Elica S.p.A.

2013 SEPARATE ANNUAL ACCOUNTS

CONTENTS

The Elica Group today

The **Elica Group** has been present in the cooker hood market since the 1970s, is chaired by Francesco Casoli and led by Giuseppe Perucchetti and today is the world leader in terms of units sold. It is also a European leader in the design, manufacture and sale of motors for central heating boilers. With approximately 3,000 employees and an annual output of over 17 million units, the Elica Group has nine plants, including in Italy, Poland, Mexico, Germany, India and China. With many years' experience in the sector, Elica has combined meticulous care in design, judicious choice of material and cutting edge technology guaranteeing maximum efficiency and reducing consumption making the Elica Group the prominent market figure it is today. The Group has revolutionised the traditional image of the kitchen cooker hood: it is no longer seen as simple accessory but as a design object which improves the quality of life.

2013 Economic overview and Outlook 2014

The slow exit from Eurozone recession began in 2013 with a gradual easing of the sovereign debt crisis. In July the ECB [1] introduced qualitative forward guidance as an unconventional monetary policy instrument, with a commitment expressed to maintain the current low interest rates (or even lower) for an extended period of time. The guidance contributed to keeping money market rates and government bond yields under control.

GDP[2] in the Eurozone in 2013 reduced by 0.4% on 2012, with contained growth in Germany and France (respectively +0.5% and +0.2% on 2012) and continued recession in Italy and Spain (respectively -1.8% and -1.2% on the previous year). The consumer price index rose in the Eurozone by 1.4% on 2012.

The most recent IMF[3] estimates indicate growth for Eurozone GDP in 2014 of 1%, following two years of contraction, with the recovery extending also to countries such as Italy and Spain which have remained in recession to date. Inflation is expected to remain closer to 1% than to 2% over the next two-year period.

In the **United States**, GDP in 2013 grew 1.9% against a consumer price increase of 1.5% compared to 2012.

The key event of 2013 was undoubtedly the announcement by the now former Chair of the FED[4] Bernanke of a tapering according to the following timeframe: initiation by the end of 2013 and conclusion around the middle of 2014.

The Federal Reserve is expected to gradually phase out bond purchases during 2014, maintaining however a wide base monetary supply in terms of system requirements. This policy will certainly result in increased medium/long-term interest rates. While in the Eurozone and Japan the effect will be partially offset by interest rate differential movements, in the emerging markets it may add to volatility.

In 2014 GDP growth of 2.8% is forecast, with the consumer price index increasing 1.6%.

The **Japanese** economy reported growth in 2013 of 1.7%. The Japanese recovery is well consolidated, thanks also to monetary stimulus and weakening exchange rates. The BoJ[5] continues to implement quantitative and qualitative stimulus through increasing the monetary base by 70 trillion Yen each year - until inflation reaches the objective of 2.0% (end of 2015).

In **China** in 2013 GDP grew 7.7%; in 2014 further economic growth is forecast at 7.5%.

The latest proposed reforms will surely assist more balanced and sustainable growth over the long-term, while in the short-term a number of reforms, such as the liberalisation of energy and public service prices, may temporarily slow growth and drive inflation.

Indian GDP grew by 4.4% in 2013, with further growth of 5.4% expected in 2014.

In relation to the **Emerging countries**, 2013 saw overall GDP growth of 4.7%. The latest IMF estimates predict growth in 2014 of approx. 5.1%.

Commodities in 2013 reported slight decreases, with the exception of the energy sector. The precious metal sector reported the worst performance, while industrial metals were impacted by fears of slowdown in China and surpluses at the major stock markets.

Compared to previous years the Commodity market was impacted to a lesser degree by central bank policy (with the exception of precious metals), against a greater impact from the fundamentals.

The reduced sensitivity of Commodities to central bank decisions should be confirmed in 2014.

1 European Central Bank
2 Gross Domestic Product
3 International Monetary Fund
4 Federal Reserve System
5 Bank of Japan

Opposing dynamics were seen on the **currency** markets in the first and second parts of 2013. In the first six months the Euro was relatively weak with the depreciation of the Japanese Yen continuing on from the final part of 2012 following the decisions taken by the BoJ. The emerging economy currencies, after a stable beginning, significantly weakened once the FED decided to scale back the QE[6] plan. On the other hand, the second part of the year featured a strengthening of the Euro, which was among the best performing major currencies, benefitting from signs of economic growth. The weakness of the emerging economy currencies and the Japanese Yen however were significant in this development.

For 2014 the weakening of the US Dollar is expected to level off, following which the FED will likely reduce liquidity on the market gradually. The expected manoeuvres by the ECB should result in a weakening of the Euro. Amid these developments, the Japanese Yen is also expected to weaken. On the other hand, in the second part of the year, the Dollar is forecast to depreciate once again on the back of a more expansive outlook by the FED. Improved Eurozone growth facilitated by fresh expansive moves by the ECB may further drive the single currency.

In 2013 the **global range hood market** grew 3.3% on 2012[7] – with growth strengthening from the second quarter of the year.

The European market reports a slight contraction (-1.0%) compared to the previous year, however amid a two-speed performance which has been evident for some time: a continuous drop in demand in Western Europe (-3.6%), partially offset by growth in Eastern Europe (+2.6%).

The South-West European markets (Italy, Spain and Portugal) reported double digit contractions, with France undergoing a steeper decline in 2013 (-4.5% compared to -3% in 2012). The UK however reported a turn-around performance on the previous year with slight growth (+0.7%), while Germany saw substantial stability (+0.6%). The growth in Eastern Europe was driven particularly by the Russian (+14.9%) and Turkish (+3.5%) markets, amid a generalised contraction continuing on from 2012 in nearly all countries in the region.

The North American range hood market expanded significantly (+7.0%), with growth accelerating form the second quarter of 2013, while Latin American market demand weakened substantially on the basis of a slowdown in Mexico (-6.4%).

China, the largest range hood market, in 2013 picked up (expanding 8.2%), thanks to the recovering Chinese property market after the contraction of 2012.

Based on the information currently available, the Elica Group forecasts for 2014 an improved global range hood market, with growth in the Americas of between 5% and 7%, in Asia of 0% and 3% and a return to growth in Europe after two years (between 0% and +2%).

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[6] Quantitative Easing
[7] Volume data estimated by the Company.

Currency markets

In 2013, the Euro average exchange rate strengthened against all currencies to which the Group is exposed.

	Average 2013	Average 2012	%	31/12/2013	31/12/2012	%
USD	1.33	1.28	3.9%	1.38	1.32	4.5%
JPY	129.66	102.49	26.5%	139.21	113.61	22.5%
PLN	4.2	4.18	0.5%	4.15	4.07	2.0%
MXN	16.96	16.9	0.4%	18.07	17.18	5.2%
INR	77.93	68.6	13.6%	85.37	72.56	17.7%
CNY	8.16	8.11	0.6%	8.35	8.22	1.6%
RUB	42.34	39.93	6.0%	45.32	40.33	12.4%
GBP	0.85	0.81	4.9%	0.83	0.82	1.2%

IAS/IFRS and 2013-2012 comparability

The financial statements of Elica S.p.A. for the year ended December 31, 2013 were prepared in accordance with IAS/IFRS issued by the International Accounting Standards Board and approved by the European Commission, and in accordance with article 9 of Legislative Decree No. 38/2005.

The accounting principles utilised for the preparation of the current Financial Statements are consistent with those utilised for the preparation of the Financial Statements for the year ended December 31, 2012, except in relation to the amendments made to IAS 19, which resulted in a restatement.

The tables in the present Financial Statements are presented in Euro, while the explanatory notes are presented in thousands of Euro with all amounts rounded to the nearest thousand, unless otherwise specified.

Financial Highlights

In Euro thousands	FY 2013	FY 2012 restated	13 Vs 12 %
Revenues	290,117	287,489	0.9%
EBITDA before restructuring costs	**8,283**	**8,757**	**-5.4%**
revenue margin	2.9%	3.0%	
EBITDA	**2,978**	**8,757**	**-66.0%**
revenue margin	1.0%	3.0%	
EBIT	**(5,330)**	**1,026**	**N/A**
revenue margin	-1.8%	0.4%	
Revaluations of equity investments	1,843	-	N/A
revenue margin	0.6%	N/A	
Interest charge/(income)	(3,319)	(3,458)	-4.0%
revenue margin	-1.1%	-1.2%	
Exchange gains/losses	(760)	749	N/A
revenue margin	-0.3%	0.3%	
Net profit/(loss)	**(1,749)**	**6,300**	N/A
revenue margin	-0.6%	2.2%	

EBITDA is the operating profit (EBIT) plus amortisation and depreciation and write-downs of goodwill for losses in value. EBIT is the operating profit from continuing operations as reported in the Income Statement.

In Euro thousands	**31/12/2013**	**31/12/2012 restated**
Cash and cash equivalents	**2,386**	**13,229**
Loans to related parties	13,190	8,216
Finance leases and other lenders	-	-
Bank loans and mortgages	(44,883)	(42,235)
Short-term debt	**(31,693)**	**(34,018)**
Finance leases and other lenders	-	-
Bank loans and mortgages	(37,358)	(46,278)
Long-term debt	**(37,358)**	**(46,278)**
Net Debt	**(66,665)**	**(67,068)**

Net debt is the sum of amounts due under finance leases and other lenders (current and non-current) plus bank borrowings and mortgages (current and non-current), less cash and cash equivalents and financial receivables from related parties, as reported in the balance sheet.

In Euro thousands	**31/12/2013**	**31/12/2012 restated**
Trade receivables	48,772	53,977
Trade receivables - related parties	19,274	15,611
Inventories	27,582	26,795
Trade payables	(50,211)	(53,288)
Trade payables - related parties	(29,574)	(24,574)
Managerial Working Capital	**15,844**	**18,521**
as a % of revenues	*5.5%*	*6.4%*
Other net receivables/payables	(3,088)	6,559
Net Working Capital	**12,756**	**25,080**
as a % of revenues	*4.4%*	*8.7%*

The account Other net receivables/payables include the accounts Other receivables/payables and Tax receivables/payables and Provisions for risks and charges of current assets/liabilities.

2013 operating performance

In 2013, revenues grew by 0.9% on the previous year (+10.9% from related parties, -1.0% from third parties). The reduction in third party revenues principally relates to the Business to Business sector.

EBITDA in 2013 of Euro 3.0 million contracted 66.0% - significantly impacted by restructuring charge provisions related to the Workforce Restructuring Plan in Italy (Euro 5.3 million). EBITDA before restructuring costs in fact contracted slightly on 2012 to Euro 8.3 million.

In the fourth quarter of 2013 the Reconversion Project of the production area of Serra San Quirico (Ancona) and the gradual transfer of the workforce to the Mergo (Ancona) production site began. The Project stems from the need to ensure the competitivity of the Italian production structure and includes, parallel to investments, a proportionate and gradual resizing of the workforce over a period of approximately 24 months.

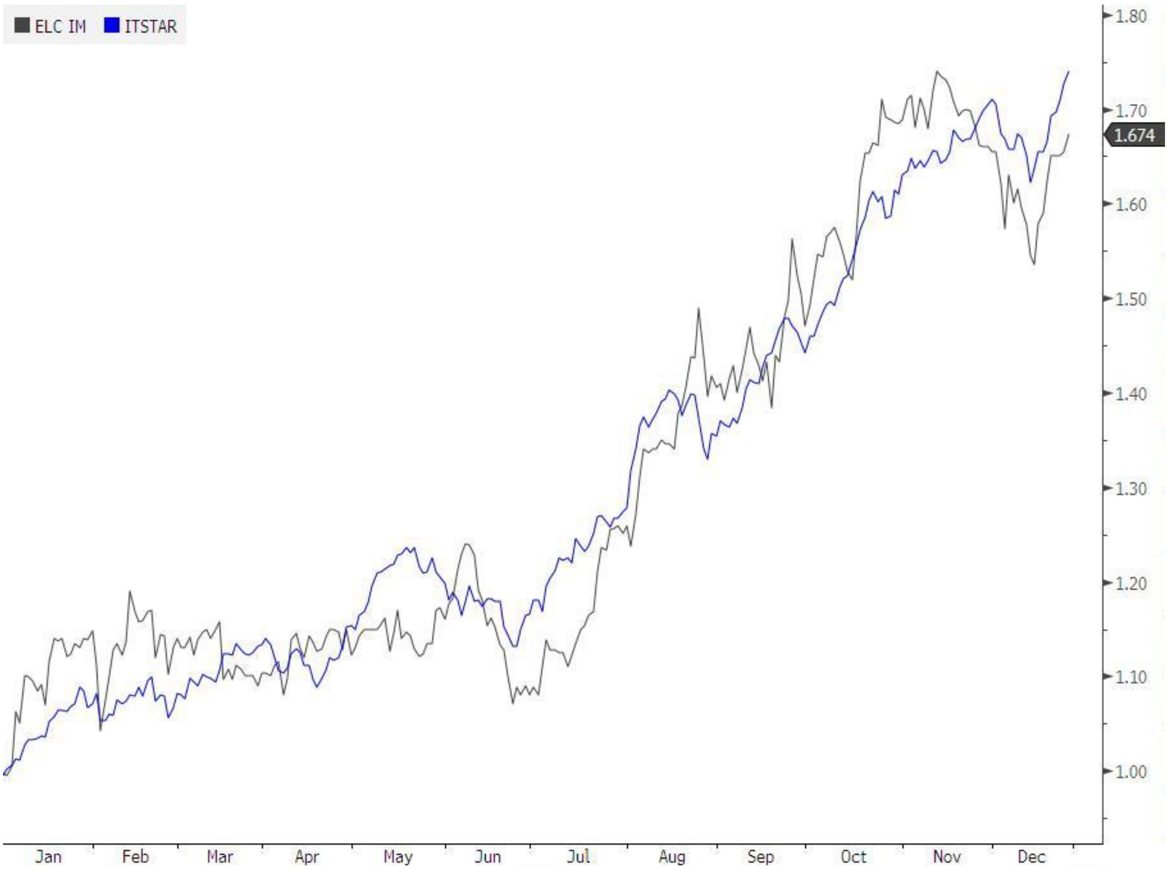
The Project includes recourse to the Temporary Lay-Off and Mobility schemes in support of the programme.

Net interest expense, including the financial component of IAS 19, reduced on 2012 (Euro 3.3 million in 2013 compared to Euro 3.5 million in 2012), following the reduction in the average debt.

The Managerial Working Capital of 5.5% of revenues reduced significantly on December 2012, following the major restructuring of the client portfolio and of trade payables.

The Net Debt reduced from Euro 67.1 million at December 31, 2012 to Euro 66.7 million at December 31, 2013, principally due to the strong generation of cash from operating activities.

Elica S.p.A. and the financial markets



Source: Bloomberg

The graph shows the performance of the Elica S.p.A. share price in 2013 in comparison to the average of other companies listed on the STAR segment (performance of the FTSE Italia STAR index indicated). In the first half of 2013, the share price was loosely related to the movement of the STAR segment, while in second part of the year the share price was increasingly in line with the index.

The Share Capital consists of 63,322,800 ordinary voting shares. The shareholding structure of Elica S.p.A. at December 31, 2013 is shown in the Corporate Governance Report, available on the Company website www.elicagroup.com, Investor Relations/Corporate Governance section and/or at http://corporation.elica.com (Investor Relations section).

Significant events in 2013

On January 16, 2013, Elica S.p.A., in accordance with Article 70, paragraph 8 and Article 71, paragraph 1-*bis* of the Consob Issuers' Regulation, announced that it would employ the exemption from publication of the required disclosure documents concerning significant merger, spin-off, share capital increase through conferment of assets in kind, acquisition and sales operations.

The Board of Directors of Elica S.p.A. on February 14, 2013 approved the 2012 Fourth Quarter Report, prepared in accordance with IFRS accounting standards.

On March 15, 2013 the Board of Directors of Elica S.p.A approved the Consolidated Financial Statements at December 31, 2012 and the Separate Financial Statements at December 31, 2012 of Elica S.p.A, prepared in accordance with IFRS.

On March 28, 2013, the Board of Directors decided to propose May 20, 2013 as the coupon No. 5 date, record date of May 22, 2013 and dividend payment date of May 23, 2013.

On April 24, 2013, the Shareholders' Meeting of Elica S.p.A., meeting in Ordinary and Extraordinary session, approved the Financial Statements at December 31, 2012 of Elica S.p.A., the distribution of a dividend of Euro 0.0237 per share, resulting in a pay-out ratio of 30.0% of the Consolidated Group Net Profit, excluding the distribution of a dividend for treasury shares held at May 20, 2013, date of the dividend coupon No. 5 and record date of May 22. The dividend payment date is May 23, 2013. On the same date, the Shareholders' Meeting approved the Remuneration Report, authorised the purchase of treasury shares and the utilisation of such shares, approved the amendments to the By-laws and an increase in the number of Board members from 7 to 8, appointing Evasio Novarese as Director, born in Omegna (VB) on 25/08/1947 and resident in Comerio (VA).

The Board of Directors of Elica S.p.A. on May 14, 2013 approved the 2013 First Quarter Report, prepared in accordance with IFRS accounting standards.
The Board of Directors also approved at the meeting the conversion Project of the production area of Serra San Quirico (Ancona) into a logistical hub and the gradual transfer of the workforce to the nearby Mergo (Ancona) production site. The Project stems from the need to ensure the competitivity of the Italian production structure and includes, parallel to investments in the region, a proportionate and gradual resizing of the workforce over a period of approximately 24 months from the fourth quarter of 2013.

On May 14, 2013, the Board of Directors noted that on April 24, 2013 the Vesting Period of the 2010 Stock Grant Plan concluded and verified the achievement of the Retention and Performance Objectives established by the plan, allocating overall 203,976 Elica S.p.A. shares to the Beneficiaries.

On May 14, 2013, Elica S.p.A. undertook a convertible loan of Euro 5 million, issued by the Indian subsidiary Elica PB India Private Ltd, investing in the development of the business on the Indian market.
The bond loan, issued by Elica PB India Private Ltd. and fully subscribed by Elica S.p.A., has a duration of 9 years and will mature interest annually at a fixed rate of 3.5%; on maturity of this 9 year period or, based on the economic-financial results of the Indian company also before this maturity, the bond loan will be fully converted into shares in Elica PB India Private Ltd., for a nominal value equal to the capital amount of the bond loan.
Subsequent to this conversion, the minority shareholders of Elica India Private Ltd. will have the option to purchase from Elica S.p.A., at the nominal value, a part of the shares deriving from the conversion of the bond loan, in order to enable the above-stated shareholders to maintain unaltered their holding in the Indian company (currently 49%). In the case in which the minority shareholders do not exercise this right, Elica S.p.A. will have the right and obligation to purchase the shares of the above-stated minority shareholders of Elica PB India Private Ltd. for consideration equal to the fair market value of these shares which will be established by independent experts.

On May 21, 2013 it was communicated that the Minutes of the Extraordinary and Ordinary Shareholders' Meeting held on April 24, 2013, with the relative attachments, and the By-laws amended by such, with and without highlighting of the amendments, were made available to the public at the registered office, CONSOB and on the website of Borsa Italiana S.p.A., in addition to the Company website.

On July 15, 2013, Elica S.p.A., following the authorisation on June 19, 2013 of the Board of Directors to utilise treasury shares, announced the sale of 1,700,000 shares, comprising 2.68% of the Share Capital, to INVESCO PERPETUAL, an investment fund with a division dedicated to shareholdings in small-mid cap European companies, at a price of Euro 1.134 per share. Following this operation, Elica S.p.A. holds 1,275,498 treasury shares.

On August 27 the Alternate Auditor Franco Borioni purchased 5,000 Elica S.p.A. shares.

On August 28, 2013, the Board of Directors of Elica S.p.A. approved the 2013 Half-Year Report, prepared in accordance with IFRS accounting standards.
The Board of Directors of Elica S.p.A. on the same date also approved the updated Organisational, management and control model as per Legislative Decree 231/01 of Elica S.p.A., approved on March 27, 2008, following the new offenses included in the decree and judgments concerning the responsibility of entities.

The Board of Directors of Elica S.p.A. on November 14, 2013 approved the 2013 Third Quarter Report, prepared in accordance with IFRS accounting standards. Following its drafting in the first months of the year and in line with Borsa Italiana notice No. 8342 of May 6, 2013 and Article 6.P.2 of the Self-Governance Code, the Board of Directors of Elica S.p.A. approved on the same date the setting up of the Long Term Incentive Plan, delegating the Chief Executing Officer with the preparation of the Regulation, based on the parameters approved by the Board. The Board of Directors of Elica S.p.A. also approved at the meeting the new version of the Regulation for the handling of corporate information and the governance of the Insider Register.

Research and Development

Development activities are a central part of the company's operations: significant increases in resources were dedicated to develop, produce and offer clients innovative products both in terms of design and the utilisation of materials and technological solutions.

During the year, the company was involved in industrial research, seeking to improve products as well as organisational, process and structural improvements.

We also highlight the continued review and improvement of the processes and relative systems in the Supply Chain area and in the Industrial and administrative areas.

Total research and development costs incurred amounted to Euro 6,050 thousand.

Information relating to the environment

Elica S.p.A. operates in compliance with all regulations – local and national – for the protection of the environment both in relation to products and the productive cycles. It is highlighted that the types of activities carried out have limited implications in environmental terms and in terms of atmospheric emissions, waste disposal and water disposal. The maintenance of such standards however requires the incursion of costs for the company.

Information relating to personnel

Elica, in its commitment to continuous improvement, has undertaken initiatives focussed on increasing security levels at the plant, reducing and monitoring risks and training personnel for more conscientious behaviour and prudency in the workplace, further improving the already low staff turnover levels and accidents.

Exposure to risks and uncertainty and financial risk factors

Elica's operations are exposed to different types of financial risks, or risks associated to changes in exchange rates, interest rates, commodity prices and cash flow. In order to mitigate the impact of these risks on the company's results, the Elica Group commenced the implementation of a financial risk monitoring system through a "Financial Risk Policy" approved by the Board of Directors of the Company.

Within this policy, the Company constantly monitors the financial risks related to the operating activities in order to assess any potential negative impact and undertakes corrective action where necessary.
The main guidelines for the Company risk policy management are as follows:

- identify the risks related to the achievement of the business objectives;
- assess the risks to determine whether they are acceptable compared to the controls in place and if they require additional treatment;
- reply appropriately to risks;
- monitor and report on the current state of the risks and the effectiveness of their control.

The Group Financial Risk Policy is based on the principle of proficient management and the following assumptions:

- Prudent management of the risk with a view to protecting the expected value of the business;
- Use of "natural hedges" in order to minimise the net exposure on the financial risks described above;
- Undertake hedging operations within the limits approved by Management and only in the presence of effective and clearly identified exposures;

The process for the management of the financial risks is structured on the basis of appropriate procedures and controls, based on the correct separation of the activities of conclusion, settlement, registration and reporting of the results.

Corporate boards

Members of the Board of Directors

Francesco Casoli
Executive Chairman, born in Senigallia (AN) on 5/6/1961, appointed by resolution of 27/4/2012.

Giuseppe Perucchetti
Chief Executive Officer, born in Varese (VA) on 30/10/1958, appointed a Director on 27/4/2012 and an Executive Director on 13/9/2012.

Gianna Pieralisi
Executive Director, born in Monsano (AN) 12/12/1934, appointed by resolution of 27/4/2012.

Gennaro Pieralisi
Director, born in Monsano (AN) on 14/2/1938, appointed by resolution of 27/4/2012.

Stefano Romiti
Independent Director and Lead Independent Director, born in Rome (RM) on 17/11/1957, appointed by resolution of 27/4/2012.

Andrea Sasso
Director, born in Rome on 24/8/1965, appointed by resolution of 27/4/2012.

Elena Magri
Independent Director, born in Brescia (BS) on 19/7/1946, appointed by resolution of 27/4/2012.

Evasio Novarese
Independent Director, born in Omegna (VA) on 25/08/1947, appointed by the Shareholders' Meeting of 24/04/2013 (deed of 7/5/2013).

Members of the Board of Statutory Auditors

Corrado Mariotti
Chairman, born in Numana (AN) on 29/2/1944, appointed by resolution of 27/4/2012.

Stefano Marasca
Statutory Auditor, born in Osimo (AN) on 9/8/1960, appointed by resolution of 27/4/2012.

Gilberto Casali
Statutory Auditor, born in Jesi (AN) on 14/1/1954, appointed by resolution of 27/4/2012.

Franco Borioni
Alternate Auditor, born in Jesi (AN) on 23/6/1945, appointed by resolution of 27/4/2012.

Daniele Capecci
Alternate Auditor, born in Jesi (AN) on 3/4/1972, appointed by resolution of 27/4/2012.

Internal control & risk management Cmte.

Stefano Romiti
Gennaro Pieralisi
Elena Magri

Appointments and Remuneration Committee

Stefano Romiti
Gennaro Pieralisi
Elena Magri

Independent Audit Firm
Deloitte & Touche S.p.A.

Registered office and Company Data
Elica S.p.A.
Registered office: Via Dante, 288 – 60044 Fabriano (AN)
Share capital: Euro 12,664,560.00
Tax Code and Companies' Register Number: 00096570429
Ancona REA No. 63006 – VAT Number 00096570429

Investor Relations Manager
Laura Giovanetti
e-mail: l.giovanetti@elica.com Telefono: +39 0732 610727

Structure of the Elica Group

The Elica Group is currently the world's largest manufacturer of kitchen range hoods for domestic use and is leader in Europe in the sector of motors for boilers used in home heating systems.

Parent Company

o Elica S.p.A. - Fabriano (AN-Italy) is the parent company of the Group (in short Elica).

Subsidiary companies at December 31, 2013

o Elica Group Polska Sp.zo.o – Wroclaw – (Poland) (in short Elica Group Polska). This wholly-owned company has been operational since September 2005 in the production and sale of electric motors and from December 2006 in the production and sale of exhaust range hoods for domestic use;

o Elicamex S.A. de C.V. – Queretaro (Mexico) (in short Elicamex). The company was incorporated at the beginning of 2006 (The Parent Company owns 98% directly and 2% through Elica Group Polska). Through this company, the Group intends to concentrate the production of products for the American markets in Mexico and reap the benefits deriving from optimisation of operational and logistical activities;

o Leonardo Services S.A. de C.V. – Queretaro (Mexico) (in short Leonardo). This wholly-owned subsidiary was incorporated in January 2006 (the Parent Company owns 98% directly and 2% indirectly through Elica Group Polska Sp.zo.o.). Leonardo Services S.A. de C.V. manages all Mexican staff, providing services to Elicamex S.A. de C.V..

o Ariafina CO., LTD – Sagamihara-Shi (Japan) (in short Ariafina). Incorporated in September 2002 as an equal Joint Venture with Fuji Industrial of Tokyo, the Japanese range hood market leader, Elica S.p.A. acquired control in May 2006 (51% holding) to provide further impetus to the development of the important Japanese market, where high-quality products are sold;

o Airforce S.p.A. – Fabriano (AN-Italy) (in short Airforce). This company operates in a special segment of the production and sale of hoods sector. The holding of Elica S.p.A. is 60%;

o Airforce Germany Hochleigstungs-Dunstabzugssysteme GmbH – Stuttgart (Germany) (in short Airforce Germany). Airforce S.p.A. owns 95% of Airforce Germany G.m.b.h., a company that sells hoods in Germany through so-called "kitchen studios";

o Elica Inc. – Chicago, Illinois (United States). The company aims to develop the Group's brands in the US market by carrying out marketing and trade marketing with resident staff. The company is a wholly owned subsidiary of ELICAMEX S.A. de C.V.;

O Exklusiv Hauben Gutmann GmbH – Mulacker (Germany) (in short Gutmann) - a German company entirely held by Elica S.p.A. and the German leader in the high-end kitchen range hood market, specialised in tailor made and high performance hoods.

o Elica PB India Private Ltd. - Pune (India) (in short Elica India); in June 2010 Elica S.p.A. signed a joint venture agreement subscribing 51% of the share capital of the newly-incorporated Indian company. Elica PB India Private Ltd. is involved in the production and sale of Group products.

o Zhejiang Putian Electric Co. Ltd. – Shengzhou (China) (in short Putian), a Chinese company held 66.76% and operating under the "Puti" brand, a leader in the Chinese home appliances sector, producing and marketing range hoods, gas hobs and kitchenware sterilisers. Putian is one of the main players in the Chinese range hood market and the principal company developing western style range hoods. The production site is located in Shengzhou, a major Chinese industrial district for the production of kitchen home appliances.

o Elica Trading LLC – St. Petersberg (Russian Federation) (in short Elica Trading), a Russian company held 100%, incorporated on June 28, 2011.

Associated companies

o I.S.M. S.r.l. – Cerreto d'Esi (AN- Italy). The company, of which Elica S.p.A. holds 49.385% of the Share Capital, operates within the real estate sector.

Changes in the consolidation scope

There were no changes in the consolidation scope compared to December 31, 2012.

Elica Group Inter-company and other related-party transactions

In 2013, transactions were entered into with subsidiaries, associated companies and other related parties. All transactions were conducted on an arm's length basis in the ordinary course of business.

Subsidiaries –2013 Financial Highlights

In Euro thousands Reporting package figures	**Assets**	**Liabilities**	**Net Equity**	**Revenues**	**Net Result**
Elicamex S.a.d. C.V.	44,145	13,424	30,721	53,545	5,629
Elica Group Polska Sp.z o.o	50,241	25,351	24,890	89,551	3,194
Airforce S.p.A.	9,892	7,473	2,419	19,410	254
Ariafina Co. Ltd	8,270	3,019	5,251	23,293	1,968
Leonardo Services S.a. de C.V.	1,549	1,543	7	6,731	147
Exklusiv Hauben Gutmann GmbH	24,498	14,386	10,112	26,337	405
Elica Inc.	440	309	131	566	16
Airforce GE (*)	79	7	72	18	(11)
Elica PB India Private Ltd.	6,686	4,663	2,023	9,042	(84)
Zhejiang Putian Electric Co. Ltd	14,831	11,871	2,960	13,795	(3,277)
Elica Trading LLC	3,616	2,025	1,590	7,418	(163)

(*) Airforce Germany Hochleistungs-dunstabzugssysteme Gmbh

For details on transactions with the present subsidiaries and other related parties, reference should be made to the following notes.

Corporate governance and ownership structure report

In accordance with Article 123-*bis* of Legislative Decree 58/1998, with Article 89-*bis* of Consob Resolution No.11971/1999 and successive amendments and integrations, Elica S.p.A. provides complete disclosure on the Corporate Governance system adopted at March 21, 2014, in line with the recommendations of the Self-Governance Code (December edition), in the Annual Corporate Governance Report, available on the website of the Company www.elicagroup.com in the Investor Relation/Corporate Governance section and/or at http://corporation.elica.com (Investor Relations section).

Remuneration Report

In accordance with Article 123-*ter* of Legislative Decree 58/1998 and Article 84-*quater* of the Consob Resolution No. 11971/1999 and subsequent amendments, Elica S.p.A. prepares a remuneration report in accordance with the indications at Attachment 3A, Table 7-*bis* of the same Consob Resolution No. 11971/1999 and subsequent amendments. This report is available on the website of the Company www.elicagroup.com/ Investor Relations/Corporate Governance section and/or http://corporation.elica.com (Investor Relations section).

Events after December 31, 2013 and outlook

On January 23, 2014, in accordance with Article 2.6.2, paragraph 1, letter b) of the Regulations of the Markets organised and managed by Borsa Italiana S.p.A., Elica S.p.A. published the financial calendar for the year 2014.

The Group carries out an ongoing and extensive monitoring of demand dynamics, which in 2013 appeared strong across all regions compared to 2012, with the exception of Western Europe and South America.

In view of the fourth quarter preliminary results, the Group has comfortably achieved the 2013 Guidance performance objectives, announced to the market on May 14, 2013, which estimated revenue growth of between 1% and 3% and an improvement in consolidated EBITDA, before restructuring costs, of between 2% and 7% on 2012, and a Net Debt of not greater than Euro 57 million at the end of 2013. Based on current developments, the Group forecasts for 2014 an improved global range hood market, with growth in the Americas of between 5% and 7%, in Asia of between 0% and 3% and a return to growth in Europe after two years (between 0% and 2%).

In a global marketplace which expects growth in the Americas, stability or a slight improvement in Asia and Europe, the Elica Group for 2014 forecasts an increase in consolidated revenues of between 1% and 3% and an improvement in consolidated EBITDA[8] of between 4% and 7% on 2013, and targets a Net Debt of not greater than Euro 52 million at the end of 2014.

Compliance pursuant to Section VI of the regulation implementing legislative decree No. 58 of 24 February 1998 concerning market regulations ("Market Regulations")

In accordance with Article 36 of the Regulation enacting Legs. Decree No. 58 of February 24, 1998, Elica S.p.A., having control, directly or indirectly, over some companies registered in countries outside of the European Union, the financial statements of the above-mentioned companies, prepared for the purposes of the Elica Group Consolidated Financial Statements, were made available in accordance with the provisions required by the current regulations.
For the reasons for which it is considered that the company is not under the direction and control of the parent company, in accordance with article 37, reference is made to paragraph 8. Disclosure pursuant to IAS 24 on management compensation and related-party transactions.

Obligations in accordance with Article 70, paragraph 8 and Article 71, paragraph 1-*bis* of the "Issuers' Regulation"

In accordance with Article 70, paragraph 8 and Article 71, paragraph 1-*bis* of the Consob Issuers' Regulation, on January 16, 2013, Elica announced that it would employ the exemption from publication of the required disclosure documents concerning significant merger, spin-off, and share capital increase operations through conferment of assets in kind, acquisitions and sales.

[8] **Before restructuring costs.**

Proposal for the approval of the Annual Accounts and allocation of 2013 Net Profit as approved by the Board of Directors on March 21, 2014

Dear Shareholders,

in relation to Point 1.1 on the Agenda:

1.1 Approval of the Financial Statements for the year ended December 31, 2013; Directors' Report; Board of Statutory Auditor's Report; Independent Auditors' Report. Presentation of the Consolidated Financial Statements at December 31, 2013.

We recall that the 2013 Annual Accounts which we present for your approval reports a Shareholders' Equity of Euro 107,909,741 and a net loss of Euro 1,749,417, which we propose to fully cover through utilisation of the Extraordinary Reserve.
More generally, we propose approval of the 2013 Separate Annual Accounts, collectively and individually, the Directors' Report and the review of the Board of Statutory Auditors' Report and the Independent Auditors' Report, in addition to the Consolidated Financial Statements at December 31, 2013.

We wish to take this opportunity to recall that the company over the years has presented grant requests as per Law 488/92 to support investment at a number of production sites.
In particular, following Ordinary Shareholders' Meeting motion of July 11, 2005, the company, among others, transferred Euro 3,875,492 from the Extraordinary Reserve to the Law 488/92 Reserve. At the end of the year just ended, the above amount may be released from the Law 488/92 Reserve and transferred to the Extraordinary Reserve. We propose therefore the release of the amount and full allocation to the Extraordinary Reserve.

In relation to the motion at Point 1.2 on the Agenda:

1.2 Resolutions on dividend distribution.

Given the significant available and distributable reserves, we propose the distribution of an extraordinary dividend of Euro 0.0269 per share, excluding the distribution of a dividend for shares in portfolio from May 26, 2014, dividend coupon No. 6. We propose therefore a dividend payment date of May 29, 2014.

We propose to Shareholders, in light of that outlined above, in relation to Points 1.1 and 1.2:

1.1 Approval of the Financial Statements for the year ended December 31, 2013; Directors' Report; Board of Statutory Auditor's Report; Independent Auditors' Report. Presentation of the Consolidated Financial Statements at December 31, 2013;
1.2 Resolutions on dividend distribution.

We thank you for your assistance.

The Board of Directors
THE EXECUTIVE CHAIRMAN
Francesco Casoli

ELICA S.p.A.

Registered Office at Via Dante, 288 - 60044 Fabriano (AN) - Share Capital Euro 12,664,560 fully paid in

Separate financial statements as at 31/12/2013

Income Statement

in Euro	***Note***	**2013**	**2012 restated**
Revenues - third parties	**4.1**	238,022,329	240,516,160
Revenues - related parties	**4.1**	52,094,450	46,972,885
Other operating revenues	**4.2**	4,331,188	3,721,058
Changes in inventories of finished and semi-finished goods	**4.3**	1,455,652	(1,127,422)
Increase in internal work capitalised	**4.4**	2,291,479	2,586,330
Raw materials and consumables – third parties	**4.5**	(102,889,755)	(101,911,512)
Raw mateials and consumables – related parties	**4.5**	(86,951,463)	(81,749,686)
Services - third parties	**4.6**	(41,263,973)	(43,601,091)
Services – related parties	**4.6**	(1,551,683)	(1,200,649)
Labour costs	**4.7**	(52,238,890)	(48,482,222)
Amortisation & Depreciation	**4.8**	(8,308,953)	(7,731,105)
Other operating expenses and provisions	**4.9**	(5,016,547)	(6,967,104)
Restructuring costs	**4.10**	(5,304,329)	-
EBIT		**(5,330,495)**	**1,025,642**
Investment income	**4.11**	4,683,048	6,481,245
Recovery of equity investments	**4.11**	1,842,660	-
Financial income	**4.12**	457,066	403,457
Financial expenses	**4.13**	(3,775,996)	(3,861,413)
Exchange gains/(losses)	**4.14**	(759,693)	748,681
Profit/(loss) before taxes		**(2,883,410)**	**4,797,612**
Income taxes	**4.15**	1,133,993	1,502,444
Net profit/(loss) from continuing operations		**(1,749,417)**	**6,300,056**
Net profit from discontinued operations		-	-
Net profit/(loss) for the year		**(1,749,417)**	**6,300,056**

Comprehensive Income Statement

in Euro	2013	2012 restated
Net Profit/(loss)	**(1,749,417)**	**6,300,056**
Other comprehensive profits/(losses) which may not be subsequently reclassified to net profit/(loss) for the year:		
Actuarial gains/(losses) of employee defined plans	802,661	(2,262,452)
Tax effect concerning the other profits/(losses) which may not be subsequently reclassified to the net profit/(loss) for the year	(189,499)	565,657
Total other comprehensive profits/(losses) which may not be subsequently reclassified to net profit/(loss) for the year, net of the tax effect	**613,162**	**(1,696,795)**
Other comprehensive profits/(losses) which may be subsequently reclassified to net profit/(loss) for the year:		
Net change in cash flow hedges	306,000	(247,178)
Tax effect concerning the other profits/(losses) which may be subsequently be reclassified to the net profit/(loss) for the period	(84,150)	53,692
Total other comprehensive profits/(losses) which may be subsequently reclassified to net profit/(loss) for the year, net of the tax effect	**221,850**	**(193,486)**
Total other comprehensive income statement items, net of the tax effect:	**835,012**	**(1,890,281)**
Total comprehensive profit/(loss)	**(914,405)**	**4,409,775**

Balance Sheet

in Euro	*Note*	31/12/2013	31/12/2012 restated	1/1/2012 restated
Property, plant & equipment	**4.17**	41,910,302	44,565,360	43,810,415
Goodwill	**4.18**	23,342,460	23,342,460	23,342,460
Other intangible assets	**4.18**	16,194,074	15,249,652	14,575,283
Investments in subsidiary companies	**4.19**	83,665,536	76,304,228	76,880,421
Investments in associated companies	**4.19**	1,376,926	1,376,926	1,376,926
Other receivables	**4.20**	99,048	115,152	131,370
Tax receivables	**4.21**	5,982	5,982	5,982
Deferred tax assets	**4.23**	8,932,345	6,766,251	5,578,689
AFS financial assets	**4.24**	153,227	153,227	155,293
Derivative financial instruments	**4.30**	713	49	29,360
Total non-current assets		**175,680,613**	**167,879,287**	**165,886,199**
Trade receivables	**4.25**	48,772,453	53,977,206	62,189,372
Trade receivables - related parties	**4.26**	19,274,007	15,611,429	12,605,225
Financialñ receivables - related parties	**4.26**	13,189,715	8,216,441	10,902,158
Inventories	**4.27**	27,581,578	26,794,621	29,169,801
Other receivables	**4.28**	5,141,501	4,523,556	4,773,106
Tax receivables	**4.29**	7,024,341	8,849,934	8,066,611
Derivative financial instruments	**4.30**	518,958	637,532	813,245
Cash and cash equivalents	**4.31**	2,386,326	13,228,691	2,192,668
Current assets		**123,888,879**	**131,839,410**	**130,712,186**
Assets of discontinued operations	4.22	**2,394,657**	**-**	**-**
Total Assets		**301,964,149**	**299,718,697**	**296,598,385**
Liabilities for post-employment benefits	**4.32**	10,548,844	11,509,795	9,503,894
Provisions for risks and charges	**4.33**	3,029,856	2,449,724	2,248,166
Deferred tax liabilities	**4.23**	1,120,654	1,005,638	1,863,766
Bank loans and mortgages	**4.34**	37,357,653	46,278,112	45,016,285
Other payables	**4.36**	983,276	1,170,325	1,307,312
Tax payables	**4.35**	676,840	806,687	887,541
Derivative financial instruments	**4.30**	166,159	372,838	60,303
Non-current liabilities		**53,883,282**	**63,593,119**	**60,887,267**
Provisions for risks and charges	**4.33**	3,223,867	1,087,017	1,023,204
Bank loans and mortgages	**4.34**	44,883,016	42,234,595	41,210,031
Trade payables	**4.37**	50,210,515	53,287,690	59,980,022
Trade payables - related parties	**4.38**	29,573,522	24,574,115	18,874,934
Other payables	**4.36**	9,732,330	3,805,746	5,372,133
Tax payables	**4.35**	2,297,287	1,922,200	2,027,055
Derivative financial instruments	**4.30**	250,589	906,669	1,004,387
Current liabilities		**140,171,126**	**127,818,032**	**129,491,766**
Share capital		12,664,560	12,664,560	12,664,560
Capital reserves		71,123,335	71,123,335	71,123,335
Hedging and stock option reserve		(155,292)	(59,180)	2,380,213
Reserve for actuarial gains/losses		(1,834,557)	(2,444,260)	(674,465)
Treasury shares		(3,550,986)	(8,814,532)	(8,814,532)
Profit reserves		31,412,098	29,537,567	56,393,482
Net profit/(loss) for the year		(1,749,417)	6,300,056	(26,853,241)
Shareholders' Equity	**4.39**	**107,909,741**	**108,307,546**	**106,219,352**
Total shareholders liabilities and equity		**301,964,149**	**299,718,697**	**296,598,385**

Cash flow statement

in Euro	31/12/2013	31/12/2012 restated
Opening cash and cash equivalents	**13,228,691**	**2,192,668**
EBIT - Operating profit/(loss)	(5,330,495)	1,025,642
Amortisation, depreciation and write-downs	8,308,953	7,731,105
EBITDA	2,978,458	8,756,747
Trade working capital	2,677,450	6,587,442
Other working capital accounts	5,803,922	(63,306)
Income taxes paid	(1,043,774)	(1,348,729)
Change in provisions	2,255,564	(486,936)
Other changes	236,366	(2,440,147)
Cash flow from operating activity	**12,907,986**	**11,005,071**
Net increases	(9,828,575)	(3,388,598)
Intangible assets	(4,070,541)	(3,368,717)
Property, plant & equipment	(4,922,433)	(5,791,585)
Equity investments and other financial assets	(835,601)	5,771,704
Cash flow from investments	**(9,828,575)**	**(3,388,598)**
(Acquisition)/Sale of treasury shares	1,927,800	(468)
Dividends	(699,534)	-
Increase/(decrease) financial payables/receivables	(11,245,312)	4,972,842
Net changes in other financial assets/liabilities	(915,794)	298,973
Interest paid	(2,988,936)	(1,851,797)
Cash flow from financing activity	**(13,921,777)**	**3,419,550**
Change in cash and cash equivalents	**(10,842,365)**	**11,036,023**
Closing cash and cash equivalents	**2,386,326**	**13,228,691**

Statement of changes in Shareholders' Equity

In Euro thousands	Share capital	Share premium reserve	Treasury shares	Profit reserves	Hedging and stock option reserve / Post-employment benefits	Net profit/(loss) for the year	Total Shareholders' Equity
Balance at January 1, 2012- *restated*	**12,665**	**71,123**	**(8,815)**	**56,393**	**1,706**	**(26,853)**	**106,219**
Allocation of 2011 Net Result							
Dividends							0
Other allocations				(26,853)		26,853	0
Income components recorded directly to equity							0
Recognition of stock options					(2,246)		(2,246)
Changes in hedging reserve					(193)		(193)
Actuarial profits/(losses) employee leaving indemnity				(2)	(1,771)		(1,773)
Other changes							0
Sale of treasury shares							0
Net Result						6,300	6,300
Balance at December 31, 2012 *-restated*	**12,665**	**71,123**	**(8,815)**	**29,538**	**(2,503)**	**6,300**	**108,308**
Allocation of 2012 Net Result							
Dividends				(1,426)			(1,426)
Other allocations				6,300		(6,300)	0
Income components recorded directly to equity							0
Recognition of stock options					(336)		(336)
Changes in hedging reserve					240		240
Actuarial profits employee leaving indemnity					610		610
Other changes							
Sale of treasury shares			5,264	(3,000)			2,264
Net Result						(1,749)	(1,749)
Balance at December 31, 2013	**12,665**	**71,123**	**(3,551)**	**31,412**	**(1,990)**	**(1,749)**	**107,910**

Notes to the Statutory Financial Statements at December 31, 2013

1. Accounting principles and policies
2. Accounting standards, amendments and interpretations applied after January 1, 2013 and not yet applicable by the Company
3. Significant accounting estimates
4. Notes to the Statutory Financial Statements
5. Significant non-recurring events and operations
6. Guarantees, commitments and contingent liabilities
7. Risk management policy
8. Disclosure on Management compensation and related-party transactions
9. Positions or transactions arising from exceptional and/or unusual transactions
10. Subsequent events

1. Accounting principles and policies

1.1 General information

Elica S.p.A. is a company incorporated under Italian law with registered office in Fabriano (AN), Italy.

The company is listed on the STAR segment on the Italian Stock Exchange.

The main activities of the Company and its subsidiaries as well as its registered office and secondary offices are illustrated in the Directors' Report on Operations.

The Euro is the functional and presentation currency of the company. The financial statement amounts are in Euro while the amounts in the notes are in thousands of Euro.

1.2 General Principles

The financial statements were prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union, as well as in accordance with Article 9 of Legislative Decree No. 38/2005 and related CONSOB regulations.

The Statutory Financial Statements at December 31, 2013 are compared with the previous year and consist of the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Statement of changes in Shareholders' Equity and the Explanatory Notes thereto.

The financial statements and related notes comply with the minimum disclosure requirements of IFRS, as supplemented, where applicable, by the provisions enacted by law and by CONSOB.

The Company did not make any changes to the accounting principles applied between the comparative dates of December 31, 2012 and December 31, 2013 - except for the new requirements of IAS 19 which necessitated a restatement - given that neither the International Accounting Standards Board (IASB) nor the International Financial Reporting Interpretation Committee (IFRIC) have revised or issued further standards or interpretations due to take effect on January 1, 2013 that would have had a material effect on the company financial statements.

The statutory financial statements were prepared on the basis of the historical cost convention, except for some financial instruments which are recognised at fair value. The financial statement accounts have been measured in accordance with the general criteria of prudence and accruals and on a going concern basis, and also take into consideration the economic function of the assets and liabilities.

1.3 Financial Statements

Management of the Company, in accordance with IAS 1, made the following choices in relation to the presentation of the financial statements.

- The **Income Statement** is prepared in accordance with the nature of the item and shows intermediary results relating to the operating result and the result before taxes in order to allow a better assessment of the normal operating performance.

  The operating profit is the difference between the net operating costs and revenues (this latter inclusive of non-cash items relating to amortisation/depreciation and write-downs of current and non-current assets, net of any restatements in value) and inclusive of gain/losses generated on the disposal of non-current assets.

- **The Comprehensive Income Statement** reports, beginning with the profit (loss) in the period, the effect of the other comprehensive income statement items recorded directly to net equity (other comprehensive income).

- **The Balance Sheet** is presented with separation between current and non-current assets and liabilities. An asset/liability is classified as current when it satisfies any of the following criteria: it is expected to be realised/settled or is expected to be sold or utilised in the normal operating cycle of the company; it is held for trading; it is expected that it will be realised/settled within 12 months from the balance sheet date. Where none of these conditions apply, the assets/liabilities are classified as non-current.

- **Cash flow statement** prepared using the indirect method in which the operating result is adjusted by non-cash items.
- **Statement of Changes in Shareholders' Equity** illustrates the changes in Equity accounts.

1.4 Accounting principles and policies

The main accounting principles and policies adopted in the preparation of the separate financial statements are described below.

Property, plant & equipment

Property, plant and equipment are recorded at purchase or production cost, including any directly attributable costs. Some assets have been adjusted under specific revaluation legislation prior to January 1, 2005 and are considered representative of the fair value of the asset at the revaluation date (deemed cost as per IFRS 1).

Depreciation is calculated on a straight-line basis on the estimated useful life of the relative assets applying the following percentage rates:

buildings	3%
lightweight buildings	10%
plant and machinery	6-10%
industrial and commercial equipment	16%
office furniture and equipment	12%
EDP	20%
commercial vehicles	20%
automobiles	25%

Assets held under finance leases are recorded as property, plant and equipment and depreciated on a straight-line basis over their estimated useful lives, on the same basis as owned tangible fixed assets.

Purchase cost is also adjusted for capital grants already allocated to the company. These grants are recognised in the income statement by gradually reducing the depreciation charged over the useful life of the assets to which they relate.

Maintenance, repair, expansion, modernisation and replacement costs that do not lead to a significant, measurable increase in the production capacity and useful life of the asset are charged to the income statement in the year incurred.

Goodwill

Goodwill arising on the acquisition of a subsidiary or other business combinations represents the excess of the acquisition cost over the Company's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. Goodwill is recognised as an asset and reviewed at least annually for any impairment. An impairment loss is recorded immediately in the Income Statement and is not restated in a subsequent period.

On the sale of a subsidiary, any Goodwill not amortised attributable to the subsidiary is included in determining the gain or loss on the sale.

Goodwill arising on acquisitions prior to January 1, 2004 is carried at the amount recognised under Italian GAAP after an impairment test at that date.

Research and development costs

Research costs are recognised in the income statement in the year in which they are incurred.

Development costs in relation to projects are capitalised when all of the following conditions are satisfied:

- the costs can be reliably determined,
- the technical feasibility of the product is demonstrated,

- the volumes, and expected prices indicate that costs incurred for development will generate future economic benefits,
- the technical and financial resources necessary for the completion of the project are available.

The development costs capitalised are amortised on a straight-line basis, commencing from the beginning of the production over the estimated life of the product.

The carrying value of the development costs are reviewed annually through a test in order to record any loss in value when the asset is no longer in use, or with greater frequency when there are indications of a possible loss in the carrying value.

All other development costs are charged to the income statement when incurred.

Other intangible assets

Purchased or internally-generated intangible assets are recognised in accordance with IAS 38 – *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably.

The useful life of the intangible assets are classified as definite or indefinite. Intangible fixed assets with a definite useful life are amortised monthly for the duration of the period. According to Management and expert estimations the most important software utilised by the Company has a useful life of 7 years. The useful life is reviewed on an annual basis and any changes are made in accordance with future estimates.

The intangible assets with indefinite useful life are not amortised but are subject annually or, more frequently where there is an indication that the activity may have suffered a loss in value, to a verification which identifies any reduction in value. Currently the Company only holds intangible assets with definite useful life.

Impairment Test

At each balance sheet date, the Company assesses whether events or circumstances exist that raise doubts as to the recoverability of the value of tangible and intangible fixed assets with a definite useful life. If there are any indications that there has been an impairment, the Company estimates the recoverable value of the tangible and intangible assets so as to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life – in particular Goodwill – are subject to an impairment test annually or when there is an indication of a loss in value.

In these situations, the recoverable value of these assets is estimated so as to determine the amount of the impairment.

The recoverable value is the higher between fair value less costs to sell and value in use.

In accordance with the accounting standards, the impairment test is performed in respect of each individual asset, where possible, or in respect of groups of assets (cash generating units - CGU). Cash generating units are identified depending on the organisational and business structure of the Company as units that generate cash on an autonomous basis as a result of the continuous use of the assets allocated.

If the recoverable value of an asset (or a CGU) is considered lower than its carrying value, it is reduced to its recoverable value. An impairment is recognised in the income statement immediately unless the asset consists of land or buildings other than investment property recorded at the revalued amount; in this case, the impairment loss is charged to the revaluation reserve.

When the reasons for the impairment no longer exist, the carrying value of the asset (or CGU) – except for Goodwill – is increased to the revised estimate of its recoverable value. The new value cannot exceed the net carrying value if no write-down for impairment had being recorded.

The reversal of an impairment loss is recorded immediately in the Income Statement unless the asset is stated at the revalued amount, in which case the reversal is credited to the revaluation reserve.

Investments in subsidiary and associated companies

The investments in subsidiaries, joint ventures and associated companies not classified as held-for-sale are recorded at cost.

Income from investments is recorded only in relation to the dividends received, generated subsequent to the acquisition date. Dividends received in excess of profits generated are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

At each balance sheet date, an evaluation is made as to whether indications exist of a reduction in the value of the cost of the investment; where such indications exist, an impairment test is carried out in accordance with IAS 36. A reduction in the value of the investment is recorded when the recoverable value is lower than the carrying value. The recoverable value is the higher between the fair value of the investment, less costs to sell, where they may be determined, and the value in use, represented by the present value of the expected revenue streams for the years of operations of the company subject to the impairment test and deriving from its disposal at termination of the useful life. Where in subsequent periods there is a reduction in the indications that the loss does not exist or is reduced, the value of the investment is restated to take into account the reduced loss in value. Following the write-down of the cost of the investment, further losses recorded on the investment are recorded under liabilities, where a legal implicit obligation to cover the losses in the investment exists.

Inventories

Inventories are recorded at the lower of purchase or production cost and net realisable value.

The purchase cost of raw, ancillary, supplies and goods for resale is determined using the weighted average cost method.

The production cost of finished goods, work in progress and semi-finished goods is determined considering the cost of the materials used plus direct operating costs and overheads.

Net realisable value represents the estimated selling price less expected completion costs and selling costs.

Obsolete and slow moving inventories are written down taking account of their prospects of utilisation or sale.

Trade receivables and loans and other financial assets

Financial assets other than trade receivables, loans and cash and cash equivalents are initially recorded at fair value, including charges directly related to the transaction.

Trade receivables and loans are recorded at nominal value which normally represents their fair value. In the event of a significant difference between nominal value and fair value, the receivables are recorded at fair value and subsequently valued at amortised cost using the effective interest rate method.

The receivables are adjusted through a provision for doubtful debt so as to reflect their realisable value. The provision is calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flow discounted at the effective interest rate on initial recognition.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying value and market value less selling costs.

Non-current assets (and disposal groups) are classified as held for sale when their carrying value is expected to be recovered by means of a sales transaction rather than through use in company operations. This condition is met only when the sale is highly likely, the assets (or group of assets) are available for immediate sale in their current condition and, consequently, management is committed to a sale, which should take place within 12 months of the classification as held for sale.

Cash and cash equivalents

Cash and cash equivalents include cash balances and bank current accounts and deposits repayable on demand plus other highly liquid short term financial investments that can be readily converted into cash and are not subject to a significant risk of a change in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified based on the substance of the contractual agreements that generated them and in accordance with the respective definitions of financial liabilities and equity instruments.

Equity instruments consist of contracts which, stripped of the liability component, give rights to a share in the assets of the Company.

Accounting policies adopted for specific financial liabilities and equity instruments are indicated below.

Trade payables and other financial liabilities

Trade payables and other financial liabilities are recorded at nominal value which generally represents their fair value. In the event of significant differences between nominal value and fair value, trade payables are recorded in the balance sheet at fair value and subsequently measured at amortised cost using the effective interest rate method.

Bank and other borrowings

Bank borrowings – comprising of medium/long-term loans and bank overdrafts – and other borrowings, including the liabilities deriving from finance leases, are recorded in the balance sheet based on the amounts received, less transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments and hedge accounting

Derivative financial instruments are used with the intention of hedging, in order to reduce the foreign currency or interest rate risk or from fluctuations in market prices. In compliance with IAS 39, the derivative financial instruments can be recorded in accordance with the "hedge accounting" method only when at the beginning of the hedge, the formal designation and documentation relating to the hedge exists, it is presumed that the hedge is highly effective, such effectiveness can be reliably measured and the hedge is highly effective over the accounting periods for which it was designated.

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

When derivative financial instruments qualify for hedge accounting, the following treatment applies:

- for derivatives that hedge scheduled transactions (i.e. cash flow hedges), changes in the fair value of derivative instruments are allocated to Equity for the portion considered effective while the portion considered ineffective is recognised in the Income Statement;
- for derivatives that hedge receivables and payables recorded in the balance sheet (i.e. fair value hedges), differences in fair value are recognised in full in the Income Statement. Moreover, the value of the receivables/payables hedged is adjusted for the change in the risk hedged, again in the Income Statement;
- for derivatives classified as hedges of a net investment in a foreign operation, the effective portion of profits or losses on the financial instruments are recorded under net equity. The cumulative gains or losses are reversed from the net equity and recorded in the income statement on the sale of the foreign operation.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the income statement.

Concerning the management of the risks related to the exchange rates and interest rates and the value of commodities, reference should be made to section 7 "Risk management policy" of the Notes.

Treasury shares

Treasury shares are recorded at cost as a reduction of shareholders' equity. The gains and losses deriving from trading of treasury shares, net of the tax effect are recorded under equity reserves.

Employee benefits

Post-employment benefits

Italian post-employment benefits are considered equivalent to a defined benefit plan. For defined benefit plans, the cost of the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each year.

From the current year, with retrospective application, the Company has introduced the amendment to IAS 19 – Employee benefits, which removes the option to defer recognition of gains or losses under the corridor method, requiring presentation in the balance sheet of the deficit or surplus of the relevant provision and the recognition to the income statement of the labour cost components and net financial charges and the recognition of the gains or losses which derive from the remeasurment of the assets and liabilities under Other Comprehensive Income. In addition the income from the assets included under net financial charges must be calculated based on the discount rate of the liability and no longer on the expected income.

Up to December 31, 2006, the employee leaving indemnities of the Italian companies were considered as defined benefit plans. Legislation relating to Employee leaving indemnity was amended by Law 296 of December 27, 2006 and subsequent decrees and regulations issued in the first half of 2007. As a result of those changes, and specifically with regard to companies with 50 employees or more, Employee leaving indemnity is only considered a defined benefit plan for benefits accrued prior to January 1, 2007 (and not yet paid out as at the balance sheet date), while benefits accruing after that date are classified as defined contributions.

Share-based payments

Where the company recognises additional benefits to senior management and key personnel through stock grant plans, in accordance with IFRS 2 – Share-based payments, these plans represent a remuneration component of the beneficiaries; therefore the cost, concerning the fair value of these instruments at the assignment date, is recognised in the income statement over the period between the assignment date and maturity date, and directly recorded to shareholders' equity. Subsequent changes in the fair value at the assignment date do not have an effect on the initial value. At December 31, 2013 there are no such plans in place.

Provisions for risks and charges

Provisions are recorded in the financial statements when the Company has a current obligation that is the result of a past event and it is probable that the obligation must be met.

Provisions are made based on management's best estimate of the cost of fulfilling the obligation at the balance sheet date and are discounted to the present value when the effect is significant.

Revenues

Revenues from the sale of goods are recognised when the goods are shipped and the Company has transferred the significant risks and rewards of ownership of the goods to the buyer.

Interest income is recorded on an accruals basis based on the amount financed and the effective interest rate applicable: this represents the rate at which the expected future cash flow along the life of the financial asset is discounted to equate them with the carrying amount of the asset.

Dividends are recorded when the shareholders have the right to receive them.

Leases and lease agreements

Leasing contracts are classified as finance lease contracts when the terms of the contract are such that they substantially transfer all of the risks and rewards of ownership to the lessee. All the other leases are considered operating leases.

Assets held under finance leases are recorded as assets of the Company at the lower of their fair value at the date of the lease contract, and the present value of the minimum lease payments due under the lease contract. The corresponding liability towards the lessor is included in the balance sheet as a finance lease obligation. Finance lease payments are divided between a capital portion and an interest portion in order to apply a constant interest rate on the residual liability. The finance costs are recorded directly in the income statement for the year.

Operating lease costs are recorded on a straight-line basis over the term of the lease agreement. Benefits received or receivable as an incentive for entering into operating lease agreements are also recorded on a straight-line basis over the duration of the operating lease agreement.

Foreign currency transactions

Foreign currency assets and liabilities are translated at the balance sheet date using the exchange rate at the balance sheet date. Non-monetary assets and liabilities valued at historical cost in foreign currency are translated using the exchange rate at the transaction date.

Exchange differences arising on such transactions or on the translation of monetary assets and liabilities are recorded in the Income Statement except for those arising on derivative financial instruments qualified as cash flow hedges. These differences are recorded in Equity if unrealised, otherwise they are recorded in the Income Statement.

Public grants

Grants from public bodies are recorded when there is a reasonable certainty that the conditions required to obtain them will be satisfied and that they will be received. Such grants are recorded in the income statement over the period in which the related costs are recorded.

The accounting treatment of benefits deriving from a public loan obtained at a reduced rate are similar to those for public grants. This benefit is calculated at the beginning of the loan as the difference between the initial book value of the loan (fair value plus direct costs attributable to obtaining the loan) and that received, and subsequently recorded in the income statement in accordance with the regulations for the recording of public grants.

Income taxes

Income taxes for the year represent the sum of current and deferred taxation.

Income tax is based on taxable income for the period as determined under applicable tax law. The liability for current income taxes is calculated using the current rates at the reporting date.

Elica S.p.A. and the subsidiary Airforce S.p.A. (since 2008) have opted for a consolidated tax regime in Italy. This means that the IRES (Corporation Tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies.

Transactions plus reciprocal responsibilities and obligations between the consolidating company and the aforementioned subsidiary company are defined by a specific consolidation agreement. With regard to responsibility, the agreement provides that the Parent Company is jointly liable with the subsidiary for:

- amounts due by the subsidiary under Article 127(1) of the Income Tax Code;
- payment of amounts due to the tax authorities, should it emerge that sums declared in the consolidated tax return have not been paid;
- consolidation adjustments made based on figures supplied by the subsidiary and contested by the tax authorities.

The income tax receivable is shown under Tax Receivables, determined as the difference between the income taxes in the year, payments on account, withholding taxes and, in general, tax credits. Tax Receivables also include the current IRES charge as determined on an estimate of the taxable income and tax losses of the companies taking part in the Consolidated tax regime, net of payments on account, taxes withheld by third parties and tax credits; tax assets are offset by the amounts due to the subsidiary companies by Elica for the residual receivable attributable to the Consolidated tax regime. The liability for tax losses surrendered by a subsidiary is recorded under Amounts due to subsidiaries.

Deferred tax assets and liabilities arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.

No tax provision has been made in relation to reserves subject to taxation upon distribution as no transactions that could trigger their taxation are planned.

Deferred tax assets are recognised insofar as it is likely that, in the years the deductible timing differences leading to their creation reverse, there will be taxable income not less than the amount of the differences. The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

Deferred taxation is calculated based on the tax rate expected to be in force when the assets are realised or the liabilities extinguished. Deferred tax is charged or credited directly to the Income Statement, except when it relates to items charged or credited directly to Equity, in which case the deferred tax is also recognised in Equity.

The deferred tax assets and liabilities are compensated when there is a direct right to compensate the tax assets and liabilities and when they refer to income taxes due to the same fiscal authority and there is the intention to pay the amount on a net basis.

2. Accounting standards, amendments and interpretations applied after January 1, 2013 and not yet applicable by the Company

2.1 Accounting standards, amendments and interpretations applied after January 1, 2013

The following accounting standards, amendments and interpretations were applied for the first time by the Company from January 1, 2013:

- On May 12, 2011 the IASB issued IFRS 13 – Fair value measurement which establishes how the fair value is calculated for the purposes of the financial statements and is applied to all situations in which the IAS/IFRS standards require or permit the calculation of the fair value or the presentation of information based on the fair value, with some limited exclusions. In addition, this standard requires more extensive disclosure than that currently required by IFRS 7 on the measurement of the fair value (hierarchy of the fair value). The standard is effective in a prospective manner from January 1, 2013. Adoption of the standard did not have any significant effects.
- On June 16, 2011, the IASB issued an amendment to IAS 19 – Employee benefits which eliminates the option to defer the recognition of the actuarial gains/losses under the corridor method, requiring all actuarial gains/losses to be recorded immediately in the "Other comprehensive income statement", in order that the entire net amount of the defined benefit provision (net of the service plan assets) is recorded in the financial statements. The amendment also provides that the changes between one year and the following year of the defined benefit provision and the service plan assets must be divided into three components: the cost components related to the provision of employment services in the period must be recognised in the income statement as service costs; the net financial charges, calculated applying the appropriate discount rate to the net defined benefit provision net of the assets at the beginning of the year, must be recorded in the income statement as such; the actuarial gains/losses deriving from the re-measurement of the liabilities and assets must be recognised in the Comprehensive income statement. In addition, the income from the assets included under net financial charges as indicated above is calculated based on the discount rate of the liability and no longer on the expected income. The amendment finally introduces new additional information to be provided in the notes to the financial statements. The amendment is applicable in retrospective manner from periods beginning January 1, 2013. The effects of the introduction of the new standard on the company financial statements are shown in the note on the Restatement.
- On June 16, 2011, the IASB published this amendment to IAS 1- Presentation of Financial Statements which requires the grouping of all items presented in Other Comprehensive Income in two sub-categories based on whether they may potentially be reclassified to profit or loss subsequently. The amendment is applicable from periods beginning July 1, 2012.
- On December 16, 2011, the IASB issued a number of amendments to IFRS 7 – Financial instruments: additional disclosure. The amendments require the disclosure of the effects or potential effects on the financial position of an entity deriving from the offsetting of financial assets and liabilities in application of IAS 32. The amendments are applicable from periods beginning from January 1, 2013

and the information must be provided in retrospective manner. The application of the amendments did not have any effect on the present company financial statements.

- On March 13, 2012, the IASB published the amendments to IFRS 1 – First-time adoption of the International Financial Reporting Standards – Government Loans which amends the reference to the accounting of government loans on transition to IFRS. The amendments to IFRS 1 must be applied from the periods beginning January 1, 2013, or thereafter. As our company is not a first-time adopter, this amendment has no effect on the present financial statements.
- On May 17, 2012, the IASB published the "Annual Improvements to IFRS's document: 2009-2011 Cycle", which includes the amendments to the standards within the annual improvement process, focusing on amendments considered necessary, but not urgent. Those which affect the presentation, recognition and measurement of financial statement accounts are as follows - omitting however those which will result in only terminology changes or editing of existing standards with minimal effect in accounting terms or those which have effects on standards or interpretations not applicable to the Company:
  - IAS 1 Presentation of Financial Statements - Disclosure: this clarifies that in the case in which additional comparative information is provided, such must be presented in accordance with IAS/IFRS. In addition, the amendment clarifies that when an entity modifies an accounting principle or carries out an adjustment/reclassification retrospectively, the entity must present a balance sheet also at the beginning of the comparative period (third balance sheet in the financial statements), while in the notes no comparative disclosure is required also for this third balance sheet apart from the affected accounts.
  - IAS 16 Property, plant and machinery – Classification of servicing equipment: this clarifies that servicing equipment must be classified in the account property plant and machinery if utilised for more than one year, and in inventory if utilised for one year only.
  - IAS 32 – Financial instruments: Presentation – Direct taxes on distributions to holders of capital instruments and on transaction costs on capital instruments: this clarifies that the direct taxes applicable to such cases follow the rules of IAS 12.
  - IAS 34 - Interim financial statements – Total assets for a reportable segment: this clarifies that the total assets in the interim financial statements must be reported only if this information has been suitably provided to the chief operating decision maker of the entity and a material change in the total assets of the segment compared to that reported in the last annual financial statements has arisen.

  The effective date of the proposed amendments is for periods beginning January 1, 2013, with advanced application permitted. The application of these amendments had no effect in terms of measurement and had limited disclosure effects on the company financial statements.

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

- On May 12, 2011, the IASB issued IFRS 10 – Consolidated Financial Statements which will replace SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements (to be renamed Separate Financial Statements) and will govern the inclusion of investments in the separate financial statements. The principal changes established by the new standard are the following:
  - According to IFRS 10 there is a single principle for the consolidation of all types of entities, and that principle is based on control. This change removes the inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - A more concrete definition of control was introduced, based on three elements: (a) power of the entity acquired; (b) exposure, or rights, to variable returns deriving from involvement with the same; (c) capacity to utilise the power to influence the amount of these returns;
  - IFRS 10 requires that an investor, to evaluate if he has control of the entity acquired, focuses on the activities which influence in a significant manner the returns;
  - IFRS 10 requires that, in evaluating the existence of control, consideration is taken only of the substantial rights, or rather those exercisable in practice when significant decisions must be taken on the entity acquired;

  - IFRS 10 provides a practical guide in the evaluation on whether control exists in complex situations, such as de facto control, potential voting rights, the situations in which it is necessary to establish whether the person with the decisional power is acting as agent or principal, etc.

  In general terms, the application of IFRS 10 requires a significant level of opinion on a certain number of application aspects.

  The standard is effective in a retrospective manner from January 1, 2014.

- On May 12, 2011, the IASB issued IFRS 11 – Joint arrangements which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly controlled entities – non monetary contributions by joint ventures. The new standard, in addition to the criteria for the identification of joint control, establishes the accounting criteria for the classification of joint arrangements based on the rights and obligations of the agreements rather than on the legal form, distinguishing between joint ventures and joint operations. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint agreement as a joint venture. For joint ventures, where the parties have rights only on the net equity of the agreement, the standard establishes the equity method as the sole accounting method in the consolidated financial statements. For joint operations, where the parties have rights on the assets and obligations for the liabilities of the agreement, it provides for direct recognition in the consolidated financial statements (and in the separate financial statements) of the share of the assets, liabilities, costs and revenues deriving from the joint operation. The standard is applicable retrospectively from January 1, 2014. Following the issue of the new standard, IAS 28 – Investments in Associates has been amended to include accounting for investments in jointly-controlled entities in its scope of application (from the effective date of the standard).
- On May 12, 2011, the IASB issued IFRS 12 – Disclosure of interests in other entities which is a new and complete standard on additional information to be provided in the consolidated financial statements on all types of investments, including those in subsidiaries, joint arrangements, associated companies, special purpose entities and other non consolidated vehicle companies. The standard is effective in a retrospective manner from January 1, 2014.
- On December 16, 2011, the IASB issued certain amendments to IAS 32 – Financial Instruments: Presentation, to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are applicable for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.
- On June 28, 2012, the IASB issued the document "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests and Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document clarifies the transition rules of IFRS 10 - Consolidated financial statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities. These amendments are applicable, together with the relative standards, from periods beginning January 1, 2014, with advance application possible.
- At October 31, 2012 the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities were issued, which introduce an exception to the consolidation of subsidiaries for an investment company, with the exception of the cases in which the subsidiaries provide services which concern the investment activities of these companies. In application of these amendments, an investment company must value its investments in subsidiaries at fair value. To qualify as an investment company, an entity must:
  - attract funds from one or more investors with the objective of providing investment management services to them;
  - make a commitment to their investors to invest the funds exclusively to obtain capital appreciation, investment income or both; and
  - measure and value the performance of substantially all investments based on the fair value.

  These amendments are applicable, together with the relative standards, from periods beginning January 1, 2014, with advance application possible.
- On May 29, 2013 the IASB issued a number of amendments to IAS 36 – Impairment of assets – Additional disclosure on the recoverable amount of non-financial assets. The amendments clarify that the additional disclosures to be provided on the recoverable amount of the assets (including goodwill) or cash-generating units, where their recoverable value is based on fair value net of selling costs, concerns only the assets or the cash-generating units for which an impairment was recorded

or eliminated during the year. The amendments must be made retrospectively from periods beginning January 1, 2014.

- On June 27, 2013, the IASB issued a number of amendments to IAS 39 – Financial Instruments: Recognition and measurement – Novation of derivatives and continuity of hedge accounting. The amendments concern the introduction of exemptions to the requirements of hedge accounting defined by IAS 39, where an existing derivative must be replaced by a new derivative which by law or regulation directly (or also indirectly) has a central counterparty (Central Counterparty – CCP). The amendments must be applied retrospectively from periods beginning January 1, 2014. Early adoption is permitted.

2.3 Accounting standards, amendments and interpretations not yet approved by the European Union.

At the date of the present Financial Statements, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below.

- On May 20, 2013 the interpretation IFRIC 21 – Levies was published, which provides clarification on when to recognise a liability related to state taxes, both in relation to those recorded in accordance with IAS 37 – Provisions, contingent liabilities and contingent assets and for taxes whose timing and amount are certain.
- On November 12, 2009, the IASB published IFRS 9 – Financial instruments: the standard was subsequently amended on October 28, 2010. Applicable from January 1, 2015, it represents in a retrospective manner the first step toward the full replacement of IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular for financial assets the new standard utilises a single approach based on the management method of financial instruments and on the contractual cash flow characteristics of the financial assets in order to determine the measurement criteria, replacing the various rules established by IAS 39. For financial liabilities the new accounting treatment is for fair value changes of a financial liability designed as a financial liability at fair value through profit and loss, in the case that this change is for the creditworthieness. According to the new standard these changes must be recorded to the "Other comprehensive profits and losses" statement and no longer transferred to the income statement.
- On November 19, 2013 IASB published the document IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 concerning the new hedge accounting model. The document responds to some of the criticism of the requirements of IAS 39 for hedge accounting, often considered too stringent and not appropriately reflecting the risk management policies of entities. The main amendments of the document relate to:
  - amendments to the type of transactions eligible for hedge accounting, in particular hedge accounting is extended to the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;
  - changes in the accounting method of the forward contracts and options when considered in a hedge accounting relationship in order to reduce the volatility of the income statement;
  - amendments to the effectiveness test through the replacement of the current methods based on the 80-125% parameter with the princple of the "economic relationship" between the item hedged and the hedge instrument; in addition, a retrospective evaluation of the effectiveness of the hedge relationship will no longer be requested;
  - the greater flexibility of the new accounting rules is offset by the additional disclosure requirements on the risk management activities of the company.

- On December 12, 2013, the IASB published the Annual Improvements to IFRS's document: 2010-2012 Cycle, which includes the amendments to the standards within the annual improvement process. The principal changes relate to:
  - IFRS 2 *Share Based Payments – Definition of vesting condition*. Amendments were made to the definitions of vesting conditions and market conditions and further definitions were added for performance conditions and service conditions (previously included in vesting conditions)
  - IFRS 3 *Business Combination – Accounting for contingent consideration*. The amendment clarifies that a contingent consideration classified as a financial asset or liability must be re-measured at fair value at each reporting date and the fair value changes are

recognised in the income statement or in the comprehensive income statement on the basis of the requirements of IAS 39 (or IFRS 9).

- IFRS 8 -*Operating segments – Aggregation of operating segments*. The amendments require an entity to provide disclosure on the evaluations made by Management in the application of the operating segment aggregation, including a description of the aggregated operating segments and of the economic indicators considered in determining if these operating segments have similar economic characteristics.
- IFRS 8 - *Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets*. The amendments clarify that the reconciliation between the total assets of the operating segments and the total assets of the entity must be presented only if the total assets of the operating segments are regularly reviewed by senior management.
- IFRS 13 - *Fair Value Measurement – Short-term receivables and payables*. The Basis for Conclusions of this standard were modified in order to clarify that with the issue of IFRS 13, and the consequent amendments to IAS 39 and IFRS 9, current trade receivables and payables may be recorded without recording the effects of discounting, where these effects are not significant.
- IAS 16 - *Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortisation*. The amendments eliminated inconsistencies in the recording of depreciation and amortisation provisions when a tangible or intangible asset is revalued. The new requirements clarify that the gross carrying value is adjusted consistently with the revaluation of the carrying value of the asset and that the depreciation or amortisation provision is equal to the difference between the gross carrying value and the carrying value, less the impairments recorded.
- IAS 24 -*Related Parties Disclosures – Key management personnel*. The amendment clarifies that where the services of senior management are provided by an entity (and not a physical person), this entity is to be considered as a related party.

The amendments will be applied from periods beginning July 1, 2014 and thereafter. Earlier application is permitted.

- On December 12, 2013, the IASB published the "Annual Improvements to IFRS's document: 2011-2013 Cycle, which includes the amendments to the standards within the annual improvement process. The principal changes relate to:
  - IFRS 1 - *First-time Adoption of International Financial Reporting Standards – Meaning of "effective IFRS"*. The amendment clarifies that an entity which adopts IFRS for the first time, as an alternative to the application of a standard currently in force at the date of the first IAS/IFRS financial statements, may opt for the advanced application of a new standard which will replace the standard in force. The option is only permitted when the new standard allows for advanced application. In addition, the same version of the standard must be applied for all periods presented in the first IAS/IFRS financial statements.
  - IFRS 3 - *Business Combinations – Scope exception for joint ventures*. The amendment clarifies that paragraph 2(a) of IFRS 3 excludes from the application of IFRS 3 the formation of all joint arrangements, as defined by IFRS 11.
  - IFRS 13 - *Fair Value Measurement – Scope of portfolio exception* (par. 52). The amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 is applied to all contracts included within the application of IAS 39 (or IFRS 9) independently of whether they satisfy the definition of financial assets and liabilities as per IAS 32.
  - IAS 40 - *Investment Properties – Interrelationship between IFRS 3 and IAS 40*. The amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and in determining whether the acquisition of a real estate asset enters within the application of IFRS 3, reference should be made to the specific indications provided by IFRS 3; on the other hand, when determining whether the acquisition is within the application of IAS 40, reference should be made to the specific indications of IAS 40.

The amendments will be applied from periods beginning July 1, 2014 and thereafter. Earlier application is permitted.

3. Significant accounting estimates

In the preparation of the Financial Statements in accordance with IFRS, Elica's Management must make accounting estimates and assumptions which have an effect on the values of the assets and liabilities and disclosures. The actual results may differ from these estimates. The estimates and assumptions are revised periodically and the effects of any change are promptly reflected in the financial statements.

In this context it is reported that the situation caused by the current economic and financial crisis resulted in the need to make assumptions on a future outlook characterised by significant uncertainty, for which it cannot be excluded that results in the coming years will be different from such estimates and which therefore could require adjustment, currently not possible to estimate or forecast, which may even be significant, to the book value of the relative items.

The account items principally concerned by uncertainty are: goodwill, doubtful debt provision and inventory write downs, non-current assets (tangible and intangible), pension funds and other post-employment benefits, provisions for risks and charges and deferred tax assets.

Reference should be made to the comments of each individual account in the financial statements for further information on the estimates mentioned.

4. Explanatory Notes

INCOME STATEMENT

4.1 Revenues

An analysis of revenues with a breakdown between product sales and service revenues follows:

In Euro thousands	2013	2012 restated	Changes
Revenues from product sales	287,080	284,785	2,295
Service revenues	3,036	2,704	332
Total	**290,116**	**287,489**	**2,627**

The account increased by approx. 0.9% on the previous year.
For information on revenues, reference should be made to the Directors' Report.
A breakdown of revenues from third parties and from related parties (principally subsidiaries) is shown below.

In Euro thousands	2013	2012 restated	Changes
Customers	238,022	240,516	(2,494)
Associated companies	52,094	46,973	5,121
	290,116	**287,489**	**2,627**

Revenues from related parties amount to Euro 52,094 thousand; these amounts principally refer to the sale of components and finished products to the subsidiary Airforce S.p.A. for Euro 1,957 thousand (Euro 2,001 thousand in 2012), to the subsidiary Ariafina for Euro 316 thousand (Euro 397 thousand in 2012), to the subsidiary Elica Group Polska for Euro 29,342 thousand (Euro 26,587 thousand in 2012), to the subsidiary Elicamex for Euro 12,920 thousand (Euro 10,462 thousand in 2012), to the subsidiary Gutmann for Euro 2,005 thousand (Euro 1,220 thousand in 2012), to Elica India for Euro 762 thousand (Euro 673 thousand in 2012), to the Chinese subsidiary Putian for Euro 716 thousand (Euro 319 thousand in 2012) and to the new Russian subsidiary Elica Trading for Euro 4,074 thousand (Euro 5,281 thousand in 2012). The remaining revenues from related parties concern the associated company ISM S.r.l.. All transactions are regulated at prices in line with market conditions applied to third parties.

Finally we present revenues by geographic area.

Breakdown of revenues from sales and services by geographic area and from third party and related companies:

In Euro thousands	2013	2012 restated	Changes
Europe + CIS	261,215	260,170	1,045
Other countries	14,100	14,340	(240)
The Americas	14,801	12,979	1,822
Total	**290,116**	**287,489**	**2,627**

Clients who comprise more than 10% of total revenues constituted 27% of revenues in 2013 compared to 27% in 2012.

4.2 Other operating income

In Euro thousands	2013	2012 restated	Changes
Rental income	2	2	-
Operating grants	1,060	838	222
Ordinary gains on disposal	688	1,550	(862)
Claims and insurance payouts	609	172	437
Expenses recovered	655	529	126
Other revenues and income	1,317	631	686
Total	**4,331**	**3,721**	**610**

The account reports an increase of Euro 610 thousand, concerning an increase in Operating Grants of Euro 222 thousand, in Claims and insurance payouts of Euro 437 thousand, in Other revenues and income of Euro 686 thousand and in Expenses recovered of Euro 126 thousand. These are offset by the reduction in Ordinary gains of Euro 862 thousand. These gains derive from the disposal of assets during the year.

Claims and insurance payouts principally relate to income arising from compensation for damages at the factories of Mergo and Castelfidardo. Other revenues and income concern a range of items, including income from the option to interrupt electricity supply and income from photovoltaic plant.

4.3 Changes in inventories of finished and semi-finished goods

Changes in inventories of finished and semi-finished goods was negative at December 31, 2012 for Euro 1,127 thousand, while at December 31, 2013 positive for Euro 1,456 thousand due to the increase in inventories, in particular of finished products.

4.4 Increases on internal work capitalised

The account amounted to Euro 2,291 thousand (Euro 2,586 thousand in the previous year) and mainly relates to the capitalisation of charges regarding the design and development of new products and costs sustained internally for the construction of mouldings, industrial equipment and the implementation of new IT programmes.

4.5 Raw materials and consumables

The breakdown of consumables (third parties and related parties) are as follows:

In Euro thousands	2013	2012 restated	Changes
Purchases of consumable materials	1,023	924	99
Purchases of supplies	465	479	(14)
Purchase of raw materials	84,609	86,359	(1,750)
Change in inventory of raw materials and semi-finished	669	1,248	(579)
Purchase of finished goods	102,045	93,835	8,210
Packaging	498	371	127
Other purchases	142	157	(15)
Shipping expenses on purchases	390	288	102
Total	**189,841**	**183,661**	**6,180**

The balance is broken down as follows:

In Euro thousands	2013	2012 restated	Changes
Third parties	102,890	101,912	978
Related parties	86,951	81,750	5,202
	189,841	**183,661**	**6,180**

Raw materials and consumables increased by Euro 6,180 thousand compared to 2012. This increase principally concerns purchases from related parties.

These amounted to Euro 86,951 thousand (Euro 81,750 thousand in 2012). The most significant item relates to the purchases of finished products and goods from the subsidiary Elica Group Polska for Euro 85,639 thousand (Euro 79,230 thousand in 2012) and the amount concerning this subsidiary represents the majority of movement in this account.

All transactions are regulated at prices in line with market conditions applied to third parties.

4.6 Service expenses

In Euro thousands	2013	2012 restated	Changes
Outsourcing expenses	18,017	19,047	(1,030)
Transport	4,087	4,318	(231)
Finished goods inventories	3,942	3,841	101
Consulting	3,286	3,423	(137)
Maintenance	1,491	1,504	(13)
Utilities	3,143	3,295	(152)
Commissions	453	492	(39)
Travel expenses	1,236	1,475	(239)
Advertising	491	538	(47)
Insurance	687	711	(24)
Directors & Statutory Auditor fees	1,318	827	491
Trade fairs and promotional events	268	844	(576)
Industrial services	332	305	27
Banking commissions and charges	289	274	15
Other services	3,776	3,909	(133)
Total	**42,816**	**44,802**	**(1,986)**

Service expenses decreased by nearly Euro 2 million on the previous year (-4.4%). The principal decreases relate to the accounts outsourcing expenses for Euro 1,030 thousand and Trade fairs and promotional events for Euro 576 thousand.

The account other services in 2013 include communication services for Euro 580 thousand (Euro 630 thousand in 2012), technical assistance costs for Euro 1,016 thousand (Euro 1,080 thousand in 2012), canteen costs for Euro 324 thousand (Euro 330 thousand in 2012), cleaning costs Euro 256 thousand (Euro 257 thousand in 2012), vehicle expenses Euro 389 thousand (Euro 412 thousand in 2012), training courses for Euro 187 thousand (Euro 131 thousand in 2012), medical visits for Euro 79 thousand (Euro 83 thousand in 2012) and personnel recruitment costs for Euro 152 thousand (Euro 75 thousand in 2012).

The balance is comprised of:

In Euro thousands	2013	2012 restated	Changes
Third parties	41,264	43,601	(2,337)
Related parties	1,552	1,201	351
	42,816	**44,802**	**(1,986)**

The decrease of the service costs relates principally to third parties. Services from related parties increased slightly.

4.7 Labour costs

Labour costs incurred in 2013 and 2012 were as follows:

In Euro thousands	2013	2012 restated	Changes
Wages and salaries	36,091	35,203	888
Social security expenses	11,245	10,775	470
Post-employment benefit provisions	2,895	2,731	164
Other costs	2,008	(227)	2,235
Total	**52,239**	**48,482**	**3,757**

Labour costs overall increased Euro 3,757 thousand. The increase in the account is principally related to the effects of the new collective work contract and the recognition of the cost relating to the Long Term Incentive Plan set up by the Board of Directors on November 14, 2013.

The comparison is also impacted by the reduced cost in 2012 due to the departure from the Group of a significant number of the beneficiaries of the 2010 Stock Grant plan.

As highlighted in note 4.41 below, in the Restatement of the 2012 income statement we reversed the provision of the corridor approach in the valuation of the Post-employment benefit provision. The impact amounted to Euro 4 thousand.

The table below shows the average number of employees at December 31, 2013 and December 31, 2012:

In Euro thousands	2013	2012 restated	Changes
Executives	21	21	-
White-collar	327	320	7
Blue-collar	953	970	(17)
Other	60	59	1
	1,361	**1,370**	**(9)**

The decrease in personnel numbers is principally due to the corporate restructuring implemented.

4.8 Amortisation and depreciation

Depreciation & amortisation amounted to Euro 8,309 thousand, an increase on 2012 of Euro 7,731 thousand. For the changes in the year of amortisation and depreciation, reference should be made to the paragraph on fixed assets.

4.9 Other operating expenses and provisions

The details of the account are as follows:

In Euro thousands	2013	2012 restated	Changes
Leasing and rental	285	319	(34)
Rental of vehicles and industrial equipment	2,013	2,043	(30)
Expenses for hardware, software and patents licenses	907	694	213
Other taxes	463	463	-
Magazines and newspaper subscriptions	22	24	(2)
Various equipment	134	334	(200)
Catalogues and brochures	109	285	(176)
Losses and doubtful debts	8	1,346	(1,338)
Provisions for risks and charges	371	888	(517)
Prior year and other charges	705	571	134
Total	**5,017**	**6,967**	**(1,950)**

Overall, the account decreased by Euro 1,950 thousand. The principal decreases concern the accounts Losses and doubtful debts and Provisions for risks and charges. For further details on these accounts, reference should be made respectively to the notes on trade receivables and provisions for risks and charges.

4.10 Restructuring costs

The restructuring costs mainly refer to the workforce restructuring plan of the Company. As already illustrated in the Directors' Report, during the year the Board of Directors of Elica S.p.A. approved the reconversion project of the production area of Serra San Quirico (AN) as a logistical hub and the gradual transfer of the workforce. The Project provides for a resizing of the workforce over a period of approximately 24 months from the fourth quarter of 2013. The personnel restructuring costs were estimated based on the subscriptions to the plan already received and those expected to be received by the expiry date.

4.11 Share of profit/(loss) from associates

Write-back of investments

The account includes the write-back of the investment in the subsidiary ELICAMEX S.A. de C.V., which in 2009 incurred an impairment of Euro 1,843 thousand. In light of the performance of the company and the result of the impairment test at December 31, 2013, the Company decided to write-back the entire amount. For further information, reference should be made to the paragraph Investments in subsidiaries.

Investment income

In Euro thousands	2013	2012 restated	Changes
Investment income from subsidiaries			
Dividends	4,683	5,192	(509)
Other income from subsidiaries	-	1,288	(1,288)
Investment in associated companies			
Dividends	-	-	-
	4,683	**6,481**	**(1,798)**

Dividends from subsidiaries were distributed in the year by the subsidiaries Airforce S.p.A. for Euro 96 thousand, Ariafina for Euro 416 thousand, ElicaMex for Euro 1,075 thousand and Elica Group Polska for Euro 3,096 thousand.

Other income from subsidiaries in 2012 included the gain realised by Elica S.p.A. following the sale of 3.24% of the share capital of Putian to third parties.

4.12 Financial income

Details of financial income are shown below:

In Euro thousands	2013	2012 restated	Changes
Interest income from parent company and subsidiaries	419	380	39
Bank interest	2	4	(2)
Other financial income	36	19	17
Total	**457**	**403**	**54**

The increase concerns principally the account Interest income from parent company and subsidiaries, given the decision of the company to centralise the bank debt.

4.13 Financial charges

In Euro thousands	2013	2012 restated	Changes
Financial charges:			
on overdrafts and bank loans	3,448	3,433	15
on other borrowings	25	8	17
on post-employment benefit provisions	303	420	(117)
Total	**3,776**	**3,861**	**(85)**

The account decreased by Euro 85 thousand. The change mainly related to post-employment benefit provisions, due to rate movements. The account charges on overdrafts and bank loans is substantially in line.

4.14 Exchange gains/(losses)

In Euro thousands	2013	2012 restated	Changes
Exchange losses	(1,958)	(993)	(965)
Exchange gains	832	1,707	(875)
Gains/(losses) on derivatives	366	34	332
Total exchange gains/(losses)	**(760)**	**749**	**(1,509)**

Net exchange losses in the year amounted to Euro 760 thousand compared to gains of Euro 749 thousand in the previous year.

The account includes the balance of the non-realised gains and losses deriving from the adjustment at the end of the year of debtor and creditor positions in foreign currencies of a loss of Euro 373 thousand.

For further information on exchange gains and losses in the year, reference is made to the Directors' Report.

The account Gains/(losses) on derivatives again recorded a net gain (Euro 366 thousand compared to Euro 34 thousand in 2012) and relates principally to income on currency derivatives, which in accordance with the accounting standards may not be treated as hedging operations, although they were made for this purpose. For this reason, they were recognised at their fair value and recognised in the income statement.

4.15 Income taxes

The tax charge in the year is broken down between current and deferred taxes:

In Euro thousands	**2013**	**2012 restated**	**Changes**
Current taxes	(1,198)	(135)	(1,063)
Deferred taxes	2,332	1,637	695
	1,134	**1,502**	**(368)**

The decrease in current income taxes is principally due to the income in the previous year deriving from the recalculation of IRES for the years 2007 to 2011, related to a new regulation issued by the Italian State following the partial deductibility of IRAP from IRES. Deferred tax assets were recorded on tax losses carried forward, fulfilling the conditions outlined in the accounting principles concerning future tax benefit, in particular the reasonable certainty that in the future the company will incur assessable income such as to absorb these losses.

The reconciliation between the theoretical and effective tax rate is shown (IRES) in the table below.

Effective income taxes can be reconciled with the result for the year recorded in the financial statements as follows:

	2012 restated	2013
IRES rate	27.50%	27.50%
IRAP rate	4.13%	4.13%

	2012 Restated					2013				
	Assessable	**IRES**	**IRAP**	**Total**	**% IRES on pre-tax result**	**Assessable**	**IRES**	**IRAP**	**Total**	**% IRES on pre-tax result**
Income taxes										
- Current		-85	1,259	1,174			-134	1,247	1,113	
- IRES income tax reimbursement/Foreign taxes		-1,040	-	-1,040			84	-	84	
- Deferred – cost (income)		-1,602	-35	-1,637			-2,390	59	-2,331	
[A] TOTAL INCOME TAXES		**-2,725**	**1,223**	**-1,502**	**-56.89%**		**-2,440**	**1,306**	**-1,134**	**84.62%**
PRE-TAX RESULT	4,798					-2,883				
Tax calculated using local tax rate		1,320			27.50%		-793			27.50%
Tax effect of exempt income	-8,241	-2,266			-47.27%	-8,014	-2,204			76.44%
Tax effect of expenses not deductible	1,913	526			10.98%	1,741	479			-16.60%
Increase in deferred tax assets following IRES tax Reimbursement request	-4,450	-1,224			-25.53%	0	0			0.00%
Other differences	-152	-42			-0.87%	-21	-6			0.20%
[B] Effective tax charge and tax rate net of substitute tax	**-6,135**	**-1,686**			**-35.14%**	**-9,178**	**-2,524**			**87.53%**
Reimbursement Tax Effect/ Foreign taxes		-1,038			-21.69%		84			-2.92%
[C] Effective tax charge and tax rate		**-2,725**			**-56.89%**		**-2,440**			**84.62%**

4.16 Other information about income statement items

The research and development costs capitalised and expensed in 2013 are summarised in the table below:

In Euro thousands	2013	2012 restated	Changes
R & D costs expensed	4,805	3,493	1,312
Amortisation of capitalised R&D costs	1,245	590	655
Total R&D costs	**6,050**	**4,083**	**1,967**
R&D costs capitalised during the year	**1,414**	**1,303**	**111**

BALANCE SHEET

4.17 Property, plant and equipment

The table below shows details of the changes in property, plant and equipment in 2012 and 2013.

In Euro thousands	**31/12/2011**	**Increases**	**Decreases**	**Other changes**	**31/12/2012 restated**
Historical cost					
Land and buildings	39,829	53	-	-	39,882
Plant and machinery	66,225	2,123	(3,458)	222	65,112
Industrial and commercial equipment	78,255	3,975	(2,211)	167	80,186
Other assets	7,423	166	(859)	0	6,730
Assets in progress and payments on account	641	258	-	(389)	510
Total	**192,374**	**6,575**	**(6,528)**	**-**	**192,420**
	OBA	**E10**	**E08**	**E06**	

In Euro thousands	**31/12/2011**	**Deprc.**	**Decreases**	**Other changes**	**31/12/2012 restated**
Depreciation provision					
Land and buildings	14,704	1,216	-	-	15,919
Plant and machinery	55,498	1,781	(3,263)	-	54,016
Industrial and commercial equipment	71,987	1,809	(2,080)	-	71,716
Other assets	6,374	232	(402)	-	6,204
Total	**148,563**	**5,038**	**(5,745)**	**-**	**147,855**
	OBA	**E10**	**E08**	**E06**	

In Euro thousands	**31/12/2011**	**Increases**	**Decreases**	**Other changes**	**Depr.**	**31/12/12 restated**
Net value						
Land and buildings	25,126	53	-	-	(1,216)	23,963
Plant and machinery	10,727	2,123	(195)	222	(1,781)	11,096
Industrial and commercial equipment	6,268	3,975	(131)	167	(1,809)	8,470
Other assets	1,048	166	(457)	-	(232)	526
Assets in progress and payments on account	641	258	-	(389)	-	510
Total	**43,810**	**6,575**	**(783)**	**-**	**(5,038)**	**44,565**

The movements in 2013 were as follows:

In Euro thousands	31/12/12 restated	Increases	Reclassification to other assets held for sale	Other changes	31/12/13
Historical cost					
Land and buildings	39,882	378	(5,572)	-	34,688
Plant and machinery	65,112	2,480	(2,005)	(3,257)	62,330
Industrial and commercial equipment	80,186	2,020	(15)	(1,197)	80,994
Other assets	6,730	112	(95)	(440)	6,307
Assets in progress and advances	510	915	-	(934)	491
Total	**192,420**	**5,905**	**(7,687)**	**(5,828)**	**184,810**

In Euro thousands	31/12/12 restated	Deprec.	Reclassification to other assets held for sale	Other changes	31/12/13
Depreciation provision					
Land and buildings	15,919	1,195	(3,254)	-	13,860
Plant and machinery	54,016	1,732	(1,929)	(3,325)	50,494
Industrial and commercial equipment	71,716	2,092	(15)	(1,162)	72,631
Other assets	6,204	165	(95)	(357)	5,917
Total	**147,855**	**5,184**	**(5,293)**	**(4,844)**	**142,902**

In Euro thousands	31/12/12 restated	Increases	Reclassification to other assets held for sale	Other changes	Depr.	31/12/13
Net value						
Land and buildings	23,963	378	(2,317)	-	(1,195)	20,828
Plant and machinery	11,096	2,480	(77)	68	(1,732)	11,836
Industrial and commercial equipment	8,470	2,020	-	(35)	(2,092)	8,363
Other assets	526	112	-	(83)	(165)	390
Assets in progress and advances	510	915	-	(934)	-	491
Total	**44,565**	**5,905**	**(2,395)**	**(984)**	**(5,184)**	**41,910**

The investments made in the year mainly regarded the upgrading of facilities, improvements to the manufacturing plant and machinery, the acquisition of new mouldings and equipment for the launch of new products and the development of hardware for the implementation of new technical-logistical-administrative projects.

Assets in progress and advances of Euro 491 thousand refer to new equipment and expansion of the productive facilities and offices.

Property, plant and equipment are adequately insured against fire, weather damage and similar risks by means of insurance policies arranged with leading insurance companies.

The financial statements include assets acquired under finance lease agreements which by the end of 2010 had all been redeemed.

The column Reclassification of other assets held for sale refers to the assets that the company expects to dispose of within 12 months.

4.18 Goodwill and other intangible assets

Goodwill

The movements in the account in the year were as follows:

In Euro thousands	31/12/12 restated	Acquisitions/ (write-downs)	31/12/13
Goodwill	23,342	-	23,342
Total book value of goodwill	**23,342**	**-**	**23,342**

The account Goodwill amounts to Euro 23,342 thousand, in line with 2012.

The recoverable value of the CGU was verified through the determination of the value in use considered as the current value of the expected cash flows utilising a discount rate which reflects the risks of the CGU at the valuation date.

From 2011, based on a strategic vision, the Elica Group established the following Cash Generating Units (CGU) as those which reflect best the Group situation, based on international expansion and IAS 36: Cash Generating Unit Europe, Cash Generating Unit Asia and Cash Generating Unit America.

In addition, a series of assets utilised in the common interest of the three CGU's were identified and which therefore were not allocated to the various CGU's. For this reason they must be identified as corporate assets and valued according to the provisions of IAS 36.

Elica S.p.A. is included in the CGU Europe and in particular the cash flows utilised for the impairment test to measure the recoverability of assets of Elica S.p.A. represent the consolidated result of the companies Elica S.p.A. and Elica Group Polska sp.zo.o.. These cash flows were compared with the consolidated invested capital of the two legal entities. This choice is due to the restructuring under which Elica Group Polska sells all of its production to Elica S.p.A. which acts as an interface with the market. This organisational structure does not allow the Company to break down the cash flows generated by the two legal entities, in that they are entirely interdependent.

Such calculations discount the cash flows projected over a time horizon of five years, of which the first (2014) based on the updated budget and the subsequent years (2015-2018) estimated as follows.

The years 2015-2018 were extrapolated from the 2014 budget, utilising an annual average growth rate of revenues of 3% in line with the best estimates available. Relating to raw material costs, an average annual increase on revenues of 0.4% is forecast. The variable operational cost components (direct labour, outsourcing, commercial costs) are expected to remain constant in terms of revenues while the fixed operating cost components are projected to increase by 1.8% in the 2014 budget, in line with inflation.

The working capital absorbed by operations is expected to remain constant in terms of revenues at around 5.4%.

The terminal value was determined through the discounting of the perpetual return of cash flow freely available estimated for 2018 and at a growth rate of 2.0%.

The discount rate (WACC), calculated utilising the Capital Asset Pricing Model (CAPM) technique, was estimated net of taxes (in line with the cash flows to be discounted) at 7.8% (8.5% in 2012).

The valuations made did not result in the recognition of a loss in value at December 31, 2013.

Coverage of the book value against the value in use is 1.2 times.

A sensitivity analysis was also carried out, increasing the basic parameters of the WACC by 1%. Following these analyses, the recoverable value was still greater than the respective book value.

The change in these assumptions could give rise to a significantly different value in use and thus difficulties of “impairment”. For this reason, and considering the uncertainties which currently pervade the market, Management will monitor periodically the circumstances and the events which affect the above-mentioned assumptions and future trends.

Other intangible assets

The table below shows details of changes in other intangible assets in 2012 and 2013.

In Euro thousands	**31/12/11**	**Increases**	**Decreases & Reclass.**	**Amort.**	**31/12/12 restated**
Net book value					
Development Costs	1,780	1,303	2,014	(590)	4,507
Industrial patents and intellectual property rights	8,078	634	1,102	(2,004)	7,810
Concessions, licenses, trademarks & similar rights	70	24	-	(23)	72
Other intangible assets	220	45	-	(76)	188
Intangible assets in progress and advances	4,427	1,645	(3,399)	-	2,673
Total	**14,576**	**3,651**	**(283)**	**(2,694)**	**15,250**

In Euro thousands	**31/12/12 restated**	**Increases**	**Deceases & Reclass.**	**Amort.**	**31/12/13**
Net value					
Development Costs	4,507	1,414	552	(1,245)	5,228
Industrial patents and intellectual property rights	7,810	672	177	(1,788)	6,871
Concessions, licenses, trademarks & similar rights	72	11	-	(22)	61
Other intangible assets	188	61	1	(71)	179
Intangible assets in progress and advances	2,673	1,940	(758)	-	3,855
Total	**15,250**	**4,098**	**(28)**	**(3,126)**	**16,194**

Development costs relate to product design and development activities. The increase is mainly attributable to the cost of developing new products.

Industrial patents and intellectual property rights includes patents, intellectual property rights and software programs. The increase for the year mainly refers to the review and implementation of systems for the Supply Chain, Industrialisation, Human Resources and Administration departments.

Concessions, licenses, trademarks and similar rights refers to the registration of trademarks by the company.

Other intangible assets mainly consists of shared costs regarding the development of equipment and mouldings. The method applied to amortise intangibles is considered appropriate to reflect the remaining useful life of the assets.

The Intangible assets in progress and advances of Euro 3,855 thousand refer in part to advances and the development of projects for the implementation of new IT platforms, the design and development of new software applications and also the development of new products.

4.19 Investments

Investments in subsidiary companies

In Euro thousands	31/12/2012 restated	Acquisi. & Sub.	Sales	Write-back in value	31/12/2013
Investments in subsidiary companies	76,305	5,518	-	1,843	83,666
Total	**76,305**	**5,518**	**-**	**1,843**	**83,666**

The details of investments in subsidiary companies are shown below:

In Euro thousands	31/12/2012 restated	Acquisi. & Sub.	Sales	Write-back in value	31/12/2013
Elica Trading LLC	204	1,820	-	-	2,024
Elica Group Polska S.p.zoo	22,276	-	-	-	22,276
Elicamex S.a. de C.V.	28,640	-	-	1,843	30,483
Leonardo Services S.a. de C.V.	77	-	-	-	77
Ariafina Co.Ltd	49	-	-	-	49
Airforce S.p.A.	1,212	-	-	-	1,212
Exklusiv Hauben Gutmann Gmbh	8,869	-	-	-	8,869
Elica India P.B.	366	3,698	-	-	4,064
Zhejiang Putian Electric Co. Ltd	14,612	-	-	-	14,612
Total	**76,305**	**5,518**	**-**	**1,843**	**83,666**

Investments in subsidiary companies increased by a net amount of Euro 7,361 thousand. This change is due to the following operations carried out in 2013:

- Elica S.p.A. subscribed to the share capital increase of the Russian subsidiary Elica Trading LLC for Euro 1,820 thousand;
- Elica S.p.A. undertook, as described in the Significant Events in 2013 section of the Directors' Report, an obligatorily convertible bond loan issued by the Indian subsidiary for Euro 5 million. This instrument was recognised in accordance with IAS, directly recording the defined portion to investments;
- Elica S.p.A., following the impairment test on the investment, entirely wrote back the impairment of Elicamex in 2009 of Euro 1,843 thousand.

The recoverable value of the investments was verified through the determination of the value in use considered as the current value of the expected cash flows utilising a discount rate which reflects the risks of the various investments at the valuation date. Such calculations discount the cash flows projected by the business plans of the investments over a time horizon of five years, of which the first (2014) based on the updated budget and the subsequent years (2015-2018) pro-forma.

In particular, for the period 2015-2018 an extrapolation was carried out using a growth rate of revenues which varies between 3% and 4.7% annually. The terminal value was determined based on a growth rate between 1.8% and 3.8%. For the discount rate (WACC), the interval was estimated between 6.4% and 9.8%.

The valuations made on the investments did not result in the recognition of a loss in value in these investments.

A sensitivity analysis was also carried out, increasing the basic parameters of the WACC by 1%. Following these analyses, the recoverable value was still greater than the respective book value.

In carrying out the above analyses, the Company utilised different assumptions, including estimates of future sales, of prices of raw materials and operating costs, of investments, of changes in working capital and the average weighted cost of capital. Naturally, a change in these assumptions could result in a different value in use.

The table below summarises the key figures derived from the subsidiary companies 2013 financial statements:

In Euro thousands	**Registered Office**	**% direct**	**% indirect**	**Share capital**	**Net Equity**	**Net profit/(loss)**
Reporting Package figures						
Elicamex S.a.d. C.V.	Queretaro (Mexico)	98%	2%	31,003	30,721	5,629
Elica Group Polska Sp.z o.o	Wroclaw (Poland)	100%	-	22,246	24,890	3,194
Airforce S.p.A.	Fabriano (AN- Italy)	60%	-	103	2,419	254
Ariafina Co.Ltd	Sagamihara-Shi (Japan)	51%	-	84	5,251	1,968
Leonardo Services S.a. de C.V.	Queretaro (Mexico)	98%	2%	78	7	147
Exklusiv Hauben Gutmann GmbH	Muhlacker (Germany)	100%	-	25	10,112	405
Elica Inc.	Chicago, Illinois (United States)	-	100%	3	131	16
Airforce GE (*)	Stuttgart (Germany)	-	95%	26	72	(11)
Elica PB India Private Ltd.	Pune (India)	51%	-	700	2,023	(84)
Zhejiang Putian Electric Co. Ltd	Shengzhou (China)	67%	-	3,332	2,960	(3,277)
Elica Trading LLC	Sankt Peterburg (Russia)	100%	-	1,921	1,590	(163)

In Euro thousands	**% held**	**Book value at 31/12/13**	**Net profit /(loss)**	**Net Equity**	**Share of net equity at 31/12/13**
Elicamex S.a.d. C.V.	98%	30,485	5,629	30,721	30,106
Elica Group Polska Sp.z o.o	100%	22,275	3,194	24,890	24,890
Airforce S.p.A.	60%	1,212	254	2,419	1,451
Ariafina Co.Ltd	51%	49	1,968	5,251	2,678
Leonardo Services S.a. de C.V.	98%	75	147	7	7
Exklusiv Hauben Gutmann GmbH	100%	8,869	405	10,112	10,112
Elica PB India Private Ltd.	51%	4,064	(84)	2,023	1,032
Zhejiang Putian Electric Co. Ltd	67%	14,612	(3,277)	2,960	1,983
Elica Trading LLC	100%	2,024	(163)	1,590	1,590

(*) Airforce Germany Hochleistungs-dunstabzugssysteme Gmbh

Investments in associated companies

There were no changes in investments in associated companies during the year.

These investments relate to:

In Euro thousands Dati da Reporting package	Registered Office	% held	Book value at 31/12/2013	Loss	Net Equity	Share of net equity at 31/12/2013
I.S.M. Srl	Cerreto d'Esi (AN- Italy)	49.385%	1,377	(22)	2,801	1,383

At December 31, 2013, the Company considered that the value of the investment in I.S.M. S.r.l. was recoverable through the real estate activity undertaken by the company and its real estate values.

4.20 Other Receivables (non-current)

The breakdown of the other receivables is as follows:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Employees	86	102	(16)
Other receivables	13	13	-
Total	**99**	**115**	**(16)**

The decrease of Euro 16 thousand relates to the INPS earthquake receivable, included in the Employees account. This account includes payables beyond 5 years of Euro 42 thousand.

4.21 Tax Receivables (non-current)

Non-current tax receivables amounted to Euro 6 thousand, unchanged on 2012.

4.22 Assets held for sale

This account includes assets of the Parent Company which the Group expect to be sold within 12 months.

4.23 Deferred tax assets and liabilities

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Deferred tax assets	8,932	6,766	2,166
Deferred tax liabilities	(1,121)	(1,006)	(115)
	7,811	**5,760**	**2,051**

The 2012 figures have been restated following the change to IAS 19. The impact on deferred tax liabilities was Euro 892 thousand. Reference should be made to the subsequent note Restatements for effects of the application of the new IAS 19.

The account Deferred tax assets principally include the non deductible provisions, goodwill and the tax loss. The account Deferred tax liabilities principally includes the latent taxes due on unrealised exchange gains, post-employment benefits and merger adjustments.

The following table details deferred tax assets and liabilities:

In Euro thousands	31/12/2012 restated			Income statement effect		31/12/2013	
	Assets	Liabilities	Net equity	Costs	Revenues	Assets	Liabilities
Amortisation & Depreciation	584	-	-	-	(132)	716	-
Provisions	1,908	-	-	461	(117)	1,564	-
Costs ded. in future years	-	-	-	-	(95)	95	-
Inventory write-down	733	-	-	60	(9)	682	-
Exchange diff.	71	(43)	-	139	(240)	146	(16)
Gains, grants	-	(23)	-	-	(21)	-	(1)
Restructuring costs	-	-	-	-	(206)	206	-
Merger adjustments	-	(922)	-	-	(45)	-	(877)
Other multi-year costs	7	-	-	3	-	4	-
Goodwill	604	(2)	-	128	(1)	476	(3)
IRS Valuation	174	(25)	91	-	-	102	(43)
Post-employment benefit provision	-	10	190	-	-	-	(180)
IRAP from IRES repayment	1,224	-	-	-	-	1,224	-
Loss	1,329	-	-	8	(1,412)	2,733	-
Employee bonuses	133	-	-	133	(984)	984	-
Total	6,766	(1,006)	281	932	(3,262)	8,932	(1,120)

The increase in deferred tax assets principally refers to the tax loss. The reduction in liabilities principally relates to the change in gains, employee benefit provision and merger adjustments.

4.24 AFS financial assets

This account relates to investments held by Elica in other companies. The investments are held in unlisted companies whose shares are not traded on a regulated market. Therefore, as there were no purchases or sales of these shares in the last year, their fair value cannot be determined in a reliable manner. The carrying value at cost of the investments is shown below:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Meccano S.p.A.	15	15	-
Consorzio Energia	4	4	-
Ceced	2	2	-
Other minor investments	132	132	-
Total	**153**	**153**	**-**

The above investments are recorded at cost in accordance with article 10 of Law 72/1983 and no revalutions have been made pursuant to specific laws. There were no changes on the previous year.

4.26 Trade receivables – third parties

The account consists of:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Receivables within one year	45,176	52,255	(7,079)
Receivables over one year	3,596	1,722	1,874
	48,772	**53,977**	**(5,205)**

Trade receivables decreased overall by Euro 5,205 thousand; this reduction is partly due to an improved internal collection process. The account includes receivables beyond 5 years for Euro 68 thousand.

The company adopts a Credit Policy which governs the management of credit and the reduction of the related risk. In particular, it is company policy to transfer the risk deriving from receivables to third parties and therefore a significant part of the relative risk is protected by insurance policies with leading international insurance companies.

Doubtful debts are covered by a related provision accrued based on a specific analysis of the individual risks and on the basis of a general provision calculated in accordance with the provisions of the Credit Policy.

The realignment of receivables to their fair value is achieved through the bad debt provision.

Management believes that the value approximates the fair value of the receivables.

The movements in the Doubtful Debt Provision are set out below:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Opening balance	3,714	2,555	1,159
Provisions	8	1,346	(1,338)
Utilisations and reclassifications	(332)	(187)	(145)
Total	**3,390**	**3,714**	**(324)**

The doubtful debt provision reduced Euro 324 thousand compared to December 31, 2012. The decrease is partly due to the client portfolio selection policy which continued also in 2013.

4.26 Trade and financial receivables from related parties

Receivables from related companies include both receivables of a commercial and financial nature from related parties.
The details are shown in the table below:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Receivables from subsidiaries	32,363	23,707	8,656
Receivables from other related parties	-	20	(20)
Receivables from holding companies	-	-	-
Receivables from associated companies	101	101	-
Total	**32,464**	**23,828**	**8,636**

Receivables from subsidiary companies are composed of:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Elica Trading LLC	1,340	3,545	(2,205)
Air Force S.p.A.	695	448	247
Elica Group Polska S.p.z.oo	7,290	3,727	3,563
Elicamex S.A. de C.V.	4,486	3,902	584
Leonardo Services S.a. de C.V.	894	-	894
Ariafina Co Ltd	313	194	119
Exklusiv Hauben Gutmann Gmbh	9,923	7,699	2,224
Elica PB India Private Ltd.	4,054	2,602	1,452
Zhejiang Putian Electric Co. Ltd	3,368	1,589	1,779
Total	**32,363**	**23,707**	**8,656**

The account includes financial receivables from subsidiary companies, respectively for Euro 8,500 thousand from the company Exklusiv Hauben Gutmann Gmbh, Euro 2,395 thousand from the Chinese company Zhejiang Putian Electric Co. Ltd., Euro 890 thousand from the Mexican company Leonardo Services S.a. de C.V. and Euro 1,404 thousand from the Indian company Elica PB India Private. This latter receivable is based on the IAS measurement of the obligatorily convertible bond loan undertaken by the Company, which is reported upon in greater detail in the Significant Events in 2013 section of the Directors' Report.

The changes show the synergies created in order to optimise cash management.

The receivables from the associated company I.S.M. for Euro 99 thousand relate to dividends not yet received and for the remainder to ordinary operations of the company.

This account does not include any receivables due after more than five years at the year-end, except for part of the financial receivable from Elica India for Euro 1,026 thousand.

4.27 Inventories

The value of inventories reports a gross increase of approx. Euro 588 thousand.

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Raw materials, ancillary and consumables	10,233	10,948	(715)
Raw materials obsolescence provision	(860)	(907)	47
Total	**9,373**	**10,042**	**(668)**
Products in work-in-progress and semi-finished	7,708	7,792	(84)
Work-in–progress obsolescence provision	(590)	(626)	36
Total	**7,118**	**7,165**	**(48)**
Finished products and goods for resale	12,118	10,731	1,387
Finished products obsolescence provision	(1,027)	(1,144)	117
Total	**11,091**	**9,587**	**1,504**
Value in Fin. Stat.	**27,582**	**26,795**	**788**

Inventories are recorded net of the obsolescence provision which amounts to Euro 2,477 thousand (Euro 2,677 thousand at December 31, 2012), in order to provide for the effect of waste, obsolete and slow moving items. The quantification of the stock obsolescence provision of raw materials, semi finished and finished products is based on assumptions made by Management.

Inventories also include materials and products that were not physically held by the Company at the balance sheet date. These items were held by third parties on display, for processing, consignment stock, or for examination.

4.28 Other receivables (current)

The breakdown is as follows:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Customs reimbursements	65	77	(12)
Deposits	252	233	19
Supplier advances	293	416	(123)
Other receivables	3,594	2,739	855
Insurance prepayments	11	22	(11)
Maintenance prepayments	7	6	1
Advertising prepayments	6	2	4
Rental prepayments	279	309	(30)
Other prepayments and accrued income	635	719	(84)
Total	**5,142**	**4,524**	**618**

The account increased by Euro 618 thousand, relating in particular to two items in Other receivables. This principally follows: insurance damages recognised following the claims at the factories of Mergo and Castelfidardo and the granting of state loans against investments made in the period 2001-2006 in accordance with Law 488.
The account includes receivables beyond five years of Euro 142 thousand.

4.29 Current tax receivables

The break down of the account Tax Receivables is summarised in the table below:

in thousands of Euro	31/12/2013	31/12/2012 restated	Changes
IRES	1,010	1,975	(965)
VAT	3,902	4,347	(445)
Other tax receivables	2,112	2,529	(417)
	7,024	**8,850**	**(1,826)**

The movements relate to the decrease in the IRES receivable due to tax offsets and cessions to the company involved in the National Tax Consolidation, the decrease in the VAT receivable through an optimisation of its management and the decrease in the Other tax receivables account, principally due to repayments made by the Tax Agency.

4.30 Derivative financial instruments

	31/12//2013		31/12/2012 restated	
In Euro thousands	Assets	Liabilities	Assets	Liabilities
Derivatives on foreign exchange	327	21	548	645
Derivatives on interest rates	37	396	-	634
Derivatives on commodities	156	-	89	-
Total	**520**	**417**	**638**	**1,280**
of which				
Non-current	1	166	-	373
Current	519	251	638	907
Total	**520**	**417**	**638**	**1,280**

For further information, reference should be made to paragraph 7 Information on risks.

4.31 Cash and cash equivalents

In Euro thousands	31/12//2013	31/12/2012 restated	Changes
Bank and post office deposits	2,377	13,225	(10,848)
Cash in hand and similar	9	4	5
Total	**2,386**	**13,229**	**(10,843)**

This account reflects positive balances held in bank current accounts and cash on hand.

For further information, reference should be made to the section on net funds/(debt) in the Directors' Report and to the Cash Flow Statement.

4.32 Liabilities for post-retirement benefits

The amount provisioned in the accounts of Euro 10,548 thousand is the current value of pension liabilities matured by employees at the year-end.

The most recent calculation of the present value of the provision was performed at December 31, 2013 by actuaries from Mercer Human Resource Consulting S.r.l.

The amounts recognised in the income statement may be summarised as follows:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Costs relating to current employee services	2,895	2,731	164
Financial charges	303	420	(117)
	3,198	**3,151**	**47**

The changes for the year regarding the present value of retirement benefit obligations were as follows:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Opening balance -restated	**11,510**	**9,504**	**2,006**
Costs relating to current employee services	2,895	2,731	164
Effect of the change in the financial assumptions	(551)	2,173	(2,724)
Adjustment due to experience	(252)	167	(419)
	2,092	**5,071**	**(2,979)**
Financial charges	303	420	(117)
Pension fund	(2,957)	(2,723)	(234)
Benefits provided	(400)	(762)	362
	(3,054)	**(3,065)**	**11**
Total	**10,548**	**11,510**	**(962)**

From the current year it is no longer possible to utilise the corridor method. The actuarial gains/losses are therefore recorded in a separate equity reserve. In accordance with the requirements of IAS, we have restated the 2012 accounts based on these standards. All the effects are illustrated in the Restatement note, in the financial statements and explanatory notes.

Lastly, the interest component of the charge relating to employee defined-benefit schemes is shown under financial charges, with a resulting increase of Euro 303 thousand in this item for the year. The cost of current retirement benefits and the effect of the curtailment were recorded under labour costs.

Assumptions adopted for the calculation:

	31/12/2013	31/12/2012 restated
Discount rate to determine the obligation	3.17%	2.72%
Rate of inflation	2.00%	2.00%
Discount rate to determine pension cost	2.72%	4.55%

The discount rates utilised by the Group were selected based on the yield curve of high-quality fixed income securities, as in previous years.

This financial variable is considered the most significant and therefore chosen to undertake a sensitivity analysis. The objective of a sensitivity analysis is to show that the result of the valuation alters on the change of an assumption adopted for the calculation, maintaining all other assumptions unchanged.
Therefore where the discount rate increases 0.5% (3.67%), the value of the provision would amount to Euro 9,985 thousand, while if the discount rate decreased by 0.5% (2.67%), the value of the pension obligations would amount to Euro 11,163 thousand.

Number of employees

The average number of employees in 2013 was 1,361 (1,370 in 2012) as outlined in note 4.7.

4.33 Provisions for risks and charges

The composition and movements of the provisions are as follows:

In Euro thousands	31/12/2012 restated	Provisions	Utilisation/Reclass.	31/12/2013
Supplementary agent termination benefits	412	113	(123)	402
Product warranty provisions	603	371	(403)	571
Product disposal provision	155	21	(29)	146
Provisions for risks	1,883	-	(800)	1,083
Restructuring provision	-	750	-	750
Long Term Incentive Plan provision	-	1,399	-	1,399
Personnel provision	484	1,903	(484)	1,903
Total	**3,537**	**4,557**	**(1,839)**	**6,254**
of which				
Non-current	2,450			3,030
Current	1,087			3,224
	3,537			**6,254**

The Supplementary agent termination benefits are intended to cover possible charges upon termination of relations with agents and sales representatives. Changes in the fund relate to adjustments in the indemnities and the relative utilisations.
Product warranty provisions represent an estimate of the costs likely to be incurred to repair or replace items sold to customers. These provisions reflect the average warranty costs historically incurred by the company as a percentage of sales still covered by warranty. The provision decreased in the year by Euro 32 thousand.
The provisions for risks relates to likely costs and charges to be incurred as a result of ongoing legal disputes. The provisions have been determined based on the best possible estimates, considering the available information.

The Restructuring Provision was set up within the corporate restructuring plan, as better described in paragraph 4.10 of the present notes.
The Personnel Provision includes contractual indemnities and the performance based remuneration of employees provisioned in the year, not yet definitive and based on the best estimates according to the information available, which will be paid in the subsequent year.
The Long Term Incentive Plan provision refers to the accrual made, on the basis of the actuarial estimates of Tower&Watson relating to the year 2013, approved by the Board of Directors on November 14, 2013.

4.34 Bank borrowings and mortgages

In Euro thousands	**31/12/2013**	**31/12/2012 restated**	**Changes**
Bank loans and mortgages	82,241	88,513	(6,272)
Total	**82,241**	**88,513**	**(6,272)**
Bank loans and mortgages have the following repayment schedules			
On demand or within one year	44,883	42,235	2,648
Within two years	15,186	16,572	(1,386)
Within three years	11,373	13,236	(1,863)
Within four years	7,994	9,357	(1,363)
Within five years	2,805	5,911	(3,106)
Beyond 5 years	-	1,202	(1,202)
Total	**82,241**	**88,513**	**(6,272)**
Less amounts to be repaid within one year	44,883	42,235	2,648
Due beyond one year	**37,358**	**46,278**	**(8,920)**

All bank borrowings and mortgages are denominated in Euro.
The majority of borrowings indicated above carry a floating rate of interest. While it is exposed to interest rate risk, in 2013 the Company did not systematically hedge its exposure as, particularly concerning short-term debt, given the expectations of constantly generated cash flows, it is inclined to repay early its bank loans, thus eliminating the need for any such hedge. For further information on interest rate hedges, reference should be made to paragraph 7 Risk management of the present notes.

4.35 Current and non-current tax liabilities

Tax payables (non-current)

In Euro thousands	**31/12/2013**	**31/12/2012 restated**	**Changes**
ILOR (former local income tax) payable – earthquake suspension	139	166	(27)
Other taxes	127	151	(24)
Employee leaving indemnity payable – earthquake suspension	20	24	(4)
Flat tax payable – earthquake suspension	1	1	-
Taxes on equity reserves – earthquake suspension	390	465	(75)
Total	**677**	**807**	**(130)**

The movements in non-current Tax payables relate to the monthly payments of the earthquake suspension payables following the earthquake in 1997.

This account includes payables beyond 5 years for Euro 229 thousand.

Tax payables (current)

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Other taxes	377	212	165
IRPEF witheld	1,920	1,710	210
Total	**2,297**	**1,922**	**375**

The increase in the account Tax payables (current) principally refers to the increase in the IRPEF payable.

4.36 Sundry and Other Payables (non-current)

Other Payables (non-current)

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Other payables	163	191	(28)
INAIL contributions – earthquake suspension 1997	60	72	(12)
INPDAI contributions – earthquake suspension 1997	32	38	(6)
Employee INPS contributions – earthquake 1997	728	870	(142)
Total	**983**	**1,170**	**(188)**

The decrease in the present account principally relates to suspension payables following the earthquake in 1997, which reduced following repayments. The balance includes Euro 278 thousand to be paid beyond 5 years.

Other payables (current)

in thousands of Euro	31/12/2013	31/12/2012 restated	Changes
Payables to social security institutions	1,350	196	1,154
Other payables	784	60	724
Payables to personnel for remuneration	6,632	2,861	3,771
Customers	32	72	(40)
Accruals and deferred income	342	318	24
Directors and Statutory Auditors	280	-	280
Customer advances	313	300	13
Total	**9,733**	**3,806**	**5,927**

The account increased by Euro 5,927 thousand.

This follows the increase in Payables to personnel for remuneration, principally due to the commitments undertaken by the Company for the personnel restructuring plan, as further described in paragraph 4.10 of the present notes. Payables to social security institutions increased in particular due to the Temporary Lay-Off Scheme.

The present account includes payables beyond 5 years for Euro 18 thousand.

4.37 Trade payables to third parties and to related companies

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Trade payables			
- payables within one year	50,211	53,232	(3,021)
- payables beyond one year	-	55	(55)
Total	**50,211**	**53,288**	**(3,076)**
Amounts payable to subsidiaries	29,570	23,800	5,770
Payables to other related companies	4	774	(770)
Total	**29,574**	**24,574**	**5,000**
Total	**79,785**	**77,862**	**1,923**

This mainly includes payables for trade purchases and other costs. The average payment days is approximately 95.

The balance of the payables to other related companies (Euro 4 thousand) includes the payables at December 31, 2013 to Fastnet S.p.A. concerning commercial transactions. The account at December 31, 2012 included also the positions with Roal Electronics S.p.A., which at December 31, 2013 was no longer a related party of Elica.

Management believes that the book value of trade payables and other payables reflects their fair value.

Subsidiary payables are detailed below.

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Elica Trading LLC	106	15	91
Elica Group Polska S.p.z.oo	27,655	22,796	4,859
Air Force S.p.A.	318	416	(98)
Elicamex S.A.	4	22	(18)
Ariafina Co Ltd	7	1	6
Zhejiang Putian Electric Co. Ltd	166	-	166
Elica PB India Private Ltd.	130	213	(83)
Exklusiv Hauben Gutmann GmbH	1,184	336	848
Total	**29,570**	**23,800**	**5,770**

The amounts, of a commercial nature, refer principally to purchases carried out by Elica Group Polska of Euro 27,655 thousand in 2013 (Euro 22,796 thousand in 2012).

The payables to Airforce S.p.A. includes the tax balance deriving from the inclusion of the subsidiary in the tax consolidation.

4.39 Shareholders' Equity

For the analysis on the movements in Shareholder's equity, reference should be made to the relative table.

Comments are provided on each of the equity reserves.

Share capital

The share capital at December 31, 2013 amounts to Euro 12,664 thousand, consisting of 63,322,800 ordinary shares with a par value of Euro 0.20 each, fully subscribed and paid-in.

Capital reserves

The capital reserves amount to Euro 71,123 thousand and relate to the Share Premium Reserve.

Cash flow and stock grant reserve

In Euro thousands	31/12/2012 restated	Changes in hedging reserve	Other changes	31/12/2013
Hedge reserve	(395)	240	-	(155)
Stock option reserve	336	-	(336)	-
	(59)	**240**	**(336)**	**(155)**

The hedge reserve contains Euro 155 thousand which represents the negative fair value of hedging derivatives (cash flow hedges) net of the tax effect (in the previous year negative for Euro 395 thousand).

The Stock Grant Plan altered following the closure of the 2010 Stock Grant with the conferment of shares to the beneficiaries.

Treasury shares

	Number	Book value *In Euro thousands*
Beginning balance at January 1, 2013	3,166,140	8,815
Conferred to the beneficiaries of the Stock Grant Plan	(190,642)	(531)
Sold to third parties	(1,700,000)	(4,733)
Closing balance at December 31, 2013	1,275,498	3,551

In 2013, treasury shares report a net reduction of 1,890,642 shares. This decrease is due for 1,700,000 shares to sales to third parties, as described in the 2013 Significant events of the Directors' Report, and for 190,642 shares to the conclusion of the 2010 Stock Grant Plan.

At December 31, 2013, the treasury shares in portfolio represent 2% of the Share Capital.

Reserve for actuarial gains/losses

In Euro thousands	31/12/2012 restated	IAS 19 actuarial effect	31/12/2013
Reserve for post-employment benefit actuarial gains/losses	(2,444)	613	(1,831)
Reserve for LTI actuarial gains/losses	-	(3)	(3)
	(2,444)	**610**	**(1,834)**

Retained earnings

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Legal reserve	2,533	2,533	-
IAS transition reserve	1,675	1,675	-
Extraordinary reserve	23,329	21,454	1,875
Reserve restricted under Law 488/92	3,875	3,875	-
Total	**31,412**	**29,537**	**1,875**

The increase in the Extraordinary Reserve of Euro 1,875 thousand includes an increase of Euro 6,297 thousand for the allocation to this account of the profit matured by the Company in 2012, a decrease for the approval of dividends of Euro 1,425 thousand and a decrease of Euro 3,000 thousand following the reduction in the market value of treasury shares sold in the year.

Information on distributable reserves

The following table shows net equity accounts divided by origin, the possibility of utilisation and distribution, as well as any utilisations in the previous three years. The amounts are in units of Euro.

Description: *in Euro*	**Amount**	**Poss. of utilisation**	**Quota available**	**Util. in past 3 years to cover losses**	**Util. in past 3 years for other reasons**
I Share capital	**12,664,560**	**=**		**-**	
II Share premium reserve	**71,123,336**	**A,B,C**	**71,123,336**	**-**	**-**
IV Legal reserve	2,532,912	B		-	
VII Other reserves					
Extra. reserve	23,328,596	A,B,C	19,777,610	26,853,243	7,370,348
Reserve Law 488/92	3,875,493	B	-		-
IAS transition reserve	1,675,096	A,B,C	1,675,096		
Retained earnings	**31,412,097**				
Non-distributable quota	-		5,227,466		
Residual distributable quota	-		87,348,576		

A: for share capital increase

B - coverage of losses

C: for distribution to shareholders

The non-distributable quota, in accordance with Article 2426, paragraph 5 of the Civil Code, of Euro 5,227 thousand refers to the residual amount to be amortised of development expenses. The part of the Extraordinary Reserve not available for distribution of Euro 3,551 thousand relates to the value of the treasury shares held in portfolio, in accordance with Article 2357-*ter* of the Civil Code.

4.40 Net Debt

(Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006)

In Euro thousands	**31/12/2013**	**31/12/2012 restated**
Cash and cash equivalents	**2,386**	**13,229**
Loans to related parties	13,190	8,216
Finance leases and other lenders	-	-
Bank loans and mortgages	(44,883)	(42,235)
Short-term debt	**(31,693)**	**(34,018)**
Finance leases and other lenders	-	-
Bank loans and mortgages	(37,358)	(46,278)
Long-term debt	**(37,358)**	**(46,278)**
Net Debt	**(66,665)**	**(67,068)**

At December 31, 2013 the Net Debt was Euro 66,665 thousand, reducing by Euro 403 thousand on December 31, 2012. For further comment, reference is made to the Directors' Report.

4.41 Restatement

Elica S.p.A. applied the new aspects of IAS 19. Following the introduction of these provisions, as it is no longer possible to apply the corridor method, the actuarial profits and losses, which reflect the effects from the changes in the actuarial parameters, are recorded directly to net equity. We summarise below the effects:

At January 1, 2012

In Euro thousands	**Amounts previously reported**	**Effects deriving from the application of IAS 19 Revised**	**Restated amounts**
Liabilities for post-employment benefits	(8,503)	(1,001)	(9,504)
Deferred tax liabilities – share relating to post-employment benefits	(883)	327	(556)
Reserve for actuarial gains/losses	-	674	674

At December 31, 2012

In Euro thousands	**Amounts previously reported**	**Effects deriving from the application of IAS 19 Revised**	**Restated amounts**
Liabilities for post-employment benefits	(8,173)	(3,336)	(11,510)
Deferred tax liabilities – share relating to post-employment benefits	(882)	892	10
Reserve for actuarial gains/losses	-	2,444	2,444

In Euro thousands	**Amounts restated at December 31, 2012**	**Actuarial profit/losses matured in the period**	**Impact on P&L**	**At December 31, 2013**
Liabilities for post-employment benefits	(11,510)	803	157	(10,549)
Deferred tax liabilities – share relating to post-employment benefits	10	(190)	-	(180)
Reserve for actuarial gains/losses	2,444	(614)	-	1,831

We also restated the 2012 income statement, with a reductive impact of Euro 4 thousand on Personnel Costs, due to the reversal of the provision, in addition to the relative tax impact.
Elica reports obligations of Euro 10,549 thousand, reflecting the present value of its retirement benefit obligations accruing at the period end in favour of employees of the Group's companies and representing termination benefits at the end of the employment period.

5. Significant non-recurring events and operations

A summary of the significant non-recurring operations during the year and with their relative impact, net of taxes, on the Net Equity and Net Profit are shown below.

	Net Equity		Net Profit	
In Euro thousands	Amount	%	Amount	%
As per accounts	107,910		(1,749)	
a) Restructuring costs	(3,845)	-3.6%	(3,845)	N/A
b) Recovery of equity investments	1,843	1.7%	1,843	
Notional value of financial statements	**109,912**		**253**	

The account a) includes the costs incurred by the company for the Restructuring Plan related to the Reconversion Project of the production area of Serra San Quirico (Ancona) as a logistical hub, with the consequent gradual transfer of the workforce to the nearby Mergo (Ancona) production site. This Project arises from the need to ensure competitiveness at the Italian production sites. Further information is provided in paragraph 4.10 of the present Notes.
Account b) includes the income of the company following the write-back of the investment in Elicamex. For further details, reference should be made to Note 4.11.

6. Guarantees, commitments and contingent liabilities

a) Contingent liabilities

Elica is not involved in administrative, judicial or arbitration proceedings that are underway or have been settled by means of a ruling or arbitration award issued in the last 12 months and which might have or might have had an effect on the financial situation or profitability.

Prudent provisions were also made concerning contingent risks from pending legal disputes; at Decemeber 31, 2013, the risks and charges provision for disputes amounted to Euro 644 thousand.

Management considers that the provision for risks in order to cover possible liabilities from pending or potential disputes is, on the whole, adequate.

b) Guarantees and commitments

On December 18, 2013, F.A.N. s.r.l. (previously FAN S.A.), the parent company of Elica S.p.A., and Whirlpool Europe S.r.l. ("Whirlpool") renewed the Shareholder Agreement (the "Shareholder Agreement") of December 10, 2007.

The Shareholder Agreement covers, among other issues, aspects relating to the governance of Elica S.p.A.. It sets a number of limits on the transfer of investments held by the Parties and commits FAN and the entities controlled by it to a non-competition clause.

The Shareholder Agreement had no impact on the control of Elica S.p.A., which pursuant to Article 93 of the Consolidated Finance Act, continues to be indirectly held by Ms. Gianna Pieralisi.

For further information on the matter, reference should be made to the website of Consob www.consob.it, which reports the updated extract of the Shareholder Agreement and the Annual Corporate Governance Report, available on the Company website www.elicagroup.com, Investor Relations/Corporate Governance section and/or http://corporation.elica.com (Investor Relations section).

Elica S.p.A. has not provided any significant guarantees.

Commitments with suppliers for fixed asset purchases at December 31, 2013 amount to approx. Euro 20 thousand, principally relating to investments in the productive capacity through machinery.

Commitments in place at December 31, 2013 undertaken for the purchase of raw materials amount to Euro 6,468 thousand.

c) Operating leases

At the balance sheet date there were rental agreements for several industrial and commercial properties, motor vehicle rental agreements and operating leases for hardware. The account other operating leases concerns commitments for a new operating lease contracts, signed by the Company concerning photovoltaic panels. Future payments due against lease contracts are summarised in the following table:

In Euro thousands	**31/12/2013**	**31/12/2012 restated**
Property rentals	933	821
Car and fork lift rental	1,927	2,279
Hardware operating leases	3,172	2,389
Other operating leases	3,300	4,010
Total	**9,332**	**9,499**

In Euro thousands	**31/12/2013**	**Within 1 year**	**1 - 5 years**	**Over 5 years**
Property rentals	933	345	588	-
Car and fork lift rental	1,927	1,052	875	-
Hardware operating leases	3,172	766	2,406	-
Other operating leases	3,300	370	1,850	1,080
Total	**9,332**	**2,534**	**5,718**	**1,080**

7. Risk management policy

Introduction

Elica's operations are exposed to different types of financial risks, or risks associated to changes in exchange rates, interest rates, commodity prices and cash flow. In order to mitigate the impact of these risks on the company's results, the Elica Group commenced the implementation of a financial risk monitoring system through a "Financial Risk Policy" approved by the Board of Directors of the Company. Within this policy, the Company constantly monitors the financial risks related to the operating activities in order to assess any potential negative impact and undertakes corrective action where necessary.

The main guidelines for the Company risk policy management are as follows:

- identify the risks related to the achievement of the business objectives;
- assess the risks to determine whether they are acceptable compared to the controls in place and require additional treatment;
- reply appropriately to risks;
- monitor and report on the current state of the risks and the effectiveness of their control.

The Group Financial Risk Policy is based on the principle of proficient management and the following assumptions:

- Prudent management of the risk with a view to protecting the expected value of the business;
- Use of "natural hedges" in order to minimise the net exposure on the financial risks described above;
- Undertake hedging operations within the limits approved by Management and only in the presence of effective and clearly identified exposures;

The process for the management of the financial risks is structured on the basis of appropriate procedures and controls, based on the correct separation of the activities of conclusion, settlement, registration and reporting of the results.

The paragraphs below report an analysis of the risks which Elica is exposed to, indicating the level of exposure and, for the market risks, the potential impact on the results deriving from hypothetical fluctuations in the parameters (sensitivity analysis).

Market risk

Within these types of risks, IFRS 7 includes all the risks directly or indirectly related to the fluctuations of the general market prices and the financial markets in which the company is exposed:

- currency risk;
- commodity risk, related to the volatility of the prices of the raw materials utilised in the production processes;
- interest rate risk.

In relation to these risk profiles, Elica uses derivative instruments to hedge its risks and does not engage in derivative trading.

The paragraphs below individually analyse the different risks, indicating where necessary, through sensitivity analysis, the potential impact on the results deriving from hypothetical fluctuations in the parameters.

Foreign currency risks

The Company's operating currency is the Euro. However, the Company trades also in American Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss Francs (CHF), Russian Roubles (RUB) Polish Zloty (PLN), Indian Rupees (INR) and Chinese Yuan (CNY). In all of these currencies, except for the Swiss Franc, the Company has higher revenues than costs; therefore changes in the exchange rates between the Euro and these currencies impact the Company results as follows:

- the appreciation of the Euro has negative effects on revenue and operating results;
- the depreciation of the Euro has positive effects on revenues and operating results.

The amount of the exchange risk, defined in advance by Management of the Company on the basis of the budget for the period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections.

The hedge is made through agreements with third party financiers of forward contracts for the purchase and sale of foreign currency. As previously described, these operations are undertaken without any speculative or trading purpose, in line with the strategic policies of a prudent management of the cash flows.

As well as the trading risks just described, the Group is also exposed to balance sheet translation risks. The assets and liabilities of companies consolidated in currencies other than the Euro may be translated into Euro at varying exchange rates, whose amount is recorded in the Translation reserve under Net Equity.

The Group monitors this exposure, against which there were no hedging operations at the balance sheet date; in addition, against the total control by the Parent Company over its subsidiaries, the governance on the respective foreign currency operations is greatly simplified.

The values are shown below at December 31, 2013 of the balance sheet accounts in foreign currencies for the most significant currencies:

In Euro thousands	**31/12/2013**		**31/12/2012 restated**	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
CHF	-	(342)	-	(302)
CNY	2,891	1	1,503	(20)
GBP	248	(19)	276	(25)
JPY	316	(7)	196	(27)
PLN	15,857	(27,668)	8,030	(992)
RUB	1,706	(106)	3,947	(15)
USD	4,215	(1,524)	4,809	(341)
INR	1,400	(130)	883	(219)
MXN	890	-	-	-
Total	**27,523**	**(29,795)**	**19,643**	**(1,941)**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the Euro/CHF, Euro/CNY, Euro/GBP, Euro/YEN, Euro/PLN, Euro/RUB, Euro/USD and EUR/INR rates were analysed.

The following table shows the sensitivity to reasonably possible movements in the exchange rates, maintaining all other variables unchanged, of the pre tax profit, due to changes in the value of current assets and liabilities in foreign currencies:

In Euro thousands	**31/12/2013**		**31/12/2012 restated**	
Currency	**Depreciation of foreign currencies 5%**	**Appreciation of foreign currencies 5%**	**Depreciation of foreign currencies 5%**	**Appreciation of foreign currencies 5%**
CHF	16	(18)	14	(15)
CNY	(138)	152	(71)	78
GBP	(11)	12	(12)	13
JPY	(15)	16	(8)	9
PLN	562	(622)	(335)	370
RUB	(76)	84	(187)	207
USD	(128)	142	(213)	235
INR	(61)	67	(32)	35
MXN	(42)	47	-	-
Total	**107**	**(120)**	**(843)**	**932**

The hedging operations of Elica as at December 31, 2013 with financial counterparties have a total positive Fair Value of Euro 306 thousand.

The table below shows the details of the notional and fair values:

Currency	**31/12/2013**		**31/12/2012 restated**	
	Notional value	**Fair Value**	**Notional value**	**Fair Value**
	(in foreign currency/000)	*(in Euro thousands)*	*(in foreign currency/000)*	*(in Euro thousands)*
USD				
Forward	2,640	26	10,600	18
Options	1,200	41	620	1
GBP				
Forward	50	(1)	924	4
PLN				
Forward	45,450	42	122,173	(47)
Options	6,720	1	6,450	84
JPY				
Options	-	-	54,000	28
RUB				
Forward	466,500	194	542,700	(259)
Options	76,600	23	194,230	73
CNY				
Forward	10,000	(20)	10,000	2
Total		**306**		**(96)**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the EUR/USD, EUR/GBP, EUR/PLN, EUR/RUB and EUR/CNY and the EUR and foreign exchange interest rate curves were analysed.

In the stress testing we have stressed, as well as the spot to spot exchange rate, also the monetary curve rates at December 31, 2013 in order to show the effect of changes in the rate curve.

For this purpose, the maximum change in the interval between the beginning of November 2013 and the first week of January 2014 was considered.

For the EUR/USD exchange rates a stress of 4% was applied, for the EUR/GBP 4%, for EUR/PLN 3%, for EUR/JPY 7%, for EUR/RUB 8% and for EUR/CNY 3%.

For interest rates on forward exchange contracts, a stress was applied of 6 bps for the Eurozone rates, 4 bps for US rates, 0 bps for United Kingdom rates, 13 bps for the Polish rates, 10 bps for the Russian rates and 0 bps for the Chinese rates.

The following table shows the sensitivity to the movements in the exchange rates and the rate curves indicated, maintaining all other variables unchanged, of the Fair Value of the operations in foreign currencies at December 31, 2013 (compared with December 31, 2012):

			31/12/2013			
In Euro thousands	**USD Notional 3,840 USD/000**	**GBP Notional 50 GBP/000**	**PLN Notional 52,170 PLN/000**	**JPY Notional 0 JPY/000**	**RUB Notional 543,100 RUB/000**	**CNY Notional 10,000 CNY/000**
Depreciation of foreign currencies	(4)	2	(62)	-	207	16
Currency depreciation EURO	-	-	-	-	-	-
Currency depreciation	-	-	(1)	-	1	1
Sensitivity to Depreciation	**(4)**	**2**	**(63)**	**-**	**208**	**17**
Appreciation of foreign currencies	4	(3)	181	-	(139)	(17)
Currency appreciation EURO	-	-	-	-	-	
Currency appreciation	-	-	1	-	(1)	(1)
Sensitivity to Appreciation	**4**	**(3)**	**182**	**-**	**(140)**	**(18)**

			31/12/2012 restated			
In Euro thousands	**USD Notional 11,220 USD/000**	**GBP Notional 924 GBP/000**	**PLN Notional 128,623 PLN/000**	**JPY Notional 54,000 JPY/000**	**RUB Notional 736,930 RUB/000**	**CNY Notional 10,000 CNY/000**
Depreciation of foreign currencies	159	13	(44)	25	264	29
Currency depreciation EURO	-	-	-	-	-	-
Currency depreciation	-	-	12	-	27	12
Sensitivity to Depreciation	**159**	**13**	**(32)**	**25**	**291**	**41**
Appreciation of foreign currencies	(164)	(11)	51	(20)	(259)	(31)
Currency appreciation EURO	-	-	-	-	-	-
Currency appreciation	-	-	(12)	-	(26)	(13)
Sensitivity to Appreciation	**(164)**	**(11)**	**39**	**(20)**	**(285)**	**(43)**

Commodity risk

The Group is subject to market risk deriving from fluctuations in commodity prices used in the production process. The raw materials purchased by the Group (including copper and aluminium) are affected by the trends of the principal markets. The Group regularly evaluates its exposure to the risk of change in the price of commodities and manages this risk through fixing the price of contracts with suppliers and through hedging contracts with financial counterparties.

In particular, as illustrated by Management, between the end and the beginning of the year, on the basis of the production budget for the year, the prices and quantities were fixed through both channels described above. Operating in this manner, the Group covers the standard cost of the raw materials contained in the budget from possible increases in commodity prices, achieving the operating profit objective.

The notional value and the relative value of the copper derivatives in place at December 31, 2013 are reported below:

Copper coverage	31/12/2013		31/12/2012 restated	
In Euro thousands	Notional value	Fair Value	Notional value	Fair Value
Forward	7,859	156	2,316	89
Total	**7,859**	**156**	**2,316**	**89**

Also the commodities risk is measured through sensitivity analysis, in accordance with IFRS 7. The changes in the prices of copper utilised for the sensitivity analysis were based on the volatility of the market rates.

This analysis highlights a revaluation in the price of copper of 5%, resulting in an increase in the fair value of forward contracts at December 31, 2013 of Euro 399 thousand.

Similarly, a reduction of 5% results in a decrease in the fair value of forward contracts of Euro 401 thousand.

Interest rate risk

The management of the interest rate risk by the Elica Group is in line with the consolidated practices over time to reduce the volatility risk on the interest rates, while at the same time minimising the borrowing costs within the established budget limits.

The Group's debt carries mainly a floating rate of interest.

Relating to the Group debt, from the sensitivity analysis a decrease of 25 bps in the interest rate curve in the short-term incurs lower financial charges of Euro 142 thousand, while an increase of 25 bps in the same interest rate curve converts into higher financial charges of Euro 142 thousand.

The Group hedges the interest rate risk through the utilisation of four Interest Rate Swaps and through CAP options against specific medium-long term loans at a variable rate.

The table below shows the details of the notional and fair values:

	31/12/2013		31/12/2012 restated	
Instrument	**Notional value**	***Fair Value***	**Notional value**	***Fair Value***
In Euro thousands				
Interest Rate Swap	23,682	(370)	31,560	(634)
CAP	17,156	11	17,129	-
Total	**40,838**	**(359)**	**48,689**	**(634)**

Also the interest rate risk is measured through sensitivity analysis, in accordance with IFRS 7. The changes in the interest rate curve utilised for the sensitivity analysis were based on the volatility of the market rates.

The analysis shows that a decrease in the interest rate curve of 1 bps and of the medium/long-term curve of 25 bps converts into a decrease in the Fair Value of the Interest Rate Swap at December 31, 2013 of Euro 79 thousand.

An increase of 1 bps in the interest rate curve and of 25 bps in the medium/long-term rate curve results however in an increase in the fair value of Interest Rate Swaps of Euro 80 thousand.

With reference to the CAP option, the sensitivity analysis carried out on the interest rate curve shows that against a decrease in the interest rate curve of 1 bps and of 25 bps in the medium/long-term rate curve there are no changes in the fair value.

Similarly, an increase in the interest rate curve of 1 bps and of 25 bps in the medium/long-term rate curve results in no changes in the fair value.

Credit risk

The credit risks represent the exposure of Elica to potential losses deriving from the non-compliance of obligations by trading partners. This risk derives in particular from economic-financial factors related to a potential solvency crisis of one or more counterparties.

The Company adopts a Credit Policy (related to the Financial Risk Policy) which governs credit management and the reduction of the related risk, partly through insurance policies with leading international insurance companies.

The maximum theoretical credit risk exposure for the Company at December 31, 2013 is based on the book value of the receivables recognised to the accounts, net of the specific insurance coverage, in addition to the nominal value of the guarantees given to third parties.

At December 31, 2013, trade receivables from non-Group clients of Euro 48.8 million (Euro 54.0 million at December 31, 2012), included approx. Euro 4.6 million (Euro 5.4 million at December 31, 2012) concerning overdue receivables, of which Euro 574 thousand over 60 days.

The amount of trade receivables reported in the balance sheet is net of the allowance for doubtful accounts. The provision is allocated either on a specific basis or on the general basis of overall risks, in accordance with the company's Credit Policy.

For more details, see paragraph 4.25 of the present notes.

Liquidity risk

The liquidity risk represents the risk related to the unavailability of financial resources necessary to meet short-term commitments assumed by the Company and its own financial needs.

The principal factors which determine the liquidity of the Company are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions. These factors are monitored constantly in order to guarantee a correct equilibrium of the financial resources.

The following table shows the expected cash flows in relation to the contractual expiries of trade payables and various financial liabilities from derivatives:

		31/12/2013	
In Euro thousands	**Within 1 year**	**1 - 5 years**	**Over 5 years**
Bank loans and mortgages	44,883	37,358	-
Trade and other payables	89,498	705	296
Total	**134,381**	**38,063**	**296**

		31/12/2012 restated	
In Euro thousands	**Within 1 year**	**1 - 5 years**	**Over 5 years**
Bank loans and mortgages	42,235	45,076	1,202
Trade and other payables	81,592	907	339
Total	**123,827**	**45,983**	**1,541**

During the year, the Company signed with major financial counterparties two Medium-Long term loan contracts which include an obligation to respect financial covenants based on the Consolidated Financial Statements.

In particular, the covenants on some of the loans do not immediately determine default of the line through non respecting of the limits, but in the first instance impose an increase in the cost of the loan.

At December 31, 2013 the level of the covenants in question were comfortably complied with both in relation to the increase in the cost of the loan and the level of default of the credit line.

Management believes that at the present moment, the funds available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and repayment of debt in accordance with their maturities.

For details on the Net Debt, reference should be made to note 4.40 of the notes.

Classification of the Financial instruments

In Euro thousands	**31/12/2013**	**31/12/2012 restated**
AFS financial assets	153	153
Derivative financial instruments	1	-
Non-current assets	**154**	**153**
Trade and financial receivables	81,236	77,805
Derivative financial instruments	519	638
Cash and cash equivalents	2,386	13,229
Current assets	**84,141**	**91,672**
Bank loans and mortgages	37,358	46,278
Derivative financial instruments	166	373
Non-current liabilities	**37,524**	**46,651**
Trade payables	79,784	77,862
Bank loans and mortgages	44,883	42,235
Derivative financial instruments	251	907
Current liabilities	**124,918**	**121,004**

The Company considers that the book values of the accounts approximate their fair value. In relation to the valuation methods for the individual accounts, reference should be made to paragraph 1 Accounting principles and policies of the present Notes.

Hierarchy of Fair Value according to IFRS 7.

IFRS 7 requires that the classification of financial instruments valued at fair value is determined based on the quality of the input sources used in the valuation of the fair value.

The IFRS 7 classification implies the following hierarchy:

- Level 1: determination of fair value based on prices listed in active markets for identical assets or liabilities. The instruments which the Company operates directly on active markets or in "Over the Counter" markets characterised by an adequate level of liquidity belong to this category;
- Level 2: determination of fair value based on other inputs than the listed prices included in "Level 1" but which are directly or indirectly observable. In particular instruments which the Company operates on "Over the Counter" markets, not characterised by an adequate level of liquidity are included in this category;
- Level 3: determination of the Fair Value based on valuation models whose input is not based on observable market data.

The classification of the financial instruments may have a discretional element, although not significant, where in accordance with IFRS, the Company utilises, where available, prices listed on active markets as the best estimate of the fair value of derivative instruments.

All the derivative instruments in place at December 31, 2013 and December 31, 2012 belong to level 2 of the fair value hierarchy, except for commodities which belong to level 1.

Derivative contracts at December 31, 2013

The table below shows the following information on derivative instruments at December 31, 2013:

- The notional value of the derivative contracts, broken down by maturity;
- The book value of these contracts, represented by their fair value.
-

In Euro thousands

Interest rate risk	Notional Value: Maturity within 1 year	Notional Value: Maturity over 1 year	Book value
Cash Flow hedge as per IAS 39	5,433	18,248	(370)
Fair Value hedge as per IAS 39			
Not considered hedges under IAS 39	13,095	4,062	11
Total derivatives on interest rates	**18,528**	**22,310**	**(359)**

Foreign currency risks	Maturity within 1 year: sales	Maturity within 1 year: purchases	Maturity over 1 year: sales	Maturity over 1 year: purchases	Book value
Cash Flow hedge as per IAS 39					
Fair Value hedge as per IAS 39					
Not considered hedges under IAS 39	14,786	39,547	570	601	306
Total derivatives on foreign exchange	**14,786**	**39,547**	**570**	**601**	**306**

Commodities risk	Maturity within 1 year: sales	Maturity within 1 year: purchases	Maturity over 1 year: sales	Maturity over 1 year: purchases	Book value
Cash Flow hedge as per IAS 39		7,859			156
Fair Value hedge as per IAS 39					
Not considered hedges under IAS 39					
Total derivatives on commodities		**7,859**			**156**

The situation at December 31, 2012 is outlined below:

In Euro thousands	Notional Value				Book value
Interest rate risk					
	Maturity within 1 year		Maturity over 1 year		
Cash Flow hedge as per IAS 39	8,738		27,119		(654)
Fair Value hedge as per IAS 39					
Not considered hedges under IAS 39	4,974		12,156		0
Total derivatives on interest rates	**13,712**		**39,275**		**(654)**
Foreign currency risks	Maturity within 1 year		Maturity over 1 year		
	sales	purchases	sales	purchases	
Cash Flow hedge as per IAS 39					
Fair Value hedge as per IAS 39					
Not considered hedges under IAS 39	32,899	22,679	8,478	570	(96)
Total derivatives on foreign exchange	**32,889**	**22,679**	**8,478**	**570**	**(96)**
Commodity risk	Maturity within 1 year		Maturity over 1 year		
	sales	purchases	sales	purchases	
Cash Flow hedge as per IAS 39		2,316			89
Fair Value hedge as per IAS 39					
Not considered hedges under IAS 39					
Total derivatives on commodities		**2,316**			**89**

The details of the process followed in order to identify fair value are shown below:

Financial Assets/Liabilities	Fair value at 31/12/2013	Fair value at 31/12/2012 restated	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relation between the unobservable inputs and the fair value
1) Currency forwards and options	Assets Euro 327 thousand; Liabilities Euro (21) thousand	Assets Euro 210 thousand; Liabilities Euro (306) thousand	Level 2	*Discounted cash flow*. The future cash flows are estimated based on the forward currency rates (from the forward currency rates observable at the end of the period) and the forward contract rates, discounted at a rate which reflects the credit risk of the various counterparties.	N/A	N/A
2) Interest rate swaps	Assets Euro 11 thousand; Liabilities (subject to hedging) Euro 370 thousand	Liabilities Euro (634) thousand	Level 2	*Discounted cash flow*. The future cash flows are estimated based on the forward interest rates (from the interest rate curve observable at the end of the period) and the interest rate contracts, discounted at a rate which reflects the credit risk of the various counterparties.	N/A	N/A

8. Disclosure on Management compensation and related-party transactions

As required by law, the total remuneration of Directors, Statutory Auditors and Managers with strategic roles also in other companies are reported below.

8.1 Remuneration of Directors, Statutory Auditors and Senior Management with strategic responsibility

The remuneration of the above-mentioned persons in total amounted to Euro 3,394 thousand. The details are reported in the Remuneration Report. This report is available on the website of the Company www.elicagroup.com/ Investor Relations/Corporate Governance section and/or http://corporation.elica.com (Investor Relations section).

8.2 Management and direction activity

Elica S.p.A. is indirectly controlled by the Casoli Family through Fintrack S.p.A. of Fabriano (AN - Italy).

Francesco Casoli, Chairman of Elica S.p.A., is a shareholder and Sole Director of Fintrack S.p.A., a holding company that does not carry out management and coordination activities.

Gianna Pieralisi Casoli holds a life-time right of usufruct on 68.33% of the shares of Fintrack S.p.A., thus exercising control over the Issuer, pursuant to Article 93 of the Consolidated Finance Act.

During the year, transactions with related parties took place. All transactions were conducted on an arm's length basis in the ordinary course of business.

The tables below show key figures for subsidiaries and the amount of transactions entered into with them at and for the year ended December 31, 2013.

Subsidiaries – 2013 Financial Highlights

In Euro thousands Reporting package figures	Assets	Liabilities	Net Equity	Revenues	Net profit/ (loss) for the year
Elicamex S.a.d. C.V.	44,145	13,424	30,721	53,545	5,629
Elica Group Polska Sp.z o.o	50,241	25,351	24,890	89,551	3,194
Airforce S.p.A.	9,892	7,473	2,419	19,410	254
Ariafina Co.Ltd	8,270	3,019	5,251	23,293	1,968
Leonardo Services S.a. de C.V.	1,549	1,543	7	6,731	147
Exklusiv Hauben Gutmann GmbH	24,498	14,386	10,112	26,337	405
Elica Inc.	440	309	131	566	16
Airforce GE (*)	79	7	72	18	(11)
Elica PB India Private Ltd.	6,686	4,663	2,023	9,042	(84)
Zhejiang Putian Electric Co. Ltd	14,831	11,871	2,960	13,795	(3,277)
Elica Trading LLC	3,616	2,025	1,590	7,418	(163)

(*) Airforce Germany Hochleistungs-dunstabzugssysteme Gmbh

Elica also has financial relations with Group companies as a result of loans made to them as part of a general plan to centralise cash management activities. These loans are interest bearing and at market rates. The details are shown below:

In Euro thousands	31/12/2013	31/12/2012 restated	Changes
Loans to subsidiaries			
Zhejiang Putian Electric Co. Ltd	2,395	1,216	1,179
Elica PB India Private Ltd.	1,404	-	1,404
Leonardo Services S.a. de C.V.	890	-	890
Exklusiv Hauben Gutmann GmbH	8,500	7,000	1,500
Total	**13,190**	**8,216**	**4,974**

The table below summarises the transactions and balances with related parties in 2013:

Related parties *In Euro thousands*	**Fin. /Trade receivables**	**Payables**	**Costs**	**Revenues and income**
Subsidiary companies				
Elicamex S.a.d. C.V.	4,486	6	18	13,332
Ariafina Co.Ltd	313	7	5	316
Elica Polska S.p.zoo	7,290	27,655	86,766	29,452
Air Force S.p.A.	695	318	616	1,958
Zhejiang Putian Electric Co. Ltd	3,368	166	204	950
Exklusiv Hauben Gutmann GmbH	9,923	1,184	657	2,271
Elica PB India Private Ltd.	4,054	130	127	922
Elica Trading LLC	1,340	106	98	4,099
Leonardo Services S.a. de C.V.	894	-	-	4
Associated company				
I.S.M. S.r.L.	100	-	-	1
Other related parties				
Fintrack S.p.a.	-	-	-	-
Fastnet S.p.a.	-	4	26	-

Dividends are not reported in the present table.

Transactions with other related parties

Among the other related parties, Elica only carries out transactions exclusively of a trading nature with Fastnet S.p.A.. There are no transactions with Fintrack S.p.A.. Roal Electronics at December 31, 2013 was no longer a related party of Elica S.p.A..

Transactions of a commercial and financial nature

The table above shows the main operating and financial amounts arising from trading transactions with Fastnet S.p.A. (30% interest held by the parent company of Elica).

The transactions with Fastnet S.p.A. forms part of a strategic partnership to develop projects and implement advanced technological solutions. These projects have accompanied and continue to accompany the growth of the business; from intranet solutions to extranet solutions, from wiring to wireless solutions, from software consultancy to hardware consultancy and from training to web marketing.

9. Positions or transactions arising from exceptional and/or unusual transactions

In 2013, no operations classifiable in this category were recorded.

10. Subsequent events

For information on events after the year-end, reference should be made to the Directors' Report.

Fabriano, March 21, 2014

The Board of Directors

THE EXECUTIVE CHAIRMAN

Francesco Casoli

Disclosure pursuant to Article 149 of the CONSOB Issuer's Regulation

The following table, prepared pursuant to article 149 of the CONSOB Issuer's Regulations, reports the payments made in 2013 for audit and other services carried out by the audit firm and entities associated with the audit firm.

Type of service	Service provider	Company	Fees *In Euro thousands*
Audit	Deloitte & Touche S.p.A.	Elica S.p.A.	273
Other Services	Deloitte & Touche S.p.A.	Elica S.p.A.	5
Total			**278**

Declaration of the Separate Financial Statements as per Article 81-ter of CONSOB Regulation No. 11971 of May 14, 1999 and subsequent modifications and integrations

The undersigned Giuseppe Perucchetti, as Chief Executive Officer, and Alberto Romagnoli, Executive responsible for the preparation of the corporate accounting documents of Elica S.p.A., affirm, and also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the conformity in relation to the characteristics of the company and
- the effective application,

of the administrative and accounting procedures for the compilation of the financial statements for 2013.

We also declare that:

- the Financial Statements:

a) corresponds to the underlying accounting documents and records;

b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union and also in accordance with article 9 of Legislative Decree 38/2005;

c) provide a true and correct representation of the balance sheet, financial situation and result for the year of the issuer.

- The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer together with a description of the principal risks and uncertainties to which they are exposed.

March 21, 2014

The Chief Executive Officer

Giuseppe Perucchetti

Executive responsible for the preparation

of corporate accounting documents

Alberto Romagnoli