



# CONSOLIDATED FINANCIAL STATEMENTS

2016

(Translation from the Italian original which remains the definitive version)



**Elica Group**

**2016 ANNUAL REPORT -  
CONSOLIDATED FINANCIAL STATEMENTS**

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**Elica Group**

**DIRECTORS' REPORT ON THE  
2016 CONSOLIDATED FINANCIAL STATEMENTS**

## **The Elica Group today**

The Elica Group has been present in the cooker hood market since the 1970's, is chaired by Francesco Casoli and led by Antonio Recinella 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 over 3,600 employees and an annual output of over 19 million units, the Elica Group has eight 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.

## Letter to the Shareholders

Dear Shareholders,

In view of the daily challenges of the global market, we have undertaken an extensive review of the corporate organisation.

A central and ongoing objective has always been to be an international group with an understanding of how to rapidly respond to customers' needs.

Elica's commitment to technological innovation continues - anticipating the needs of customers, devising innovative features and products and creating new market trends.

Among the new products launched in 2016, one is therefore a game changer for the home appliances market: NikolaTesla. A unique product combining the functionality of two home appliances: the cooking hob and the kitchen hood.

The significant investments rolled out in 2016 have delivered further revenue growth - driven particularly by own brand product sales. The exceptional expansion of the Elica brand internationally stands out and is a source of great pride.

This year, which has seen major developments, lays the foundation for the growth of the Group and its value - as shall be seen both over the short and the long-term.

Francesco Casoli  
Executive Chairman

## Chief Executive Officer's view

In 2016, Elica Group revenue grew overall 4.2%, although two speeds were apparent with a first half year reporting improved revenue and margins, while the second half saw growth slow significantly and margins consequently contract.

The exceptionally low level of resources absorbed by net working capital (2.7% of net revenue) only partly offset the greater investments and for non- events, resulting in an increase in net debt to Euro 60.8 million by year-end.

The 2016 development strategy presented light and shade. Certainly, the development of the business centered on the Cooking division (growth of 5.7%) and featured own brand revenue growth and a particularly strong performance by the Elica brand (+23.8%).

In terms of markets, Europe drove growth together with India and Japan, while the US market was substantially stable due to a change in the customer portfolio.

The 2016 business margin (Adjusted EBITDA came to 7.4% of Net Revenue) was supported by higher sales volumes, lower raw material costs and the product cost streamlining strategies. However, these were not enough to offset higher overheads for own brand development and the performance of the German and Chinese subsidiaries, which are two areas requiring focus in the near future.

According to the year-end findings upon the performance of the Chinese subsidiary, the Company reduced the carrying amounts to the fair value of the assets and therefore goodwill allocated to the Asia CGU was written down for Euro 3 million.

In view of these developments, an internal reorganisation was commenced, in which I myself took part, with the objective of breathing “new life” into the Company and creating new horizons, with the replacement of a number of key Group figures such as the Chief Financial Officer, the Human Resources Manager, the Vice President Operations and the Chief Information Officer.

A fresh vision may now reinterpret Elica's mission and refocus the business model on improved and sustainable results over the long-term, as the creation of value for shareholders is not related to temporary conditions, but rather actions which may be tangibly repeated every year.

In 2017, the Three-Year Business Plan shall therefore be unveiled and shared with the market. This plan however stems from a more extensive the medium-term cannot corrode the resources required to sustain it over the long-term.

Antonio Recinella  
Chief Executive Officer

## 2016 economic overview and outlook for 2017<sup>1</sup>

Economic growth remains sound in most of Central, Eastern and South-Eastern **Europe** (CESEE). Outside the Commonwealth of Independent States (CIS), growth continued at a sustained pace, driven by macroeconomic policies supporting consumption and buoyed by real salary levels and employment growth. In Russia, the economic downturn, due to the lower price of oil and sanctions, eased. Other CIS economies are gradually exiting recession as demand for their exports improves.

While some risks to prospective growth have lessened, other risks of economic decline continue to dominate, such as the European refugee crisis, greater political tension among the EU member states in spite of the fact that - at least to date - the long-term Brexit effects of the uncertainty surrounding new UK - EU<sup>2</sup> economic agreements have been modest. Globally, an additional risk identified by the International Monetary Fund is the weakening consensus about the benefits of economic integration and the possibility that pressure for protectionist policies will intensify – a trend seen in, inter alia, the stance taken by US President Donald Trump and its repercussions on the rest of the world.

In the short-term, expansive monetary policy will continue with the extension of the QE<sup>3</sup> programme within the EU until December 2017 and beyond if necessary. These are the reasons behind the weakening of the **Euro** against the US Dollar, which has reached record levels since the creation of the Euro.

For the region as a whole, GDP growth<sup>4</sup> should reach 1.7% for 2016 (compared to 1.5% in 2015), with above average growth in Spain (+3.1% on the previous year), average growth in Germany (+1.7% on the previous year) and below average growth both in France (+1.3%) and Italy (+0.8%). The EU is expected to post average growth of 1.5% in 2017.

The consumer price index rose in 2016 1.1% on 2015, while the IAPC measured inflation projection<sup>5</sup> for 2017 is 1.3%. For 2018, further growth of 1.6% is forecast.

In the **United States**, GDP grew 1.6% in 2016 against consumer price increases of 1.5% on 2015, with constant growth over the last six months (December 2016 figure of 2.1%) - reaching the highest levels since March 2012 and driven principally by the cost of petrol.

The residential construction sector was once again the main growth driver, driven by higher salaries, with near full employment and high levels of consumer confidence.

Growth of 2.3% is expected for 2017.

The FED's<sup>6</sup> accommodating monetary policy came to an end in 2016, with its final meeting of October 2016 increasing US interest rates for the second time since 2006 (by 25 bps to 0.75% from December). The hike was motivated by the higher cost of non-farm sector labour of 4.3% in the second quarter of 2016, the financial market bubble and the significant increase in the Consumer Price Index (CPI)<sup>7</sup>.

For 2017, GDP growth of 2.2% is forecast, with the consumer price index increasing 2%.

During the year, the **Japanese** economy benefited from rising salaries and improved business confidence, a weak Yen and finally an accommodating monetary policy. The principal risks for future growth are linked to increased protectionism under the Trump administration. Analysts say the economy has grown 0.5% in 2016 on the previous year, with inflation at -0.12%. In 2017, economic growth of 0.6% is expected in the country, with inflation of 0.3%.

The implementation of measures to strengthen the property market, robust retail sales and manufacturing boosted the **Chinese** economy during the fourth quarter, bringing annual growth in 2016 to 6.6%, with inflation of 2.3%. In terms of risks, we highlight the reduction in infrastructure investment. Analysts expect the main economic guidelines for 2017 to ensure stability and the containment of economic risks amid a difficult global environment, with the implementation of reforms and bolder fiscal support expected to facilitate economic growth of 6.2% in 2017, with inflation of 2.2%. The gradual weakening of the Renminbi in 2016 against the US Dollar supported the Chinese economic recovery. SAFE<sup>8</sup> issued new rules for the governance of cross-border transactions in order to simplify procedures and increase the efficiency of exchange rate control.

<sup>1</sup> Data sources: International Monetary Fund, World Economic Outlook

<sup>2</sup> European Union

<sup>3</sup> Quantitative Easing

<sup>4</sup> Gross Domestic Product

<sup>5</sup> European Union Consumer Price Index

<sup>6</sup> Federal Reserve, United States Monetary Authority

<sup>7</sup> Consumer Price Index

<sup>8</sup> State Administration Foreign Exchange

**Indian** economic growth was revised downwards due to the demonetisation process introduced in the fourth quarter 2016. This reform, together with a disappointing Q2 GDP result, reduced Indian growth forecasts by 0.2%, now at 7.0% for 2016, before picking up to 7.4% in 2017.

The consumer price index in 2016 rose 4.9%. Inflation of 5% is forecast for 2017.

As for **Commodities**, in 2016, the strength of the US Dollar amplified the drop in the prices of the main raw materials. Oil prices hit lows during 2016, but rose 10% in the fourth quarter to an average of USD 49 per barrel, following agreements among both OPEC and non-OPEC producers to reduce production by 1.8 million barrels per day during the first half of 2017. Metal prices rose 10% due to strong Chinese demand and reduced supply, in particular for zinc and lead due to the closure of a number of large mines in Australia, Canada and Ireland.

The star of **currency markets** in 2016 was the US Dollar, which has been growing stronger since the second half of 2014. In December, the Federal Reserve hinted at three rate rises during the coming year. This would also be in line with expectations of President Donald Trump. The normalisation of rates will bring the global economy into uncharted waters, after an unprecedented period of monetary easing and low interest rates. The US Dollar should continue to strengthen against other currencies, in particular the Renminbi and Euro. As for the Sterling, its performance against the Euro was obviously impacted by the outcome of the referendum approving the United Kingdom's exit from the EU. Political uncertainty abounds in terms of the timeframe for the start of negotiations under Article 50 of the treaty and, particularly, the agreements that will be reached, but the consensus is that further weakening of Sterling in 2017 will not be as severe as in 2016. The Euro will be impacted by the political climate. After the dramatic "No" in the Italian constitutional reform referendum, attention has shifted to the French presidential elections scheduled for May, and thereafter it will be the Netherlands's turn to go to the polls, with Germany following in December. Any victories by anti-EU parties may raise doubts as to the sustainability of the entire single currency project. For the emerging economy currencies, the major downward pressure in 2016 should ease in 2017. Much depends on the extent and duration of the global economic slowdown. Stabilisation may follow a gradual return of foreign investment within a less volatile environment in 2017, a progressive approach by the FED to increased rates and a possible stabilisation of the Chinese economy.

In 2016, the **global hood market** improved 1% on 2015<sup>9</sup>, picking up in the second part of the year.

The European market expanded 2.3% on the previous year, following stronger Western European demand (+3%) and the recovery of the Eastern European market (+1.1%), slowed by the sanctions imposed on Russia following the noted political events with the Ukraine.

Amid general growth, certain Western European countries saw a stronger recovery: Germany (+2.5%), continuing the growth of 2015, the United Kingdom (+6.4%), achieving stronger growth after contractions up to 2014, and Spain (+4.8%), which after two years (2013-2014) of significant downturn confirmed the excellent growth that had begun in 2015. The recovery of Eastern European demand was driven by Poland (+5.4%) and Turkey (+2.2%), while the Russian (-3.7%) and Ukrainian (-5.6%) markets again contracted, although this trend seems to have come to an end.

For the fourth consecutive year, North America saw increased kitchen range hood demand (+4.8%), with Latin America however reporting contractions (-0.6%) - with the exception of Mexico which saw growth of 2%.

In China, the largest hood market, the market contracted again in 2016 - although to a lesser extent than in the previous year (-2.6%) - significantly impacting performance throughout Asia, although it was partially supported by Japanese (2.1%) and Indian (+4.1%) market growth. The other South-East Asian markets continued to expand.

## Currency markets

In 2016, the average Euro exchange rate substantially appreciated against all currencies to which the Group is exposed, with the exception of the Japanese Yen.

	2016 average	2015 average	%	Dec 31, 16	Dec 31, 15	%
USD	1.11	1.11	0.0%	1.05	1.09	(3.7%)
JPY	120.20	134.31	(10.5%)	123.40	131.07	(5.9%)
PLN	4.36	4.18	4.3%	4.41	4.26	3.5%
MXN	20.67	17.62	17.3%	21.77	18.91	15.1%
INR	74.37	71.2	4.5%	71.59	72.02	(0.6%)
CNY	7.35	6.97	5.5%	7.32	7.06	3.7%
RUB	74.14	68.07	8.9%	64.30	80.67	(20.3%)
GBP	0.82	0.73	12.3%	0.86	0.73	17.8%

<sup>9</sup> Volume data estimated by the Company

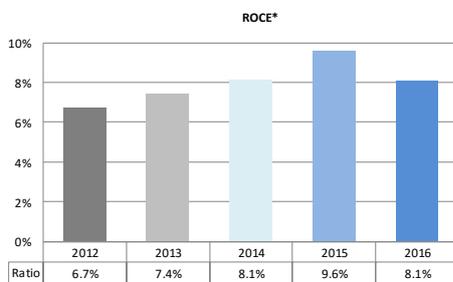
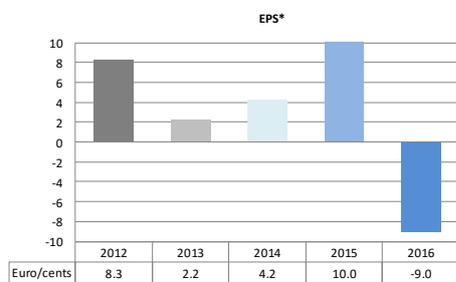
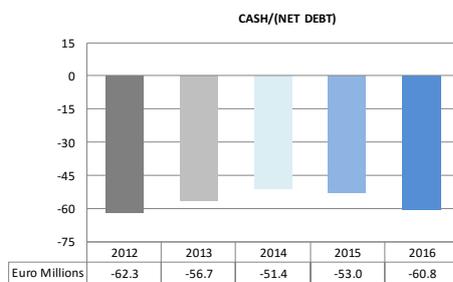
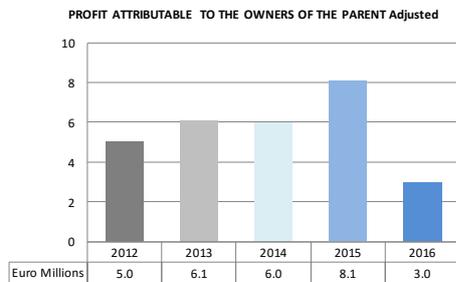
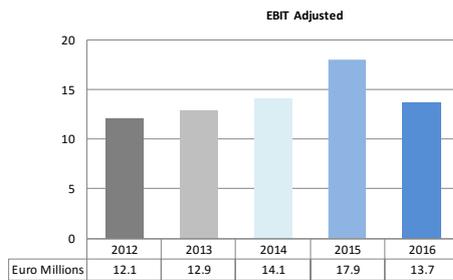
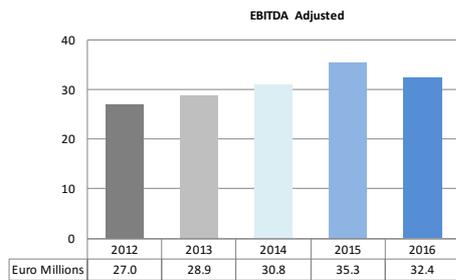
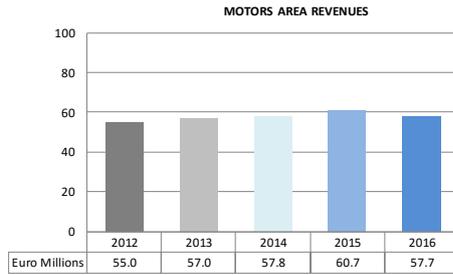
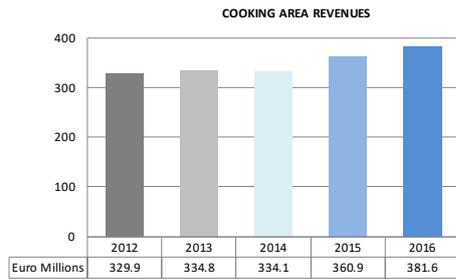
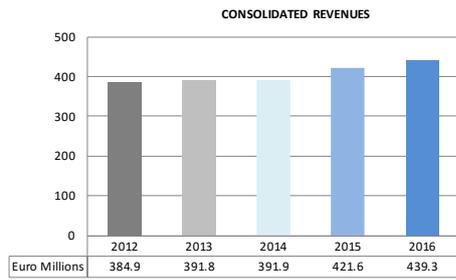
## **IFRS**

The Elica Group's Consolidated Financial Statements as at and for the year ended 31 December 2016 have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission and in accordance with Article 9 of Legislative Decree no. 38/2005.

The accounting policies utilised for the preparation of these consolidated financial statements are consistent with those utilised for the preparation of the consolidated financial statements as at and for the year ended 31 December 2015.

These financial statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

## Financial Highlights



\* Earning Per Shares

\* Return On Capital Employed

## Financial and operating review

<i>In Euro thousands</i>	2016	%	2015	%	2016 Vs 2015
	revenue		revenue		%
Revenue	439,318		421,627		4.2%
Adjusted EBITDA*	32,370	7.4%	35,277	8.4%	(8.2%)
EBITDA	25,229	5.7%	33,526	8.0%	(24.8%)
Adjusted EBIT*	13,694	3.1%	17,927	4.3%	(23.6%)
EBIT	3,553	0.8%	16,176	3.8%	(78.0%)
Net financial charges	(3,655)	(0.8%)	(2,936)	(0.7%)	24.5%
Income taxes	(5,398)	(1.2%)	(5,795)	(1.4%)	(6.9%)
Adjusted profit*	3,183	0.7%	9,357	2.2%	(66.0%)
Profit/(loss)	(5,500)	(1.3%)	7,445	1.8%	(173.9%)
Profit attribut. to the owners of the Parent - Adjusted	2,990	0.7%	8,060	1.9%	(62.9%)
Profit/(loss) attributable to the owners of the Parent	(5,563)	(1.3%)	6,190	1.5%	(189.9%)
Basic earnings/(loss) per share on continuing operations and discontinued operations (Euro/cents)	(8.97)		9.98		(189.9%)
Diluted earnings (loss) per share on continuing operations and discontinued operations (Euro/cents)	(8.97)		9.98		(189.9%)

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15
Trade receivables	70,561	68,504
Inventories	67,732	62,701
Trade payables	(114,831)	(99,474)
<b>Managerial Working Capital</b>	<b>23,462</b>	<b>31,731</b>
% annualised revenue	5.3%	7.5%
Other net receivables/payables	(11,756)	(14,062)
<b>Net Working Capital</b>	<b>11,706</b>	<b>17,670</b>
% annualised revenue	2.7%	4.2%

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15
<b>Cash and cash equivalents</b>	<b>31,998</b>	<b>34,463</b>
Finance leases and other lenders	(21)	(6)
Bank loans and borrowings	(59,004)	(43,405)
<b>Current loans and borrowings</b>	<b>(59,025)</b>	<b>(43,411)</b>
Finance leases and other lenders	(6)	(9)
Bank loans and borrowings	(33,718)	(44,048)
<b>Non-current loans and borrowings</b>	<b>(33,724)</b>	<b>(44,057)</b>
<b>Net Financial Debt</b>	<b>(60,751)</b>	<b>(53,005)</b>

### 2016 Operating Review

The Elica Group reports for 2016 consolidated revenue of Euro 439.3 million, up 4.2% and at like-for-like exchange rates up 4.4% on 2015. In 2016, global range hood demand rose 1.0%<sup>10</sup>, with all markets expanding, except for Asia (-0.1%) - principally due to the contraction of the Chinese market which accounts for one-third of global volumes. Europe overall saw demand grow 2.3% and the Americas 2.6% compared to 2015.

The Cooking segment reported a 5.7% revenue increase, driven by own brand product sales (+14.5%) and featuring the exceptional performance of the Elica brand (+23.8%). The expansion of the Elica brand is a direct result of investment and costs focused on boosting the main brand in portfolio and the strategies to strengthen the direct distribution structure. Third party brand sales were substantially stable.

Motor segment revenue in 2016 was up 5.0% - in line with company forecasts.

<sup>10</sup>Global range hood market volumes calculated by the Company.

Analysing revenues on the principal markets<sup>11</sup>, sales in Asia<sup>12</sup> (excluding China) rose 23.2%, principally following the excellent Indian and Japanese market performances, with sales growth respectively of over 40% and 20%. Chinese market sales however significantly declined (-30.4%). European revenue grew 3.9% on the previous year, while American<sup>13</sup> market sales overall were substantially stable (+0.6%).

Adjusted EBITDA<sup>14</sup> was Euro 32.4 million (7.4% of Revenue), reducing 8.2% on Euro 35.3 million in 2015. The increase in sales volumes and efficiencies generated from product cost optimisation programmes, together with favourable exchange rate movements, supported the margin. On the other hand, margins were impacted by higher overheads related to the own brand sales growth strategy and the performances of the German and Chinese subsidiaries.

2016 EBITDA was 25.2 million, reducing 24.8% on Euro 33.5 million in 2015.

For the **impairment test** at December 31, 2016, the Board of Directors approved the plan and the test model and, on the basis of the findings, **wrote-down goodwill of the Asian CGU for Euro 3 million**, principally due to the performance of the Chinese subsidiary Zhejiang Elica Putian Electric CO. LTD.

Adjusted EBIT<sup>15</sup> was Euro 13.7 million (3.1% of Revenue), compared to Euro 17.9 million in 2015 and in line with the dynamics reported above impacting the business margin.

Consolidated EBIT of Euro 3.6 million (Euro 16.2 million in 2015) was heavily impacted by Euro 10.1 million of non-ordinary charges, of which Euro 3.0 million relating to the write-down of Asian CGU goodwill, Euro 1.7 million of costs relating to the agreement reached with the departing Chief Executive Officer, charges of Euro 1.6 million concerning the disposal of obsolete stock, Euro 0.9 million of restructuring costs for the plan implemented at the German subsidiary Exklusiv Hauben Gutmann GmbH and finally Euro 2.9 million concerning the further allocation to the legal risk provision made prudently concerning the cases with Esperança Real S/A and Madson Eletrometalurgica Ltda, not on the basis of the legal grounds of the counterparties, but to be fully compliant with the correct application of international accounting standards.

In 2016, a loss of Euro 5.5 million was reported, compared to a profit of Euro 7.4 million in 2015, impacted also by non-ordinary tax charges following the tax audits of 2014 (Euro 0.5 million). The Adjusted profit<sup>16</sup> was Euro 3.2 million, compared to Euro 9.4 million in the previous year.

The loss attributable to the owners of the Parent amounted to Euro 5.6 million, compared to a profit of Euro 6.2 million in the previous year, although an adjusted profit<sup>17</sup> of Euro 3.0 million was reported, compared to Euro 8.1 million in 2015.

Managerial Working Capital on annualised revenue of 5.3% is significantly lower than 7.5% at December 31, 2015. This stems from the company's continually effective focus on optimising financial resource allocation. The level of Managerial Working Capital on annualised revenue at year-end was not structurally sustainable over the long-term, as strictly related to increasing trade payables generated by the particular seasonality of the investments and operating expenses in 2016.

Other Receivables and Other Payables reduced on December 31, 2015, principally due to the use of the Provision for the 2013-2015 Long-Term Incentive Plan in the first half of 2016.

<sup>11</sup> Data concerns sales revenues by geographical area and therefore does not refer to the breakdown by operating segment according to the various Group company locations.

<sup>12</sup> Concerning revenue in "Other Countries" - principally the Asian markets.

<sup>13</sup> Includes North, Central and South America

<sup>14</sup> See Definitions and Reconciliations paragraph

<sup>15</sup> See Definitions and Reconciliations paragraph

<sup>16</sup> See Definitions and Reconciliations paragraph

<sup>17</sup> See Definitions and Reconciliations paragraph

The Net Financial Debt at December 31, 2016 of Euro 60.8 million increased on Euro 53.0 million at December 31, 2015, due to the above outlined earnings dynamics, the higher capex in 2016 and the payout during 2016 on the 2013-2015 Long Term Incentive Plan.

### ***Definitions and reconciliations***

EBITDA is the operating profit (loss) (EBIT) plus amortisation and depreciation and any impairment losses on goodwill.

EBIT is the operating profit (loss) as reported in the consolidated income statement.

Adjusted EBITDA is EBITDA net of the relative adjustment items.

Adjusted EBIT is EBIT net of the relative adjustment items.

Net financial income/(charges) is the sum of the Share of profit/(loss) from associates, Financial income, Financial Charges, Impairment of available-for-sale financial assets and Exchange rate gains and losses.

The adjusted profit/(loss) is the result for the period, as published in the Consolidated Income Statement, net of the relative adjustment items.

The adjusted profit/(loss) attributable to the owners of the Parent is the result for the period attributable to the owners of the Parent, as published in the Consolidated Income Statement, net of the relative adjustment items.

Adjustment items: earnings items are considered for adjustment where they: (i) derive from non-recurring events and operations or from operations or events which do not occur frequently; (ii) derive from events and operations not considered as in the normal course of business operations, as is the case for impairments, disputes considered atypical in terms of frequency and amount and restructuring charges.

The Earnings per Share for 2016 and 2015 was calculated by dividing the Group profit/(loss) attributable to the owners of the Parent, as defined in the Consolidated Income Statement, by the number of outstanding shares at the respective reporting dates. The numbers of shares in circulation at the reporting date is unchanged on December 31, 2015 (62,047,302). The earnings per share so calculated coincide with the earnings per share as per the consolidated income statement, as there were no changes to the number of shares in circulation.

Managerial Working Capital is the sum of Trade receivables with Inventories, net of Trade payables, as presented in the Consolidated Statement of Financial Position.

Net Working Capital is the amount of Managerial Working Capital and Other net receivables/payables.

Other net receivables/payables comprise the current portion of Other receivables and Tax Receivables, net of the current portion of Provisions for risks and charges, Other payables and Tax payables, as presented in the Consolidated Statement of Financial Position.

Net Financial Debt (NFD) is the sum of Cash and Cash equivalents less Current loans and borrowings (including the current portion of amounts due under finance leases and to other lenders and of bank loans and borrowings, as reported in the Statement of Financial Position) and Non-current loans and borrowings (including the non-current portion of amounts due under finance leases and to other lenders and of bank loans and borrowings, as reported in the Statement of Financial Position).

<i>In Euro thousands</i>	2016	2015
<b>Operating profit – EBIT</b>	<b>3,553</b>	<b>16,176</b>
(Impairment of Goodwill)	3,000	-
(Amortisation & Depreciation)	18,676	17,350
<b>EBITDA</b>	<b>25,229</b>	<b>33,526</b>
(Non-recurring service expense)	164	-
(Non-recurring personnel expense)	1,500	-
(Disposal of obsolete stock not part of ordinary business operations)	1,644	-
(Additional Accrual to the risks provision for the case with Esperança Real S/A)	2,900	-
(Restructuring charges)	933	1,751
<b>Adjusted EBITDA</b>	<b>32,370</b>	<b>35,277</b>

<i>In Euro thousands</i>	2016	2015
<b>Operating profit – EBIT</b>	<b>3,553</b>	<b>16,176</b>
(Non-recurring service expense)	164	-
(Non-recurring personnel expense)	1,500	-
(Disposal of obsolete stock not part of ordinary business operations)	1,644	-
(Additional Accrual to the risks provision for the case with Esperança Real S/A)	2,900	-
(Restructuring charges)	933	1,751
(Impairment of Goodwill)	3,000	-
<b>Adjusted EBIT</b>	<b>13,694</b>	<b>17,927</b>

<i>In Euro thousands</i>	2016	2015
<b>Profit/(loss) for the year</b>	<b>(5,500)</b>	<b>7,445</b>
(Non-recurring service expense)	164	-
(Non-recurring personnel expense)	1,500	-
(Disposal of obsolete stock not part of ordinary business operations)	1,644	-
(Additional Accrual to the risks provision for the case with Esperança Real S/A)	2,900	-
(Restructuring charges)	933	1,751
(Impairment of Goodwill)	3,000	-
(Non-ordinary income taxes)	28	580
(Income taxes concerning restructuring charges)	(261)	(419)
(Taxes on the disposal of obsolete stock not part of ordinary business operations)	(409)	-
(Income taxes concerning the additional accrual to the risks provision for the case with Esperança Real S/A)	(816)	-
<b>Adjusted profit</b>	<b>3,183</b>	<b>9,357</b>
<b>Attributable to non-controlling interests</b>	<b>63</b>	<b>1,255</b>
(Non-controlling interest profit adjustment items)	130	42
<b>Profit attributable to the owners of the Parent -Adjusted</b>	<b>2,990</b>	<b>8,060</b>

	2016	2015
Profit/(loss) attributable to the owners of the Parent ( <i>In Euro thousands</i> )	(5,563)	6,190
Shares in circulation at period-end	62,047,302	62,047,302
<b>Earnings (loss) per share (Euro/cents)</b>	<b>(8.97)</b>	<b>9.98</b>

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15
Other receivables	6,608	7,370
Tax assets	7,982	7,825
(Provision for risks and charges)	(4,361)	(7,398)
(Other payables)	(15,388)	(14,133)
(Tax liabilities)	(6,596)	(7,726)
<b>Other net receivables/payables</b>	<b>(11,756)</b>	<b>(14,062)</b>

## Elica S.p.A. and financial markets



Source: Bloomberg

The graph shows the performance of the Elica S.p.A. share price in 2016 in comparison to the average of other companies listed on the STAR segment (performance of the FTSE Italia STAR index indicated). On January 4, 2016, the official share price was Euro 1.9742. From January 2016, the share price was significantly impacted by the major drop across the global financial markets, reaching an annual low of Euro 1.4126 per share on February 11, 2016. The second half of February 2016 however featured a recovering share price, thanks both to a better performing overall financial market and following the announcement of the 2015 preliminary results which beat all the 2015 Guidance objectives.

In the first week of July 2016, the future departure of the sitting Chief Executive Officer was announced and the share price contracted significantly due to the uncertainty surrounding the reason for such and the choice of successor, while gaining ground once again from the end of August 2016 thanks to the publication of the first half-year results, which were significantly ahead of market expectations.

From the second half of November 2016, the share price dropped significantly following the publication of the third quarter results and the review of the 2016 Performance objectives.

Finally, in December 2016 the share price benefitted from the year-end rally, in line with the FTSE Italia STAR, as can be seen in the graph - reaching at year-end an official price of Euro 1.8385 per share.

The Share Capital consists of 63,322,800 ordinary voting shares. The ownership structure of Elica S.p.A. at December 31, 2016 is shown in the Corporate Governance and Shareholder Ownership Report, available on the Company website <http://corporation.elica.com> (Corporate Governance section).

Elica S.p.A. does not hold shares of the parent. A detailed breakdown of treasury share values is outlined at Note 5.39.4, to which reference should be made.

## Significant events in 2016

On January 27, 2016, Elica joined the Internet of Things market with the launch of a new product: SNAP, the first Air Quality Balancer. With SNAP, Elica continues to innovate as an air treatment specialist, unveiling its first IOT product for other household environments. The project sees the participation of 2 leading partners: Vodafone, which contributed to the implementation of the APP for the launch of the SNAP remote control, providing also a SIM card which ensures an alternative connection of the product to Wi-Fi and IBM, owner of the cloud in which all of the data collated is stored.

On January 29, 2016, 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 2016. On February 12, 2016, the Board of Directors of Elica S.p.A. approved the 2015 Fourth Quarter Report prepared in accordance with IFRS, communicated to the market also the 2016 Objectives which forecast an increase in Consolidated revenue of between 5% and 9% and an increase in consolidated EBIT of between 13% and 26% on 2015, while targeting also a Net Financial Debt of Euro 58 million.

On March 15, 2016, Elica S.p.A. participated in the 2016 STAR Conference organised in Milan by Borsa Italiana.

On March 22, 2016, Elica S.p.A.'s Board of Directors approved the 2015 Consolidated Financial Statements and the 2015 Separate Financial Statements, prepared in accordance with IFRS, proposed the distribution of a dividend of Euro 0.0098 per share and approved the 2015 Corporate Governance and Ownership Structure Report and the Remuneration Report, in addition to the Directors' Report to the Shareholders on the proposal to authorise the buy-back and utilisation of treasury shares. The Board of Directors also approved the proposal to the Shareholders' AGM of a long-term incentive plan called the 2016-2022 Phantom Stock & Voluntary Co-investment Plan in favour of certain directors and employees of Elica S.p.A. and/or its subsidiaries, according to the Disclosure Document published on the same date. The Board of Directors of Elica S.p.A. called the Shareholders' AGM for April 28, 2016 at 9AM in single call.

On April 6, 2016, Elica S.p.A. announced that the Annual Report of Elica S.p.A. comprising the Separate and Consolidated Financial Statements at December 31, 2015, the Directors' Report and the Statement as per Article 154-bis, paragraph 5 of Legs. Decree No. 58/1998, together with the Board of Statutory Auditors' Report, the Independent Auditors' Report, the Corporate Governance and Ownership Structure Report and the Remuneration Report, according to the legally required means for each document, were made available to the public. On the same date, the Board of Directors' Illustrative Report to the Shareholders' AGM, concerning the proposal to purchase and utilise treasury shares, in addition the Annual Accounts and/or the Financial Statements as per Article 2429 of the Civil Code of the subsidiaries and associates of Elica S.p.A. and the Financial Statements of the subsidiaries as per Article 36 of the Market Regulation, were made available to the public.

On April 28, 2016, the Shareholders' AGM of Elica S.p.A. approved the 2015 Annual Accounts of Elica S.p.A., the Directors' Report, the Board of Statutory Auditors' Report and the Independent Auditors' Report. The AGM also noted the consolidated results for 2015. The Meeting approved the distribution of a dividend of Euro 0.0098 per share. The adoption of the phantom stock option incentive plan for the 2016-2022 period was also approved (the "2016-2022 Phantom Stock & Voluntary Co-investment Plan"). In accordance with Article 123-ter, paragraph 6 of Legs. Decree No. 58/1998, the Shareholders' AGM of Elica S.p.A. noted the content of the Remuneration Report and approved the First Section. The Shareholders' AGM also approved, following revocation of the previous authorisation of April 29, 2015, the authorisation to purchase and utilise treasury shares, pursuant to Article 2357 and 2357-ter of the Civil Code.

The Board of Directors on May 12, 2016 approved the 2016 Interim Report at March 31, 2016, prepared in accordance with IFRS accounting standards.

On May 24, 2016, the company was involved in the Italian Stock Market Opportunities Conference, organised in Paris by Banca IMI, through presentations and meetings with the financial community and institutional investors.

On July 6, 2016, Elica S.p.A. announced the initiation of a top management transition process with a focus on continuity and growth. After four years in office, Giuseppe Perucchetti and the company mutually agreed that the appropriate conditions had developed for a transition of leadership which particularly focused on growth and an

improved Group competitive capacity. Therefore, an agreement was reached by which Giuseppe Perucchetti would remain as company Chief Executive Officer until August 25, 2016. The settlement included a total indemnity of Euro 1.5 million gross, with approx. 50% paid by July 15, 2016 and the remainder by September 15, 2016. The Board of Directors on the same date tasked the Appointments and Remuneration Committee, together with the Chairman of the Board of Directors, and in accordance with the executive director succession plan adopted by the company, to activate the succession process for the selection of the new Chief Executive Officer.

On August 25, 2016, the Board of Directors of Elica S.p.A. approved the 2016 Half-Year Report, prepared in accordance with IFRS accounting standards. On August 25, 2016, Giuseppe Perucchetti left the position of Chief Executive Officer of Elica S.p.A. with effect from August 26, 2016, with Francesco Casoli, current Executive Chairman of Elica S.p.A. appointed as the ad interim CEO by the Board of Directors, until conclusion of the succession process undertaken by the Appointments and Remuneration Committee.

On October 28, 2016, the Board of Directors of Elica S.p.A. appointed Antonio Recinella as the new Chief Executive Officer of Elica S.p.A. with effect from November 1, 2016. Francesco Casoli resigned from the role of ad interim Chief Executive Officer undertaken on August 25, 2016, while continuing as Executive Chairman of the Board of Directors and maintaining the related powers. On the same date, the company terminated the employment of Mr. Alberto Romagnoli and consequently appointed Mr. Giampaolo Caselli as the Chief Financial Officer ad interim of Elica S.p.A. and Executive Officer for Financial Reporting.

The Board of Directors of Elica S.p.A. on November 14, 2016 approved the 2016 Third Quarter results, prepared in accordance with IFRS accounting standards. On the same date, the Board of Directors of Elica S.p.A., on the basis of Q3 2016 results and in consideration of the outlook, updated the 2016 Performance objectives, estimating an increase in Consolidated net revenue of between 2.5% and 3.5%, a Consolidated normalised EBIT margin of greater than 3% and a Net Financial Debt of Euro 61 million at 2016 year-end. In addition, in line with Borsa Italiana's requirement, the Self-Governance Code and the motion passed by the Shareholders' Meeting of April 28, 2016, the Board of Directors of Elica S.p.A. on the same date launched the 2016-2022 Phantom Stock & Voluntary Co-investment Plan.

On December 6, 2016, Elica S.p.A. expressed its condolences upon the passing of Ms. Gianna Perialisi – controlling shareholder of Elica S.p.A. (through usufruct rights upon the companies controlling FAN Srl, the direct parent of Elica S.p.A.). Due to the passing of Gianna Perialisi, holder of 33,608,690 ordinary Elica S.p.A. shares, her son Francesco Casoli – Chairman of Elica S.p.A. since 2006 and currently in office – *ope legis* (automatically) became the controlling shareholder of FAN S.r.l. and therefore of Elica S.p.A., as holder of the bare ownership rights stemming from the above-stated usufruct rights. On December 19, 2016, the company published a notice in accordance with Article 122 of Legislative Decree No. 58 of 24.2.1998 (“CFA”) and Article 129 and subsequent of the Issuers' Regulation as per Consob motion No. 11971/1999 (“Issuers' Regulation”) and subsequent amendments and supplements. The text of the notice and the essential disclosure required by Article 130 of the Issuers' Regulation are published on the company's website at <http://corporation.elica.com/it>, in the Corporate Governance - Other Documents section and is available on the website of the “IINFO” authorised storage mechanism at [www.linfo.it](http://www.linfo.it).

On December 20, 2016, Elica S.p.A. announced that in the fourth quarter of 2016 it would be necessary to dispose of obsolete stock which overall would result in non-ordinary charges of Euro 1.6 million, previously not foreseen by the company. However, the company confirmed the 2016 Performance objectives announced on November 14, 2016.

## Events after the reporting date and outlook

On January 30, 2017, 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 2017 Financial Calendar.

On February 13, 2017, Elica S.p.A.'s Board of Directors approved the 2016 Fourth Quarter Report, prepared in accordance with IFRS.

On March 13, 2017, the Board of Directors considered the impacts on the 2016 consolidated and Separate Financial Statements of the non-executive first level judgements in the case between Esperança Real S/A,

Madson Eletrometalurgica Ltda. and Elica S.p.A., issued by the Belo Horizonte (Brazil) Court on March 1, 2017. The case concerns the signing of preliminary agreements in September 1999 for the establishment of a joint venture by Elica S.p.A. and Esperança Real S/A, which were thereafter not executed. With the support of legal consultants and sector experts, the Board of Directors assessed the ruling, the technical opinions upon the possible development of the case and its probable final outcome and decided to prudently allocate to the legal risks provision an additional amount of Euro 2.9 million, entirely not on the basis of the counterparty's legal grounds, but solely to be fully compliant with international accounting standards. The company therefore confirms its intention to pursue at all levels the enforcement of its rights. For further information see Note 6.1.

The Group continues the extensive monitoring of demand trends across all markets, in order to develop the business model for the delivery of results both over the short and long-term.

### **The environment**

Elica S.p.A. operates in compliance with all local and national regulations for the protection of the environment both in relation to products and the production cycles. Moreover, the types of activities that it carries out have a limited impact on the environment and in terms of atmospheric emissions, waste disposal and water disposal. Nonetheless, compliance with such standards requires the Group to incur costs.

### **Personnel**

As part of its pursuit of continuous improvement, Elica S.p.A. has undertaken initiatives focused on increasing safety at plants, reducing and monitoring risks and training personnel for more conscientious behaviour and prudence in the workplace to improve the already accident frequency and seriousness rates.

### **Research and development**

Reference should be made to Note 5.18 for further details on research and development.

### **Exposure to risks and uncertainties and financial risk factors**

The Elica Group's operations are exposed to different types of financial risks, including risks associated with fluctuations in exchange rates, interest rates, the cost of its main raw materials and cash flows. In order to mitigate the impact of these risks on results, the Elica Group has commenced the implementation of a financial risk monitoring system through a "Financial Risk Policy" approved by the Parent's Board of Directors. Within this policy, the Group constantly monitors the financial risks of its operations in order to assess any potential negative impact and takes corrective action where necessary.

The main guidelines for the Group's 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 considering the controls in place and if they require additional treatment;
- respond appropriately to risks;
- monitor and report on the current state of the risks and the effectiveness of their control.

The Group's Financial Risk Policy is based on the principle of active 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 transactions within the limits approved by management and only for actual, 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 segregation of conclusion, settlement, registration and reporting of 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 29/04/2015.

#### Enrico Vita

**Independent Director**, born in Fabriano (AN) on 16/02/1969, appointed by resolution of 29/04/2015.

#### Antonio Recinella

**Chief Executive Officer**, born in Livorno (LI) on 5/11/1968, appointed by resolution of 28/10/2016, with effect from 1/11/2016.

#### Elio Cosimo Catania

**Independent Director**, born in Catania on 05/06/1946, appointed by resolution of 29/04/2015.

#### Gennaro Perialisi

**Director**, born in Monsano (AN) on 14/02/1938, appointed by resolution of 29/04/2015.

#### Katia Da Ros

**Independent Director and Lead Independent Director**, born in Conegliano (TV) on 30/03/1967, appointed by resolution of 29/04/2015.

#### Davide Croff

**Independent Director**, born in Venice on 01/10/1947, appointed by resolution of 29/04/2015.

### Members of the Board of Statutory Auditors

#### Gilberto Casali

**Chairman**, born in Jesi (AN) on 14/01/1954, appointed by resolution of 29/04/2015.

#### Leandro Tiranti

**Alternate Auditor**, born in Sassoferrato (AN) on 04/05/1966, appointed by resolution of 29/04/2015.

#### Franco Borioni

**Statutory Auditor**, born in Jesi (AN) on 23/06/1945, appointed by resolution of 29/04/2015.

#### Serenella Spaccapaniccia

**Alternate Auditor**, born in Montesangiorgio (AP) on 04/04/1965, appointed by resolution of 29/04/2015.

#### Simona Romagnoli

**Statutory Auditor**, born in Jesi (AN) on 02/04/1971, appointed by resolution of 29/04/2015.

### Internal Control & Risk Management Cmte.

Davide Croff (Chairman)

Elio Cosimo Catania

Enrico Vita

### Appointments and Remuneration Committee

Elio Cosimo Catania (Chairman)

Davide Croff

Enrico Vita

### Independent Auditors

KPMG S.p.A.

### Registered office and Company data

Elica S.p.A.

Registered office: Via Ermanno Casoli,2 – 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](mailto:l.giovanetti@elica.com) Telephone: +39 0732 610727

## Elica Group structure and consolidation scope

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*

o Elica S.p.A. - Fabriano (Ancona, Italy) is the Parent of the Group (“Elica”)<sup>18</sup>.

### *Subsidiaries*

o Elica Group Polska Sp.zo.o – Wrocław – (Poland) (“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 hoods for domestic use;

o Elicamex S.A. de C.V. – Queretaro (Mexico) (“Elicamex”). This company was incorporated at the beginning of 2006 (the parent owns 98% directly and 2% through Elica Group Polska). The Group intends to concentrate production for the American markets with this company in Mexico and reap the benefits of optimising operations and logistics;

o Leonardo Services S.A. de C.V. – Queretaro (Mexico) (“Leonardo”). This wholly-owned subsidiary was incorporated in January 2006 (the Parent 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 Ariaфина CO., LTD – Sagamihara-Shi (Japan) (“Ariaфина”). Incorporated in September 2002 as a 50:50 joint venture with Fuji Industrial of Tokyo, the Japanese 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 (Ancona, Italy) (“Airforce”). This company operates in a special segment of the production and sale of hoods. Elica S.p.A. owns 60% of this company;

o Airforce Germany Hochleistungsgestaltungsdunstabzugssysteme GmbH – Stuttgart (Germany) (“Airforce Germany”). Airforce S.p.A. owns 95% of Airforce Germany G.m.b.h., a company that sells hoods in Germany through “kitchen studios”; the investment in this company is held through Airforce S.p.A..

o Elica Inc – Chicago, Illinois (United States), offices in Bellevue, Washington (United States). This 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) (“Gutmann”). This German company is wholly owned by Elica S.p.A. and is the German leader in the high-end cooker hood market, specialised in custom-made, high-performance hoods.

o Elica PB India Private Ltd. - Pune (India) (“Elica India”). In 2010, Elica S.p.A. signed a joint venture agreement, subscribing 51% of the share capital of this newly-incorporated Indian company and therefore acquiring control. Elica PB India Private Ltd. is involved in the production and sale of Group products.

o Zhejiang Elica Putian Electric CO.,LTD. – Shengzhou (China) (“Putian”). The Group owns 66.76% of this Chinese company which operates under the Puti brand, a leader in the Chinese home appliances sector, producing and marketing hoods, hobs and kitchenware sterilisers. Putian is one of the main players in the Chinese hood market and the principal company developing Western-style 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. Petersburg (Russian Federation) (“Elica Trading”)- This wholly-owned Russian company was incorporated on June, 28 2011.

o Elica France S.A.S. - Paris (France) (“Elica France”). This wholly-owned French company was incorporated in 2014.

### *Associates*

o I.S.M. S.r.l. – Cerreto d’Esi (Ancona Italy). This company, of which Elica S.p.A. holds 49.385%, operates in the real estate sector.

### *Changes in the consolidation scope*

There were no changes in the consolidation scope compared to December 31, 2015.

<sup>18</sup> The company also has offices in Spain, at Avda. Generalitat de Catalunya Esc.9, bajos 1 08960 Sant Just Desvern - Barcelona

## Related party transactions

In 2016, transactions were performed between the Parent, subsidiaries, associates and other related parties. All transactions were conducted on an arm's length basis in the ordinary course of Group business.

### Subsidiaries – 2016 Highlights

Reporting package figures

<i>In Euro thousands</i>	Assets	Liabilities	Equity	Revenue	Profit/(loss)
Elicamex S.A.de C.V.	39,065	25,751	13,313	65,519	7,332
Elica Group Polska Sp.z o.o	60,191	37,810	22,380	99,398	2,212
Airforce S.p.A.	11,781	8,562	3,219	22,618	513
Ariafina CO., LTD	10,108	3,046	7,062	21,665	2,708
Leonardo S.A.de C.V.	1,211	1,315	(104)	9,047	45
Exklusiv Hauben Gutmann GmbH	27,069	22,919	4,150	21,884	(5,274)
Elica Inc.	386	159	227	551	16
Airforce GE (*)	32	5	27	0	(30)
Elica PB India Private Ltd.	12,341	8,791	3,550	16,791	525
Zhejiang Elica Putian Electric Co. Ltd	23,978	26,704	(2,726)	17,999	(5,116)
Elica Trading LLC	6,408	5,507	901	9,592	(51)
Elica France S.A.S.	3,048	3,943	(895)	5,588	57

(\*) Airforce Germany Hochleistungs-dunstabzugssysteme GmbH

Elica S.p.A. also carries out financial transactions with Group companies as part of a general plan to centralise treasury management activities. These loans are interest bearing and at market rates.

Transactions with consolidated companies have been derecognised from the Consolidated Financial Statements. As a result, they are not reported in these notes.

### Associates – 2016 Highlights

As per local GAAP

<i>In Euro thousands</i>	Assets	Liabilities	Equity	Revenue	Profit
I.S.M. S.r.l.	1,411	32	1,379	141	13

The table below shows the effects of transactions with associates on the statement of financial position and income statement for 2016. No separate disclosure of these balances is provided in the consolidated financial statements, given the immaterial amounts involved, in accordance with Consob resolution No. 15519 of July 27, 2006.

<i>In Euro thousands</i>	Assets	Liabilities	Costs	Revenue
I.S.M. S.r.l.			2	4

## Corporate Governance and Ownership Structure Report

In accordance with Article 123-*bis* of Legislative Decree no. 58/1998, Article 89-*bis* of Consob Resolution no.11971/1999 and subsequent amendments and integrations, Elica S.p.A. provides complete disclosure on the corporate governance system adopted on March 24, 2017, in line with the recommendations of the Self-Governance Code (July 2015 edition), in the annual corporate governance report, available on the Company's website <http://corporation.elica.com> (Corporate Governance section).

## Remuneration report

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

**Compliance with Section VI of the regulation implementing Legislative Decree no. 58 of February 24, 1998 concerning market regulations (“Market Regulations”)**

In accordance with article 36 of the Regulation implementing Legislative Decree no. 58 of February 24, 1998, as Elica S.p.A. has direct or indirect control over certain companies registered in countries outside of the European Union, the financial statements of such companies, prepared for the purposes of these consolidated financial statements, were made available within the terms required by current legislation.

With respect to specific indication of the reasons why the Company is not believed to be managed and coordinated by its parent, which is required by Article 37, reference should be made to paragraph 8 Disclosure pursuant to IAS 24 on management remuneration and related-party transactions.

**Compliance 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 Consob’s Issuers Regulation, on January 16, 2013, Elica announced that it would apply the exemption from publication of the required disclosure documents concerning significant mergers, demergers and share capital increases through the contribution of assets in kind, acquisitions and sales.

Fabriano, March 24, 2017

On behalf of the Board of Directors  
The Executive Chairman  
Francesco Casoli



**Elica Group**

**2016 CONSOLIDATED FINANCIAL STATEMENTS**

**Elica Group**

Registered Office at Via Ermanno Casoli, 2 – 60044 Fabriano (AN) - Share Capital: Euro 12,664,560 fully paid-in

**Consolidated Financial Statements as at and for the year ended December 31, 2016****Consolidated Income Statement**

<i>In Euro thousands</i>	Note	2016	2015
Revenue	5.1	439,318	421,627
Other operating income	5.2	2,300	4,178
Changes in inventories finished/semi-finished goods	5.3	2,280	3,180
Increase in internal work capitalised	5.4	4,840	5,852
Raw materials and consumables	5.5	(237,591)	(230,111)
Services	5.6	(80,681)	(75,871)
Labour costs	5.7	(87,206)	(82,080)
Amortisation and Depreciation	5.8	(18,676)	(17,350)
Other operating expenses and provisions	5.9	(17,098)	(11,498)
Restructuring charges	5.10	(933)	(1,751)
Impairment of goodwill	5.20	(3,000)	-
<b>Operating profit</b>		<b>3,553</b>	<b>16,176</b>
Share of profit/(loss) from associates	5.11	(20)	(10)
Impairment of AFS financial assets		-	(100)
Financial income	5.12	248	211
Financial charges	5.13	(3,440)	(3,754)
Exchange rate gains/(losses)	5.14	(443)	717
<b>Profit/(loss) before taxes</b>		<b>(102)</b>	<b>13,240</b>
Income taxes	5.15	(5,398)	(5,795)
<b>Profit/(loss) from continuing operations</b>		<b>(5,500)</b>	<b>7,445</b>
<b>Profit from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>Profit/(loss) for the year</b>		<b>(5,500)</b>	<b>7,445</b>
of which:			
Attributable to non-controlling interests	5.16	63	1,255
Attributable to the owners of the Parent		(5,563)	6,190
<b>Basic earnings (loss) per share (Euro/cents)</b>	5.17	(8.97)	9.98
<b>Diluted earnings (loss) per share (Euro/cents)</b>	5.17	(8.97)	9.98

## Consolidated Statement of Comprehensive Income

<i>In Euro thousands</i>	Note	2016	2015
<b>Profit/(loss) for the year</b>		<b>(5,500)</b>	<b>7,445</b>
<b>Other comprehensive income/(expense) which may not be subsequently reclassified to profit/(loss) for the year:</b>			
Actuarial gains/(losses) of employee defined plans	5.31	(523)	300
Tax effect concerning the Other income/(expense) which may not be subsequently reclassified to the profit/(loss) for the year		(16)	(2)
<b>Total other comprehensive income/(expense) which may not be subsequently reclassified to profit/(loss) for the period, net of the tax effect</b>		<b>(539)</b>	<b>298</b>
<b>Other comprehensive income/(expense) which may be subsequently reclassified to profit/(loss) for the year:</b>			
Exchange differences on the conversion of foreign financial statements	5.39.3	(4,380)	328
Net change in cash flow hedges	5.39.3	3,400	(2,043)
Tax effect concerning the Other income/(expense) which may be subsequently be reclassified to the profit/(loss) for the year	5.39.3	(749)	562
<b>Total other comprehensive income/(expense) which may be subsequently reclassified to profit/(loss) for the period, net of the tax effect</b>		<b>(1,729)</b>	<b>(1,153)</b>
<b>Total other comprehensive income/(expense), net of the tax effect:</b>		<b>(2,268)</b>	<b>(855)</b>
<b>Total comprehensive income/(expense) for the year</b>		<b>(7,768)</b>	<b>6,590</b>
of which:			
Attributable to non-controlling interests		75	1,826
Attributable to the owners of the Parent		(7,843)	4,765

## Consolidated Statement of Financial Position

<i>In Euro thousands</i>	<i>Note</i>	<b>Dec 31, 16</b>	<b>Dec 31, 15</b>
Property, plant and equipment	5.19	95,360	88,779
Goodwill	5.20	42,340	45,712
Other intangible assets	5.21	28,756	28,676
Investments in associates	5.22	1,401	1,423
Other receivables	5.23	230	330
Tax assets		7	-
Deferred tax assets	5.33	15,675	16,185
AFS financial assets	5.24	56	56
<b>Total non-current assets</b>		<b>183,828</b>	<b>181,162</b>
Trade receivables	5.25	70,561	68,504
Inventories	5.26	67,732	62,701
Other receivables	5.27	6,608	7,370
Tax assets	5.28	7,982	7,825
Derivative financial instruments	5.29	1,844	223
Cash and cash equivalents	5.30	31,998	34,463
<b>Current assets</b>		<b>186,725</b>	<b>181,088</b>
<b>Total assets</b>		<b>370,553</b>	<b>362,250</b>
Liabilities for post-employment benefits	5.31	11,129	10,619
Provisions for risks and charges	5.32	7,606	3,854
Deferred tax liabilities	5.33	5,080	4,749
Finance leases and other lenders	5.34	6	9
Bank loans and borrowings	5.35	33,718	44,048
Other payables	5.36	1,768	3,277
Tax liabilities	5.37	312	442
Derivative financial instruments	5.29	198	166
<b>Non-current liabilities</b>		<b>59,817</b>	<b>67,164</b>
Provisions for risks and charges	5.32	4,361	7,398
Finance leases and other lenders	5.34	21	6
Bank loans and borrowings	5.35	59,004	43,405
Trade payables	5.38	114,831	99,474
Other payables	5.36	15,388	14,133
Tax liabilities	5.37	6,596	7,726
Derivative financial instruments	5.29	1,277	3,736
<b>Current liabilities</b>		<b>201,478</b>	<b>175,878</b>
Share capital		12,665	12,665
Capital reserves		71,123	71,123
Hedging, translation and stock option reserves		(13,172)	(11,408)
Reserve for actuarial gains/losses		(3,423)	(2,907)
Treasury shares		(3,551)	(3,551)
Retained earnings		45,870	40,630
Profit/(loss) attributable to the owners of the Parent		(5,563)	6,190
<b>Equity attributable to the owners of the Parent</b>	5.39	<b>103,949</b>	<b>112,742</b>
Capital and reserves attributable to non-controlling interests		5,246	5,211
Profit attributable to non-controlling interests		63	1,255
<b>Equity attributable to non-controlling interests</b>	5.40	<b>5,309</b>	<b>6,466</b>
<b>Total equity</b>		<b>109,258</b>	<b>119,208</b>
<b>Total liabilities and equity</b>		<b>370,553</b>	<b>362,250</b>

## Consolidated Statement of Cash Flows

	<i>Note</i>	<b>2016</b>	<b>2015</b>
<i>In Euro thousands</i>	<i>2</i>		
<b>Opening cash and cash equivalents</b>		<b>34,463</b>	<b>35,241</b>
Operating profit - EBIT		3,553	16,176
Amortisation, depreciation and impairment losses		18,676	17,350
Impairment of goodwill		3,000	-
EBITDA		25,229	33,526
Trade working capital		7,507	820
Other working capital accounts		1,859	(4,581)
Income taxes paid		(6,694)	(4,587)
Change in provisions		477	712
Other changes		439	178
<b>Cash flow from operating activities</b>		<b>28,817</b>	<b>26,066</b>
Net increases		(28,308)	(19,868)
Intangible Assets		(7,241)	(8,306)
Property, plant and equipment		(21,067)	(11,561)
<b>Cash flow used in investing activities</b>		<b>(28,308)</b>	<b>(19,868)</b>
Dividends		(1,831)	(2,551)
Increase (decrease) in loans and borrowings		5,632	301
Net changes in other financial assets/liabilities		(2,457)	(1,638)
Interest paid		(2,948)	(3,306)
<b>Cash flow used in financing activities</b>		<b>(1,604)</b>	<b>(7,193)</b>
<b>Change in cash and cash equivalents</b>		<b>(1,095)</b>	<b>(995)</b>
Effect of exchange rate change on liquidity		(1,370)	217
<b>Closing cash and cash equivalents</b>		<b>31,998</b>	<b>34,463</b>

## Statement of changes in Equity

	Share capital	Share premium reserve	Acquisition/ Sale of treasury shares	Retained earnings	Hedge, trans. & post-employ ben. res.	Profit/(loss) for the year	Equity attr. to the owners of Parent	Equity attr. to non-controlling int.	Consolidated Equity
<i>In Euro thousands</i>									
<b>Balance at December 31, 2014</b>	<b>12,665</b>	<b>71,123</b>	<b>(3,551)</b>	<b>39,894</b>	<b>(12,773)</b>	<b>2,592</b>	<b>109,950</b>	<b>5,660</b>	<b>115,610</b>
Fair value losses on cash flow hedges net of the tax effect					(1,599)		(1,599)		(1,599)
Actuarial gains on post-employment benefits					280		280	18	298
Exchange rate losses on translation of foreign subsidiaries' financial statements					(225)		(225)	553	328
<b>Total gains/(losses) recognised directly in equity</b>					<b>(1,543)</b>		<b>(1,543)</b>	<b>571</b>	<b>(972)</b>
Profit for the year						6,190	6,190	1,255	7,445
<b>Total gains/(losses) recognised in profit or loss</b>						<b>6,190</b>	<b>6,190</b>	<b>1,255</b>	<b>7,445</b>
Allocation of profit for the year				2,592		(2,592)			
Other changes				(94)			(94)	(231)	(325)
Dividends				(1,762)			(1,762)	(789)	(2,551)
<b>Balance at December 31, 2015</b>	<b>12,665</b>	<b>71,123</b>	<b>(3,551)</b>	<b>40,630</b>	<b>(14,315)</b>	<b>6,190</b>	<b>112,742</b>	<b>6,466</b>	<b>119,208</b>
Fair value gains on cash flow hedges net of tax effect					2,651		2,651		2,651
Actuarial (losses) on post-employment benefits					(516)		(516)	(24)	(539)
Exchange rate losses on translation of foreign subsidiaries' financial statements					(4,416)		(4,416)	35	(4,380)
<b>Total gains/(losses) recognised directly in equity</b>					<b>(2,280)</b>		<b>(2,280)</b>	<b>12</b>	<b>(2,268)</b>
Profit/(loss) for the year						(5,563)	(5,563)	63	(5,500)
<b>Total gains/(losses) recognised in profit or loss</b>						<b>(5,563)</b>	<b>(5,563)</b>	<b>63</b>	<b>(5,500)</b>
Allocation of loss for the year				6,190		(6,190)			
Other changes				(343)			(343)	(9)	(351)
Dividends				(608)			(608)	(1,223)	(1,831)
<b>Balance at December 31, 2016</b>	<b>12,665</b>	<b>71,123</b>	<b>(3,551)</b>	<b>45,870</b>	<b>(16,595)</b>	<b>(5,563)</b>	<b>103,949</b>	<b>5,309</b>	<b>109,258</b>

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## 1. Group structure and activities

The Group's Parent, Elica S.p.A. is a company incorporated under Italian law based in Fabriano (AN, Italy). The main activities of the Parent and its subsidiaries as well as its registered office and secondary offices are illustrated in the Directors' Report on Operations under "Elica Group structure and Consolidation Scope".

The Euro is the functional and presentation currency of Elica S.p.A. and of the consolidated companies, except for the foreign subsidiaries Elica Group Polska Sp.zo.o, Elicamex S.A.de C.V., Leonardo Services S.A.de C.V., Ariaфина CO., LTD, Elica Inc., Elica PB India Private Ltd, Zhejiang Elica Putian Electric Co. Ltd and Elica Trading LLC which prepare their financial statements in the Polish Zloty, the Mexican Peso (Elicamex S.A.de C.V. and Leonardo Services S.A. de C.V.), Japanese Yen, US Dollar, Indian Rupee, Chinese Renminbi and Russian Ruble respectively.

The Board of Directors today approved the Consolidated Financial Statements for the year ended December 31, 2016 and authorised their publication.

## 2. Accounting policies and basis of consolidation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as in accordance with Article 9 of Legislative Decree no. 38/2005 and related Consob regulations.

The Consolidated Financial Statements as at and for the year ended December 31, 2016 are compared with the previous year and consist of the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and these notes.

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

The statement of cash flows was prepared applying the indirect method. It classifies cash flows respectively from (used in) operating activities, investing activities and financing activities, in line with IAS 7. Specifically, operating activities are activities that generate revenue and are not investing or financing activities. Investing activities relate to the purchase and sale of non-current assets and other investments, while financing activities are those resulting in a change to the sources of financing, therefore in the size and composition of the share capital, share premium reserves and Group loans. Unrealised exchange rate gains and losses are not considered cash flows. However, the effect of such exchange rate gains and losses on cash and cash equivalents is included to reconcile the change in the opening and closing balances of cash and cash equivalents. It is, however, presented separately. The Group considers the gross operating profit (loss) a better indicator of performance than the profit/(loss) for the year and therefore uses the former to begin the reconciliation.

The Group did not make any changes in the accounting policies applied between the preparation of the data at December 31, 2015, presented for comparative purposes, and December 31, 2016, as neither the International Accounting Standards Board (IASB) nor the International Financial Reporting Interpretation Committee (IFRIC) have revised or issued standards or interpretations applicable to reporting periods beginning on or after January 1, 2016 with a material impact on the Consolidated Financial Statements.

The consolidated financial statements items 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.

### 2.1 Basis of consolidation

The Consolidated Financial Statements as at and for the year ended December 31, 2016 include the financial statements of the parent and the companies it controls directly or indirectly (the subsidiaries). Control exists where the Group contemporaneously has decision-making power over the investee, rights upon variable results (positive or negative) and the capacity to use its decision-making power to affect the amount of profits devolving from its investment in the entity.

The separate financial statements at December 31, 2016 of the Parent Elica S.p.A. were prepared in accordance with IFRS, in accordance with Legislative Decree no. 38/2005 and Consob regulations. The financial statements of the Italian subsidiary were prepared in accordance with the Italian Civil Code as supplemented, where necessary, by the OIC accounting standards and those issued by the IASB.

All the Group companies have provided the data and information required to prepare the Consolidated Financial Statements in accordance with IFRS.

For information on the consolidation scope and the associates, reference should be made to section 4 “Composition and changes in the consolidation scope” and 8 “Disclosure pursuant to IAS 24 on management compensation and related party transactions”.

If the consolidation scope changes in the year, the results of subsidiaries acquired or sold during the year are included in consolidated profit or loss from the date of acquisition until the date of sale.

All significant transactions between companies included in the consolidation scope are eliminated.

Gains and losses arising on intercompany sales of operating assets are eliminated, where considered material.

Non-controlling interests in the net assets of consolidated subsidiaries are recorded separately from equity attributable to the owners of the parent and include the amount attributable to the non-controlling interests at the original acquisition date (see below) and changes in equity after that date.

Losses attributable to non-controlling interests in excess of their share of equity are allocated to equity attributable to the owners of the Parent, except to the extent that the non-controlling owners are subject to a binding obligation and have the capacity to cover the losses through further investments.

### ***Consolidation of foreign companies and foreign currency translation***

The assets and liabilities of consolidated foreign companies in currencies other than the Euro are translated using the closing exchange rates. Revenue and costs are translated into Euro using the average exchange rate for the year. Translation differences are recognised in the translation reserve until the investment is sold.

At December 31, 2016, the consolidated foreign companies whose functional currency differs from the Euro are Elica Group Polska Sp.zo.o, ELICAMEX S.A. de C.V., Leonardo Services S.A. de C.V, ARIAFINA CO., LTD, Elica Inc Elica PB India Private Ltd, Zhejiang Elica Putian Electric Co. Ltd and Elica Trading LLC, which use the Polish Zloty, the Mexican Pesos (ELICAMEX S.A. de C.V. and Leonardo Services S.A. de C.V.), the Japanese Yen, the US Dollar, the Indian Rupee, the Chinese Renmimbi and the Russian Ruble respectively.

The exchange rates used for translation purposes are set out below:

	2016 average	2015 average	%	Dec 31, 16	Dec 31, 15	%
USD	1.11	1.11	0.0%	1.05	1.09	(3.7%)
JPY	120.20	134.31	(10.5%)	123.40	131.07	(5.9%)
PLN	4.36	4.18	4.3%	4.41	4.26	3.5%
MXN	20.67	17.62	17.3%	21.77	18.91	15.1%
INR	74.37	71.2	4.5%	71.59	72.02	(0.6%)
CNY	7.35	6.97	5.5%	7.32	7.06	3.7%
RUB	74.14	68.07	8.9%	64.30	80.67	(20.3%)

### ***Business Combinations***

Business combinations are recognised using the acquisition method. According to this method, the amount transferred in a business combination is recognised at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and the equity instruments issued in exchange for control of the company acquired. Transaction costs are recognised in profit or loss when they are incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at fair value at the acquisition date, except for the following items, which are instead measured according to the applicable standard:

- Deferred tax assets and liabilities;
- Employee benefit assets and liabilities;
- Liability or equity instruments relating to share-based payments of the company acquired or share-based payments relating to the Group issued to replace contracts of the entity acquired;
- Assets held for sale and discontinued operations.

Goodwill is calculated as the excess of the sum of considerations transferred in the business combination, the value of equity attributable to non-controlling interests and the fair value of any previously held interests in the acquiree above compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, any non-controlling interest and the fair value of any previously held interests in the acquiree, this excess is immediately recognised in profit or loss as income deriving from the business combination.

The share of equity attributable to non-controlling interests at the acquisition date may be measured at fair value or in proportion to the acquiree’s recognised net assets. The choice of method is based on each individual transaction.

In a step acquisition of a subsidiary, a business combination is only deemed to occur when control is acquired, which is when the fair value of all the acquiree’s identifiable net assets is measured; non-controlling interests are measured at their fair value or in proportion to the fair value of the acquiree’s identifiable net assets.

In a step acquisition of an investee, the previously held interest, which was until that time recognised in accordance with IAS 39 – Financial instruments: recognition and measurement or IAS 28 - Investments in associates or according to IAS 31 – Investments in joint ventures, is treated as if it had been sold and reacquired at the date when control is acquired. The investee is therefore recognised at the fair value at the acquisition date and the profits and losses arising on measurement are taken to profit or loss. Any amount previously recognised as Other comprehensive income (expense), which must be taken to profit or loss following the sale of the assets to which it refers, is reclassified to profit or loss. Goodwill or income deriving from an acquisition of control of a subsidiary must be calculated as the sum of the price paid to gain control, the value of non-controlling interests (measured using one of the methods permitted by the standard) and the fair value of the previously held non-controlling interest, net of the fair value of the identifiable net assets acquired.

Any payments subject to conditions are considered part of the transfer price of the net assets acquired and are measured at fair value at the acquisition date. If the combination contract establishes a right of repayment of some price elements on the fulfilment of certain conditions, this right is classified as an asset by the acquirer. Any subsequent changes in the fair value are recognised as an adjustment to the original accounting treatment only if they result from additional or improved information concerning fair value and if they occur within 12 months of the acquisition date; all other changes must be recognised in profit or loss.

Once control of an entity has been acquired, transactions in which the Parent acquires or sells further non-controlling interests without changing the control exercised over the subsidiary are considered transactions with equity owners and therefore must be recognised in equity. The carrying amount of the controlling interest and the non-controlling interest must be adjusted to reflect the change in the percentage of the investment held and any difference between the amount of the adjustments allocated to non-controlling interests and the fair value of the price paid or received against the transaction is taken directly to equity and allocated to the owners of the Parent. No adjustments are made to goodwill or the profits or losses recognised in the income statement. Related costs are recognised in equity in accordance with paragraph 35 of IAS 32.

Business combinations before January 1, 2010 were recognised in accordance with the previous version of IFRS 3.

#### ***Investments in associates and joint ventures***

An associate is a company in which the Group has significant influence, but not control or joint control. The Group exerts its influence by taking part in the associate's financial and operating policy decisions.

A joint venture is a contractual agreement whereby the Group undertakes a jointly controlled business venture with other parties. Joint control is defined as a contractually shared control over a business. Joint control is defined as the contractually shared control over a business activity and only exists when the financial and operating strategic decisions of the activities requires the unanimous consent of the parties sharing control.

The profits and losses, assets and liabilities of associates and joint ventures are recognised in the Consolidated Financial Statements using the emethod, except where the investments are classified as held for sale.

Under this method, investments in associates and joint ventures are recognised in the Statement of Financial Position at cost, as adjusted for changes after the acquisition of the net assets of the associates, less any impairment in the individual investments. Losses of the associates and joint ventures in excess of the Group's share are not recognised unless the Group has an obligation to cover them. Any excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date is recognised as goodwill. Goodwill is included in the carrying value of the investment and is tested for impairment. Any excess of the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate over the cost of acquisition is taken to profit or loss in the year of acquisition.

Unrealised profits and losses on transactions between a Group company and an associate or joint venture are eliminated to the extent of the Group's share in the associate or joint venture, except when the unrealised losses constitute a reduction in the value of the asset transferred.

## **2.2 Accounting policies**

The main accounting policies adopted in the preparation of the consolidated financial statements are described below.

### ***Property, plant & equipment***

Property, plant and equipment are recognised at purchase or production cost, including any directly attributable costs. Some assets have been adjusted under specific revaluation legislation prior to 1 January 2004 and are deemed to reflect the fair value of the asset at the revaluation date (known as "deemed cost" as per IFRS 1).

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

buildings 3%

light constructions 10%  
 plant and machinery 6 % - 15%  
 industrial and commercial equipment 10% - 25%  
 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 assets.

Purchase cost is also adjusted for grants related to assets already approved to the Group companies. These grants are recognised in profit or loss by gradually reducing the depreciation charged over the useful life of the assets to which they relate.

Maintenance, repair, expansion, updating and replacement costs that do not lead to a significant, measurable increase in the production capacity and useful life of an asset are taken to profit or loss in the period when they are incurred.

### ***Goodwill***

Goodwill arising on the acquisition of a subsidiary or other business combinations represents the excess of the acquisition cost over the Group'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 tested at least annually for impairment. An impairment loss is immediately taken to profit or loss and is not reversed in a subsequent period.

On the sale of a subsidiary, any goodwill attributable to the subsidiary that has not been impaired is included in the calculation of 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***

The research costs are taken to profit or loss when incurred.

Development costs in relation to specific 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.
  - Capitalised development costs are amortised on a straight-line basis, commencing from the beginning of the production over the estimated life of the product to which these costs refer.
  - The carrying amount of development costs are tested annually for impairment when the asset is no longer in use, or with greater frequency when there is indication of impairment.
  - All other development costs are taken to profit or loss when incurred.

### ***Other intangible assets***

The other intangible assets acquired or produced internally are recorded under assets, in accordance with the provisions of IAS 38 – Intangible Assets, when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined reliably.

The useful life of an intangible asset may be considered definite or indefinite. Intangible assets with a definite useful lives are amortised monthly for the duration of their useful lives. According to management and experts, the Group's most important software has a useful life of seven years. The useful life is tested annually for impairment and any changes are made on a prospective basis.

Intangible assets with indefinite useful lives are not amortised but tested annually for impairment or more frequently where there is an indication that the asset may be impaired.

At present, the Group only owns intangible assets with definite useful lives.

### ***Impairment testing***

At each reporting date, the Group assesses whether events or circumstances exist that raise doubts as to the recoverability of the carrying amount of property, plant and equipment and intangible assets with definite useful lives. If there are any indications of impairment, the company estimates the recoverable amount of the assets to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life – in particular, goodwill – are subject to annual impairment testing or whenever there is indication of impairment.

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

The recoverable amount is the greater of fair value less costs to sell and value in use.

In accordance with IFRS, the impairment test is performed in respect of each individual asset, where possible, or in respect of groups of assets (cash generating units - CGUs). Cash generating units are identified based on the Group's organisational and business structure as units that generate cash flows independently through the continuous use of the assets allocated.

If the recoverable amount of an asset (or a CGU) is lower than its carrying amount, it is impaired to that recoverable amount. Impairment losses are immediately taken to profit or loss unless the asset is land or buildings other than investment property recognised at deemed cost; in this case, the impairment loss is taken to the revaluation reserve.

When the reasons for the impairment no longer exist, the impairment losses on the asset (or CGU) – except for goodwill – are reversed, bringing the carrying amount up to the revised estimate of its recoverable amount. The reinstatement cannot exceed the carrying amount had no impairment been recognised.

The reversal of an impairment loss is immediately taken to profit or loss unless the asset is stated at deemed cost, in which case the reversal is taken to the revaluation reserve.

### ***Inventories***

Inventories are measured 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 products, work in progress and semi-finished products is determined considering the cost of the materials used plus direct operating expenses 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 directly related transaction costs.

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

Receivables are adjusted through an allowance for bad debt to reflect their realisable value. The allowance is calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, 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 amount 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 Group are classified in accordance with the underlying contractual agreements and in accordance with the respective definition of 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 Group.

The 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 recognised at their nominal amount, which generally represents their fair value. In the event of significant differences between their nominal amount and fair value, trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

***Bank loans and borrowings and loans and borrowings from other lenders***

Bank loans and borrowings – comprising non-current loans and bank overdrafts – and loans and borrowings from other lenders, including finance lease payments, are recognised based on the amounts received, less transaction costs, and are 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 currency, interest rate or market price risks. In compliance with IAS 39, derivative financial instruments can be recognised using “hedge accounting” only when the hedge is formally designated and documented as such and is presumed to be highly effective at inception, 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 profit or loss;
- for derivatives that hedge receivables and payables recorded in the statement of financial position (i.e. fair value hedges), differences in fair value are recognised in full in profit or loss. Moreover, the value of the hedged item (receivables/payables) is adjusted for the change in the risk hedged, again in profit or loss;
- 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 equity. The cumulative gains or losses are reversed from the equity and taken to profit or loss 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 recognised immediately in profit or loss.

Reference should be made to paragraph 7, Risk management, of these notes for information on the management of risks related to exchange rates, interest rates and the value of commodities.

***Treasury shares***

Treasury shares are recognised at cost and taken as a reduction in equity. The gains and losses deriving from trading of treasury shares, net of the tax effect, are recognised 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.

The Group applies 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 statement of financial position of the plan deficit or surplus in the statement of financial position, the service cost and net financial expenses in profit or loss and gains or losses on the remeasurement of the assets and liabilities in other comprehensive income. In addition, any income from the plan assets included under net financial expenses must be calculated based on the discount rate of the liability..

Up to December 31, 2006, the employees’ leaving entitlement of the Italian companies was considered a defined benefit plan. The regulations governing Italian employees’ leaving entitlement were modified by Law no. 296 of December 27, 2006 (“2007 Finance Act”) and subsequent decrees and regulations issued at the beginning of 2007. In the light of these changes, and specifically with reference to companies with more than 50 employees, only the benefits that accrued prior to January 1, 2007 (and not yet paid at the reporting date) are now considered a defined benefit plan, while those that accrued after this date are considered a defined contribution plan.

***Share-based payments***

Where the Group 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 form of remuneration to the beneficiaries. Therefore the cost, which is the fair value of these instruments at the assignment date, is recognised in profit or loss over the period between the assignment date and maturity date, with a balancing entry directly in equity. Changes in the fair value after the assignment date do not have an effect on the initial value. At December 31, 2016 there are no such plans in place.

***Provisions for risks and charges***

Provisions are recognised when the Group has a current obligation that is the result of a past event and it is probable that the Group will be required to fulfil the obligation.

Provisions are made based on management's best estimate of the cost of fulfilling the obligation at the end of the reporting period and are discounted to their present value when the effect is material.

***Revenue and income***

Revenue from the sale of goods is recognised when the goods are shipped and the Group has transferred the significant risks and rewards of ownership of the goods to the buyer.

Interest income is recognised on an accruals basis based on the amount financed and the effective interest rate applicable, which is the rate at which the expected future cash flows over the expected life of the financial asset are discounted to equate them with the carrying amount of the asset.

Dividends are recognised when it is established that the shareholders have the right to receive them.

***Leases***

Leases are classified as finance leases 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 recognised as company assets at the lower of their fair value at the date of the lease, and the present value of the minimum lease payments due under the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance lease payments are divided between principal and interest in order to apply a constant interest rate to the residual liability. The finance costs are directly recognised in profit or loss for the period.

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

***Foreign currency transactions***

In the preparation of the financial statements of the individual Group companies, transactions in foreign currencies entered into by Group companies are translated into the functional currency (the currency in the main area in which the company operates) using the exchange rate at the transaction date or otherwise at the date on which the fair value of the underlying assets/liabilities is determined. Foreign currency assets and liabilities are translated at the reporting date using the closing exchange rate. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated using the exchange rate at the transaction date.

Exchange rate differences arising on such transactions or on the translation of monetary assets and liabilities are recognised in profit or loss except for those arising on derivative financial instruments qualified as cash flow hedges and any inter-company receivables or payables whose settlement has not been nor can be planned. These differences are taken to equity if unrealised, otherwise they are taken to profit or loss.

***Government grants***

Government grants are recognised when it is reasonably certain that the conditions required to obtain them will be satisfied and that they will be received. Such grants are recognised in profit or loss over the period in which the related costs are recognised, with a reduction in the item to which they relate.

The accounting treatment of benefits deriving from a government loan obtained at a reduced rate are similar to those for government grants. This benefit is calculated at the beginning of the loan as the difference between the loan's initial carrying amount (fair value plus direct costs to obtain the loan) and the amount received, and subsequently recognised in profit or loss in accordance with the rules for the recognition of government grants.

***Income taxes***

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

Deferred income taxation is recorded on temporary timing difference between the financial statements and the taxable profit, recognised using the liability method.

The deferred taxes are calculated based on the fiscal rates applicable when the temporary differences reverse. The deferred tax charges are recognised in the income statement with the exception of those relating to accounts recognised in equity in which case the deferred tax charges are also recognised in equity.

Deferred tax assets are recognised when the income taxes are considered recoverable in relation to the taxable profit expected for the period in which the deferred tax asset is reversed. The carrying amount of deferred tax assets is reviewed at the end of the year and reduced, where necessary. Offsetting between deferred tax assets and liabilities is

carried out only for similar items, and if there is a legal right to offset the current deferred tax assets and liabilities; otherwise they are recognised separately under receivables and payables.

Elica S.p.A. and the subsidiary Airforce S.p.A. have opted to participate in the national tax consolidation in Italy. This means that the IRES (corporation income tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of both companies. The national tax consolidation agreement has a three-year term (2014, 2015 and 2016).

The transactions and mutual responsibilities and obligations between the Parent and the aforementioned subsidiary are defined by a specific consolidation agreement. With regard to their responsibilities, the agreement provides that the Parent 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 group tax liability is shown under the Parent's Tax payables or Tax receivables, less payments made on account. In the financial statements of the subsidiary, the specific payable for taxes transferred to the Parent is recognised as Other payables, while the receivables which derive from the transfer of income tax losses are classified as in the account Other receivables.

### ***Earnings per share***

Basic earnings per share is calculated based on the net profit of the Group and the weighted average number of shares outstanding at the balance sheet date. Treasury shares are excluded from the calculation. Diluted earnings per share equate to the basic earnings per share adjusted to assume conversion of all potentially dilutable shares, i.e. all financial instruments potentially convertible into ordinary shares, with a dilutive effect on earnings, increasing the number of shares which potentially may be added to those in circulation under an allocation or utilisation of treasury shares in portfolio under stock grant plans.

### **2.3 Accounting standards, amendments and interpretations in force as from January 1, 2016**

Recently issued accounting standards, amendments and interpretations in force as from January 1, 2016 and endorsed by the European Commission are the following:

Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations (applicable to reporting periods beginning on or after January 1, 2016). The amendment provides clarifications on the accounting treatment of acquisitions of interests in joint operations, whose activities constitute a business, as established under IFRS 3. It requires the application of IFRS 3 to such circumstances.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of amortisation and depreciation (applicable to reporting periods beginning on or after January 1, 2016). The amendments to IAS 16 establish that depreciation based on revenue recognition is not appropriate as, according to the amendment, revenue generated by an asset, which includes the use of an asset subject to depreciation, generally reflects factors other than the sole consumption of economic benefits from the asset itself. The amendments to IAS 38 introduce the assumption that revenue-based amortisation criteria are usually inappropriate for the same reasons established by the amendments to IAS 16. However, in the case of intangible assets, this assumption may be overcome, but only in limited circumstances.

Amendments to IFRS - 2012 - 2014 Annual improvements cycle (applicable to reporting periods beginning on or after January 1, 2016). Inter alia, the most significant issues considered in these amendments are: for IAS 19, clarification that the discounting rate of a defined benefit plan obligation should be established according to "high-quality corporate bonds or governments bonds" identified in the same currency used to pay the benefits; for IFRS 7, clarification that, in relation to the offsetting of financial assets and liabilities, supplementary disclosure is only obligatory for the annual financial statements. The improvements also clarify that an entity that has transferred financial assets and has derecognised them entirely is required to provide additional information on its "residual involvement", where it has signed service contracts that include an interest in the future performance of the financial assets transferred; for IFRS 5, clarification that there are no accounting impacts where an entity, in changing its disposal plan, reclassifies an asset or a group of assets from/to "held-for-sale" to/from "held-for-distribution". This change in the disposal plan is considered as a continuation of the original plan.

Amendments to IAS 1 - Disclosure initiative (applicable to reporting periods beginning on or after January 1, 2016). The amendment clarifies the disclosure elements which may be considered impediments to a clear preparation of the financial statements.

Amendments to IAS 27 - Equity method in separate financial statements (applicable to reporting periods beginning on or after January 1, 2016). The amendment introduces the option of using the equity method for the measurement of investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor.

Consequently, following the introduction of the amendment, an entity may recognise these investments in their separate financial statements alternatively at cost, as per IFRS 9 or using the equity method.

#### **2.4 Accounting standards, amendments and interpretations not yet applied and applicable**

As required by IAS 8 - Accounting standards, changes in accounting estimates and errors - the main new accounting standards and interpretations, in addition to amendments to the existing standards and interpretations that are already applicable, not yet in force or not yet approved by the European Union (EU), which could be applied in the future to the financial statements, are illustrated below. Management is assessing their potential impact on future financial statements.

**IFRS 16 Leases.** The IASB issued IFRS 16 Leases in January 2016. The standard defines the principles for the recognition, measurement, presentation and disclosure of leasing contracts, for both parts of the contract, therefore concerning the customer (“lessee”) and the supplier (“lessor”). IFRS 16 will be effective from January 1, 2019. Companies may choose to apply the standard before this date, although only if they also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 completes the IASB project to improve the financial reporting of leases. IFRS 16 replaces the previous IAS 17 Leases and related interpretations. The principal effect of application of the new standard for a lessee will be that all leasing contracts will imply a right to use the asset from the beginning of the contract and, where the relative payments are expected in a specific period, also recognition of a corresponding financial payable. Therefore, IFRS 16 eliminates the breakdown of leases into operating leases and finance leases, as previously the case under IAS 17, introducing a single measurement model. Applying this model, a lessee should recognise: (a) assets and liabilities for all leases with a duration of greater than 12 months, except where the value of the underlying asset is minimal; (b) depreciation of leased assets separately from interest on leasing payables in the income statement. From the first application, the Group expects that there will be an increase in financial liabilities, which it has not yet precisely estimated.

**IFRS 15 - Revenue from contracts with customers.** On May 28, 2014, the IASB published the new IFRS 15. It replaces the previous IAS 18 and IAS 11, concerning construction contracts, and the relative interpretations IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. IFRS 15 sets out the principles for the recognition of revenue from contracts with customers, except for those contracts falling within the scope of the standards concerning leases, insurance contracts and financial instruments. The new standard establishes an overall framework to identify the timing and amount of revenue recognition. According to the new standard, the amount that the entity recognises as revenue should reflect the consideration that it has the right to receive following the exchange of the assets transferred to the customer and/or services provided, to be recognised upon fulfilment of the contractual obligations. In addition, to recognise the revenue, the requirement of probable obtainment/receipt of the economic benefits linked to the income is emphasised; for a contract in progress, currently governed by IAS 11, a requirement to recognise revenue taking account of any discounting effect from payments deferred over time is introduced. IFRS 15 should be applied to reporting periods beginning on or after January 1, 2018. On first application, where retrospective application of the new standard is not possible, a modified approach is provided for, whereby the effects of first-time application of the new standard should be recognised in opening equity in the period of first-time application. A preliminary analysis showed that the impacts on the Group’s financial statements are not material.

**IFRS 9 - Financial Instruments.** In July 2014, the IASB issued the definitive version of IFRS 9, replacing the current IAS 39 for the recognition and measurement of financial instruments. IFRS 9 is applicable to reporting periods beginning on or after January 1, 2018. The standard introduces new classification and measurement criteria for financial instruments and a new financial asset impairment model, in addition to rules for the recognition of hedges eligible for “hedge accounting”.

### **3. Significant accounting estimates**

In the preparation of the Consolidated Financial Statements in accordance with IFRS, the Group’s Management must make accounting estimates and assumptions which have an effect on the values of the assets and liabilities and disclosures. Actual results may differ from these estimates. The estimates and assumptions are periodically reviewed and the effects of any changes are promptly recognised in the consolidated financial statements.

In this context, the situation caused by the current economic and financial crisis has resulted in the need to make assumptions about a future performance characterised by significant uncertainty, in which results in the coming years could differ from such estimates and, therefore, require adjustments that is not currently possible to estimate or forecast, and these adjustments might even be significant.

The items principally affected by such uncertainty are: goodwill, the allowance for impairment and the provision for inventory write-down, non-current assets, pension funds and other post-employment benefits, provisions for risks and charges and deferred tax assets.

Reference should be made to the notes to each individual item for further information on the aforementioned estimates.

#### 4. Composition and changes to the consolidation scope

At December 31, 2016, the consolidation scope includes the companies controlled by the Parent, Elica S.p.A.. Control exists where the Parent has the power to determine, directly or indirectly, the financial or management policies of an entity so as to obtain benefits from the activities of the company.

The following table lists the companies consolidated on a line-by-line basis controlled by the Parent.

##### *Companies consolidated by the line-by-line method*

	Registered Office	Currency	Share capital	Direct	Indirect	% of investment
Elica S.p.A.	Fabriano (AN) - (Italy)	EUR	12,664,560			
Elicamex S.a.d. C.V.	Queretaro (Mexico)	MXN	8,633,515	98%	2% (b)	100%
Elica Group Polska Sp.z o.o	Wroklaw (Poland)	ZTY	78,458,717	100%	0%	100%
Airforce S.p.A.	Fabriano (AN) - (Italy)	EUR	103,200	60%	0%	60%
Ariafina Co. Ltd	Sagamihara - Shi (Japan)	JPY	10,000,000	51%	0%	51%
Leonardo Services S.a. de C.V.	Queretaro (Mexico)	MXN	1,250,000	98%	2% (b)	100%
Exklusiv Hauben Gutmann GmbH	Muhlacker (Germany)	EUR	25,000	100%	0%	100%
Elica Inc.	Chicago, Illinois (United States)	USD	5,000	0%	100% (a)	100%
Airforce GE (*)	Stuttgart (Germany)	EUR	26,000	0%	95% (c)	95%
Elica PB India Private Ltd.	Pune (India)	INR	392,176,371	51%	0%	51%
Zhejiang Elica Putian Electric Co. Ltd	Shengzhou (China)	CNY	29,300,000	67%	0%	67%
Elica Trading LLC	Saint Petersburg (Russia)	RUB	176,793,102	100%	0%	100%
Elica France S.A.S.	Paris (France)	EUR	50,000	100%	0%	100%

During 2016 there were no changes in the consolidation scope or in the percentage of investment in the companies.

The following table contains a list of associates consolidated using the equity method and held directly or indirectly by the Parent:

##### *Associates measured using the equity method*

<i>In Euro thousands</i>	Registered Office	Currency	Quota capital	Direct	Indirect	% of investment
I.S.M. S.r.l.	Cerreto d'Esì (AN)	EUR	10	49.39%	0%	49.39%

Reference should be made to section 8 of these notes for data and information on associates.

## 5. Notes to the Consolidated Income Statement, Statement of Financial Position and Statement of Cash Flows

### INCOME STATEMENT

#### 5.1 Revenue

Details of the Group's revenue are as follows:

<i>In Euro thousands</i>	<b>2016</b>	<b>2015</b>	<b>Changes</b>
Revenue	439,318	421,627	17,691
<b>Revenue</b>	<b>439,318</b>	<b>421,627</b>	<b>17,691</b>

For an analysis of revenue, reference should be made to the “2016 Operating review” paragraph in the Directors' Report.

Customers that individual generate more than 10% of total revenue accounted for 15% of revenue in 2016 (same as 2015).

#### 5.1.1 Segment reporting

The operating segments are as follows:

- “Europe”: production and sale of range hoods, accessories and electric motors developed by the companies based in Europe, i.e. the Italian companies Elica S.p.A. and Airforce S.p.A., the German companies Exklusiv Hauben Gutmann GmbH and Airforce Germany GmbH, the Polish company Elica Group Polska Sp.zo.o, the French company Elica France S.A.S. and the Russian company Elica Trading LLC;
- “America”: production and sale of range hoods and accessories developed by the Group companies based in America, i.e. the Mexican companies Elicamex S.A. de C.V. and Leonardo S.A. de C.V. 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 Zhejiang Putian Electric Co. Ltd., the Indian company Elica PB India Private Ltd. and the Japanese company Ariafina CO., LTD.

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

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INCOME STATEMENT <i>In Euro thousands</i>	Europe		Americas		Asia and the Rest of World		Unallocated items and eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Segment revenue:</b>										
Third parties	322,969	307,826	65,496	67,177	51,098	46,624	(246)	-	439,318	421,627
Inter-segment	13,634	14,464	23	14	6,468	3,380	(20,124)	(17,858)	-	-
<b>Total revenue</b>	<b>336,603</b>	<b>322,290</b>	<b>65,519</b>	<b>67,191</b>	<b>57,566</b>	<b>50,004</b>	<b>(20,369)</b>	<b>(17,858)</b>	<b>439,318</b>	<b>421,627</b>
<b>Segment profit:</b>	<b>25,794</b>	<b>27,274</b>	<b>11,521</b>	<b>10,102</b>	<b>1,386</b>	<b>3,321</b>			<b>38,701</b>	<b>40,697</b>
<b>Unallocated overheads</b>									<b>(35,135)</b>	<b>(24,521)</b>
<b>Operating profit</b>									<b>3,553</b>	<b>16,176</b>
Share of income/(expense) from associates									(20)	(10)
Financial income									248	211
Financial charges									(3,440)	(3,754)
Impairment of AFS financial assets									-	(100)
Exchange rate gains/(losses)									(443)	717
<b>Profit/(loss) before taxes</b>									<b>(102)</b>	<b>13,240</b>
Income taxes									(5,398)	(5,795)
<b>Profit/(loss) from continuing operations</b>									<b>(5,500)</b>	<b>7,445</b>
Profit from discontinued operations									-	-
<b>Profit/(loss) for the year</b>									<b>(5,500)</b>	<b>7,445</b>

STATEMENT OF FINANCIAL POSITION <i>In Euro thousands</i>	Europe		Americas		Asia and the Rest of World		Unallocated items and eliminations		Consolidated	
	Dec 16	Dec 15	Dec 16	Dec 15	Dec 16	Dec 15	Dec 16	Dec 15	Dec 16	Dec 15
<b>Assets:</b>										
Segment assets	252,393	236,253	34,675	32,724	50,205	52,144	(28,948)	(11,374)	317,374	309,747
Investments							1,401	1,423	1,401	1,423
Unallocated assets							51,778	51,080	51,778	51,080
<b>Total operating assets</b>	<b>252,393</b>	<b>236,253</b>	<b>34,675</b>	<b>32,724</b>	<b>50,205</b>	<b>52,144</b>	<b>32,231</b>	<b>41,129</b>	<b>370,553</b>	<b>362,250</b>
<b>Total disposal assets or discontinued operations</b>			-	-			-	-	-	-
<b>Total assets</b>	<b>252,393</b>	<b>236,253</b>	<b>34,675</b>	<b>32,724</b>	<b>50,205</b>	<b>52,144</b>	<b>32,231</b>	<b>41,129</b>	<b>370,553</b>	<b>362,250</b>
<b>Liabilities</b>										
Segment liabilities	(139,240)	(129,151)	(25,906)	(15,610)	(26,672)	(21,961)	26,173	11,148	(165,646)	(155,575)
Unallocated liabilities							(95,649)	(87,468)	(95,649)	(87,468)
Equity							(109,258)	(119,208)	(109,258)	(119,208)
<b>Total operating liabilities</b>	<b>(139,240)</b>	<b>(129,151)</b>	<b>(25,906)</b>	<b>(15,610)</b>	<b>(26,672)</b>	<b>(21,961)</b>	<b>(178,734)</b>	<b>(195,528)</b>	<b>(370,553)</b>	<b>(362,250)</b>
<b>Total liabilities associated with discontinued operations</b>			-	-	-	-				
<b>Total liabilities</b>	<b>(139,240)</b>	<b>(129,151)</b>	<b>(25,906)</b>	<b>(15,610)</b>	<b>(26,672)</b>	<b>(21,961)</b>	<b>(178,734)</b>	<b>(195,528)</b>	<b>(370,553)</b>	<b>(362,250)</b>

## 5.2 Other operating income

<i>(in Euro thousands)</i>	2016	2015	Changes
Grants related to income	812	1,015	(203)
Ordinary gains	181	343	(162)
Claims and insurance settlement	385	874	(489)
Other revenue and income	922	1,946	(1,024)
<b>Other operating income</b>	<b>2,300</b>	<b>4,178</b>	<b>(1,878)</b>

The decrease is concentrated in Other revenue and income, down Euro 1 million and in claims and insurance settlement, also down of Euro 0.5 million.

Other revenue and income refer to a range of items, including the sale of production assets and expense recoveries, in which the decrease was concentrated.

## 5.3 Change in inventories of finished and semi-finished goods

The change in finished and semi-finished products amounted to a positive Euro 2,280 thousand, decreasing Euro 900 thousand compared to 2015. The impact on revenue also decreased, from 0.8% to 0.5%.

## 5.4 Increase in internal work capitalised

The Increase on internal work capitalised amounted to Euro 4,840 thousand (Euro 5,852 thousand in the previous year), including for Euro 797 thousand related to the Chinese subsidiary (Euro 1,476 thousand in 2015), Euro 301 thousand the Mexican subsidiary (Euro 257 thousand in 2015), Euro 416 thousand the German subsidiary (Euro 519 thousand in 2015) and Euro 3,326 thousand Elica S.p.A. (Euro 3,599 thousand in 2015). These increases relate to the capitalisation of costs for the design and development of new products and internal costs incurred for the construction of mouldings, industrial equipment and the introduction of new IT programmes.

## 5.5 Raw materials and consumables

<i>In Euro thousands</i>	2016	2015	Changes
Purchases of raw materials and finished products	211,801	204,399	7,402
Transport on purchases	6,896	6,034	862
Purchases of consumable materials	3,163	3,966	(803)
Packaging	2,264	1,718	546
Purchases of supplies	655	619	36
Purchases of semi-finished materials	15,683	14,662	1,021
Other purchases	1,350	1,160	190
Change in raw materials, consumables and goods for resale	(4,218)	(2,446)	(1,772)
<b>Raw materials and consumables</b>	<b>237,591</b>	<b>230,112</b>	<b>7,479</b>

Raw materials and consumables increased Euro 7,479 thousand on 2015, while as a percentage of revenue, they are down from 54.6% to 54.1%. The increase is particularly concentrated in the purchases of raw materials and finished products, in addition to the purchase of semi-finished products, in line with increased revenue, only partly offset by the change in raw materials, consumables and goods for resale.

## 5.6 Services

<i>In Euro thousands</i>	2016	2015	Changes
Outsourcing	25,855	25,320	535
Transport	9,704	9,333	371
Management of finished products	5,158	4,738	420
Consulting	6,068	4,963	1,105
Other professional services	8,987	9,833	(846)
Maintenance	2,482	2,610	(128)
Utilities	4,430	4,734	(304)
Commissions	2,033	1,912	121
Travel	3,347	3,185	162
Advertising	4,786	3,141	1,645
Insurance	1,218	1,151	67
Directors and Statutory Auditors' fees	2,277	2,009	268
Trade fairs and promotional events	3,385	2,012	1,373
Industrial services	492	461	31
Banking commissions and charges	459	469	(10)
<b>Services</b>	<b>80,681</b>	<b>75,871</b>	<b>4,810</b>

Expenses for services increased Euro 4,810 thousand, and also as a percentage of revenue, from 18% to 18.4%. This increase principally concerns trade fairs and promotional events, up Euro 1.4 million, Consulting, up Euro 1.1 million, and Advertising, increasing Euro 1.6 million. On the other hand, other professional services decreased Euro 846 thousand. Outsourcing refers to the Parent for Euro 21,601 thousand (Euro 21,264 thousand in 2015), the subsidiary Airforce for Euro 601 thousand (Euro 514 thousand in 2015), the subsidiary Elicamex for Euro 623 thousand (Euro 671 thousand in 2015) and Elica Group Polska for Euro 2,721 thousand (Euro 2,510 thousand in 2015).

### 5.7 Labour costs

Personnel expense incurred by the Group in 2016 and 2015 were as follows:

<i>In Euro thousands</i>	2016	2015	Changes
Wages and salaries	61,939	59,458	2,481
Social security expenses	16,272	16,003	269
Post-employment benefits	2,740	2,592	148
Other costs	6,255	4,027	2,228
<b>Labour costs</b>	<b>87,206</b>	<b>82,080</b>	<b>5,125</b>

The increase in this item was Euro 5.1 million. Personnel expense principally concerns Elica S.p.A. for Euro 51,180 thousand (Euro 48,647 thousand in 2015), Elica Group Polska for Euro 9,969 thousand (Euro 8,974 thousand in 2015), Elicamex for Euro 9,045 thousand (Euro 8,542 thousand in 2015), Gutmann for Euro 7,480 thousand (Euro 7,087 thousand in 2015), Putian for Euro 4,175 thousand (Euro 3,884 thousand in 2015), Airforce for Euro 3,763 thousand (Euro 3,575 thousand in 2015) and Elica India for Euro 1,311 thousand (Euro 1,055 thousand in 2015). Other costs were significantly impacted by the costs for the agreement reached with the departing Chief Executive Officer of Euro 1.5 million.

The table below reports the Group workforce at December 31, 2015 and December 31, 2016.

<b>Workforce</b>	Dec 31, 16	Dec 31, 15	Changes
Executives	29	29	-
White-collar	1,043	989	54
Blue-collar	2,287	2,316	(29)
Others	304	395	(91)
<b>Total</b>	<b>3,663</b>	<b>3,729</b>	<b>(66)</b>

### 5.8 Amortisation and depreciation

Amortisation and depreciation increased on the previous year, from Euro 17,350 thousand to Euro 18,676 thousand in 2016.

For further details, reference should be made to the accounting policies and to points 5.19 and 5.21 of these notes.

### 5.9 Other operating expenses and provisions

These are detailed as follows:

<i>In Euro thousands</i>	2016	2015	Changes
Leases and rentals	2,487	2,413	74
Rental of vehicles and industrial equipment	2,587	2,420	167
Hardware, software and patents	920	809	111
Other taxes	2,248	1,180	1,068
Magazine and newspaper subscriptions	25	22	2
Sundry equipment	332	327	5
Catalogues and brochures	690	373	317
Losses on receivables and allowance for impairment	384	500	(116)
Provisions for risks and charges	4,801	726	4,075
Other prior year expenses and losses	2,625	2,728	(103)
<b>Other operating expenses and provisions</b>	<b>17,098</b>	<b>11,498</b>	<b>5,600</b>

This item increased Euro 5,600 thousand, particularly in the Provisions for risks and charges of the Parent and the Other taxes of the Indian Subsidiary. The increase in the latter concerns the cost related to the new Indian State law, which imposed an excise duty on manufacturing. The significant increase for the Parent is principally due to the accrual concerning the non-executive first level judgement in the case between Esperança Real S/A, Madson Eletrometalurgica Ltda. and Elica S.p.A., issued by the Belo Horizonte (Brazil) Court on 1 March 2017.

### 5.10 Restructuring charges

Restructuring charges of Euro 933 thousand refer to the personnel redundancy plan of the German subsidiary, implemented in particular to scale down and optimise the Group's organisational structure. They principally concern personnel expense.

### 5.11 Share of profit/(loss) from associates

<i>In Euro thousands</i>	2016	2015	Changes
Share of income/(expense) from associates	(20)	(10)	(10)
<b>Share of profit/(loss) from associates</b>	<b>(20)</b>	<b>(10)</b>	<b>(10)</b>

These amounts relate to the equity method of accounting for investments in the associate I.S.M. S.r.l..

### 5.12 Financial income

Details of financial income are shown below:

<i>In Euro thousands</i>	2016	2015	Changes
Interest on bank deposits	230	155	75
Other financial income	18	56	(38)
<b>Financial income</b>	<b>248</b>	<b>211</b>	<b>37</b>

The increase principally concerns interest on bank deposits, only partially offset by the decrease in Other financial income, which mainly includes financial discounts.

### 5.13 Financial charges

<i>In Euro thousands</i>	2016	2015	Changes
<u>Financial expense:</u>			
on overdrafts and bank loans	2,402	2,780	(378)
on loans and borrowings from other lenders	1	93	(92)
on post-employment benefits	229	233	(4)
Discounts on sales	808	648	160
<b>Financial charges</b>	<b>3,440</b>	<b>3,754</b>	<b>(315)</b>

The decrease of Euro 315 thousand mainly concerns interest on overdrafts and bank loans, which reduced following the alteration of market rates.

Paragraph 7 Risk management of these notes reports information on derivative operations.

### 5.14 Exchange rate gains/(losses)

<i>In Euro thousands</i>	2016	2015	Changes
Exchange losses	(11,108)	(8,181)	(2,927)
Exchange rate gains	12,673	10,637	2,036
Charges on derivative instruments	(5,323)	(3,766)	(1,557)
Losses on derivative instruments	3,315	2,027	1,288
<b>Exchange rate gains/(losses)</b>	<b>(443)</b>	<b>717</b>	<b>(1,160)</b>

Net exchange rate gains, excluding transactions in derivative instruments, amounted to Euro 1,565 thousand, compared to net gains of Euro 2,456 thousand in 2015.

They include the balance of unrealised gains and losses deriving from the year-end adjustment foreign currency receivables and payables, amounting to net losses of Euro 1,340 thousand, compared to net gains of Euro 573 thousand in 2015.

Net (gains)/losses on derivative instruments were Euro 2,008 thousand in 2016, compared to losses of Euro 1,739 thousand in 2015.

Exchange rate gains and losses principally concern: Elica S.p.A. (net gain of Euro 1,645 thousand), Elicamex S.A. de C.V. (net gain of Euro 43 thousand), Elica Group Polska Sp.zo.o (net loss of Euro 289 thousand) and Elica Trading LLC (net gain of Euro 57 thousand).

### 5.15 Income taxes

Income taxes in 2016 and 2015 are broken down as follows:

<i>In Euro thousands</i>	2016	2015	Changes
Current taxes	(5,346)	(7,007)	1,661
Deferred taxes	(52)	1,212	(1,264)
<b>Income taxes</b>	<b>(5,398)</b>	<b>(5,795)</b>	<b>397</b>

Income taxes in the year decreased Euro 0.4 million on 2015. The balance comprises current and deferred taxes. Current taxes refer principally to the Mexican subsidiary for Euro 3.5 million and to the Japanese subsidiary for Euro 1.5 million. Deferred taxes in 2016 principally relates to the subsidiaries Putian, Elica France and Gutmann.

For 2016, the Parent's theoretical tax rate (theoretical tax on pre-tax income) was 31.63%, unchanged on 2015, based on the corporate income tax (IRES) and regional tax on productive activities (IRAP) rates applicable to the reported taxable income for the year ended December 31, 2016. For foreign subsidiaries the tax rate varies from country to country.

The table below shows a reconciliation between the theoretical and effective income taxes ("IRES" for the Italian Group companies) paid by the Parent.

The effective tax rate decreased from 41.4% to -5.335% due to non-recurring events both last year and in the present year.

**Reconciliation between expected and effective tax rates**

	<u>2016</u>					<u>2015</u>				
	<b>Taxable profit</b>	<b>Income taxes</b>	<b>IRAP</b>	<b>Total</b>	<b>% IRES on profit/(loss) before tax</b>	<b>Taxable profit</b>	<b>Income taxes</b>	<b>IRAP</b>	<b>Total</b>	<b>% IRES on profit/(loss) before tax</b>
Theoretical IRES rate					27.50%					
Theoretical IRAP rate					4.13%					
<i>(in Euro thousands)</i>										
<b>[A] TOTAL INCOME TAXES</b>		<b>5,423</b>	<b>(24)</b>	<b>5,398</b>	<b>-5,335%</b>		<b>5,474</b>	<b>321</b>	<b>5,795</b>	<b>41.3%</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>(102)</b>					<b>13,240</b>				
+ Tax calculated using local tax rate		(28)			27.5%		3,641			27.5%
+ Tax effect of (income) /expensesnot considered for tax purposes	(726)	(98)			96.4%	(718)	(197)			-1.5%
- Tax effect on the different tax rates of the foreign subsidiaries	14,489	3,984			-3,920.1%	2,121	583			4.4%
- Other differences	2,797	668			-657.2%	554	152			1.1%
<b>[B] Effective tax charge and tax rate net of substitute tax</b>	<b>16,459</b>	<b>4,526</b>			<b>-4453.4%</b>	<b>15,196</b>	<b>4,179</b>			<b>31.6%</b>
- Tax credit for Polish investments		581			-571.8%		184			1.4%
- Effect of tax refund and other		316			-310.9%		1,111			8.4%
<b>[C] Effective tax charge and tax rate</b>	<b>16,459</b>	<b>5,423</b>			<b>-5,335%</b>	<b>15,196</b>	<b>5,474</b>			<b>41.4%</b>

### 5.16 Profit/(loss) attributable to non-controlling interests

The profit/(loss) attributable to non-controlling interests relates to those subsidiaries not wholly-owned by the Elica Group and in particular to Ariaфина CO., LTD (non-controlling interest of 49%), Airforce S.p.A. (40%), Airforce Germany Hochleistungs-Dunstabzugssysteme GmbH (43%), Zhejiang Elica Putian Electric Co. Ltd (33.24%) and Elica PB Private Ltd. (49%).

### 5.17 Basic earnings (loss) per share – Diluted earnings (loss) per share

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

	2016	2015
<b><u>From continuing and discontinued operations:</u></b>		
Profit/(loss) attributable to the owners of the Parent ( <i>In Euro thousands</i> )	(5,563)	6,190
Average number of ordinary shares net of treasury shares	62,047,302	62,047,302
<b>Basic earnings (loss) per share</b>	<b>(8.97)</b>	<b>9.98</b>
Weighted average number of ordinary shares to calculate diluted result per share	62,047,302	62,047,302
<b>Diluted earnings (loss) per share</b>	<b>(8.97)</b>	<b>9.98</b>
<b><u>From continuing operations</u></b>		
Profit/(loss) attributable to the owners of the Parent ( <i>In Euro thousands</i> )	(5,563)	6,190
Average number of ordinary shares net of treasury shares	62,047,302	62,047,302
<b>Basic earnings (loss) per share</b>	<b>(8.97)</b>	<b>9.98</b>
Weighted average number of ordinary shares to calculate diluted result per share	62,047,302	62,047,302
<b>Diluted earnings (loss) per share</b>	<b>(8.97)</b>	<b>9.98</b>

### 5.18 Other information on the income statement

The research and development costs recognised in profit and loss in 2015 and 2016 are summarised in the table below:

<i>In Euro thousands</i>	2016	2015	Changes
R&D costs expensed	4,978	5,543	(565)
Amortisation of capitalised R&D costs	2,835	2,329	506
<b>Total R&amp;D costs</b>	<b>7,813</b>	<b>7,872</b>	<b>(59)</b>
<b>R&amp;D costs capitalised during the year</b>	<b>3,172</b>	<b>2,597</b>	<b>575</b>

Development costs capitalised in the year regard product design and development activities.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 5.19 Property, plant and equipment

The table below shows details of the changes in property, plant and equipment in 2015.

	Dec 31, 14	Increases	Disposals & other reclass.	Other changes	Dec 31, 15
<i>In Euro thousands</i>					
Land and buildings	69,232	549	(139)	717	70,359
Plant and machinery	84,284	3,229	(3,166)	1,582	85,929
Industrial and commercial equipment	99,695	4,673	(4,765)	220	99,823
Other assets	12,916	1,704	(420)	1,200	15,400
Assets under construction and payments on account	323	1,798	(141)	(452)	1,528
<b>Historical cost of property, plant and equipment</b>	<b>266,451</b>	<b>11,953</b>	<b>(8,631)</b>	<b>3,267</b>	<b>273,039</b>

	Dec 31, 14	Depreciation	Disposals & other reclass.	Other changes	Dec 31, 15
<i>In Euro thousands</i>					
Land and buildings	21,656	1,942	-	83	23,681
Plant and machinery	62,830	3,485	(3,078)	1,579	64,816
Industrial and commercial equipment	84,422	4,192	(4,679)	82	84,017
Other assets	9,532	1,392	(318)	1,140	11,746
<b>Accumulated depreciation</b>	<b>178,439</b>	<b>11,011</b>	<b>(8,075)</b>	<b>2,884</b>	<b>184,260</b>

	Dec 31, 14	Increases	Disposals & other reclass.	Other changes	Depreciation	Dec 31, 15
<i>In Euro thousands</i>						
Land and buildings	47,577	549	(139)	633	(1,942)	46,678
Plant and machinery	21,454	3,229	(88)	3	(3,485)	21,113
Industrial and commercial equipment	15,274	4,673	(86)	137	(4,192)	15,806
Other assets	3,387	1,704	(102)	57	(1,392)	3,654
Assets under construction and payments on account	323	1,798	(141)	(452)	-	1,528
<b>Net property, plant and equipment</b>	<b>88,014</b>	<b>11,953</b>	<b>(556)</b>	<b>378</b>	<b>(11,011)</b>	<b>88,779</b>

Changes in 2016 were as follows:

	Dec 31, 15	Increases	Disposals & other reclassifications	Other changes	Dec 31, 16
<i>In Euro thousands</i>					
Land and buildings	70,359	756	(132)	(1,639)	69,344
Plant and machinery	85,929	7,362	(1,065)	(1,645)	90,581
Industrial and commercial equipment	99,823	10,033	(1,963)	(1,122)	106,771
Other assets	15,400	1,579	(712)	(506)	15,761
Assets under construction and payments on account	1,528	2,859	(325)	(1,081)	2,981
<b>Historical cost in property, plant and equipment</b>	<b>273,039</b>	<b>22,589</b>	<b>(4,197)</b>	<b>(5,993)</b>	<b>285,438</b>

	Dec 31, 15	Depreciation	Disposals & other reclassifications	Other changes	Dec 31, 16
<i>In Euro thousands</i>					
Land and buildings	23,681	1,999	-	(552)	25,128
Plant and machinery	64,816	3,451	(964)	(1,039)	66,264
Industrial and commercial equipment	84,017	4,969	(1,451)	(880)	86,655
Other assets	11,746	1,485	(657)	(543)	12,031
<b>Accumulated depreciation</b>	<b>184,260</b>	<b>11,904</b>	<b>(3,072)</b>	<b>(3,014)</b>	<b>190,078</b>

	Dec 31, 15	Increases	Disposals & other reclassifications	Other changes	Depreciation	Dec 31, 16
<i>In Euro thousands</i>						
Land and buildings	46,678	756	(132)	(1,087)	(1,999)	44,216
Plant and machinery	21,113	7,362	(101)	(606)	(3,451)	24,317
Industrial and commercial equipment	15,806	10,033	(512)	(242)	(4,969)	20,116
Other assets	3,654	1,579	(55)	37	(1,485)	3,730
Assets under construction and payments on account	1,528	2,859	(325)	(1,081)	-	2,981
<b>Net property, plant and equipment</b>	<b>88,779</b>	<b>22,589</b>	<b>(1,125)</b>	<b>(2,979)</b>	<b>(11,904)</b>	<b>95,360</b>

The investments made in the year mainly regarded the development of the testing and research laboratory, the upgrading and expansion 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 projects.

Other changes principally include net exchange rate losses of Euro 2.6 million.

They include assets acquired under finance lease agreements. The net value of assets held under finance leases was Euro 4 thousand.

The historical cost criteria remains the measurement method used for property, plant and equipment after initial recognition.

The historical cost includes revaluations permitted by previous legislation on first time application as considered representative of the fair value of the property, plant and equipment when the revaluation was made.

## 5.20 Goodwill

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Goodwill allocated to subsidiaries	42,340	45,712	(3,372)
<b>Goodwill</b>	<b>42,340</b>	<b>45,712</b>	<b>(3,372)</b>

Details of the allocations are provided below:

<i>In Euro thousands</i>	Dec 31, 15	Other changes	Acquisitions/(impairment)	Dec 31, 16
<b>Cost by CGU</b>				
Europe	36,528	(46)	-	36,482
America	-	-	-	-
Asia	9,184	(326)	(3,000)	5,858
<b>Goodwill</b>	<b>45,712</b>	<b>(372)</b>	<b>(3,000)</b>	<b>42,340</b>

“Other changes” include the change in goodwill due to the translation effect.

Based on its strategic vision, the Elica Group established the following CGUs as those which best reflect the Group’s organisation based on the concept of internationalisation and IAS 36: the Europe CGU, Asia CGU and America CGU.

In addition, a series of assets used in the common interest of the three CGUs was identified and they were therefore not allocated to the various CGUs. For this reason they must be identified as corporate assets and measured in accordance with IAS 36.

The Board of Directors approved the impairment test on February 13, 2017, before and independently of the preparation of the financial statements.

The recoverable amount of the CGUs was tested by calculating its value in use, which is the present value of expected cash flows using a discount rate which reflects the risks of the CGU at the valuation date.

In particular, these calculations discount the financial cash flow projections of the various CGUs over a time horizon of five years, the first of which (2017) coincides with the updated budget and the subsequent years (2018-2021) estimated based on the respective budgets, utilising a real CAGR of revenues for the 2018-2021 period of 2.9% for the Europe CGU, 0.5% for the Asia CGU, and 2.7% for the America CGU, in line with the best estimates available. In relation to raw material costs, an average increase of their percentage of revenue of 0.9% is provided for in relation to the Europe CGU, an average increase of 0.8% for the Asia CGU and an increase of 1.4% for the America CGU. These changes are based on the 2017 budget for the various categories of goods, which overall report a decrease of 0.4% on the previous year. The variable operational cost components (direct labour, outsourcing and commercial costs) are expected to remain substantially constant in terms of revenues while the fixed operating expense components are projected to decrease by 0.1% in the 2017 budget, over the plan, for the Europe CGU, by 0.9% for the America CGU and by 1.1% for the Asia CGU.

The working capital absorbed by the CGU's ordinary operations is projected to maintain the revenue margin at around 9% for the Europe CGU, 3% for the Asia CGU and 5% for the America CGU. These amounts were based on a growth rate of 1.7% for the Europe CGU and Corporate (2% in 2015), of 3.8% for the Asia CGU (2.4% in 2015) and of 2.7% for the America CGU (3.1% in 2015). The discount rate (WACC) was estimated at 6.5% for the Europe CGU and Corporate (6.8% in 2015), at 7.7% for the Asia CGU (8.2% in 2015) and at 9.6% for the America CGU (9.4% in 2015). The discount rate (WACC) was calculated using the Capital Asset Pricing Model (CAPM).

The WACCs for the Europe, America and Asia CGUs were estimated at 6.5%, respectively, 9.6% and 7.7%, determined on the basis of a risk-free rate of 1.6%, 4.9% and 2.9%, based on a risk premium of 6.0% and a market unlevered beta factor of 0.85.

The consolidated WACC was estimated at 7.2%, determined on the basis of a risk-free rate of 2.3%, a market risk premium of 6.0% and an unlevered beta of 0.85.

These are the principal assumptions used by the Group to predict future performances and for the year-end impairment test.

Regarding the CGUs analysed, the valuations made at consolidated level did not result in the recognition of the impairment of goodwill for the Europe CGU at December 31, 2016. The Europe CGU's carrying amount covers its value in use five times. In relation to the Asia CGU, the valuations at December 31, 2016 resulted in the recognition of an impairment loss on goodwill of Euro 3,000 thousand, recognised in profit or loss under "Impairment of goodwill", which led to a carrying amount coverage of value in use of less than one.

The America CGU has a coverage of the book value against the value in use of 9 times. No write-down was considered necessary for the corporate assets considering the excess capacity of the Cash Generating Units.

Various sensitivity analyses were also carried out, including that concerning the growth factor (g factor), increasing/decreasing the assumptions relating to a growth rate of 0.5%, at the end of which the recoverable amount is still greater than the respective carrying amount; increasing the WACC 0.5%, which still produces a coverage of greater than one; and finally increasing the cost of raw materials by 1%, which instead leads to coverage of less than 1 in the test. In carrying out the analyses for the impairment tests, assumptions and projections of future performance were utilised based on the corporate plans and the best currently available estimates: of sales, of prices of raw materials and operating expenses, of investments, of changes in working capital and the average weighted cost of capital. For this reason, and considering the uncertainties which continue to affect the market, management will monitor periodically the circumstances and the events which affect the above-mentioned assumptions and future trends.

Elica has met the 2016 performance targets announced to the market on November 14, 2016, increasing consolidated revenues 4.2% on 2015 (estimated growth of between 2.5% and 3.5%), with an adjusted EBIT margin<sup>19</sup> of 3.1% (estimated at over 3%) and net financial debt of Euro 60.8 million at the end of 2016 (estimated at Euro 61 million).

## 5.21 Other intangible assets

The table below details changes in other intangible assets in 2015 and 2016.

<sup>19</sup> See Definitions and Reconciliations

	Dec 31, 14	Increases	Other changes and reclassifications	Amort.	Dec 31, 15
<i>In Euro thousands</i>					
<b>Carrying amount</b>					
Development costs	8,183	2,597	857	(2,329)	9,309
Industrial patents and intellectual property rights	10,206	1,138	134	(2,732)	8,746
Concessions, licenses, trademarks & similar rights	1,558	109	2	(130)	1,539
Other intangible assets	3,862	194	(10)	(1,010)	3,036
Assets under development and payments on account	2,851	4,376	(1,181)	-	6,046
<b>Other intangible assets</b>	<b>26,660</b>	<b>8,414</b>	<b>(198)</b>	<b>(6,201)</b>	<b>28,676</b>

	Dec 31, 15	Increases	Other changes and reclassifications	Amort.	Dec 31, 16
<i>In Euro thousands</i>					
<b>Carrying amount</b>					
Development costs	9,309	3,172	245	(2,835)	9,891
Industrial patents and intellectual property rights	8,746	2,796	2,869	(2,788)	11,623
Concessions, licenses, trademarks & similar rights	1,539	73	(45)	(132)	1,435
Other intangible assets	3,036	246	(21)	(1,016)	2,245
Assets under development and payments on account	6,046	1,253	(3,736)	-	3,563
<b>Other intangible assets</b>	<b>28,676</b>	<b>7,540</b>	<b>(688)</b>	<b>(6,771)</b>	<b>28,756</b>

At December 31, 2016, intangible assets amounted to Euro 28,756 thousand, an increase of Euro 81 thousand on the previous year.

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 include the recognition of patents, associated development costs, intellectual property rights and software programmes. The increase principally relates to the Parent and costs for the new patents developed.

Concessions, licenses, brands and similar rights refers to the registration of brands by Group companies.

Assets under development and payments on account of Euro 3,563 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 in part to the development of new products.

Other intangible assets mainly relate to technologies developed and the customer portfolio deriving from the acquisition of the German subsidiary Exklusiv Hauben Gutmann GmbH in 2008.

The Other changes column shows a net exchange rate loss of Euro 436 thousand.

The criteria applied to amortise intangible assets is believed to adequately reflect the residual useful life of the assets.

## 5.22 Investments in associates

The table below shows changes in investments in associates:

	Dec 31, 15	Reversals/ (Impairment losses)	Other changes	Dec 31, 16
<i>In Euro thousands</i>				
Investments in associates	1,423	(20)	(2)	1,401
<b>Investments in associates</b>	<b>1,423</b>	<b>(20)</b>	<b>(2)</b>	<b>1,401</b>

The column Reversals/(Impairment losses), showing net impairment losses of Euro 20 thousand, includes the balance of the adjustments made during the year to the investment, based on the profit/(loss) for the year.

The table below shows the carrying values at the end of the previous year and as at December 31, 2016.

<i>In Euro thousands</i>	Purchase cost	Pro-quota post-acquis. gain/loss (exclud. dividends)	Balance at Dec 31, 16	Purchase cost	Pro-quota post-acquis. gain/loss (exclud. dividends)	Balance at Dec 31, 15
I.S.M. S.r.l.	1,899	(498)	1,401	1,899	(476)	1,423
<b>Total</b>	<b>1,899</b>	<b>(498)</b>	<b>1,401</b>	<b>1,899</b>	<b>(476)</b>	<b>1,423</b>

### 5.23 Other receivables (non-current)

The breakdown of Other receivables is as follows:

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
From employees	54	55	(1)
Other	176	275	(99)
<b>Other receivables (non-current)</b>	<b>230</b>	<b>330</b>	<b>(100)</b>

Management believes that this amount approximates fair value.

### 5.24 Available-for-sale financial assets

This item regards investments held by the Elica Group in other companies. The investments are held in non-listed 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 amount, measured at cost, is shown below:

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Meccano S.p.A.	15	15	-
Consorzio Energia	4	4	-
Ceced	4	4	-
Other minor investments	33	33	-
<b>AFS financial assets</b>	<b>56</b>	<b>56</b>	<b>-</b>

### 5.25. Trade receivables

They consist of:

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Trade receivables	70,561	68,504	2,057
<b>Trade receivables</b>	<b>70,561</b>	<b>68,504</b>	<b>2,057</b>

These increased Euro 2,057 thousand, principally due to the increase in revenue in 2016.

The Group implements a Credit Policy which governs the management of credit and the mitigation of the related risk. In particular, it is Group policy to transfer the recoverability risk of trade receivables from third parties and, therefore, a significant part of the relative risk is protected by insurance policies with leading international insurance companies. Receivables are recognised net of the allowance for impairment, amounting to Euro 4,798 thousand, accrued based on a specific analysis of the individual risks and a general allowance calculated in accordance with the Group Credit Policy. Management believes that the amount approximates the fair value of the receivables. The allowance for the year, considered adequate to adjust receivables to their realisable value, was Euro 384 thousand. The receivables from the associate I.S.M. at December 31, 2016 amounted to Euro 2 thousand (Euro 2 thousand 2015) and derive from ordinary operations.

## 5.26 Inventories

<i>In Euro thousands</i>	<b>Dec 31, 16</b>	<b>Dec 31, 15</b>	<b>Changes</b>
Raw material, ancillary and consumables	28,033	26,236	1,797
Provision for the write-down of raw materials	(1,610)	(1,747)	137
<b>Total</b>	<b>26,423</b>	<b>24,489</b>	<b>1,934</b>
Work in progress and semi-finished products	14,865	15,013	(148)
Provision for the write-down of work in progress	(712)	(875)	163
<b>Total</b>	<b>14,153</b>	<b>14,138</b>	<b>15</b>
Finished products and goods for resale	28,907	25,381	3,526
Provision for the write-down of finished products	(1,757)	(1,312)	(445)
<b>Total</b>	<b>27,150</b>	<b>24,069</b>	<b>3,081</b>
Payments on account	6	5	1
<b>Inventories</b>	<b>67,732</b>	<b>62,701</b>	<b>5,031</b>

The value of inventories increased Euro 5,031 thousand.

Inventories are stated net of the provision for inventory write-down of approximately Euro 4,079 thousand, 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 materials and semi-finished products based on assumptions made by management.

Inventories also include materials and products that were not physically held by the Group at the reporting date. These items were held by third parties for display, processing or examination.

The provision for inventory write-down is calculated based on assumptions made by Management and amounts to 5.7% of inventories (5.9% in 2015). In the fourth quarter of 2016, it was considered necessary to scrap obsolete inventories, resulting overall in non-recurring expense of Euro 1.6 million.

## 5.27 Other receivables (current)

The breakdown is as follows:

<i>In Euro thousands</i>	<b>Dec 31, 16</b>	<b>Dec 31, 15</b>	<b>Changes</b>
Other	4,870	5,327	(457)
Prepayments and accrued income	1,738	2,044	(306)
<b>Other receivables (current)</b>	<b>6,608</b>	<b>7,370</b>	<b>(763)</b>

The item decreased Euro 763 thousand. Other current receivables (current) relate principally to Elicamex for Euro 367 thousand (Euro 661 thousand in 2015), Gutmann for Euro 531 thousand (Euro 344 thousand in 2015), Putian for Euro 534 thousand (Euro 332 thousand in 2015) and the Parent for Euro 4.7 million (Euro 5.9 million 2015). Those due to the latter mainly government grants for investments. Management believes that this amount approximates fair value.

## 5.28 Tax assets (current)

The breakdown of tax assets is summarised in the table below:

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
IRES	932	12	920
IRAP	208	93	115
VAT	4,227	3,182	1,045
Other tax assets	2,615	4,539	(1,924)
<b>Tax assets (current)</b>	<b>7,982</b>	<b>7,825</b>	<b>156</b>

The two principal balances concern VAT and Other tax assets. The change in the VAT asset relates to the timing of trade transactions. Other tax assets principally concern the Parent, with the balance mainly due to the tax asset for research and development as per Law no. 190/2014 from the tax authorities. Management believes that this amount approximates fair value.

### 5.29 Derivative financial instruments

<i>In Euro thousands</i>	Dec 31, 16		Dec 31, 15	
	Assets	Liabilities	Assets	Liabilities
FX derivatives on foreign exchange	150	1,010	101	1,721
Interest rate derivatives	-	465	-	469
Commodities derivatives	1,694	-	121	1,712
<b>Derivative financial instruments</b>	<b>1,844</b>	<b>1,475</b>	<b>223</b>	<b>3,902</b>
of which				
Non-current	-	198	-	166
Current	1,844	1,277	223	3,736
<b>Derivative financial instruments</b>	<b>1,844</b>	<b>1,475</b>	<b>223</b>	<b>3,902</b>

For a description of the above item, reference should be made to paragraph 7 Risk management of these notes.

### 5.30 Cash and cash equivalents

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Bank and postal deposits	31,963	34,400	(2,437)
Cash in hand and similar	35	64	(29)
<b>Cash and cash equivalents</b>	<b>31,998</b>	<b>34,463</b>	<b>(2,466)</b>

This account reflects the positive balances of bank current accounts and cash on hand. The increase was due to a different composition in the Group's net financial position. The carrying amount of these assets reflects their fair value. For further information, reference should be made to the section on net financial debt in the Directors' Report.

### 5.31 Liabilities for post-employment benefits

The Elica Group reports obligations of Euro 11,129 thousand, reflecting the present value of liabilities for post-employment benefits accrued by employees at the end of the reporting period.

The most recent calculation of the present value of this item was performed at December 31, 2016 by Tower Watson actuaries.

The amounts recognised in profit or loss were as follows:

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Current service cost	2,740	2,588	152
Interest expense	229	233	(4)
	<b>2,969</b>	<b>2,820</b>	<b>148</b>

The changes in the present value of post-employment benefit obligations in the reporting period were as follows:

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
<b>Opening balance</b>	<b>10,619</b>	<b>12,752</b>	<b>(2,133)</b>
Current service cost	2,740	2,588	152
Actuarial gains and losses	523	(270)	793
	<b>3,263</b>	<b>2,318</b>	<b>945</b>
Interest expense	229	233	(4)
Pension fund	(2,563)	(2,475)	(88)
Benefits provided	(419)	(2,209)	1,790
	<b>(2,753)</b>	<b>(4,451)</b>	<b>1,698</b>
<b>Retirement benefit liabilities</b>	<b>11,129</b>	<b>10,619</b>	<b>510</b>

The interest component of the defined employee benefit plan cost is shown under financial expenses, with a resulting increase of Euro 229 thousand in this item for the year. The current service cost and the effect of the curtailment were recorded under personnel expense. Actuarial gains and losses, amounting to Euro 523 thousand, comprise the actuarial gains (losses) of the defined benefit plans reported in the Consolidated Statement of Comprehensive Income.

The costs relating to current employee services and utilisations of pension funds respectively include the charges and settlements in the year.

### Assumptions used for the calculation

	Dec 31, 16	Dec 31, 15
Discount rate to determine the obligation	1.60%	2.20%
Expected salary growth rate	2.44%	2.79%
Rate of inflation	1.65%	2.00%

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

This financial variable is considered the most significant and therefore chosen for a sensitivity analysis. The objective of a sensitivity analysis is to show how the result of the valuation changes in response to changes in an assumption adopted for the calculation, with all other assumptions unchanged. Therefore, if the discount rate increased 0.5% (2.10%), the obligation would amount to Euro 10,410 thousand, while if the discount rate decreased 0.5% (1.10%), the obligation would amount to Euro 11,806 thousand.

At December 31, 2016 employees numbered 3,663 (3,729 in 2015), as detailed in paragraph 5.7.

### 5.32 Provisions for risks and charges

The composition and changes of the provisions are as follows:

<i>In Euro thousands</i>	Dec 31, 15	Provisions	Utilisation/Reversal	Other changes	Dec 31, 16
Agents' termination benefits	523	57	(25)		555
Product warranties	1,435	1,143	(846)	51	1,783
Legal risks	3,183	5,183	(1,335)	(75)	6,956
Long Term Incentive Plan	3,886		(3,886)		
Personnel	1,550	1,206	(1,550)		1,206
Restructuring		840			840
Other	675	137	(182)	(4)	626
<b>Provisions for risks and charges</b>	<b>11,252</b>	<b>5,666</b>	<b>(7,824)</b>	<b>(27)</b>	<b>11,967</b>
of which					
Non-current	3,854				7,606
Current	7,398				4,361
<b>Provisions for risks and charges</b>	<b>11,252</b>				<b>11,967</b>

Accruals for agents' termination benefits cover possible charges upon the termination of contracts with agents and sales representatives.

Product warranties 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 for legal 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 available information. They include allocations required to comply with the waste disposal regulation and other provisions made by the Indian subsidiary. The accrual of Euro 5.2 million includes the impact of the first level non-executive judgements in the cases between Esperança Real S/A, Madson Eletrometalurgica Ltda. and Elica S.p.A., issued by the Belo Horizonte Court (Brazil) on March 1, 2017. The case concerns the signing of preliminary agreements in September 1999 for the establishment of a joint venture by Elica S.p.A. and Esperança Real S/A, which were not executed. With the support of legal consultants and sector experts, the Board of Directors assessed the ruling, the technical opinions upon the possible development of the case and its probable final outcome and decided to prudently allocate to the legal risks provision an additional amount of Euro 2.9 million, on a precautionary basis to cover legal risks. These accruals do not imply that the counterparty's legal arguments are valid, but were recognised solely to be fully compliant with IFRS. This led to an accrual of Euro 3.7 million. In any case, the company confirms that it intends to defend itself at all legal levels.

The Personnel Fund includes contractual indemnities and employee bonuses provisioned in the year and based on the best estimates possible according to the information available, which will be paid in the subsequent year.

The Long Term Incentive Plan provision concerns the accrued liability at December 31, 2015. This amount was paid in 2016. In 2016, no accruals were made to the 2016-2022 Phantom Stock & Voluntary Coinvestment Plan, as the objectives of the first three-years were not considered achievable.

Other changes relate to exchange rate gains/losses for Euro 26 thousand.

The discounting impact on non-current provisions is not significant.

### 5.33 Deferred tax assets – Deferred tax liabilities

At December 31, 2016, details of deferred tax assets and liabilities, determined on the basis of the asset-liabilities method, were as follows:

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Deferred tax assets	15,676	16,185	(509)
Deferred tax liabilities	(5,080)	(4,749)	(331)
<b>Total</b>	<b>10,596</b>	<b>11,436</b>	<b>(840)</b>

The table below shows all the types of timing differences that gave rise to deferred taxes:

<i>In Euro thousands</i>	Dec 31, 15		Cost/revenue in profit or loss	Other changes /Equity	Dec 31, 16	
	Assets	Liabilities			Assets	Liabilities
Amortisation and depreciation	1,721	(1,096)	(140)	(117)	1,447	(799)
Accruals	3,237	147	(1,167)	(227)	4,323	0
Losses carried forward	7,012	0	(372)	(460)	6,924	0
Inventory write-down	817	0	32	(3)	782	0
Exchange rate differences	728	(203)	194	(777)	(167)	(279)
Allocation of acquisition price		(3,227)	(255)	(12)	0	(2,984)
Other accruals (e.g. personnel expense, LTI, employee bonuses and post-employment benefits and R&D)	1,919	(344)	1,156	18	996	(559)
Goodwill	305	(3)	59	4	250	(3)
Other	446	(23)	(271)	(27)	1,122	(455)
	<b>16,185</b>	<b>(4,749)</b>	<b>52</b>	<b>(1,602)</b>	<b>15,676</b>	<b>(5,080)</b>

The column Other changes/Equity includes all the changes in deferred tax assets and liabilities which do not have a balancing entry in profit or loss affecting deferred tax income or expenses; they mainly include the effects on the valuation of the cash flow hedge for Euro 782 thousand, the change in losses carried forward by Elica S.p.A., in addition to the currency effect and reclassifications.

Management of each Group company decides whether to recognise deferred tax assets by assessing projected future recovery based on budget projections.

“Other” includes deferred tax assets of Euro 750 thousand concerning the investments in Poland.

The Group has deferred tax assets on losses, not recognised to the financial statements, matured both by the German subsidiary for Euro 243 thousand and the Chinese subsidiary for Euro 1.4 million.

### 5.34 Finance leases and other lenders

These mainly include finance lease payments of the German subsidiary. Finance leases refer to plant and machinery. The present value of the minimum payments due at December 31, 2016 is Euro 27 thousand, of which Euro 21 thousand due within 12 months.

### 5.35 Bank loans and borrowings

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Bank loans and borrowings	92,722	87,453	5,269
<b>Total</b>	<b>92,722</b>	<b>87,453</b>	<b>5,269</b>
Bank loans and borrowings have the following repayment schedules:			
On demand or within one year	59,004	43,405	15,599
Within two years	12,227	14,551	(2,324)
Within three years	12,252	10,927	1,325
Within four years	8,539	10,952	(2,413)
Within five years	700	7,243	(6,543)
After 5 years	0	375	(375)
<b>Total</b>	<b>92,722</b>	<b>87,453</b>	<b>5,269</b>
Less amounts to be repaid within one year	59,004	43,405	15,599
<b>Due after one year</b>	<b>33,718</b>	<b>44,048</b>	<b>(10,330)</b>

The majority of borrowings indicated above carry a floating rate of interest. While it is exposed to interest rate risk, in 2016 the Group did not systematically hedge its exposure, particularly in terms of current debt. In terms of non-current debt, a number of positions were renegotiated to achieve better financial conditions. For further information on interest rate hedges, reference should be made to paragraph 7, Risk management of these notes

### 5.36 Other payables

#### Other payables (non-current)

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Other liabilities	1,401	2,753	(1,352)
INAIL contributions – 1997 earthquake deferral	28	39	(11)
INPDAI contributions – 1997 earthquake deferral	13	20	(7)
Employee INPS contributions – 1997 earthquake	326	465	(139)
<b>Other payables (non-current)</b>	<b>1,768</b>	<b>3,277</b>	<b>(1,509)</b>

The Euro 1.5 million decrease is principally due to the reduction of Euro 1.2 million in the liability of Elica Group Polska for the acquisition of ISM Poland. The balance principally therefore concerns EGP for Euro 1.3 million (Euro 2.6 million in 2015) and the Parent, Elica, for Euro 454 thousand (Euro 650 thousand 2015). The Elica S.p.A. liability decreased principally following the payment of a portion of the amounts that were deferred following the earthquake in 1997.

#### Other payables (current)

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Payables to social security institutions	1,877	2,040	(163)
Other	5,293	5,228	65
Payables to personnel for remuneration	6,752	5,045	1,707
Accrued liabilities and deferred income	1,021	1,296	(275)
Customer advances	388	272	116
Directors and Statutory Auditors	57	252	(195)
<b>Other payables (current)</b>	<b>15,388</b>	<b>14,133</b>	<b>1,255</b>

This item shows a net increase of Euro 1,255 thousand.

It reflects the change in payables to personnel for remuneration, particularly in relation to the Parent, Elica S.p.A., whose payables to personnel increased from Euro 3,037 thousand at December 31, 2015 to Euro 4,008 thousand at December 31, 2016, in addition to the increase in the payable of the German subsidiary Gutmann.

### 5.37 Current and non-current tax liabilities

#### Tax liabilities (non-current)

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Local income tax – earthquake deferrals	64	91	(27)
Other tax liabilities	59	84	(25)
Employees' leaving entitlement – earthquake deferral	9	13	(4)
Estate taxes –earthquake deferral	180	255	(75)
<b>Tax liabilities (non-current)</b>	<b>312</b>	<b>442</b>	<b>(131)</b>

The decrease mainly relates to the payment in the year of payables that were deferred following the earthquake in 1997. Management believes that this amount approximates fair value.

#### Tax liabilities (current)

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Other tax liabilities	3,728	5,260	(1,532)
IRPEF withholding	2,425	2,354	71
Income tax liabilities for the year	443	112	331
<b>Tax liabilities (current)</b>	<b>6,596</b>	<b>7,726</b>	<b>(1,130)</b>

Overall, this item is down Euro 1.1 million. The decrease concerns Other tax liabilities for Euro 1.5 million, principally concerning the overseas subsidiaries, in particular Elica Group Polska and Ariaфина. Management believes that this amount approximates fair value.

### 5.38 Trade payables

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Trade payables	114,831	99,474	15,357
<b>Trade payables</b>	<b>114,831</b>	<b>99,474</b>	<b>15,357</b>

Trade payables mainly include payables for trade purchases and other costs.

Management believes that the carrying amount of trade payables and other liabilities reflects their fair value.

### 5.39 Equity attributable to the owners of the Parent

For the analysis on the changes in equity, reference should be made to the relative table.

Comments are provided on each of the equity reserves.

#### 5.39.1 Share capital

The share capital at December 31, 2016 amounts to Euro 12,664,560, consisting of 63,322,800 ordinary shares with a par value of Euro 0.20 each. It is fully subscribed and paid-in.

#### 5.39.2 Capital reserves

These amount to Euro 71,123 thousand and entirely relate to the Share Premium Reserve.

In accordance with IFRS, the costs of the share capital increase, amounting to Euro 3,650 thousand, net of the relevant tax effect of Euro 2,190 thousand, were taken to the Share Premium Reserve.

### 5.39.3 Hedging and translation reserve

These reserves show a negative balance of Euro 13,172 thousand (negative balance of Euro 11,408 thousand at December 31, 2015) under underwent the following changes: translation of financial statements expressed in foreign currencies (ELICAMEX S.A. de C.V., Leonardo S.A. de C.V., Elica Group Polska Sp.zo.o, ARIAFINA CO., LTD, Elica Inc., Elica PB India Private Ltd., Zhejiang Elica Putian Electric Co. Ltd and Elica Trading LLC) resulting in a decrease of Euro 4,414 thousand, including the fair value changes of cash flow hedges, net of the positive tax effect of Euro 2,651 thousand. In particular, the portion concerning the fair value change is a positive Euro 3,400 thousand, while the tax impact is a negative Euro 749 thousand.

The change in the translation reserve was a negative Euro 4,414 thousand for the Group and a positive Euro 35 thousand for non-controlling interests, therefore netting a negative Euro 4,380 thousand.

<i>In Euro thousands</i>	<b>Dec 31, 15</b>	<b>Reserve adjustment</b>	<b>Dec 31, 16</b>
Hedge reserve	(2,342)	2,651	309
Translation reserve	(9,067)	(4,414)	(13,481)
<b>Hedging, stock option and translation reserve</b>	<b>(11,408)</b>	<b>(1,764)</b>	<b>(13,172)</b>

### 5.39.4 Treasury shares

	<b>Number</b>	<b>Carrying amount</b> <i>In Euro thousands</i>
Opening balance at January,1 2016	1,275,498	3,551
Closing balance at December 31, 2016	1,275,498	3,551

In 2016, there was no change in the number of treasury shares. At December 31, 2015, the treasury shares in portfolio represent 2% of the Share Capital.

### 5.39.5 Retained earnings

These increased from Euro 40,630 thousand in 2015 to Euro 45,870 thousand in 2016. The net increase of Euro 5,240 thousand is principally due to the allocation of profit for 2015 (increase of Euro 6,190 thousand) and the approval of dividends (decrease of Euro 608 thousand).

### 5.40 Equity attributable to non-controlling interests

This decreased by Euro 1,157 thousand, principally due to:

- an increase of Euro 63 thousand for the allocation of the profit for 2016 to non-controlling interests;
- an increase of Euro 35 thousand concerning the non-controlling interest in the translation effect arising from the financial statements of the investee companies ARIAFINA CO., LTD, Elica PB India Private Ltd., Zhejiang Elica Putian Electric Co Ltd and Elica Trading LLC, expressed in foreign currencies;
- a decrease of Euro 1,223 thousand for the distribution of dividends by Ariafina and Airforce.

#### 5.41 Reconciliation between the Parent's and Consolidated Equity and Profit/(loss) for the year

The following table contains a reconciliation between Elica S.p.A.'s equity and profit/(loss) for the year and consolidated equity and profit/(loss) for the year.

December 31, 2015 and December 31, 2016

<i>In Euro thousands</i>	Dec 31, 16		Dec 31, 15	
	Profit/(loss)	Equity	Profit/(loss)	Equity
<b>Parent's Separate Financial Statements</b>	<b>(6,541)</b>	<b>108,326</b>	<b>6,552</b>	<b>113,351</b>
<b>Elimination of the effect of intercompany transactions net of tax effect:</b>				
Non-realised gains on non-current assets	(174)	(555)	88	(380)
Non-realised gains on sale of goods	70	(4)	227	(75)
Tax effect	33	82	(68)	160
Dividends received from consolidated companies	(3,362)	(3,362)	(8,704)	(8,704)
Other	82	(168)	770	32
<b>Share of expenses/(income) from investments</b>	<b>(20)</b>	<b>26</b>	<b>(13)</b>	<b>46</b>
<b>Carrying amount of consolidated companies</b>	<b>4,060</b>	<b>(63,963)</b>		<b>(86,503)</b>
<b>Equity and profit/(loss) of the subsidiaries consolidated on a line-by-line basis</b>	<b>3,593</b>	<b>55,373</b>	<b>8,858</b>	<b>83,966</b>
<b>Allocation of differences to assets of consolidated companies and related amortisation/depreciation and impairment losses</b>				
Intangible assets and property, plant and equipment	(242)	7,226	(265)	6,995
Goodwill arising on consolidation	(3,000)	6,275		10,318
<b>Consolidated Financial Statements</b>	<b>(5,500)</b>	<b>109,258</b>	<b>7,445</b>	<b>119,208</b>
Attributable to the owners of the Parent	(5,563)	103,949	6,190	112,742
Attributable to non-controlling interests	63	5,309	1,255	6,466

#### 5.42 Net financial debt, default risk and covenants

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

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15
<b>Cash and cash equivalents</b>	<b>31,998</b>	<b>34,463</b>
Finance leases and other lenders	(21)	(6)
Bank loans and borrowings	(59,004)	(43,405)
<b>Current loans and borrowings</b>	<b>(59,025)</b>	<b>(43,411)</b>
Finance leases and other lenders	(6)	(9)
Bank loans and borrowings	(33,718)	(44,048)
<b>Non-current loans and borrowings</b>	<b>(33,724)</b>	<b>(44,057)</b>
<b>Net Financial Debt</b>	<b>(60,751)</b>	<b>(53,005)</b>

For further information on change in the net financial position, reference should be made to the Directors' Report. Reference should be made to section 7 Risk management of these notes for information on default risk and covenants on debt.

### 5.43 Significant non-recurring events and operations

A summary of the non-recurring operations, considered significant, during the year and with their relative impact, net of taxes, on equity and profit/(loss) for the year are shown below.

<i>In Euro thousands</i>	Amount	Equity		Profit/(loss) for the year	
		%	Amount	%	
Financial statements	109,258		(5,500)		
Personnel expense for the CEO's departure	(1,500)	(1.4%)	(1,500)		27.3%
Service costs for the CEO's departure	(164)	(0.1%)	(164)		3.0%
Taxes relating to tax assessments	(486)	(0.4%)	(486)		8.8%
Taxes on costs for CEO's departure	458	0.4%	458		(8.3%)
<b>Notional carrying amount</b>	<b>110,950</b>		<b>(3,808)</b>		

Taxes relating to the tax assessment were recognised by the Parent to cover the agreed amount of the settlement.

The tax effect of personnel expense of Euro 1.5 million and service costs of Euro 164 thousand concerned the departure of the CEO Perucchetti.

## 6. Guarantees, commitments and contingent liabilities

### 6.1. Contingent liabilities

The Parent and its subsidiaries are 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 of the Group, except for that indicated below.

Group companies have valued the contingent liabilities that could arise from pending judicial proceedings and have made appropriate provisions in their financial statements on a prudent basis.

The provision in the Group's consolidated financial statements at December 31, 2016 to cover legal risks and charges amounts to Euro 5,198 thousand.

This amount includes Euro 3.7 million concerning the impact of the first level non-executive judgements in the cases between Esperança Real S/A, Madson Eletrometalurgica Ltda. and Elica S.p.A., issued by the Belo Horizonte Court (Brazil) on March 1, 2017. The case concerns the signing of preliminary agreements in September 1999 for the establishment of a joint venture by Elica S.p.A. and Esperança Real S/A, which were not executed. The provision of Euro 3.7 million covers compensation for direct damage claimed by the counterparty, which the Board of Directors decided to provide for in the full amount to cover legal risks. These accruals do not imply that the counterparty's legal arguments are valid, but were recognised solely to be fully compliant with IFRS.

The judgement also requires Elica S.p.A. to compensate the counterparty for indirect damage of approximately Euro 7.5 million. With the support of legal consultants and sector experts, considering that the judgment is at first level and not definitive (the appeal is pending) or executive, that it has not arisen in Italy and particularly that the legal basis is considered unfounded, the Group considers this payment as not probable. The company confirms its intention to pursue at all levels the protection of its rights. Management considers that the provision for risks in order to cover possible liabilities from pending or potential disputes is, on the whole, adequate. For additional information, reference should be made to paragraph 5.32 of these notes.

### 6.2 Guarantees and commitments

Group commitments for the purchase of raw materials amount to Euro 1.8 million, in addition to those listed in paragraph 7.2.2 Commodity risk, while the amount relating to non-current asset purchases at December 31, 2016 was approximately Euro 2,384 thousand, principally relating to investments in production capacity.

In relation to the shareholder agreement signed on December 10, 2007 and renewed on December 18, 2013 (the "Shareholder Agreement"), FAN S.r.l., the parent of Elica S.p.A., and Whirlpool Europe S.r.l. agreed that the Shareholder Agreement should be automatically extended for another two years and therefore until December 18, 2018.

This did not impact control over Elica which, as per Article 93 of the CFA, since December 5, 2016, following the passing of Mrs. Gianna Pieralisi, is held by Mr. Francesco Casoli.

For further information on the matter, reference should be made to Elica S.p.A.'s press release of December 19, 2016 and the annual corporate governance report, available on the company's website <http://corporation.elica.com> (Corporate Governance section).

The Group has not given any significant guarantees, except for those provided by Elica S.p.A. in favour of Putian for credit lines of Euro 14.48 million and Elica Group Polska has a rotating receivable factoring arrangement with a cap of Euro 3.5 million, in addition to Gutmann's corporate guarantee of Euro 1 million in favour of third parties.

### 6.3. Operating leases

At the end of the reporting period there were leases for several industrial and commercial properties, motor vehicle rental agreements and operating leases for hardware and photovoltaic panels. Future lease payments due from the Group for operating leases are summarised in the following table:

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15	Changes
Property rentals	11,143	2,188	8,955
Car and fork lift rental	4,102	2,738	1,364
Hardware operating leases	3,232	2,375	857
Other operating leases	2,199	2,564	(365)
<b>Operating lease commitments</b>	<b>20,676</b>	<b>9,865</b>	<b>10,811</b>

<i>In Euro thousands</i>	Dec 31, 16	Within 1 year	1 - 5 years	Beyond 5 years
Property rentals	11,143	1,854	5,513	3,777
Car and fork lift rental	4,102	1,441	2,555	106
Hardware operating leases	3,232	837	2,395	-
Other operating leases	2,199	373	1,826	-
<b>Operating lease commitments</b>	<b>20,676</b>	<b>4,504</b>	<b>12,289</b>	<b>3,883</b>

## 7. Risk management

### 7.1 Introduction

The Elica Group's operations are exposed to different types of financial risks, including risks associated with fluctuations in exchange rates, interest rates, the cost of its main raw materials and cash flows. In order to mitigate the impact of these risks on results, the Elica Group has commenced the implementation of a financial risk monitoring system through a "Financial Risk Policy" approved by the Parent's Board of Directors. Within this policy, the Group constantly monitors the financial risks of its operations in order to assess any potential negative impact and takes corrective action where necessary.

The main guidelines for the Group's 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 considering the controls in place and if they require additional treatment;
- respond appropriately to risks;
- monitor and report on the current state of the risks and the effectiveness of their control.

The Group's Financial Risk Policy is based on the principle of active 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 transactions within the limits approved by management and only for actual, 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 segregation of conclusion, settlement, registration and reporting of results.

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

### 7.2 Market risk

According to IFRS 7, market risk 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, the Group uses derivative instruments to hedge its risks. The Group 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.

### 7.2.1 Currency risk

The Group's functional currency is the Euro. However, the Group companies also trade in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Polish Zloty (PLN), Mexican Pesos (MXN), Swiss Francs (CHF), Russian Roubles (RUB), Chinese Reminbi (CNY) and the Indian Rupee (INR). In all of these currencies, except for the Swiss Franc, the Polish Zloty, the Chinese Reminbi, the Mexican Peso, the Elica Group has higher revenue than costs; therefore changes in the exchange rates between the Euro and these currencies impact the Group 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 revenue and operating results.

The amount of the exchange risk, defined in advance by management of the Group on the basis of the budget for the reporting period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections or emerging during the year.

The hedge is entered into through agreements with third party lenders for forward contracts and options for the purchase and sale of foreign currency. As previously described, these hedges are entered into without any speculative or trading purposes, in line with the strategic policies of prudent cash flow management.

In addition to the aforementioned transaction risks, the Group is also exposed to translation risk. The assets and liabilities of consolidated companies whose currency differs from the Euro may be translated into Euro with carrying amounts that vary according to different exchange rates, with recognition in the translation reserve under equity.

The Group monitors this exposure, against which there were no hedging operations at the reporting date; in addition, given the Parent's control over its subsidiaries, governance over the respective foreign currency transactions is greatly simplified.

The most significant statement of financial position balances in foreign currency at December 31, 2016 are shown below:

<i>In Euro thousands</i>	Dec 31, 16		Dec 31, 15	
<b>Currency</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
CHF	-	(38)	-	(38)
CNY	6,785	16	7,178	(1,173)
GBP	115	(13)	339	(23)
JPY	321	(1,639)	276	(1,543)
PLN	18,325	(25,203)	17,285	(23,980)
RUB	4,218	(20)	2,332	(8)
USD	39,180	(26,662)	31,568	(14,005)
MXN	80	99	99	49
INR	3,642	(153)	3,441	(121)
<b>Foreign currency transactions</b>	<b>72,666</b>	<b>(53,613)</b>	<b>62,518</b>	<b>(40,842)</b>

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

The following table shows the sensitivity of the statement of comprehensive income to reasonably possible changes in the exchange rates, with all other variables unchanged, due to changes in the value of current assets and liabilities in foreign currencies:

Currency	Dec 31, 16		Dec 31, 15	
	Depreciation	Appreciation	Depreciation	Appreciation
	of foreign currencies 5%			
CHF	2	(2)	2	(2)
CNY	(324)	358	(286)	316
GBP	(5)	5	(15)	17
JPY	63	(69)	60	(67)
PLN	328	(362)	319	(352)
RUB	(200)	221	(111)	122
USD	(596)	659	(836)	924
MXN	(9)	9	(7)	8
INR	(166)	184	(158)	175
<b>Total</b>	<b>(907)</b>	<b>1,003</b>	<b>(1,032)</b>	<b>1,141</b>

The hedging operations at December 31, 2016 with financial counterparties have a total negative Fair Value of approx. Euro 860 thousand.

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

Currency	Dec 31, 16		Dec 31, 15	
	Notional	Fair Value	Notional	Fair Value
	thousands (foreign currency)	In thousands of Euro	thousands (foreign currency)	In thousands of Euro
<b>USD</b>				
Forward	16,050	94	54,920	(1,297)
Options	173,349	(454)	-	-
<b>PLN</b>				
Forward	41,550	(38)	196,820	(290)
Options	38,401	(126)	22,242	(31)
<b>JPY</b>				
Forward	228,400	(123)	200,000	42
<b>RUB</b>				
Forward	400,300	(24)	206,000	60
<b>CNY</b>				
Forward	47,851	(188)	5,000	(102)
<b>Derivatives on foreign exchange Assets/ (Liabilities)</b>		<b>(860)</b>		<b>(1,619)</b>

The notional exposure in USD aggregates operations respectively in USD/EUR, EUR/MXN and in USD/MXN; these latter two amount to Euro 5,300 thousand.

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

In the stress testing we have stressed not only the spot to spot exchange rate, but also the monetary curve rates at December 31, 2016 as well 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 2016 and the first week of January 2017 was considered.

For the EUR/USD exchange rates a stress of 6% was applied, for EUR/PLN 6%, for EUR/JPY 7%, for EUR/RUB 25%, for EUR/CNY 5% and for USD/MXN 11%.

For interest rates on forward exchange contracts, a stress of 50 bps was applied for the Eurozone rates, 50 bps for the US rates, 50 bps for the Polish rates, 200 bps for the Russian rates, 50 bps for the Chinese rates and 50 bps for the Mexican rates.

The following table shows the sensitivity in the statement of comprehensive income to the changes in the exchange rates and the rate curves indicated, with all other variables unchanged, of the fair value of the transactions in foreign currencies at December 31, 2016 (compared with December 31, 2015):

<i>In Euro thousands</i>	Dec 31, 16				
	USD Notional 189,399 USD/000	PLN Notional 79,951 PLN/000	JPY Notional 228,400 JPY/000	RUB Notional 400,300 RUB/000	CNY Notional 47,851 CNY/000
Depreciation of foreign currencies	1,048	(54)	(91)	395	(263)
Currency depreciation EURO	18	(13)	(4)	(5)	(13)
Currency depreciation	(17)	12	-	19	15
<b>Sensitivity to depreciation</b>	<b>1,049</b>	<b>(55)</b>	<b>(95)</b>	<b>409</b>	<b>(261)</b>
Appreciation of foreign currencies	(1,283)	(40)	105	(658)	219
Currency appreciation EURO	(19)	13	4	5	12
Currency appreciation	17	(12)	-	(18)	(16)
<b>Sensitivity to appreciation</b>	<b>(1,285)</b>	<b>(39)</b>	<b>109</b>	<b>(671)</b>	<b>215</b>

<i>In Euro thousands</i>	Dec 31, 15				
	USD Notional 54,920 USD/000	PLN Notional 219,062 PLN/000	JPY Notional 200,000 JPY/000	RUB Notional 206,000 RUB/000	CNY Notional 5,000 CNY/000
Depreciation of foreign currencies	2,830	(81)	(100)	530	32
Currency depreciation EURO	67	12	(4)	-	3
Currency depreciation	(69)	12	-	-	(3)
<b>Sensitivity to depreciation</b>	<b>2,828</b>	<b>(57)</b>	<b>(104)</b>	<b>530</b>	<b>32</b>
Appreciation of foreign currencies	(2,743)	97	115	(883)	(35)
Currency appreciation EURO	(68)	(12)	4	-	(2)
Currency appreciation	67	(12)	-	-	3
<b>Sensitivity to appreciation</b>	<b>(2,744)</b>	<b>73</b>	<b>119</b>	<b>(883)</b>	<b>(34)</b>

### 7.2.2 Commodity risk

The Group is subject to market risk deriving from price fluctuations in commodities 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 changes 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, 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 target.

The notional value and the relative value of the copper derivatives in place at December 31, 2016 are reported below:

<b>Copper coverage</b> <i>In Euro thousands</i>	Dec 31, 16		Dec 31, 15	
	Notional	Fair value	Notional	Fair value
Forward	8,280	1,694	15,383	(1,591)
<b>Derivatives on commodities Assets/ (Liabilities)</b>	<b>8,280</b>	<b>1,694</b>	<b>15,383</b>	<b>(1,591)</b>

In addition, commodity risk is measured through sensitivity analyses, 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, 2016 of Euro 490 thousand.

Similarly, a reduction of 5% results in a decrease in the fair value of forward contracts of Euro 490 thousand.

### 7.2.3 Interest rate risk

The management of interest rate risk by the Elica Group is in line with longstanding, consolidated practices 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 mainly bears 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 interest expense of Euro 152 thousand, while an increase of 25 bps in the same interest rate curve converts into higher interest expense of Euro 152 thousand.

The Group hedges the interest rate risk through the utilisation of interest rate swaps and through cap options against specific non-current loans at a variable rate.

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

<i>In Euro thousands</i>	Dec 31, 16		Dec 31, 15	
	Notional	Fair value	Notional	Fair value
Interest rate swaps	49,625	(465)	67,432	(469)
Caps	1,583	-	3,812	-
<b>Derivatives on interest rate Assets /(Liabilities)</b>	<b>51,208</b>	<b>(465)</b>	<b>71,244</b>	<b>(469)</b>

The interest rate risk is also measured through sensitivity analyses, 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 25 bps generates a Euro 223 thousand decrease in the fair value of the IRS at December 31, 2016.

However, an increase of 25 bps in the curve would cause a Euro 221 thousand increase in the fair value of the IRS.

With reference to the cap options, the sensitivity analysis carried out on the interest rate curve shows that, with a 25bp increase or decrease in the curve, the fair value remains constant.

### 7.3 Credit risk

The credit risks represent the exposure of the Elica Group 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 Group follows the 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 Group at December 31, 2016 is based on the carrying amount of recognised receivables, net of the specific insurance coverage, in addition to the nominal value of the guarantees given to third parties.

At December 31, 2016, trade receivables of Euro 70.6 million (Euro 68.5 million at December 31, 2015) included approx. Euro 8.5 million (Euro 9.9 million at December 31, 2015) of overdue receivables. 7% of receivables (9% at December 31, 2015) were overdue by more than 60 days.

The amount of trade receivables recognised in the statement of financial position is net of the allowance for impairment. The allowance is accrued either on a specific basis or generally to cover overall risks, in accordance with the Group's Credit Policy.

For more details, see paragraph 5.25 of the present notes.

### 7.4 Liquidity risk

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

The principal factors which determine the liquidity of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the due 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:

<i>In Euro thousands</i>	Dec 31, 16	within one year	1 - 5 years	after five years
Finance leases and other lenders		21	6	-
Bank loans and borrowings		59,004	33,718	-
Trade payables and other payables		130,219	1,755	13
<b>Commitment by due date</b>		<b>189,244</b>	<b>35,479</b>	<b>13</b>

<i>In Euro thousands</i>	Dec 31, 15	within one year	1 - 5 years	after five years
Finance leases and other lenders		6	9	
Bank loans and borrowings		43,405	43,673	375
Trade payables and other payables		113,607	3,262	15
<b>Commitment by due date</b>		<b>157,018</b>	<b>46,944</b>	<b>390</b>

The Group has non-current loans with major financial counterparties contracts which include an obligation to comply with financial covenants based on the Group's Consolidated Financial Statements and/or the financial statements of the borrowing company.

In particular the structure of the covenants on some of the Medium/long-term loans do not immediately determine default of the line through non respecting of the limits, but in first instance result in an increase in the cost of the loan.

At December 31, 2016 the level of the covenants in question were 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 time, 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 Financial Debt, reference should be made to note 5.42 of the notes.

## 7.5 Classification of the financial instruments

<i>In Euro thousands</i>	Dec 31, 16	Dec 31, 15
AFS financial assets	56	56
Derivative financial instruments	-	-
<b>Non-current assets</b>	<b>56</b>	<b>56</b>
Derivative financial instruments	1,844	223
Trade receivables	70,561	68,504
Cash and cash equivalents	31,998	34,463
<b>Current assets</b>	<b>104,403</b>	<b>103,191</b>
Finance leases and other lenders	6	9
Bank loans and borrowings	33,718	44,048
Derivative financial instruments	198	166
<b>Non-current liabilities</b>	<b>33,922</b>	<b>44,223</b>
Trade payables	114,831	99,474
Finance leases and other lenders	21	6
Bank loans and borrowings	59,004	43,405
Derivative financial instruments	1,277	3,736
<b>Current liabilities</b>	<b>175,133</b>	<b>146,621</b>

The Group believes that the carrying amounts approximate fair value. In relation to the measurement methods of the individual items, reference should be made to paragraph 2. Accounting policies and basis of consolidation in these notes.

## 7.6 Fair value hierarchy 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 with which the Group operates directly on active markets or in OTC 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 Group operates on OTC markets, not characterised by an adequate level of liquidity are included in this category;
- Level 3: determination of fair value based on valuation models whose input is not based on observable market data.

The classification of the financial instruments may have a discretionary element, although not significant, where in accordance with IFRS, the Group 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, 2016 and December 31, 2015 belong to level 2 of the fair value hierarchy, except for commodities which belong to level 1.

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

Financial assets/liabilities	Fair value at Dec 31, 16	Fair value at Dec 31, 15	Fair value hierarchy	Valuation techniques & key inputs	Significant unobservable inputs	Relationship between the unobservable inputs and the fair value
1) Currency forwards and options	Assets Euro 146 thousand; Liabilities Euro (1,005) thousand	Assets Euro 101 thousand; Liabilities Euro (1,721) thousand	Level 2	(a)	n/a	n/a
2) Interest rate swaps	Liabilities (designated hedges) Euro (465) thousand;	Liabilities (designated hedges) Euro (469) thousand;	Level 2	(b)	n/a	n/a

- (a) 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.
- (b) 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.

The table below reports the following information on derivative instruments at December 31, 2016 and December 31, 2015:

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

Dec 31, 16	Notional Value				Carrying
<i>In Euro thousands</i>	Maturity within 1 year		Maturity after 1 year		amount
<b>Interest rate risk</b>					
Cash flow hedge as per IAS 39	16,308		33,517		(465)
Fair value hedge as per IAS 39	-		-		-
Not considered hedges under IAS 39	1,031		552		-
<b>Total derivatives on interest rates</b>	<b>17,319</b>		<b>34,069</b>		<b>(465)</b>
<b>Foreign currency risks</b>					
	sales	purchases	sales	purchases	
Cash flow hedge as per IAS 39	8,799	9,143	-	-	(123)
Fair value hedge as per IAS 39	-	-	-	-	-
Not considered hedges under IAS 39	43,846	29,552	-	-	(736)
<b>Total derivatives on foreign exchange</b>	<b>52,645</b>	<b>32,153</b>	-	-	<b>(860)</b>
<b>Management of commodity risk</b>					
	sales	purchases	sales	purchases	
Cash flow hedge as per IAS 39	-	8,280	-	-	1,694
Fair value hedge as per IAS 39	-	-	-	-	-
Not considered hedges under IAS 39	-	-	-	-	-
<b>Total derivatives on commodities</b>	-	<b>8,280</b>	-	-	<b>1,694</b>

Dec 31, 15	Notional value				Carrying
<i>In Euro thousands</i>	Maturity within 1 year		Maturity after 1 year		amount
<b>Interest rate risk</b>					
Cash flow hedge as per IAS 39	17,193		50,238		(469)
Fair value hedge as per IAS 39	-		-		-
Not considered hedges under IAS 39	999		2,094		-
<b>Total derivatives on interest rates</b>	<b>18,192</b>		<b>52,332</b>		<b>(469)</b>
<b>Foreign currency risks</b>					
	sales	purchases	sales	purchases	
Cash flow hedge as per IAS 39	27,508	5,296	-	-	(492)
Fair value hedge as per IAS 39	-	-	-	-	-
Not considered hedges under IAS 39	48,047	29,552	-	-	(1,126)
<b>Total derivatives on foreign exchange</b>	<b>75,555</b>	<b>34,848</b>	-	-	<b>(1,619)</b>
<b>Management of commodity risk</b>					
	sales	purchases	sales	purchases	
Cash flow hedge as per IAS 39	-	11,652	-	2,477	(1,591)
Fair value hedge as per IAS 39	-	-	-	-	-
Not considered hedges under IAS 39	-	-	-	-	-
<b>Total derivatives on commodities</b>	-	<b>11,652</b>	-	<b>2,477</b>	<b>(1,591)</b>

## 8. Disclosure pursuant to IAS 24 on management compensation and related party transactions

The Group is indirectly controlled by the Casoli family through Fintrack S.p.A. of Fabriano (Ancona, 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 in accordance with article 2497 and subsequent articles of the Italian Civil Code. This conclusion derives from the fact that the controlling shareholder does not carry out management activities within the company and, although exercising voting rights at the shareholders' meeting, does not have any involvement in the financial, production or strategic programmes of the company, which is governed by a Board of Directors responsible for operating control. The Parent's Board of Directors has also appointed an independent CEO for ordinary operational management. The Parent therefore carries out its operations through a totally autonomous and independent decision-making process. Francesco Casoli holds a majority of the share capital of Fintrack S.p.A., thus exercising control over the Issuer, pursuant to Article 93 of the Consolidated Finance Act.

### 8.1 Remuneration of Directors, Statutory Auditors and Senior Executives

The remuneration of the above-mentioned persons totalled Euro 5,174 thousand.

The details are reported in the Remuneration Report. This report is available on the Parent's website <http://corporation.elica.com> (Investor Relations section).

### 8.2 Share-based payments

There were none in 2016.

### 8.3 Information on subsidiaries

The tables below show key figures for subsidiaries and the amount of transactions performed with them as at and for the year ended December 31, 2016.

#### 8.3.1. Subsidiaries – 2016 Highlights

Elica also carries out financial transactions with Group companies as a result of loans it grants them as part of a general plan to centralise cash management activities. These loans are interest bearing and at market rates. Transactions with consolidated companies have been derecognised in the Consolidated Financial Statements. As a result, they are not reported in these notes.

Reporting package figures					
<i>In Euro thousands</i>	Assets	Liabilities	Equity	Revenue	Profit/(loss)
Elicamex S.A.de C.V.	39,065	25,751	13,313	65,519	7,332
Elica Group Polska Sp.z o.o	60,191	37,810	22,380	99,398	2,212
Airforce S.p.A.	11,781	8,562	3,219	22,618	513
Ariafina CO., LTD	10,108	3,046	7,062	21,665	2,708
Leonardo S.A.de C.V.	1,211	1,315	(104)	9,047	45
Exklusiv Hauben Gutmann GmbH	27,069	22,919	4,150	21,884	(5,274)
Elica Inc.	386	159	227	551	16
Airforce GE (*)	32	5	27	0	(30)
Elica PB India Private Ltd.	12,341	8,791	3,550	16,791	525
Zhejiang Elica Putian Electric Co. Ltd	23,978	26,704	(2,726)	17,999	(5,116)
Elica Trading LLC	6,408	5,507	901	9,592	(51)
Elica France S.A.S.	3,048	3,943	(895)	5,588	57

(\*) Airforce Germany Hochleistungs-dunstabzugssysteme GmbH

### 8.3.2. Subsidiaries with significant non-controlling interests

<i>In Euro thousands</i>	Country	Non-controlling int.	Profit/(loss) non-cont. interests Dec 31, 16	Profit/(loss) non-cont. interests Dec 31, 15	Equity non-cont. interests Dec 31, 16	Equity non-cont. interests Dec 31, 15
Airforce S.p.A.	Italy	40%	208	175	1,319	1,209
Ariafina Co.Ltd	Japan	49%	1,327	982	3,460	3,140
Airforce Germany Hochleistungs-dunstabzugssysteme Gmbh	Germany	43%	(13)	(3)	11	24
Elica PB India Private Ltd.	India	49%	325	249	(704)	(1,042)
Zhejiang Elica Putian Electric Co. Ltd	China	33%	(1,783)	(147)	1,222	3,135
<b>Cconsolidated total</b>			<b>63</b>	<b>1,256</b>	<b>5,309</b>	<b>6,466</b>

<i>In Euro thousands</i>	Airforce S.p.A.		Ariafina Co. Ltd		Elica PB India Private Ltd.		Zhejiang Elica Putian Electric Co. Ltd	
Reporting package figures	Dec 31, 16	Dec 31, 15	Dec 31, 16	Dec 31, 15	Dec 31, 16	Dec 31, 15	Dec 31, 16	Dec 31, 15
Current assets	10,007	8,715	8,396	7,967	9,816	7,992	11,850	11,492
Non-current assets	1,774	1,849	1,712	1,599	2,525	2,485	12,128	13,528
Current liabilities	7,435	6,427	3,046	3,158	4,874	3,377	26,055	18,378
Non-current liabilities	1,126	1,206	-	-	3,918	4,113	649	4,107
Equity attributable to the owners of the Parent	3,011	1,759	3,602	3,268	4,254	1,523	(3,948)	1,698
Equity attributable to non-controlling interests	208	1,173	3,460	3,140	(704)	1,464	1,222	836
Revenue	22,618	20,281	21,665	17,705	16,791	12,659	17,999	19,648
Operating profit	951	861	4,124	3,220	964	509	(3,112)	13
Profit for the year	513	442	2,708	2,003	525	369	(5,116)	(181)
Dividends paid to third parties	(60)	(60)	(1,163)	(729)	-	-	-	-
Change in net financial position	146	68	2,286	1,036	120	(907)	(1,856)	(2,878)

### 8.4 Information on the associate

The table below reports the key highlights of the associate, based on its financial statements in accordance with Italian GAAP.

#### 8.4.1 Associates – key data at December 31, 2016

<i>In Euro thousands</i>	Registered Office	% held	Quota capital	Equity	Profit for the year
I.S.M. S.r.l.	Cerreto d'Esi (AN-Italy)	49.39%	10	1,379	13

This company operates in the real estate sector.

<i>In Euro thousands</i>	I.S.M. S.r.l.	
	Dec 31, 16	Dec 31, 15
Current assets	236	381
Non-current assets	1,175	1,007
Current liabilities	24	12
Non-current liabilities	8	10
Equity	1,379	1,366
Revenue	141	142
Operating profit	23	30
Profit for the year	13	29
Dividends paid to third parties	-	-
Change in net financial position	(130)	(43)

#### 8.4.2. Commercial transactions with associates

The table below summarises transactions associates in 2016. No separate disclosure of these positions is provided in the Consolidated Financial Statements, given the immaterial amounts involved, in accordance with Consob resolution no. 15519 of July 27, 2006. All transactions were conducted on an arm's length basis in the ordinary course of business.

<i>In Euro thousands</i>	Payables	Receivables	Costs	Revenue
I.S.M. S.r.l.		2		4

#### 8.5 Transactions with other related parties

In 2016, transactions with other related parties took place. All transactions were conducted on an arm's length basis in the ordinary course of business. No separate disclosure of these positions is provided in the Consolidated Financial Statements, given the immaterial amounts involved, in accordance with Consob resolution no. 15519 of July 27, 2006.

The table below shows the main balances in the statement of comprehensive income and statement of financial position arising from trading transactions with FASTNET S.p.A. (40.81% interest held by FAN, the parent of Elica). No transactions took place with Fintrack S.p.A. (company that indirectly controls the parent Elica S.p.A.) and with FAN S.r.l. (parent of Elica S.p.A.).

<i>In Euro thousands</i>	Payables	Receivables	Costs	Revenue
Fastnet S.p.A.	10	-	36	-

The statement of comprehensive income and statement of financial position balances arise from trading transactions conducted to purchase goods and services on an arm's length basis.

The trading relationship with FASTNET S.p.A. is 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.

The Procedures for Transactions with Related Parties is published on the Company's website <http://corporation.elica.com> (Corporate Governance section).

#### 9. Positions or transactions arising from atypical and/or unusual operations

In 2016, there were no such transactions to be reported.

#### 10. Events after the reporting date

For information on events after the reporting date, reference should be made to the Directors' Report.

Fabriano, March 24, 2017

On behalf of the Board of Directors  
The Executive Chairman  
Francesco Casoli

## Disclosure pursuant to Article 149-*duodecies* of the Consob Issuers Regulation

The following table, prepared pursuant to Article 149-*duodecies* of the Consob Issuers Regulations, shows the payments made in 2016 for audit and other services provided by the independent auditors and entities associated with them.

Type of service	Service provider	Company	Remuneration
<i>In Euro thousands</i>			
Audit	KPMG S.p.A.	Elica S.p.A.	165
Audit	KPMG S.p.A.	Air Force S.p.A.	8
Audit	KPMG Cardenas Dosal, S.C.	Elicamex S.A. de C.V.	23
Audit	KPMG Polska (*)	Elica Group Polska S.p.z.o.o.	18
Audit	KPMG AG	Exklusiv Hauben Gutmann GmbH	38
Audit	KPMG China	Zhejiang Elica Putian Electric Co. Ltd	23
Audit	B S R & Co. LLP (KPMG network)	Elica PB India Private Ltd.	15
Audit	KPMG Japan	Ariafina CO., LTD	10
Other services	KPMG S.p.A.	Elica S.p.A.	9
Other services	KPMG Advisory S.p.A.	Elica S.p.A.	200
Other services	KPMG Cardenas Dosal, S.C.	Elicamex S.A. de C.V.	5
Other services	B S R & Co. LLP (KPMG network)	Elica PB India Private Ltd.	4
Other services	KPMG China	Zhejiang Elica Putian Electric Co. Ltd	2
<b>K.P.M.G. network fees</b>			<b>521</b>

(\*) KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

**Attestation on the Consolidated Financial Statements as per Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and integrations**

I, the undersigned Antonio Recinella, as Chief Executive Officer, and Giampaolo Caselli, Corporate Financial Reporting Manager of Elica S.p.A., in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of February 24, 1998, attest to:

- the adequacy, considering the company's characteristics, and
- the effective application

of the administrative and accounting procedures for the preparation of the separate financial statements in 2016.

We also attest that:

•the Consolidated Financial Statements:

- a) correspond with the accounting books and records;
- b) were prepared in accordance with the IFRS endorsed by the European Union and with article 9 of Legislative Decree no. 38/2005;
- c) provide a true and fair view of the issuer's financial position and results of operations.

•The Directors' Report includes a reliable analysis of the issuer's performance, results of operations and situation, together with a description of the main risks and uncertainties to which it is exposed.

Fabriano, 24 March 2017

The Chief Executive Officer  
Antonio Recinella

Corporate Financial  
Reporting Manager  
Giampaolo Caselli

**List of holdings in non-listed companies, including foreign companies, of over 10% at the reporting date**

<i>In Euro thousands</i>	<b>Registered Office</b>	<b>% total</b>	<b>of which % direct</b>	<b>of which % indirect</b>	<b>held by (* )</b>	<b>Direct</b>	<b>Indirect</b>	<b>Consolidation method</b>
Elicamex S.a.d. C.V.	Queretaro (Mexico)	100%	98%	2%	Elica Group Polska Sp.z o.o	9,389	192	line-by-line
Elica Group Polska Sp.z o.o	Wroclaw (Poland)	100%	100%	n/a	n/a	22,274	n/a	line-by-line
Airforce S.p.A.	Fabriano (AN) - (Italy)	60%	60%	n/a	n/a	1,212	n/a	line-by-line
Ariafina Co.Ltd	Sagamihara - Shi (Japan)	51%	51%	n/a	n/a	49	n/a	line-by-line
Leonardo Services S.a. de C.V.	Queretaro (Mexico)	100%	98%	2%	Elica Group Polska Sp.z o.o	75	2	line-by-line
Exklusiv Hauben Gutmann GmbH	Muhlacker (Germany)	100%	100%	n/a	n/a	10,820	n/a	line-by-line
Elica Inc.	Chicago, Illinois (United States)	100%	0%	100%	Elicamex S.a.d. C.V.	-	285	line-by-line
Airforce Germany Hochleistungs- dunstabzugssysteme GmbH	Stuttgart (Germany)	95%	0%	95%	Airforce S.p.A.	-	27	line-by-line
Elica PB India Private Ltd.	Pune (India)	51%	51%	n/a	n/a	4,072	n/a	line-by-line
Zhejiang Elica Putian Electric Co. Ltd	Shengzhou (China)	67%	67%	n/a	n/a	11,611	n/a	line-by-line
Elica Trading LLC	Saint Petersburg (Russia)	100%	100%	n/a	n/a	3,880	n/a	line-by-line
I.S.M. s.r.l.	Cerreto D'Esi (AN) - (Italy)	49%	49%	n/a	n/a	1,401	n/a	equity
Elica France S.A.S.	Paris (France)	100%	100%	n/a	n/a	74	n/a	line-by-line

(\* ) name and legal status of any subsidiaries that hold direct investments in non-listed companies and the percentage of investment.



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(Translation from the Italian original which remains the definitive version)

## Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of  
 Elica S.p.A.

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Elica Group (the "group") as at and for the year ended 31 December 2016, which comprise the income statement, the statements of comprehensive income, financial position, cash flows, changes in equity and notes thereto.

#### *Directors' responsibility for the consolidated financial statements*

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### *Independent auditors' responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and

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 Bologna Bolzano Brescia  
 Catania Cuneo Firenze Genova  
 Lecce Milano Napoli Novara  
 Padova Palermo Parma Perugia  
 Pescara Roma Torino Treviso  
 Trieste Varese Verona

Società per azioni  
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**Elica Group**  
Independent auditors' report  
31 December 2016

the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

### **Report on other legal and regulatory requirements**

#### ***Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the consolidated financial statements***

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Elica Group as at and for the year ended 31 December 2016.

Ancona, 28 March 2017

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani  
Director of Audit