Elica S.p.A.

Interim Report

at March 31, 2014

Contents

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 25/8/1947, appointed by the Shareholders' Meeting of 24/4/2013 (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

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Interim Report at March 31, 2014

Financial and operating review

In Euro thousands	Q1 2014	% revenues	Q1 2013	% revenues	14 Vs 13 %
Revenues	96,729		95,134		1.7%
EBITDA before restructuring charges	5,856	6.1%	5,453	5.7%	7.4%
EBITDA	5,737	5.9%	5,453	5.7%	5.2%
EBIT	1,673	1.7%	1,517	1.6%	10.3%
Financial income/(charges)	(1,144)	(1.2%)	(1,263)	(1.3%)	(9.4%)
Income taxes	122	0.1%	323	0.3%	(62.2%)
Net profit from continuing operations	651	0.7%	577	0.6%	12.8%
Net profit from continuing operations and discontinuing operations	651	0.7%	577	0.6%	12.8%
Group Net Profit	**552**	0.6%	**426**	0.4%	**29.6%**
Basic earnings per share on continuing operations and discontinuing operations (Euro/cents)	0.8900		0.7082		25.7%
Diluted earnings per share on continuing operations and discontinuing operations (Euro/cents)	0.8900		0.7058		26.1%

The earnings per share for Q1 2014 and Q1 2013 were calculated by dividing the Group net result from continuing and discontinued operations by the number of outstanding shares at the respective reporting dates.

EBITDA is the operating profit (EBIT) plus amortisation and depreciation and any write-downs of goodwill for losses in value. EBIT is the operating profit as reported in the consolidated income statement.

In Euro thousands	March 31, 2014	Dec. 31, 2013	March 31, 2013
Trade receivables	75,483	74,497	79,665
Inventories	57,132	52,327	55,142
Trade payables	(89,011)	(85,520)	(90,641)
Managerial Working Capital	**43,604**	**41,304**	**44,166**
as a % of annualised revenues	*11.3%*	*10.5%*	*11.6%*
Other net receivables/payables	(14,870)	(13,237)	(2,129)
Net Working Capital	**28,734**	**28,067**	**42,037**
as a % of annualised revenues	*7.4%*	*7.4%*	*11.5%*

In Euro thousands	March 31, 2014	Dec. 31, 2013	March 31, 2013
Cash and cash equivalents	**26,331**	**27,664**	**21,090**
Finance leases and other lenders	(13)	(14)	(14)
Bank loans and mortgages	(36,337)	(37,757)	(42,370)
Long-term debt	**(36,350)**	**(37,771)**	**(42,384)**
Finance leases and other lenders	(14)	(14)	(42)
Bank loans and mortgages	(51,949)	(46,554)	(47,482)
Short-term debt	**(51,963)**	**(46,568)**	**(47,524)**
Net Debt	**(61,982)**	**(56,675)**	**(68,818)**

Net Debt is the sum of cash and cash equivalents less amounts due under finance leases and other borrowings (current and non-current), plus bank loans and mortgages (current and non-current), as reported in the balance sheet.

Operating review Q1 2014

In Q1 2014 Elica Group consolidated revenues totalled Euro 96.7 million - an increase of 4.0% at like-for-like exchange rates and of 1.7% including the exchange rate effect - on the first quarter of the previous year.
The Cooking Sector reported revenue growth of 0.7%, which relates essentially to the increase of 2.0% of own brand product sales, against stable third party brand sales compared to the same period of 2013. Global range hood demand in the quarter increased slightly (+0.5%)[1], principally led by North America (+3.0%), compared to the same period of the previous year. Demand in Europe reduced (-0.6%), although in contrast to preceding years the weaker performance was in Eastern Europe, due to the political difficulties in the CIS region[2].
The Motor Sector in Q1 2014 reported a significant improvement (7.0%), following the revenue growth across all three segments: white goods, heating and ventilation.
Analysing revenues from sales in the principal markets[3], the Americas contributed significantly to revenue growth (up 11.2% on Q1 2013). Revenue growth in Asia totalled 1.5% and was significantly impacted by unfavourable exchange rate movements, principally concerning the average exchange rates of the Japanese Yen and the Indian Rupee compared to the previous year. At constant exchange rates, Asian sales increased 11.0%. European sales remained stable (-0.1%), despite the political difficulties in Eastern Europe.

EBITDA before restructuring charges in the first quarter of 2014 totalled Euro 5.9 million, increasing 7.4% compared to Q1 2013, thanks to the improved operating margin following a better mix of sales and the industrial efficiency and overhead cost reduction programmes. EBITDA net of restructuring charges was Euro 5.7 million, up 5.2% compared to Euro 5.5 million in Q1 2013.

EBIT net of restructuring charges was Euro 1.7 million, improving 10.3% compared to Euro 1.5 million in Q1 2013.

Financial charges as a percentage of net revenues improved from 1.3% in the first quarter of 2013 to 1.2% in the first quarter of 2014, principally due to the improved currency management performance and also the reduction in the average debt.

Group Net Profit in Q1 2014 totalled Euro 0.6 million, improving 29.6% compared to Euro 0.4 million in Q1 2013.

The Managerial Working Capital on annualised revenues of 11.3% is slightly lower than 11.6% at March 31, 2013, but increased compared to 10.5% at December 31, 2013, due to the normal seasonality of the Group business model.

The Net Debt at March 31, 2014 totalled Euro 62.0 million, reducing on Euro 68.8 million at March 31, 2013 and increasing on Euro 56.7 million at December 31, 2013, in line with such seasonality.

1 Global range hood market volumes.

2 Commonwealth of Independent States.

3 Data concerns sales revenues by geographic area and therefore does not refer to the breakdown by operating segment according to the various Group company locations.

	Average Q1 2014	Average Q1 2013	%	March 31, 2014	Dec. 31, 2013	%
USD	1.37	1.32	3.8%	1.38	1.38	0.0%
JPY	140.80	121.80	15.6%	142.42	139.21	2.3%
PLN	4.18	4.16	0.5%	4.17	4.15	0.5%
MXN	18.13	16.70	8.6%	18.01	18.07	(0.3%)
INR	84.58	71.54	18.2%	82.58	85.37	(3.3%)
CNY	8.36	8.22	1.7%	8.58	8.35	2.7%
RUB	48.04	40.15	19.6%	48.78	45.32	7.6%
GBP	0.83	0.85	(2.4%)	0.83	0.83	0.0%

In Q1 2014, the Euro average exchange rate strengthened against all currencies to which the Group is exposed, with the exception of UK Sterling.

Significant events in Q1 2014

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 Board of Directors of Elica S.p.A. on February 14, 2014 approved the 2013 Fourth Quarter Report, prepared in accordance with IFRS accounting standards.

On March 21, 2014, the Board of Directors of Elica S.p.A approved the 2013 Consolidated Financial Statements and the 2013 Separate Financial Statements of Elica S.p.A., prepared in accordance with IFRS, in addition to the 2013 Corporate Governance and Ownership Structure Report, the Remuneration Report and the Directors' Report to the Shareholders' AGM on the proposal to authorise the buy-back and utilisation of treasury shares.
On the same date, the Board of Directors proposed the distribution of a dividend of Euro 0.0269 per share (before withholding taxes), allocated from the available and distributable reserves and excluding the distribution of a dividend for treasury shares on May 26, 2014, date of dividend coupon No. 6 (and record date May 28, 2014), with dividend payment date of May 29, 2014.
In addition, the Board of Directors of Elica S.p.A., with conclusion of the three-year mandate conferred to the Supervisory Board, appointed the following new members: Massinissa Magini Paolo and Cruciani Marco, while confirming the appointment of Babbo Cristiano. The mandate is of three-year duration.
In the same meeting the Board of Directors, on the annual verification of members, confirmed the independence of the Independent Directors Stefano Romiti, Elena Magri and Evasio Novarese in accordance with Article 148, paragraph 3 of the CFA (also as per Article 147-*ter*, paragraph 4 of the CFA) and Article 3.C.1 of the Self-Governance Code for listed companies.

The Elica Group participated at the STAR Conference 2014 in Milan, filing the relative Presentation on March 24, 2014, which may be viewed on the Company website.

Elica Group structure and consolidation scope

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 March 31, 2014

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-Italia) (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.
o Elica France S.A.S. – Paris (France) (in short Elica France), a wholly-owned French company incorporated during the period.
o I.S.M. Poland Sp.zo.o – Wroclaw - Poland (in short I.S.M. Poland). Held 100% and acquired through the Polish subsidiary in the quarter, the company is involved in mechanical processing.

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

During the quarter the French subsidiary was incorporated and the subsidiary I.S.M. Poland was acquired through the subsidiary Elica Group Polska. There were no other changes in the consolidation scope compared to December 31, 2013.

Elica Group Inter-company and other related-party transactions

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

Subsequent events and outlook

On April 4, 2014, the Group announced the publication, as required by the applicable regulation, of the Annual Report including the Separate Financial Statements and the Consolidated Financial Statements at December 31, 2013, the Directors' Report and the Declaration as per Article 154-*bis*, paragraph 5 of Legislative Decree 58/1998, together with the Board of Statutory Auditors' Report and the Independent Auditors' Report, in addition to the 2013 Corporate Governance and Ownership Structure Report, the Remuneration Report, the financial statements of the subsidiaries as per Article 36 of the Market Regulation and the Illustrative Report of the Directors to the Shareholders' AGM, called for April 29, 2014, concerning the proposal for the purchase and utilisation of treasury shares.
The annual accounts and/or the financial statements as per Article 2429 of the Civil Code of the subsidiaries and associated companies of Elica S.p.A. are also available to the public at the registered office.

On April 29, 2014, the Shareholders' Meeting of Elica S.p.A., meeting in Ordinary session, approved the Financial Statements at December 31, 2013 of Elica S.p.A. and the distribution of a dividend of Euro 0.0269 per share (before withholding tax), excluding the distribution of a dividend for treasury shares held at May 26, 2014, date of the dividend coupon No. 6 and record date of May 28, 2014, with dividend payment date of May 29, 2014.
The Shareholders' Meeting of Elica S.p.A., considering the content of the Remuneration Report filed on April 4, 2014 and made available to the public on the internet site of the Company www.elicagroup.com, expressed its approval of the first section of the report.

The Shareholders' Meeting also approved the authorisation to purchase and utilise treasury shares, pursuant to Article 2357 and 2357 *ter* of the Civil Code, in order to provide the company with an important instrument of strategic and operative flexibility.

The Group carries out an ongoing and extensive monitoring of demand dynamics, which in the first quarter of 2014 appeared strong across all regions, except for Europe - although in a change from recent years the weaker performance was seen in Eastern Europe compared to the same period of the previous year.

Encouraged by the excellent results achieved in 2014 in terms of growth and profitability, we will continue to pursue the guiding principles of our strategy, extending product leadership, accelerating global growth, strengthening value chain integration and continually optimising the organisational structure.

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

Elica S.p.A. confirms compliance with the conditions for listing pursuant to articles 36 and 37 of Consob's Market Regulations. In particular, 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 enacted on March 30, 2009.

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.

Interim Report at March 31, 2014

Consolidated Income Statement – Q1 2014

In Euro thousands	***Note***	**Q1 2014**	**Q1 2013**
Revenues	**1.**	96,729	95,134
Other operating revenues	**2.**	3,343	418
Changes in inventories of finished and semi-finished goods		1,492	3,022
Increase in internal work capitalised		1,261	743
Raw materials and consumables	**3.**	(54,668)	(55,050)
Services	**4.**	(16,175)	(16,901)
Labour costs	**5.**	(21,092)	(20,609)
Amortisation & Depreciation		(4,064)	(3,936)
Other operating expenses and provisions		(5,034)	(1,304)
Restructuring charges		(119)	-
EBIT		**1,673**	**1,517**
Share of profit/(loss) from associates		(5)	(4)
Financial income	**6.**	35	39
Financial charges	**6.**	(995)	(1,000)
Exchange gains/(losses)	**6.**	(179)	(298)
Profit before taxes		**529**	**254**
Income taxes		122	323
Net profit from continuing operations		**651**	**577**
Net profit from discontinued operations		-	-
Net profit		**651**	**577**
of which:			
Minority interests share		99	151
Group Net Profit		552	426
Basic earnings per Share (Euro/cents)		0.89	0.71
Diluted earnings per Share (Euro/cents)		0.89	0.71

Comprehensive Consolidated Income Statement – Q1 2014

In Euro thousands	**Q1 2014**	**Q1 2013**
Net Profit	**651**	**577**
Other comprehensive profits/(losses) which may not be subsequently reclassified to net profit/(loss) for the period:		
Actuarial gains/(losses) of employee defined plans	(237)	101
Tax effect concerning the Other profits/(losses) which may not be subsequently reclassified to the net profit/(loss) for the period	(17)	(11)
Total other comprehensive profits/(losses) which may not be subsequently reclassified to net profit/(loss) for the period, net of the tax effect	**(254)**	**90**
Other comprehensive profits/(losses) which may be subsequently reclassified to net profit/(loss) for the period:		
Exchange differences on the conversion of foreign financial statements	(677)	1.926
Net change in cash flow hedges	(627)	(24)
Tax effect concerning the Other profits/(losses) which may be subsequently be reclassified to the net profit/(loss) for the period	172	(6)
Total other comprehensive profits/(losses) which may be subsequently reclassified to net profit/(loss) for the period, net of the tax effect	**(1,132)**	**1,896**
Total other comprehensive income statement items, net of the tax effect:	**(1,386)**	**1,986**
Total comprehensive profit/(loss)	**(735)**	**2,563**
of which:		
Minority interests share	132	87
Group comprehensive profit/(loss)	(867)	2,476

Consolidated Balance Sheet at March 31, 2014

In Euro thousands	***Note***	**March 31, 2014**	**Dec. 31, 2013**
Property, plant & equipment	**7.**	85,795	81,932
Goodwill	**8.**	44,171	41,584
Other intangible assets	**9.**	25,784	25,336
Investments in associated companies		1,378	1,383
Other receivables		199	190
Tax receivables		6	6
Deferred tax assets		15,014	13,608
AFS financial assets		158	156
Derivative financial instruments		6	1
Total non-current assets		**172,511**	**164,196**
Trade and financial receivables	**10.**	75,483	74,497
Inventories	**11.**	57,132	52,327
Other receivables		8,429	6,306
Tax receivables		9,058	7,747
Derivative financial instruments		151	519
Cash and cash equivalents		26,331	27,664
Current assets		**176,584**	**169,060**
Assets of discontinued operations		**-**	**2,395**
Total Assets		**349,095**	**335,651**
Liabilities for post-employment benefits		11,395	11,230
Provisions for risks and charges	**12.**	5,141	3,333
Deferred tax liabilities		5,171	5,117
Finance leases and other lenders		13	14
Bank loans and mortgages		36,337	37,757
Other payables		954	987
Tax payables		651	677
Derivative financial instruments		114	166
Non-current liabilities		**59,776**	**59,281**
Provisions for risks and charges	**12.**	2,800	4,172
Finance leases and other lenders		14	14
Bank loans and mortgages		51,949	46,554
Trade payables		89,011	85,520
Other payables		21,548	15,801
Tax payables		8,009	7,317
Derivative financial instruments		856	251
Current liabilities		**174,187**	**159,629**
Share capital		12,665	12,665
Capital reserves		71,123	71,123
Hedging, translation and stock option reserve		(9,546)	(8,525)
Reserve for actuarial profit/losses		(2,105)	(1,898)
Treasury shares		(3,551)	(3,551)
Retained earnings		41,455	40,294
Group Profit		552	1,357
Group shareholders' equity		**110,593**	**111,465**
Capital and reserves of minority interests		4,440	5,207
Minority interest profit/(loss)		99	69
Minority interest equity		**4,539**	**5,276**
Consolidated shareholders' equity		**115,132**	**116,741**
Total liabilities and equity		**349,095**	**335,651**

Consolidated Cash Flow Statement at March 31, 2014

In Euro thousands	Note	Q1 2014	Q1 2013
Opening cash and cash equivalents		**27,664**	**29,551**
EBIT - Operating profit		1,673	1,517
Amortisation, depreciation and write-downs		4,064	3,936
Write-down of Goodwill for loss of value		-	-
EBITDA		5,737	5,453
Trade working capital		(2,225)	(5,422)
Other working capital accounts		(3,580)	725
Income taxes paid		(1,421)	(1,015)
Change in provisions		224	163
Other changes		(1,447)	(705)
Cash flow from operating activity		**(2,711)**	**(801)**
Net increases		(2,644)	(4,934)
Intangible assets		(1,673)	(1,315)
Property, plant & equipment		(974)	(3,619)
Equity investments and other financial assets		3	-
Acquisition/Sale of investments	**14.**	44	-
Cash flow from investments		**(2,600)**	**(4,934)**
(Acquisition)/Sale of treasury shares		-	-
Other movements in share capital		-	-
Dividends		-	-
Increase (decrease) financial payables		4,158	(2,156)
Net changes in other financial assets/liabilities		876	49
Interest paid		(878)	(875)
Cash flow from financing activity		**4,156**	**(2,982)**
Change in cash and cash equivalents		**(1,155)**	**(8,717)**
Effect of exchange rate change on liquidity		**(178)**	**256**
Closing cash and cash equivalents		**26,331**	**21,090**

Notes to the Interim Report at March 31, 2014

Group structure and brief description of its activities

The operational segments are as follows:

- "Europe": production and sale of range hoods, accessories and electric motors developed by the Group companies based in Europe, i.e. the Italian companies Elica and Airforce, the German companies Gutmann and Airforce Germany, the Polish companies Elica Group Polska and I.S.M. Poland, the Russian company Elica Trading and the French company Elica France;

- "America": production and sale of range hoods and accessories, developed by the Group companies based in America, i.e. the Mexican companies Elicamex and Leonardo Services and the US company Elica Inc;

- "Asia and the rest of the world": production and sale of range hoods, accessories and other products, developed by the Group companies located in Asia, i.e. the Chinese company Putian, the Indian company Elica India and the Japanese company Ariafina.

The activities are based in the same geographic areas and therefore in Europe, specifically in Italy, Poland, Germany, Russia and France, in America, i.e. in Mexico and in the United States, and in Asia, respectively in China, India and Japan.

Segment revenues are determined based on the geographic area to which the respective companies belong. Segment results are determined by taking into account all the costs that can be allocated directly to sales in a specific segment. Costs not allocated to the segments include all costs not directly attributable to the area, including manufacturing, sales, general, administrative costs, as well as financial income and charges and taxes.
Inter-segment revenues include revenues between Group segments that are consolidated on a line-by-line basis in relation to sales made to other segments.
Assets, liabilities and investments are allocated directly on the basis of their classification in a specific geographic area.

The Euro is the functional and presentation currency of Elica and all of the consolidated companies, except for the foreign subsidiaries Elica Group Polska and I.S.M. Poland, Elicamex, Leonardo Services, Ariafina, Elica Inc., Elica India, Putian and Elica Trading which prepare their financial statements in the Polish Zloty (Elica Group Polska and I.S.M. Poland), the Mexican Peso (Elicamex and Leonardo Services), Japanese Yen, US Dollar, Indian Rupee, Chinese Renminbi and Russian Rouble respectively.

The exchange rates used for the translation to Euro of the financial statements of companies consolidated in a currency other than the consolidation currency, compared with those used in the previous period, are shown in the table below:

	Average Q1 2014	**Average Q1 2013**	**%**	**March 31, 2014**	**Dec. 31, 2013**	**%**
USD	1.37	1.32	3.8%	1.38	1.38	0.0%
JPY	140.80	121.80	15.6%	142.42	139.21	2.3%
PLN	4.18	4.16	0.5%	4.17	4.15	0.5%
MXN	18.13	16.70	8.6%	18.01	18.07	(0.3%)
INR	84.58	71.54	18.2%	82.58	85.37	(3.3%)
CNY	8.36	8.22	1.7%	8.58	8.35	2.7%
RUB	48.04	40.15	19.6%	48.78	45.32	7.6%

Criteria for the preparation of the Interim Report

The Interim Directors' Report at March 31, 2014 was prepared in accordance with Article 154-*ter*, paragraph 5 of the Consolidated Finance Act ("CFA") introduced by Legislative Decree 195/2007 enacting EU Directive 109/2004 ("Transparency Directive").
The report was approved by the Board of Directors of Elica S.p.A. on May 14, 2014 and the board authorised its publication on the same date.

Accounting principles, consolidation criteria and estimate changes

The accounting principles utilised for the preparation of the financial statements as at March 31, 2014 are the IAS/IFRS issued by the IASB and approved by the European Union at the date of the Report. IAS/IFRS refers to the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and all the interpretive documents issued by the IFRIC (formally the Standing Interpretations Committee). In their preparation, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements as at December 31, 2013.
The interim report was prepared on the basis of the historical cost principle, 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.
The preparation of interim financial statements requires the use of estimates and assumptions based on the best evaluations of management. If in the future these estimates and assumptions should be different from the actual circumstances, they will obviously be modified appropriately in the period in which the circumstances change.
In particular, with reference to the determination of any loss in value of non-current assets, tests are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available, except where there are specific indications of impairment which require an immediate valuation of any loss in value or when facts arise requiring an impairment test.
The current interim report is presented in Euro and all the amounts are rounded to the nearest thousand, unless otherwise specified.

Changes in accounting principles

The financial statements utilised are the same as those used for the preparation of the consolidated financial statements at December 31, 2013. No new accounting standards were adopted during the quarter with impacts on the present consolidated financial statements.
Specifically, the new IFRS or amendments with efficacy from January 1, 2014 applicable by the Group are the following.
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 (which was renamed Separate Financial Statements) and governs the inclusion of investments in the separate financial statements. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
On June 28, 2012, the IASB also 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. The standard is effective in a retrospective manner from January 1, 2014.
The adoption of this new standard had no effects on the Group consolidation scope.
On May 12, 2011, the IASB issued IFRS 11 – Joint arrangements which replaces IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly controlled entities – non monetary contributions by ventures. The new standard establishes the criteria for the classification of joint arrangements based on the rights and obligations of the agreement rather than on the legal form and establishes the net equity method as the only method to be applied to holdings in joint ventures in the consolidated financial statements. Following the issue of IAS 28 – Investments in Associates, IFRS 11 was amended to include in its application, from the date of efficacy of the standard, also holdings in joint ventures. The adoption of this standard did not have any effects on the disclosure provided in the present Report.

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 on all types of investments, including those in subsidiaries, joint arrangements, associated companies, special purpose entities and other non consolidated vehicle companies.
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. The adoption of the amendment did have any impact.
On May 29, 2013, the IASB issued an amendment to IAS 36 – Disclosure on recoverable amount of non-financial assets, which governs the disclosure on the recoverable value of impaired assets, if this amount is based on the fair value net of selling costs. The amendments must be applied retrospectively from periods beginning from January from 1, 2014. The adoption of the amendment did have any impact on disclosure.
On June 27, 2013, the IASB issued some minor amendments to IAS 39 – Financial Instruments: recognition and measurement, entitled "Novations of derivatives and continuity of Hedge Accounting". The amendments permit continuation of hedge accounting in the case in which a derivative financial instrument, designated as a hedge instrument, is replaced following the application of law or regulations in order to replace the original counterparty so as to guarantee the fulfilment of the obligation assumed and where certain conditions are satisfied. The same amendment will also be included in IFRS 9 – Financial instruments. These amendments must be applied retrospectively from periods beginning from January 1, 2014. There was no impact from the adoption of these amendments.

Composition and main changes in the Income Statement and Balance Sheet

1. Revenues

In Euro thousands	**Q1 2014**	**Q1 2013**	**Changes**
Total Revenues	**96,729**	**95,134**	**1,595**

For the comments relating to the changes in revenues, reference should be made to the paragraph "Operating review Q1 2014". The growth of Euro 1.6 million represents a 1.7% increase. Sales information by sector is reported in note 13.

2. Other operating revenues

In Euro thousands	**Q1 2014**	**Q1 2013**	**Changes**
Rental income	2	2	-
Operating grants	130	93	37
Ordinary gains on disposal	2,967	172	2,795
Claims and insurance payouts	131	87	44
Other revenues and income	113	64	49
Total other operating revenues	**3,343**	**418**	**2,925**

The increase in the account is principally due to the sale to third parties by the parent company of the warehouse of Serra San Quirico (AN), previously classified as an Asset held-for-sale until December 2013.

3. Raw materials and consumables

In Euro thousands	**Q1 2014**	**Q1 2013**	**Changes**
Purchase of raw materials	(49,665)	(49,098)	(567)
Shipping expenses on purchases	(1,025)	(809)	(216)
Purchases of consumable materials	(797)	(532)	(265)
Packaging	(1,032)	(989)	(43)
Purchases of supplies	(231)	(238)	7
Purchases of semi-finished materials	(3,917)	(3,793)	(124)
Purchase of finished products	(1,887)	(1,736)	(151)
Other purchases	(152)	(144)	(8)
Change in inventory of raw materials, consumables and goods for re-sale	4,038	2,289	1,749
Raw materials and consumables	**(54,668)**	**(55,050)**	**382**

Raw materials and consumables decreased by approx. Euro 0.4 million (-0.7%), concentrated particularly in the account Change in inventory of raw materials, consumables and goods for resale, only partially offset by the increase in Purchase of raw materials, shipping expenses and purchases of consumable materials.

4. Services

In Euro thousands	Q1 2014	Q1 2013	Changes
Outsourcing expenses	(5,046)	(6,143)	1,097
Transport	(2,129)	(2,036)	(93)
Finished goods inventories	(1,205)	(1,105)	(100)
Consulting	(1,043)	(936)	(107)
Other professional services	(2,392)	(2,159)	(233)
Maintenance	(310)	(290)	(20)
Utilities	(1,289)	(1,455)	166
Commissions	(457)	(570)	113
Travel expenses	(657)	(753)	96
Advertising	(449)	(323)	(126)
Insurance	(303)	(316)	13
Directors & Statutory Auditor fees	(381)	(340)	(41)
Trade fairs and promotional events	(277)	(287)	10
Industrial services	(132)	(91)	(41)
Banking commissions and charges	(105)	(97)	(8)
Total Services	**(16,175)**	**(16,901)**	**726**

Service costs reduced by approx. Euro 726 thousand, principally relating to the account Outsourcing expenses, following the purchase of the company I.S.M. Poland. As a percentage on revenues, these costs decreased from 17.8% to 16.7%.

5. Labour costs

In Euro thousands	Q1 2014	Q1 2013	Changes
Wages and salaries	(15,470)	(14,726)	(744)
Social security charges	(4,133)	(4,118)	(15)
Post-employment benefits	(672)	(741)	69
Other costs	(817)	(1,024)	207
Total labour costs	**(21,092)**	**(20,609)**	**(483)**

The increase in the account relates to the items Wages and Salaries and Social security charges and principally due to the change to the consolidation scope. As a percentage on revenues these costs increased from 21.7% in 2013 to 21.8% in 2014.

6. Net financial charges

In Euro thousands	Q1 2014	Q1 2013	Changes
Financial income	35	39	(4)
Financial charges	(995)	(1,000)	5
Exchange gains/(losses)	(179)	(298)	119
Total net financial charges	**(1,139)**	**(1,260)**	**120**

Net financial charges decreased, principally due to currency movements.

7. Property, plant & equipment

The breakdown of property, plant and equipment at March 31, 2014 and December 31, 2013 is detailed below.

In Euro thousands	March 31, 2014	Dec. 31, 2013	Changes
Land, land usage rights and buildings	47,042	45,495	1,547
Plant and machinery	20,057	20,002	55
Industrial and commercial equipment	13,684	12,632	1,052
Other assets	3,268	3,153	115
Assets in progress and advances	1,744	650	1,094
Total property, plant and equipment	**85,795**	**81,932**	**3,863**

Property, plant and equipment increased from Euro 81,932 thousand at December 31, 2013 to Euro 85,795 thousand at March 31, 2014, an increase of Euro 3,863 thousand as a result of the sales, purchases and of depreciation recorded in the income statement of Euro 2,864 thousand. The change in the consolidation scope and in particular the consolidation of I.S.M. Poland had an impact of Euro 3.6 million.

8. Goodwill

In Euro thousands	March 31, 2014	Dec. 31, 2013	Changes
Goodwill recorded by subsidiaries	44,171	41,584	2,587
Total goodwill	**44,171**	**41,584**	**2,587**

The account increased in the period by Euro 2.8 million following the acquisition of the company I.S.M. Poland. The change in the Euro/Chinese currency exchange rate accounts for the remaining difference.

9. Other intangible assets

In Euro thousands	March 31, 2014	Dec. 31, 2013	Changes
Development Costs	6,391	6,713	(322)
Industrial patents and intellectual property rights	7,801	8,249	(448)
Concessions, licenses, trademarks & similar rights	1,613	1,620	(7)
Assets in progress and advances	5,497	4,274	1,223
Other intangible assets	4,482	4,480	2
Total other intangible fixed assets	**25,784**	**25,336**	**448**

The Other intangible assets increased from Euro 25,336 thousand at December 31, 2013 to Euro 25,784 thousand at March 31, 2014, an increase of Euro 448 thousand as a result of the purchases, sales and amortisation recorded to the income statement of Euro 1,200 thousand. The account "Other intangible assets" relates principally to the recording both of technologies developed and the client portfolio of the German subsidiary Exklusiv Hauben Gutmann GmbH. The effect of the change in the consolidation scope on this account was Euro 10 thousand.

10. Trade and financial receivables

In Euro thousands	March 31, 2014	Dec. 31, 2013	Changes
Trade receivables	75,383	74,397	986
Receivables from associated companies	100	100	-
Total trade and financial receivables	**75,483**	**74,497**	**986**

Receivables are recorded net of the doubtful debt provision based on an analysis of the credit risk on receivables and on the basis of historical data on credit losses, considering that a substantial portion of the receivables are insured by primary international insurance companies. Management considers that the value approximates the fair value of the receivables.
The effect of the change in the consolidation scope on this account was Euro 83 thousand.

11. Inventories

In Euro thousands	March 31, 2014	Dec. 31, 2013	Changes
Raw material, ancillary and consumables	25,091	21,502	3,589
Products in work-in-progress and semi-finished	11,852	11,671	181
Finished products and goods for resale	20,175	19,137	1,038
Advances	13	17	(4)
Total Inventories	**57,131**	**52,327**	**4,804**

Inventories increased from Euro 52,327 thousand at December 31, 2013 to Euro 57,131 thousand at March 31, 2014. They are stated net of the obsolescence provisions in order to take into consideration the effect of waste, obsolete and slow moving items and the risk estimates of the use of some categories of raw and semi-finished materials based on assumptions made by management.

12. Provisions for risks and charges

In Euro thousands	March 31, 2014	Dec. 31, 2013	Changes
Supplementary agent termination benefits	441	418	23
Product warranty provisions	1,391	1,519	(128)
Provisions for risks	2,790	1,428	1,362
Restructuring provision	317	750	(433)
Personnel Fund	1,140	1,903	(763)
LTI provision	1,766	1,399	367
Other Provisions	96	88	8
Total provisions for risks and charges	**7,941**	**7,505**	**436**
of which			
Non-current	5,141	3,333	1,808
Current	2,800	4,172	(1,372)
Total provisions for risks and charges	**7,941**	**7,505**	**436**

The Supplementary agent termination benefits are intended to cover possible charges upon termination of relations with agents and sales representatives.

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 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. This includes in addition the provisions made for scheduled settlements.

The Restructuring Provision relates to the corporate restructuring activities.

The Personnel Fund includes contractual indemnities 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 concerns the allocation based on the estimates of the actuary Tower&Watson concerning 2013 and the first quarter of 2014 for the plan of the same name.

13. Segment information

Balance Sheet by segment

BALANCE SHEET (in Euro thousands)	Europe		America		Asia and the Rest of the World		Unallocated and eliminations		Consolidated	
	Mar-14	Dec-13	Mar-14	Dec-13	Mar-14	Dec-13	Mar-14	Dec-13	Mar-14	Dec-13
Assets:										
Segment assets	243,212	230,073	37,823	33,879	36,473	37,163	(12,142)	(13,518)	305,366	287,597
Investments							1,378	1,383	1,378	1,383
Unallocated assets							42,355	44,275	42,355	44,275
Total operational assets	**243,212**	**230,073**	**37,823**	**33,879**	**36,473**	**37,163**	**31,591**	**32,140**	**349,099**	**333,255**
Total assets of discount. operations		**2,395**								**2,395**
Total Assets	**243,212**	**232,468**	**37,823**	**33,879**	**36,473**	**37,163**	**31,591**	**32,140**	**349,099**	**335,650**
Liabilities										
Segment liabilities	(124,474)	(112,034)	(17,537)	(13,746)	(15,706)	(17,514)	12,063	8,723	(145,654)	(134,571)
Unallocated Liabilities							(88,313)	(84,338)	(88,313)	(84,338)
Shareholders' Equity							(115,132)	(116,732)	(115,132)	(116,741)
Total operational liabilities	**(124,474)**	**(112,034)**	**(17,537)**	**(13,746)**	**(15,706)**	**(17,514)**	**(191,382)**	**(192,348)**	**(349,099)**	**(335,650)**
Total liabilities of discount. operations										
Total Liabilities	**(124,474)**	**(112,034)**	**(17,537)**	**(13,746)**	**(15,706)**	**(17,514)**	**(191,382)**	**(192,348)**	**(349,099)**	**(335,650)**

Income Statement data by segment

INCOME STATEMENT (in Euro thousands)	Europe		America		Asia and the Rest of the World		Unallocated and eliminations		Consolidated	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Segment revenue:										
Third parties	72,404	72,072	14,141	12,583	10,875	10,505	(691)	(25)	96,729	95,134
Inter-segment	3,084	3,490	2	1	103	48	(3,189)	(3,539)	-	-
Total revenues	**75,488**	**75,561**	**14,143**	**12,584**	**10,978**	**10,552**	**(3,880)**	**(3,564)**	**96,729**	**95,134**
Segment result:	**2,969**	**5,923**	**3,091**	**1,780**	**157**	**(45)**		**-**	**6,217**	**7,658**
Unallocated overheads									(4,544)	(6,141)
EBIT									**1,673**	**1,517**
Share of profit/(loss) from associates							(5)	(4)	(5)	(4)
Financial income							35	39	35	39
Financial charges							(995)	(1,000)	(995)	(1,000)
Exchange gains/(losses)							(179)	(298)	(179)	(298)
Profit before taxes							**529**	**254**	**529**	**254**
Income taxes							**122**	**323**	**122**	**323**
Net profit from normal operations							**651**	**577**	**651**	**577**
Net profit from discontinued operations									**-**	**-**
Net profit									**651**	**577**

14. Acquisitions in the period

During the period the subsidiary Elica Group Polska Elica acquired 100% of the Polish company I.S.M. Poland located in Wroclaw (Poland). This company therefore entered the consolidation scope. The effects of the operation at the date of acquisition of control are summarised in the following table:

In Euro thousands	**Carrying value based on Group principles**	**Fair value adjustments**	**Fair value**
Property, plant & equipment	2,809	914	3,723
Other intangible assets	1		1
Trade receivables	764		764
Inventories	1		1
Other receivables	108		108
Deferred tax assets	43		43
Cash and cash equivalents	44		44
Deferred tax liabilities	(30)	(174)	(204)
Trade payables	(610)		(610)
Other payables	(1,509)		(1,509)
Provisions for risks and charges	(45)		(45)
Tax payables	(136)		(136)
Total Shareholders' Equity	**1,440**	**740**	**2,180**
Share acquired (100%)			**2,180**
Goodwill			2,796
Total acquisition cost			**4,976**
Payable to former shareholder			(4,976)
Cash and cash equivalents acquired			44
Net cash flow from the acquisition			**44**

These amounts are still provisional as the valuation process is currently in progress.

Fabriano, May 14, 2014

The Chairman

Francesco Casoli

Declaration of the executive responsible for the preparation of the corporate accounting documents in accordance with Article 154 *bis*, paragraph 2 of Legislative Decree 58/1998

The undersigned Giuseppe Perucchetti as Chief Executive Officer and Alberto Romagnoli as Executive responsible for the preparation of the corporate accounting documents of Elica S.p.A., declares in accordance with Article 154 *bis*, paragraph 2, of the Consolidated Finance Act, that the accounting and corporate information in the present Interim Report at March 31, 2014 corresponds to the underlying accounting documents, records and accounting entries.

Fabriano, May 14, 2014

The Chief Executive Officer
Giuseppe Perucchetti

Executive responsible for the preparation
of corporate accounting documents
Alberto Romagnoli