Elica S.p.A.

Half-Year Report

at June 30, 2019

Half-Year Report

A.2.Corporate boards at this report date

Members of the Board of Directors

Francesco Casoli
Executive Chairman,
born in Senigallia (AN) on 05/06/1961, appointed by resolution of 27/04/2018.

Mauro Sacchetto
Chief Executive officer, born in Vercelli on 09/01/1959, appointed by resolution of 08/07/2019.

Cristina Finocchi Mahne
Independent Director, born in Trieste on 01/07/1965, appointed by resolution of 27/04/2018.

Federica De Medici
Independent Director and Lead Independent Director, born in Pavia on 24/08/1972, appointed by resolution of 27/04/2018.

Davide Croff
Independent Director, born in Venice on 01/10/1947, appointed by resolution of 27/04/2018.

Elio Cosimo Catania
Independent Director, born in Catania on 05/06/1946, appointed by resolution of 27/04/2018.

Barbara Poggiali
Independent Director, born in Milan on 04/03/1963, appointed by resolution of 27/04/2018.

Gennaro Pieralisi
Director, born in Monsano on 14/02/1938, appointed by resolution of 27/04/2018.

Members of the Board of Statutory Auditors

Giovanni Frezzotti
Chairman, born in Jesi (AN) on 22/02/1944, appointed by resolution of 27/04/2018.

Massimiliano Belli
Statutory Auditor, born in Recanati (MC) on 22/08/1972, appointed by resolution of 27/04/2018.

Monica Nicolini
Statutory Auditor, born in Pesaro on 16/04/1963, appointed by resolution of 27/04/2018.

Leandro Tiranti
Alternate Auditor, born in Sassoferrato (AN) on 04/05/1966, appointed by resolution of 27/04/2018.

Serenella Spaccapaniccia
Alternate Auditor, born in Montesangiorgio (AP) on 04/04/1965, appointed by resolution of 27/04/2018.

Internal Control, Risk Management and Sustainability Committee

Davide Croff (Chairman)
Elio Cosimo Catania
Cristina Finocchi Mahne

Appointments and Remuneration Committee

Elio Cosimo Catania (Chairman)
Davide Croff
Barbara Poggiali

Independent Audit Firm
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 Company Registration No.: 00096570429
Ancona REA No. 63006 – VAT Number 00096570429

Investor Relations Manager
Giulio Cocci - Group Controlling & Investor Relations Director
Francesca Cocco – Lerxi Consulting – Investor Relations
Tel: +39 (0)732 610 4205
E-mail: investor-relations@elica.com

A.3. Interim H1 2019 Directors' Report

A.3.1. Key Financial Highlights

A.3.1.1. H1 2019 Performance

In Euro thousands	**H1 19**	**% revenue**	**H1 18**	**% revenue**	**19 Vs 18%**	**H1 19 GAAP 2018 ([1])**	
Revenue	238,666		243,250		(1.9%)	238,666	
Adjusted EBITDA	**21,249**	8.9%	**20,062**	8.2%	5.9%	**19,741**	8.3%
EBITDA	19,277	8.1%	16,062	6.6%	20.0%	17,769	7.4%
Adjusted EBIT	**8,826**	3.7%	**10,215**	4.2%	(13.6%)	**8,839**	3.7%
EBIT	6,854	2.9%	6,215	2.6%	10.3%	6,867	2.9%
Net financial expenses	(2,051)	(0.9%)	(2,278)	(0.9%)	10.0%	(1,930)	(0.8%)
Income taxes	(1,717)	(0.7%)	(1,582)	(0.7%)	(8.5%)	(1,749)	(0.7%)
Profit from continuing operations	3,086	1.3%	2,355	1.0%	31.0%	3,188	1.3%
Adjusted Profit for the period	**4,585**	1.9%	**5,355**	2.2%	(14.4%)	**4,687**	2.0%
Profit for the period	3,086	1.3%	2,355	1.0%	31.0%	3,188	1.3%
Profit attributable to the owners of the Parent - Adjusted	**2,881**	1.2%	**4,036**	1.7%	(28.6%)	**2,983**	1.2%
Profit attributable to owners of the Parent	1,382	0.6%	1,036	0.4%	33.4%	1,484	0.6%
Basic earnings per share on continuing operations and discontinued operations (Euro/cents)	2.23		1.67		33.5%	2.39	
Diluted earnings per share on continuing operations and discontinued operations (Euro/cents)	2.23		1.67		33.5%	2.39	

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**June 30, 18**
Trade receivables	62,788	51,192	72,600
Inventories	79,377	76,196	77,495
Trade payables	(115,391)	(109,916)	(125,415)
Managerial Working Capital	**26,774**	**17,472**	**24,680**
% annualised revenue	*5.6%*	*3.7%*	*5.1%*
Other net receivables/payables	(12,307)	(10,801)	(13,693)
Net Working Capital	**14,467**	**6,671**	**10,987**
% annualised revenue	*3.0%*	*1.4%*	*2.3%*

In Euro thousands	**June 30, 19**	**Jan 1, 19**	**Dec 31, 18**	**June 30, 18**
Other financial assets	-	-	-	501
Cash and cash equivalents	24,018	35,612	35,612	29,204
Bank loans and borrowings (current)	(38,532)	(37,792)	(37,792)	(59,646)
Bank loans and borrowings (non-current)	(48,206)	(54,102)	(54,102)	(39,903)
Payables to other lenders (non-current)				(34)
Net Financial Position	**(62,720)**	**(56,282)**	**(56,282)**	**(69,878)**
Lease payables IFRS 16 (current)	(3,050)	(2,947)	n/a	n/a
Lease payables IFRS 16 (non-current)	(8,168)	(8,403)	n/a	n/a
Net Financial Position - Including IFRS 16 impact	**(73,938)**	**(67,633)**	**(56,282)**	**(69,878)**
Assets for derivatives	194	513	513	372
Liabilities for derivatives (current)	(1,232)	(1,737)	(1,737)	(576)
Liabilities for derivatives (non-current)	(259)	(120)	(120)	(104)
Net Financial Position - Including IFRS 16 impact and Derivatives effect	**(75,235)**	**(68,976)**	**(57,626)**	**(70,186)**

In the first half of 2019, Elica returned Consolidated revenue of Euro 238.7 million, -1.9% on H1 2018 (-3.1% net of the currency effect).

The market contracted, with global kitchen hood demand reducing 0.7%[2] in the first half of 2019. At a global level, this was due to the drop in the American and Asian market demand, following the fall in consumption within the specific segment, while the

[1] See paragraph on the application of IFRS 16 Leases in Definitions and Reconciliations

[2] Source: Elica Group, internal estimates

Latin American region was impacted by the poor sector performance in Argentina. The Asian markets also reported a contraction compared to the first half of 2018, due to the slowdown of the Chinese economy. In the EMEA region (-0.5%), East Europe saw a contraction (-1.1%) which mainly stemmed from the Turkish and Russian market, while in the second quarter of 2019 emerged signals of recovery in Western Europe (-0.2% in H1), particularly in France and the Nordic countries.

Own brand sales rose 8.7% in the first half of 2019 (+7.9% at like-for-like exchange rates), with EMEA and India performing particularly strongly, alongside the contribution of the Cooking segment which rose to 51.0%. Elica brand revenue in H1 2019 was up 12.7% (+12.4% at like-for-like exchange rates). This growth is the result of the focus on its own brand business, which underlies the Group's long-term strategy and plus, it has led to major expansion of this range which covers both the kitchen hoods segment and the top-end of the cooking segment.

OEM revenue contracted 7% on the same period of the previous year (-8.9% at like-for-like exchange rates). OEM revenue, mainly in EMEA, again impacted by forecast lower market demand in the area and sales numbers of some of the main segment customers.

The Motors business - representing 12% of turnover - reported in the first half of 2019 a revenue contraction of 15.2%, although a slight recovery on the first quarter of the year, impacted by the OEM sector in EMEA and a drop in demand, particularly in Turkey (from the second half of 2018).

Adjusted EBITDA of Euro 21.2 million was up 5.9% on the same period of 2018 (Euro 20.1 million), with a margin of 8.9%. Net of the IFRS 16 effect, EBITDA was Euro 19.7 million, with a margin of 8.3% (8.2% in the first half of 2018). The adjustment concerns the extraordinary provision for the replacement of the CEO of approx. Euro 1.3 million, and to a lesser extent other restructuring charges.

Adjusted EBIT was Euro 8.8 million, compared to Euro 10.2 million for H1 2018, due to higher amortisation and depreciation with the full implementation of the investment plan supporting the development of the new product range launched in 2018.

In the first half of 2019, the Euro at average exchange rates weakened against some of the main currencies to which the Group is exposed, in particular USD, JPY and MXN. The coverage mix Revenues vs. Costs created a neutral effect at EBITDA level.

	Average H1 2019	**Average H1 2018**	**%**	**June 30, 19**	**Dec 31, 18**	**%**
USD	1.13	1.21	(6.6%)	1.14	1.15	(0.9%)
JPY	124.28	131.61	(5.6%)	122.60	125.85	(2.6%)
PLN	4.29	4.22	1.7%	4.25	4.30	(1.2%)
MXN	21.65	23.09	(6.2%)	21.82	22.49	(3.0%)
INR	79.12	79.49	(0.5%)	78.52	79.73	(1.5%)
CNY	7.67	7.71	(0.5%)	7.82	7.88	(0.8%)
RUB	73.74	71.96	2.5%	71.60	79.72	(10.2%)
GBP	0.88	0.86	2.3%	0.89	0.89	0.0%

Net financial expenses as a percentage of revenue in H1 2019 reduced 10.0%, improving on the first half of 2018 due to the impact of currency hedges, in addition to lower interest related to the improved net financial position, the renegotiation of the medium-term debt and the reduction in hedging costs.

The Profit for the period was Euro 3.1 million, up 31% on Euro 2.4 million for H1 2018 and mainly thanks to the dynamics outlined above. Minorities of Euro 1.7 million compared to Euro 1.3 million in H1 2018, reflecting the reduction in the Group's investment in the Indian Joint Venture and the improved performance of the Japanese subsidiary.

The Managerial Working Capital on annualised revenue of 5.6% in H1 2019 slightly increased on 5.1% at June 30, 2018 and 3.7% at December 31, 2018.

The Net Financial Position at June 30, 2019 was a debt of Euro 62.7 million (Euro -69.9 million in H1 2018), compared to Euro -56.3 million at December 31, 2018, mainly due to business seasonality, increased inventory in support of B2C segment development and the planned reduction in Capex.

A.3.1.2. Definitions and reconciliations

Definitions
EBITDA is the operating profit (EBIT) plus amortisation and depreciation and any impairment losses on goodwill and brands.
EBIT is the operating profit 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 Expenses, Impairment of available-for-sale financial assets and Exchange rate gains and losses.
The adjusted profit is the result for the period, as published in the Consolidated Income Statement, net of the relative adjustment items.

The adjusted profit 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 of restructuring charges.
The earnings per share for H1 2019 and H1 2018 was calculated by dividing the Group profit 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 number of shares in circulation at the reporting date is unchanged on December 31, 2018 and June 30, 2018 (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 Position (NFP) is the sum of Cash and Cash equivalents and Other financial assets less Current and Non-current bank loans and borrowings and amounts due under finance leases and to other lenders, as reported in the Statement of Financial Position. Amounts due under finance leases were zero.
The Net Financial Position - Including IFRS 16 Impact is the sum of the Net Financial Position and current and non-current lease payables from application of IFRS 16, as per the Statement of Financial Position.
The Net Financial Position - Including IFRS 16 impact and Derivatives Effect is the sum of the Net Financial Position - Including IFRS 16 impact and the derivative instrument assets and liabilities, as per the Consolidated Statement of Financial Position.

<u>On application of IFRS 16 Leases</u>
The column H1 19 GAAP 2018 presents the income statement indicators, as if the new standard IFRS 16 regarding the recognition of lease contracts had not been applied. A comparison is therefore provided with the previous year. The impacts from this application concern the accounts of Other operating expenses and provisions and amortisation and depreciation, in addition to financial expense. The column Jan 1, 19 presents the impact on initial application of IFRS 16 Leases, at the beginning of the period presented.

Reconciliations

In Euro thousands	**H1 19**	**H1 18**
Operating profit – EBIT	**6,854**	**6,215**
(Impairment of Goodwill)	-	-
(Amortisation & Depreciation)	12,423	9,847
EBITDA	**19,277**	**16,062**
(CEO replacement risk provision)	1,280	-
(Valuation trade receivable before sale, from Gutmann)	-	4,000
(Restructuring charges)	692	-
Adjusted EBITDA	**21,249**	**20,062**

In Euro thousands	**H1 19**	**H1 18**
Operating profit – EBIT	**6,854**	**6,215**
(CEO replacement risk provision)	1,280	-
(Valuation trade receivable before sale, from Gutmann)	-	4,000
(Restructuring charges)	692	-
Adjusted EBIT	**8,826**	**10,215**

In Euro thousands	**H1 19**	**H1 18**
Profit for the period	**3,086**	**2,355**
(CEO replacement risk provision)	1,280	-
(Valuation trade receivable before sale, from Gutmann)	-	4,000
(Restructuring charges)	692	-
(Income taxes & adjusted items)	(473)	(1,000)
Adjusted Profit for the period	**4,585**	**5,355**
(Profit attributable to non-controlling interests)	**(1,704)**	**(1,319)**
(Non-controlling interest profit adjustment items)	-	-
Adjusted Profit attributable to the owners of the Parent	**2,881**	**4,036**

	H1 19	**H1 18**
Profit attributable to the owners of the Parent *(in Euro thousands)*	1,382	1,036
Shares in circulation at period-end	62,047,302	62,047,302
Earnings (loss) per share (Euro/cents)	**2.23**	**1.67**

In Euro thousands	**June 30, 19**	**Dec 31, 18**
Other receivables	6,218	6,589
Tax assets	14,052	17,275
(Provision for risks and charges)	(7,028)	(9,318)
(Other payables)	(17,442)	(14,503)
(Tax liabilities)	(8,107)	(10,844)
Other net receivables / payables	**(12,307)**	**(10,801)**

A.3.2. Significant events in H1 2019

On January 30, 2019, 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 2019.

On February 12, 2019, the Board of Directors of Elica S.p.A. approved the additional periodic disclosure for the fourth quarter of 2018, prepared according to IFRS and the 2018 preliminary consolidated results.

On February 27, 2019, Elica S.p.A. announced the reaching - together with the subsidiary Elica GmbH - of a settlement with the company Exklusiv-Hauben Gutmann GmbH ("Gutmann") in insolvency, with its administrators and with its sole shareholder Manuel Fernandez Salgado, to whom the company was sold in August 2017. The agreement was approved by the creditors committee of the Gutmann insolvency and the Administrator of the insolvency and is binding upon the parties. The Board of Directors of Elica S.p.A., in consideration of the opportunity to establish mutual positions on the insolvency declaration of Exklusiv-Hauben Gutmann GmbH and to mitigate the main risks associated with the claims advanced and the disputes threatened against Elica S.p.A and Elica GmbH, assessed the proposal as being in the interest of the company and mandated the Chief Executive Officer to conclude a possible agreement. Within the overall framework of the agreement and in settlement of the mutual rights and claims, Elica S.p.A. recognised to Gutmann Euro 2.6 million, of which Euro 800 thousand to be paid within three weeks from the agreement's conclusion, Euro 1.7 million through the transfer to Gutmann of part of Elica S.p.A.'s receivable from Manuel Fernandez Salgado for the transfer of the shares of Gutmann, in addition to a further Euro 100 thousand, entirely offset against the amount to be paid by Gutmann for the retransfer of the "Gutmann" brands acquired by Elica S.p.A. in 2017. Manuel Fernandez Salgado shall remain liable to pay to Elica S.p.A. the residual amount of Euro 800 thousand, due for the transfer of the Gutmann shares (the total of the receivable was Euro 2.5 million). This obligation will be settled by paying Elica S.p.A. the amount of Euro 200 thousand by February 28, 2020, in settlement of his entire debt position. For completeness, Elica S.p.A. in addition agrees to settle the guarantee provided in 2015 in favour of the company owning the property leased by Gutmann of Euro 1.65 million, which has already been provisioned in the company's accounts, and to settle the amounts regarding the trade payables arising in favour of Gutmann GmbH after the sale of the company and prior to its declaration of insolvency, related to ordinary operations and amounting to approx. Euro 0.5 million, currently prudently blocked by Elica S.p.A.. Elica S.p.A. wrote-down the trade receivable previously held prior to the sale for Euro 6.8 million in the 2018 financial statements. This transaction definitively concludes all disputes between the two companies, excluding further impacts on future accounts.

On March 7, 2019, the Board of Directors of Elica S.p.A. approved the 2018 consolidated results at December 31, 2018 and the statutory financial statements at December 31, 2018, prepared in accordance with IFRS, in addition to the Directors' Report.

On April 18, 2019, the Shareholders' Meeting of Elica S.p.A. met in ordinary session and approved the following matters on the agenda:

- Statutory Financial statements at December 31, 2018 of Elica S.p.A.: Directors' Report; Board of Statutory Auditors' Report; Non Financial Report, Independent Auditors' Report. The Shareholders' Meeting also noted the consolidated results for 2018.
- 2019-2025 Phantom Stock & Voluntary Co-investment Plan: The Shareholders' Meeting also approved the 2019-2025 Phantom stock option incentive plan (the "2019-2025 Phantom Stock & Voluntary Co-investment Plan") according to the terms and conditions of the Disclosure Document, and moreover it allocated to the Board of Directors of Elica S.p.A., with express power to sub-delegate, the broadest powers necessary for full and complete execution of the plan. In this regard it is noted that: a) the potential Beneficiaries of the stated plan are identified directors and employees of Elica S.p.A. and/or its subsidiaries, whose features are outlined in the Disclosure Document according to the means established by paragraph 1, Schedule 7, by Annex 3A of the Issuers' Regulation, whose names are not communicated today and will be provided subsequently, where available, during the implementation of the plan, according to the means established by Article 84-*bis*, paragraph 5, letter a) of the Issuers' Regulation; b) the financial instruments on which this incentive plan is based are phantom stocks or "units", virtually representing an ordinary share of Elica S.p.A., whose value they trace over time and with a monetary payment; c) the 2019-2025 Phantom Stock & Voluntary Co-investment Plan is proposed for the following purposes: i) to guarantee the alignment of the interests of management with those of the Shareholders; ii) to maintain the focus of key managers on company objectives; iii) to support the retention of key employees over the long term. The Illustrative Report of the Directors to the Shareholders' Meeting on the proposal to establish a long-term incentive plan called the 2019-2025 Phantom Stock & Voluntary Co-investment Plan, accompanied by the Disclosure Document drawn up as per Annex 3A, Schedule 7 of the Issuers' Regulation, was published on March 18, 2019 and is available to the public at the registered office, in addition to the 1Info authorised storage mechanism at www.1info.it and on the website https://elica.com/corporation/it/investor-relations/shareholders' meeting.
- Remuneration Report: in accordance with Article 123 ter, paragraph 6 of Legs. Decree No. 58/1998, the Shareholders' Meeting of Elica S.p.A., considering the content of the Remuneration Report filed on March 27, 2019 and made available

to the public on the company website https://elica.com/corporation/it/investor-relations/financial reporting and on the authorised storage mechanism 1Info at www.1info.it expressed its approval of the first section of the report. The results of the vote were made available to the public in accordance with Article 125 quater, paragraph 2 of the same Decree.

- Purchase and utilisation of treasury shares: The Shareholders' Meeting also approved the authorisation to purchase and utilise treasury shares, pursuant to Articles 2357 and 2357-ter of the Civil Code, in order to provide the company with an important instrument of strategic and operative flexibility. The new authorisation was preceded by the revocation of that previously granted on April 27, 2018. The authorisation concerns the purchase of ordinary company shares up to a maximum of 20% of the share capital, therefore 12,664,560 ordinary shares and runs for a period of 18 months from the date of the Shareholders' Meeting motion, while the authorisation to utilise such shares is without time limit. The purchase price per ordinary share is fixed in the amount of: (a) not below a minimum of 95% of the official price recorded of the share in the trading session before each operation (b) not above a maximum (i) Euro 5 and (ii) 105% of the official price of the share in the trading session before each operation. It is expected that the purchases will be carried out at price conditions in line with that established by Article 3 Delegated Regulation 2016/1052 in enactment of Regulation (EC) 596/2014 and however in compliance with the applicable regulations and conditions and the limits fixed by Consob in relation to accepted industry guidelines, where applicable. The Board of Directors in concluding the individual treasury share buy-back operations must comply with the operational conditions established by the market concerning the purchase of treasury shares of Consob in accordance with Article 13, Regulation 596/2014, with resolution No. 16839 of March 19, 2009, in addition to the applicable legal and regulatory provisions, including the Regulations as per Regulation 596/2014, Delegated Regulation 2016/1052 and the EU and national executing regulations, and in particular in compliance with Article 132 of the CFA, Article 144-bis first paragraph, letter b) of the Issuers' Regulation or as per the relative applicable regulation, in order to ensure equal treatment among shareholders. In the first half of 2019 there were no movements in the number of treasury shares held. Therefore, at June 30, 2019 the company owned 1,275,498 ordinary treasury shares (equal to 2.01% of the Share capital).

On May 7, 2019, the Board of Directors of Elica S.p.A. approved the 2019 First Quarter results, prepared in accordance with IFRS accounting standards. The Board of Directors of Elica S.p.A. approved at the same date the FY 2019 guidelines, forecasting increased revenue and margins.

A.3.3. Subsequent events and outlook

The Group continues an extensive monitoring of demand dynamics across all markets in execution of the three-year Strategic Plan launched in 2017 and in particular the guidance for 2019 approved on May 7, forecasting improved revenue and margins.

On July 8, 2019, the Board of Directors appointed Mauro Sacchetto as the new Chief Executive Officer of Elica S.p.A. with immediate effect. The appointment, in accordance with the succession plan adopted by the company, concludes a selection process and is based on the proposal of the Appointments and Remuneration Committee, reflecting its opinion and follows approval by the Board of Statutory Auditors.
Having held the position of Chief Executive Officer since November 2016, Antonio Recinella and the company have mutually agreed that the conditions have arisen to begin a leadership transition process. The settlement agreement for Mr. Recinella's departure, in legal conclusion of the relationship, was approved on the same date by the Board of Directors of the company, with the favourable opinion of the Appointments and Remuneration Committee and the Control, Risks and Sustainability Committee (acting as the Related Parties Committee). The agreement stipulates the recognition of a total indemnity of Euro 1.280 million gross, to be paid by the end of July 2019, on condition of the agreement's confirmation in a protected setting. The agreement in addition includes the maintenance of several benefits until December 31, 2019 at the latest; no subsequent benefits or rights are stipulated.

On July 24, 2019, Elica S.p.A. announced an agreement for the sale of 1,275,498 treasury shares, equal to 2.014% of the share capital, to TIP - Tamburi Investment Partners S.p.A., an independent and diversified investment/merchant bank listed on the STAR segment of the Italian Stock Exchange, at an agreed price of Euro 2 per share for a total amount of Euro 2,550,996. The agreed price is in line with the motions passed by the Shareholders' Meeting of April 18, 2019 concerning the disposal of treasury shares.

This transaction took place concurrently with the purchase by TIP of the entire holding of Whirlpool EMEA S.p.A in Elica of 7,958,203 shares - equal to 12.568% of the share capital - against the same consideration of Euro 2 per share paid by TIP to Elica.

Elica and Whirlpool shall maintain their commercial partnership as previously, in accordance with the long-term agreement signed on December 18, 2018.

Following the above transactions, on July 26, 2019 TIP came to hold 14.582% of the share capital of Elica S.p.A..

A.3.4. Elica Group structure and consolidation scope

The Elica Group is a global manufacturer of kitchen range hoods for domestic use and is a European player in the home heating system boiler motor sector.

Parent

- Elica S.p.A. - Fabriano (Ancona, Italy) is the parent of the Group (in short Elica).

Subsidiaries

- Elica Group Polska Sp.zo.o – Wroclaw – (Poland) (in short Elica Group Polska). This wholly-owned company has been operational since September 2005 in the production and sale of electric motors and from December 2006 in the production and sale of exhaust hoods for domestic use;
- Elicamex S.A. de C.V. – Queretaro (Mexico) (in short 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;
- Leonardo Services S.A. de C.V. – Queretaro (Mexico) (in short 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 the Mexican staff, providing services to ELICAMEX S.A. de C.V;
- Ariafina CO., LTD – Sagamihara-Shi (Japan) (in short Ariafina). Incorporated in September 2002 as an equal Joint Venture with Fuji Industrial of Tokyo, the Japanese range hood market leader, Elica S.p.A. acquired control in May 2006 (51% holding) to provide further impetus to the development of the important Japanese market, where high-quality products are sold;
- Airforce S.p.A. – Fabriano (Ancona, Italy) (in short Airforce). This company operates in a special segment of the production and sale of hoods. Elica S.p.A. owns 60% of this company;
- Airforce Germany Hochleigstungs-Dunstabzugssysteme GmbH – Stuttgart (Germany) (in short Airforce Germany). The 95% holding is held by Airforce S.p.A.. The company is no longer operative and is expected to be removed from the German Federal Bulletin by the end of 2019. On removal, the shareholder shall be repaid the share capital and the company deconsolidated.
- Elica Inc – Chicago, Illinois (United States), offices in Issaqua, 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.;
- Elica PB India Private Ltd. – Pune (India) (in short Elica India). Elica PB India Private Ltd. is involved in the production and sale of Group products. At December 31, 2017, Elica S.p.A. held 51% of the Indian company’s share capital. In 2018, following the conversion of the Debenture, the Elica Group increased its holding to 58% and thereafter sold its share to a third party, holding at year-end 25.5%. Thanks to the signing of a shareholders agreement with the Indian shareholders, the Elica Group continues to have control.
- Zhejiang Elica Putian Electric CO.,LTD. – Shengzhou (China) (in short Putian), a Chinese company held 99% and operating under the Puti brand, a leader in the Chinese home appliances sector, producing and marketing range hoods, gas hobs and kitchenware sterilisers. Putian is one of the main players in the Chinese 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.
- Elica Trading LLC – St. Petersburg (Russian Federation) (in short Elica Trading), a Russian company held 100%, incorporated on June 28, 2011.
- Elica France S.A.S. - Paris (France) (in short Elica France), a wholly-owned French company incorporated in 2014.
- Elica GmbH – Munich (Germany), a German company wholly-owned by Elica S.p.A. and incorporated in 2017.

Associates

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

Changes in the consolidation scope

There were no changes in the consolidation scope compared to December 31, 2018.

A.4. Compliance with Article 5, paragraph 8, Consob Regulation 17221 of 12.03.2010 regarding transactions with subsidiaries, associates and other related parties

In the first half of 2019, transactions were entered into with subsidiaries, associates and other related parties. All transactions were conducted on an arm's length basis in the ordinary course of business.
There are no particular issues to highlight in accordance with Article 5, paragraph 8 of Consob Regulation 17221 of 12.03.2010[3].

A.5. Compliance with Section VI of the regulation implementing Legislative Decree no. 58 of February 24, 1998 concerning market regulations ("Market Regulations")

Elica S.p.A. confirms compliance with the conditions for listing pursuant to Articles 36 and 37 of Consob's Market Regulations. In particular, having control, directly or indirectly, over some companies registered in countries outside of the European Union, the financial statements of the above-mentioned companies, prepared for the purposes of the Elica Group Consolidated Financial Statements, were made available in accordance with the provisions required by the current regulations enacted on March 30, 2009.

A.6. 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 the Consob Issuers' Regulation, on January 16, 2013, Elica announced that it would employ the exemption from publication of the required disclosure documents concerning significant merger, spin-off, and share capital increase operations through conferment of assets in kind, acquisitions and sales.

[3] This article establishes that: "Issuing companies with shares listed, having Italy as the home Member State, pursuant to Article 154-ter of the Consolidation Law, shall provide information, in the interim management report and annual report: a) on individual significant transactions concluded during the reporting period; b) on any other individual transactions with related parties as defined under Article 2427, second subsection, of the Italian Civil Code, concluded in the reporting period, that have materially affected the financial position or results of companies; c) on any change or development of related party transactions described in the last annual report that had a material effect on the financial position or results of the company during the reporting period".

Elica S.p.A.

B. Condensed Interim Consolidated Financial Statements

as at and for the six months ended

June 30, 2019

B.1.Consolidated financial statements at June 30, 2019

B.1.1. H1 2019 Consolidated Income Statement

In Euro thousands	***Note***	**H1 19**	**H1 18**
Revenue	B.3.1	238,666	243,250
Other operating income	B.3.2	1,071	1,175
Changes in inventories finished/semi-finished goods	B.3.3	755	2,287
Increase in internal work capitalised		1,928	1,910
Raw materials and consumables	B.3.3	(127,368)	(129,935)
Services	B.3.4	(42,028)	(43,945)
Personnel expenses	B.3.5	(48,192)	(46,162)
Amortisation & Depreciation		(12,423)	(9,847)
Other operating expenses and provisions	B.3.6	(4,863)	(12,518)
Restructuring charges	B.3.15	(692)	-
Operating profit		**6,854**	**6,215**
Share of profit/(loss) of associates		9	(5)
Financial income	B.3.7	175	98
Financial expenses	B.3.7	(1,942)	(1,607)
Exchange rate gains/(losses)	B.3.7	(293)	(764)
Profit before taxes		**4,803**	**3,937**
Income taxes		(1,717)	(1,582)
Profit from continuing operations		**3,086**	**2,355**
Profit from discontinued operations		-	-
Profit for the period		**3,086**	**2,355**
of which:			
Attributable to non-controlling interests		1,704	1,319
Attributable to owners of the Parent		1,382	1,036
Basic earnings per Share (Euro/cents)		2.23	1.67
Diluted earnings per Share (Euro/cents)		2.23	1.67

B.1.2. H1 2019 Statement of Comprehensive Income

In Euro thousands	***Note***	**H1 19**	**H1 18**
Profit		**3,086**	**2,355**
Other comprehensive income/(expense) which may not be subsequently reclassified to profit/(loss) for the period:			
Actuarial gains/(losses) of employee defined plans	B.3.16	(837)	319
Tax effect concerning the Other income/(expense) which may not be subsequently reclassified to the profit/(loss) for the period		-	-
Total other comprehensive income/(expense) which may not be subsequently reclassified to profit/(loss) for the period, net of the tax effect		**(837)**	**319**
Other comprehensive income/(expense) which may be subsequently reclassified to profit/(loss) for the period:			
Exchange differences on the conversion of foreign financial statements	B.3.19	1,692	611
Net change in cash flow hedges	B.3.19	284	(748)
Tax effect concerning the Other income/(expense) which may be subsequently reclassified to the profit/(loss) for the period		(68)	198
Total other comprehensive income/(expense) which may be subsequently reclassified to profit/(loss) for the period, net of the tax effect		**1,908**	**60**
Total other comprehensive expense, net of the tax effect:		**1,071**	**379**
Total comprehensive income for the period		**4,157**	**2,734**
of which:			
Attributable to non-controlling interests		1,834	1,338
Attributable to the owners of the parent		2,323	1,396

B.1.3. Consolidated Statement of Financial Position at June 30, 2019

In Euro thousands	***Note***	**June 30, 19**	**Dec 31, 18**
Property, plant & equipment	B.3.8	102,465	102,854
Goodwill	B.3.9	39,347	39,273
Other intangible assets	B.3.10	27,366	27,146
Usage rights as per IFRS 16	B.2.4.1	11,265	-
Investments in associates	B.3.11	1,405	1,396
Other receivables	B.3.17	385	352
Deferred tax assets	B.3.12	18,795	18,339
Total non-current assets		**201,027**	**189,360**
Trade receivables	B.3.13	62,788	51,192
Inventories	B.3.14	79,377	76,196
Other receivables	B.3.17	6,218	6,589
Tax assets	B.3.18	14,052	17,275
Derivative financial instruments	B.3.20	194	513
Cash and cash equivalents	B.3.20	24,018	35,612
Current assets		**186,647**	**187,377**
Assets of discontinued operations		**-**	**-**
Total assets		**387,674**	**376,736**
Liabilities for post-employment benefits	B.3.16	11,278	10,465
Provisions for risks and charges	B.3.15	9,235	10,647
Deferred tax liabilities	B.3.12	2,754	2,992
Finance leases and other lenders as per IFRS 16	B.3.20	8,168	-
Bank loans and borrowings	B.3.20	48,206	54,102
Other payables	B.3.17	13	64
Tax liabilities	B.3.18	-	53
Derivative financial instruments	B.3.20	259	120
Non-current liabilities		**79,913**	**78,443**
Provisions for risks and charges	B.3.15	7,028	9,318
Finance leases and other lenders as per IFRS 16	B.3.20	3,050	-
Bank loans and borrowings	B.3.20	38,532	37,792
Trade payables	B.3.13	115,391	109,916
Other payables	B.3.17	17,442	14,503
Tax liabilities	B.3.18	8,107	10,844
Derivative financial instruments	B.3.20	1,232	1,737
Current liabilities		**190,782**	**184,110**
Liabilities of discontinued operations			
Share capital		12,665	12,665
Capital reserves		71,123	71,123
Hedging and translation reserve		(13,350)	(15,096)
Reserve for actuarial gains/losses		(3,607)	(2,802)
Treasury shares		(3,551)	(3,551)
Retained earnings		40,557	41,535
Profit/(loss) attributable to the owners of the Parent		1,382	(961)
Equity attributable to the owners of the Parent		**105,219**	**102,913**
Capital and reserves attributable to non-controlling interests		10,055	7,995
Profit attributable to non-controlling interests		1,704	3,275
Equity attributable to non-controlling interests		**11,759**	**11,270**
Total equity	**B.3.19**	**116,978**	**114,183**
Total liabilities and equity		**387,674**	**376,736**

B.1.4. H1 Consolidated Statement of Cash Flows

In Euro thousands	**June 30, 19**	**June 30, 18**
Opening cash and cash equivalents	**35,612**	**34,873**
Operating activities		
Profit for the period	**3,086**	**2,355**
Amortisation & Depreciation	12,423	9,847
Impairments	-	-
Non-monetary (income)/charges	(9)	5
Trade working capital	(9,004)	3,539
Other working capital accounts	3,899	4,339
Income taxes paid	(2,443)	(3,133)
Change in provisions	(512)	(1,240)
Other changes	255	620
Cash flow from operating activities	**7,695**	**16,332**
Investing activities		
Investments		
- Intangible	(3,844)	(3,739)
- Tangible	(5,954)	(10,485)
- Usage rights	(1,436)	-
Cash flow used in investing activities	**(11,234)**	**(14,224)**
Financing activities		
Dividends	(1,479)	(1,356)
Increase (decrease) in loans and borrowings	(5,363)	(4,747)
Net changes in other financial assets/liabilities	(220)	(715)
Interest paid	(1,583)	(1,364)
Cash flow used in financing activities	**(8,645)**	**(8,183)**
Increase/(Decrease) in cash and cash equivalents	**(12,184)**	**(6,075)**
Net effect of conversion of cash and cash equivalents	590	406
Closing cash and cash equivalents	**24,018**	**29,204**

B.1.5. Statement of changes in Consolidated Equity at June 30, 2019

In Euro thousands	**Share capital**	**Share premium reserve**	**Acquisition/Sale treasury shares**	**Retained earnings**	**Hedge, trans. & post-employ ben. res.**	**Profit/(loss) for the period**	**Equity owners of parent**	**Equity non-control. int.**	**Total**
December 31, 2017	**12,665**	**71,123**	**(3,551)**	**37,049**	**(17,963)**	**166**	**99,489**	**5,005**	**104,494**
Change in cash flow hedges net of the tax effect					(551)		**(551)**		(551)
Actuarial gains/(losses) on post-employment benefits					311		**311**	7	**319**
Exchange rate gains/(losses) on translation of foreign subsidiaries' financial statements					600		**600**	11	**611**
Total gains/(losses) recognised directly in equity	-	-	-	-	**360**	-	**360**	**19**	**379**
Profit for the period						1,036	**1,036**	1,319	**2,355**
Total gains/(losses) recognised in profit or loss	-	-	-	-		**1,036**	**1,396**	**1,338**	**2,734**
Allocation of profit/(loss) for the period				166		(166)	-		-
Other movements				(3,811)			(3,811)	1,967	(1,844)
Dividends				-			-	(1,356)	(1,356)
Balance at June 30, 2018	**12,665**	**71,123**	**(3,551)**	**33,404**	**(17,603)**	**1,036**	**97,074**	**6,954**	**104,028**
Balance at December 31, 2018	**12,665**	**71,123**	**(3,551)**	**41,535**	**(17,898)**	**(961)**	**102,913**	**11,270**	**114,183**
Fair value changes on cash flow hedges net of the tax effect					216		**216**		**216**
Actuarial gains/(losses) on post-employment benefits					(805)		**(805)**	(32)	**(837)**
Exchange rate gains/(losses) on translation of foreign subsidiaries' financial statements					1,531		**1,531**	162	**1,692**
Total gains/(losses) recognised directly in equity	-	-	-	-	**941**	-	**941**	**130**	**1,071**
Profit for the period						1,382	**1,382**	1,704	**3,086**
Total gains/(losses) recognised in profit or loss	-	-	-	-		**1,382**	**2,323**	**1,834**	**4,157**
Allocation of profit/(loss) for the period				(961)		961	-		-
Other movements				(17)			**(17)**	134	**117**
Dividends				-			-	(1,479)	**(1,479)**
Balance at June 30, 2019	**12,665**	**71,123**	**(3,551)**	**40,557**	**(16,956)**	**1,382**	**105,219**	**11,759**	**116,978**

B.2. Notes to the Condensed Interim Consolidated Financial Statements at June 30, 2019

B.2.1. Group structure and brief description of its activities

The Elica Group, operating in the range hood market since the 1970's, is chaired by Francesco Casoli and led by the Chief Executive Officer. In Europe, it is also engaged in the design, manufacture and sale of motors for central heating boilers. With approx. 3,800 employees, the Elica Group has seven plants, including in Italy, Poland, Mexico, India and China. With many years' experience in the sector, Elica has combined meticulous care for design with judicious choice of high-quality materials and cutting-edge technology to guarantee maximum efficiency and low energy consumption, making the Elica Group the prominent market figure it is today. This has enabled the Group to revolutionize the traditional image of cooker hoods: they are no longer seen as simple accessory but as a design element that improves the quality of life.

In 2018, the Group concluded the review of the Corporate Reporting system without substantial amendments to the set of internal reports reviewed periodically by management, but eliminated the breakdown by geographic location in which the companies are located. The various reports provide a global overview at Group level. This new reporting system is in line with the conclusion of the Group Reorganisation process which provides greater scope on the responsibility of individual reporting to the Chief Executive Officer for the Group. The present reporting is in line with Management strategy, with an increasing global footprint. In this manner the Group can provide information which enables readers of the financial statements to evaluate the nature and effects on the financial statements of the strategies undertaken and of the general economic context.
As per IFRS 8, the segment disclosure is reviewed and reported in line with that utilised by management for the undertaking of operational decisions and therefore one single Operating Segment, corresponding to the Elica Group.

The Euro is the functional and reporting currency for Elica and all consolidated companies, except for such foreign subsidiaries as 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 prepare their financial statements in the Polish Zloty (Elica Group Polska Sp.zo.o), 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 exchange rates used for the translation to Euro of the financial statements of companies consolidated in a currency other than the consolidation currency, compared with those used in the previous periods, are shown in the table below:

	Average H1 2019	Average H1 2018	Change %	June 30, 19	Dec 31, 18	Change %
USD	1.13	1.21	(6.6%)	1.14	1.15	(0.9%)
JPY	124.28	131.61	(5.6%)	122.60	125.85	(2.6%)
PLN	4.29	4.22	1.7%	4.25	4.30	(1.2%)
MXN	21.65	23.09	(6.2%)	21.82	22.49	(3.0%)
INR	79.12	79.49	(0.5%)	78.52	79.73	(1.5%)
CNY	7.67	7.71	(0.5%)	7.82	7.88	(0.8%)
RUB	73.74	71.96	2.5%	71.60	79.72	(10.2%)

B.2.2. Approval of the 2019 Half-Year Report

The report for the period ended June 30, 2019 was approved by the Board of Directors on July 30, 2019.

B.2.3. Accounting policies and basis of consolidation

The annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union through Regulation No. 1606/2002.

These condensed consolidated half-year financial statements were prepared, in summary form, in conformity with IAS 34 "Interim Financial Statements" and in conformity with the requirements of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and integrations.
The condensed consolidated half-year financial statements therefore do not include all the information published in the annual report and must be read together with the consolidated financial statements as at December 31, 2018.

The accounting and consolidation principles adopted for the preparation of the current condensed consolidated half-year financial statements are unchanged compared to those adopted for the preparation of the Group annual consolidated financial statements for the year ended December 31, 2018, except for the application of the new standard IFRS 16 Leasing Contracts which had the impacts reported at paragraph B.2.4.1..

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

The Condensed Consolidated Interim Financial Statements at June 30, 2019 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity. The condensed interim consolidated financial statements are compared with the corresponding period of the previous year for the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity and with the consolidated statement of financial position at December 31, 2018.

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

B.2.4. Changes in accounting policies

Except for what reported below, these condensed interim consolidated financial statements were prepared according to the same accounting standards as those applied to the latest annual financial statements (i.e. for the preparation of the consolidated financial statements at December 31, 2018).
The changes to the accounting standards will impact also the Group consolidated financial statements for the year ending December 31, 2019.

B.2.4.1. IFRS 16 Leasing

The Group adopted this standard from January 1, 2019. The other new standards entering into force from January 1, 2019 did not have significant impacts on the Group consolidated financial statements.
IFRS 16 introduces a single model for the recognition of leases in the financial statements of the lessee, according to which the Group, as lessee, recorded an asset representing the right to use the underlying asset and a liability which reflects the obligation to pay the lease charges. Recognition methods for the lessor are similar to those under the previously applicable standard.
The Group applied IFRS 16 utilising the modified retrospective application method, on the basis of which the cumulative effect from initial application is recognised, where existing, to retained earnings at January 1, 2019. Therefore, the 2018 figures were not restated i.e. they were presented as per IAS 17 and the relative interpretations. The changes to the accounting standards are outlined below.

Leasing definition - As per IFRS 16, the Group assesses whether the contract is a lease or contains a lease according to the new definition of leasing. The Group previously established at the commencement of the contract whether it was, or contained, a lease according to IFRIC 4 - Determining whether an agreement contains a lease.
At the initial application date of IFRS 16, the Group decided to adopt the practical expedient which exempts re-examining which operations contain leases. IFRS 16 was applied only to contracts which were previously identified as leases. The contracts which hadn’t been identified as leases applying IAS 17 and IFRIC 4 were not re-assessed in order to establish whether constituting a lease. Therefore, the definition of leasing contained in IFRS 16 was applied only to contracts signed or amended on January 1, 2019 or subsequently.
At the commencement of the contract or at the re-assessment date of a contract which contains a leasing component, the Group assigns the consideration of the contract to each leasing and non-leasing component according to the relative standalone price.

Accounting model for the lessee - The Group has many assets under lease, such as buildings, production machinery, vehicles and IT equipment. As lessee, previously the Group classified leases as operating or finance leases, assessing whether the lease transfers or otherwise substantially all risks and benefits related to ownership. According to IFRS 16, the Group recognises to the statement of financial position the usage right assets and the lease liabilities for the majority of leases.
However, the Group decided not to recognise the usage rights assets and the lease liabilities for low value assets (less than USD 5 thousand), including IT equipment. Therefore, the Group recognises payments due relating to prior contracts as costs on a straight-line basis over the lease duration.
The accounting values of usage right assets, which constitute the account “Usage rights as per IFRS 16” are listed as follows:

In Euro thousands	**Buildings**	**Plant & equipment**	**Other assets**	**Total**
Balance at January 1, 2019	3,401	1,809	6,141	11,351
Balance at June 30, 2019	3,091	1,687	6,488	11,265

The Group presents lease liabilities in the account “Amounts due under finance leases and to other lenders as per IFRS 16” in the condensed statement of financial position. This account, both current and non-current, at January 1, 2019 and June 30, 2019, includes only the payables within this scope.

Description of the Group accounting policy - At the commencement date of leases, the Group recognises the usage right assets and the lease liabilities. Usage right assets are initially valued at cost, and subsequently at cost net of amortisation and cumulative impairments, while adjusted to reflect lease liability revaluations.
The Group assesses the lease liabilities at the present value of payments due for lease charges not settled at the commencement date, discounting them according to the implied lease interest rate. Where it is not possible to establish this rate easily, the Group utilises the marginal interest rate. It generally uses the marginal interest rate as the discount rate.
The lease liability is subsequently increased by the interest maturing on this liability and reduced for payments due on the lease and is revalued in the case of changes to future payments on leasing deriving from a change in the index or rate, in the case of a change to the amount which the Group expects to pay as guarantee on the residual value or where the Group changes its assessment on the exercise or otherwise of a purchase, renewal or termination option.

The Group estimated the lease duration of some contracts in which it acts as lessee and which have renewal options. The Group assessment upon the existence or otherwise of a reasonable certainty of exercising the option influences the estimate of the lease duration, significantly impacting the amount of the lease liabilities and the usage right assets recognised.

Initial application - At the initial application date, in the case of leases classified as operating leases as per IAS 17, the lease liabilities are calculated at the present value of the residual payments due for the lease charges, discounted according to the marginal interest rate of the Group at January 1, 2019. The usage right assets are valued at an amount equal to the lease liability, adjusted for any advance or cumulative payments due for the leases.
The Group utilised the following practical expedients to apply IFRS 16 to leases classified previously as operating leases as per IAS 17.

- It applied the exemption from recognising assets for usage rights and lease liabilities for contracts whose duration is less than 12 months;
- It excluded the initial direct costs from the valuation of the usage rights assets at the initial application date;
- This is based on experience acquired in determining the duration of leases containing renewal or termination options.

The Group does not hold lease contracts which were previously considered finance leases.

Effects of Initial application - The Elica Group applied IFRS 16 Leases from January 1, 2019, retrospectively with full impact on equity, according to point C5 (b) of IFRS 16. The comparative information was therefore not restated. On the basis of point C8 of the same standard, finance leases payables emerging from application of IFRS 16 at the initial application date of January 1, 2019 were therefore recognised.

In Euro thousands	
operating lease commitments as per financial statements at 31/12/2018	**13,049**
maturity within 12 months	(1,012)
impact of contracts for goods of a value of less than 5k$ (with a residual duration of greater than 12 months)	(19)
other	(147)
impact from discounting	(520)
amount due for finance leases as per IFRS 16 at 1/1/2019	**11,351**

For the majority of contracts, the incremental debt rate is used as the discount rate.

Period effects - Following the initial application of IFRS 16 to leases classified previously as operating leases, the Group recognised usage right assets and lease liabilities of Euro 11,351 thousand at January 1, 2019 and of Euro 11,265 thousand at June 30, 2019. In addition, in relation to leases recognised as per IFRS 16, the Group recognises amortisation and interest instead of operating lease costs. In the first six months to June 30, 2019, the Group recognised amortisation and interest costs respectively of Euro 1,521 thousand and Euro 121 thousand.

B.2.4.2. IFRIC 23 - Uncertainties over income tax treatments

IFRIC 23, entering into force at January 1, 2019, without having significant effects for the Group, clarifies how to apply the requirements regarding recognition and measurement as per IAS 12 where uncertainties exists regarding income tax treatments. In this case, the entity should record and measure its current or deferred tax asset or liability applying the requirements as per IAS 12 on the basis of the assessable income (tax loss), the values for tax purposes, the unutilised tax losses, the unutilised tax receivables and of the tax rates calculated applying this interpretation.

B.2.5. New accounting standards not yet in force

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.
For all the newly issued standards, as well as the revision and amendments to existing standards, the Group is assessing impacts which are currently unforeseeable that will derive from their future application.

B.2.5.1. Amendments to IAS 1 and IAS 8

On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)", which introduced a change to make the definition of the term "relevant" contained in IAS 1 and IAS 8 more specific. The amendment also introduces the concept of "obscured information" alongside the concepts of "omitted" or "misstated" information previously included in the two amended Standards. The amendment clarifies that information is obscured if it is described in a way that results in an effect for the users of the financial statements similar to that which would have resulted if the information concerned had been omitted or misstated. The amendments to IAS 1 and IAS 8 are effective from periods beginning on, or subsequent to, January 1, 2020.

B.2.5.2. Amendments to IFRS 3

On October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)", introducing amendments to IFRS 3 to better clarify the definition of a business. In particular, the amendment clarifies that the existence of an output is not strictly necessary to identify a business when there is however an integrated set of activities, processes and assets. However, in order to meet the definition of a business, an integrated set of activities, processes and assets must include, at minimum, an input and a substantial process that together contribute significantly to the capacity to create output. For this purpose, the IASB has replaced the term "capacity to create output" with "capacity to contribute to the creation of output" to clarify that a business may exist even without all the inputs and processes necessary to create an output. The amendment also introduced an optional test ("concentration test") for an entity to determine whether a set of activities, processes and assets acquired is a business. To this end, the amendment adds numerous examples illustrating IFRS 3 to help understanding the practical application of the new definition of a business in specific cases. The amendments apply to business combinations and acquisitions of activities after January 1, 2020, although advance application is permitted.

B.2.6. Use of estimates

In the preparation of the condensed half-year financial statements, the Group's management made accounting estimates and assumptions which have an effect on the values of the assets and liabilities and disclosures. The actual results may differ from these estimates. The estimates and assumptions are periodically reviewed and the effects of any changes are promptly recognised in the consolidated financial statements.

In this context, the Group made assumptions about the 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 account items principally concerned by uncertainty are: goodwill, the allowance for impairment and inventory obsolescence provision, non-current assets (property, plant and equipment and intangible assets), pension funds and other post-employment benefits, provisions for risks and charges and deferred tax assets and liabilities.

Reference is made to the previous year annual accounts and the notes to the present condensed consolidated half-year financial statements for the details relating to the estimates stated above.

B.3.Composition and main changes in the Income Statement and Statement of Financial Position

B.3.1. Revenue

In Euro thousands	**H1 19**	**H1 18**	**Changes**
Revenue	238,666	243,250	(4,584)
Total revenue	**238,666**	**243,250**	**(4,584)**

For the comments relating to the changes in revenues, reference should be made to the paragraph "A.3.1.1 H1 2019 performance" in the Directors' Report. Customers who comprise more than 10% of total revenue constituted 13.64% of revenue in the first six months of 2019.
The Group carried out an analysis to identify the separate performance obligations which indicated that it was not necessary to further breakdown revenue. The criteria applied by the Group are in line with those established by IFRS 15. Finally, no circumstances were identified whereby a Group company had the role of "agent".

B.3.2. Other operating income

In Euro thousands	**H1 19**	**H1 18**	**Changes**
Grants related to income	436	369	67
Ordinary gains	19	22	(3)
Claims and insurance settlement	69	144	(75)
Other revenues and income	547	641	(94)
Total	**1,071**	**1,175**	**(104)**

The account decreased by Euro 104 thousand. This decrease concerned Other revenue and income, which includes expenses recovered. The decrease in particular concerned the transport cost expenses recovered account.

B.3.3. Raw materials and consumables and changes in inventories of finished and semi-finished goods

In Euro thousands	**H1 19**	**H1 18**	**Changes**
Purchase of raw materials	98,434	102,734	(4,300)
Purchase of finished goods	15,359	13,009	2,350
Purchases of semi-finished materials	9,065	9,400	(335)
Transport of purchases	3,229	3,004	225
Packaging	1,153	1,079	74
Purchases of consumables	1,102	1,799	(697)
Other purchases	795	889	(94)
Purchases of supplies	576	619	(43)
Change in raw materials, consumables and goods	(2,345)	(2,599)	254
Raw materials and consumables	**127,368**	**129,935**	**(2,567)**
Changes in inventories of finished and semi-finished goods	**(755)**	**(2,287)**	**1,532**
Total	**126,613**	**127,647**	**(1,034)**

This account reduced by approx. Euro 1 million, although increasing as a percentage of revenue (52.5% to 53.1%), decreasing revenue of 1.9%. This decrease concerned purchases of raw materials for Euro 4.3 million, only partially offset by the increase in the purchase of finished goods for Euro 2.4 million and in the change in inventory of finished and semi-finished products for Euro 1.5 million. This aggregate includes also the risk assessment by Management upon inventory obsolescence.

B.3.4. Services

In Euro thousands	**H1 19**	**H1 18**	**Changes**
Outsourcing	13,041	14,654	(1,613)
Other professional services	5,955	4,728	1,227
Transport	5,439	4,910	529
Consulting	3,070	2,644	426
Management of finished products	2,806	2,938	(132)
Utilities	2,323	2,312	11
Advertising	2,099	3,101	(1,002)
Trade fairs and promotional events	1,677	2,727	(1,050)
Travel	1,392	1,580	(188)
Maintenance	1,141	1,223	(82)
Commissions	937	844	93
Directors' and Statutory Auditors' fees	911	1,187	(276)
Insurance	671	599	72
Industrial services	415	297	118
Banking commissions and charges	151	202	(51)
Total Services	**42,028**	**43,945**	**(1,917)**

This account reduced overall and as a percentage of revenue. In particular, the reduction concerned Outsourcing for Euro 1.6 million, Trade fair and promotional event costs for Euro 1 million and Advertising costs for Euro 1 million, also due to the biennial hosting of the Eurocucina event. The increase in Other professional service costs is due to a number of factors, including the technical assistance and other services accounts, with this latter particularly related to the sales of the trading companies.

B.3.5. Personnel expenses

Personnel expenses incurred by the Group were as follows:

In Euro thousands	**H1 19**	**H1 18**	**Changes**
Wages and salaries	33,796	31,920	1,876
Social security expenses	9,353	8,932	421
Post-employment benefits	1,521	1,529	(8)
Other costs	3,522	3,781	(259)
Total personnel expenses	**48,192**	**46,162**	**2,030**

The account increased by approx. Euro 2 million. Other costs include the increase of approx. Euro 0.4 million for the Long Term Incentive Plan. The increase concerns for approx. Euro 1 million the Mexican subsidiaries.

B.3.6. Other operating expenses and provisions

In Euro thousands	**H1 19**	**H1 18**	**Changes**
Provisions for risks and charges	1,450	1,927	(477)
Rental, Leases, Car and industrial vehicle hire	1,235	2,585	(1,350)
Other prior year expenses and losses	720	843	(123)
Other taxes	558	675	(117)
Hardware, software and patents	317	458	(142)
Losses on receivables and allowance for impairment	262	5,653	(5,390)
Catalogues and brochures	222	246	(24)
Sundry equipment	94	125	(31)
Magazine and newspaper subscriptions	6	6	-
Total	**4,863**	**12,518**	**(7,655)**

This account in H1 2019 reduced on the same period of the previous year on the basis of two particular issues. On the one hand Rental, Leases, Car and industrial vehicle hire reduced Euro 1.5 million due to the application of IFRS 16, as described previously at paragraph B.2.4.1. On the other hand, Losses and allowances for impairments decreased due to the amount in the previous year including the costs from the valuation, according to the Group's policies, of commercial receivables from Exklusiv Hauben Gutmann GmbH, since the opening of a preliminary voluntary solvency procedure by the German company.
Provisions for risks and charges includes the cost of Euro 1,280 thousand for the Chief Executive Officer replacement risk, as outlined in the Directors' Report, particularly at paragraphs A.3.1.1. and A.3.3.

B.3.7. Net financial expenses

In Euro thousands	**H1 19**	**H1 18**	**Changes**
Financial income	175	98	77
Financial expenses	(1,942)	(1,607)	(335)
Exchange rate gains/(losses)	(293)	(764)	471
Total net financial expenses	**(2,060)**	**(2,273)**	**213**

The financial management performance principally reflects currency movements relating to the currencies utilised by the Group.

B.3.8. Property, plant & equipment

The breakdown of property, plant and equipment at June 30, 2019 and December 31, 2018 is detailed below.

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Land, land usage rights and buildings	45,546	46,025	(479)
Plant and machinery	28,771	28,475	296
Industrial and commercial equipment	22,380	24,048	(1,668)
Other assets	4,075	3,817	258
Assets in progress and advances	1,692	488	1,203
Total property, plant and equipment	**102,465**	**102,854**	**(389)**

Property, plant and equipment decreased from Euro 102,854 thousand at December 31, 2018 to Euro 102,465 thousand at June 30, 2019, with a decrease of Euro 389 thousand as a result of the sales, purchases and of depreciation recorded in the income statement of Euro 7,297 thousand. The change includes exchange rate losses of approx. Euro 1,100 thousand.

B.3.9. Goodwill

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Goodwill allocated to subsidiaries	39,347	39,273	74
Goodwill	**39,347**	**39,273**	**74**

The account increased due to exchange rate movements. No operations in the half-year produced additional goodwill compared to December 2018. Based on the information currently available, no impairment indicators were evident at June 30, 2019.
The Group continues an extensive monitoring of demand dynamics across all markets in execution of the three-year Strategic Plan launched in 2017 and in particular the guidance for 2019 approved on May 7, forecasting improved revenue and margins.
The Management of the Group will continue to constantly monitor the circumstances and the events which form the basis of the future development of the business and will carry out at December 31, 2019 a more extensive analysis in relation to an impairment test.

B.3.10. Other intangible assets

The breakdown of the "Other intangible assets" at June 30, 2019 and December 31, 2018 is shown below.

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Development Costs	7,904	8,870	(966)
Industrial patents and intellectual property rights	13,450	14,504	(1,054)
Concessions, licenses, trademarks & similar rights	646	620	26
Other intangible assets	1,395	1,538	(143)
Assets in progress and advances	3,971	1,614	2,357
Total other intangible assets	**27,366**	**27,146**	**220**

Other intangible assets increased from Euro 27,146 thousand at December 31, 2018 to Euro 27,366 thousand at June 30, 2019, an increase of Euro 220 thousand as a result of the purchases, sales and amortisation recorded to the income statement of Euro 3,605 thousand.
"Assets in progress and payments on account" refer in part to advances and the development of projects for the implementation of new IT platforms and the design, development and creation of new software applications, and also the development of new products.

B.3.11. Investments in associates

The change in the account, which increased from Euro 1,396 thousand at December 31, 2018 to Euro 1,405 thousand at June 30, 2019, relates to the performance of the company I.S.M. S.r.l..

B.3.12. Deferred tax assets – Deferred tax liabilities

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Deferred tax assets	18,795	18,339	456
Deferred tax liabilities	(2,754)	(2,992)	238
Total	**16,041**	**15,347**	**694**

Deferred taxes are substantially in line with December 31, 2018.
The deferred tax asset was recorded as it is considered recoverable in relation to the assessable results for the periods in which deferred taxes will reverse in the financial statements and as Group management considers that such commitments will be respected. The parent's portion is Euro 13.9 million, of which Euro 6.8 million accrued on prior year losses.

B.3.13. *Trade receivables and payables*

Trade receivables and trade payables were as follows:

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Trade receivables	62,788	51,192	11,596
Trade payables	(115,391)	(109,916)	(5,475)
Total	**(52,603)**	**(58,724)**	**6,121**

Trade receivables are recorded net of the allowance for impairment of Euro 5,266 thousand (Euro 13,865 thousand at December 31, 2018) made following an analysis of the credit risk on receivables and on the basis of historical data on credit losses, considering that a substantial portion of the receivables are insured by prime international insurance companies. Management considers that the value approximates the fair value of the receivables.

The performance of both accounts reflects business seasonality.

B.3.14. Inventories

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Raw material, ancillaries and consumables	31,886	31,183	703
Raw materials obsolescence provision	(2,722)	(3,071)	349
Total	29,164	28,112	1,052
Work-in-progress and semi-finished goods	14,820	15,679	(859)
Semi-finished goods obsolescence provision	(1,075)	(1,043)	(32)
Total	13,746	14,636	(890)
Finished products and goods	39,761	37,104	2,657
Finished products obsolescence provision	(3,294)	(3,656)	362
Total	36,467	33,448	3,019
Advances	0	0	0
Total inventories	**79,377**	**76,196**	**3,181**

The account increased from Euro 76,196 thousand at December 31, 2018 to Euro 79,377 thousand at June 30, 2019.
Inventories are stated net of the obsolescence provisions of Euro 7,091 thousand (Euro 7,770 thousand at December 31, 2018), in order to take into consideration the effect of waste, obsolete and slow moving items and the risk estimates of the use of some categories of raw and semi-finished materials based on assumptions made by management. The quantification of the inventory obsolescence provision of raw materials, semi-finished and finished products amounts to 8% of inventories (9% at December 31, 2018).
Inventories also include materials and products that were not physically held by the Group at the balance sheet date. These items were held by third parties on display, for processing or for examination.

B.3.15. Provisions for risks and charges

The details are reported below.

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Accruals for agents’ termination benefits	650	574	76
Product warranties	2,811	2,572	239
Provision for risks and charges	6,673	10,275	(3,602)
Restructuring provision	415	179	236
Personnel provision	1,860	3,007	(1,147)
Long Term Incentive Provision	2,008	1,068	940
Other Provisions	1,845	2,291	(446)
Total	**16,263**	**19,965**	**(3,702)**
of which			
Non-current	9,235	10,647	(1,412)
Current	7,028	9,318	(2,290)
Total	**16,263**	**19,965**	**(3,702)**

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 Group as a percentage of sales still covered by warranty.

The Risks and charges provision relates to likely costs and charges to be incurred, as a result mainly of ongoing disputes, according to the best possible estimates considering the available information. As was the case at December 2018, the provision includes, among others, the estimate made by the Board of Directors with regards to the risk upon outstanding cases.
With regards to the case between Esperança Real S/A, Madson Eletrometalurgica Ltda and Elica S.p.A, the company discloses that in January 2019 the Court of Appeal heard the company’s appeal and cancelled the order to pay the direct pecuniary damage and the indirect damages as set out in the first level judgment. Any amount potentially due should be decided by a fresh judgment and requires the extensive demonstration of proof. Despite this judgment, exclusively for accounting reasons, the company shall maintain the previously accrued amount of Euro 4 million in the financial statements.

This provision includes also the accrual of Euro 1,280 thousand for the Chief Executive Officer replacement risk, as outlined in the Directors’ Report, particularly at paragraphs A.3.1.1. and A.3.3.

During the period, the existing risks provision at December 31, 2018 was utilised for Euro 1.65 million. This provision was created to cover guarantees issued in favour of the owner of the building leased by Gutmann. Following the signing of the settlement with Gutmann on February 27, 2019 and described at paragraph A.3.2. Significant events in H1 2019 of the Directors’ Report, Elica S.p.a. agreed to pay this amount. The provision was therefore utilised partly for the payment made and partly against the payable to the company owning the building.

The existing provision at December 31, 2018 was also utilised of Euro 2.6 million for the settlement with Gutmann.

The Restructuring Provision includes costs relating to Elica S.p.A.'s plan. The restructuring costs written to the income statement, which essentially includes personnel expense, in addition to the effects of the plan of Elica S.p.A., partly executed in the first six months of 2019 and partly accrued to the provision, includes the costs for the same issue incurred by the Chinese subsidiary Elica Putian.

Personnel provisions include the higher cost estimated by the Group for contractual indemnity and for employee bonuses. This provision decreased following the payment of the higher costs related to the previous year and increased following the provision made for this cost for the current period.

The LTI (Long Term Incentive) provision includes the best estimate of matured amount at June 30, 2019 for the 2016-2022 Phantom Stock & Voluntary Co-investment Plan. For further details, reference should be made to the Remuneration Report, published on the company website (http://elica.com/corporation).

Other provisions include, among others, allocations required to comply with the waste disposal regulation.

The impact of the discounting on the non-current provisions is not material.

B.3.16. Liabilities for post-employment benefits

The most recent actuarial calculation of the present value of the provision was performed at December 31, 2018 and June 30, 2019 by an actuarial services company. The changes in the present value of post-employment benefit obligations in the reporting period were as follows:

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Opening balance	10,465	10,903	(438)
Current service cost	1,521	3,014	(1,493)
Actuarial gains and losses	836	(409)	1,245
	12,822	**13,508**	**(686)**
Financial expenses	80	220	(140)
Pension fund	(1,397)	(2,711)	1,314
Benefits provided	(227)	(551)	324
	(1,544)	**(3,042)**	**1,498**
Liabilities for post-employment benefits	**11,278**	**10,465**	**812**

B.3.17. Other Receivables and Other Payables

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Other receivables (non-current)	385	352	33
Other receivables (current)	6,218	6,589	(371)
Total	**6,602**	**6,940**	**338**

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Other payables (non-current)	13	64	(51)
Other payables (current)	17,442	14,503	2,939
Total	**17,455**	**14,567**	**2,888**

Other receivables did not significantly change, although two opposing movements occurred. On the one hand, Elica S.p.A. recorded a reduction of Euro 1.7 million concerning the settlement of the receivable from Manuel Fernandez following the agreement signed on February 27, 2019 and outlined in the Directors' Report at paragraph A.3.2. On the other hand, other various issues among the companies are reported, which individually are insignificant.
The increase in the current portion of Other payables mainly concerns the Parent, particularly employee payables and due also to untaken holidays and leave, in addition to the portion matured for the thirteenth month.

B.3.18. Tax Assets and Payables

In Euro thousands	**June 30, 19**	**Dec 31, 18**	**Changes**
Tax assets (current)	14,052	17,275	(3,223)
Total	**14,052**	**17,275**	**(3,223)**

In Euro thousands)	**June 30, 19**	**Dec 31, 18**	**Changes**
Tax liabilities (non-current)	-	53	(53)
Tax liabilities (current)	8,107	10,844	(2,737)
Total	**8,107**	**10,897**	**(2,790)**

The movement in current tax receivables and payables mainly reflects income tax receivables of the Mexican subsidiary.

B.3.19. Equity

Equity attributable to owners of the parent at June 30, 2019 amounted to Euro 105,219 thousand (Euro 102,913 thousand at December 31, 2018). Movements in the half-year principally concerned the translation reserve, the hedging reserve and the Post-employment benefit reserve. For further details, reference should be made to the Statement of changes in Consolidated Equity. The movement in the translation reserve, positive at consolidated level for Euro 1.7 million and at Group level for Euro 1.5 million, mainly relates to the Mexican subsidiary Elicamex and the Polish subsidiary Elica Group Polska and therefore to the performance of the Mexican Peso and US Dollar and of the Polish Zloty against the Euro.
The change in the Cash Flow Hedge reserve is positive for Euro 0.2 million, relating for Euro 0.3 million to valuations and a tax impact of Euro 0.1 million, of an opposing impact. This includes the valuation of commodities, of currency derivatives and the movement in currency derivatives.
The account Non-controlling interest Equity at June 30, 2019 amounted to Euro 11,759 thousand (Euro 11,270 thousand at December 31, 2018). The movements in the account in the period principally related to: an increase of Euro 1.7 million following the recording of the profit for the period and a decrease of Euro 1,479 thousand for the distribution of dividends to third parties.

B.3.20. Net Financial Position

The Net Financial Debt at June 30, 2019 and at December 31, 2018 is detailed below:

In Euro thousands	**June 30, 19**	**Dec 31, 18**
Cash and cash equivalents	24,018	35,612
Bank loans and borrowings (current)	(38,532)	(37,792)
Bank loans and borrowings (non-current)	(48,206)	(54,102)
Payables to other lenders (non-current)		
Net Financial Position	**(62,720)**	**(56,282)**
Lease payables IFRS 16 (current)	(3,050)	-
Lease payables IFRS 16 (non-current)	(8,168)	-
Net Financial Position - Including IFRS 16 impact	**(73,938)**	**(56,282)**
Assets for derivatives	194	513
Liabilities for derivatives (current)	(1,232)	(1,737)
Liabilities for derivatives (non-current)	(259)	(120)
Net Financial Position - Including IFRS 16 impact and Derivatives effect	**(75,235)**	**(57,626)**

The Net Financial Position - Including IFRS 16 impact and Derivatives effect at June 30, 2019 is a debt position of Euro 75.2 million. Compared to December 31, we highlight the impact from the application of IFRS 16, equal at January 1, 2019 to Euro 11,351 thousand and at June 30, 2019 to Euro 11,218 thousand.
Covenants calculated according to the rules indicated in each contract exist on the medium-long term credit lines existing at June 30 based on the Condensed Consolidated Half-Year Financial Statements. At June 30, 2019 and until the preparation of the present report, the covenants had all been fulfilled.
Management believes that at the present moment, the funds available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and repayment of debt in accordance with their maturities.

B.3.21. Significant non-recurring events and operations

There were none in the period.

B.3.22. Related party transactions and balances

Inter-company transactions are eliminated in the Condensed Consolidated Half-Year Financial Statements and therefore not shown in this note.
Related party transactions were carried out in accordance with law and based on reciprocal business needs.
The income statement and statement of financial position amounts deriving from the transactions carried out as per IAS 24 with related parties are summarised below.

Elica Group vs Related parties

In Euro thousands	**Payables**	**Receivables**	**Costs**	**Revenue & income**
I.S.M. srl	-	1	-	1
Fastnet S.p.A.	2	-	16	-
Ermanno Casoli Foundation	57	-	57	-
Indian shareholders	21	-	527	-
	80	**1**	**600**	**1**

In accordance with IAS 24, remuneration paid to Directors, Statutory Auditors and Key Management Personnel are included in related party transaction, and their amounts are in line with previous periods; reference should be made to the Annual Report in this regard. There are no balances with the parents Fan and Fintrack.

B.3.23. Contingent liabilities

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 allocation in the Group consolidated financial statements at June 30, 2019 for contingent risks and charges relating to legal disputes amounts to Euro 4,874 thousand and is mainly held by the Parent.

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

B.3.24. Positions or transactions arising from atypical and/or unusual operations

In the first half of 2019, no transactions classifiable in this category were recorded.

B.3.25. Subsequent events after period-end

For information on events after June 30, 2019, reference should be made to the Directors' Report at paragraph A.3.3.

Fabriano, July 30, 2019

The Chairman
Francesco Casoli

C. Statement of the corporate financial reporting manager in accordance with Article 154 bis, paragraph 5 of Legislative Decree 58/1998

The undersigned Mauro Sacchetto, as Chief Executive Officer, and Alessandro Carloni, Corporate financial reporting manager of Elica S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:
- the accuracy of the information on company operations and
- the effective application of the administrative and accounting procedures for the compilation of the condensed half-year consolidated financial statements in the first half-year of 2019.

In addition, we declare that the condensed consolidated half-year financial statements:
a) were prepared in accordance with international accounting standards, endorsed by the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
b) correspond to the underlying accounting documents and records;
c) provide a true and fair view of the financial position and results of operations of the issuer and of the companies included in the consolidation.

The Directors' Report on the First Half 2019 includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed consolidated half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. The condensed consolidated half-year financial statements also contain a reliable analysis of the significant transactions with related parties.

Fabriano, July 30, 2019

The Chief Executive Officer
Mauro Sacchetto

Corporate financial
reporting manager
Alessandro Carloni

D. Limited audit report by KPMG on the consolidated half-year financial statements

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via 1° Maggio, 150/A
60131 ANCONA AN
Telefono +39 071 2901140
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Report on review of condensed interim consolidated financial statements

To the Shareholders of
Elica S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Elica Group comprising the income statement and the statements of comprehensive income, financial position, cash flows and changes in equity and notes thereto, as at and for the six months ended 30 June 2019. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Elica Group as at and for the six months ended 30 June 2019 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Ancona, 31 July 2019

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit