Operating profit/(loss)	**765**	**15.6%**	**2,872**	**9.5%**	**2,901**	**23.7%**	**(8,929)**	**(2,391)**

The electronics sector (CNC), as already explained in the first part of the Report, closed 2018 with increased revenues compared to the year before. Nonetheless, the margin on sales fell in percentage terms (from €3,393 thousand in 2017 to €3,592 thousand in 2018); margins fell from 15.6% to 14.1%. EBIT improved in absolute terms (from €765 thousand in 2017 to €844 thousand in 2018), strongly influenced by the increase in cross-sector revenues, affected by higher personnel costs (from €2,729 thousand in 2017 to €2,740 thousand in 2018) and higher consumption of raw materials (from €1,262 thousand in 2017 to €1,870 thousand in 2018).

The high-speed milling systems sector (HSM) showed increased revenues (€40,924 thousand in 2018 versus €30,283 thousand in 2017). The margin on sales increased in absolute terms (€12,559 thousand compared to €10,552 thousand in the previous year) but with a lower margin in 2018 compared to 2017, influenced by the percentage increase in the consumption of materials. Operating profit amounted to €4,171 thousand in 2018, compared with €2,872 thousand in 2017.

Finally, Service showed an increase in revenue (€13,350 thousand versus €12,247 thousand in 2017), resulting in an increase in the sales margin in absolute terms (€12,412 thousand versus €11,099 thousand in 2017) and in percentage terms (93.0% in 2018 versus 90.6% in 2017). The other items that contribute to the operating income all decreased, resulting in an operating margin from ordinary operations well above that in 2017 (€3,778 thousand versus €2,901 thousand the previous year), and a margin up from 23.7% in 2017 to 28.3% in 2018.

Consolidated Statement of Financial Position by sector

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

31 December 2017 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	63	9,127	153	1,924	11,267
Intangible fixed assets	1,012	618	-	128	1,758
Equity investments	-	-	-	16	16
Deferred tax assets	-	-	-	738	738
Other non-current receivables and assets	28	123	-	607	759
Total non-current assets	**1,104**	**9,869**	**153**	**3,412**	**14,538**
Inventory	1,864	9,940	6,042	-	17,846
Trade receivables and other 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
Total current assets	**3,724**	**20,182**	**8,752**	**12,309**	**44,968**
Total assets	**4,828**	**30,051**	**8,905**	**15,722**	**59,505**
Other non-current payables and liabilities	241	122	33	6	402
Deferred tax liabilities	-	-	-	47	47
Termination benefits	625	1,091	312	264	2,292
Long-term provisions	-	-	22	-	22
Other non-current financial liabilities	-	-	-	66	66
Non-current financial liabilities	-	5,348	-	5,946	11,294
Total non-current liabilities	**866**	**6,561**	**366**	**6,329**	**14,123**
Current financial liabilities	-	230	-	6,099	6,329
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	1,443	17,698	1,080	2,668	22,889
Current taxes payable	-	-	-	1,743	1,743
Short-term provisions	77	770	251	0	1,098
Total current liabilities	**1,520**	**18,698**	**1,331**	**10,509**	**32,058**
Total liabilities	**2,386**	**25,259**	**1,698**	**16,838**	**46,181**
Shareholders’ equity	**-**	**-**	**-**	**13,324**	**13,324**
Total liabilities	**2,386**	**25,259**	**1,698**	**30,162**	**59,505**

Corporate Governance

The Fidia Group complies with and applies the Self-Discipline Code for Italian listed companies in all its activities.

In compliance with the regulatory requirements of the Italian Stock Exchange and legislation (Article 123b of Italian Legislative Decree no. 58/1998 - Consolidated Law on Finance) the report on corporate governance and ownership structure is drawn up every year. The report is made available to the public on the occasion of the publication of the financial statements and can be found on the website:

www.fidia.it - www.fidia.com, section *Investor Relations*, subsection *Corporate Governance*.

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

For the purpose of this Directors' Report, please be noted:

Management and coordination

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

Subsidiaries conduct their business with complete management and operating autonomy.

Internal control system

The internal control and risk management system consists of various components of the organization chart and procedures, among which the Board of Directors, the Control and Risks Committee, the General Manager, the controller, the internal audit function, the director in charge as per article 154-bis of the TUF (Consolidated Finance Act) and the Organization Model as per Italian Legislative Decree No. 231/2001 and works through a set of processes aimed to monitor, for instance, the efficiency of company operations, reliability of financial information, compliance with laws and regulations and the safeguard of company assets.

Alongside the implementation of the Organization Model as per Italian Legislative Decree No. 231/2001, a Supervisory Board was appointed in order to ensure the required information flows. The Supervisory Board informs the Board of Directors of its activities through periodic reports and through the Control and Risks Committee and the Board of Auditors.

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

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

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

With reference to 31 December 2018, the regulatory provision regards three Group companies (Beijing Fidia M & E Co. Ltd. - China, Shenyang Fidia NC & Machine Company Ltd. - China; Fidia Co. - USA), that adequate procedures have been adopted to ensure compliance with said regulation and that the conditions as per the above-mentioned Article 36 subsist.

* * *

Interests held by members of administration and control bodies, general managers and executives with strategic responsibilities in office at 31 December 2018 are reported below.

Name and last name	Company	No. shares held at 31/12/2017	No. shares purchased in 2018	No. shares sold in 2018	No. shares held at 31/12/2018
Giuseppe Morfino	Fidia ordinary shares	2,865,516	0	50,000	2,815,516

Non-financial statement

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

Intra-group and related-party transactions

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

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

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

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

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

Supply relations are carried out based on normal market prices. Ltd., it manufactures and sells numerical controls and milling systems designed by Fidia for the Chinese market. The strategic components are purchased from the parent company Fidia S.p.A. at normal market conditions and the remaining parts from local suppliers.

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

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

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

Under Article 7.2, item c) of the above-mentioned "Guidelines", it is hereby stated that in 2018 there were no transactions with related parties that can be defined as having "major relevance."

In 2018 Fidia S.p.A. signed no supply contract falling among ordinary contracts and concluded at arm's length exceeding the materiality threshold set out pursuant to Annex 3 of CONSOB Regulation 17221.

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

ECONOMIC TRENDS

The reclassified statement of comprehensive income is illustrated below:

Economic trend (€thousand)	2018	%	2017	%
Net revenues	46,437	101.0%	28,787	89.6%
Changes in inventories of finished goods and Work in progress	(2,295)	-5.0%	1,481	4.6%
Other revenue	1,831	4.0%	1,845	5.7%
Value of production	45,973	100.0%	32,113	100.0%
Raw materials and consumables	(21,165)	-46.0%	(12,933)	-40.3%
Commissions, transport and subcontractors	(4,541)	-9.9%	(3,693)	-11.5%
Other services and operating costs	(8,334)	-18.1%	(7,762)	-24.2%
Added value	11,933	26.0%	7,725	24.1%
Personnel costs	(11,171)	-24.3%	(11,237)	-35.0%
EBITDA	762	1.7%	(3,512)	-10.9%
Allocations to provisions	(409)	-0.9%	(4)	0.0%
Depreciation/amortisation/write-downs of fixed assets	(837)	-1.8%	(660)	-2.1%
Operating income/(loss) from ordinary business	(484)	-1.1%	(4,176)	-13.0%
Non-recurring income/(expenses)	-	0.0%	-	0.0%
Impairment (losses)/reversals	(267)	-0.6%	1,538	4.8%
EBIT	(751)	-1.6%	(2,639)	-8.2%
Net finance (expenses) and revenue	138	0.3%	1,197	3.7%
Profit (loss) on exchange rates	(83)	-0.2%	19	0.1%
Earnings before tax (EBT)	(697)	-1.5%	(1,422)	-4.4%
Income taxes (current, prepaid and deferred)	(142)	-0.3%	(5)	0.0%
Net profit (loss)	(839)	-1.8%	(1,428)	-4.4%

The year 2018 closed with an increase in revenues of 61.3% YOY (€46,437 thousand versus €28,787 thousand in 2017).

This performance was due to the high-speed milling systems (HSM) business sector, up by 88.1%, while the electronics division recorded a negative performance of 5.1%; the after-sales service sector, on the other hand, was in line with 2017.

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

With reference to the Service sector, data of a commercial nature relating to the order backlog and new orders are not shown, as these basically coincide with the revenue, given that the time to process any requests for intervention is extremely low.

The following tables illustrate the trends in revenues by line of business and geographical region.

Line of business (€ thousand)	2018	%	2017	%	Change in %
Numerical controls, drives and software	2,318	5.0%	2,443	8.5%	-5.1%
High Speed Milling Systems	37,960	81.7%	20,185	70.1%	88.1%
After-sales service	6,159	13.3%	6,159	21.4%	0.0%
Grand total	46,437	100.0%	28,787	100.0%	61.3%

Total revenues (€thousand)	2018	%	2017	%	Change in %
ITALY	11,219	24.2%	6,509	22.6%	72.4%
EUROPE	12,701	27.4%	8,107	28.2%	56.6%
ASIA	14,366	30.9%	9,060	31.5%	58.6%
NORTH and SOUTH AMERICA	8,140	17.5%	5,106	17.7%	59.4%
REST OF THE WORLD	11	0.0%	4	0.0%	189.5%
Total	46,437	100.0%	28,787	100.0%	61.3%

As already noted, total revenue of Fidia S.p.A. increased (61.3%) compared to 2017 as a result of the overall performance of the HSM sector (88.1%) and CNC sector, which decreased by 5.1%.

The Service sector was substantially unchanged compared to 2017.

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

Total backlog orders (€thousand)	2018	2017	Change in %
Backlog orders at 01/01	27,784	9,530	191.5%
New orders	32,541	40,882	-20.4%
Net revenues	(40,278)	(22,628)	78.0%
Order backlog at 31/12	20,047	27,784	-27.8%

The final order backlog at 31 December 2018 was significantly lower by -27.8% compared to the previous year, especially due to the trend in new orders recorded during the period.

EBITDA was positive amounting to about €762 thousand, compared to the negative result of €3,512 thousand in 2017.

The operating income from ordinary business was also negative at €484 thousand compared to a negative result of €4,176 thousand at 31 December 2017.

EBIT was negative at €751 thousand and did not include any non-recurring revenues. At 31 December 2017 EBIT was negative by €2,639 thousand.

With reference to the measurement of investments, the result of the impairment test carried out on 2018 showed write-downs equivalent to €267 thousand.

Financial management made an overall positive contribution to the income statement of Fidia S.p.A. through dividends distributed by some subsidiaries (€656 thousand versus €1,451 thousand in 2017) partially offset by net financial expenses (totalling €518 thousand in 2018 and €254 thousand in 2017). The foreign currency management generated losses of approximately €83 thousand (profit of €19 thousand at 31 December 2017).

The net loss after taxes of €142 thousand amounted to €839 thousand versus a loss of €1,428 thousand at 31 December 2017.

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

Staffing	2018	2017	Abs. change	% Chg
Executives	6	6	0	0.0%
Clerks and supervisors	138	139	(1)	-0.7%
Workers	51	48	3	6.3%
Total number of employees	195	193	2	1.0%
Total mean No. of employees	194.5	198.0	(3.5)	-1.8%

Cost of labour (€ thousand)	2018	2017	Abs. change	% Chg
	11,171	11,237	(66)	-0.59%

Personnel expenses decreased overall by €66 thousand YOY (-0.59%) compared to an average decrease of 1.8% in staffing.

Due to higher revenue, the overall incidence of cost of labour in relation to the value of production decreased from 35.0% in 2017 to 24.3% in the current year.

Statement of financial position

The reclassified statement of financial position was as follows:

Statement of Financial Position (€thousand)	31.12.2018	31.12.2017
Property, plant and equipment	9,054	9,378
Intangible fixed assets	2,333	1,750
Non-current financial assets	11,845	12,112
Deferred tax assets	392	382
Other non-current receivables and assets	202	668
Capital assets – (A)	23,826	24,291
Net trade receivables	14,250	7,166
Closing balances	12,171	12,812
Other current assets	1,732	1,806
Short-term (current) assets – (B)	28,153	21,783
Trade payables	(20,049)	(11,998)
Other current liabilities	(6,263)	(10,827)
Short-term (current) liabilities – (C)	(26,312)	(22,825)
Net working capital (D) = (B+C)	1,841	(1,042)
Termination benefits (E)	(2,189)	(2,292)
Other long-term liabilities (F)	(547))	(330)
Net invested capital (G) = (A+D+E+F)	22,930	20,626
Financial position		
Financial assets held for sale	-	-
Cash, bank deposits and loans made	(3,716)	(7,441)
Short-term loans	10,141	8,016
Assets/liabilities for current derivatives	-	-
Other short-term financial liabilities	-	-
Short-term financial position (receivable)/payable	6,425	575
Long-term loans, net of current portion	8,525	11,238
Assets/liabilities for long-term derivatives	88	66
Net financial position (receivable)/payable (H)	15,038	11,879
Share capital	5,123	5,123
Reserves	3,608	5,051
Profit/(loss) of the period	(839)	(1,428)
Total shareholders' equity (I)	7,892	8,747
Shareholders' equity and net financial position (L) = (H+I)	22,930	20,626

Compared to 31 December 2017, capital assets show a decrease in financial fixed assets of 267 thousand, as a result of the write-down of the equity investment in Shenyang Fidia NC&M Co. Ltd.

Net working capital increased, mainly due to the trend in receivables and payables driven by the increase in revenues and consequent costs, and the lower level of advances on new orders.

Medium to long term liabilities registered a slight decrease in the provisions for termination benefits linked to normal dynamics relating to staff management and specifically to outgoing senior staff and to an increase in other long-term liabilities due to the application of the accounting standard IFRS 15.

The foregoing resulted in a negative net financial position of €15,038 thousand at 31 December 2018, which was worse than the negative balance of €11,879 thousand at 31 December 2017.

Trend in net financial position

Financial position (€thousand)	31.12.2018	31.12.2017
Financial assets held for sale	-	-
Cash, bank deposits and loans made	3,716	7,441
Overdrawn bank accounts and short-term advances	(3,369)	(247)
Short-term loans	(6,772)	(7,769)
Assets/(liabilities) for current derivatives	-	-
Other current financial payables	-	-
Short-term financial position	**(6,425)**	(575)
Long-term loans, net of current portion	(8,525)	(11,238)
Assets/(liabilities) for long-term derivatives	(88)	(66)
Net financial position	**(15,038)**	(11,879)

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

Short cash flow statement (€ thousand)	2018	2017
A) Cash on hand and cash equivalents at beginning of year	6,893	3,833
B) Cash from (used in) operating activities during the period	(2,068)	5,259
C) Cash from/(used in) investing activities	(1,095)	(2,240)
D) Cash from/(used in) financing activities	(3,624)	41
E) Net change in cash and cash equivalents	(6,787)	3,060
F) Cash and cash equivalents at reporting date	106	6,893
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	3,475	7,140
Overdrawn bank accounts and short-term advances	(3,369)	(247)
	3,192	6,893

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

According to Consob Notice of 28 July 2006, the comparison between the operating result of year 2018 and the equity at 31 December 2018 of the Group (share pertaining to the Group) with the equivalent values of the parent company Fidia S.p.A. is provided.

Comparison of operating result and equity of the Parent Company and Group (€ thousand)	Shareholders' equity at 31.12.2017	Adoption **IFRS15**	Shareholders' equity at 1.1.2018	Changes in 2018 Shareholders' Equity	Result 31.12.2018	Shareholders' equity at 31.12.2018
Financial Statements of Fidia S.p.A.	8,747	(19)	8,728	4	(839)	7,892
Consolidation adjustments:						
* Elimination of carrying value of equity investments	2,760		2,760	236	(285)	2,711
* Transactions between consolidated companies	(87)		(87)	-	(190)	(277)
* Exchange rate differences on infra-Group transactions	(1)		(1)	1	-	-
Consolidated financial statements of Group (share pertaining to Group)	11,419	(19)	11,400	242	(1,314)	10,325

Trends in Group Companies

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

Fidia GmbH

The revenue of year 2018 was equal to €5,030 thousand compared to €4,023 thousand of 2017 (25.0%). The year 2018 closed with a profit of €209 thousand, compared to a profit of €185 thousand in 2017. Staff decreased from 24 units at 31 December 2017 to 23 units at 31 December 2018.

Fidia Iberica S.A.

Revenue in 2018 amounted to €2,861 thousand, up from €2,121 thousand the previous year (+34.9%). The year 2018 closed with a net profit of €5 thousand versus a net profit of €122 thousand in 2017. Staff was unchanged compared to 2017 and amounted to 10 employees.

Fidia S.a.r.l.

The revenue for 2018 amounted to €877 thousand, down from €2,446 thousand the previous year (-64.2%). The period closed with a loss of €36 thousand versus a profit of €16 thousand in 2017. Staff was unchanged compared to 2017 and amounted to 7 employees.

OOO Fidia

The company has not done any business during 2018.

Fidia Co.

Revenue in 2018 amounted to €10,596 thousand (USD 12,514 thousand) up from €9,242 thousand (USD 10,441 thousand) the previous year (14.6%). The period 2018 closed with a loss (-€99 thousand in 2017, 2017 profit of €293 thousand). Staff increased from 19 units at 31 December 2017 to 23 units at 31 December 2018.

Beijing Fidia Machinery & Electronics Co. Ltd.

Revenue in 2018 amounted to €5,357 thousand (RMB 41.8 million), up from €9,408 thousand (RMB 71.8 million) the previous year (-43.1%). Net profit amounted to €403 thousand versus €603 thousand the year before. The workforce has not changed since the previous year, and is composed of 29 employees at 31 December 2018.

Shenyang Fidia NC&M Co. Ltd.

Revenue in 2018 amounted to €1,696 thousand (RMB 13.2 million) versus €4,868 thousand (RMB 37.1 million) in 2017; the year closed with a loss of €519 thousand versus a net loss of €115 thousand in 2017. Staff decreased from 43 units at 31 December 2017 to 41 units at 31 December 2018.

Fidia do Brasil Ltda

Revenue in 2018 amounted to €2,070 thousand (8,919 thousand real) compared to €1.501 thousand (5,411 thousand real) the previous year. The year 2018 closed with a loss of €81 thousand compared to a loss of €70 thousand in 2017. Staff increased from 7 units at 31 December 2017 to 8 units at 31 December 2018.

ASSOCIATES

Prometec Consortium

Shareholders’ equity at 31 December 2018 amounted to €10 thousand (interest of Fidia S.p.A.: 20%).

Significant Events Occurring After the Reporting Date

There were no significant events after the reporting date.

Business Outlook

The order backlog at the beginning of the period, together with the cost efficiency measures undertaken, allows the Group to confirm the objectives in terms of recovery in profitability for the year 2019. The improvement of the economic performance is expected to allow a generation of cash flows adequate to meet the financial obligations and the continuation of investment activities in development projects and in the technological evolution of products.

San Mauro Torinese, 15 March 2019
On behalf of the Board of Directors
The Chairman and Chief Executive Officer
Mr. Giuseppe Morfino

Fidia Group

Consolidated Financial Statements at 31 December 2018

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2018 Consolidated statement of comprehensive income (*)

€thousand	Notes	FY2018	FY2017
- Net sales	1	57,741	46,013
- Other revenues	2	1,994	2,025
- Total revenues		**59,735**	**48,038**
- Changes in inventories of finished goods and work in progress		(820)	(79)
- Consumption of raw materials	3	(23,394)	(16,924)
- Personnel costs	4	(17,654)	(17,619)
- Other operating costs	5	(16,623)	(14,652)
- Depreciation, amortization and writedowns	6	(1,667)	(1,156)
- Profit/(loss) from ordinary business		**(423)**	**(2,391)**
- Non-recurring income/(expenses)	7	(272)	-
- Operating profit/(loss)		**(695)**	**(2,391)**
- Finance revenue (expenses)	8	(554)	(34)
- Profit/(loss) before tax		**(1,249)**	**(2,425)**
- Income tax	9	(304)	(673)
- Profit/(loss) for continuing operations		**(1,552)**	**(3,098)**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**(1,552)**	**(3,098)**
Profit/(loss) attributable to:			
Shareholders of the parent company		(1,314)	(3,066)
Non-controlling interests		(238)	(32)

EUR	Notes	FY2018	FY2017
Basic earnings per ordinary share	10	(0.257)	(0.600)
Diluted earnings per ordinary share	10	(0.257)	(0.600)

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

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2018 Consolidated statement of comprehensive income

€thousand	Notes	FY2018	FY2017
- Profit/(loss) (A)		**(1,552)**	**(3,098)**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:			
Profit/(loss) on cash flow hedges	20	(23)	(40)
Profit/(loss) on translation of financial statements of foreign companies	20	234	(1,404)
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss	20	6	9
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)		**217**	**(1,435)**
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	20	27	(44)
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	20	(6)	11
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)		**21**	**(33)**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)		**238**	**(1,468)**
Total comprehensive profit/(loss) of the period (A)+(B)		**(1,314)**	**(4,566)**
Total comprehensive profit/(loss) attributable to:			
Shareholders of the parent company		(1,063)	(4,422)
Non-controlling interests		(251)	(144)

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2018 Consolidated Statement of Financial Position (*)

€thousand	Notes	31 December 2018	31 December 2017
ASSETS			
- Property, plant and equipment	11	11,313	11,267
- Intangible assets	12	2,342	1,758
- Equity investments	13	16	16
- Other non-current receivables and assets	14	274	759
- Pre-paid tax assets	9	957	738
TOTAL NON-CURRENT ASSETS		**14,902**	**14,538**
- Inventory	15	18,419	17,846
- Trade receivables	16	18,061	14,339
- Current tax receivables	17	1,017	298
- Other current receivables and assets	17	772	965
- Cash and cash equivalents	18	6,561	11,520
TOTAL CURRENT ASSETS		**44,830**	**44,967**
TOTAL ASSETS		**59,732**	**59,505**
LIABILITIES			
SHAREHOLDERS' EQUITY:			
- Share capital and reserves attributable to shareholders of parent company		10,325	11,419
- Non-controlling interests		1,636	1,905
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**19**	**11,961**	**13,324**
- Other non-current payables and liabilities	20	624	402
- Termination benefits	21	2,189	2,292
- Deferred tax liabilities	9	47	47
- Provisions for risks and expenses	27	16	22
- Other non-current financial liabilities	22	88	66
- Non-current financial liabilities	23	8,881	11,294
TOTAL NON-CURRENT LIABILITIES		**11,845**	**14,123**
- Current financial liabilities	23	8,952	6,329
- Trade payables	24	16,394	9,928
- Current tax payables	25	984	1,743
- Other current payables and liabilities:	25	7,716	12,960
- Provisions for risks and expenses	26	1,880	1,098
TOTAL CURRENT LIABILITIES		**35,926**	**32,058**
TOTAL LIABILITIES		**59,732**	**59,505**

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

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2018 Consolidated statement of cash flow (*)

€thousand	2018	2017
A) Cash and cash equivalents at beginning of period	**11,273**	**8,440**
B) Cash from/(used in) operating activities during the period		
- Profit/(loss)	(1,552)	(3,098)
- Depreciation, amortization and writedowns	1,192	982
- Net loss (gain) on disposal of tangible assets	(32)	(2)
- Net change in provision for employee severance pay	(103)	(38)
- Net change in provisions for risks and charges	776	(372)
- Net change (assets) liabilities for (pre-paid) deferred taxes	(220)	108
Net change in working capital:		
- receivables	(3,764)	1,001
- inventory	(572)	1,529
- payables (**)	685	5,862
Total	**(3,590)**	**5,973**
C) Cash from/(used in) investing activities		
- Investments in		
tangible fixed assets	(946)	(1,814)
intangible fixed assets	(822)	(627)
- Proceeds from the sale of:		
tangible fixed assets	36	43
Total	**(1,732)**	**(2,398)**
D) Cash from/(used in) financing activities		
- New loans	5,001	6,581
- Loans paid (***)	(7,914)	(4,835)
- Distribution of dividends	-	(1,023)
- Change in capital and reserves	(58)	(199)
- Net change in other current and non-current financial assets and liabilities	22	(155)
Total	**(2,949)**	**369**
Currency translation differences	190	(1,111)
E) Net change in cash and cash equivalents	**(8,081)**	**2,833**
F) Cash and cash equivalents at reporting date	**3,192**	**11,273**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	6,561	11,520
Overdrawn bank accounts	(3,369)	(247)
	3,192	**11,273**

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

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

(***) of which €416 thousand in interest paid

Overview of changes in consolidated shareholders' equity

(€thousand)	Share capital	Own shares	Capital reserves	Retained earnings	Cash flow hedge reserve	Translation reserve	Reserve for actuarial profit/loss	Other reserves	Profit/(loss)	Total shareholders' equity of Group	Other non-controlling interests	Total Shareholders' Equity
Balance at 31 December 2016	**5,123**	**(45)**	**1,240**	**5,269**	**(15)**	**2,713**	**(94)**	**213**	**2,462**	**16,867**	**2,071**	**18,938**
Allocation of result	-	-	-	2,462	-	-	-	-	(2,462)	-	-	-
Distribution of dividends	-	-	-	(1,023)	-	-	-	-	-	(1,023)	(21)	(1,044)
Total comprehensive profit/(loss)	-	-	-	-	(31)	(1,292)	(33)	-	(3,066)	(4,422)	(144)	(4,566)
Other changes	-	-	-	(2)	-	-	-	-	-	(2)	(1)	(3)
Balance at 31 December 2017	**5,123**	**(45)**	**1,240**	**6,706**	**(46)**	**1,421**	**(127)**	**213**	**(3,066)**	**11,419**	**1,905**	**13,324**
Impact of adopting IFRS15				**(19)**						**(19)**		**(19)**
Balance at 1 January 2018	**5,123**	**(45)**	**1,240**	**6,687**	**(46)**	**1,421**	**(127)**	**213**	**(3,066)**	**11,400**	**1,905**	**13,305**
Allocation of result	-	-	-	(3,066)	-	-	-	-	3,066	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	(17)	(17)
Total comprehensive profit/(loss)	-	-	-	-	(17)	247	21	-	(1,314)	(1,063)	(251)	(1,314)
Other changes	-	-	-	(12)	-	-	-	-	-	(12)	(1)	(13)
Balance at 31 December 2018	**5,123**	**(45)**	**1,240**	**3,609**	**(63)**	**1,668**	**(106)**	**213**	**(1,314)**	**10,325**	**1,636**	**11,961**

FIDIA GROUP: Consolidated Financial Statements at 31 December 2018

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

€thousand	Notes	FY2018	Of which related parties	FY2017	Of which related parties
- Net sales	1	57,741	-	46,013	-
- Other revenues	2	1,994	-	2,025	-
- Total revenues		**59,735**		**48,038**	
- Changes in inventories of finished goods and work in progress		(820)		(79)	
- Consumption of raw materials	3	(23,394)	(3)	(16,924)	(1)
- Personnel costs	4	(17,654)	(836)	(17,619)	(876)
- Other operating costs	5	(16,623)	(141)	(14,652)	(134)
- Depreciation, amortization and writedowns	6	(1,667)		(1,156)	
- Profit/(loss) from ordinary business		**(423)**		**(2,391)**	
- Non-recurring income/(expenses)	7	(272)		-	
- Operating profit/(loss)		**(695)**		**(2,391)**	
- Finance revenue (expenses)	8	(554)		(34)	
- Profit/(loss) before tax		**(1,249)**		**(2,425)**	
- Income tax	9	(304)		(673)	
- Profit/(loss) for continuing operations		**(1,552)**		**(3,098)**	
- Profit/(loss) for discontinued operations		-		-	
- Profit/(loss)		**(1,552)**		**(3,098)**	
Profit/(loss) attributable to:					
Shareholders of the parent company		(1,314)		**(3,066)**	
Non-controlling interests		(238)		**(32)**	

FIDIA GROUP: Consolidated Financial Statements at 31 December 2018 Consolidated Statement of Financial Position
as per Consob Resolution no. 15519 of 27 July 2006

€thousand	Notes	31 December 2018	Of which related parties	31 December 2017	Of which related parties
ASSETS					
- Property, plant and equipment	11	11,313		11,267	
- Intangible assets	12	2,342		1,758	
- Equity investments	13	16		16	
- Other non-current receivables and assets	14	274		759	
- Pre-paid tax assets	9	957		738	
TOTAL NON-CURRENT ASSETS		**14,902**		**14,538**	
- Inventory	15	18,419		17,846	
- Trade receivables	16	18,061		14,339	
- Current tax receivables	17	1,017		298	
- Other current receivables and assets	17	772	15	965	3
- Cash and cash equivalents	18	6,561		11,520	
TOTAL CURRENT ASSETS		**44,830**		**44,967**	
TOTAL ASSETS		**59,732**		**59,505**	
LIABILITIES					
SHAREHOLDERS' EQUITY:					
- Share capital and reserves attributable to shareholders of parent company		10,325		11,419	
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TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**19**	**11,961**		**13,324**	
- Other non-current payables and liabilities	20	624		402	
- Termination benefits	21	2,189		2,292	
- Deferred tax liabilities	9	47		47	
- Provisions for risks and expenses	27	16		22	
- Other non-current financial liabilities	22	88		66	
- Non-current financial liabilities	23	8,881		11,294	
TOTAL NON-CURRENT LIABILITIES		**11,845**		**14,123**	
- Current financial liabilities	23	8,952		6,329	
- Trade payables	24	16,394	2	9,928	2
- Current tax payables	25	984		1,743	
- Other current payables and liabilities:	25	7,716	113	12,960	155
- Provisions for risks and expenses	26	1,880		1,098	
TOTAL CURRENT LIABILITIES		**35,926**		**32,058**	
TOTAL LIABILITIES		**59,732**		**59,505**	

FIDIA GROUP: CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2018 Consolidated statement of cash flow as per Consob Resolution no. 15519 of 27 July 2006

€thousand	2018	Of which related parties	2017	Of which related parties
A) Cash and cash equivalents at beginning of period	**11,273**		**8,440**	
- Profit/(loss)	(1,552)		(3,098)	
- Depreciation, amortization and writedowns of tangible and intangible assets	1,192		982	
- Net loss (gain) on disposal of tangible assets	(32)		(2)	
- Net change in provision for employee severance pay	(103)		(38)	
- Net change in provisions for risks and charges	776		(372)	
- Net change (assets) liabilities for (pre-paid) deferred taxes	(220)		108	
Net change in working capital:				
- receivables	(3,764)	11	1,001	3
- inventory	(572)		1,529	
- payables (*)	685	41	5,862	179
Total	**(3,590)**		**5,973**	
C) Cash from/(used in) investing activities				
- Investments in				
tangible fixed assets	(946)		(1,814)	
intangible fixed assets	(822)		(627)	
- Proceeds from the sale of:				
tangible fixed assets	36		43	
Total	**(1,732)**		**(2,398)**	
D) Cash from/(used in) financing activities				
- New loans	5,001		6,581	
- Loans paid (**)	(7,914)		(4,835)	
- Distribution of dividends	-		(1,023)	
- Change in capital and reserves	(58)		(199)	
- Net change in other current and non-current financial assets and liabilities	22		(155)	
Total	**(2,949)**		**369**	
Currency translation differences	190		(1,111)	
E) Net change in cash and cash equivalents	**(8,081)**		**2,833**	
F) Cash and cash equivalents at reporting date	**3,192**		**11,273**	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	6,561		11,520	
Overdrawn bank accounts	(3,369)		(247)	
	3,192		**11,273**	

(*) of which €226 thousand in taxes paid

(**) of which €417 thousand in interest paid

Notes to the Consolidated Financial Statements

MAIN BUSINESS

The publication of the consolidated financial statements of Fidia S.p.A. for the year ended at 31 December 2018 was authorized by the Board of Directors on 15 March 2019. Fidia S.p.A. is a company under Italian law. Fidia S.p.A. and its subsidiaries ("Group") are active in over 20 countries.

The Group is engaged in the manufacturing and sale of numerical controls and software, high-speed milling systems and after-sales service.

The Group headquarters are located in San Mauro Torinese (Turin), Italy.

The Consolidated Financial Statements of the Fidia Group are presented in euro, i.e., the accounting currency of the Parent Company and main economies in which the Group has operations. Unless otherwise specified, the amounts are expressed in thousands of euros.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2018 consolidated financial statements were drawn up in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union and with the provisions implementing Article 9 of Italian Legislative Decree No. 38/2005. IFRS also include all the reviewed international accounting standards (IAS) and interpretations of the IFRS Interpretations Committee, previously called International Financial Reporting Interpretations Committee (IFRIC), and before then Standing Interpretations Committee (SIC).

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

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

Financial Statements

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

Within said statement of comprehensive income by nature, under the profit/(loss), a specific distinction has been made between profit/(loss) of ordinary business and those charges and earnings that are the result of non-recurrent transactions in ordinary business management, such as the restructuring expenses and any other atypical revenues/(charges), as these can be treated like the former. It is deemed that this allows for a better measurement of the actual performance of the normal business management, it being understood that any atypical expenses and earnings are specified in detail

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

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

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

Finally, please be noted that with reference to Consob Resolution n° 15519 of July 27, 2006 on financial statements, supplementary schedules for the statement of comprehensive income, statement of financial position and statement of cash flows were added in order to underscore significant relations with related parties and not to impair the overall readability of the financial statements.

CONSOLIDATION PRINCIPLES

Subsidiaries

These are companies that are under the control of the Group as defined by IFRS 10 – *Consolidated Financial Statements*. Control subsists when the Group has exposure or rights to variable returns as a result of its relationship with the investee and, at the same time, the ability to affect those returns through power over said investee. The accounts of the subsidiaries are included in the consolidated financial statements starting from the date on which control is gained and up to the date on which said control ceases. Equity of non-controlling interests and the share of profit or loss for the year attributable to non-controlling interests are disclosed separately in the consolidated statement of financial position and statement of comprehensive income.

Any loss of non-controlling interests that exceed the acquirer's interest of the capital of the investee are allocated to non-controlling interests. Variations in interests held by the Group in subsidiaries that do not cause loss of control are accounted as transactions in equity. The book value of Equity allocated to the shareholders of the parent company and to non-controlling interests is adjusted to reflect the change in the interest share. Any difference between the carrying amount of non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity of the shareholders of the parent company.

In the case of loss of control over an investee, the Group recognizes a profit or loss in the statement of comprehensive income calculated as the difference between (i) the sum of the fair value of consideration received and the fair value of the residual portion and (ii) the book value of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. The value of any profit or loss recognized in Other comprehensive profit and loss pertaining to the measurement of the assets of the subsidiary are recognized as if the subsidiary were sold (reclassified in the statement of comprehensive income or transferred directly to profit carried forward according to the applicable IFRS). The fair value of any residual interests in the company previously controlled is recognized, depending on the existing type of interest, in accordance with IAS 28 or IAS 31.

Associates

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

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

Equity investments in other entities

Investments in other minor entities constituting non-current financial assets for which fair value is not available are reported at the impaired cost due to lasting loss of value.

Transactions eliminated during consolidation

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

Transactions in foreign currency

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

Consolidation of foreign entities

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

Business combinations

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

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

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

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

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

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

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

- If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the above-mentioned measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

PROPERTY, PLANT AND EQUIPMENT

Cost

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

Plant and machinery were evaluated at purchase or production cost minus accrued amortization and any writedown and these were not revalued. The cost comprises ancillary expenses and direct costs needed to make the asset available for use and indirect costs in the amount reasonably attributable to these.

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

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

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

Depreciation

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

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

Borrowing costs

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

INTANGIBLE FIXED ASSETS

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

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

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

Software and licenses are amortized over five years.

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

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

There are no intangible assets with indefinite useful life.

Writedown of assets

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

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

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

Should there no longer be a writedown of an asset other than goodwill or should the writedown be reduced, the book value of the asset or the unit generating the cash flows is increased until the recoverable amount is estimated again and it cannot exceed the amount that would have been determined if there had been no writedown. A reversal of writedown is immediately recognized in profit or loss.

FINANCIAL INSTRUMENTS

Presentation

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

Investments comprises interests held in associates and in other companies.

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

Current financial assets include trade receivables, other receivables and current assets and other current financial assets (which include the positive fair value of derivatives), as well as cash and cash equivalents.

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

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

Valuation

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

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

Cash and cash equivalents

It is stated at nominal value.

Financial liabilities, trade payables and other payables

Financial payables (current and non-current), trade payables, and other payables are entered at first recognition in the statement of financial position at fair value (usually the cost of the originating transaction), including the transaction costs.

Then, with the exception of derivatives, financial liabilities are measured at amortized cost using the effective interest method.

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

DERIVATIVES

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

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

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

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

The eligible coverage ratios are as follows:

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

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

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

If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realised, accumulated gains and losses accumulated up to that moment are recognised in the statement of comprehensive income in connection with the economic effects of the hedged transaction. If the hedged transaction is deemed no longer probable, gains or losses not yet realized and still retained in the cash flow hedge reserve are immediately recognized in profit or loss.

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

Fair value

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

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

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

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

Criteria for measuring fair value

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

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

The market factors considered for the calculation of fair value and measured at the measurement date of 31 December 2017 were: time value of money, i.e., base interest rate without risk, credit risk, exchange rates of foreign currencies, size of the future changes in price of a financial instrument, i.e., the latter's volatility, the costs to service an asset or financial liability.

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

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

In particular, financial assets and liabilities were divided into:

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

Financial assets and liabilities evaluated at amortized cost

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

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

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

Financial assets and liabilities measured at fair value

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

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

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

Interest rates

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

	EUR Curve	
	2018	2017
1W	-	-
1M	-0.363%	-0.368%
2M	-	-0.340%
3M	-0.309%	-0.329%
6M	-0.237	-0.271%
9 M	-	-0.217%
12M	-0.117%	-0.186%
2 year	-0.175%	-0.150%
3 year	-0.077%	0.012%
4 year	0.054%	0.169%
5 year	0.198%	0.308%
7 year	0.469%	0.564%
10 year	0.811%	0.887%
15 year	1.170%	1.240%
20 year	1.327%	1.406%
30 year	1.377%	1.498%

INVENTORY

Inventories of raw materials, semi-finished and finished goods are valued at the lower between the cost, determined using the method of weighted average cost, and net realizable value. The evaluation of inventories includes the direct costs of materials and labor and the indirect costs (both variable and fixed).

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

PROVISIONS FOR RISKS AND CHARGES

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

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

TERMINATION BENEFITS

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

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

OWN SHARES

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

REVENUE RECOGNITION

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

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

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

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

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

RESEARCH GRANTS

Government and Community contributions received for research projects are stated in the income when it is reasonably certain that the Group will meet all the conditions for receiving the contributions and that said contributions will be received; as a rule, this coincides with the fiscal year in which the resolution to allocate the contribution is made.

COST RECOGNITION

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

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

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

FINANCE INCOME AND EXPENSES

Finance revenue and costs are stated by period based on the interest accrued on the net value of the relevant financial assets and liabilities, using the effective interest rate.

DIVIDENDS

Dividends payable by the Group are reported as a movement in equity in the period in which they are approved by shareholders in their Shareholders' Meeting.

TAXES

Income tax comprises all taxes calculated on the taxable income of the single companies of the Group. Income taxes are recognized in profit or loss, except for those items debited or credited in Other Comprehensive Profit/(Loss). In these cases the tax effect is recognized directly in the Other Comprehensive Profit/(Loss).

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

Deferred taxes are stated according to the full liability method. These are calculated on all temporary differences arising between the taxable base of an asset or liability and its book value in the consolidated statement of financial position. The deferred tax assets on tax losses and on temporary differences are stated to the extent in which it is probable that there is a future taxable income on which these can be recovered. Deferred tax assets and liabilities are determined with the tax rates that are expected to be applicable in the relevant tax systems of the countries in which the Group has operations, in the periods in which temporary differences will be realized or written off.

EARNINGS PER SHARE

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

USE OF ESTIMATES

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

In this context, persistently weak economic growth makes the future outlook uncertain. Therefore, it cannot be ruled out that in the next period there will be results other than those estimated and that adjustments may be needed in the book value of the relevant items. Of course, to date, these can be neither estimated nor foreseen. The balance-sheet items mainly affected by said situations of uncertainty are bad debt provisions and provisions for slow-moving/obsolete inventories, non-current assets (tangible and intangible assets), termination benefits, product warranty, pre-paid taxes and potential liabilities.

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

Recoverable value of non-current assets

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

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

Bad debts provision

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

Provisions for slow-moving inventory

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

Product warranty

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

Termination benefits

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

Contingent liabilities

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

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AT 1 JANUARY 2018

Accounting principles, amendments and interpretations adopted from 1 January 2018

The Group adopts IFRS 15 and IFRS 9 for the first time. The impact and nature of the changes following the adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but have no impact on the Group's consolidated financial statements. The Group has not early adopted any other standards, interpretations or amendments published but not yet in force.

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

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 expected losses on all financial assets (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, without significant impact on the Group’s financial statements.

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 application of IFRS 15	Restated 01/01/2018
Non-current assets	14.538	7	14.545
Current assets	44.967	-	44.967
Total Assets	**59.505**	**7**	**59.512**
Shareholders' equity at	13.324	-19,00	13.305
Non-current liabilities	14.123	-	14.123
Current liabilities	32.058	26	32.084
Total liabilities	**59.505**	**7**	**59.512**

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. The amendment establishes that there is a change in use when the property meets, or ceases to meet, the definition of property and both has evidence of change in use. A simple change in management's intentions regarding the use of the property does not provide evidence of the change in use.

These amendments had no impact on the Group's 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 (or part thereof) 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. In the case of multiple payments or advances, the entity must define the date of the transaction for each payment or advance on fees.

This Interpretation had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts

The amendments address certain issues arising from the adoption of the new standard on financial instruments, IFRS 9, prior to the adoption of IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption in the application of IFRS 9 and the overlay approach. These changes are not significant for the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital or other qualified entity could decide, on initial recognition and with reference to the individual investment, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity that does not qualify as an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, decide to maintain the fair value measurement applied by that investment entity (whether an associate or a joint venture) in measuring its interests in associates or joint ventures. This choice is made separately for each associate or joint venture that is an investment entity at the latest (in terms of default) of the following dates: (a) of initial recognition of the investment in the associate or joint venture that is an investment entity; (b) in which the associate or joint venture becomes an investment entity; and (c) in which the associate or joint venture that is an investment entity becomes the ultimate parent for the first time. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

The short-term exemptions provided for in paragraphs E3-E7 of IFRS 1 have been cancelled as they have fulfilled their purpose. This amendment had no impact on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT APPLICABLE YET AND NOT APPLIED EARLY BY THE GROUP

IFRS16 – Leasing

IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

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

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

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

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

The application of the new standard will result in the recognition at 1 January 2019 of intangible fixed assets (right of use) and the related financial debt for an amount of approximately €2 million.

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

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

IFRS 17 - Insurance Contracts

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

This standard does not apply to the Group.

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 and does not apply to taxes or duties that do not fall within the scope of IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to uncertain tax treatments.
The Interpretation specifically addresses the following points:

- If an entity considers uncertain tax treatment separately
- The entity's assumptions about the examination of tax treatment by tax authorities
- How an entity determines taxable profit (or tax loss), tax base, unused tax losses, unused tax credits and tax rates
- How an entity treats changes in facts and circumstances.

An entity shall determine whether it considers any uncertain tax treatment separately or together with other (one or more) uncertain tax treatment(s). The approach that allows the best forecast for the resolution of uncertainty should be followed. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but some facilitations for first application 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.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is a plan amendment, curtailment or settlement. The amendments specify that when a plan amendment, curtailment or settlement occurs during the period, an entity is required to:

- Determine the cost of service for the remainder of the period following the plan amendment, curtailment or settlement, using key actuarial assumptions to remeasure the net defined benefit liability (asset) so that it reflects the benefits offered by the plan and the assets of the plan after that event.
- Determine net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to settle the net defined benefit liability (asset).

The amendments also clarify that an entity should first quantify all costs related to previous work, rather than the profit or loss that occurred at the time of the settlement, without taking into account the effect of the asset ceiling. This amount is recognised in profit or loss.

Subsequently, after plan amendment, curtailment or regulation, the entity quantifies the effect of the asset ceiling. Any change in this respect, except for what is already included in net interest, must be recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments or settlements occurring from the first annual period beginning on or after 1 January 2019, and early application is permitted.

These amendments will apply only to any future plan amendments, curtailments or transactions of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments specify that an entity applies IFRS 9 for long-term investments in an associate or joint venture, for which the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interest).

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

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

The amendments shall be applied retrospectively and shall be effective from 1 January 2019, and early application shall be permitted. Since the Group does not hold long-term interests in its associates and joint ventures, the amendments will not have an impact on the consolidated financial statements.

Annual improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:

- **IFRS 3 *Business Combinations***

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

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

- **IFRS 11 *Joint Arrangements***

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

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

- **IAS 12 *Income Taxes***

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

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

- **IAS 23 *Borrowing Costs***

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

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

RISK MANAGEMENT

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

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

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

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

For more details, see Note 31.

CONSOLIDATION AREA

The Group Consolidated Financial Statements at 31 December 2018 include Fidia S.p.A. and 8 consolidated subsidiaries, of which Fidia S.p.A. directly holds the majority of votes and over which it has control.

The companies comprised in the consolidation area are listed below:

Name / Registered office	Currency	Share Capital	Size of interest 2018	Size of interest 2017
Fidia Gmbh, Dreiech - Germany	EUR	520,000	100%	100%
Fidia Co, Rochester Hill - U.S.A.	USD	400,000	100%	100%
Fidia Sarl, Emerainville – France	EUR	300,000	100%	100%
Fidia Iberica S.A., Zamudio - Spain	EUR	180,300	99.993%	99.993%
Fidia do Brasil Ltda, Sao Paulo – Brazil	Reals	399,843	99.75%	99.75%
Beijing Fidia M&E Co Ltd, Beijing - China	USD	1,500,000	96.00%	96.00%
Shenyang Fidia NC & Machine Company Ltd, Shenyang – China	Rmb	42,517,648	51.00%	51.00%
OOO Fidia, Mosca – Russian Federation	Rouble	3,599,790	100%	100%

There was no change in the consolidation area compared to the consolidated financial statements at 31 December 2017.

CONTENT AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

The breakdown of revenue by geographical area is provided in the table below. Please be noted that sales abroad account for 80.5% of total sales.

Revenue by geographical area (€thousand)

	FY2018	%	FY2017	%
Italy	11,274	19.5%	6,509	14.1%
Europe	15,773	27.3%	12,022	26.1%
Asia	16,805	29.1%	15,950	34.7%
North and South America	13,875	24.0%	11,524	25.0%
Rest of the World	14	0.0%	8	0.0%
Total revenue	**57,741**	**100%**	**46,013**	**100%**

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

Revenues by line of business (€ thousand)

	FY2018	%	FY2017	%
Numerical controls, drives and software	3,467	6.0%	3,483	7.6%
High Speed Milling Systems	40,923	70.9%	30,283	65.8%
After-sales service	13,351	23.1%	12,247	26.6%
Total revenue	**57,741**	**100%**	**46,013**	**100%**

2. OTHER REVENUE

This item comprises:

(€thousand)

	FY2018	FY2017
Contributions for operating expenses	348	292
Contingent assets	149	239
Gain from tangible assets	32	7
Recovery of costs incurred	107	106
Insurance refunds	79	88
Release to income of warranty provisions and others	164	512
Other miscellaneous revenues and earnings	1,115	781
Total	**1,994**	**2,025**

Other revenue amounted to €1,994 thousand (€2,025 thousand in 2017), down €31 thousand compared to the previous year.

This item includes €348 thousand (€292 thousand at 31 December 2017) relating to grants for research projects recognised by year of accrual in profit or loss of the parent company Fidia S.p.A. at 31 December 2018 and allocated by the European Union and the Italian Ministry of University and Research. Applied and basic research and development activities are a structural component and are carried out on an ongoing basis by Fidia S.p.A.

Other revenue and income mainly includes the capitalisation of product development costs (€799 thousand at 31 December 2018; €629 thousand at 31 December 2017).

3. RAW MATERIALS

These are:

(€thousand)

	FY2018	FY2017
Production materials	22,386	14,420
Service materials	1,565	1,081
Consumables	187	95
Equipment and software	85	65
Packaging	521	257
Others	137	127
Change in inventory raw materials and consumables	(1,487)	(879)
Total	**23,394**	**16,924**

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

4. PERSONNEL COSTS

Personnel expenses amounted to €17,654 thousand versus €17,619 thousand of the year before and consist of:

(€thousand)

	FY2018	FY2017
Wages and salaries	13,376	13,352
Social security charges	3,578	3,551
TFR	478	499
Other personnel expenses	222	217
Total	**17,654**	**17,619**

Cost of personnel increased compared with the previous year (+0.20%, equivalent to an increase of about €35 thousand), while Group personnel was on average lower by about 0.7%.

Due to lower revenue, the overall incidence of cost of labour in relation to the value of production decreased from 36.7% in 2017 to 30.0% in the current period.

The change recorded in 2018 in the number of employees, broken down by category, is illustrated below:

	31 December 2017	Inbound	Outbound	Change	31 December 2018	Period average
Executives	8	3	(2)	2	11	9.5
Clerks and cadres	274	20	(20)	(2)	272	273
Workers	50	4	(1)	-	53	51.5
Total	**332**	**27**	**(23)**	**-**	**336**	**334**

5. OTHER OPERATING COSTS

Other operating costs in the amount of €16,623 thousand, up by €1,971 thousand, versus €14,652 thousand at 31 December 2017, are illustrated in detail in the table below:

(€thousand)

	FY2018	FY2017
Outsourced work	2,703	2,153
Travel expenses	1,920	2,039
Transportation and customs	1,937	1,278
Rent paid for offices and plants	1,067	1,106
Technical, legal and administrative consulting	1,318	1,087
Utilities	495	578
Commissions	549	678
Car rental expenses	340	379
Warranty provisions	800	105
Auditors' emoluments	65	46
Insurance	463	457
Advertising, trade fairs and other commercial costs	603	694
Non-income taxes	400	441
Maintenance and housekeeping	274	218
Personnel-related expenses	291	284
Bank services	237	187
Motor vehicle management expenses	119	111
Bad debts	321	113
Stock exchange listing fees	134	122
Costs for repairs and interventions	1,829	1,580
Research project costs	199	170
Entertainment expenses	59	105
Contributions and payments	47	44
Contingent liabilities	122	184
Penalties and surcharges	10	5
Others	321	488
Total	**16,623**	**14,652**

The increase compared to the previous year is due mostly to higher costs related to the production and technical areas and a greater use of contractors; these costs have grown because of the higher levels of production and revenue. The warranty provision, which is also linked to the increased sales volume, also increased.

6. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

(€thousand)

	FY2018	FY2017
Amortization of intangible fixed assets	228	206
Amortization of property, plant and equipment	954	776
Write-down of intangible assets	10	-
Write-down of trade receivables	124	174
Write-downs and provisions for other non-current receivables and assets	351	-
Total	**1,667**	**1,156**

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

The write-down and provisions of other non-current receivables and assets includes the write-down of receivables due to Fidia S.p.A. from tax authorities relating to withholdings definitively made on fees for technical training activities carried out by the parent company on behalf of the subsidiary Shenyang Fidia NC&M Co. Ltd. in previous years, for approximately €190 thousand, in addition to a provision of €161 thousand for the effects of an inspection by the Italian National Institute for Insurance Against Occupational Accidents (Istituto Nazionale Assicurazione Infortuni sul Lavoro, or INAIL).

7. NON-RECURRING REVENUE

In 2018, non-recurring charges of €272 thousand (USD 320 thousand) were recorded for the loss recorded by the US subsidiary Fidia Co, which was the victim of computer fraud.

8. FINANCE REVENUE AND EXPENSES

Finance revenue and expenses consist of:

(€thousand)

	FY2018	FY2017
Finance revenue	55	43
Borrowing costs	(543)	(310)
Net profit (loss) on derivatives	1	80
Profit (loss) from foreign currency transactions	(67)	153
Total	**(554)**	**(34)**

In 2018, the balance of finance revenue (expenses) was negative, amounting to €554 thousand (€34 thousand the year before).

Finance revenue consists of:

(€thousand)

	FY2018	FY2017
Interests received from banks	9	1
Interests and commercial discounts	-	16
Other interests received	46	26
Total	**55**	**43**

Finance expenses consist of:

(€thousand)

	FY2018	FY2017
Interest paid on loans from banks and leasing companies	(323)	(64)
Interest paid on M/L-term borrowings from banks	(125)	(168)
Borrowing costs on termination benefits	(21)	(17)
Other borrowing costs	(74)	(61)
Total	**(543)**	**(310)**

Net profit and loss on derivatives:

(€thousand)

	FY2018	FY2017
Financial charges on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	-	(5)
Financial income on derivatives due to fair value adjustment		
- fair value adjustment on IRS and IRC contracts	1	1
- fair value adjustment on forward contracts	-	84
Total	**1**	**80**

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

Profit (loss) on foreign currency transactions consists of:

(€thousand)

	FY2018	FY2017
Realised exchange gains	472	190
Unrealised exchange gains	7	355
Realised exchange losses	(546)	(347)
Unrealised exchange losses	-	(44)
Total	**(67)**	**153**

9. INCOME TAX

Taxes stated in the consolidated statement of comprehensive income were:

(€thousand)

	FY2018	FY2017
Income tax: IRAP (Italian Regional Tax on Production Activities)	56	-
Income tax of foreign subsidiaries	363	572
Prior period taxes	93	1
Prepaid taxes	(209)	104
Deferred tax liabilities	1	(4)
Total	**304**	**673**

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

At 31 December 2018, the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

(€thousand)

	31 December 2018	31 December 2017
Deferred tax assets	957	738
Deferred tax liabilities	(47)	(46)
Total	**910**	**692**

Deferred tax assets increased by €219 thousand compared to 31 December 2017, mainly as a result of the provision for write-downs subject to deferred taxation and the recognition of the tax effects on consolidation entries.

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

(€thousand)

	At 31/12/2017	Posted to income statement	Stated to shareholders' equity	Others Changes	Exchange rate differences	At 31/12/2018
Deferred tax assets for:						
Application of IFRS 15	-	7	6	-	-	13
Application of IAS 19	142	(6)	(6)	-	-	130
Application of IAS 16 - *Property, plant and equipment*	31	6	-	-	(1)	36
Loss from previous periods	250	-	-	-	-	250
Writedown provisions	196	141	-	-	9	346
Cash flow hedge reserve	15	-	5	-	-	20
Miscellaneous	104	61	-	-	(3)	162
Total deferred tax assets	**738**	**209**	**5**	**-**	**5**	**957**
Deferred tax liabilities for:						
Fair value measurement	42	(7)	-	(1)	-	34
Miscellaneous	5	8	-	-	-	13
Total deferred taxes	**47**	**1**	**-**	**(1)**	**-**	**47**

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

The comprehensive value of tax loss at 31 December 2018 and the relevant amounts for which no assets for pre-paid taxes, divided by year due, are stated below (for Fidia SpA only).

(€thousand)

	At 31 December 2018	Year due					
		2019	2020	2021	2022	Beyond 2023	Unlimited or unforeseeable
Tax loss	3,659	-	-	-	-	-	3,659

Other temporary differences for which no deferred tax assets were recognized amounted to €5,543 thousand, mainly related to accruals in provisions and non-deductible interest payable.

10. Earnings per share

Earning /loss per share is determined on the basis of the following data:

		2018	2017
Net earnings pertaining to Group	€thousand	(1,314)	(3,066)
Profit/(loss) of ordinary shares	€thousand	(1,314)	(3,066)
Mean number of ordinary shares in circulation in the period	Number	5,113,000	5,113,000
Earning per share	EUR	(0.257)	(0.600)
Diluted earnings per ordinary share	EUR	(0.257)	(0.600)

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

STATEMENT OF FINANCIAL POSITION

11. PROPERTY, PLANT AND EQUIPMENT

In 2018 and 2017 the changes in original cost of Property, Plant and Equipment were as follows:

(€thousand)

	Initial balance at 1 January 2018			Changes in period						
	Purchase Price	Revaluations	Total	Additions	Decreases	(Write-downs) Write-backs	Exchange rate Differences	Other Changes	Total	Balance 31.12.2018
Land and buildings	10,390	380	10,770	1	-	-	54	-	55	10,825
Lightweight constructions	11		11	-	-	-	-	-	-	11
Total property	**10,401**	**380**	**10,781**	**1**	**-**	**-**	**54**	**-**	**55**	**10,836**
Plant and equipment	1,975		1,975	391	(8)	-	5	70	458	2,433
Industrial equipment	2,396		2,396	220	(1)	-	1	-	220	2,616
Electrical tools	961		961	13	-	-	(2)	-	11	972
Total plant, machinery and equipment	**5,332**		**5,332**	**624**	**(9)**	**-**	**4**	**70**	**689**	**6,021**
Furnishing	1,266		1,266	24	-	-	6	-	30	1,296
Electronic equipment	1,772		1,772	54	(98)	-	6	-	(38)	1,734
Means of transportation	1,535		1,535	240	(200)	-	14	-	54	1,588
Total other goods	**4,573**		**4,573**	**318**	**(298)**	**-**	**26**	**-**	**46**	**4,619**
Work in progress	70		70	3	-	-	-	(70)	(67)	3
Total original cost of property, plant and equipment	**20,376**	**380**	**20,756**	**946**	**(307)**	**-**	**84**	**-**	**723**	**21,479**

(€thousand)

	Initial balance at 1 January 2017			Changes in period						
	Purchase Price	Revaluations	Total	Additions	Decreases	(Write-downs) Write-backs	Exchange rate Differences	Reclassifications	Total	Balance 31.12.2017
Land and buildings	1,751	380	2,131	30	(7)	-	(154)	8,770	8,639	10,770
Lightweight constructions	11	-	11	-	-	-	-	-	-	11
Total property	**1,762**	**380**	**2,142**	**30**	**(7)**	**-**	**(154)**	**8,770**	**8,639**	**10,781**
Plant and equipment	2,017	-	2,017	4	(87)	-	(17)	58	(42)	1,975
Industrial equipment	2,313	-	2,313	62	(21)	-	(20)	62	83	2,396
Electrical tools	1,017	-	1,017	1	(44)	-	(13)	-	(56)	961
Total plant, machinery and equipment	**5,347**	**-**	**5,347**	**67**	**(152)**	**-**	**(50)**	**120**	**(15)**	**5,332**
Furnishing	1,240	-	1,240	51	(1)	-	(24)	-	26	1,266
Electronic equipment	1,794	-	1,794	20	(6)	-	(36)	-	(22)	1,772
Means of transportation	1,507	-	1,507	110	(24)	-	(58)	-	28	1,535
Total other goods	**4,541**	**-**	**4,541**	**181**	**(31)**	**-**	**(118)**	**-**	**32**	**4,573**
Work in progress	7,451	-	7,451	1,535	(26)	-	-	(8,890)	(7,381)	70
Total original cost of property, plant and equipment	**19,101**	**380**	**19,481**	**1,813**	**(216)**	**-**	**(322)**	**-**	**1,275**	**20,756**

In 2018 and 2017, the changes in the relevant accrued depreciation were the following:

(€thousand)

	Initial balance 1.1.2018	Changes in period					Final balance 31.12.2018
		Depreciation	Disposals	Other changes	Exchange rate Differences	Total	
Land and buildings	840	454	-	-	4	458	1,298
Lightweight constructions	8	-	-	-	-	-	8
Total property	**848**	**454**	**-**	**-**	**4**	**458**	**1,306**
Plant and equipment	1,765	84	(6)	-	3	81	1,846
Industrial equipment	2,048	151	(1)	-	-	150	2,198
Electrical tools	948	6	-	-	(1)	5	953
Total plant, machinery and equipment	**4,761**	**241**	**(7)**	**-**	**2**	**236**	**4,997**
Furnishing	1,024	30	-	-	4	34	1,058
Electronic equipment	1,686	39	(98)	-	6	(53)	1,633
Means of transportation	1,170	190	(198)	-	10	2	1,172
Total other goods	**3,880**	**259**	**(296)**	**-**	**20**	**(17)**	**3,863**
Total cumulated depreciation of property, plant and equipment	**9,489**	**954**	**(303)**	**-**	**26**	**677**	**10,166**

(€thousand)

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

The net carrying amount of Property, Plant and Equipment at 31 December 2018 and 31 December 2017 can be broken down as follows:

(€thousand)

	Initial balance 1.1.2018	Changes in period							Final balance 31.12.2018
		Additions	Disposals	(Write-downs) Write-backs	Reclassifications	Depreciation	Exchange rate Differences	Total	
Land and buildings	9,930	1	-	-	-	(454)	50	(403)	9,527
Lightweight constructions	3	-	-	-	-	-	-	-	3
Total property	**9,933**	**1**	**-**	**-**	**-**	**(454)**	**50**	**(403)**	**9,530**
Plant and equipment	210	391	(2)	-	70	(84)	2	377	587
Industrial equipment	348	220	-	-	-	(151)	1	70	418
Electrical tools	13	13	-	-	-	(6)	(1)	6	19
Total plant, machinery and equipment	**571**	**624**	**(2)**	**-**	**70**	**(241)**	**2**	**453**	**1,024**
Furnishing	242	24	-	-	-	(30)	2	(4)	238
Electronic equipment	86	54	-	-	-	(39)	-	15	101
Means of transportation	365	240	(2)	-	-	(190)	4	52	417
Total other goods	**693**	**318**	**(2)**	**-**	**.**	**(259)**	**6**	**63**	**756**
Work in progress	70	3	-	-	(70)	-	-	(67)	3
Total net value of property, plant and equipment	**11,267**	**946**	**(4)**	**-**	**-**	**(954)**	**58**	**46**	**11,313**

(€thousand)

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

(€thousand)

Investments made in the period 2018, amounting to €946 thousand, consisted of physiological investments for the maintenance of production facilities.

At 31 December 2018, the Group has no buildings burdened by collateral, but, by virtue of the lease contract entered into for the purchase of the industrial building renovated by Fidia S.p.A., this asset is in the name of the leasing company.

Capital expenditure does not include capitalized borrowing costs.

Buildings consists of the headquarters of Fidia S.p.A., Fidia Iberica and Fidia Co.

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

12. INTANGIBLE FIXED ASSETS

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

In 2018 and 2017 the changes in net book value of Intangible Assets were as follows:

(€thousand)

		Changes in period						
	Initial balance 1.1.2018	Additions	Depreciation	Reclassificat ions	Exchange rate Difference s	(Write-downs)/ Write-backs	Total	Final balance 31.12.2018
Development Costs	532	-	(128)	750	-	-	622	1,154
Licenses	37	3	(27)	-	-	-	(24)	13
Software	90	20	(73)	-	-	-	(53)	37
Work in progress	1,099	799	-	(750)	-	(10)	39	1,138
Total net value of intangible fixed assets	**1,758**	**822**	**(228)**	**-**	**-**	**(10)**	**584**	**2,342**

(€thousand)

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

The increases recorded in "Software" during the year relate mainly to the introduction of new functions of the Navision ERP software of the parent company that went into operation at the beginning of 2014. This implementation has also allowed improving R&D processes and the relative measurement of future costs and benefits of individual projects, in accordance with IAS 38 in terms of capitalization.

Development costs incurred and capitalised during the period amounted to €799 thousand; they related to projects not yet amortised (as they had not yet been completed) and projects completed and reclassified at the end of the period, which have therefore not yet begun to produce the related benefits.

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

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

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

13. EQUITY INVESTMENTS

Equity investments are as follows:

(€thousand)

	Balance at 31 December 2018	Balance at 31 December 2017
Equity investments measured with the equity method	2	2
Equity investments measured at fair value	14	14
Total equity investments	**16**	**16**

Equity investments measured at fair value are follows:

(€thousand)

	Balance at 31 December 2018	Balance at 31 December 2017
Probest Service S.p.A. - Milan	10	10
Elkargi (Fidia Iberica)	4	4
Total equity investments measured at fair value	**14**	**14**

Investments measured with the equity method were as follows:

(€thousand)

	Share Capital	Size of investment	
		31/12/2018	31/12/2017
Prometec Consortium - Rivoli (Turin)	11	20.00%	20.00%

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

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

(**€thousand**)

	Balance 31 December 2018	Balance 31 December 2017
Grants for research projects	-	57
Security deposits	98	27
Non-recurring trade receivables	-	82
Receivables for foreign VAT	9	7
Withholding tax on foreign income	128	582
Multi-year pre-paid expenses	34	3
Sundry receivables	5	1
Total	**274**	**759**

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

Withholding tax receivables on foreign income consist of receivables from tax authorities for final withholding tax on wages for technical training activities carried out by the parent company on behalf of the subsidiary Shenyang Fidia NC&M Co. Ltd. in prior fiscal years. These receivables are recoverable through the realisation of taxable income such as to allow an excess of Italian tax over foreign tax within a maximum of eight years.

In the reporting period, the portion of these receivables due at the end of 2018 was written off and the portion due in 2019 was set aside, for a total amount of €451 thousand.

15. INVENTORY

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

(€thousand)

	Balance 31 December 2018	Balance 31 December 2017
Raw/auxiliary materials and consumable supplies	11,533	9,947
Provisions for raw materials depreciation	(2,151)	(2,032)
Net value of raw materials, subsidiary materials and consumables	**9,382**	**7,915**
Semi-finished products and work in progress	4,228	6,302
Finished products and goods for resale	5,055	4,035
Finished products and goods depreciation provision	(586)	(492)
Net value finished products and goods	**4,469**	**3,543**
Advances	340	86
Total inventory	**18,419**	**17,846**

Inventory increased by €573 thousand on the previous year due to an increase in revenue.
The provisions for depreciation equivalent to €2,737 thousand (€2,524 thousand at 31 December 2017) were reported to hedge some slow-moving components; these phenomena result, in particular, from the need to ensure customers that spare parts are available for servicing even beyond the period of ordinary marketability of the components.

Hereinafter is the detail of the changes in the provisions for raw materials and finished products depreciation during the period:

(€thousand)

	Balance 31 December 2017	Provisions/(use)	Exchange rate effect	Balance 31/12/2018
Provisions for raw materials depreciation	2,032	125	(6)	2,151
Provisions for depreciation finished products	492	91	3	586
Total	**2,524**	**216**	**(3)**	**2,737**

16. TRADE RECEIVABLES

At 31 December 2018 these amounted to €18,061 thousand, €3,722 thousand higher YOY. Trade receivables are detailed as follows:

(€thousand)

	Balance at 31 December 2018	Balance at 31 December 2017
Trade receivables from customers	18,729	14,990
Provision for bad debts	(668)	(651)
Total trade receivables	**18,061**	**14,339**

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

(€thousand)

	31 December 2018	31 December 2017
Unexpired	5,935	7,285
Due up to 1 month	7,771	3,003
Due 1 to 3 months	2,313	1,309
Due 3 months to 6 months	374	848
Due 6 months to 1 year	954	711
Due over 1 year	1,382	1,834
Total	**18,729**	**14,990**

Receivables were aligned at the expected realizable value by means of allocations to the provisions for write-down of receivables equal to €124 thousand. Said provision, in the amount of €668 thousand (€651 thousand at 31 December 2017) was made for estimated potential loss on receivables depending on the time frames inherent in the nature of the business.

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

Based on this analysis, the provision of €668 thousand has been reasonably allocated.

Receivables include €989 thousand in bank receipts submitted for collection or under reserve, which were not due yet at the reporting date.

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

The changes in the bad debt provision illustrated below.

(€thousand)

Balance at 31 December 2017	**651**
Provisions in period	124
Amounts used	(109)
Exchange rate gain/(loss)	2
Balance at 31 December 2018	**668**

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

(€thousand)

	Balance at 31 December 2018	Balance at 31 December 2017
Italy	4,374	2,549
Europe	4,331	4,579
Asia	7,956	5,843
North and South America	1,974	1,988
Rest of the World	94	31
Total	**18,729**	**14,990**

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

(€thousand)

	Balance at 31 December 2018	Balance at 31 December 2017
Current tax receivables:		
Receivables from tax authorities for VAT	596	8
Tax receivables for income tax and IRAP	158	268
Receivables for short-term foreign VAT	12	12
Other tax receivables	251	9
Total current tax receivables	**1,017**	**297**
Other current receivables:		
Contributions for research projects	121	-
Sundry prepayments	244	346
Pre-paid expenses	14	21
Receivables from employees	234	151
Advances from suppliers	101	294
Other current receivables	58	153
Total other current receivables	**772**	**965**

There are no receivables due beyond five years.

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

18. OTHER CURRENT FINANCIAL ASSETS

This item is not present at 31 December 2018.

19. CASH AND CASH EQUIVALENTS

The overall total of cash of the Group amounted to €6,561 thousand (€11,520 thousand at 31 December 2017). This item is composed of temporary cash on bank accounts pending future use amounting to €6,549 thousand and cash on hand and checks in the amount of €12 thousand. It is deemed that the carrying amount of the cash and cash equivalents is aligned to the fair value at reporting date.

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

20. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity at 31 December 2018 amounted to €11,961 thousand, down by €1,363 thousand from €13,324 thousand at 31 December 2017. This difference is the result of:

- loss of the period (€1,552 thousand);
- positive changes in exchange rates due to translation of financial statements of subsidiaries denominated in currencies other than EUR (€234 thousand);
- Positive effect of the accounting of actuarial changes in termination benefits net of the tax effect (€21 thousand);
- negative effect of the cash flow hedge reserve net of the theoretical tax effect (-€17 thousand);
- the negative effect of the application of IFRS 15 (-€19 thousand)
- dividends paid (€17 thousand);
- other minor negative changes (€13 thousand).

Share capital

The share capital of Fidia S.p.A. at 31 December 2018, fully subscribed and paid in, is unchanged compared to 31 December 2017 and numbered 5,123,000 ordinary shares with a face value of €1 each.

The following table illustrates reconciliation between the number of circulating shares at 31 December 2016 and the number of circulating shares at 31 December 2018:

	At 31 December 2016	Increase in share capital	(Purchases)/sales of own shares	At 31 December 2017	Increase in share capital	(Purchases)/sales of own shares	At 31 December 2018
Ordinary shares issued	5,123,000	-		5,123,000	-		5,123,000
Minus: Own shares	10,000		-	10,000			10,000
Circulating ordinary shares	5,113,000	-	-	5,113,000	-		5,113,000

Own shares

Own shares consisted of 10,000 ordinary shares issued by Fidia S.p.A. for a value of €45 thousand.

During the period, own shares held by the parent company Fidia S.p.A. registered no change as illustrated in the following table:

(€thousand)

	No. Shares	Nominal value	Share in % share capital	Carrying amount	Mean unit value
Situation at 1 January 2018	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Write-backs	-	-	-	-	-
Situation at 31 December 2018	**10,000**	**10.00**	**0.20%**	**45.52**	**4.55**

Capital reserves

In 2018, share premium reserve was unchanged compared to 31 December 2017 and amounted to €1,240 thousand.

Retained Earnings

Retained Earnings comprised:

- the legal reserve of Fidia S.p.A., amounting to €883 thousand at 31 December 2018, is unchanged compared to the previous year;

- Earnings carried forward in the amount of €3,078 thousand at 31 December 2018 (€1,437 thousand at 31 December 2017);
- the negative effect of the application of IFRS 15 (-€19 thousand).

Other profit/(loss)

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

(€thousand)

	31 December 2018	31 December 2017
Profit/(loss) on cash flow hedge in the period	(23)	(40)
Profit/(loss) on cash flow hedge reclassified in profit or loss	-	-
Profit/(loss) on cash flow hedge	**(23)**	**(40)**
Profit(loss) on translation of financial statements of foreign companies in the period	234	(1,404)
Profit(loss) on translation of financial statements of foreign companies reclassified in the statement of comprehensive income	-	-
Profit/(loss) on translation of financial statements of foreign companies	**234**	**(1,404)**
Actuarial profit/(loss) on defined benefit plans (termination benefits) in the period	27	(44)
Actuarial profit/(loss) on defined benefit plans (termination benefits) reclassified in the statement of comprehensive income	-	-
Actuarial profit/(loss) on defined benefit plans (termination benefits)	**27**	**(44)**
Tax effect for Other components of statement of comprehensive income	**-**	**20**
Total Other profit/(loss), net of tax effect	**238**	**(1,468)**

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

(€thousand)

	31 December 2018			31 December 2017		
	Gross value	Tax (expense)/benefit	Net value	Gross value	Tax (expense)/benefit	Net value
Profit/(loss) on cash flow hedge instruments	(23)	6	17	(40)	9	(31)
Profit/(loss) on translation of financial statements of foreign companies	234	-	234	(1,404)	-	(1,404)
Actuarial gains/(losses) on defined benefit plans	27	(6)	21	(44)	11	(33)
Total other profit/(loss)	**238**	**-**	**238**	**(1,488)**	**20**	**(1,468)**

Cash Flow Hedge reserve

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

In 2018, the cash flow hedge provisions registered the following changes:

Financial instrument by type (€thousand)

	Nature of hedged risk	Initial balance 1.1. 2018	Increases	Decreases	CFH provisions released to profit or loss	Final balance at 31/12/2018
Interest rate swap	Interest rate risk	(46)	-	(17)	-	(63)
Total		**(46)**	**-**	**(17)**	**-**	**(63)**

Non-controlling interests

Non-controlling interests in the amount of €1,636 thousand (€1,905 thousand at 31 December 2017) refer to the following consolidated companies with the line-by-line method:

(€thousand)

	% non-controlling interests 2018	% non-controlling interests 2017	Balance 31 December 2018	Balance 31 December 2017
Fidia Beijing M&E Co. Ltd.	4%	4%	188	191
Fidia do Brasil Ltda	0.25%	0.25%	-	-
Shenyang Fidia NC&M Co Ltd	49%	49%	1,448	1,714
Fidia Iberica S.A.	0.01%	0.01%	.	-
Total			**1,636**	**1,905**

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

(€thousand)

	Balance at 31 December 2018	Balance at 31 December 2017
Advances for research projects	376	330
Payables to employees	77	72
Long-term deferred income and other payables	171	-
Total	**624**	**402**

Advances for research projects consisted of advance payments from the European Union and the Italian University and Research University for funds granted for funded projects whose completion is expected after the end of the next fiscal year.
Payables to personnel refer to medium/long-term payables to personnel of the subsidiary Fidia Sarl.
Multi-year deferred income is linked to the application of the accounting standard IFRS 15.

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

22. TERMINATION BENEFITS

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

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

(€thousand)

Value at 1 January 2018	**2,292**
Amount accrued and allocated in year	475
Benefits paid out in year	(97)
Amount transferred to State Fund and complementary pension scheme	(467)
Borrowing costs on termination benefits	21
Accounting of actuarial losses	(27)
Substitute tax	(8)
Balance at 31 December 2018	**2,189**

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

Please be noted that the interest on charges relating to the defined benefits plans for employees are comprised under finance costs, hence leading to an increase in finance costs of the fiscal year in the amount of €21 thousand.

Employee severance indemnities are calculated based on the following actuarial assumptions:

	At 31 December 2018	At 31 December 2017
Discount rate	EUR Composite AA Curve	EUR Composite AA Curve
Future inflation rate	1.5%	1.5%
Frequency of request for advances	3.0%	3.0%
Relative frequency of resignation/dismissal cadres, employees, workers and apprentices	3.0%	3.0%
Relative frequency of resignations/dismissals managers	5.0%	5.0%

The discount rate used to determine the present value of the obligation was derived, in accordance with paragraph 83 of IAS 19, from the AA rating EUR Composite curve recorded at the measurement date:

Year	31 December 2018
1	- 0.18%
2	0.00%
3	0.20%
4	0.38%
5	0.55%
6	0.70%
7	0.85%
8	0.98%
9	1.11%
10	1.22%
11	1.30%
12	1.38%
13	1.46%
14	1.54%
15 +	1.61%

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

Sensitivity analysis of Defined Benefit Obligation (€thousands)

	31 December 2018
Inflation rate +0.25%	2,216
Inflation rate -0.25%	2,163
Discount rate +0.25%	2,158
Discount rate -0.25%	2,222
Rate of turnover +1%	2,185
Rate of turnover -1%	2,194

Service cost and duration

Service cost pro futuro	0.00
Duration of the plan	8 years

Future plan disbursements (€thousand)

Years	Planned disbursements
1	166
2	102
3	102
4	136
5	246

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

Specifically, a 10% increase and decrease was assumed with regard to the parameters used for the measurement of the termination benefits fund at 31 December 2018.

	Basic Assumptions	**Changes in Basic Assumptions**									
Inflation rate projections	Curve	**1,40%**	**1,60%**								
Average incidence of advances on termination benefits accru	70,00%			**63,00%**	**77,00%**						
Rate of request for advances: Executive	3,00%					**2,70%**	**3,30%**				
Rate of request for advances: Cadre	3,00%					**2,70%**	**3,30%**				
Rate of request for advances: Employee	3,00%					**2,70%**	**3,30%**				
Rate of request for advances: Worker	3,00%					**2,70%**	**3,30%**				
Rate of request for advances: Apprentice	3,00%					**2,70%**	**3,30%**				
Discount rate	Curve							**-10%**	**-10%**		
Outbound rate for resignation and dismissal: Executive	5,00%									**4,50%**	**5,50%**
Outbound rate for resignation and dismissal: Cadre	3,00%									**2,70%**	**3,30%**
Outbound rate for resignation and dismissal: Employee	3,00%									**2,70%**	**3,30%**
Outbound rate for resignation and dismissal: Worker	3,00%									**2,70%**	**3,30%**
Outbound rate for resignation and dismissal: Apprentice	3,00%									**2,70%**	**3,30%**
Company	**Employee termination**	**Percentage change in termination benefits compared to the basic assumptions**									
Fidia S.p.A.	**2.329.916**	**-0,48%**	**0,48%**	**0,04%**	**-0,04%**	**0,04%**	**-0,04%**	**0,54%**	**-0,56%**	**0,09%**	**-0,08%**
(*) amounts in EUR.											

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

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

(€thousand)

	31 December 2018		**31 December 2017**	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest rate risk - BNL Interest Rate Swap	1,053	3	1,579	4
Interest rate risk - INTESA Interest Rate Swap	1,050	3	1,750	4
Interest rate risk - INTESA Interest Rate Swap	1,784	2	2,482	-
Interest rate risk - INTESA Interest Rate Swap	3,338	75	3,500	49
Interest rate risk – Interest Rate Swap Banco Popolare	1,071	5	1,500	9
Total		**88**		**66**

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

24. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities amounted to €17,833 thousand and are specified in detail in the following tables:

(€thousand)

	Balance at 31 December 2018	Balance at 31 December 2017
Overdrawn bank accounts and short-term advances	3,369	247
Accrued liabilities on loans	57	44
Loan - ISP "3.500" (part medium/long term and part short term)	1,047	1,741
Loan - BNL "2.500" (part medium/long term and part short term)	1,047	1,567
Loan - ISP "3.000" (part medium/long term and part short term)	1,777	2,470
Loan - UNICREDIT (part medium/long term and part short term)	570	942
Loan - MPS "1.500" (part medium/long term and part short term)	375	874
Loan - Banco Popolare "1.500" (part medium/long term and part short term)	1,074	1,490
Loan - MPS (short term)	-	599
Loan BNL "MINIMUTUO" (short term)	-	1,124
Loan - UNICREDIT Plafond Superflash Rotativo	733	809
Loan - ISP "1.500" (part medium/long term and part short term)	1,120	-
Short-term loan - MPS	333	-
Autodesk financing	-	11
Real estate lease - Mediocredito Italiano	5,348	5,578
Lease - Volkswagen Bank	46	61
Lease - Skoda Bank	80	44
Lease - Banco Popular Espanol	32	23
Commerz Real	433	-
Loan - EUMACH	392	-
Total	**17,833**	**17,623**

(€thousand)

	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and short-term advances	3,426	-	-	3,426
Medium-to-long term bank loans	3,593	3,417	-	7,010
Short-term loans	1,066	-	-	1,066
Lease - Volkswagen Bank	22	24	-	46
Lease - Skoda Bank	35	45	-	80
Banco Popular Espagnol	18	14	-	32
Property lease - Mediocredito Italiano	241	1,387	3,721	5,349
Commerz Real	159	274	-	433
Loan - EUMACH	392	-	-	392
Total	**8,952**	**5,160**	**3,721**	**17,833**

The current loans have the following characteristics:

Loan - ISP "3.500" (part medium/long term and part short term)

Original amount	€3,500 thousand
Residual amount	€1,047 thousand
Date of loan	20/04/2015
Term	Loan due date 01/04/2020
Repayment	20 quarterly installments (01/07/2015 to 01/04/2020)
Interest rate	3-month Euribor, base 360 + 2.0% spread

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

Loan - BNL "2.500" (part medium/long term and part short term)

Original amount	€2,500 thousand
Residual amount	€1,047 thousand
Date of loan	28/01/2016
Term	Loan due date 31/12/2020
Grace period	1 quarterly installment (31/03/2016)
Repayment	19 quarterly installments (30/06/2016 to 31/12/2020)
Interest rate	3-month Euribor, base 360 + 1.35% spread

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

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

Original amount	€3,000 thousandousand
Residual amount	€1,777 thousand
Date of loan	17/05/2016
Term	Loan due date 01/04/2021
Grace period	3 quarterly installments (01/07/2016 to 01/01/2017)
Repayment	17 quarterly installments (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	€570 thousand
Date of loan	16/05/2016
Term	Loan due date 31/05/2020
Grace Period	Not provided
Repayment	16 quarterly installments (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	€375 thousand
Date of loan	24/08/2016
Term	Loan due date 30/09/2019
Grace period	1 monthly installment at 30/09/2016
Repayment	12 quarterly installments (31/12/2016 to 30/09/2019)
Interest rate	3-month Euribor, base 360 + 1.1% spread

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

Original amount	€1,500 thousand
Residual amount	€1,074 thousand
Date of loan	27/04/2017
Term	Loan due date 30/06/2021
Grace period	3 quarterly installments at 30/06/2017, 30/09/2017 and 31/12/2017
Repayment	14 quarterly installments (31/03/2018 to 30/06/2021)
Interest rate	3-month Euribor, base 360 + 1.4% spread

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

Loan - UNICREDIT **"MUTUO PLAFOND SUPERCASH ROTATIVO"**	
Original ceiling	€810 thousand
Ceiling used	€733 thousand
Term	Loan due date 28/01/2019, 19/02/2019, 13/03/2019
Repayment	Every four months
Interest rate	Fixed rate equal to 1.5%
Loan - ISP "1.500" (part medium/long term and part short term)	
Original amount	€1,500 thousand
Residual amount	€1,120 thousand
Date of loan	31/01/2018
Term	Loan due date 31/01/2021
Repayment	12 quarterly instalments (30/04/2018 to 31/01/2021)
Interest rate	3-month Euribor, base 360 + 1.2% spread
Loan - MPS "**1.000**" (short term)	
Original amount	€1,000 thousand
Residual amount	€333 thousand
Date of loan	11/07/2018
Term	Loan due date 31/01/2019
Grace period	quarterly instalments at 31/07/2018, 31/08/2018, 30/09/2019 and 31/10/2018
Repayment	3 monthly instalments (30/11/2018 to 31/01/2019)
Interest rate	Fixed rate equal to 0.8%
Property lease - Mediocredito Italiano - line 1	
Original amount	€5,598 thousand
Major instalment	€1,260 thousand
Residual amount	€3,775 thousand
Date of loan	25/06/2014
Term	179 monthly installments (01/12/2017 to 01/10/2032)
Current leasing rate	3.48%
Set redemption	€558 thousand
Property lease - Mediocredito Italiano - line 2	
Original amount	€1,000 thousand
Major instalment	€400 thousand
Residual amount	€558 thousand
Date of loan	28/05/2015
Term	179 monthly installments (01/12/2017 to 01/10/2032)
Current leasing rate	2.42%
Set redemption	€100 thousand
Property lease - Mediocredito Italiano - line 3	
Original amount	€1,802 thousandousand
Major instalment	€722 thousand
Residual amount	€1,015 thousand
Date of loan	30/11/2017
Term	179 monthly installments (01/12/2017 to 01/10/2032)
Current leasing rate	2.73%
Set redemption	€179 thousand

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

Lease No. 4 - Volkswagen Bank Germany	
Original amount	€33 thousand
Residual amount	€3 thousand
Date of loan	22/02/2016
Term	Loan due date 15/02/2019
Repayment	36 monthly installments (15/03/2016 to 15/02/2019)
Interest rate	2.90%

Lease No. 5 - Volkswagen Bank Germany

Original amount	€34 thousand
Residual amount	€21 thousand
Date of loan	12/12/2017
Term	Loan due date 09/11/2020
Repayment	36 monthly installments (13/12/2017 to 09/11/2020)
Interest rate	1.97%

Lease No. 6 - Volkswagen Bank Germany

Original amount	€23 thousand
Residual amount	€22 thousand
Date of loan	15/6/2018
Term	Loan due date 16/05/2021
Repayment	36 monthly instalments (16/06/2018 to 16/05/2021)
Interest rate	1.99%

Lease No. 1 - Skoda Bank Germany

Original amount	€37 thousand
Residual amount	€2 thousand
Date of loan	16/02/2015
Term	Loan due date 15/04/2019
Repayment	48 monthly instalments (15/05/2015 to 15/04/2019)
Interest rate	1.97%

Lease No. 3 - Skoda Bank Germany

Original amount	€29 thousand
Residual amount	€18 thousand
Date of loan	09/12/2017
Term	Loan due date 09/11/2020
Repayment	36 monthly installments (09/12/2017 to 09/11/2020)
Interest rate	1.97%

Lease No. 4 - Skoda Bank Germany

Original amount	€35 thousand
Residual amount	€28 thousand
Date of loan	14/04/2018
Term	Loan due date 14/03/2021
Repayment	36 monthly instalments (14/04/2018 to 14/03/2021)
Interest rate	1.97%

Lease No. 5 - Skoda Bank Germany

Original amount	€38 thousand
Residual amount	€32 thousand
Date of loan	21/12/2018
Term	Loan due date 21/11/2021
Repayment	36 monthly instalments (21/12/2018 to 21/11/2021)
Interest rate	3.92%

Lease no. 1 - Banco Popular Espanol

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

Lease no. 2 - Banco Popular Espanol

Original amount	€32 thousand
Residual amount	€21 thousand
Date of loan	10/01/2018
Term	Loan due date 10/12/2021
Repayment	36 monthly instalments (10/01/2018 to 10/12/2021)
Interest rate	2.5%

Loan - Commerz Real

Original amount	€472 thousand
Residual amount	€433 thousand
Date of loan	01/07/2018
Term	Loan due date 01/06//2020
Repayment	24 monthly instalments (01/07/2018 to 01/06/2020)
Interest rate	2.5%

Loan - EUMACH

Original amount	€392 thousand
Residual amount	€392 thousand
Date of loan	07/09/2018
Term	Loan due date 20/09/2019
Repayment	Single repayment at loan due date.
Interest rate	not foreseen

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

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

(€thousand)

	Balance at 1 January 2018	New loans	Repayments	Balance at 31 December 2018
ISP loan “3.500”	1,741	-	(694)	1,047
BNL loan “2.500”	1,567	-	(520)	1,047
ISP loan “3.000”	2,470	-	(693)	1,777
UNICREDIT loan	942	-	(372)	570
MPS loan	874	-	(499)	375
Loan - Banco Popolare	1,490	-	(416)	1,074
Short-term loan - MPS	599	-	(599)	-
Loan - BNL “MINIMUTUO”	1,124	-	(1,124)	-
Loan - UNICREDIT Superflash Rotativo	809	1,526	(1,602)	733
ISP loan “1.500”	-	1,485	(365)	1,120
Short-term loan - MPS	-	998	(665)	333
Autodesk financing	11	-	(11)	-
Real estate lease - Mediocredito Italiano	5,578	-	(230)	5,348
Lease - Volkswagen Bank	61	28	(44)	45
Lease - Skoda Bank	44	68	(32)	80
Lease - Banco Popular Espanol	23	32	(23)	32
Commerz Real	-	472	(39)	433
Loan - EUMACH	-	392	-	392
	17,333	**5,001**	**(7,928)**	**14,406**

For more information on the management of interest and exchange rate risk on loans, please refer to the section Risk Management above and Note No. 29.

25. OTHER CURRENT FINANCIAL LIABILITIES

This item remained at zero in the period under review, as in 2017.

26. TRADE PAYABLES

(€thousand)

	At 31 December 2018				At 31 December 2017			
	by end of period	1 to 5 years	Beyond 5 years	Total	by end of period	1 to 5 years	Beyon d 5 years	Total
Payables to other suppliers	16,257	119	16	16,392	9,800	122	4	9,926
Payables to associates	2	-	-	2	2	-	-	2

Total trade payables	**16,259**	**119**	**16**	**16,394**	**9,802**	**122**	**4**	**9,928**

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

(€thousand)

	Due date within 1 month	Due date beyond 1 month up to 3 months	Due date beyond 3 months up to 12 months	Total
Payables to other suppliers	10,101	4,785	1,371	16,257
Payables to associates	2	-	-	2
Total trade payables	**10,103**	**4,785**	**1,371**	**16,259**

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

(€thousand)

	Balance at 31 December 2018	Balance at 31 December 2017
Italy	14,061	7,291
Europe	727	532
Asia	1,270	1,508
North and South America	335	597
Rest of the World	1	-
Total	**16,394**	**9,928**

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

27. TAX PAYABLES AND OTHER CURRENT PAYABLES AND LIABILITIES

(€thousand)

	Balance at 31 December 2018	**Balance at 31 December 2017**
Current tax payables:		
- withholding taxes	370	337
- Tax payables for income tax and IRAP	252	412
- Payables to tax authorities for VAT	235	878
- Other short-term tax payables	127	116
Total current tax payables	**984**	**1,743**

Other current payables and liabilities:		
Payables to employees	1,397	1,455
Social security payables	782	796
Advances from customers	4,086	9,232
Payables for emoluments	109	154
Payables to State Fund and other funds	15	93
Payables for dividends to be distributed	98	39
Accrued trade payables	137	151
Sundry accruals and deferrals	587	545
Sundry payables to the SMTCL company	-	139
Miscellaneous payables	505	356
Total other current payables and liabilities	**7,716**	**12,960**

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

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

Down payments from customers include advances from customers for orders yet to be processed and for sales of milling systems already delivered but still in course of acceptance, which according to IFRS 15 – *Revenue from Contracts with Customers*, cannot be stated in the revenue.

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

28. PROVISIONS FOR RISKS AND CHARGES

Provisions for non-current and current risks and expenses amounted to €16 thousand and €1,880 thousand as per the relevant schedule.

(€thousand)

	Balance 31 December 2017	Application of IFRS 15	Balance 1 January 2018	Accrual	Utilization/ Release	Exchange rate differences	Balance 31 December 2018
Warranty provision	22		22	3	(10)	1	16
Total other provisions for non-current risks and expenses	**22**		**22**	**3**	**(10)**	**1**	16
Provisions for legal risks	52		52	-	-	2	54
Warranty provision	1,046	(98)	948	800	(104)	21	1,665
Other provisions	-		-	161	-	-	161
Total other provisions for current risks and expenses	**1,098**	**(98)**	**1,000**	**961**	**(104)**	**23**	**1,880**

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

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

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

29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2018 these amounted to €2,531 thousand, down by €984 thousand compared to €3,515 thousand at 31 December 2017. This item consists almost solely of guarantees for business transactions with foreign customers for advance payments received or coverage of obligations undertaken by contract by the Group during the warranty period.

Contingent liabilities

At 31 December 2018, Fidia Group, though exposed to various risks (product liability, legal and fiscal risks), is not aware of circumstances that might generate foreseeable contingent liabilities or contingent liabilities the amount of which may be estimated and therefore does not deem it necessary to make any further allocations.

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

30. DISCLOSURE BY LINE OF BUSINESS

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

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

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

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

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

The economic measurement of the result attained by each sector is the operating profit/(loss) of the ordinary business that separates the non-recurring revenues and expenses of the ordinary course of business from the results of the sectors. In the Group's management finance revenue and expenses and taxes are at the expense of the "corporate" body because these do not pertain to operations and stated in the "non allocable" column.

All income components stated were measured using the same accounting criteria adopted for the presentation of the Group Consolidated Financial Statements. The economic data by line of business in 2018 and 2017 are as follows:

Data by year - 2018 (€thousand)

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

Data by year - 2017 (€thousand)

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

Assets of the line of business are those used by the line of business in the course of its typical activities or which can be reasonably attributed to it based on its typical activities. Liabilities of the line of business are those directly resulting from the conduct of the typical activities of the line of business or which can be reasonably attributed to it based on its typical activities. In the management of the Group the treasury and tax assets are not attributed to the lines of business because these do not pertain to their operations. Therefore, these assets and liabilities are not included in the assets and liabilities of the line of business and are stated in the column "Non allocable”. In particular, the treasury assets include investments in other entities, other long-term and short-term assets, and cash and cash equivalent. Treasury liabilities include financial payables and other current and non-current financial liabilities.

Assets and liabilities by line of business were measured using the same accounting standards adopted for the presentation of the Group Consolidated Financial Statements.

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

31 December 2017 (€thousand)	CNC	HSM	SERVICE	N/A	Total
Property, plant and equipment	63	9,127	153	1,924	11,267
Intangible fixed assets	1,012	618	-	128	1,758
Equity investments	-	-	-	16	16
Deferred tax assets	-	-	-	738	738
Other non-current receivables and assets	28	123	-	607	759
Total non-current assets	**1,104**	**9,869**	**153**	**3,412**	**14,538**
Inventory	1,864	9,940	6,042	-	17,846
Trade receivables and other 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
Total current assets	**3,724**	**20,182**	**8,752**	**12,309**	**44,968**
Total assets	**4,828**	**30,051**	**8,905**	**15,722**	**59,505**
Other non-current payables and liabilities	241	122	33	6	402
Deferred tax liabilities	-	-	-	47	47
Termination benefits	625	1,091	312	264	2,292
Long-term provisions	-	-	22	-	22
Other non-current financial liabilities	-	-	-	66	66
Non-current financial liabilities	-	5,348	-	5,946	11,294
Total non-current liabilities	**866**	**6,561**	**366**	**6,329**	**14,123**
Current financial liabilities	-	230	-	6,099	6,329
Other current financial liabilities	-	-	-	-	-
Trade payables and other current payables	1,443	17,698	1,080	2,668	22,889
Current taxes payable	-	-	-	1,743	1,743
Short-term provisions	77	770	251	0	1,098
Total current liabilities	**1,520**	**18,698**	**1,331**	**10,509**	**32,058**
Total liabilities	**2,386**	**25,259**	**1,698**	**16,838**	**46,181**
Shareholders' equity	**-**	**-**	**-**	**13,324**	**13,324**
Total liabilities	**2,386**	**25,259**	**1,698**	**30,162**	**59,505**

31. INFORMATION ON FINANCIAL RISKS

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

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

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

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

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

MARKET RISKS

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

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

The market risks include exchange and interest rate risk.

Exchange rate risk: definition, sources and management policies

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

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

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

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

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

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

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

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

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

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

At 31 December 2018, there were no derivative instruments hedging exchange rate risks.

Exchange rate risk: quantitative information and sensitivity analysis

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

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

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

At 31 December 2018 the main currency to which the Group is exposed is the USD. At the same date, the Group had no derivative financial instruments in place to hedge its currency exposures.

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

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

The results of the sensitivity analysis on exchange rate risk are summarized in the tables below, which show the impacts on profit or loss and equity at 31 December 2018 and 31 December 2017. Unlike in the previous year, the prevalence of financial liabilities denominated in foreign currencies over financial assets exposes the company to the risk of negative economic effects in the event of a strengthening of the local currency (EUR in the case of the parent company and other European subsidiaries) over the foreign currency. The impacts on profit or loss shown in the tables are before tax.

EXCHANGE RATE SENSITIVITY ANALYSIS (€thousand)

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

EXCHANGE RATE SENSITIVITY ANALYSIS (€thousand)

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

Interest rate risk: definition, sources and management policies

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

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

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

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

The strategy adopted is to maintain no more than 30% of the total floating rate exposure.

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

Exposure to interest rate risk is hedged through the use of Interest Rate Swaps. Interest Rate Swaps are used in order to predetermine the interest paid on various forms of financing in order to ensure stability of cash flows.

The counterparts of said financial instruments are primary credit institutions.

Interest rate risk: quantitative information and sensitivity analysis

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

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

At 31 December 2018, the Company had five Interest Rate Swap contracts to hedge interest rate risk; these have a negative fair value amounting to €88 thousand.

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

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

At 31 December 2018, some fixed-rate financial instruments were outstanding, but were not measured at fair value, but at amortised cost.

The floating rate financial instruments at 31 December 2018 included cash, bank loans and leases and are all denominated in EUR.

The sensitivity analysis was carried out in order to present the effects on the income statement and shareholders' equity at 31 December 2018, assuming that a reasonably possible change in the relevant risk variable occurred on that date and that this change was applied to the risk exposures existing at that date. The sensitivity analysis also includes derivative financial instruments.

At 31 December 2018, the following was assumed:

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

The decision to simulate, at 31 December 2018, decreases of 5 bps and 10 bps was caused by the current market scenario characterized by very low interest rates and the policy of monetary authorities to maintain reference rates unaltered. These changes have been hypothesized with all other variables constant. The impact before tax that such changes would have had are shown in the table below.

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

INTEREST RATE SENSITIVITY ANALYSIS					
			Interest Rate Risk at 31 December 2017		
			Change +10 bps		Change - +5 bps
€thousand		**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Floating rate loans	10,207	(10)		5	
Fixed-rate loans	1,412	-	-	-	-
Floating rate finance leases	5,722	(6)		3	
IRS hedging derivatives	66	11	38	(5)	(19)
Cap hedging derivatives	-	-	-	-	-
Total impact	**-**	**(5)**	**38**	**3**	**(19)**

Note: the table for 2017 has been adjusted compared to the previous year to include a more accurate breakdown between fixed-rate and floating-rate loans. In addition, the sensitivity amounts relating to hedging derivatives have been added to the P&L impacts, in order to better understand the offsetting effects with the sensitivity impacts (reverse sign) calculated on floating-rate financial liabilities.

Liquidity risk: definition, sources and management policies

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

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

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

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

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

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

Liquidity risk: quantitative information

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

The policies implemented by the Group to reduce liquidity risk consisted at 31 December 2018 of:

- recourse to credit institutions and leasing companies to find financial resources by avoiding an excessive concentration on one or a few banks;
- lines of credit (mostly of the revolving and stand-by type), mostly automatically renewed and used at the discretion of the Group as needed.

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

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

MATURITY ANALYSIS €thousand	Carrying amount at 31 December 2018	Contractual cash flows	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years
FINANCIAL LIABILITIES							
Loans from banks	8,076	8,228	1,075	984	2,737	3,462	-
Other loans	392	392	-	-	392	-	-
Short-term overdrawn bank accounts and advances (*)	3,369	3,369	3,369	-	-	-	-
Trade payables	16,392	16,392	10,101	4,785	1,371	119	16
Liabilities for finance leases	5,939	7,888	61	120	530	2,224	4,953
DERIVATIVE LIABILITIES							
Interest rate swap	88	83	5	9	40	94	(65)
Total	**34,257**	**36,352**	**14,611**	**5,868**	**5,071**	**5,899**	**4,904**

(*) The amount includes short-term self-liquidating advances (advance payments on invoices, collection advances, advance payments on exports) of about €3,270 thousand, which for reasons of prudence has been allocated to the shortest maturity band

MATURITY ANALYSIS €thousand	Carrying amount at 31 December 2017	Contractual cash flows	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years
FINANCIAL LIABILITIES							
Loans from banks	11,615	11,903	568	1,817	3,502	6,016	-
Other loans	11	11	3	6	3	-	-
Overdrawn bank accounts	247	247	247	-	-	-	-
Trade payables	9,928	9,928	4,799	3,759	1,244	122	4
Liabilities for finance leases	5,722	7,877	46	92	400	1,919	5,418
DERIVATIVE LIABILITIES							
Interest rate swap	66	59	6	10	42	86	(85)
Total	**27,590**	**30,024**	**5,669**	**5,684**	**5,191**	**8,143**	**5,337**

Credit risk: definition, sources and management policies

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

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

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

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

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

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

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

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

Credit risk: quantitative information

The maximum theoretical exposure to credit risk for the Fidia Group at 31 December 2018 is the book value of the financial assets stated in the financial statements, plus the face value of collateral provided as indicated in Note No. 28.

The measurement of credit risk is carried out by means of a process to assess credit standing differentiated by type of customer.

Monitoring of credit risk is carried out periodically through the analysis by expiry of overdue positions.

The credit exposures of the Group widely regard trade receivables; the credit risk resulting from said transactions is mitigated by means of the following instruments:

- letters of credit;
- insurance policies.

Moreover, in order to effectively and efficiently manage credit risk, the Group adopts further risk mitigation instruments pursuant to and in compliance with legislation in force in the various markets of the countries where it conducts business.

Positions, if individually significant, are subject to specific writedown; these are either partially or totally non recoverable. The extent of writedown takes into account an estimate of the recoverable flows and relevant date of collection as well as of charges and expenses for future recovery. In case of receivables not subject to specific writedown, provisions are allocated on a collective basis, considering experience and statistical data.

Hedge accounting

At 31 December 2018, the Fidia Group had outstanding cash flow hedges for interest rate risk only.

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

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

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

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

As from 1 January 2018, IFRS 9 was applied to replace the previous IAS 39. All the Interest Rate Swaps outstanding at that date continue to qualify as hedges on the basis of the new accounting standard and, assuming that the descriptive documentation is appropriately modified, the hedging relationships continue in line with the previous year.

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

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

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

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

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

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

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

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

The following table shows the aggregate information regarding the hedging instruments in place at 31 December 2018 (IRS), i.e.: the notional value, the carrying amount (fair value), the balance sheet item used to determine the fair value of the derivatives, and any component of change in fair value attributable to the ineffectiveness component.

Hedge accounting - Hedging instruments

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

The following table provides aggregate information on the hedged financial liabilities at 31 December 2018, i.e.: the carrying amount (amortised cost), the balance sheet item used to recognise the liabilities in question, any fair value change component attributable to the ineffective component, and the cumulative amount in the cash flow hedge reserve (i.e., the effective component of the hedge).

Hedge accounting - hedged items

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

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

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

Hedge accounting - summary of effects

	Change in fair value of hedging derivatives among other comprehensive income items	Ineffectiveness recognised in profit or loss (*)	P/L item (including ineffectiveness)	Amount reclassified from Cash flow hedge reserve to P/L	P/L item affected by reclassification
Cash flow hedges (€thousand)					
Interest rate risk					
IRS BNL	1,232	-	finance expenses and revenue	1,232	finance expenses and revenue
IRS INTESA 1	1,828	492	finance expenses and revenue	1,828	finance expenses and revenue
IRS INTESA 2	(2,677)	334	finance expenses and revenue	-	finance expenses and revenue
IRS INTESA 3	(26,465)	221	finance expenses and revenue	-	finance expenses and revenue
IRS BPM	3,303	-	finance expenses and revenue	3,303	finance expenses and revenue
Total	**(22,779)**	**1,047**		**6,363**	

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

32. FAIR VALUE HIERARCHIES

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

The levels are as follows:

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

At 31 December 2018, the Group held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €88 thousand, classified within Level 2 of the hierarchical assessment of fair value.

Below follows a breakdown of the fair value for the different categories of assets and liabilities and related economic effects.
All categories below are classified as level 2 fair value.

FAIR VALUE BY CATEGORY - IFRS 9 - 31 December 2018

€thousand	Carrying amount at 31 December 2018	Amortized Cost	FV recognized in equity	FV recognized in profit or loss	IFRS 9	Fair value at 31 December 2018
Cash and cash equivalents	6,561					6,561
Total	**6,561**					**6,561**
LIABILITIES						
Liabilities at amortized cost	14,015	14,015				14,015
Hedging derivatives	88		89	(1)		88
Total	**14,103**	**14,015**	**89**	**(1)**		**14,103**

NET PROFIT AND LOSS BY CATEGORY - IFRS 9 - 31 December 2018 (€thousand)

	Net profit and loss	of which from interest
ASSETS		
Cash and cash equivalents	12	12
Hedging derivatives	1	1
Total	**13**	**13**
LIABILITIES		
Liabilities at amortized cost	(448)	(448)
Total	**(448)**	**(448)**

33. RELATIONS WITH RELATED PARTIES

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

In detail such transactions have been the following:

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

The impact of said transactions on the single items of the 2018 financial statements was stated in the relevant supplementary schedules of the statement of comprehensive income, statement of financial situation and cash flow statement.

Data by year - 2018 (€thousand)

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

Data by year - 2017 (€thousand)

Counterpart	Raw materials and consumables	Other operating costs	Personnel expenses	Finance expenses	Revenues	Other operating revenue	Finance revenues
Other related parties (Giuseppe and Luca Morfino and Carlos Maidagan)	1	88	188	-	-	-	-
Compensation Board of Directors	-	-	688	-	-	-	-
Compensation Board of Statutory Auditors	-	46	-	-	-	-	-
Total other related parties	**1**	**134**	**876**				

31 December 2018 (€thousand)

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

At 31 December 2017 (€thousand)						
Counterpart	**Trade receivables**	**Other current receivables**	**Others current financial assets**	**Trade payables**	**Other current payables**	**Liabilities financial liabilities**
Other related parties Prometec Consortium	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	3	-	-	1	-
Other related parties (Payables to BoD)	-	-	-	-	154	-
Other related parties (Payables to Board of Statutory Auditors)	-	-	-	-		-
Total other related parties	**-**	**3**	**-**	**2**	**155**	

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

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

(€thousand)

	31 December 2018	31 December 2017
Directors	642	688
Auditors	66	46
Executives with strategic responsibilities	-	-
Total compensation	**708**	**734**

34. NET FINANCIAL POSITION

Pursuant to the Consob Communication issued on 28 July 2006 and according to the CESR recommendation dated 10 February 2005 for the consistent implementation of the European Commission's Regulation on Prospectuses, the net financial position of Fidia Group at 31 December 2018 is the following:

(€thousand)

		31 December 2018	31 December 2017
A	Cash	12	14
B	Bank deposits	6,549	11,505
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**6,561**	**11,519**
E	**Current financial receivables**	**-**	**-**
F	Current bank payables	4,492	2,822
G	Current part of non-current debt	4,068	3,507
H	Other current financial payables	392	-
I	**Current financial debt (F+G+H)**	**8,952**	**6,329**
J	**Net financial position (receivable)/ payable (I-E-D)**	**2,391**	**(5,191)**
K	Non-current bank payables	8,881	11,294
L	Bonds issued	-	-
M	Other non-current payables	88	66
N	**Non-current financial debt (K+L+M)**	**8,969**	**11,360**
O	**Net financial position (receivable)/payable (J+N)**	**11,360**	**6,169**

35. NOTES TO THE CASH FLOW STATEMENT

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

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

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

36. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

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

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

According to Consob Notice of 28 July 2006, in 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.

38. TRANSLATION OF FINANCIAL STATEMENT OF FOREIGN COMPANIES

The exchange rates used for the translation into EUR of the 2018 and 2017 financial statements of the foreign companies are illustrated in the following table:

Currency	Mean exchange rate of fiscal year		Current exchange rate at year-end	
	2018	2017	2018	2017
USD	1.181	1.1297	1.145	1.1993
Real (Brazil)	4.3085	3.6054	4.444	3.9729
Renminbi (China)	7.8081	7.629	7.8751	7.8044
Rouble (Russia)	74.0416	65.9383	79.7153	69.392

39. INFORMATION ON THE TRANSPARENCY OF PUBLIC DISBURSEMENTS

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

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

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

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

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

40. SIGNIFICANT EVENTS AFTER REPORTING DATE

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

San Mauro Torinese,
15 March 2019
On behalf of the Board of Directors
The Chairman and Chief Executive Officer
Mr. Giuseppe Morfino

Certification pursuant to Article 81-ter of Consob Reg.

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

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

delle procedure amministrative e contabili per la formazione del bilancio consolidato nel corso del periodo 2018.

2. Si attesta, inoltre, che:

2.1 il bilancio consolidato :

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

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

15 marzo 2019

Presidente e Amministratore Delegato

Giuseppe Morfino

Vice Presidente

Carlos Maidagan

Dirigente Preposto alla redazione dei documenti contabili societari

Massimiliano Pagnone

Report of Independent Auditors

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Fidia S.p.A.

Bilancio consolidato al 31 dicembre 2018

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

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

Agli Azionisti della
Fidia S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Fidia (il Gruppo), costituito dal conto economico consolidato, dal conto economico complessivo consolidato, dalla situazione patrimoniale-finanziaria consolidata al 31 dicembre 2018, dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data, dal prospetto delle variazioni del patrimonio netto consolidato e dalle note al bilancio consolidato che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2018, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38.

Elementi alla base del giudizio

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

Aspetti chiave della revisione contabile

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

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Abbiamo identificato i seguenti aspetti chiave della revisione contabile:

Aspetti chiave	Risposte di revisione
Riconoscimento dei ricavi per la vendita di macchine I ricavi del Gruppo realizzati nell'esercizio 2018 ammontano a Euro 58 milioni, dei quali Euro 41 milioni relativi alla vendita di macchine, riconosciuti al momento in cui l'installazione e il collaudo vengono formalmente accettati dall'acquirente. La peculiarità delle condizioni contrattuali per questa tipologia di transazioni rende il processo di riconoscimento dei ricavi articolato in relazione alle diverse modalità di accettazione da parte del cliente e, pertanto, il riconoscimento dei ricavi è stato ritenuto un aspetto chiave della revisione. Il Gruppo fornisce l'informativa relativa al criterio di riconoscimento dei ricavi nella sezione "Principi contabili significativi" al paragrafo "Riconoscimento dei ricavi" del bilancio consolidato.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • la comprensione del processo adottato dal Gruppo per il riconoscimento dei ricavi; • l'analisi delle procedure e dei controlli chiave posti in essere dal Gruppo sul riconoscimento dei ricavi; • l'esecuzione di sondaggi di conformità sui controlli chiave, inclusi quelli relativi all'applicazione degli accordi contrattuali; • l'esecuzione di procedure di validità con riferimento ai ricavi contabilizzati in prossimità della data di bilancio, tra cui l'esame della documentazione attestante i requisiti per il riconoscimento dei ricavi nel conto economico o per il differimento del ricavo e del relativo margine, laddove di competenza dell'esercizio successivo. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione al riconoscimento dei ricavi.
Valutazione delle immobilizzazioni immateriali Le immobilizzazioni immateriali includono attività di sviluppo per Euro 2,3 milioni al 31 dicembre 2018. La Direzione valuta la presenza di indicatori di perdite di valore di tali attività almeno annualmente e, qualora si manifestino, assoggetta le medesime alla verifica di recuperabilità del valore, inteso come il maggiore fra il *fair value* al netto dei costi di vendita e il suo valore d'uso. I processi e le modalità di valutazione della recuperabilità del valore delle attività di sviluppo sono basate su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione, in particolare con riferimento alle previsioni dei flussi di cassa futuri, coerentemente con le previsioni del business plan di Gruppo.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • l'analisi della procedura e dei controlli chiave posti in essere dal Gruppo ai fini della rilevazione e valutazione delle attività di sviluppo; • l'esecuzione di sondaggi di conformità sui controlli chiave; • lo svolgimento di procedure di validità sulle capitalizzazioni dei costi relativi alle attività di sviluppo; • l'esame delle assunzioni chiave alla base delle previsioni dei flussi di cassa contenute nel business plan di Gruppo utilizzato ai fini della verifica della recuperabilità. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla valutazione delle immobilizzazioni immateriali.

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In considerazione del giudizio richiesto nel definire le assunzioni chiave alla base delle previsioni dei flussi di cassa contenute nel business plan di gruppo, tale tematica è stata ritenuta un aspetto chiave della revisione.
Il Gruppo fornisce l'informativa relativa al criterio di rilevazione e valutazione delle immobilizzazioni immateriali nella sezione "Principi contabili significativi" al paragrafo "Immobilizzazioni immateriali" del bilancio consolidato e nella Nota 12.

Recuperabilità delle attività per imposte anticipate e delle altre attività fiscali
Nel bilancio consolidato al 31 dicembre 2018 sono iscritte attività per imposte anticipate per Euro 958 migliaia ed altre attività fiscali per Euro 134 migliaia.
Le attività per imposte anticipate sono riferite alle differenze temporanee tra i valori civilistici e fiscali di attività e passività di bilancio e alle perdite fiscali riportabili indefinitamente. Le altre attività fiscali sono principalmente riferite a crediti per ritenute subite su redditi prodotti all'estero.

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

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

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

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

Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro:
- l'analisi delle assunzioni alla base delle previsioni dei redditi imponibili futuri e della loro riconciliazione con le previsioni desumibili dal business plan di Gruppo per il periodo 2019-2021;
- la valutazione delle previsioni, rispetto all'accuratezza storica di quelle precedenti;
- la verifica dei calcoli dei modelli utilizzati dalla Direzione.

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

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Responsabilità degli amministratori e del collegio sindacale per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Relazione su altre disposizioni di legge e regolamentari

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

Gli amministratori della Fidia S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del Gruppo Fidia al 31 dicembre 2018, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio consolidato del Gruppo Fidia al 31 dicembre 2018 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del Gruppo Fidia al 31 dicembre 2018 e sono redatte in conformità alle norme di legge.

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

Torino, 29 marzo 2019

EY S.p.A.

Roberto Grossi
(Socio)

Fidia S.p.A.

Financial Statements at 31 December 2018

FIDIA S.p.A.: Financial Statements at 31 December 2018

Income Statement (*)

(EUR)	Notes	FY2018	FY2017
- Net sales	1	46,436,597	28,787,101
- Other revenues	2	1,831,087	1,845,123
Total revenues		**48,267,684**	**30,632,224**
- Changes in inventories of finished goods and work in progress		(2,294,754)	1,481,176
- Consumption of raw materials	3	(21,165,083)	(12,932,999))
- Personnel costs	4	(11,171,320)	(11,237,082)
- Other operating costs	5	(12,874,779)	(11,455,479)
- Depreciation, amortization and writedowns	6	(1,246,011)	(664,216)
- Profit/(loss) from ordinary business		**(484,264)**	**(4,176,376)**
- Recovery/(write-down) of investments	7	(267,000)	1,537,618
- Non-recurring income/(expenses)	8	-	-
- Operating profit/(loss)		**(751,264)**	**(2,638,759)**
- Financial income/(expenses)	9	54,640	1,216,500
- Profit/(loss) before tax		**(696,624)**	**(1,422,258)**
- Income tax	10	(142,413)	(5,338)
- Profit/(loss) for continuing operations		**(839,037)**	**(1,427,596)**
- Profit/(loss) for discontinued operations		-	-
- Profit/(loss)		**(839,037)**	**(1,427,596)**

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

FIDIA S.p.A.: Financial Statements at 31 December 2018

Statement of comprehensive income (*)

(€thousand)	FY2018	FY2017
- Profit/(loss) (A)	**(839)**	**(1,428)**
Other Comprehensive Profit/(Loss) that may subsequently be reclassified to profit or loss:		
Profit/(loss) on cash flow hedges	(23)	(40)
Tax effect pertaining to Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss	6	9
Total Other comprehensive profit/(loss) that may subsequently be reclassified in profit or loss, net of tax effect (B1)	**(17)**	**(31)**
Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	27	(44)
Tax effect pertaining to Other comprehensive profit/(loss) that may not subsequently be reclassified to profit or loss	(6)	11
Total Other comprehensive profit/(loss) that may not subsequently be reclassified in profit or loss, net of tax effect (B2)	**21**	**(33)**
Total Other comprehensive profit/(loss), net of tax effect (B)=(B1)+(B2)	**4**	**(64)**
Total comprehensive profit/(loss) of the period (A)+(B)	**(835)**	**(1,492)**

FIDIA S.p.A.: Financial Statements at 31 December 2018

Statement of financial position (*)

(EUR)	Notes	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS			
- Property, plant and equipment	11	9,053,761	9,378,478
- Intangible assets	12	2,333,461	1,750,333
- Equity investments	13	11,844,833	12,111,833
- Other non-current receivables and assets	14	201,766	667,696
- Pre-paid tax assets	10	392,194	382,488
TOTAL NON-CURRENT ASSETS		**23,826,015**	**24,290,828**
CURRENT ASSETS			
- Inventory	15	12,171,300	12,811,751
- Trade receivables	16	14,249,733	7,165,575
- Current tax receivables	17	716,419	205,817
- Other current receivables and assets	17	1,015,554	1,600,356
- Other current financial receivables	18	241,210	301,266
- Cash and cash equivalents	19	3,474,578	7,139,753
TOTAL CURRENT ASSETS		**31,868,793**	**29,224,517**
TOTAL ASSETS		**55,694,808**	**53,515,345**
LIABILITIES			
SHAREHOLDERS' EQUITY			
- Share capital		5,123,000	5,123,000
- Share premium reserve		1,239,693	1,239,693
- Legal reserve		882,831	882,831
- Provisions for own shares in portfolio		45,523	45,523
- Extraordinary reserve		309,054	309,054
- Cash flow hedge provisions		(63,125)	(45,813)
- Profit (loss) carried forward		1,400,247	2,827,843
- Own shares		(45,523)	(45,523)
- Reserve profits on exchange rates not realized		(11,139)	8,022
- Profit (loss) stated directly in equity		(149,717)	(170,407)
- Profit/(loss)		(839,037)	(1,427,596)
TOTAL SHAREHOLDERS' EQUITY	**20**	**7,891,807**	**8,746,628**
NON-CURRENT LIABILITIES			
- Other non-current payables and liabilities	21	547,432	329,545
- Termination benefits	22	2,189,208	2,292,314
- Deferred tax liabilities	10	-	240
- Other non-current financial liabilities	23	88,154	66,422
- Non-current financial liabilities	24	8,524,693	11,328,275
TOTAL NON-CURRENT LIABILITIES		11,349,488	**13,926,796**
CURRENT LIABILITIES			
- Current financial liabilities	24	10,141,182	8,016,105
- Other current financial liabilities	25	-	-
- Trade payables	26	20,049,270	11,998,457
- Current tax payables	27	434,967	548,870
- Other current payables and liabilities:	27	4,531,379	9,458,654
- Provisions for risks and expenses	28	1,296,716	819,835
TOTAL CURRENT LIABILITIES		**36,453,513**	**30,841,922**
TOTAL LIABILITIES		**55,694,808**	**53,515,345**

(*) According to Consob Resolution No. 15519 of 27 July 2006, the effects of relations with related parties on the Statement of Financial Position of Fidia S.p.A. are posted in the relevant Statement of Financial Position Schedule illustrated below and further defined in Note No. 32.

FIDIA S.p.A.: Financial statements at 31 December 2018

Statement of Cash Flows (*)

(€thousand)	2018	2017
A) Cash on hand and cash equivalents at beginning of year	**6,893**	**3,833**
B) Cash from/(used in) operating activities		
- Profit/(loss) of the period	(839)	(1,428)
- Depreciation, amortization and writedowns of tangible and intangible assets	816	660
- Net loss (gain) on disposal of tangible assets	-	-
- Write-down/(recovery in value) of investments	267	(1,538)
- Net change in provision for employee severance pay	(103)	(38)
- Net change in provisions for risks and charges	477	(331)
- Net change (assets) liabilities for (pre-paid) deferred taxes	(10)	(15)
Net change in working capital:		
- receivables	(6,544)	4,737
- inventory	640	(692)
- payables (**)	3,228	3,903
	(2,068)	**(5,259)**
C) Cash from/(used in) investing activities		
- Investments in		
tangible fixed assets	(281)	(1,632)
intangible fixed assets	(814)	(625)
Equity investments	-	-
- Proceeds from the sale of:		
tangible fixed assets	-	17
	(1,095)	**(2,240)**
D) Cash from/(used in) financing activities		
- Net change in other current and non-current financial assets and liabilities	82	(456)
- New loans	4,485	6,519
- Loans paid (***)	(8,195)	(4,935)
- Distribution of dividends	-	(1,023)
- Change in reserves	4	(64)
Total	**(3,624)**	**41**
E) Net change in cash and cash equivalents	**(6,787)**	**3,060**
F) Cash and cash equivalents at reporting date	**106**	**6,893**
Breakdown of cash and cash equivalents:		
Cash and cash equivalents	3,475	7,140
Overdrawn bank accounts	(3,369)	(247)
	106	**6,893**

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

(**) of which €12 thousand in taxes paid

(***) of which €406 thousand in interest paid

FIDIA S.p.A.: Financial Statements at 31 December 2018

Statement of Changes in Shareholders' Equity

(€thousand)	Share capital	Own shares	Share premium reserve	Legal reserve	Reserve for own shares in portfolio	Extraordinary reserve	Cash flow hedge reserve	Dividends	Reserve profits on exchange rates not realized	Profit (loss) carried forward	Profit (loss) reported directly to shareholders' equity	Net result	Total shareholders' equity
Balance at 31 December 2016	**5,123**	**(46)**	**1,240**	**775**	**46**	**309**	**(15)**	**-**	**8**	**1,794**	**(137)**	**2,165**	**11,261**
Allocation of net income of previous year	-	-	-	108	-	-	-	1,023	-	1,034	-	(2,165)	-
Distribution of dividends	-	-	-	-	-	-	-	(1,023)	-	-	-	-	(1,023)
Total comprehensive profit/(loss)	-	-	-	-	-	-	(31)				(33)	(1,428)	(1,492)
Balance at 31 December 2017	**5,123**	**(46)**	**1,240**	**883**	**46**	**309**	**(46)**	**-**	**8**	**2,828**	**(170)**	**(1,428)**	**8,747**
Impact of adopting IFRS15										**(19)**			**(19)**
Balance at 1 January 2018	**5,123**	**(46)**	**1,240**	**883**	**46**	**309**	**(46)**	**-**	**8**	**2,809**	**(170)**	**(1,428)**	**8,728**
Allocation of net income of previous year	-	-	-	-	-	-	-	-	-	(1,428)	-	(1,428)	-
Allocation of net income of previous year	-	-	-										
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive profit/(loss)	-	-	-	-	-	-	(17)	-	-	-	21	(839)	(835)
Balance at 31 December 2018	**5,123**	**(46)**	**1,240**	**883**	**46**	**309**	**(63)**	**-**	**8**	**1,381**	**(149)**	**(839)**	**7,892**

FIDIA S.p.A.: Financial Statements at 31 December 2018

Income Statement

as per Consob Resolution no. 15519 of 27 July 2006

(€thousand)	Notes	FY2018	Of which related parties	FY2017	Of which related parties
- Net sales	1	46,437	13,433	28,787	11,465
- Other revenues	2	1,831	277	1,845	243
Total revenues		**48,268**		**30,632**	
- Changes in inventories of finished goods and work in progress		(2,295)		1,481	
- Consumption of raw materials	3	(21,165)	(23)	(12,933)	(25)
- Personnel costs	4	(11,171)	(487)	(11,237)	(523)
- Other operating costs	5	(12,875)	(2,086)	(11,455)	(2,064)
- Depreciation, amortization and writedowns	6	(1,246)		(664)	
- Profit/(loss) from ordinary business				**(4,176)**	
- Recovery/(write-down) of investments	7	(267)		1,538	
- Non-recurring income/(expenses)	8	-		-	
- Operating profit/(loss)		**(751)**		**(2,639)**	
- Financial income/(expenses)	9	55	634	1,216	1,452
- Profit/(loss) before tax		**(697)**		**(1,422)**	
- Income tax	10	(142)		(5)	
- Profit/(loss) for continuing operations		**(839)**		**(1,428)**	
- Profit/(loss) for discontinued operations				-	
- Profit/(loss)		**(839)**		**(1,428)**	

STATEMENT OF FINANCIAL POSITION

as per Consob Resolution no. 15519 of 27 July 2006

(€thousand)	Notes	31 December 2018	of which related parties	31 December 2017	of which related parties
ASSETS					
NON-CURRENT ASSETS					
- Plant and equipment	11	9,054		9,378	
- Intangible assets	12	2,333		1,750	
- Equity investments	13	11,845		12,112	
- Other non-current receivables and assets	14	202		668	
- Pre-paid tax assets	10	392		382	
TOTAL NON-CURRENT ASSETS		23,826		**24,291**	
CURRENT ASSETS					
- Inventory	15	12,171		12,812	
- Trade receivables	16	14,250	2,167	7,166	1,570
- Current tax receivables	17	716		206	
- Other current receivables and assets	17	1,016	619	1,600	1,182
- Other current financial receivables	18	241	241	301	301
- Cash and cash equivalents	19	3,475		7,140	
TOTAL CURRENT ASSETS		**31,869**		**29,225**	
TOTAL ASSETS		**55,695**		**53,515**	
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital		5,123		5,123	
- Share premium reserve		1,240		1,240	
- Legal reserve		883		883	
- Provisions for own shares in portfolio		46		46	
- Extraordinary reserve		309		309	
- Cash flow hedge provisions		(63)		(46)	
- Profit (loss) carried forward		1,400		2,828	
- Own shares		(46)		(46)	
- Reserve profits on exchange rates not realized		(11)		8	
- Profit (loss) stated directly in equity		(150)		(170)	
- Profit/(loss)		(839)		(1,428)	
TOTAL SHAREHOLDERS' EQUITY	**20**	**7,892**		**8,747**	
NON-CURRENT LIABILITIES					
- Other non-current payables and liabilities	21	547		330	
- Termination benefits	22	2,189		2,292	
- Deferred tax liabilities	10	0		240	
- Other non-current financial liabilities	23	88		66	
- Non-current financial liabilities	24	8,525		11,238	
TOTAL NON-CURRENT LIABILITIES		11,349		**13,927**	
CURRENT LIABILITIES					
- Current financial liabilities	24	10,141	1,816	8,016	1,759
- Other current financial liabilities	25	-		-	
- Trade payables	26	20,049	4,364	11,998	3,330
- Current tax payables	27	435		549	
- Other current payables and liabilities:	27	4,531	964	9,459	821
- Provisions for risks and expenses	28	1,297		820	
TOTAL CURRENT LIABILITIES		**36,454**		**30,842**	
TOTAL LIABILITIES		**55,695**		**53,515**	

STATEMENT OF CASH FLOWS

as per Consob Resolution no. 15519 of 27 July 2006

(€thousand)	2018	of which related parties	2017	of which related parties
A) Cash on hand and cash equivalents at beginning of year	6,893		3,833	
B) Cash from/(used in) operating activities				
- Profit/(loss) of the period	(839)		(1,428)	
- Depreciation, amortization and writedowns of tangible and intangible assets	816		660	
- Net loss (gain) on disposal of tangible assets	-		-	
- Write-down/(recovery in value) of investments	267		(1,538)	
- Net change in provision for employee severance pay	(103)		(38)	
- Net change in provisions for risks and charges	477		(331)	
- Net change (assets) liabilities for (pre-paid) deferred taxes	(10)		(15)	
Net change in working capital:				
- receivables	(6,544)	(33)	4,737	1,441
- inventory	640		(692)	
- payables (*)	3,228	1,176	3,903	(1,220)
	(2,068)		(5,259)	
C) Cash from/(used in) investing activities				
- Investments in				
tangible fixed assets	(281)		(1,632)	
intangible fixed assets	(814)		(625)	
Equity investments	-		-	
- Proceeds from the sale of:				
tangible fixed assets	-		17	
	(1,095)		(2,240)	
D) Cash from/(used in) financing activities				
- Net change in other current and non-current financial assets and liabilities	82	(60)	(456)	(301)
- New loans	4,485	477	6,519	
- Loans paid (**)	(8,195)	(420)	(4,935)	(173)
- Distribution of dividends	-		(1,023)	
- Change in reserves	4		(64)	
	(3,624)		41	
E) Net change in cash and cash equivalents	(6,787)		3,060	
F) Cash and cash equivalents at reporting date	106		6,893	
Breakdown of cash and cash equivalents:				
Cash and cash equivalents	3,475		7,140	
Overdrawn bank accounts	(3,369)		(247)	
	106		6,893	

(*) of which €12 thousand in taxes paid

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

Notes to Financial Statements

Notes to financial statements

COMPANY INFORMATION

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

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

The Financial Statements at 31 December 2018, consist of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the Notes to the Financial Statements. Its publication was authorized by the Board of Directors on 15 March 2019.

The Financial Statements of Fidia S.p.A. are drawn up in EUR, which is the currency of the economy in which the company operates.

The statement of comprehensive income and Statement of Financial Position are presented in units of Euro, while the Statement of Comprehensive Income, the Cash Flow Statement, Statement of Changes in Equity and the values stated in the Notes are presented in € thousand.

Fidia S.p.A., in the capacity of parent company, has also drafted the Consolidated Financial Statements of the Fidia Group at 31 December 2018.

SIGNIFICANT ACCOUNTING STANDARDS

Principles for the presentation of the financial statements

The 2018 financial statements are the separate financial statements of the parent company Fidia S.p.A. and were drawn up in compliance with the International Financial Reporting Standards (“IFRS") issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union and with the provisions implementing article 9 of Italian Legislative Decree No. 38/2005. IFRS also include all the reviewed international accounting standards (IAS) and interpretations of the IFRS Interpretations Committee, previously called International Financial Reporting Interpretations Committee (IFRIC), and before then Standing Interpretations Committee (SIC).

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

Financial Statements

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

Within said statement of comprehensive income by nature, under the Profit/(loss), a specific distinction has been made between profit/(loss) of ordinary operation and those charges and earnings that are the result of non-recurrent transactions in ordinary business management, such as the restructuring expenses, the (write-down)/recovery in value of asset items and any other atypical revenues/(charges), as these can be treated like the former. It is deemed that this allows for a better measurement of the actual performance of the normal business management, it being understood that any atypical expenses and earnings are specified in detail.

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

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

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

Finally, please be noted that with reference to Consob Resolution n° 15519 of July 27, 2006 on financial statements, supplementary schedules for the statement of comprehensive income, statement of financial position and statement of cash flows were added in order to underscore significant relations with related parties and not to impair the overall readability of the financial statements.

Plant and equipment

Cost

Plant and machinery were evaluated at purchase or production cost minus accrued amortization and any writedown and these were not revalued. The cost comprises ancillary expenses and direct costs needed to make the asset available for use and indirect costs in the amount reasonably attributable to these.

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

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

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

Depreciation

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

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

Borrowing costs

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

Intangible fixed assets

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

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

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

Software and licenses are amortized over five years.

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

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

There are no intangible assets with indefinite useful life.

Writedown of losses

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

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

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

Should there no longer be a writedown of an asset other than goodwill or should the writedown be reduced, the book value of the asset or the unit generating the cash flows is increased until the recoverable amount is estimated again and it cannot exceed the amount that would have been determined if there had been no writedown. A reversal of writedown is immediately recognized in profit or loss.

Financial instruments

Presentation

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

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

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

Current financial assets include trade receivables, other receivables and current assets and other current financial assets (which include the positive fair value of derivatives), as well as cash and cash equivalents. In particular, Cash and Cash Equivalents comprises bank account and securities held for trading that can be readily cashed in and are subject to a non-significant risk of change.

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

Valuation

Equity investments

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

It is stated at nominal value.

Financial liabilities, trade payables and other payables

Financial payables (current and non-current), trade payables, and other payables are entered at first recognition in the statement of financial position at fair value (usually the cost of the originating transaction), including the transaction costs.

Then, with the exception of derivatives, financial liabilities are measured at amortized cost using the effective interest method.

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

Derivatives

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

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

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

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the start of the hedging relationship there is formal designation and documentation of the hedging relationship, the entity's risk management objectives and the strategy for effecting the hedge. The documentation must include identification of the hedging instrument, the hedged item, the nature of the hedged risk and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedging relationship);
- the hedging relationship meets all of the following hedge effectiveness requirements:

iv. there is an economic ratio between the hedged item and the hedging instrument (see paragraphs B6.4.4-B6.4.6);

v. the effect of credit risk does not outweigh the changes in value resulting from the economic ratio (see paragraphs B6.4.7 to B6.4.8);

vi. the hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, this designation shall not reflect an imbalance between the weights of the hedged item and the hedging instrument that would result in the ineffectiveness of the hedge (whether or not it is recognised) that would result in an accounting result that would be inconsistent with the objective of hedge accounting (see paragraphs B6.4.9-B6.4.11).

The eligible coverage ratios are as follows:

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

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

e. the separate component of shareholders’ equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following absolute amounts: (i) cumulative gain or loss on the hedging instrument since the inception of the hedge; (ii) cumulative change in the fair value (at present value) of the hedged item (i.e., the present value of the cumulative change in expected future cash flows hedged) since the inception of the hedge;

f. the portion of the gain or loss on the hedging instrument that is found to be an effective hedge (i.e., the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)) shall be recognised in other comprehensive income;

g. any remaining gain or loss on the hedging instrument (or gains or losses necessary to offset the change in the cash flow hedge reserve calculated in accordance with point (a)) represent the ineffective portion of the hedge that must be recognised in profit or loss;

h. the amount accumulated in the cash flow hedge reserve in accordance with point (a) must be accounted for as follows: (i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a firm commitment to which fair value hedge accounting applies, the company must remove that amount from the cash flow hedge reserve and include it directly in the initial cost, or other carrying amount, of the asset or liability. This is not a reclassification adjustment (see IAS 1) and therefore does not affect other comprehensive income; (ii) for cash flow hedges, other than those referred to in (i), the amount is to be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment (see IAS 1) in the same period(s) in which the hedged expected future cash flows affects profit or loss (e.g., in the periods(s) in which the interest income or interest expense is recognised or when the forecast sale occurs); (iii) however, if the amount is a loss and the company does not expect to recover all or part of the loss in one or more future periods, the company must immediately reclassify the amount that it does not expect to recover to profit or loss, as a reclassification adjustment (see IAS 1).

If a hedging instrument or hedge relationship is terminated but the hedged transaction has not yet been realised, accumulated gains and losses accumulated up to that moment are recognised in the statement of comprehensive income in connection with the economic effects of the hedged transaction. If the hedged transaction is deemed no longer probable, gains or losses not yet realized and still retained in the cash flow hedge reserve are immediately recognized in profit or loss.

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

Fair value

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

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

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

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

Criteria for measuring fair value

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

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

The market factors considered for the calculation of fair value and measured at the measurement date of 31 December 2017 were: time value of money, i.e., base interest rate without risk, credit risk, exchange rates of foreign currencies, size of the future changes in price of a financial instrument, i.e., the latter's volatility, the costs to service an asset or financial liability.

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

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

In particular, financial assets and liabilities were divided into:

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

Financial assets and liabilities evaluated at amortized cost

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

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

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

Financial assets and liabilities measured at fair value

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

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

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

Interest rates

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

	EUR Curve	
	2018	2017
1W	-	-
1M	-0.363%	-0.368%
2M	-	-0.340%
3M	-0.309%	-0.329%
6M	-0.237%	-0.271%
9 M	-	-0.217%
12M	-0.117%	-0.186%
2 year	-0.175%	-0.150%
3 year	-0.077%	0.012%
4 year	0.054%	0.169%
5 year	0.198%	0.308%
7 year	0.469%	0.564%
10 year	0.811%	0.887%
15 year	1.170%	1.240%
20 year	1.327%	1.406%
30 year	1.377%	1.498%

Inventory

Inventories of raw materials, semi-finished and finished goods are valued at the lower between the cost, determined using the method of weighted average cost, and net realizable value. The evaluation of inventories includes the direct costs of materials and labor and the indirect costs (both variable and fixed).

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

Provisions for risks and charges

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

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

Post-employment termination benefits

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

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

Own shares

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

Dividends received

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

Revenue recognition

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

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

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

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

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

Research grants

Government and Community grants received for research projects are stated in the income when it is reasonably certain that the company will meet all the conditions for receiving the grants and that said grants will be received; as a rule, this coincides with the fiscal year in which the resolution to allocate the grant is made.

Cost recognition

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

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

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

Finance income and expenses

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

Taxes

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

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

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

Use of estimates

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

In this context, persistently weak economic growth makes the future outlook uncertain. Therefore, it cannot be ruled out that in the next period there will be results other than those estimated and that adjustments may be needed in the book value of the relevant items. Of course, to date, these can be neither estimated nor foreseen. The balance-sheet items mainly affected by said situations of uncertainty are bad debt provisions and provisions for slow-moving/obsolete inventories, non-current assets (tangible and intangible assets), termination benefits, product warranty, pre-paid taxes and potential liabilities.

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

Recoverable value of non-current assets

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

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

With reference to investments in subsidiaries, the evaluation process of investments held by the management (impairment test) has taken into account the expected trends in the period 2019-2021. Moreover, for following years, changes have been made to the original schemes to take into account, in a precautionary manner, the transformed economic, financial and market scenario. The recoverable amount significantly depends on the discount rate used in the actualized cash flows model, the expected future cash flows and the growth rate used for the purpose of the extrapolation.

Bad debts provision

Bad debts provision reflects the management's estimate on the possible loss in the portfolio of receivables from customers. The estimate of the credit impairment provisions is based on the loss expected by the Company, determined in light of its past experience in similar receivables, of current and historical delinquent accounts, of losses and revenues, of the careful monitoring of credit quality and forecasts on economic and market conditions. If any economic situations like those experienced in recent years should continue, there can be a further worsening in the financial conditions of the Company's debtors compared to the scenario already considered in quantifying the provisions stated in the statement of financial position.

Provisions for slow-moving inventory

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

Product warranty

When a product is sold, the Company allocates provisions for the estimated product warranty costs. If the warranty exceeds 12 months, the portion of the Revenue is carried forward to the relevant period, and the relative cost is not consequently set aside. The management determines the value of said provisions based on historical information on the nature, frequency and mean cost of warranty works. The Company is committed to constantly improve the quality of its products in order to maximize customer satisfaction and reduce the impact of expenses due to warranty work to a minimum.

Termination benefits

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

Contingent liabilities

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

Accounting principles, amendments and interpretations adopted from 1 January 2018

The Company adopts IFRS 15 and IFRS 9 for the first time. The impact and nature of the changes following the adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but have no impact on the Group's consolidated financial statements. The company has not early adopted any other standards, interpretations or amendments published but not yet in force.

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

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 company 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 company 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 company to record expected losses on all financial assets (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 Company has applied the simplified approach and will therefore record expected losses on all trade receivables based on their remaining contractual life, without significant impact on the Company's financial statements.

c) Hedge accounting
The Company 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 of the Company'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 Company 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 Company 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 application of IFRS 15	Restated 01/01/2018
Non-current assets	24.290	7	24.297
Current assets	29.225		29.225
Total Assets	**53.515**	**7**	**53.522**
Shareholders’ equity at	8.747	-19	8.728
Non-current liabilities	13.926		13.926
Current liabilities	30.842	26	30.868
Total liabilities	**53.515**	**7**	**53.522**

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 of the Company 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. The amendment establishes that there is a change in use when the property meets, or ceases to meet, the definition of property and both has evidence of change in use. A simple change in management's intentions regarding the use of the property does not provide evidence of the change in use. These amendments have no impact on the of the Company 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 (or part thereof) 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. In the case of multiple payments or advances, the entity must define the date of the transaction for each payment or advance on fees.
This Interpretation has no impact on the Company's financial statements.

Amendments to IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts
The amendments address certain issues arising from the adoption of the new standard on financial instruments, IFRS 9, prior to the adoption of IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption in the application of IFRS 9 and the overlay approach. These changes are not significant for the Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital or other qualified entity could decide, on initial recognition and with reference to the individual investment, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity that does not qualify as an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, decide to maintain the fair value measurement applied by that investment entity (whether an associate or a joint venture) in measuring its interests in associates or joint ventures. This choice is made separately for each associate or joint venture that is an investment entity at the latest (in terms of default) of the following dates: (a) of initial recognition of the investment in the associate or joint venture that is an investment entity; (b) in which the associate or joint venture becomes an investment entity; and (c) in which the associate or joint venture that is an investment entity becomes the ultimate parent for the first time.
These amendments have no impact on the of the Company financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

The short-term exemptions provided for in paragraphs E3-E7 of IFRS 1 have been cancelled as they have fulfilled their purpose. This amendment has no impact on the Company's financial statements.

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

IFRS16 – Leasing

IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

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

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

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

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

The application of the new standard will result in the recognition at 1 January 2019 of intangible fixed assets (right of use) and the related financial debt for an amount of approximately €1.4 million.

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

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

IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a new comprehensive standard for insurance contracts that covers recognition and measurement, presentation and disclosure. When effective, IFRS 17 will replace IFRS 4 - Insurance Contracts which was issued in 2005.

IFRS 17 will be in force for reporting periods beginning on or after 1 January 2021, and will require the presentation of comparative balances. This standard does not apply to the Company.

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 and does not apply to taxes or duties that do not fall within the scope of IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to uncertain tax treatments.

The Interpretation specifically addresses the following points:

- If an entity considers uncertain tax treatment separately
- The entity's assumptions about the examination of tax treatment by tax authorities
- How an entity determines taxable profit (or tax loss), tax base, unused tax losses, unused tax credits and tax rates
- How an entity treats changes in facts and circumstances.

An entity shall determine whether it considers any uncertain tax treatment separately or together with other (one or more) uncertain tax treatment(s). The approach that allows the best forecast for the resolution of uncertainty should be followed. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but some facilitations for first application are available. The Company will apply the interpretation on the date it becomes effective. The Company does not expect any significant impact on its consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is a plan amendment, curtailment or settlement. The amendments specify that when a plan amendment, curtailment or settlement occurs during the period, an entity is required to:

- Determine the cost of service for the remainder of the period following the plan amendment, curtailment or settlement, using key actuarial assumptions to remeasure the net defined benefit liability (asset) so that it reflects the benefits offered by the plan and the assets of the plan after that event.
- Determine net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to settle the net defined benefit liability (asset).

The amendments also clarify that an entity should first quantify all costs related to previous work, rather than the profit or loss that occurred at the time of the settlement, without taking into account the effect of the asset ceiling. This amount is recognised in profit or loss.

Subsequently, after plan amendment, curtailment or regulation, the entity quantifies the effect of the asset ceiling. Any change in this respect, except for what is already included in net interest, must be recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments or settlements occurring from the first annual period beginning on or after 1 January 2019, and early application is permitted.

These amendments will apply only to any future plan amendments, curtailments or transactions of the Company.

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

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

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

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

The amendments shall be applied retrospectively and shall be effective from 1 January 2019, and early application shall be permitted.

Annual improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- **IFRS 3 *Business Combinations***

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

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

- **IFRS 11 *Joint Arrangements***

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

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

- **IAS 12 *Income Taxes***

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

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

- **IAS 23 *Borrowing Costs***

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

An entity applies those amendments to borrowing costs incurred from the beginning of the period in which the entity first applies those amendments. An entity applies those amendments for annual periods beginning on or after 1 January 2019, and early application is permitted.

Risk management

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

CONTENT AND MAIN CHANGES

INCOME STATEMENT

1. NET SALES

Revenues for the sale of goods and services grew by 61.3% and amounted to €46,437 thousand, versus €28,787 thousand in 2017.

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

Revenue by geographical area	**FY2018**	**%**	**FY2017**	%
€thousand				
Italy	11,219	24.2%	6,509	22.6%
Europe	12,701	27.4%	8,107	28.2%
Asia	14,366	30.9%	9,060	31.5%
North and South America	8,140	17.5%	5,106	17.7%
Rest of the World	11	0.0%	4	0.0%
Total revenue	**46,437**	**100%**	**28,787**	**100%**

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

Revenue by business line	**FY2018**	**%**	**FY2017**	%
€thousand				
Numerical controls, drives and software	2,318	5.0%	2,443	8.5%
High Speed Milling Systems	37,960	81.7%	20,185	70.1%
After-sales service	6,159	13.3%	6,159	21.4%
Total revenue	46,437	100%	28,787	100%

2. OTHER REVENUE

This item comprises:

€thousand	**FY2018**	**FY2017**
Contributions for operating expenses	348	292
Gain from tangible assets	0	6
Release to income of warranty provisions and others	29	312
Contingent assets	69	194
Recovery of costs incurred	337	308
Insurance refunds	35	12
Other miscellaneous revenues and earnings	1,013	722
Total	1,831	1,845

Grants for operating expenses basically consist of funds for research projects stated by year of accrual in the statement of comprehensive income at 31 December 2018 and allocated by the European Union and Italian University and Research Ministry. Applied and basic research and development activities are a structural component and are carried out on an ongoing basis by Fidia S.p.A.

Other revenue and income mainly includes the capitalisation of product development costs (€799 thousand at 31 December 2018; €629 thousand at 31 December 2017).

3. RAW MATERIALS

These are:

€thousand	FY2018	FY2017
Production materials	20,402	10,805
Service materials	1,353	950
Consumables	142	58
Equipment and software	75	54
Packaging	496	173
Others	97	88
Change in inventory raw materials and consumables	(1,399)	805
Total	**21,165**	**12,933**

The increase in costs for raw materials and other materials reflects the increased revenue for the year and the different mix in their composition.

4. PERSONNEL COSTS

Personnel expenses amounted to €11,171 thousand, down 0.59% versus €11,237 thousand in 2017. These consist of:

€thousand	FY2018	FY2017
Wages and salaries	8,276	8,363
Social security charges	2,409	2,374
TFR	479	490
Other personnel expenses	8	10
Total	11,171	**11,237**

Due to higher revenue, the overall incidence of cost of labor in relation to the value of production decreased from 35% in 2017 to 24.3% in the current year compared to the value of production.

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

	31 December 2017	Inbound	Outbound	Change	31 December 2018	Period average
Executives	6	0	(2)	2	6	7.5
Clerks and cadres	139	7	(6)	(2)	138	136
Workers	48	4	(1)	-	51	51.5
Total	193	11	(9)	-	195	195

5. OTHER OPERATING COSTS

Other working expenses are as follows:

€thousand	FY2018	FY2017
Outsourced work	2,689	2,153
Travel expenses	558	561
Transportation and customs	1,173	641
Rent due	355	399
Technical, legal and administrative consulting	972	898
Utilities	351	389
Commissions	679	899
Car and equipment rental	286	327
Auditors' emoluments	64	46
Insurance	305	306
Advertising, trade fairs and other commercial costs	229	652
Non-income taxes	275	268
Maintenance and housekeeping	156	148
Charges for personnel services	239	228
Motor vehicle management expenses	8	12
First-supply services	1,104	940
Bank services	217	168
Stock exchange listing fees	134	122
Costs for repairs and interventions	1,556	1,314
Research project costs	15	13
Entertainment expenses	55	112
Patent costs	109	91
Contributions and payments	39	32
Contingent liabilities	122	181
Warranty provisions	443	9
Other provisions	0	0
Others	742	546
Total	12,875	11,455

Other operating costs amounted to €12,875 thousand, up by €1,420 thousand compared to €11,455 thousand last year.

The change compared to the previous period is due to higher commission costs, to higher sales, and higher transport costs, in addition to costs related to production and technical areas. Warranty provisions also increased, due to the increased sales volume.

6. DEPRECIATION, AMORTIZATION AND WRITEDOWNS

€thousand	FY2018	FY2017
Amortization of intangible fixed assets	220	201
Depreciation of tangible fixed assets	606	459
Write-down of trade receivables	58	4
Write-downs and provisions for other non-current receivables and assets	351	-
Total	1,513	664

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

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

The write-down and provisions of other receivables includes the write-down of receivables due to Fidia S.p.A. from tax authorities relating to withholdings definitively made on fees for technical training activities carried out by the parent company on behalf of the subsidiary Shenyang Fidia NC&M Co. Ltd. in previous years, for approximately €190 thousand, in addition to a provision of €161 thousand for the effects of an inspection by the Italian National Institute for Insurance Against Occupational Accidents (Istituto Nazionale Assicurazione Infortuni sul Lavoro, or INAIL).

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

€thousand	FY2018	FY2017
Write-down of investments	(267)	-
Recovery of value of investments		1,538
Total	**(267)**	**1,538**

The result of the impairment test carried out on the equity investment held in the subsidiary Shenyang Fidia NC&M Co. Ltd, led to a write-down of €267 thousand. The loss in value, resulting from the impairment test, is related to the fact that the Chinese company has recorded a trend of negative economic results in recent years.

8. NON-RECURRING REVENUE

In 2018, there were no such events.

9. FINANCE REVENUE AND EXPENSES

Finance revenue and expenses consist of:

€thousand	FY2018	FY2017
Finance revenue	690	1,454
Borrowing costs	(553)	(337)
Net profit (loss) on derivatives	1	80
Profit (loss) from foreign currency transactions	(83)	19
Total	**55**	1,217

Finance revenue consists of:

€thousand	FY2018	FY2017
Dividends from subsidiaries	656	1,451
Interests received from banks	2	1
Interests and commercial discounts	-	1
Other financial revenues	31	1
Total	**690**	1,454

Dividends from subsidiaries consisted of:

€thousand	FY2018	FY2017
Beijing Fidia Machinery & Electronics Co. Ltd.	425	521
Fidia Iberica S.A.	-	430
Fidia Sarl	231	-
Fidia GmbH	-	500
Total	**656**	1,451

Finance expenses consist of:

€thousand	FY2018	FY2017
Interest paid on loans from banks and leasing companies	(321)	(63)
Interest expense on M/L-term loans from banks	(125)	(165)
Borrowing costs on termination benefits	(21)	(17)
Other borrowing costs	(87)	(91)
Total	**(553)**	**(337)**

Net profit and loss on derivatives:

€thousand	FY2018	FY2017
Financial charges on derivatives due to fair value adjustment		
fair value adjustment on IRS and IRC contracts	-	(5)
fair value adjustment on forward contracts	-	-
Financial income on derivatives due to fair value adjustment		
fair value adjustment on IRS and IRC contracts	1	2
fair value adjustment on forward contracts	-	84
Total	1	80

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

Profit (loss) on foreign currency transactions consists of:

€thousand	FY2018	FY2017
Realised exchange gains	65	148
Unrealised exchange gains	5	172
Realised exchange losses	(153)	(263)
Unrealised exchange losses	-	(38)
Total	**(83)**	**19**

10. INCOME TAX

Taxes recognized in profit or loss are:

€thousand	FY2018	FY2017
Income tax:		
IRAP (Italian Regional Tax on Production Activities)	56	-
IRES (Italian Corporate Income Tax)	-	-
Deferred tax assets absorbed	66	5
Prepaid taxes	(69)	-
Taxes relating to previous years	90	-
Total	**142**	**5**

In 2018 the parent company Fidia S.p.A. recorded a tax loss for IRES purposes.

At 31 December 2018, the balance of the pre-paid tax assets and deferred tax liabilities amounted to:

€thousand	31 December 2018	31 December 2017
Deferred tax assets	390	382
Deferred tax liabilities	(2)	-
Total	**298**	**382**

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

€thousand	At 31 December 2017	Stated in profit or loss	Stated in equity	At 31 Decembe r 2018
Pre-paid taxes for:				
Application of IAS 19 - Termination Benefits	118	(5)	(6)	107
Application of IFRS 15	-	8	7	15
Tax loss	250	-	-	250
Cash Flow Hedge reserve	14		6	20
Total deferred tax assets	382	3	7	392
Deferred tax liabilities for:				
Cash Flow Hedge reserve	-	-	-	-
Total deferred taxes	**-**	**-**	**-**	**-**

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

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

STATEMENT OF FINANCIAL POSITION

11. TANGIBLE FIXED ASSETS

In 2018 and 2017 the changes in Plant and Equipment are detailed in the following schedule:

€ EUR	Initial balance at 1 January 2018			Changes in period						Net carrying amount at 31 December 2018
	Purchase cost	Depreciation reserve	Net carrying amount 1.1.2018	Additions	Decreases	Reclassifications	Total	Decrease in Deprec. reserve	Depreciation of the period	
Land and buildings	8,765	(216)	8,549	1	-	-	1	-	(370)	8,180
Lightweight constructions	10	(7)	3	-	-	-	-	-	(1)	2
Total property	**8,775**	**(223)**	**8,552**	**1**	**-**	**-**	**1**	**-**	**(371)**	**8,182**
Plant and equipment	1,662	(1,460)	202	1	(8)	70	63	8	(45)	228
Industrial equipment	2,055	(1,773)	282	210	(1)	-	209	1	(125)	367
Electrical tools	767	(756)	11	13	-		12	-	(6)	18
Furnishing	843	(662)	181	20	-	-	19	-	(19)	181
Electronic equipment	1,315	(1,260)	55	37	(98)		(61)	98	(23)	69
Means of transportation	321	(305)	16	-	-		-	-	(11)	5
Other tangible assets	28	(19)	9	-	-		-	-	(5)	4
Assets under development	70	-	70	-	-	(70)	(70)	-	-	-
Total property, plant and equipment	**15,836**	**(6,458)**	**9,378**	**282**	**(107)**	**-**	**175**	**107**	**(606)**	**9,054**

€ EUR	Initial balance at 1 January 2017			Changes in period						Net carrying amount at 31 December 2017
	Purchase cost	Depreciation reserve	Net carrying amount 1.1.2017	Additions	Decreases	Reclassifications	Total	Decrease in Deprec. reserve	Depreciation of the period	
Land and buildings	8765	(216)	8.549-	3	(7)	8,769	8,765	-	(216)	8,549
Lightweight constructions	10	(7)	3	-	-	-	-	-	-	3
Total property	**10**	**(7)**	**3**	**3**	**(7)**	**-**	**8,765**	**-**	**(216)**	**8,551**
Plant and equipment	1,686	(1,487)	199	5	(87)	58	(25)	78	(51)	202
Industrial equipment	1,967	(1,685)	282	46	(21)	62	87	21	(108)	282
Electrical tools	767	(751)	16	-	-		-	-	(5)	11
Furnishing	792	(644)	149	50	-		50	-	(18)	181
Electronic equipment	1,309	(1,235)	73,962	7	-		7	-	(25)	55
Means of transportation	320	(274)	46	1	-		1	-	(31)	16
Other tangible assets	28	(13)	15	-	-		-	-	(6)	9
Assets under development	7,439	-	7,439	1,521	-	(8,889)	(7,369)	-	-	70
Total property, plant and equipment	**14,318**	**(6,096)**	**8,222**	**1,632**	**(115)**	**-**	**1,517**	**98**	**(459)**	**9,378**

Investments made in the period 2018, amounting to €282 thousand, consisted of physiological investments for the maintenance of production facilities.

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

Amortization of tangible assets, equivalent to €606 thousand, is recognized in profit or loss under "Depreciation, amortization and writedowns" (Note No. 6).

12. INTANGIBLE FIXED ASSETS

The intangible assets do not comprise intangible assets with indefinite useful life. The following tables show the breakdown by category and the changes over the past two fiscal years:

	Initial balance at 1 January 2018			Changes in period						Net carrying amount at 31 December 2018
€ thousand	Purchase price	Depreciation reserve	Net carrying amount 1.1.2018	Additions	Decreases - write-downs	Reclassifications	Total	Decrease in Deprec. reserve	Depreciation of year	
Licenses	132	(95)	37	3	-	-	3	-	(27)	13
Software	320	(236)	84	11	-	-	11	-	(65)	30
Development Costs	641	(109)	532	-	-	750	750	-	(128)	1,154
Assets under development	1,098	-	1,098	799	(11)	(750)	38	-	-	1,136
Total intangible fixed assets	2,191	(440)	1,750	813	(11)	-	802	-	(220)	2,333

	Initial balance at 1 January 2017			Changes in period						Net carrying amount at 31 December 2017
€ thousand	Purchase price	Depreciation reserve	Net carrying amount 1.1.2017	Additions	Decreases	Reclassifications	Total	Decrease in Deprec. reserve	Depreciation of year	
Licenses	134	(71)	63	-	-	-	-	-	(26)	37
Software	979	(832)	147	3	-	-	3	-	(66)	84
Development Costs	252	-	252	-	-	388	389	-	(109)	532
Assets under development	864	-	864	623	-	(388)	234	-	-	1,098
Total intangible fixed assets	2,229	(903)	1,326	626	-	-	626	-	(201)	1,750

The increases recorded in "Software" during the year relate mainly to the introduction of new functions of the Navision ERP software that went into operation at the beginning of 2014. This implementation has also allowed improving R&D processes and the relative measurement of future costs and benefits of individual projects, in accordance with IAS 38 in terms of capitalization.
Development costs incurred and capitalised during the period amounted to €799 thousand; they related to projects not yet amortised (as they had not yet been completed) and projects completed and reclassified at the end of the period, which have therefore not yet begun to produce the related benefits.
All costs of research (both basic and applied) are instead charged to profit or loss in the year they are incurred.
Intangible assets in progress consist mainly of development projects that at the closing date have not yet been fully completed and whose economic benefits are expected to flow to subsequent years.
Amortization of tangible assets is recognized in profit or loss under "Depreciation, amortization and writedowns" (Note No. 6).

13. EQUITY INVESTMENTS

At 31 December 2018 these amounted to €11,832 thousand. The following changes were registered:

€thousand	Balance at 31 December 2017	Increases	Decreases	Write-downs	Write-backs	Balance at 31 December 2018
Equity investments in subsidiaries	12,099		-	(267)	-	11,832
Equity investments in associates	2	-	-		-	2
Equity investments in other entities	11	-	-	-	-	11
Total equity investments	**12,112**		**-**	**(267)**	**-**	**11,845**

€thousand	Balance at 31 December 2016	Increases	Decreases	Write-downs	Write-backs	Balance at 31 December 2017
Equity investments in subsidiaries	10,561		-	-	1,538	12,099
Equity investments in associates	2	-	-		-	2
Equity investments in other entities	11	-	-	-	-	11
Total equity investments	**10,574**		**-**	**-**	**1,538**	**12,112**

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

€thousand	Balance at 31 December 2017	Increases	Decreases	(Write-downs)/ Write-backs	Balance at 31 December 2018
Subsidiaries					
Fidia GmbH	1,208				1,208
Historical cost	1,208				1,208
Provision for writedown	-				-
Fidia Co.	7,078				7,078
Historical cost	7,078				7,078
Provision for writedown	-				-
Fidia Iberica S.A.	171				171
Historical cost	171				171
Provision for writedown	-				-
Fidia Sarl	221				221
Historical cost	221				221
Provision for writedown	-				-
Beijing Fidia M&E Co. Ltd.	1,549				1,549
Historical cost	1,549				1,549
Provision for writedown	-				-
Fidia Do Brasil Ltda	82				82
Historical cost	350				350
Provision for writedown	(268)				(268)
Shenyang Fidia NC & Machine Co. Ltd.	1,790			(267)	1,523
Historical cost	2,443				2,443
Provision for writedown	(653)			(267)	(920)
OOO Fidia	-				-
Historical cost	100				100
Provision for writedown	(100)				(100)
Fidia India Private Ltd.	-				-
Historical cost	-				-
Provision for writedown	-		-		-
Total investments in subsidiaries	**12,099**	**-**	**-**	**(267)**	**11,832**
Historical cost	13,120				13,120
Provision for writedown	(1,021)			(267)	(1,288)
Associates					
Prometec Consortium	2				2
Total investments in associates	**2**				**2**
Others					
Probest Service S.p.A.	11				11
Consorzio C.S.E.A.	-				-
Historical cost	6.5				6.5
Provision for writedown	(6.5)				(6.5)
Total investments in others	**11**				**11**
Total equity investments	**12,112**	**-**	**-**	**(267)**	**11,845**

The list of investments with further information required by CONSOB (Notice No. DEM/6064293 of 28 July 2006) is hereto attached.

There are no investments in other companies involving unlimited liability for the obligations thereof (article 2361, par. 2, of the Italian Civil Code).

At 31 December 2017 and 2018 there were no investments provided as collateral for financial liabilities and potential liabilities.

Impairment test

The impairment test was carried out on the controlling interest in the Shenyang Fidia NC&Machine Co. Ltd. Company (China) for which the indicators showed impairment losses at the closing date of the fiscal year.

The recoverable amount was determined by the value in use, i.e., by discounting the cash flows contained in the financial plan of the subsidiaries concerning the 2019-2021 time-frame. The assumptions used in forecasting cash flows for the explicit forecast period were based on prudent assumptions and using future realistic and achievable expectations.
In order to determine the value in use of the subsidiary, the discounted cash flows of the 3 years of explicit forecast plus a terminal value were taken into account; the latter value was determined by using the criterion of discounting the perpetuity. The discount rate applied to prospective cash flows was calculated taking into account the sector in which the company operates, the debt structure and the current economic situation; in particular, the WACC rate was approximately 10.58% for Shenyang Fidia NC & Machine Co. Ltd.. (China).
The growth rate for the cash flows for the years following the explicit forecast period was assumed to be zero (in line with that used in previous years), to take into account the current economic situation adopting an appropriate and prudential approach.

The result of the impairment test was independently approved and separate from these financial statements.

The comparison between the net carrying amount of the investments of the parent company Fidia S.p.A and the recoverable amount resulting from the application of the measurement method described above highlighted the need to make a write-down for the investment in Shenyang Fidia NC & Machine Co. Ltd equivalent to €267 thousand.

It should be noted that the difference between the cost of the reinstated equity investment and the investee's pro-rata shareholders' equity is exclusively due to changes in the EUR/RMB exchange rate during 2018.

The sensitivity analysis showed that:

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

For the remaining investments, substantial consistency was recorded;

14. OTHER NON-CURRENT RECEIVABLES AND ASSETS

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

€thousand	**Balance at 31 December 2018**	Balance at 31 December 2017
Security deposits	27	18
Receivables for foreign VAT	9	7
Receivables for EU research grants	0	57
Withholding tax on foreign income	133	582
Other current	34	4
Total other non-current receivables and assets	202	668

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

Withholding tax receivables on foreign income consist of receivables from tax authorities for final withholding tax on wages for technical training activities carried out by the parent company on behalf of the subsidiary Shenyang Fidia NC&M Co. Ltd. in prior fiscal years. These receivables are recoverable through the realisation of taxable income such as to allow an excess of Italian tax over foreign tax within a maximum of eight years.

In the reporting period, the portion of these receivables due at the end of 2018 was written off and the portion due in 2019 was set aside, for a total amount of €451 thousand.

15. INVENTORY

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

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Raw/auxiliary materials and consumable supplies	8,744	7,369
Provisions for raw materials depreciation	(1,558)	(1,582)
Net value of raw materials, subsidiary materials and consumables	7,186	5,787
Semi-finished products and work in progress	4,198	5,980
Finished products and goods for resale	611	1,161
Finished products and goods depreciation provision	(112)	(149)
Net value finished products and goods	499	1,012
Advances	288	33
Total inventory	12,171	12,812

Inventories recorded a decrease of €641 thousand YOY.

The provisions for depreciation equivalent to €1,670 thousand (€1,731 thousand at 31 December 2017) were reported to hedge some slow-moving components; these phenomena result, in particular, from the need to ensure customers that spare parts are available for servicing even beyond the period of ordinary marketability of the components.

16. TRADE RECEIVABLES

At 31 December 2018 these amounted to €7,166 thousand, namely €7,166 thousand lower compared to 31 December 2017. In detail:

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Trade receivables from customers	12,380	5,847
Provision for bad debts	(296)	(252)
Total trade receivables from others	12,084	5,595
Receivables from subsidiaries	2,166	1,570
Total trade receivables	14,250	7,166

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

€thousand	31 December 2018	31 December 2017
Unexpired	2,025	625
Due up to 1 month	6,784	2,360
Due 1 to 3 months	1,734	947
Due 3 months to 6 months	324	576
Due 6 months to 1 year	676	531
Due over 1 year	837	808
Total	**12,380**	**5,847**

All trade receivables are due within one year.

The bad debt provisions, amounting to €296 thousand (€252 thousand at 31 December 2017) were allocated to cover the risk of default related to doubtful receivables and overdue receivables. The changes in the provisions for writedown of receivables were:

Balance at 31 December 2017 €thousand	**252**
Provisions in period	58
Amounts used	(14)
Balance at 31 December 2017	**296**

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

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Italy	4,374	1,265
Europe	2,004	2,549
Asia	5,908	1,978
North and South America	-	24
Rest of the World	94	31
Total	**12,380**	**5,847**

Receivables from subsidiaries were the following:

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Fidia Co.	38	384
Fidia Sarl	101	262
Fidia Iberica S.A.	530	93
Fidia GmbH	538	60
Fidia do Brasil Ltda	537	402
Beijing Fidia M&E Co. Ltd.	201	142
Shenyang Fidia NC & Machine Co. Ltd.	221	227
Total receivables	**2,166**	**1,570**

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

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Europe	1,170	415
North and South America	574	786
Asia	422	369
Total	**2,166**	**1,570**

At year-end there were no receivables from associates.

It is deemed that the carrying amount of trade receivables is near the fair value.

17. TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES AND ASSETS

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Current tax receivables:		
Receivables from tax authorities for VAT	470	8
Tax receivables for income tax and IRAP	9	186
Receivables for short-term foreign VAT	12	12
Other tax receivables	225	0
Total current tax receivables	716	**206**
Contributions for research projects	121	-
Accruals and prepayments	193	273
Receivables from employees	12	20
Advances from suppliers	72	107
Dividends receivable	618	1,179
Other current receivables	-	22
Total other current receivables and assets	1,016	**1,600**

It is deemed that the carrying amount of Other current receivables and assets is near the fair value. Other current receivables will be due entirely by the next fiscal year.

18. OTHER CURRENT FINANCIAL ASSETS

This item represents an interest-bearing loan from the Parent Company to the Fidia do Brasil branch, amounting to €240 thousand, including accrued interest, expiring on 15 May 2019.

19. CASH AND CASH EQUIVALENTS

The overall total of cash amounted to €3,475 thousand (€7,140 thousand at 31 December 2017). This item is composed of temporary cash on bank accounts pending future use amounting to €3,473 thousand and cash on hand and checks in the amount of €2 thousand. It is deemed that the carrying amount of the cash and cash equivalents is aligned to the fair value at reporting date.

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

20. SHAREHOLDERS' EQUITY

Shareholders' equity at 31 December 2018 amounted to €7,892 thousand, down by €855 thousand compared to 31 December 2017. The change was due to:

- loss of the period (€839 thousand);
- Positive effect of the accounting of actuarial changes in termination benefits net of the tax effect (€21 thousand);
- negative effect of the cash flow hedge reserve net of the theoretical tax effect (-€17 thousand);
- the negative effect of the application of IFRS 15 (-€19 thousand)

The main classes composing the Equity and related changes are the following.

Share capital

Capital issued amounted to €5,123,000 and was unchanged compared to 31 December 2017. The share capital, fully subscribed and paid in, is unchanged and numbered 5,123,000 ordinary shares with a face value of €1 each.

The following table illustrates reconciliation between the number of circulating shares at 31 December 2016 and the number of circulating shares at 31 December 2018:

	At 31 December 2016	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2017	(Purchase)/ Sale of own shares; new subscriptions	At 31 December 2018
Ordinary shares issued	5,123,000	-	5,123,000	-	5,123,000
Minus: Own shares	10,000	-	10,000	-	10,000
Circulating ordinary shares	5,113,000	-	5,113,000	-	5,113,000

Share premium reserve

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

Legal reserve

Legal reserve in the amount of €883 thousand was unchanged compared to 31 December 2017.

Provisions for own shares in portfolio

At 31 December 2018, it amounted to €46 thousand and was unchanged YOY.

These reserves are not available until own shares are held.

Extraordinary reserve

At 31 December 2018, it amounted to €309 thousand and was unchanged compared to 31 December 2017.

Reserve for unrealised foreign exchange gains/losses

This item totalled €8 thousand at 31 December 2018.

Earnings (loss) carried forward

At 31 December 2018 earnings carried forward amounted to €1,381 thousand, down €1,428 thousand YOY for the allocation of loss of the year 2017 as per the resolution passed by the shareholders' meeting on 27 April 2018 and €19 thousand as a result of the application of accounting standard IFRS 15.

Own shares

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

There were no changes in 2018, as illustrated in the following table.

	No. Shares	Nominal Value (€/000)	Share in % share capital	Carrying amount (€/000)	Mean unit value (€)
Situation at 1 January 2018	10,000	10.00	0.20%	46	4.55
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Write-downs	-	-	-	-	-
Write-backs	-	-	-	-	-
Situation at 31 December 2018	10,000	10.00	0.20%	46	4.55

Profit (loss) stated directly in equity

At 31 December 2018, it amounted to -€150 thousand compared to -€170 thousand at 31 December 2017; the change was due to the accounting of actuarial changes for termination benefits in 2018, net of theoretical tax effect.

Cash flow hedge reserve

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

In 2018, the cash flow hedge provisions registered the following changes:

	Cash Flow Hedge reserve					
€thousand Type of financial instrument	Nature of hedged risk	Opening holdings at 1 January 2018	Increases	Decreases	CFH provisions stated in profit or loss	Final balance at 31 December 2018
- Interest rate swap	Interest rate risk	(46)	(17)	-	-	(63)
- *forward*	Exchange rate risk	-	-	-	-	-
Total		**(46)**	**(17)**	**-**	**-**	**(63)**

According to article 2427, no. 7-bis, of the Italian Civil Code, as amended by Italian Legislative Decree no. 6/03, the following schedule of the Equity items is provided below and it specifies the utilization of provisions:

				Utilizations in previous 3 reporting periods	
€thousand	Amount	Availability	Distributability	To cover losses	Other reasons
Capital issued:	5,123				
Capital reserves:					
Provisions for share premium (1)	1,240	A, B	----		-
Profit reserves:					
Provisions for own shares	46	----	----	-	-
Legal reserve	883	B	----	-	-
Cash Flow Hedge reserve	(63)	----	----	-	-
Profit (loss) stated directly in equity	(150)	----	----	-	-
Extraordinary reserve	309	A, B, C	309		-
Earnings (loss) carried forward	1,400	A, B, C	1,400	1,428	9
Unrealised exchange gains and others	8	A,B	----		
Application of new IFRS	(19)				
Total distributable share			1,709	1,428	9

(1) Fully available for increase of share capital and coverage of loss. For other utilizations, it is necessary to adjust in advance the legal reserve to 20% of the issued capital (also through transfer from the provisions for share premium).

Legend:

A: for capital increase

B: To cover losses

C: for distribution to shareholders

21. OTHER NON-CURRENT PAYABLES AND LIABILITIES

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Advances for research projects	376	330
Long-term deferred income and other payables	171	-
Total	**547**	**330**

Advances for research projects consisted of advance payments from the European Union and the Italian University and Research University for funds granted for funded projects whose completion is expected after the end of the next fiscal year.

22. TERMINATION BENEFITS

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

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

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

€thousand	
Value at 1 January 2018	**2,292**
Amount accrued and allocated in year	475
Benefits paid out in year	(97)
Amount transferred to State Fund and complementary pension scheme	(467)
Borrowing costs on termination benefits	21
Accounting of actuarial losses	(27)
Substitute tax	(8)
Balance at 31 December 2018	**2,189**

Actuarial profit and loss are stated off the statement of comprehensive income and directly carried over to equity (see Note No. 20).

Please be noted that the interest on charges relating to the defined benefits plans for employees are comprised under finance costs, hence leading to an increase in finance costs of the fiscal year in the amount of €21 thousand.

Employee severance indemnities are calculated based on the following actuarial assumptions:

	At 31 December 2018	At 31 December 2017
Discount rate	EUR Composite AA Curve	EUR Composite AA Curve
Future inflation rate	1.5%	1.5%
Frequency of request for advances	3.0%	3.0%
Relative frequency of resignation/dismissal cadres, employees, workers and apprentices	3.0%	3.0%
Relative frequency of resignations/dismissals managers	5.0%	5.0%

The discount rate used to determine the present value of the obligation was derived, in accordance with paragraph 83 of IAS 19, from the AA rating EUR Composite curve recorded at the measurement date:

Year	31 December 2018
1	- 0.18%
2	0.00%
3	0.20%
4	0.38%
5	0.55%
6	0.70%
7	0.85%
8	0.98%
9	1.11%
10	1.22%
11	1.30%
12	1.38%
13	1.46%
14	1.54%
15 +	1.61%

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

Sensitivity analysis of Defined Benefit Obligation (€thousands)

	31 December 2018
Inflation rate +0.25%	2,216
Inflation rate -0.25%	2,163
Discount rate +0.25%	2,158
Discount rate -0.25%	2,222
Rate of turnover +1%	2,185
Rate of turnover -1%	2,194

Service cost and duration

Service cost pro futuro	0.00
Duration of the plan	8 years

Future plan disbursements (€thousand)

Years	Planned disbursements
1	166
2	102
3	102
4	136
5	246

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

Specifically, a 10% increase and decrease was assumed with regard to the parameters used for the measurement of the termination benefits fund at 31 December 2018.

	Basic Assumptions	Changes in Basic Assumptions									
Inflation rate projections	Curve	**1,40%**	**1,60%**								
Average incidence of advances on termination benefits accru	70,00%			**63,00%**	**77,00%**						
Rate of request for advances: Executive	3,00%					**2,70%**	**3,30%**				
Rate of request for advances: Cadre	3,00%					**2,70%**	**3,30%**				
Rate of request for advances: Employee	3,00%					**2,70%**	**3,30%**				
Rate of request for advances: Worker	3,00%					**2,70%**	**3,30%**				
Rate of request for advances: Apprentice	3,00%					**2,70%**	**3,30%**				
Discount rate	Curve							**-10%**	**-10%**		
Outbound rate for resignation and dismissal: Executive	5,00%									**4,50%**	**5,50%**
Outbound rate for resignation and dismissal: Cadre	3,00%									**2,70%**	**3,30%**
Outbound rate for resignation and dismissal: Employee	3,00%									**2,70%**	**3,30%**
Outbound rate for resignation and dismissal: Worker	3,00%									**2,70%**	**3,30%**
Outbound rate for resignation and dismissal: Apprentice	3,00%									**2,70%**	**3,30%**
Company	**Employee termination**	**Percentage change in termination benefits compared to the basic assumptions**									
Fidia S.p.A.	**2.329.916**	**-0,48%**	**0,48%**	**0,04%**	**-0,04%**	**0,04%**	**-0,04%**	**0,54%**	**-0,56%**	**0,09%**	**-0,08%**
(*) amounts in EUR.											

23. OTHER NON-CURRENT FINANCIAL LIABILITIES

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

€thousand	**31 December 2018**		**31 December 2017**	
Cash Flow Hedge	Notional	*Fair value*	Notional	*Fair value*
Interest rate risk - BNL Interest Rate Swap	1,053	3	1,579	4
Interest rate risk - INTESA Interest Rate Swap	1,050	2	1,750	4
Interest rate risk - INTESA Interest Rate Swap	1,784	2	2,482	0
Interest rate risk - INTESA Interest Rate Swap	3,338	75	3,500	49
Interest rate risk – Interest Rate Swap Banco Popolare	1,071	5	1,500	9
Total		**88**		**66**

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

24. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities amounted to €18,666 thousand and are specified in detail in the following table:

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Overdrawn bank accounts and short-term advances	3,369	247
Financial accruals and deferrals	57	44
Intra-group loans	1,816	1,759
Loan - BNL “1.500” (part medium/long term and part short term)	-	-
Loan - Banco Popolare (part medium/long term and part short term)	-	-
Short-term loan - MPS	-	-
Loan - ISP “3.500” (part medium/long term and part short term)	1,047	1,741
Loan - BNL “2.500” (part medium/long term and part short term)	1,047	1,567
Loan - ISP “3.000” (part medium/long term and part short term)	1,777	2,470
Loan - UNICREDIT (part medium/long term and part short term)	570	942
Loan - BNL “1.500” (part medium/long term and part short term)	375	874
Loan - BPM “1.500” (part medium/long term and part short term)	1,074	1,490
Short-term loan - MPS	-	599
Loan BNL "MINIMUTUO" (short term)	-	1,124
Autodesk financing no. 2	-	11
Lease - Volkswagen Bank	-	-
Property lease with Mediocredito Italiano	5,348	5,578
Loan - UNICREDIT (Plafond Supercash Rotativo)	733	809
Loan - ISP “1.500” (part medium/long term and part short term)	1,120	-
Short-term loan - MPS	333	-
Total	**18,666**	**19,254**

The allocation of the financial liabilities by due date was as follows:

€thousand	By 1 year	By 5 years	Over 5 years	Total
Overdrawn bank accounts and other short-term advances	3,426	-	-	3,426
Intra-group loans	1,816	-	-	1,816
Medium-to-long term bank loans	3,593	3,417	-	7,010
Short-term loans	1,066	-	-	1,066
Autodesk financing	-	-	-	-
Property lease - Mediocredito Italiano	241	1,387	3,721	5,348
Total	**10,141**	**4,804**	**3,721**	**18,666**

Intra-group loans consist of three interest-bearing loans amounting to €1,816 thousand (and the related interest rate) granted by the subsidiary Fidia Co. for a total of €1,313 thousand and one by the subsidiary Fidia Gmbh for a value of €503 thousand. The contracts with Fidia Co are valid until 18 May 2019 and 20 June 2019, respectively. The contract with Fidia Gmbh runs until 22 March 2019. All contracts can be extended.

Bank loans have the following main characteristics:

Loan - ISP “3.500” (part medium/long term and part short term)

Original amount	€3,500 thousand
Residual amount	€1,047 thousand
Date of loan	20/04/2015
Term	Loan due date 01/04/2020
Repayment	20 quarterly installments (01/07/2015 to 01/04/2020)
Interest rate	3-month Euribor, base 360 + 2.0% spread

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

Loan - BNL “2.500” (part medium/long term and part short term)

Original amount	€2,500 thousand
Residual amount	€1,047 thousand
Date of loan	28/01/2016
Term	Loan due date 31/12/2020
Grace period	1 quarterly installment (31/03/2016)
Repayment	19 quarterly installments (30/06/2016 to 31/12/2020)
Interest rate	3-month Euribor, base 360 + 1.35% spread

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

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

Original amount	€3,000 thousandousand
Residual amount	€1,777 thousand
Date of loan	17/05/2016
Term	Loan due date 01/04/2021
Grace period	3 quarterly installments (01/07/2016 to 01/01/2017)
Repayment	17 quarterly installments (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	€570 thousand
Date of loan	16/05/2016
Term	Loan due date 31/05/2020
Grace Period	Not provided
Repayment	16 quarterly installments (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	€375 thousand
Date of loan	24/08/2016
Term	Loan due date 30/09/2019
Grace period	1 monthly installment at 30/09/2016
Repayment	12 quarterly installments (31/12/2016 to 30/09/2019)
Interest rate	3-month Euribor, base 360 + 1.1% spread

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

Original amount	€1,500 thousand
Residual amount	€1,074 thousand
Date of loan	27/04/2017
Term	Loan due date 30/06/2021
Grace period	3 quarterly installments at 30/06/2017, 30/09/2017 and 31/12/2017
Repayment	14 quarterly installments (31/03/2018 to 30/06/2021)
Interest rate	3-month Euribor, base 360 + 1.4% spread

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

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

Original ceiling	€810 thousand
Ceiling used	€733 thousand
Term	Loan due date 28/01/2019, 19/02/2019, 13/03/2019
Repayment	Every four months
Interest rate	Fixed rate equal to 1.5%

Property lease - Mediocredito Italiano - line 1

Original amount	€5,598 thousand
Major instalment	€1,260 thousand
Residual amount	€3,775 thousand
Date of loan	25/06/2014
Term	179 monthly installments (01/12/2017 to 01/10/2032)
Current leasing rate	3.48%
Set redemption	€558 thousand

Property lease - Mediocredito Italiano - line 2

Original amount	€1,000 thousand
Major instalment	€400 thousand
Residual amount	€558 thousand
Date of loan	28/05/2015
Term	179 monthly installments (01/12/2017 to 01/10/2032)
Current leasing rate	2.42%
Set redemption	€100 thousand

Property lease - Mediocredito Italiano - line 3

Original amount	€1,802 thousandousand
Major instalment	€722 thousand
Residual amount	€1,015 thousand
Date of loan	30/11/2017
Term	179 monthly installments (01/12/2017 to 01/10/2032)
Current leasing rate	2.73%
Set redemption	€179 thousand

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

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

Original amount	€1,500 thousand
Residual amount	€1,120 thousand
Date of loan	31/01/2018
Term	Loan due date 31/01/2021
Repayment	12 quarterly instalments (30/04/2018 to 31/01/2021)
Interest rate	3-month Euribor, base 360 + 1.2% spread

Loan - MPS "**1.000**" (short term)

Original amount	€1,000 thousand
Residual amount	€333 thousand
Date of loan	11/07/2018
Term	Loan due date 31/01/2019
Grace period	4 quarterly instalments at 31/07/2018, 31/08/2018, 30/09/2019 and 31/10/2018
Repayment	3 monthly instalments (30/11/2018 to 31/01/2019)
Interest rate	Fixed rate equal to 0.8%

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

€thousand	Balance at 1 January 2018	New loans	Repayments	Balance at 31 December 2018
Intra-group loans	1,759	477	(420)	1,816
Loan - ISP "3.500" (part medium/long term and part short term)	1,741		(694)	1,047
Loan - BNL "2.500" (part medium/long term and part short term)	1,567		(520)	1,047
Loan - ISP "3.000" (part medium/long term and part short term)	2,470		(692)	1,777
Loan - UNICREDIT (part medium/long term and part short term)	942		(372)	570
Loan - BNL "1.500" (part medium/long term and part short term)	874		(499)	375
Loan - BPM "1.500" (part medium/long term and part short term)	1,490	-	(417)	1,074
Short-term loan - MPS	599	-	(599)	-
Loan BNL "MINIMUTUO" (short term)	1,124	-	(1,124)	-
Autodesk financing no. 2	11		(11)	-
Property lease - Mediocredito Italiano	5,578	-	(230)	5,348
Loan - UNICREDIT (Plafond Supercash Rotativo)	809	1,526	(1,602)	733
Loan - ISP "1.500" (part medium/long term and part short term)	-	1,485	(365)	1,120
Short-term loan - MPS	-	998	(664)	333
Total	**18,964**	**4,486**	**(8,209)**	**15,241**

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

For more information on the management of interest and exchange rate risk on loans, please refer to Note No. 30.

25. OTHER CURRENT FINANCIAL LIABILITIES

This item remained at zero in the period under review, as in 2017.

26. TRADE PAYABLES

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Payables to other suppliers	15,687	8,668
Payables to subsidiaries	4,360	3,328
Payables to associates	2	2
Total trade payables	20,049	11,998

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

€thousand	Due date within 1 month	Due date beyond 1 to 3 months	Due date beyond 3 to 12 months	Due between 1 and 5 years	Total
Payables to other suppliers	9,652	4,706	1,329		15,687
Payables to subsidiaries	3,671	689	-		4,360
Payables to associates	2	-	-		2
Total trade payables	**13,325**	**5,395**	**1,329**		20,049

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

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Italy	14,061	7,290
Europe	585	280
Asia	1,033	1,092
North and South America	7	6
Rest of the World	1	-
Total	**15,687**	8,668

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

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Fidia Co.	206	97
Fidia S.a.r.l.	23	-
Fidia Iberica S.A.	43	8
Fidia GmbH	145	75
Beijing Fidia M&E Co. Ltd.	3,765	3,116
Shenyang Fidia NC&M Co. Ltd.	-	-
Fidia do Brasil Ltda	178	32
Total payables to subsidiaries	**4,360**	**3,328**

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

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Europe	211	83
Asia	3765	3,116
North and South America	384	129
Total	**4,360**	3,328

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

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Prometec Consortium	2	2
Total	**2**	**2**

Trade payables are due by the next fiscal year and it is deemed that their carrying amount at reporting date is near fair value.

27. TAX PAYABLES, OTHER CURRENT PAYABLES AND LIABILITIES

€thousand	Balance at 31 December 2018	Balance at 31 December 2017
Current tax payables:		
- withholding taxes	330	294
- Payables to tax authorities for IRES	-	-
- Payables to tax authorities for IRAP	56	-
- Payables to tax authorities for VAT	-	255
- Other tax payables	49	
Total current tax payables	**435**	549
Other current payables and liabilities:		
Payables to employees	646	705
Social security payables	695	715
Advances from customers	2,867	7,717
Payables for emoluments	109	154
Deferrals	52	
Accrued expenses	74	72
Miscellaneous payables	88	96
Total other current payables and liabilities	4,531	9,459

Payables to employees pertain to benefits accrued at year-end (accrual of bonuses, overtime, etc.) as well as to the amounts due for holidays accrued and not yet taken.

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

Down payments from customers include advances from customers for orders yet to be processed and for sales of milling systems already delivered but still in course of acceptance, which according to IFRS 15 – *Revenue from Contracts with Customers*, cannot be stated in the revenue. This item comprises also advances received from subsidiaries in the amount of €850 thousand.

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

28. PROVISIONS FOR RISKS AND CHARGES

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

€thousand	Balance 31 December 2017	Application of IFRS 15	Balance at 1 January 2018	Accrual	Reversal/ release	Balance 31 December 2018
Warranty provisions	820	(98)	722	443	(29)	1,136
Other provisions	-			161	-	161
Total other provisions for risks and expenses	**820**	**(98)**	**722**	**477**	**(29)**	**1,297**

Product warranty provisions comprise the best possible estimate of the obligation undertaken by the Company by contract, law or custom with regard to expenses related to warranty on its products for a certain period effective as of sale to the final customer. This estimated is calculated based on the experience of the Company and the specific contract terms.

The item Other provisions reflects the best estimate of the possible impact of the results of an inspection by the Italian National Institute for Insurance Against Occupational Accidents (Istituto Nazionale Assicurazione Infortuni sul Lavoro, or INAIL).

29. COLLATERAL GUARANTEES, OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Sureties issued on behalf of others

At 31 December 2018 these amounted to €2,531 thousand, down by €984 thousand compared to €1,975 thousand at 31 December 2017. This item consists almost solely of guarantees for business transactions with foreign customers for down payments received or coverage of obligations undertaken by contract by the Company during the warranty period.

Contingent liabilities

Though subject to risks of diverse nature (product, legal and tax liability), on 31 December 2018 the Company was not aware of any facts liable of generating foreseeable and appraisable potential liabilities and hence it deemed that there was no need to make further provisions.

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

30. INFORMATION ON FINANCIAL RISKS

The measurement and management of exposure to financial risks of Fidia S.p.A. are consistent with the provisions of the Group policies.

In particular, the main categories of risk that the company is exposed to are illustrated below.

MARKET RISKS

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

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

The market risks include exchange and interest rate risk.

Exchange rate risk: definition, sources and management policies

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

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

Exposure to exchange rate risk results from the geographical location of the business units compared to the geographical distribution of the markets where it sells its products.

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

- economic/competitive: comprises all effects that a change in market exchange rates can have on the Company income and may hence impact strategic decisions (products, markets and investments) and Company competitiveness on the reference market;
- transaction: consists in the possibility that changes in exchange rate relations occur between the date on which a financial obligation between the counterparts becomes highly probably and/or certain and the date of transaction settlement. These changes cause a difference between the expected and effective financial flows.

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

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

When the Company decides to implement transactions on exchange rate derivatives, it implements a hedging policy only for transaction risk resulting from existing business transactions and from future contractual obligations to hedge cash flows. The goal is to set in advance the exchange rate at which the relevant transactions in foreign currency will be measured.

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

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

At 31 December 2018, there were no derivative instruments hedging exchange rate risks.

Exchange rate risk: quantitative information and sensitivity analysis

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

In particular, when the Company incurs costs in currencies other than the presentation currency of the relevant revenues (and vice versa), the change in exchange rates can affect the earnings.

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

At 31 December 2018, the main currency to which the Company is exposed is the USD. At the same date, the Company had no derivative financial instruments in place to hedge its currency exposures.

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

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

The results of the sensitivity analysis on exchange rate risk are summarized in the tables below, which show the impacts on profit or loss and equity at 31 December 2018 and 31 December 2017. The prevalence of financial liabilities denominated in foreign currencies over financial assets exposes the company to the risk of negative economic effects in the event of an increase in the exchange rate, i.e., in the event of a strengthening of the value of the euro against a foreign currency. The impacts on profit or loss shown in the tables are before tax.

EXCHANGE RATE RISK SENSITIVITY ANALYSIS					
		Exchange Rate Risk at 31 December 2018			
		+5% change		-5% change	
€thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL ASSETS IN FOREIGN CURRENCIES					
Cash and cash equivalent	204	(10)		11	
Hedging derivatives	-		-		-
Receivables	732	(35)		39	
Effect		(45)	-	50	-
FINANCIAL LIABILITIES IN FOREIGN CURRENCY					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Loans payable	1,310	62		(69)	
Overdrawn bank accounts					
Trade payables	1,009	48		(53)	
Effect		110	-	(122)	-
Total effect		**65**	**-**	**(72)**	**-**

EXCHANGE RATE RISK SENSITIVITY ANALYSIS					
		Exchange Rate Risk at 31 December 2017			
		+5% change		-5% change	
€thousand		P&L	Other changes in equity	P&L	Other changes in equity
FINANCIAL ASSETS IN FOREIGN CURRENCIES					
Cash and cash equivalent	18	(1)		1	
Hedging derivatives	-		-		-
Receivables	1,017	(44)		58	
Effect		(45)	-	59	-
FINANCIAL LIABILITIES IN FOREIGN CURRENCY					
Derivatives for trading	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Loans payable (*)	1,251	60		(66)	
Overdrawn bank accounts					
Trade payables	439	21		(23)	
Effect		81	-	(89)	-
Total effect		**36**	**-**	**(30)**	**-**

(*) As partial correction and integration of the sensitivity analysis table shown in the financial statements at 31 December 2017, short-term loans payable by the US subsidiary Fidia Co to the parent company Fidia Spa for a total of USD 1,500 thousand were added, corresponding to €1,251 thousand.

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

Interest rate risk: definition, sources and management policies

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

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

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

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

The strategy adopted is to maintain no more than 30% of the total floating rate exposure.

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

Exposure to interest rate risk is hedged through the use of Interest Rate Swaps.

Interest Rate Swaps are used in order to predetermine the interest paid on various forms of financing in order to ensure stability of cash flows.

The counterparts of said financial instruments are primary credit institutions.

Interest rate risk: quantitative information and sensitivity analysis

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

In order to hedge said risks, the Company uses mainly interest rate derivatives.

At 31 December 2018, the Company had five Interest Rate Swap contracts to hedge interest rate risk; these have a negative fair value amounting to €88 thousand.

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

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

At 31 December 2018, some fixed-rate financial instruments were outstanding, but were not measured at fair value, but at amortised cost.

The floating rate financial instruments at 31 December 2018 included cash, bank loans and leases and are all denominated in EUR.

The sensitivity analysis was carried out in order to present the effects on the income statement and shareholders' equity at 31 December 2018, assuming that a reasonably possible change in the relevant risk variable occurred on that date and that this change was applied to the risk exposures existing at that date. The sensitivity analysis also includes derivative financial instruments.

At 31 December 2018, the following was assumed:

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

The decision to simulate, at 31 December 2018, decreases of 5 bps and 10 bps was caused by the current market scenario characterized by very low interest rates and the policy of monetary authorities to maintain reference rates unaltered. These changes have been hypothesized with all other variables constant. The impact before tax that such changes would have had are shown in the table below.

INTEREST RATE SENSITIVITY ANALYSIS					
€thousand		**Interest Rate Risk at 31 December 2018**			
		+10-bps change		**-5-bps change**	
	Carrying amount	**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Floating rate loans	7,010	(7)	-	4	-
Fixed-rate loans	2,876	-	-	-	-
Floating-rate finance leases	5,348	(5)	-	3	-
IRS hedging derivatives	88	8	30	(4)	(15)
Total impact		(4)	30	3	(15)

INTEREST RATE SENSITIVITY ANALYSIS					
€thousand		**Interest Rate Risk at 31 December 2017**			
		+10-bps change		**-5-bps change**	
	Carrying amount	**P&L**	**Other changes in equity**	**P&L**	**Other changes in equity**
FINANCIAL LIABILITIES					
Floating rate loans	10,207	(10)	-	5	-
Fixed-rate loans	3,170	-	-	-	-
Floating-rate finance leases	5,594	(6)		3	
IRS hedging derivatives	66	11-	38	(5)	(19)
Total impact		**(5)**	**38-**	**3**	**(19)**

Note: the table for 2017 has been adjusted compared to the previous year to include a more accurate breakdown between fixed-rate and floating-rate loans. In addition, the sensitivity amounts relating to hedging derivatives have been added to the P&L impacts, in order to better understand the offsetting effects with the sensitivity impacts (reverse sign) calculated on floating-rate financial liabilities.

Liquidity risk: definition, sources and management policies

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

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

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

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

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

Liquidity risk: quantitative information

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

The policies implemented to reduce liquidity risk consisted at 31 December 2018 of:

- recourse to credit institutions and leasing companies to find financial resources by avoiding an excessive concentration on one or a few banks;
- lines of credit (mostly of the revolving and stand-by type), mostly automatically renewed and used at the discretion of the Company as needed.

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

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

MATURITY ANALYSIS

€thousand	Carrying amount at 31 December 2018	Contractual cash flows	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years
FINANCIAL LIABILITIES							
Loans from banks	8,076	8,228	1,075	954	2,737	3,462	-
Other loans	1,810	1,831	-	505	1,326	-	-
Finance leases	5,348	7,281	39	78	349	1,862	4,953
Short-term overdrawn bank accounts and advances (*)	3,369	3,369	3,369	-	-	-	-
Trade payables	20,049	20,049	13,326	5,395	1,329	-	-
DERIVATIVE LIABILITIES							
Interest rate swap	88	83	5	9	40	94	(65)
TOTAL	**38,741**	**40,841**	**17,813**	**6,939**	**5,782**	**5,419**	**4,888**

(*) The amount includes short-term self-liquidating advances (advance payments on invoices, collection advances, advance payments on exports) of about €3,270 thousand and, for reasons of prudence, it has been allocated to the shortest maturity band

MATURITY ANALYSIS

€thousand	Carrying amount at 31 December 2017	Contractual cash flows	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Beyond 5 years
FINANCIAL LIABILITIES							
Loans from banks	11,615	11,903	568	1,817	3,502	6,016	-
Other loans	1,762	1,779	424	510	845	-	-
Finance leases	5,594	7,746	39	78	349	1,862	5,418
Overdrawn bank accounts	-	-	-	-	-	-	-
Trade payables	12,020	12,020	7,180	3,745	1,095	-	-
DERIVATIVE LIABILITIES							
Interest rate swap	66	59	6	10	42	86	(85)
TOTAL	**31,058**	**33,506**	**8,216**	**6,159**	**5,833**	**7,964**	**5,333**

Credit risk: definition, sources and management policies

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

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

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

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

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

The concentration of credit risk is present in the markets of the EU, North America and China. Trade receivables are subject to individual writedowns if there is an objective condition in which these position cannot be recovered either in part or in full. The extent of writedown takes into account an estimate of the recoverable flows and relevant date of collection.

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

Credit risk: quantitative information

The maximum theoretical exposure to credit risk for Fidia S.p.A. at 31 December 2018 is the book value of the financial assets stated in the Statement of Financial Position, plus the face value of collateral provided as indicated in Note No. 29.

The measurement of credit risk is carried out by means of a process to assess credit standing differentiated by type of customer.

Monitoring of credit risk is carried out frequently through the analysis by expiry of overdue positions.

The credit exposures of the Company widely regard trade receivables; the credit risk resulting from said transactions is mitigated by means of the following instruments:

- letters of credit;
- insurance policies.

Moreover, in order to effectively and efficiently manage credit risk, the Company adopts further risk mitigation instruments pursuant to and in compliance with legislation in force in the various markets where it conducts business.

Positions, if individually significant, are subject to specific writedown; these are either partially or totally non recoverable. The extent of writedown takes into account an estimate of the recoverable flows and relevant date of collection as well as of charges and expenses for future recovery. In case of receivables not subject to specific writedown, provisions are allocated on a collective basis, considering experience and statistical data.

Hedge accounting

At 31 December 2018, the Company had outstanding cash flow hedges for interest rate risk only.

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

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

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

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

As from 1 January 2018, IFRS 9 was applied to replace the previous IAS 39. All the Interest Rate Swaps outstanding at that date continue to qualify as hedges on the basis of the new accounting standard and, assuming that the descriptive documentation is appropriately modified, the hedging relationships continue in line with the previous year.

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

INTEREST RATE HEDGES (€thousand)	2018
Floating rate exposures	
Floating rate loans payable	7,010
Floating rate leases	5,348
Total exposure to interest rate risk	12,358

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

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

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

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

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

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

The following table shows the aggregate information regarding the hedging instruments in place at 31 December 2018 (IRS), i.e.: the notional value, the carrying amount (fair value), the balance sheet item used to determine the fair value of the derivatives, and any component of change in fair value attributable to the ineffectiveness component.

Hedge accounting - Hedging instruments

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

The following table provides aggregate information on the hedged financial liabilities at 31 December 2018, i.e.: the carrying amount (amortised cost), the balance sheet item used to recognise the liabilities in question, any fair value change component attributable to the ineffective component, and the cumulative amount in the cash flow hedge reserve (i.e., the effective component of the hedge).

Hedge accounting - hedged items

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

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

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

Hedge accounting - summary of effects

	Change in fair value of hedging derivatives among other comprehensive income items	Ineffectiveness recognised in profit or loss (*)	P/L item (including ineffectiveness)	Amount reclassified from Cash flow hedge reserve to P/L	P/L item affected by reclassification
Cash flow hedges (€thousand)					
Interest rate risk					
IRS BNL	1,232	-	finance expenses and revenue	1,232	finance expenses and revenue
IRS INTESA 1	1,828	492	finance expenses and revenue	1,828	finance expenses and revenue
IRS INTESA 2	(2,677)	334	finance expenses and revenue	-	finance expenses and revenue
IRS INTESA 3	(26,465)	221	finance expenses and revenue	-	finance expenses and revenue
IRS BPM	3,303	-	finance expenses and revenue	3,303	finance expenses and revenue
Total	**(22,779)**	**1,047**		**6,363**	

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

31. FAIR VALUE HIERARCHIES

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

The levels are as follows: Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices);

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

At 31 December 2018, the Company held financial liabilities measured at fair value represented by derivative financial instruments to hedge interest rate risk, for an amount of €88 thousand, classified within Level 2 of the hierarchical assessment of fair value.

32. INTRA-GROUP AND RELATED-PARTY TRANSACTIONS

With regard to Fidia S.p.A. intra-group relations and relations with related party consist mainly of transactions entered into with companies under direct control. Moreover, the members of the Board of Directors and Auditors and their families are also considered related parties.

These transactions are regulated at market conditions considered normal in their respective markets, taking into account the characteristics of the goods and services.

The impact of these transactions on the individual items in the 2018 financial statements, as already shown in the supplementary schedules of the Statement of Comprehensive Income and Statement of Financial Position as well as in the comment on each item, is summarized in the following tables:

Data by year - 2018

Counterpart €thousand	**Raw materials and consumables**	**Other operating costs**	**Personnel expenses**	**Finance Expenses**	**Revenues**	**Other operating revenue**	**Finance revenues**
Fidia GmbH	12	247	-	10	2,380	48	-
Fidia Sarl	-	22	-	-	277	6	231
Fidia Iberica S.A.	1	61	-	-	1,971	8	-
Fidia Co.	5	160	-	21	6,244	155	-
Fidia do Brasil Ltda	-	146	-	-	838	6	9
Beijing Fidia Machinery & E. Co. Ltd.	1	1,304	-	-	779	54	426
Shenyang Fidia NC&M Co. Ltd.	1	5	-	-	944	-	-
OOO Fidia	-	-	-	-	-	-	-
Total Group companies	**20**	**1,945**	**-**	**31**	**13,433**	**277**	**666**
Other related parties (associates)							
Other related parties (Giuseppe and Luca Morfino)	3	75	75	-	-	-	-
Compensation Board of Directors	-	-	412	-	-	-	-
Compensation Board of Statutory Auditors	-	66	-	-	-	-	-
Total other related parties	**3**	**141**	**487**	**-**	**-**	**-**	**-**
Total Group companies and other related parties	**23**	**2,086**	**487**	**31**	**13,433**	**277**	**666**
Total item	**21,165**	**12,875**	**11,171**	**553**	**46,437**	**1,831**	**691**
As % of financial statements items	**0.1%**	**16%**	**4%**	**6%**	**29%**	**15%**	**96%**

Data by year - 2017

Counterpart €thousand	**Raw materials and consumables**	**Other operating costs**	**Personnel expenses**	**Finance Expenses**	**Revenues**	**Other operating revenue**	**Finance revenues**
Fidia GmbH	-	181	-	10	1,579	26	500
Fidia Sarl	-	16	-	-	1,749	12	-
Fidia Iberica S.A.	10	188	-	-	1,174	13	430
Fidia Co.	-	202	-	26	4,037	148	-
Fidia do Brasil Ltda	-	115	-	-	94	13	1
Beijing Fidia Machinery & E. Co. Ltd.	1	1,228	-	-	1,597	31	521
Shenyang Fidia NC&M Co. Ltd.	12	-	-	-	1,236	-	-
OOO Fidia	-	-	-	-	-	-	-
Total Group companies	**23**	**1,930**	**-**	**36**	**11,466**	**243**	**1,452**
Other related parties (associates)							
Other related parties (Giuseppe and Luca Morfino)	1	88	71	-	-	-	-
Compensation Board of Directors	-	-	451	-	-	-	-
Compensation Board of Statutory Auditors	-	46	-	-	-	-	-
Total other related parties	**1**	**134**	**522**	**-**	**-**	**-**	**-**
Total Group companies and other related parties	**24**	**2,064**	**522**	**36**	**14,466**	**243**	**1,452**
Total item	**12,933**	**11,455**	**11,237**	**643**	**28,787**	**1,845**	**3,077**
As % of financial statements items	**0.2%**	**18%**	**5%**	**6%**	**40%**	**13%**	**47%**

31 December 2018

Counterpart €thousand	Trade receivables	Other current Other current assets	 financial assets	 Trade payables	 Other current payables	Liabilities financial payables
Fidia GmbH	538	-	-	145	450	503
Fidia Sarl	101	-	-	23	200	-
Fidia Iberica S.A.	531	-	-	43	200	-
Fidia Co.	38	-	-	207	-	1,313
Fidia do Brasil Ltda	537	-	241	178	-	-
Beijing Fidia Machinery & E. Co. Ltd.	201	618	-	3,766	-	-
Shenyang Fidia NC&M Co. Ltd.	221	-	-	-	-	-
OOO Fidia	-		-	-	-	-
Total Group companies	**2,167**	**618**	**241**	**4,632**	**850**	**1,816**
Other related parties (associates)	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	1	-	-	5	-
Other related parties (Payables to BoD members of Fidia SpA)	-	-	-	-	45	-
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)	-	-	-	-	64	-
Total other related parties	**-**	**1**	**-**	**2**	**114**	**-**
Total Group companies and other related parties	**2,167**	**619**	**241**	**4,634**	**964**	**1,816**
Total item	**14,250**	**1,016**	**241**	**20,049**	**4,531**	**10,141**
As % of financial statements items	**15%**	**61%**	**100%**	**22%**	**21%**	**18%**

31 December 2017

Counterpart €thousand	Trade receivables	Other current assets	Other current financial assets	Trade payables	Other current payables	Liabilities financial payables
Fidia GmbH	59	500	-	75	450	503
Fidia Sarl	262	-	-	-	-	-
Fidia Iberica S.A.	93	430	-	8	-	-
Fidia Co.	385	-	-	97	-	1,256
Fidia do Brasil Ltda	402	-	301	32	215	-
Beijing Fidia Machinery & E. Co. Ltd.	142	249	-	3,115	-	-
Shenyang Fidia NC&M Co. Ltd.	227		-	-	-	-
OOO Fidia	-		-	-	-	-
Total Group companies	**1,570**	**1,179**	**301**	**3,327**	**665**	**1,759**
Other related parties (associates)	-	-	-	2	-	-
Other related parties (Giuseppe and Luca Morfino)	-	3	-	-	1	-
Other related parties (Payables to BoD members of Fidia SpA)	-	-	-	-	108	-
Other related parties (Payables to Board of Statutory Auditors Fidia S.p.A.)	-	-	-	-	46	-
Total other related parties	**-**	**3**	**301**	**2**	**155**	**-**
Total Group companies and other related parties	**1,570**	**1,182**	**301**	**3,329**	**820**	**1,759**
Total item	**7,166**	**1,600**	**301**	**11,998**	**9,459**	**8,016**
As % of financial statements items	**22%**	**73.8%**	**100%**	**28%**	**9%**	**22%**

The most significant relations in the fiscal year between Fidia S.p.A. and the Group companies were mainly of a commercial nature. The foreign subsidiaries of Fidia deal mostly with the sales and servicing of the Group's products in the relevant markets and for this purpose they purchase from the Parent Company.

The subsidiary Shenyang Fidia NC & M Co. Ltd. manufactures and sells numerical controls and milling systems designed by Fidia for the Chinese market. The strategic components are purchased mainly from the Parent Company at normal market conditions and the remaining parts from local suppliers.

In 2018, intra-group relations also regarded financial management, which envisaged:

- distribution of dividends from subsidiaries (see Note No. 9);
- distribution of dividends from subsidiaries (see Note No. 24 and Note no. 18).

Relations with related parties, as defined by IAS 24, not regarding directly controlled companies concerned:

- salary to Mr. Luca Morfino;
- compensation to the Board of Directors and Board of Auditors.

33. NET FINANCIAL POSITION

According to the provisions of Consob Notice of 28 July 2006 and in compliance with the CESR Recommendation of 10 February 2005 “Recommendations for standard implementation of the Regulation of the European Commission on Disclosures”, the financial position of the Fidia S.p.A. at 31 December 2017 was:

	€thousand	31 December 2018	31 December 2017
A	Cash	2	2
B	Bank deposits	3,473	7,138
C	Other cash	-	-
D	**Liquidity (A+B+C)**	**3,475**	**7,140**
E	Current financial receivables	**241**	**301**
F	Current bank payables	4,732	2,822
G	Current part of non-current debt	3,593	3,435
H	Other current financial payables	-	-
I	Current financial payables from Group companies	1,816	1,759
J	**Current financial debt (F+G+H+I)**	**10,141**	**8,016**
K	**Net current financial debt (J-E-D)**	**6,425**	**575**
L	Non-current bank payables	8,525	11,238
M	Bonds issued	-	-
N	Other non-current payables	88	66
O	**Non-current financial debt (L+M+N)**	**8,613**	**11,304**
P	**Net financial debt (K+O)**	**15,038**	**11,879**

34. NON-RECURRENT SIGNIFICANT EVENTS AND TRANSACTIONS

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

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

According to Consob Notice of 28 July 2006, in 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.

36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Below follows a breakdown of the fair value for the different categories of assets and liabilities and related economic effects.

FAIR VALUE BY CATEGORY - IFRS 9 - 31 December 2018

€thousand	Carrying amount at 31 December 2018	Amortized Cost	FV recognized in equity	FV recognized in profit or loss	IFRS 9	Fair value at 31 December 2018
ASSETS						
Cash and cash equivalents	3,475	-		-		3,475
Total	3,475		**-**	**-**	**-**	3,475
LIABILITIES						
Liabilities at amortized cost	13,425	13,425	-	-	-	13,425
Hedging derivatives	88	-	89	(1)	-	88
Total	13,513	13,425	**89**	**(1)**	-	13,513

NET PROFIT AND LOSS BY CATEGORY - IFRS 9 - 31 December 2018

€thousand	Net profit and loss	of which interest
ASSETS		
Cash and cash equivalents	2	2
Hedging derivatives	1	1
Total	**3**	**3**
LIABILITIES		
Liabilities at amortized cost	(422)	(422)
Total	**(422)**	(422)

37. RECONCILIATION OF TAX RATE

Below are the details of the reconciliation of the theoretical tax rate with the actual tax rate.

€thousand	Tax base	Taxes	Tax rate %
Result before taxes	**(697)**		
Theoretical tax		**-**	**24%**
Increases of a permanent nature	1,768	(424)	61%
Decreases of a permanent nature	(1,966)	472	-68%
Temporary changes in which no deferred tax assets are recorded	500	(120)	-17%
Deduction of tax losses and ACE use	(317)	76	-11%
Actual IRES tax	**(712)**	**4**	**-1%**

	IRES (ITALIAN CORPORATE INCOME TAX)	**IRAP (ITALIAN REGIONAL TAX ON PRODUCTION ACTIVITIES)**	**Total**
Current taxes	-	(55)	**(55)**
Prepaid taxes	4	-	**4**
Deferred taxes	-	-	-
Taxes relating to previous years	(90)	-	(90)
Total	**(86)**	**(55)**	**(141)**

38. INFORMATION ON THE TRANSPARENCY OF PUBLIC DISBURSEMENTS

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

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

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

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

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

39. SIGNIFICANT EVENTS AFTER REPORTING DATE

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

40. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders,

We invite you to approve the Financial Statements at 31 December 2018.

We also submit a proposal to cover the entire loss for the period of €839,037.04 through the use of the retained earnings reserve.

ANNEXES

The annexes comprise additional information compared to the Notes, which these are an integral part of.

This information is comprised in the following annexes:

- The list of investments with further information required by CONSOB (Notice No. DEM/6064293 of July 28, 2006);
- summary of main data of the last financial statements of the subsidiaries and associates (article 2429 of the Italian Civil Code) at 31 December 2017;
- information as per article 149/XII of the Consob Regulation on Issuers.

San Mauro Torinese, 15 March 2019

On behalf of the Board of Directors

The Chairman and Chief Executive Officer

Mr. Giuseppe Morfino

Annexes

FIDIA S.p.A.
FINANCIAL STATEMENTS AT 31 DECEMBER 2018
List of investments with
further information required by
CONSOB (Notice n° DEM/6064293 of July 28, 2006)

(EUR)

	Share capital	Net equity book value	Profit (loss) at 31/12/2018	Profit (loss) at 31/12/2017	% held	Portion of net equity book value of period	Net carrying amount	Difference between net equity of period and carrying
SUBSIDIARIES								
Fidia Gmbh – Germany Robert-Bosch-Strasse, 18 - 63303 Dreieich (Germany)	520.000	1.656.469	209.003	185.425	100,00%	**1.656.469**	**1.207.754**	**448.716**
Fidia Co. (*) - United States 3098 Research Drive - 48309 Rochester Hills (Michigan - USA)	349.345	6.656.518	- 99.423	292.738	100,00%	**6.656.518**	**7.077.645**	**- 421.127**
Fidia Iberica S.A. – Spain Parque Tecnologico de Zamudio - Edificio 208 - 48170 Zamudio (Bilbao)	180.300	471.361	5.381	122.287	99,993%	**471.328**	**171.440**	**299.888**
Fidia S.a.r.l - France 47 bis, Avenue de l'Europe - 77184 Emerainville (France)	300.000	374.552	- 35.526	16.233	93,19%	**349.045**	**221.434**	**127.611**
Beijing Fidia Machinery & Electronics Co. Ltd. (*) - China Room 106, Building C, No. 18 South Xihuan Road - Beijing Development Area - 100176 Beijing (PRC)	1.627.215	4.684.996	403.154	603.118	96,00%	**4.497.596**	**1.548.610**	**2.948.986**
Fidia Do Brasil Ltda (*) – Brazil Av. Salim Farah Maluf, 4236 - 3° andar Mooca - Sao Paulo - CEP 03194-010 (Brazil)	89.974	- 55.074	- 81.309	- 70.040	99,75%	**54.936**	**82.485**	**- 137.422**
Shenyang Fidia NC & Machine Company Limited (*) - China n.1, 17A, Kaifa Road - Shenyang Economic & Technological Development Zone - 110142 Shenyang (PRC)	5.398.998	2.412.843	- 518.799	- 114.997	51,00%	**1.230.550**	**1.522.592**	**- 292.042**
OOO Fidia (*) - Russia ul. Prospekt Mira 52, building 3, 129110 Moscow (Russia - Russian Federation)	45.158	16	-	-	100,00%	**16**	**-**	**16**
ASSOCIATES								
Consorzio Prometec – Italy Via Al Castello n. 18/A - Rivoli (Turin)	10.329	10.329	-	-	20,00%	**2.066**	**2.066**	**-**

SUMMARY OVERVIEW OF THE ESSENTIAL DATA OF THE LAST FINANCIAL STATEMENTS OF THE COMPANIES
SUBSIDIARIES AND ASSOCIATES (Article 2429 of the Civil Code) (contd)

Subsidiaries	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Accounting currency	EUR	USD	EUR	EUR	REALS
Period of reference of balance-sheet information	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018
Inclusion in scope of consolidation (line by line)	YES	YES	YES	YES	YES
ASSETS					
Non-current assets					
- Property, plant and equipment	656.443	1.546.434	2.719	302.639	58.043
- Intangible assets	1.500	5.186	-	1.408	3.266
- Equity investments	22.867	-	-	3.366	-
- Other non-current financial assets	-	-	-	-	-
- Pre-paid tax assets	8.964	254.900	22.265	173	103.850
- Other non-current receivables and assets	-	73.276	7.068	1.000	-
Total non-current assets	**689.774**	**1.879.797**	**32.051**	**308.586**	**165.159**
Current assets					
- Inventory	549.219	2.447.307	281.668	380.562	2.557.059
- Trade receivables and other current receivables	1.741.637	3.546.332	462.316	866.435	3.314.909
- Cash and cash equivalents	223.859	1.268.381	166.510	402.444	347.226
Total current assets	**2.514.716**	**7.262.020**	**910.494**	**1.649.441**	**6.219.194**
Total assets	**3.204.490**	**9.141.817**	**942.545**	**1.958.027**	**6.384.353**
LIABILITIES					
Shareholders' equity					
- Share capital	520.000	400.000	300.000	180.300	399.843
- Other reserves	927.466	7.339.132	110.078	285.680	- 294.272
- Profit (loss) of the period	209.003	- 117.419	- 35.526	5.381	- 350.320
TOTAL SHAREHOLDERS' EQUITY	**1.656.469**	**7.621.713**	**374.552**	**471.361**	**- 244.749**
Non-current liabilities					
- Other non-current payables and liabilities	-	-	77.056	-	-
- Termination benefits	-	-	-	-	-
- Deferred tax liabilities	9.953	-	-	34.141	-
- Other non-current financial liabilities	-	15.542	-	2.872	-
- Non-current financial liabilities	501.057	-	-	14.389	-
Total non-current liabilities	**511.010**	**15.542**	**77.056**	**51.402**	**-**
Current liabilities					
- Current financial liabilities	57.576	-	-	17.938	2.855.049
- Trade payables and other current payables	934.963	951.784	490.937	1.375.145	3.712.796
- Short-term provisions	44.471	552.779	-	42.180	61.257
Total current liabilities	**1.037.011**	**1.504.563**	**490.937**	**1.435.264**	**6.629.102**
Total liabilities	**3.204.490**	**9.141.817**	**942.545**	**1.958.027**	**6.384.353**

Subsidiaries	Fidia GmbH	Fidia Co.	Fidia S.a.r.l.	Fidia Iberica S.A.	Fidia do Brasil Ltda
Accounting currency	EUR	USD	EUR	EUR	REIAS
Period of reference for balance-sheet information	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018
Income Statement					
- Net sales	5.029.535	12.513.913	876.580	2.860.731	8.919.063
- Other operating revenue	331.468	204.309	54	198.273	30.292
Total revenue	**5.361.003**	**12.718.222**	**876.634**	**3.059.004**	**8.949.355**
- Changes in inventories of finished goods and work in progress	- 43.301	134.775	- 9.019	- 11.689	2.001.546
- Raw materials and consumables	2.440.640	7.766.192	224.681	1.925.082	6.970.838
- Personnel costs	1.667.029	1.942.156	390.163	619.248	1.103.508
- Other operating costs	785.942	2.832.579	273.902	413.377	2.849.116
- Depreciation and amortization	143.130	182.881	12.641	81.858	19.314
Operating income/(loss) from ordinary business	**280.962**	**129.188**	**- 33.771**	**7.749**	**8.126**
- Non-recurring income/(expenses)	-	- 321.253	-	-	-
Operating profit/(loss)	**280.962**	**- 192.065**	**- 33.771**	**7.749**	**8.126**
- Financial income/(expenses)	12.243	24.200	-	- 432	- 220.750
Profit (loss) before taxes	**293.204**	**- 167.865**	**- 33.771**	**7.318**	**- 212.624**
Income tax	- 84.201	50.446	- 1.755	- 1.937	- 137.696
Net profit (loss) for the period	**209.003**	**- 117.419**	**- 35.526**	**5.381**	**- 350.320**

SUMMARY OVERVIEW OF THE ESSENTIAL DATA OF THE LAST FINANCIAL STATEMENTS OF THE COMPANIES
SUBSIDIARIES AND ASSOCIATES (Article 2429 of the Civil Code)

Subsidiaries	Beijing Fidia M.&E.	Shenyang Fidia NC&M	OOO Fidia	Prometec
ASSETS				
Non-current assets				
- Property, plant and equipment	162.642	118.780	-	
- Intangible assets	-	-	-	
- Equity investments	-	-	-	
- Other non-current financial assets	-	-	-	
- Pre-paid tax assets	1.349.320	109.875	-	
- Other non-current receivables and asse	-	-	-	
Total non-current assets	**1.511.962**	**228.655**	**-**	**-**
Current assets				
- Inventory	9.855.770	17.321.874	-	
- Trade receivables and other current rec	44.161.297	4.233.192	1.263	12.487
- Cash and cash equivalents	6.168.069	2.555.531	44	2.187
Total current assets	**60.185.135**	**24.110.597**	**1.307**	**14.674**
Total assets	**61.697.098**	**24.339.253**	**1.307**	**14.674**
LIABILITIES				
Shareholders' equity				
- Share capital	12.814.480	42.517.648	3.599.790	10.329
- Other reserves	20.932.471	- 19.465.432	- 3.598.483	
- Profit (loss) of the period	3.147.863	- 4.050.837	-	
TOTAL SHAREHOLDERS' EQUITY	**36.894.813**	**19.001.379**	**1.307**	**10.329**
Non-current liabilities				
- Other non-current payables and liabiliti	-	-	-	-
- Termination benefits	-	-	-	-
- Deferred tax liabilities	21.359	-	-	-
- Other non-current financial liabilities	-	-	-	-
- Non-current financial liabilities	-	-	-	-
Total non-current liabilities	**21.359**			
Current liabilities				
- Current financial liabilities	-	-	-	-
- Trade payables and other current payab	24.780.925	5.337.873	-	4.345
- Short-term provisions	-	-	-	-
Total current liabilities	**24.780.925**	**5.337.873**	**-**	**4.345**
Total liabilities	**61.697.098**	**24.339.253**	**1.307**	**14.674**

Subsidiaries	Beijing	Shenyang Fidia	OOO Fidia	Prometec
	Fidia M.& E.	NC&M		
	Co. Ltd.	Company Ltd		
Accounting currency	RMB	RMB	RUR	EUR
Period of reference for balance-sheet information	31/12/2018	31/12/2018	31/12/2018	31/12/2018
INCOME STATEMENT				
- Net sales	41.829.179	13.243.310	-	965
- Other operating revenue	313.234	139.825	-	163
Total revenue	**42.142.412**	**13.383.134**	**-**	**1.128**
- Changes in inventories of finished goods and work in progress	3.674.138	2.069.499	-	-
- Raw materials and consumables	18.272.304	10.813.033	-	-
- Personnel costs	10.203.658	4.676.126	-	-
- Other operating costs	13.103.043	3.878.691	-	1.128
- Depreciation, amortization and writedowns	311.875	97.230	-	-
Operating income/(loss) from ordinary business	**3.925.669**	**- 4.012.446**	**-**	**-**
- Non-recurring income/(expenses)	-	-	-	-
Operating profit/(loss)	**3.925.669**	**- 4.012.446**	**-**	**-**
- Financial income/(expenses)	411.929	- 33.728	-	-
Profit (loss) before taxes	**4.337.598**	**- 4.046.173**	**-**	**-**
Income tax	- 1.189.735	- 4.663	-	-
Net profit (loss) for the period	**3.147.863**	**- 4.050.837**	**-**	**-**

FIDIA S.p.A. - Financial Statements at 31 December 2018

Information as per article 149/XII of the Consob Regulation on Issuers

This overview drawn up according to article 149-duodecoes of the Consob Regulation on Issuers shows the compensation accrued in 2018 for auditing services and for those other than auditing provided by the Chief Auditor, the entities belonging to his network and by other auditing firms

	Entity providing the service	Recipient	Fees due in the period 2018 (€thousand)
Auditing	EY S.p.A.	Parent company - Fidia S.p.A.	77
	EY network	Subsidiaries	71
	Mazars Beijing	Subsidiary: Shenyang Fidia NC&M Co. Ltd.	9
Certification services			3
Other services			-
Total			**160**

Certificate within the meaning of Article 81-ter of R. E. Consob

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

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

delle procedure amministrative e contabili per la formazione del bilancio d'esercizio nel corso del periodo 2018.

2. Si attesta, inoltre, che:

2.1 il bilancio d'esercizio:

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

2.2 La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente unitamente alla descrizione dei principali rischi ed incertezze cui è esposto.

15 marzo 2019

Presidente e Amministratore Delegato

Giuseppe Morfino

Vice Presidente

Carlos Maidagan

Dirigente Preposto alla redazione dei documenti contabili societari

Massimiliano Pagnone

Report of the Board of Statutory Auditors

FIDIA S.P.A.

Sede legale: Corso Lombardia 11, San Mauro Torinese (To)
Capitale sociale: Euro 5.123.000 i.v.
Iscritta al registro delle Imprese di Torino al n. 05787820017

* * *

RELAZIONE DEL COLLEGIO SINDACALE
ALL'ASSEMBLEA DEGLI AZIONISTI CONVOCATA PER L'APPROVAZIONE DEL BILANCIO AL 31/12/2018
(ai sensi dell'art. 153 del D. Lgs. 24 febbraio 1998, n.58)

Signori Azionisti,

Nel corso dell'esercizio chiuso al 31 dicembre 2018 e sino alla data odierna il Collegio Sindacale ha svolto l'attività di vigilanza attenendosi a quanto previsto dalla Legge, dalle Norme di comportamento del Collegio Sindacale di Società quotate raccomandate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e tenendo anche conto delle comunicazioni Consob in materia di controlli societari e attività del Collegio Sindacale.

La presente relazione è redatta ai sensi dall'articolo 153 del Decreto Legislativo 24 febbraio 1998, n. 58 (T.U.F.), il quale prevede che il Collegio Sindacale sia chiamato a riferire all'Assemblea degli Azionisti convocata per l'approvazione del bilancio sull'attività di vigilanza svolta nel corso dell'esercizio, sulle omissioni e sui fatti censurabili eventualmente rilevati, oltreché – se del caso - a formulare proposte in ordine al bilancio, alla approvazione dello stesso e alle materie di propria competenza.

Abbiamo esaminato il bilancio al 31 dicembre 2018, redatto dal Consiglio di Amministrazione ai sensi di Legge e da questi comunicato al Collegio nel corso della riunione del 15 marzo 2019.

Il bilancio di esercizio della Società capogruppo Fidia S.p.A., preceduto dalla relazione sulla gestione riportante anche tutti gli elementi relativi al Bilancio Consolidato, evidenzia una perdita d'esercizio di Euro 839.037.

Si precisa che il Collegio sindacale attualmente in carica è stato nominato dall'Assemblea degli azionisti del 28 aprile 2017, riunitosi per l'approvazione del Bilancio relativo all'esercizio 2016. Il mandato scadrà con l'approvazione del Bilancio al 31.12.2019.

L'organo di controllo ha proceduto, con esito positivo, alla verifica dei requisiti di indipendenza dei propri componenti, con riferimento all'art. 148, comma 3, del T.U.F. e a quanto disposto dal Codice di Autodisciplina delle Società quotate, dandone informativa al Consiglio di Amministrazione della Società.

Premesso quanto sopra, nel seguito vengono fornite le specifiche informazioni richieste dalla Comunicazione Consob n. DEM/1025564 del 6 aprile 2001 e successivi aggiornamenti, secondo l'ordine espositivo ivi indicato.

1. Il Collegio ha vigilato sulle operazioni di maggiore rilievo economico, finanziario e patrimoniale effettuate nel corso dell'esercizio 2018, delle quali è venuto tempestivamente a conoscenza partecipando ai Consigli di Amministrazione e all'Assemblea dei soci, ritenendo le stesse conformi alla legge e all'atto costitutivo. Tra le principali operazioni che hanno interessato la Società, si evidenzia quanto segue.

Applicazione dell'impairment test

L'organo amministrativo della Società, nell'ambito del processo di formazione del bilancio di esercizio al 31.12.2018, ha proceduto a effettuare l'impairment test sulla partecipazione di controllo nella società Shenyang Fidia NC & Machine Co. Ltd (Cina) per la quale, alla data di chiusura dell'esercizio, è stata evidenziata la presenza di indicatori di perdita di valore.

Dalla valutazione effettuata, confrontando il valore di carico della partecipazione con il corrispondente valore recuperabile derivante dalla valutazione in base ai flussi di cassa futuri generabili dalla società partecipata, è emersa la necessità di apportare una svalutazione di valore pari a Euro 267 migliaia.

Piani di stock option

Il Collegio attesta che alla data odierna non è in corso alcun piano di *stock option* destinato agli Amministratori e ai dipendenti della Società e del Gruppo.

Azioni proprie

Il Collegio rileva che al 31.12.2018 (così come al 31.12.2017) la Società ha in portafoglio n. 10.000 azioni proprie iscritte in bilancio a 46 migliaia di Euro; tale valore non è superiore al valore calcolato in base alla media dei prezzi di borsa dell'ultimo semestre dell'esercizio.

La Relazione del Consiglio di Amministrazione, nella sezione dedicata all'illustrazione dei fatti successivi alla chiusura dell'esercizio, evidenzia che non si sono verificati eventi di rilievo successivi alla chiusura dell'esercizio.

2. Il Collegio Sindacale non ha riscontrato, nel corso dell'esercizio 2018, operazioni atipiche e/o inusuali con società del Gruppo, con terzi o con parti correlate.

Nella Relazione sulla Gestione, a cui si rimanda per quanto di competenza, gli Amministratori hanno fornito l'informativa circa le operazioni ordinarie infragruppo o poste in essere con parte correlate. Tali operazioni risultano congrue e rispondenti all'interesse della Società.

3. In ordine alle operazioni di cui al punto 2 che precede, il Collegio ritiene adeguate le informazioni rese dagli Amministratori nella Relazione sulla Gestione e nelle Note al bilancio di esercizio.

4. Il Collegio Sindacale ha ricevuto dalla Società di Revisione E&Y s.p.a. le Relazioni previste dagli artt. 14 del D.Lgs. n. 39/2010 e 10 del Regolamento UE n. 537/2014, emesse in data 29 marzo 2019 in ordine al bilancio separato e al bilancio consolidato della Società al 31 dicembre 2018, nelle quali la Società di Revisione ha formulato un giudizio positivo, senza rilievi né richiami di informativa, evidenziando gli aspetti chiave della revisione contabile. Le predette relazioni attestano altresì che la Relazione sulla Gestione e alcune specifiche informazioni sul governo societario e gli assetti proprietari sono coerenti con il bilancio d'esercizio e con il bilancio consolidato.

Il Collegio Sindacale ha ricevuto dalla Società di Revisione la Relazione aggiuntiva di cui all'art. 11 del Regolamento UE n. 537/2014, emessa in data 29 marzo 2019, nella quale, tra l'altro, la stessa ha confermato la propria indipendenza.

La Società, in conformità a quanto previsto dall'articolo 2, comma 1, del D. Lgs. 254/2016, non ha predisposto la dichiarazione consolidata di carattere non finanziario per limiti dimensionali (il numero di dipendenti durante l'esercizio è risultato inferiore a cinquecento) e non ha altresì aderito su base volontaria.

5. Nel corso dell'esercizio 2018 e sino alla data odierna non sono pervenute denunce ai sensi dell'art. 2408 c.c.

6. Il Collegio non ha conoscenza di esposti di cui riferire nella presente Relazione.

7. Nel corso dell'esercizio 2018, come attestato da E&Y s.p.a., la Società di Revisione non ha ricevuto incarichi ulteriori rispetto a quelli di revisione legale.

8. Nel corso dell'esercizio 2018 non sono stati conferiti incarichi a soggetti legati alla E&Y s.p.a. da rapporti continuativi.

Tenuto conto della richiamata attestazione sulla propria indipendenza che E&Y s.p.a. ha rilasciato ai sensi dell'art. 17 del D.Lgs. n. 39/2010 e considerata, altresì, l'assenza di incarichi ulteriori rispetto a quello di revisione legale, il Collegio Sindacale ritiene che non siano emersi aspetti critici in materia di indipendenza della Società di Revisione.

9. Nel corso dell'esercizio 2018 il Collegio Sindacale non ha rilasciato pareri di legge o attestazioni.

Il Collegio Sindacale, in conformità a quanto previsto dal Codice di Autodisciplina adottato dalla Società, ha inoltre verificato la corretta applicazione dei criteri e delle procedure di accertamento adottati dal Consiglio di Amministrazione per valutare l'indipendenza dei propri membri nonché la permanenza dei requisiti di indipendenza dei sindaci in base ai criteri previsti dalla legge e dal Codice di Autodisciplina.

10. Nel corso del 2018 il Consiglio di Amministrazione della Società si è riunito 8 volte; il Comitato per la Remunerazione si è riunito 2 volte, il Comitato per il Controllo e Rischi, anche in veste di Comitato per le operazioni con Parti correlate, 4 volte. Nel corso del medesimo anno il Collegio Sindacale si è riunito 5 volte ed ha partecipato a tutte le riunioni consiliari ed assembleari tenutesi nel corso dell'esercizio. Il Collegio Sindacale, in persona del Presidente ovvero di un Sindaco Effettivo, ha inoltre partecipato a 3 riunioni del Comitato Controllo e Rischi.

11. Il Collegio Sindacale ha acquisito adeguata conoscenza e vigilato, per quanto di propria competenza, sul rispetto dei principi di corretta amministrazione e sull'adeguatezza della struttura amministrativa della Società ai fini del rispetto di tali principi.

In particolare, il Collegio ha vigilato sulla conformità alla legge e allo statuto sociale delle scelte gestionali operate dagli Amministratori e ha verificato che le relative delibere non fossero manifestamente imprudenti, azzardate o comunque in contrasto con l'interesse della Società o tali da compromettere l'integrità del patrimonio aziendale.

Il Collegio ritiene, dunque, che siano stati rispettati i principi di corretta amministrazione.

12. Il Collegio Sindacale ha vigilato sulla struttura organizzativa della Società e ritiene, alla luce dell'attività di vigilanza svolta e per quanto di propria competenza, che tale struttura sia, nel suo complesso, adeguata rispetto alle esigenze di FIDIA S.P.A. Il Collegio, peraltro, ha evidenziato al Consiglio di Amministrazione l'opportunità di coordinare maggiormente le diverse aree aziendali, al fine di una migliore pianificazione delle attività.

13. Il Collegio Sindacale ha vigilato sul sistema del controllo interno della Società e sull'attività svolta dalla funzione di Internal Audit, anche interagendo e coordinandosi con il Comitato Controllo e Rischi e con l'Organismo di Vigilanza.

In particolare, il Collegio Sindacale segnala che, nel corso dell'esercizio:

- la funzione di Internal Audit per il triennio 2016-2018 è stata attribuita dal Consiglio di Amministrazione alla dott.ssa Alessandra Riorda in conformità con le indicazioni espresse dal Comitato Controllo e Rischi; il Collegio Sindacale ha avuto periodici aggiornamenti dalla dott.ssa Riorda sull'andamento del Piano di Internal Audit;

- l'Organismo di Vigilanza istituito ai sensi del D. Lgs. 231/2001 si è riunito 2 volte nel corso dell'esercizio; è stato garantito nel continuo il raccordo informativo tra Collegio e Organismo di Vigilanza grazie alla presenza del Presidente del Collegio all'interno dell'Organismo;

- nella sua qualità di Comitato per il controllo interno e la revisione contabile ai sensi del D.Lgs. n. 39/2010, il Collegio ha periodicamente incontrato la Società di Revisione e il Dirigente preposto alla redazione dei documenti contabili societari.

Il Collegio, alla luce dell'attività di vigilanza svolta secondo le modalità sopra sintetizzate, come anche accertato nelle riunioni del Comitato Controllo e Rischi, per quanto di propria competenza, ritiene che il sistema di controllo interno sia nel suo complesso adeguato rispetto alle esigenze di FIDIA S.P.A; ha peraltro suggerito alla Società di avviare una più ampia mappatura dei rischi d'impresa a livello di Gruppo e di rafforzare, se del caso, il sistema dei presidi aziendali.

14. Il Collegio Sindacale ha vigilato sul sistema amministrativo-contabile della Società e sulla sua affidabilità a rappresentare correttamente i fatti di gestione attraverso la raccolta di informazioni dal Dirigente preposto e dai responsabili delle funzioni aziendali nonché attraverso l'esame della documentazione aziendale ricevuta e l'analisi dei risultati del lavoro svolto dalla Società di Revisione.

In particolare, il Collegio riferisce che nel corso del 2018 il Dirigente preposto alla redazione dei documenti contabili societari ha reso le proprie attestazioni di cui all'art. 154-bis T.U.F, confermando in particolare che i bilanci di esercizio e consolidato forniscono una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria della Società e delle imprese incluse nel consolidamento.

Il Collegio, alla luce delle informazioni acquisite durante l'attività di vigilanza svolta, ritiene, per quanto di propria competenza, che il sistema amministrativo-contabile sia adeguato ed affidabile ai fini della corretta rappresentazione dei fatti di gestione e non ha osservazioni da svolgere al riguardo.

15. Il Collegio ha vigilato sull'adeguatezza delle disposizioni impartite dalla Società alle proprie controllate ai sensi dell'art. 114, 2° comma, T.U.F. .

16. Nel corso dell'esercizio il Collegio Sindacale ha incontrato i responsabili della Società di Revisione al fine di uno scambio reciproco di informazioni, ai sensi dell'art. 150, 3° comma, T.U.F. e dà atto che non è stata segnalata da parte dei Revisori l'esistenza di alcun fatto censurabile e/o anomalie.

17. La Società aderisce al Codice di Autodisciplina predisposto dal Comitato per la Corporate Governance delle Società Quotate di Borsa Italiana S.p.A. .

Il sistema di governance adottato dalla Società risulta descritto nella Relazione sul Governo Societario per l'esercizio 2018 approvata dal Consiglio di Amministrazione in data 15.03.2019.

18. Nell'ambito dell'attività di vigilanza e controllo svolta nel corso dell'esercizio non sono stati rilevati fatti censurabili, omissioni o irregolarità di rilevanza tale da richiederne la segnalazione nella presente Relazione.

19. Il Collegio, per quanto di sua conoscenza, rileva che nella predisposizione del bilancio consolidato e d'esercizio non si è derogato a norme di legge.

Il Collegio, considerate anche le risultanze dell'attività svolta dalla Società di Revisione, sotto i profili di propria competenza, non rileva motivi ostativi all'approvazione del bilancio al 31 dicembre 2018, così come da progetto predisposto e approvato dal Consiglio di Amministrazione nella riunione tenutasi il giorno 15 marzo 2019, e concorda in merito alla proposta di coprire interamente la perdita d'esercizio mediante l'utilizzo della riserva formata con utili portati a nuovo.

San Mauro Torinese, 29 marzo 2019

Il Collegio Sindacale

Dott. Maurizio Ferrero – Presidente

Dott.ssa Marina Scandurra – Sindaco Effettivo

Dott. Marcello Rabbia – Sindaco Effettivo

Report of Independent Auditors

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Fidia S.p.A.

Bilancio d'esercizio al 31 dicembre 2018

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

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

Agli Azionisti della
Fidia S.p.A.

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Fidia S.p.A. (la Società), costituito dal conto economico, dal conto economico complessivo, dalla situazione patrimoniale-finanziaria al 31 dicembre 2018, dal rendiconto finanziario per l'esercizio chiuso a tale data, dal prospetto delle variazioni del patrimonio netto e dalle note al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2018, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38.

Elementi alla base del giudizio

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

Aspetti chiave della revisione contabile

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

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Abbiamo identificato i seguenti aspetti chiave della revisione contabile:

Aspetti chiave	Risposte di revisione
Riconoscimento dei ricavi per la vendita di macchine I ricavi della Società realizzati nell'esercizio 2018 ammontano a Euro 46 milioni, dei quali Euro 38 milioni relativi alla vendita di macchine, riconosciuti al momento in cui l'installazione e il collaudo vengono formalmente accettati dall'acquirente. La peculiarità delle condizioni contrattuali per questa tipologia di transazioni rende il processo di riconoscimento dei ricavi articolato in relazione alle diverse modalità di accettazione da parte del cliente e, pertanto, il riconoscimento dei ricavi è stato ritenuto un aspetto chiave della revisione. La Società fornisce l'informativa relativa al criterio di riconoscimento dei ricavi nella sezione "Principi contabili significativi" al paragrafo "Riconoscimento dei ricavi" del bilancio d'esercizio.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • la comprensione del processo adottato dalla Società per il riconoscimento dei ricavi; • l'analisi delle procedure e dei controlli chiave posti in essere dalla Società sul riconoscimento dei ricavi; • l'esecuzione di sondaggi di conformità sui controlli chiave, inclusi quelli relativi all'applicazione degli accordi contrattuali; • l'esecuzione di procedure di validità con riferimento ai ricavi contabilizzati in prossimità della data di bilancio, tra cui l'esame della documentazione attestante i requisiti per il riconoscimento dei ricavi nel conto economico o per il differimento del ricavo e del relativo margine, laddove di competenza dell'esercizio successivo. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione al riconoscimento dei ricavi.
Valutazione delle immobilizzazioni immateriali Le immobilizzazioni immateriali includono attività di sviluppo per Euro 2,3 milioni al 31 dicembre 2018. La Direzione valuta la presenza di indicatori di perdite di valore di tali attività almeno annualmente e, qualora si manifestino, assoggetta le medesime alla verifica di recuperabilità del valore, inteso come il maggiore fra il *fair value* al netto dei costi di vendita e il suo valore d'uso. I processi e le modalità di valutazione della recuperabilità del valore delle attività di sviluppo sono basate su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione, in particolare con riferimento alle previsioni dei flussi di cassa futuri, coerentemente con le previsioni del business plan della Società.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • l'analisi della procedura e dei controlli chiave posti in essere dalla Società ai fini della rilevazione e valutazione delle attività di sviluppo; • l'esecuzione di sondaggi di conformità sui controlli chiave; • lo svolgimento di procedure di validità sulle capitalizzazioni dei costi relativi alle attività di sviluppo; • l'esame delle assunzioni chiave alla base delle previsioni dei flussi di cassa contenute nel business plan della Società utilizzato ai fini della verifica della recuperabilità. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla valutazione delle immobilizzazioni immateriali.

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Aspetti chiave	Risposte di revisione
In considerazione del giudizio richiesto nel definire le assunzioni chiave alla base delle previsioni dei flussi di cassa contenute nel business plan della Società, tale tematica è stata ritenuta un aspetto chiave della revisione. La Società fornisce l'informativa relativa al criterio di rilevazione e valutazione delle immobilizzazioni immateriali nella sezione "Principi contabili significativi" al paragrafo "Immobilizzazioni immateriali" del bilancio d'esercizio e nella Nota 12.	
Recuperabilità delle attività per imposte anticipate e delle altre attività fiscali Nel bilancio d'esercizio al 31 dicembre 2018 sono iscritte attività per imposte anticipate per Euro 390 migliaia ed altre attività fiscali per Euro 134 migliaia. Le attività per imposte anticipate sono riferite alle differenze temporanee tra i valori civilistici e fiscali di attività e passività di bilancio e alle perdite fiscali riportabili indefinitamente. Le altre attività fiscali sono principalmente riferite a crediti per ritenute subite su redditi prodotti all'estero. La recuperabilità del valore contabile di tali attività è soggetta a valutazione da parte della Direzione sulla base delle previsioni degli imponibili fiscali attesi negli esercizi in cui è previsto il loro utilizzo. I processi e le modalità di valutazione della recuperabilità di tali attività sono basati su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione, con particolare riferimento alla coerenza delle previsioni dei redditi imponibili futuri attesi dalla Società con quelle del business plan. In considerazione del giudizio richiesto nel definire le assunzioni chiave alla base delle previsioni dei redditi imponibili futuri, abbiamo ritenuto che tale tematica rappresenti un aspetto chiave della revisione.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • l'analisi delle assunzioni alla base delle previsioni dei redditi imponibili futuri e della loro riconciliazione con le previsioni desumibili dal business plan della Società per il periodo 2019-2021; • la valutazione delle previsioni, rispetto all'accuratezza storica di quelle precedenti; • la verifica dei calcoli dei modelli utilizzati dalla Direzione. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla recuperabilità delle attività per imposte anticipate e delle altre attività fiscali.

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Aspetti chiave	Risposte di revisione
La Società fornisce l'informativa relativa al criterio di rilevazione e valutazione di tali attività nella sezione "Principi contabili significativi" al paragrafo "Imposte" del bilancio d'esercizio e nella Nota 10.	
Valutazione delle partecipazioni in imprese controllate Le partecipazioni in imprese controllate ammontano ad Euro 11,8 milioni al 31 dicembre 2018. La Direzione valuta almeno annualmente la presenza di indicatori di perdita di valore di ciascuna partecipazione, ovvero il venir meno delle condizioni che avevano comportato precedenti svalutazioni e, qualora si manifestino, assoggetta le partecipazioni alla verifica di recuperabilità del valore, inteso come il maggiore fra il *fair value* al netto dei costi di vendita e il suo valore d'uso. Nell'esercizio è stata rilevata una svalutazione del valore di una partecipazione per Euro 267 migliaia. I processi e le modalità di valutazione e determinazione del valore recuperabile delle partecipazioni sono basati su assunzioni complesse che per loro natura implicano il ricorso al giudizio della Direzione. In particolare, tali assunzioni riguardano le previsioni dei flussi di cassa futuri delle controllate, la determinazione dei flussi di cassa normalizzati alla base della stima del valore terminale e la determinazione dei tassi di crescita di lungo periodo e di attualizzazione. In considerazione del giudizio richiesto e della complessità delle assunzioni utilizzate nella stima del valore recuperabile, tale tematica è stata ritenuta un aspetto chiave della revisione. La Società fornisce l'informativa di bilancio relativa alle Partecipazioni in imprese controllate nella sezione "Principi contabili significativi" al paragrafo "Partecipazioni" del bilancio d'esercizio e nella Nota 13.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro: • l'analisi della procedura e dei controlli chiave posti in essere dalla Società in merito all'identificazione di eventuali perdite di valore e alla valutazione delle partecipazioni. Nel caso delle partecipazioni sottoposte a verifica di recuperabilità del valore, esse hanno inoltre incluso, tra l'altro: • l'analisi delle assunzioni effettuate dalla Direzione per la stima dei flussi di cassa futuri delle società partecipate, e della loro coerenza con la strategia di gestione delle entità legali all'interno del Gruppo e con le previsioni dei flussi di cassa futuri desumibili dal business plan di Gruppo per il periodo 2019-2021; • la valutazione delle previsioni, rispetto all'accuratezza storica di quelle precedenti; • la verifica della determinazione dei tassi di crescita di lungo periodo e dei tassi di attualizzazione. Nelle nostre verifiche ci siamo anche avvalsi dell'ausilio di nostri esperti in tecniche di valutazione, in particolare per quanto riguarda l'analisi del modello utilizzato e le analisi di sensitività sulle assunzioni chiave al fine di valutare i cambiamenti delle assunzioni che potrebbero impattare significativamente la valutazione del valore recuperabile. Infine abbiamo verificato l'adeguatezza dell'informativa di bilancio in relazione alla valutazione delle partecipazioni.

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Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

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

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

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

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

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

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

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

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

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

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

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

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

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

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

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

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Building a better working world

Relazione su altre disposizioni di legge e regolamentari

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

Gli amministratori della Fidia S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari della Fidia S.p.A. al 31 dicembre 2018, incluse la loro coerenza con il relativo bilancio d'esercizio e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio d'esercizio della Fidia S.p.A. al 31 dicembre 2018 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio della Fidia S.p.A. al 31 dicembre 2018 e sono redatte in conformità alle norme di legge.

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

Torino, 29 marzo 2019

EY S.p.A.

Roberto Grossi
(Socio)