CONSOLIDATED FINANCIAL STATEMENTS 2007

Consolidated financial statements 2007

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The Elica Group today

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. With over 2,100 employees and an annual output of over 5 million units, the Elica Group has ten plants specialising in different types of processes and product; of these, eight are in Italy, one is in Poland and one in Mexico. With over thirty years' experience in the sector, Elica has combined meticulous care in design, judicious choice of material and cutting edge technology to become the prominent market f i g ure it is today. The company has revolutionized the traditional image of the kitchen cooker hood: no longer seen as a mere domestic accessory, it has been transformed into a fascinating and sophisticated design object. It is no longer seen as simple accessory but as a design object.

Letter to the shareholders

Dear Shareholders,

The year 2007 has marked the beginning of a new era for Elica.

The stock market listing is a natural step for our company which has experienced strong expansion.

In order to be competitive, we must be flexible, respond quickly to the market, while maintaining a well structured organisation: we must be able to change and make the right choices.

I believe that Elica is capable of change, while based on the solid foundation of its thirty year family history.

With an awareness of our past, strong local roots, entrepreneurial and team spirit, we have engendered Elica with strong values: the decision to enter the Stock Market was not a mandatory step, but followed a realisation of our potential, which is based on our experience, competence, vision and most of all, our values.

The entry into the stock market is the best way to capitalise on these advantages, allowing us to measure our potential with increasingly targeted corporate strategies.

The decision to enter the STAR segment, with its higher transparency and Corporate Governance principles requisite levels (based on the best international standards) is also in line with our company's mission and objectives.

The addition of Andrea Sasso, as the company's Chief Executive Officer, further emphasises the positive direction of the Company.

The company has changed both its vision and its structure, without changing its spirit.

This journey has required enormous effort, which has provided us with an awareness of our abilities.
Our financial performance serves as confirmation.

The process of globalisation has required an especially challenging strategic plan at all levels, with which we intend to reinforce our leadership position, not only in our business operations, but also in our economic/financial performance.

It is a plan that will ensure growth and on which the business will affirm its value - not yet demonstrated on the stock market due to current market pressures.

We believe Elica is a good investment, and the buyback programme confirms this belief.

The approval of the stock option plan with a strike price of Euro 5 also reveals the consistency between management commitments and the real value of the shares.

These are important signals, even more so in a period of crisis in world financial markets.

Time will prove us right.

Francesco Casoli
Executive Chairman

The Macroeconomic Environment in 2007 and Outlook 2008

The year 2007 was one in which the real estate crisis in the U.S.A. came to a head and manifested its effects on the economy's growth, especially during the second half of the year. Interest rates were on the rise during the first half of the year and decreased during the second half; cuts by the Fed were countered with inactivity from the European Central Bank which was rendered immobile by new inflationary pressures.

In the U.S, favourable growth forecasts for the first part of the year were profoundly revised by the decline that occurred during the second half of the year. The negative performance of residential housing investments that had already emerged during 2006 continued throughout the year. At the same time, the Dollar's decline allowed for an improvement in the current deficit.

During 2007, the Euro zone experienced a small slowdown in growth and inflation is expected to end the year slightly above the 2% target. GDP in 2007 is expected to grow by 2.6% compared to 2.9% in 2006. The slowdown in GDP during 2007 is mainly due to private consumer spending and investments. Consumer spending was affected by increased VAT in Germany, as well as the crisis that affected sub-prime mortgages. However, the job market held strong and helped to offset the decrease in consumer spending. The slowdown in capital investments can be attributed mainly to the sluggish construction sector. A slowdown in building authorisations, along with fewer mortgage applications by families for the purchase of homes, is expected to result in a continued sluggish performance in this sector throughout 2008. Good growth in 2007 has contributed to an improvement in public financing for almost all of the countries in the Euro zone.

In Pacific Asia, Japan's growth continued throughout 2007, despite signs of a slowdown. In the first 9 months of 2007, private consumer spending was less than forecast due to static salary levels. The real estate sector unexpectedly negatively affected growth. On June 20, a new law was introduced regarding building approvals which has lengthened the procedure for obtaining authorisations (the previous average of 21 days has now jumped to as long as 90 days). The Bank of Japan reduced its growth expectations for the 2007 fiscal year (which ends in March 2008) to 1.8% from the previous forecast of 2.1%. Early indicators have shown signs of a slowdown during the upcoming months. The Tankan Report has also indicated a decline in the overall level of business confidence. In 2007, China surpassed forecasted growth, adding to the fears of an excessively overheated economy. The strong growth has resulted in the creation of enormous trade surpluses that have created tension in relations with the U.S and more recently with Europe. During 2007, inflation has increased well beyond the forecasts of the PBC. Chinese price trends could also affect western economies in 2008.

Currency markets

In 2007, the Euro rose strongly against all the currencies in the areas in which the Elica Group operates. The Euro however fell against the Polish Zloty. This was particularly significant against the US Dollar, the Japanese Yen and the Mexican Peso and rose sharply at the end of the year. At the end of 2007, there was a notable rise in the Euro against UK Sterling.

	Average 2007	Average 2006	%	31 Dec 07	29 Dec 06	%
USD	1.3705	1.2556	9.2%	1.4721	1.3170	11.8%
GBP	0.6843	0.6817	0.4%	0.7333	0.6715	9.2%
JPY	161.253	146.015	10.4%	164.930	156.930	5.1%
ZTL	3.7837	3.8959	-2.9%	3.5935	3.831	-6.2%
MXN	14.9748	13.6943	9.4%	16.054	14.2937	12.3%

IAS/IFRS

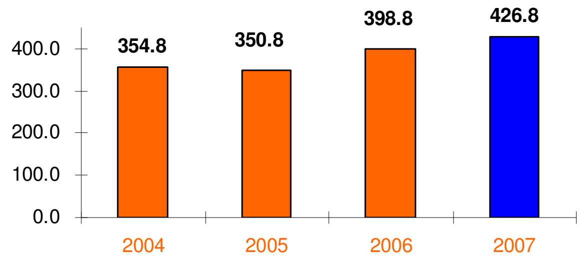
The consolidated financial statements of Elica S.p.A. for the year ended 31 December 2007 were prepared in accordance with IAS/IFRS issued by the International Accounting Standards Board and approved by the European Commission, and in accordance with article 9 of Legislative Decree No. 38/2005.

The accounting principles utilised in the preparation of these consolidated financial statements are consistent with those utilised to prepare the consolidated financial statements for the year ended 31 December 2006. For the year reported upon, no new accounting standards were adopted by the European Union and/or issued by the IAS/IASB that might have a material impact on these consolidated financial statements.

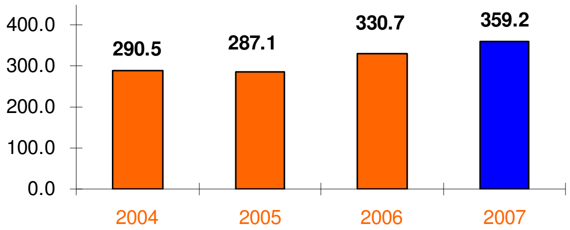
These consolidated financial statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousand, unless otherwise specified.

Financial Highlights

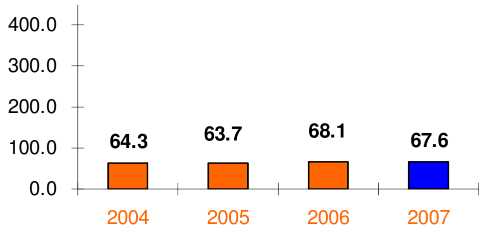
Consolidated Revenues



Revenues Range Hood Segment

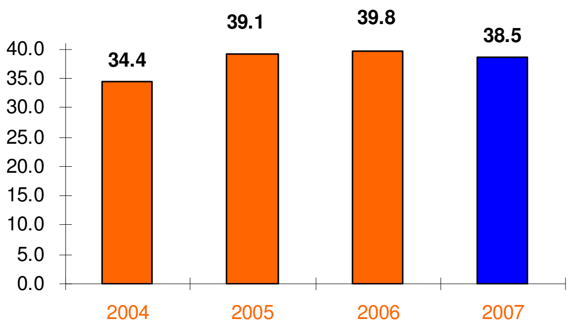


Revenues Motor Segment

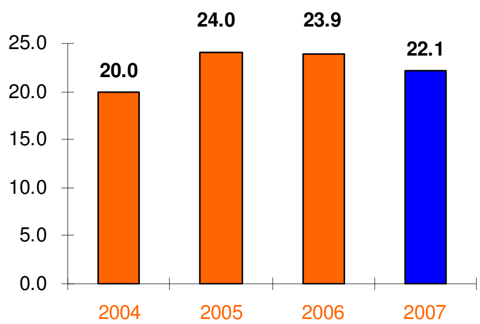


2006 and 2007 excluding discontinued "Acem" division

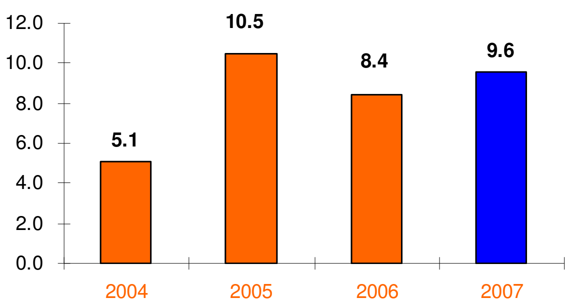
EBITDA



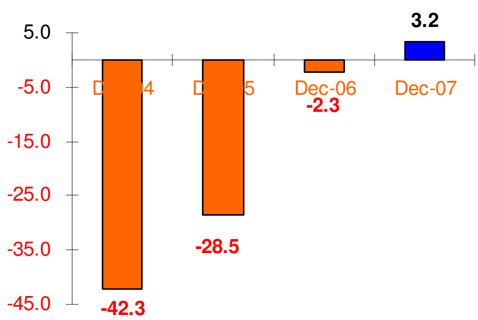
EBIT



Net Result



(Net debt) / cash



Financial and operating review

in Euro thousands	31 Dec 07	31 Dec 06		07 Vs 06
Revenues	426,795	398,758	(*)	7.0%
EBIT before non-recurring items	23,938	23,892		0.2%
revenue margin	5.6%	6.0%		
Non-recurring items (revenues and charges)	(1,835)			
revenue margin	(0.4%)			
EBIT from continuing operations	**22,103**	**23,982**		(7.8%)
revenue margin	5.2%	6.0%		
Financial income/(costs)	(2,542)	(3,691)		(31.1%)
revenue margin	(0.6%)	(0.9%)		
Net profit from continuing operations	9,562	8,869		7.8%
revenue margin	2.2%	2.2%		
Net profit from discontinued operations	17	(450)		
revenue margin	0.0%	(0.1%)		
Net profit	**9,579**	**8,419**		**13.8%**
revenue margin	2.2%	2.1%		
Group net profit	9,252	8,328		11.1%
Basic earnings per share				
from continuing and discontinued operations (Euro/cents)	14.78	13.30		11.1%
from continuing operations (Euro/cents)	14.75	14.14		4.3%
Diluted earnings per share				
from continuing and discontinued operations (Euro/cents)	14.78	13.30		11.1%
from continuing operations (Euro/cents)	14.75	14.14		4.3%

(*) excluding the ACEM division discontinued

The earnings per share was calculated by dividing the Group net profit by the weighted average number of ordinary shares outstanding , excluding treasury shares, as at 7 March 2008.
The basic and diluted earnings per share for the previous year were restated to take into account the current number of shares outstanding.

EBIT is the operating profit from continuing operations as reported in the consolidated income statement.

	Continuing operations		Operations to be discontinued		Consolidated	
in Euro thousands	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Trade receivables	108,457	106,874			108,457	106,874
Inventories	56,408	47,366	1,215	1,533	57,623	48,899
Trade payables	(112,503)	(94,392)			(112,503)	(94,392)
Managerial Working Capital	***52,362***	***59,848***	***1,215***	***1,533***	***53,577***	***61,381***
% revenue margin	12.3%	15.0%			12.3%	15.1%
Other receivables/payables	(5,719)	(9,356)			(5,719)	(9,356)
Net Working Capital	***46,643***	***50,492***	***1,215***	***1,533***	***47,858***	***52,025***
% revenue margin	10.9%	12.7%			11.0%	12.8%

	Continuing operations		Operations to be discontinued		Consolidated	
in Euro thousands	**31-Dec-07**	**31-Dec-06**	**31-Dec-07**	**31-Dec-06**	**31-Dec-07**	**31-Dec-06**
Cash and cash equivalents	***21,948***	***29,334***	-	-	***21,948***	***29,334***
Finance leases and other lenders	(4,614)	(7,865)	(1,080)	(1,752)	(5,694)	(9,617)
Bank loans and mortgages	(6,705)	(7,614)		-	(6,705)	(7,614)
Long-term debt	***(11,319)***	***(15,479)***	***(1,080)***	***(1,752)***	***(12,399)***	***(17,231)***
					-	-
Finance leases and other lenders	(1,170)	(3,109)	-	-	(1,170)	(3,109)
Bank loans and mortgages	(6,206)	(11,284)	-	-	(6,206)	(11,284)
Short-term debt	***(7,376)***	***(14,393)***	***-***	***-***	***(7,376)***	***(14,393)***
					-	-
Net funds/(debt)	**3,253**	**(538)**	**(1,080)**	**(1,752)**	**2,173**	**(2,290)**

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

Against a backdrop of strong rises in commodity prices and unfavourable exchange rates, the year 2007 reported strong growth in revenues, together with an improvement in margins and continued strong cash flow and financial stability.

The Group reports growth in revenues of 7.0% on the previous year. On a like-for-like exchange rate basis overall growth was 7.7%. Revenue growth was driven by the Range Hood Business Unit (+8.6%), while the Motor Business Unit recorded revenues in line with 2006. The Group's brand sales in the range hood business were extremely strong, with revenue growth of over 37%, and of products in the high and medium range. The decorative hoods and Elica Collection grew 27% and 58% respectively. In terms of geographical area, Europe was the main driver of growth, while revenues in America remained stable at actual exchange rates; on a like-for-like exchange rate basis revenues grew by 4.8% in America.

The operating profit was affected by the increase of raw material costs, against which the Group introduced a higher average price and achieved greater industrial efficiencies, unfavourable exchange rate movements and non-recurring items. The non-recurring items amounted to Euro 0.7 million relating to restructuring costs and Euro 1.1 million relating to reforms to the Italian pension system, which was accounted in accordance with IAS 19. Excluding these items, EBIT was in line with 2006 and therefore able to absorb the exchange rate movements and the increase in the cost of raw materials.

Net financial costs decreased from 2006 due to a decrease in financial charges, in spite of higher exchange losses. These exchange losses have resulted from the valuation of intercompany payables and receivables, and therefore have no cash effect.

Net profit for the year was up 13.8% on 2006.

Net working capital improved by over 2 percentage points compared to December 2006 - the improvement stems from efficient management of trade payables and receivables.

At 31 December 2007, the Elica Group reports Net Cash of Euro 3.3 million after incurring Euro 6.6 million in relation to its share buyback programme and dividends of Euro 2.5 million.

Reconciliation between Parent Company and Consolidated net equity and net profit

The following table contains a reconciliation between the net equity and net profit for the year of Elica S.p.A. and consolidated net equity and net profit.

in Euro thousands as at 31 December 2007	Net result	Net equity
As per Parent Company financial statements	**9,283**	**141,182**
Elimination of the effect of intercompany operations net of fiscal effect:		
Non-realised gains on fixed assets	293	(356)
Non-realised gains on sale of goods	126	(318)
Fiscal effect	(66)	174
Dividend received from consolidated companies	(69)	
Share of expenses/(income) from equity investments	**88**	**64**
Carrying value of consolidated companies		**(44,739)**
Net equity and result for the year of companies consolidated	**(84)**	**30,340**
Allocation of differences to assets of consolidated companies and related depreciation and write-down		
Property, plant & equipment	8	1,217
Consolidation difference	-	14,493
As per Consolidated Financial Statements	**9,579**	**142,057**
Group share	9,252	140,907
Minority interest share	327	1,150

Guidance for 2008

In line with the Business Plan presented on November 14 to the financial community, the Group's objective in 2008 is growth in market share and margins, together with an improvement in cost efficiencies and the financial position.

Revenue and margin growth will be achieved through further strengthening of OEM partnerships, growth in Group brands and product and channel innovation. To improve the overhead structure, the Group will rationalise its plant facilities – increasing production in Poland and in Mexico, increase the share of purchases in Low Cost Countries and implement the efficiencies from the rationalisation consequent of the merger in 2006. Investments will be carried out in Poland and Mexico to increase production capacity.

In order to hedge against the exchange rate exposure of the Group, the level of purchases in the US will gradually increase; however, the results of this activity will only be partly visible in 2008.

Elica and the financial markets

The share capital consists of 63,222,800 ordinary voting shares. At 31 December 2007, the shareholders of Elica S.p.A. were as follows:

Shareholder	Number of shares held	Shareholding
F.A.N. S.A.	33,440,445	52.81%
Whirlpool Corporation	3,166,140	5.00%
Kairos Partners SGR Spa	1,326,628	2.10%
S.A.F.E. S.a.p.a.	116,245	0.18%
Francesco Casoli	70,000	0.11%
Gianna Pieralisi	52,000	0.08%
Elica S.p.A.	1,934,301	3.05%
Others	23,217,041	36.66%
Total	**63,322,800**	**100.00%**

At 31 December 2007, Elica held 1,934,301 shares from the buyback programme; at 7 March 2008, the number of treasury shares held in portfolio was 3,600,935. Elica S.p.A. will continue its buyback programme up to the maximum limit permitted by law and authorised by the Shareholders' Meeting.

Shares held by directors, officers, statutory auditors and executives

At 31 December 2006, the table below provides details of the shares of Elica S.p.A. held by members of the Board of Directors, Board of Statutory Auditors and executives:

Name	No. of shares at Dec. 31, 2006	No. of shares acquired	No. of shares sold	No. of shares at Dec. 31, 2007
Casoli Francesco	1,035,650	70,000	1,035,650	70,000
Pieralisi Gianna	1,107,200	52,000	1,107,250	52,000
Marchetti Massimo	258,230	0	85,230	173,000
Senior executives	3,675	4,369	2,000	6,044

Significant events in 2007

As part of its expansion strategy, on 23 January 2007 Elica S.p.A. acquired a 15% stake in Air Force S.p.A. from Fintrack S.p.A, the company that controls Elica via Fan S.A. Air Force manufactures and sells decorative hoods for the mid-range and high-end segments, based on innovative designs and the use of high content technology. As of this date, Elica S.p.A. thus holds a 60% equity interest in Air Force S.p.A., which is fully consolidated in the financial statements. The value of Air Force was calculated by using the arithmetical average of the EBIDA and IRR multiple methods.

On 21 March 2007, the Board of Directors accepted the resignations submitted by the Director and Chief Executive Officer Massimo Marchetti and appointed, simultaneously, Andrea Sasso to his posts. At the Shareholders' AGM held on 30 April 2007, the shareholders confirmed the appointment of Andrea Sasso, whose term of office will expire, along with all the other members of the Board of Directors, on the date of the Shareholders' AGM convened to approve the financial statements for the year ended 31 December 2008.

From the second quarter of 2007, Elica has embarked on a series of activities aimed at simplifying the consolidation scope and focusing on its core business.

On 15 May 2007, Turbo Air S.p.A. sold its 20.80 % interest in Immobiliare Camino S.r.l. to one of the other shareholders for Euro 101.6 thousand, compared with a carrying value of Euro 127 thousand.

On 31 May 2007, Fox Design S.p.A. sold its 70.0% interest in Fox IFS S.r.l. to third parties for Euro 26 thousand compared with a zero carrying amount. On the same date, the surety taken out with the Ancona branch of BPU was discharged.

On 13 June 2007, Elica S.p.A. sold its interest in Aerdorica S.p.A. to Fintrack S.p.A. for Euro 50 thousand, equal to the carrying amount. On 28 June 2007, the debenture loan granted by Elica S .p.A. to Aerdorica S.p.A. was also sold to Fintrack S.p.A. for Euro 152.6 thousand, equal to the par value.

On 25 June 2007, Elica S.p.A. sold its stake of 21.276% in Roal Electronics S.p.A. The sale was made for a value of Euro 3.0 million compared to a carrying value of Euro 3.24 million. Settlement of the transaction entails payment of Euro 1 million in cash on execution of the contract of sale, with the remainder to be paid in four instalments of Euro 500 thousand, falling due between 31 December 2007 and 31 December 2010. Interest equal to 6-month Euribor (365-day) plus a spread of 0.70% will be applied to these instalments on 30 November of each year. The investment was sold to Fintrack S.p.A., the company that controls Elica S.p.A. via FAN S.A. The value of the investment was calculated by rounding up the sum of the amounts resulting from application of the combined equity and income method, using an independent appraisal of goodwill, and of the leveraged discounted cash flow method. The appraisal was drawn up by an independent expert.

On 25 June 2007, the Board of Directors of Elica S.p.A. approved the implementation of the "Performance Stock Option Plan 2007-2011" reserved to "key managers" and designed to reward achievement of the Company's growth and development targets, pursuant to art. 114-bis of Legislative Decree 58/98. The plan was then approved at an Ordinary Shareholders' Meeting on 25 June 2007. The Board also approved a paid capital increase of up to Euro 300,000, with full exclusion of pre-emption rights pursuant to art. 2441, paragraphs 5 and 8, of the Italian Civil Code. The increase was to involve the issue of up to 1,500,000 ordinary shares with a par value of 0.20 each, ranking in all respects with existing ordinary shares, at a price of Euro 5.0, including the par value and a share premium. The regulations of the "Performance Stock Option Plan 2007-2001" were approved by the Board of Directors on 16 July 2007.

During June 2007 part of the loan granted by Elica S.p.A. to the subsidiary Elica Group Polska Sp.zo.o. was converted into share capital in order to fund the investment needed to further boost the production of range hoods in Poland. Following this operation, the share capital was raised from Zloty 10 million (approximately Euro 2.65 million at the Polish National Bank's exchange rate on 21 June) to Zloty 25 million (approximately Euro 6.62 million) and Elica S.p.A.'s interest rose from 5% to 62%. The remaining share capital is held by Fime S.p.A., a subsidiary of Elica S.p.A., which manufactures motors and motor sets.

On 22 June 2007, the merger by incorporation was approved of Jet Air S.r.l., Turbo Air S.p.A. and Fox Design S.p.A. into Elica S.p.A.. The merger is designed to achieve further integration of range hood business processes and rationalisation of the Group's structure, with a consequent improvement in operating and managerial efficiency. The operation was carried out without issuing new shares and therefore did not give rise to an increase in the share capital of the incorporated company.

On 2 July 2007, Elica Inc. was incorporated in Chicago, Illinois, with a view to promoting the development of 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.

In July Elica S.p.A.'s shareholding in Carifac S.p.A. was sold. The price of the shares amounted to Euro 212.6 thousand, compared with a carrying amount of Euro 152.0 thousand.

On 3 August 2007, an Ordinary Shareholders' Meeting authorised the purchase and placement of treasury shares, pursuant to sections 2357 of the Civil Code, with the following objectives and without prejudice to the equal treatment of shareholders: to enable the Company to stabilise the share price and improve the liquidity of the shares; to protect regular trading in the shares against speculation; to implement the "Performance Stock Option Plan 2007 -2011"; to trade in the Company's own shares, in compliance with sections 2357 of the Civil Code, via the subsequent use of the shares; and to provide the Company with the necessary degree of operating flexibility to facilitate business combinations based on the exchange of shares.

At the same Meeting, the appointment of Marcello Celi as a member of the Board of Directors of Elica S.p.A., as well as of the Internal Audit Committee and the Remuneration Committee, was confirmed. Mr Celi had already been co-opted by the Board of Directors during the meeting held on 16 July 2007.

On 6 August 2007, Elica sold its 1% interest in Falmec S.p.A. to the majority shareholders for Euro 260 thousand, compared with a carrying value of Euro 73 thousand.

On 10 December 2007, the Elica Group announced a supply agreement with Whirlpool Corporation, the world's leading producer of electrical appliances, with the aim of boosting both companies' growth in the kitchen range hoods market and strengthening their partnership. The agreement allows Whirlpool to increase its presence in the kitchen range hoods market, where sales have reached approximately 30 million units worldwide, by having access to Elica's innovative products in Europe and North America, with the possibility to extend the agreement to include other geographical areas. As a result of this agreement, Elica, the world leader with 17% of the market, will further expand its share of the North American market. Based on this agreement and the forecasts contained in the Strategic Plan for 2008-2010, Elica expects to see a gradual increase in annual sales in the American market, achieving, once fully operational, an additional USD 20 million in revenue by 2011.

Fan S.A., Elica's parent company, has also agreed to sell (directly or through an intermediary) a 5% holding in Elica S.p.A. at a price of Euro 5.0 per share. At the same time, Whirlpool has acquired a call option on a further 10% of the Company, to be exercised within 18 months. The option regards the shares that Elica may have purchased under its buyback programme, which was approved by shareholders on 3 August 2007. At the end of each quarter during the option period, Whirlpool may exercise its option to purchase not less than 2.5% and not more than 5% of Elica’s share capital. The price is to be equal to the weighted average cost of the shares bought back by Elica during the period, plus an additional margin of Euro 0.5 per share, up to a maximum exercise price of Euro 5 per share.

Corporate Officers
Members of the board of directors:

Francesco Casoli
Executive Chairman,
born in Senigallia (AN) on 5/6/1961, appointed a director by resolution dated 12/04/2006.

Andrea Sasso
Chief Executive Officer, born in Rome on 24/08/1965, appointed by resolution dated 30/04/2007.

Gianna Pieralisi
Executive Director, born in Monsano (AN) on 12/12/1934, appointed a director by resolution dated 12/04/2006.

Fiorenzo Busso
Director, born in Milan (MI) on 11/9/1942, appointed a director by resolution dated 14/02/2008

Gennaro Pieralisi
Director, born in Monsano (AN) on 14/02/1938, appointed a director by resolution dated 12/04/2006.

Stefano Romiti
Independent Director and Lead Independent Director, born in Rome (RM) on 17/11/1957, appointed a director by resolution dated 12/04/2006.

Marcello Celi
Independent Director, born in Civitella Roveto (AQ) on 15/1/1942, appointed a director by resolution dated 10/8/2007.

Members of the Board of Statutory Auditors

Giovanni Frezzotti
Chairman,
born in Jesi (AN) on 22/2/1944, appointed a director by resolution dated 12/04/2006.

Stefano Marasca
Statutory Auditor, born in Osimo (AN) on 9/8/1960, appointed by resolution dated 12/04/2006.

Corrado Mariotti
Statutory Auditor, born in Numana (AN) on 29/02/1944, appointed by resolution dated 12/04/2006.

Guido Cesarini
Alternate Auditor, born in Bolzano (BZ) on 19/8/1972, appointed by resolution dated 12/04/2006.

Gilberto Casali
Alternate Auditor, born in Jesi (AN) on 14/1/1954, appointed by resolution dated 12/04/2006.

Internal control committee
Stefano Romiti
Gennaro Pieralisi
Marcello Celi

Remuneration Committee
Stefano Romiti
Gennaro Pieralisi
Marcello Celi

Independent Auditors
Deloitte & Touche S.p.A.

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

Investor relations
e-mail: l.giovanetti@elica.com
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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 Company

- Elica S.p.A, - Fabriano (AN) is the parent company of the Group.

Subsidiaries at the publication date of the Consolidated Financial Statements

- FIME S.p.A. – Castelfidardo, Ancona (Italy). This company operates in the sector of electric motors, mainly for home appliances (range hoods, ovens, refrigerators), home heating and ventilation (fan coils) systems. It operates mainly in the European market, where it holds a significant market share.

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

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

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

- Elica Inc., registered in Chicago, Illinois (US) 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.

- Ariafina Co. Ltd – Sagamihara-Shi (Japan). Established in September – 2002 as a 50/50 joint venture with Tokyo based Fuji Industrial, Sagamihara-Shi (Japan) is leader in Japan with over 70% of the range hood market. Elica S.p.A. acquired control of this joint venture in May 2006 to provide further impetus to the development of the important Japanese market, where high-quality products are sold.

- Air Force S.p.A. – Fabriano (AN). This company operates in a specialised segment of the range hood market. The holding of Elica S.p.A. is 60%.

- Air Force Germany G.m.b.h. – Stuttgart (Germany). Air Force S.p.A. owns 95% of Air Force Germany G.m.b.h., a company that sells hoods in Germany through so -called "kitchen studios".

Associated companies

- I.S.M. S.r.l. – Cerreto d'Esi (AN). The company manufactures semi-finished products for the hood production cycle. Elica S.p.A. has a 49.385% equity interest in this company.

- Inox Market Mexico S.A.de C.V. – Queretaro (Mexico). The company, which is 30% owned by Elicamex S.A. de C.V., processes stainless steel, and steel for industrial purposes in general. It markets its products, primarily in Mexico and the United States. By acquiring this investment, the Group aims to reduce purchase costs in one of the most significant cost items for the production of mid-range and high-end hoods and will be able to take advantage of supplies of semi-finished steel integrated within the hood production cycle.

Elica Group Intercompany and other related-party transactions

In 2007, transactions were entered into with subsidiaries, associated companies and other related parties. All transactions were conducted on an arm's length basis in the ordinary course of business.
The tables below show key data for subsidiaries and the amount of transactions entered into with them for the year ended 31 December 2007.

Subsidiaries - highlights:

(in Euro thousands)	Assets	Liabilities	Shareholders' Equity	Revenues	Net profit/(loss)
Subsidiary companies					
Fime S.p.A.	56,841	47,341	9,500	97,376	1,046
Air Force.S.p.A.	7,780	6,681	1,099	18,752	451
Ariafina Co Ltd	3,444	2,246	1,198	7,491	279
Airforce Germany G.m.b.h.	350	109	241	74	(1)
Elica Group Polska S.p.zoo	23,444	17,576	5,868	17,805	(380)
ElicaMex S.A.d.C.V.	28,207	21,048	7,159	14,470	(2,361)
Leonardo Services S.A.d.C.V.	280	248	32	2,290	24
Elica Inc.	123	102	21	212	19

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

(in Euro thousands)	**31.12.2007**	**31.12.2006**
Financial receivables due from subsidiaries		
Fime S.p.A.	13,739	19,986
Fox Design S.p.A.	-	3,850
Turbo Air S.p.A		10,365
Elica Group Polska S.p.zoo	4,540	2,005
ElicaMex S.A.d.C.V.	8,123	
Financial receivables due from associated companies		
I.S.M. S.r.L.	438	-

Associated companies

The table below shows the operating and financial amounts from transactions with associated companies for 2007. No separate indication of these positions was given in the financial statements as the amounts involved were limited.
Transactions with consolidated companies have been eliminated from the consolidated financial statements and are therefore not shown in these notes.

	Payables	Receivables	Costs	Revenues
I.S.M. S.r.L.	4,254	1,199	14,488	881
Total	**4,254**	**1,199**	**14,488**	**881**

Information on the transactions are provided below.

I.S.M. S.r.l.
The costs from ISM S.r.l. include Euro 13,935 thousand related to outsourcing services (shown in the income statement under "Service expense").

The table below summarises key operating and financial data for associated companies, as derived from the companies' financial statements in accordance with Italian and local GAAP for foreign companies.

Associated Companies: Key data at 31 December 2007

(in Euro thousands)

	Registered Office	% held	Share Capital	Shareholders' Equity	Net profit/(loss)
I.S.M. S.r.l.	Cerreto d'Esi (AN)	49,385	10	1,844	313
Inox M. M. Sa.d.C.V.	Queretaro(Mexico)	30,000	1,336	1,430	94

Associated Companies: Key data at 31 December 2006

(in Euro thousands)	Registered Office	% held	Share Capital	Shareholders' Equity	Net profit/(loss)
Air force S.p.A.	Fabriano (AN)	45	103	747	601
I.S.M. S.r.l.	Cerreto d'Esi (AN)	49,385	10	1,532	415
Projet S.r.l.	Castelbellino (AN)	30	20	13	-
Roal Electronics S.p.A.	Castelfidardo (AN)	21,276	16,606	14,312	(2,294)
Immobiliare Camino S.r.l.	Fabriano (AN)	20,8	192	625	136
Inox M. M. Sa.d.C.V.	Queretaro (Mexico)	30	4	4	0

Corporate Governance

In accordance with regulatory obligations the "Corporate Governance Report" is prepared annually which, in addition to providing a general description of the corporate governance system adopted by the Group, it discloses information on the shareholders and its compliance with the Self-Governance Code and the commitments therein. The above-mentioned Report may be consulted on the website www.elica.com, Investor Relations/Corporate Governance, and is set out in four parts: the first contains a description of the corporate governance structure, the second provides information on shareholdings, the third reports on the implementation of the provisions contained in the Code and the fourth part, in addition to key information and Corporate Governance documents of the Elica Group, contains a document disclosing the implementation based on each applicable principle and criteria of the Code.

Disclosures on shareholders pursuant to article 123 of the Consolidated Finance Act

a) Share capital structure

	No. Shares	**% SHARE CAPITAL**	**Listed/Non-listed**	**Rights & Obligations**
Ordinary shares	63.322.800	100%	Listed on the MTA Star	Voting rights at ord/extraord meeting, dividends and payment on liquidation
Shares with limited voting rights	-			
Shares no voting rights	-			

Performance Stock Option Plan 2007-2011

On 25 June 2007, the Shareholders' Meeting also approved the "Performance Stock Option Plan 2007-2011" for employees, including senior management, advisors and executive directors of the Company and of its subsidiaries considered "key managers" for the achievement of the business growth and development objectives of the Company, pursuant to article 114 of Legislative Decree No. 58/1998.
The plan is divided into three annual tranches coinciding with the financial year end 31 December 2007, 31 December 2008 and 31 December 2009 respectively. In general, for each tranche, options will be exercisable equal to 1/3 of the total options assigned with each tranche having reference to the results of the financial year to which they refer and the options may be exercised by the beneficiaries only and exclusively in the period between 31 July 2010 and 31 January 2011.

b) Restrictions on the transfer of the securities

The by-laws do not contain any restrictions on any type of share transfer.

c) Significant Holdings in the share capital

Based on the share register, and Consob filings, the significant holdings in the share capital are as follows:

Declarant	Direct shareholder	% of ordinary share capital	% of voting share capital
HENDERSON GLOBAL INVESTORS LIMITED	HENDERSON GLOBAL INVESTORS LIMITED	2.743%	2.743%
WHIRLPOOL CORPORATION	WHIRLPOOL CORPORATION	5.000%	5.000%
KAIROS PARTNERS SGR SPA	KAIROS PARTNERS SGR SPA	2.095%	2.095%
PIERALISI GIANNA	**FAN SA**	52.809%	52.809%
PIERALISI GIANNA	S.A.F.E. S.A.P.A. DEL CAV. IGINO PIERALISI	0.184%	0.184%
PIERALISI GIANNA	PIERALISI GIANNA	0.082%	0.082%
PIERALISI GIANNA	***ELICA SPA***	5.010%	5.010%

d) Securities which confer special rights

The company has not issued shares which confer special controlling rights.

e) Employee shareholdings: method of exercise of voting rights

Not applicable.

f) Restrictions on voting rights

The by-laws do not contain any restrictions on voting rights.

g) Shareholder agreements

On 10 December 2007, FAN SA, parent company of Elica, and Whirlpool signed a shareholder agreement (**the "Shareholder Agreement**" or the "**Agreement**") which provides (i) a purchase contract by Whirlpool of 3,166,140 Shares of Elica, representing 5% of the Shares currently outstanding, equal to 63,322,800 Shares (the "**5% Holding**"), which were sold by FAN, ANPIER S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli; the purchase was completed on 18 December 2007 (the "**Closing**") and (ii) regulations concerning the governance of the Company.

The full Extract of the Shareholder Agreement communicated to Consob in accordance with article 122 of legislative decree No. 58 of 24 February 1998 is reported below:

ELICA S.P.A.

Registered office: Via Dante Alighieri n. 288, 60044 Fabriano (AN).

Share capital Euro 12,664,560

Registered at the Company's Register Office of Ancona 00096570429

*- **FAN S.A.**, a Luxembourg incorporated company, registered office in Boulevard du Prince Henry - L - 1724 ("FAN"), with a direct holding with voting rights of 52.81% in the share capital of Elica S.p.A., registered office in Fabriano (AN), Via Dante Alighieri No. 288, registered at the Company's Register Office of Ancona, No. 00096570429 (the "**Company**" or "**Elica**");*

*- **Whirlpool Europe S.r.l.**, an Italian incorporated company, registered office in Comerio (VA), Viale Guido Borghi No. 27, registered at the Company's Register Office of Varese, No. 01534610124 ("**Whirlpool**");*

*(FAN and Whirlpool hereafter are referred to as individually the "**Party**" and, collectively, the "**Parties**").*

Given that

a) FAN is a Luxembourg registered company, majority shareholder of Elica;

b) Whirlpool is an Italian registered company, subsidiary of Whirlpool Corporation, parent company of a leading world manufacturer of home appliances;

c) Elica is world leader in the production of oven hoods and is a long-time supplier to Whirlpool in Europe and in North America;

*d) the ordinary shares of the Company (the "**Shares**") were admitted for trading on the Mercato Telematico Azionario ("**MTA**"), Star Segment, organised and managed by Borsa Italiana S.p.A. ("**Borsa Italiana**");*

*e) on 10 December 2007, FAN and Whirlpool signed a shareholder agreement (**the "Shareholder Agreement**" or the "**Agreement**") which provides (i) a purchase contract by Whirlpool of 3,166,140 Shares, representing 5% of the Shares currently outstanding, equal to 63,322,800 Shares (the "**5% Holding**"), which were sold by FAN, ANPIER S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli; the purchase was completed on 18 December 2007 (the "**Closing**") and (ii) regulations concerning the governance of the Company;*

*f) in accordance with the Shareholder Agreement, Whirlpool and the Company also signed an option agreement on Shares (the "**Share Option Agreement**") – subject to the purchase of the 5% Share by Whirlpool – granting Whirlpool the right to purchase Treasury Shares of the Company (the "**Call Option**") up to 10% of the Shares currently outstanding (equal to 6,332,280 Shares)* *with voting rights of the Company (the "**Call Option Shares**") for a period of 18 months from the date of receiving communication from Elica of the purchase of the 5% Share (the "**Option Period**"); and*

*g) simultaneously, Maytag Sales Inc., a US registered company wholly owned by Whirlpool Corporation ("**Maytag**") and Elica signed an exclusive supply contract for hoods in Europe, the Middle East, Africa and North America for a period of 6 years ("**OEM Supply Agreement**");*

communicates that

The Shareholder Agreement (i) grants Whirlpool an option to purchase shares held in the Company from FAN; (ii) stipulates certain aspects relating to the governance of Elica; (iii) imposes certain limits to the transfer of the shares held by the Parties; (iv) contains a non competitive clause by FAN and parties it controls and (v) requires that the Shares acquired based on the Share Option Agreement are automatically conferred to the Agreement.

1. Company whose instruments are subject to the Shareholder Agreement

Elica S.p.A., registered office in Fabriano (AN), Via Dante Alighieri n. 288, Company's Register Office Ancona No. 00096570429, share capital Euro 12,664,500.

2. Financial instruments subject to the Shareholder Agreement and percentage compared to the share capital.

The Shareholder Agreement concerns all the shares in the Company held or which will be held by the Parties for the duration of the Agreement and, for some specific clauses, some of the Shares held by the shareholders, directly or indirectly, of FAN, as indicated in the table below, which illustrates the situation at the Closing date.

Shareholder	***Number of shares held***	***Number of shares conferred***	***% of Shares conferred compared to the share capital***
FAN	*33,440,445*	*33,440,445*	*52.8095*
Whirlpool	*3,166,140**	*3,166,140**	*5**
Total	*36,606,585*	*36,606,585*	*57.8095*

** The total holding of Whirlpool takes into account, in addition to the 100 Shares transferred to Whirlpool by FAN, 1,107,200 shares transferred to Whirlpool by Ms. Gianna Pieralisi (1.7485% of the share capital of Elica), 1,035,650 shares transferred to Whirlpool by Mr. Francesco Casoli (1.6335% of the share capital of Elica), 426,000 shares transferred to Whirlpool by Ms. Cristina Casoli (0.6727% of the share capital of Elica) and 597,190 shares transferred to Whirlpool by Anpier S.p.A. (0.9431% of the share capital of Elica) and may increase the holding up to 15%, with the exercise of the option rights granted by the Company to Whirlpool.*

The Shareholders Agreement has no impact on the control of the Company which, pursuant to article 93 of the Consolidated Finance Act, is indirectly held by Ms. Gianna Pieralisi.

3. Contents of the Share Option Agreement.

3.1 Elica has granted to Whirlpool, for the duration of the Option Period, the right to purchase from the Company the Shares of the Call Option at a price per Share equal to the lower of (i) Euro 0.50 plus the weighted average price per Share paid by the Company in the buyback programme approved by the Shareholders' Meeting of the Company on 3 August 2007 up to the previous trading day at each exercise date of the Call Option, for the Shares resulting from the share register at that date, and (ii) Euro 5. Whirlpool may exercise the Call Option in one or more tranches not lower than the minimum between (a) 2.5% of the share capital of the Company and (b) the number of Shares held by the Company at the exercise date of the Call Option, on condition that the total number of the Shares acquired by Whirlpool following this exercise in each quarter will not exceed 5% of the share capital of the Company. The limit of 5% of the share capital of the Company may be exceeded in the final quarter of the Option Period for a total number of shares requested by Whirlpool in the previous quarters and not delivered by Elica, with a maximum limit of 10%. Following the exercise of the Call Option, the Company will sell a number of Shares equal to the lower between (i) the number of the Call Option Shares for which Whirlpool has exercised the Call Option and (ii) the number of Shares held by the Company at the exercise date of the Call Option.

3.2 Whirlpool, until the first date between (i) the end of the Option Period and (ii) the day of the purchase by Whirlpool of all the Call Option Shares, will not purchase or authorise the purchase of Shares or rights on shares, on the market or outside of the market.

4. Provisions of the Shareholder Agreement.

The provisions of the Shareholder Agreement are outlined below.

4.1 Sales option of the Incomplete Shares

*Where, on the expiry of the Option Period, the Company is not able for whatever reason to deliver all the Shares that Whirlpool had exercised in the Call Option and Whirlpool has communicated to FAN the wish to acquire a number of Shares equal to the difference between the Shares that Whirlpool had exercised in the Call Option and the Shares effectively sold by the Company to Whirlpool (the "**Incomplete Shares**"):*

(i) where the weighted average price of the Shares on the MTA during the Option Period exceeds Euro 5, FAN will have the obligation to sell to Whirlpool the Incomplete Shares at a price per share of Euro 5; or

(ii) where the weighted average price of the Shares on the MTA during the Option Period does not exceed Euro 5, Whirlpool will acquire the rights related to the reaching of the shareholding threshold contained in the Shareholder Agreement (including, on an example basis, those described at paragraph 4.2.3) as if they had acquired all the Shares of the Call Option on the last day of the Option Period, without Whirlpool having to acquire any Incomplete Shares.

4.2 Governance

The agreement provides for the following governance terms.

*4.2.1 FAN will ensure that for the duration of the Shareholder Agreement, one member of the Board of Directors of the Company is nominated on the recommendation of Whirlpool, subject to this latter being a holder of at least 5% of the share capital of the Company. Where the Shareholder Agreement is terminated or Whirlpool has a holding lower than 5% of the share capital of the Company (except as a consequence of a "**Post-Closing Dilution**" or as a consequence of a breach of the Shareholder Agreement by FAN or a breach of the Share Option Agreement by Elica), Whirlpool will request the designated Director to resign from office. Post-Closing Dilution is intended as the dilution of the investment by the Investor deriving from (i) any issues of Shares or Elica Securities (as defined) where the Investor does not have an option right or (ii) mergers or any other operations carried out by the Company after the Closing. In the case of the appointment of a new Board of Directors during the Shareholder Agreement, FAN will present a single slate of candidates, which will include the Director designated by Whirlpool and a further candidate, indicated by Whirlpool as a replacement of the first candidate.*

*4.2.2 Without the approval of FAN, the designated Director of Whirlpool may not be an employee, a director or an executive of Whirlpool or a "**Related Party**" (intended, with reference to each Party, as a party which directly or indirectly controls, is controlled by or is subject to common control with this Party).*

4.2.3 Where Whirlpool has a shareholding in Elica of at least 10%, the resolutions of the Shareholder Meetings or of the Board of Directors relating to:

*(a) any issue of Shares or other "**Elica Securities**" (intended as any class of shares - including the Shares - convertible bonds or other securities or equity financial instruments issued by Elica), in which Whirlpool does not have the rights option, will be adopted with the favourable vote respectively of Whirlpool or of the Director designated by Whirlpool; and*

(b) distribution of reserves or other provisions or assets, spin-offs, reduction of share capital (except in the case of the obligatory reduction of the share capital pursuant to article 2446, second paragraph, and article 2447 of the Civil Code) or any other resolution of the Shareholders that results in a reduction in the shareholders' equity of the Company under Euro 126,000,000 will be adopted with the favourable vote of Whirlpool or of the Director designated by Whirlpool, whose vote may not be unreasonably declined.

4.2.4 For the duration of the Option Period, FAN will not undertake any action to eliminate or to resolve the buyback programme approved by the Shareholders' Meeting of 3 August 2007.

4.3 Limits to the transfer of shares

The provisions of the Shareholder Agreement on the transfer of shares is outlined below.

4.3.1 Non transfer obligations

*(a) Up to (x) the second anniversary of the Closing or, if subsequent, (y) in the case in which FAN, Fintrack S.p.A. (parent company of FAN) and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli no longer have a holding in the share capital of the Company equal to at least 47%, the first anniversary of the last purchase of the Shares by Whirlpool (the "**Standstill Period**"), FAN and Whirlpool may not transfer or may not encumber (where such an encumbrance would involve the Shares to be exercised by third parties) the respective Shares and the other Elica Securities held. In addition, during the Standstill period, (i) the Parties will not promote directly or indirectly, alone or together with third parties, public purchase or exchange offers on the Shares or on*

the other Elica Securities; (ii) the Parties will not undertake any action or omission which results in the obligation to promote directly or indirectly, alone or together with third parties, an obligatory public purchase offer on the Shares and on the other Elica Securities and (iii) Whirlpool will not act, alone or in concert with other parties, to acquire the control of the Company or to solicit proxies at the shareholders' meeting of the Company, an obligation which will also apply to the Related Parties. Following the launch of a public purchase or exchange offer on the Shares or on the other Elica Securities by third parties not related in the Standstill Period, each Party will have the right to launch a counter-bid on the Shares and other Elica Securities.

*(b) For the entire duration of the Shareholder Agreement FAN will not transfer any Shares or Elica Securities held at the date of the Shareholder Agreement to any third parties involved vertically or horizontally in the production, development, marketing or sales of products of water purification, white electrical goods, home appliances, air-conditioning systems and compressors for fridges and air-conditioning systems (a "**Competitor**") nor vote in favour of the issue of Shares or Elica Securities in favour of a competitor. FAN will ensure that this clause is complied with also in relation to any Share or Elica Security held by the Company or Related Parties to FAN.*

4.3.2 Transfers permitted

During the Standstill Period, Whirlpool and FAN may freely transfer the Shares or any other Elica Security in which, from time to time, they hold/acquire ownership in the following cases:

(a) transfer from FAN (or its successors if permitted by the Shareholder Agreement) to Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli, or their spouses or relatives (as defined by article 74 and 76 of the Civil Code) or to a company wholly owned or controlled by one of these parties;

(b) transfer from Whirlpool to a Related Party of Whirlpool Corporation or by FAN to a Related Party of FAN, provided that such Related Party of FAN is not held by a Competitor of Whirlpool.

In each case the buyer must adhere to the Shareholder Agreement and the seller will ensure that the buyer remains a Related Party and will remain fully committed to the seller.

4.3.3 Pre-emptive Right

Where one of the Parties wishes to transfer, all or part, of the Shares or other Elica Securities it holds during the Shareholder Agreement, in favour of any other person or entity, the following procedures are applied:

*(a) where one of the Parties wishes to transfer Shares or other Elica Securities, they will communicate their intention in writing (the "**Offer**") to the other Party. During a period not beyond 30 days from the reception of the Offer (the "**Pre-exemption Period**"), the other Party will have the right to acquire all (and not just some) of the Shares or Elica Securities described in the Offer at the same terms and conditions within 30 working days from the reception of the Offer;*

(b) where the Offer does not contain a cash sum, the Parties may jointly nominate an investment bank of international renown within 10 days from the Pre-emption Period in order to determine the value of the Shares or the Elica Securities and the corresponding consideration in cash.

4.3.4 Extension of the transfer limits

The Parties have agreed that the provisions described in paragraphs 4.3.2 and 4.3.3 are also applied to the Shares and Elica Securities held by a Related Party of FAN including Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli. In relation to the pre-emptive right:

(i) this does not apply to the transfer of Shares or Elica Securities held directly by Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli at the date of the Shareholder Agreement or subsequently acquired by them on the market; and

(ii) paragraph 4.3.3 also applies to each transfer of the majority of the shares (or rights on these) issued by FAN or by a party directly or indirectly controlled by FAN; in the case in which the transfer of the majority of the shares issued by these parties is made through several transfers of minority holdings, FAN will transfer on the request of Whirlpool all the Elica shares held by FAN at that date at the price determined in accordance with the terms of paragraph 4.3.3(b).

4.4 Non Competition Clause

*FAN, also on behalf of its parent company Fintrack S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli, will ensure that, until any party among FAN, Fintrack S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli (the "**Non-Competitive Party**") holds directly or indirectly, individually or together with third parties, Shares or other Elica Securities or rights from these or relating to these, up to the first date between (i) the expiry of the Shareholder Agreement and (ii) 18 months after the date in which the Non-Competitive Party will cease to hold, directly or indirectly, Shares or such holdings or rights, this Non-Competitive Party may not:*

*(i) undertake or make, directly or indirectly, on its own behalf or on behalf of third parties, in North America (United States of America, Canada, Mexico), Europe (including Russia and Turkey), the Middle East and Africa (the "**Territory**"), any commercial or entrepreneurial operation in the production, research and development, marketing, distribution and sale of kitchen hoods (the "**Competitive Activity**");*

(ii) hold, directly or indirectly, any interest, participation or affiliation, on its own behalf or of other parties or entities, in the Territory and in relation to the Competitive Activity, or be (A) a shareholder, lender or investor, which exercises the control or significant influence on the operations or (B) a shareholder or investor that holds (or has related voting rights or equity rights) more than 10% of any non-listed category of securities of, or more than 2% of the listed securities of, any party that undertakes or makes any commercial or entrepreneurial operations described in paragraph (i) above.

4.5 Conditional rights

The rights of Whirlpool described in paragraph 4.3.1 (b), 4.3.3 and 4.4 will no longer have effect if, at the end of the Option Period, the holding of Whirlpool is lower or reduces below 10% of the share capital of the Company, except in the case of a Post-Closing Dilution or due to a breach of the Shareholder Agreement by FAN or a breach of the Share Option Agreement by Elica.

5. Duration and renewal of the Shareholder Agreement.

5.1 The agreement will remain in force until the first date between (i) the third anniversary of the Closing (or the fifth if the Elica Shares are no longer listed) and (ii) the date in which Whirlpool holds less than 5% of the share capital of the Company (except in the case of a Post-Closing Dilution or as a consequence of the breach of the Shareholder Agreement by FAN or of a breach of the Share Option Agreement by Elica).

5.2 Where one of the Parties communicates to the other Party, at least 3 months before the expiry of the Agreement, their opposition to the renewal of the Shareholder Agreement, the Parties will meet within 2 weeks in order to negotiate in good faith the renewal of the Shareholder Agreement or the agreement of a new Shareholder Agreement between the Parties.

5.3 The Parties declare from the present moment, where on the expiry of the Agreement or on the negotiation of its renewal, the OEM Supplier Agreement is still effective and Whirlpool has acquired and still holds an investment of at least 10% in the share capital of Elica, they intend to renewing the Shareholder Agreement without any modifications for a further period of three years (or one year where the previous term was five years).

6. Type of Agreement.

The Agreement is made in accordance with article 122 of the Consolidated Finance Act and, specifically, fifth paragraph, letters a), b) and c) of this legislation.

7. Registration of the Agreement.

The Shareholder Agreement is subject to Consob communication and will be registered at the Company's Register Office of Ancona in accordance with the terms prescribed by law.

8. Resolution, withdrawal and penalty clauses

8.1 Right of resolution

(a) Where Whirlpool or FAN violates or does not comply with some essential clauses of the Agreement (each a "Breach"), the non-defaulting party will have the right to bring the Shareholder Agreement to immediate fruition through communication to the defaulting party pursuant to article 1456 of the Civil Code.

*(b) In the case of (i) advanced dissolution of the OEM Supply Agreement for an alleged breach by Elica of the OEM Supply Agreement, or (ii) advanced dissolution of the Share Option Agreement for an alleged breach by Elica (each a "**Elica Dissolution Event**"), Whirlpool may withdraw from the Shareholder Agreement with immediate effect through written communication to FAN.*

*(c) In the case of (i) advanced dissolution of the OEM Supply Agreement for a breach by Maytag or (ii) proof of serious breach of certain essential clauses of the OEM Supply Agreement (each a "**Buyer Dissolution Event**"), FAN may withdraw from the Shareholder Agreement with immediate effect through written communication to Whirlpool.*

8.2 Exit procedure by Whirlpool

*(a) In the case of (i) dissolution of the Shareholder Agreement following a Breach by FAN, (ii) dissolution of the Shareholder Agreement following an Elica Dissolution Event, or (iii) non renewal of the Shareholder Agreement following notice by FAN pursuant to paragraph 5.3 above (each a "**Whirlpool Exit Event**"), Whirlpool will have the unconditional right to sell on the market, all or part, the 5% Share, the Call Option Shares and any Incomplete Shares held at that moment.*

*(b) Where there is a Whirlpool Exit Event, Whirlpool, within 30 working days, must provide written communication (the "**Exit Declaration**") to FAN specifying the Whirlpool Exit Event and indicating (i) the calculation of the weighted average price per share (the "**Average Purchase Price**") paid by Whirlpool on the purchase from FAN and/or from the Company of the 5% Share, the Call Option Shares and any Incomplete Shares (the "**Exit Shares**") and (ii) the weighted average market price per share of the last 30 days preceding the Exit Declaration (the "**Elica Weighted Price**"). In this case FAN, with written communication to Whirlpool within 10 working days from the Exit Declaration, will have the right to buy from Whirlpool all the Exit Shares at the Average Purchase Price within 10 working days of the above-mentioned communication. Where FAN decides not to buy these Shares at the Average Purchase Price, or subsequently does not make the payment within the agreed terms, Whirlpool will have the right to obtain from FAN within 20 working days of the Exit Declaration an amount equivalent to the difference between the Average Purchase Price (if higher than the Elica Weighted Price) and the Elica Weighted Price, multiplied by the number of Exit Shares (the "**Exit Difference**").*

8.3 Exit procedure by FAN

*(a) In the case of (i) dissolution of the Shareholder Agreement following a Breach by Whirlpool or (ii) dissolution of the Shareholder Agreement following a Buyer Dissolution Event (each a "**FAN Exit Event**"), FAN will have the unconditional right to buy, all or part, the 5% Share, the Call Option Shares and any Incomplete Shares held at that moment by Whirlpool (the "**FAN Exit Shares**").*

(b) Where there is a FAN Exit Event, within 30 working days of being aware of the event, FAN may inform Whirlpool through written communication and Whirlpool will be obliged to sell to FAN the Exit Shares of FAN at the Average Purchase Price within 20 working days of the reception of the above-mentioned communication.

9. Other information.

The Agreement does not provide for a committee to oversee its functioning.

The Agreement does not contain obligations to register the Shares conferred to the Agreement.

h) Nomination and replacement of the directors and changes to the company by-laws

The By-Laws require that (i) a Director is elected from the minority slate that has obtained the highest number of votes and is not related in any manner, even indirectly, with the majority slate and (ii) a minimum number of independent directors are appointed in accordance with law. The slates can be presented by the shareholders who, alone or together with other shareholders, represent 2.5% of the share capital or otherwise established by the regulations in force.
This new voting mechanism will be applied on the renewal of the next Board of Directors.
All amendments to the by-laws are made based on the provisions of law and the By-Laws.

i) Powers to increase the share capital and authorisation of buyback programme

Regarding the authorisation to increase the share capital pursuant to article 2443 of the civil code, it is recalled that the Extraordinary Shareholders' Meeting of Elica on 12 April 2006 attributed powers to the Board of Directors, pursuant to article 2443 of the civil code, to be exercised within five years from the date of the resolution, to increase in one or more tranches, a paid capital increase of up to Euro 300,000, with full exclusion of the pre-emptive rights pursuant to article 2441, paragraphs five and eight, of the civil code, through the issue of up to 1,500,000 ordinary shares, ranking in all aspects with existing shares, for a stock option plan for employees, senior management, advisors and executive directors of the Company and of its subsidiaries considered "key managers" and designed to reward achievement of the Company's growth and development targets.
Subsequently, on 25 June 2007, the Shareholders' Meeting in ordinary session gave powers to the Board of Directors to implement the "Performance Stock Option Plan 2007-2011".
On the same date, the Board of Directors of the Company, in extraordinary session, approved a share capital increase in accordance with the powers conferred and consequently changed the first paragraph of article 5 of the Company's by-laws.

***

The Ordinary Shareholders' Meeting of 3 August 2007 authorised the purchase and placement of treasury shares of the Company pursuant to article 2357 of the Civil Code, delegating the necessary powers to the Board of Directors of the Company.

j) Change of control clauses

Commercial agreements are in force which provide for the right of return by the other contracting party in the case of change of control of the Company.

m) Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer

No agreements have been signed between the company and the directors which provide indemnity in the case of resignation or dismissal/revocation of office following a public purchase offer.

Subsequent events and outlook

On 16 January 2008, Fime S.p.A., a wholly owned subsidiary of Elica S.p.A., divested its "ACEM division", which produces transformers, as it was no longer considered of strategic importance for the businesses of Fime S.p.A. and the Elica Group. The transfer of the "ACEM division", comprising plant, machinery, equipment, receivables, payables, termination benefits and goods for resale, took place via the spin-off of the division to a company called Acem S.r.l. and the subsequent transfer of the shares to third parties. Fime S.p.A. continues to own 10% of Acem Srl. Fime S.p.A. will also redeem the lease contract on the property housing Acem S.r.l.'s production plant and sell it to the leasing company, which will then lease the building to third parties. This transaction will enable the Elica Group to benefit by concentrating investment on its motors business, freeing up the necessary funds to finance investment in this area. Key balance sheet and income statement indicators for the Acem division prior to the divestment are shown below:

(in Euro thousands)	*2007*	*2006*
Net revenues	7,564	6,608
EBITDA	517	(17)
EBIT	47	(228)

(in Euro thousands)	*2007*	*2006*
Net fixed assets	2,045	2,360
Net working capital	1,215	1,533
Provisions for risks and charges	(825)	(769)
Capital Employed	2,435	3,124
Shareholders' Equity	1,355	1,372
Net debt	1,080	1,752
Sources	2,435	3,124

The effects of the divestment were recorded in the consolidated financial statements.

On 14 February 2008, Elica S.p.A.'s Board of Directors elected Fiorenzo Busso (born in Milan on 11/09/1942, resident in Viale Matteotti 2, 10048 Vinovo - TO) to serve as a Director until the next Shareholders' AGM. The appointment was conducted pursuant to article 16.6 of the By-laws in force and article 2386 of the Civil Code, and in accordance with the criteria set out in art. 3.C.1 of the Corporate Governance Code and with Regulatory Instructions. Mr. Fiorenzo Busso replaces Alberto Geroli, who was elected on 12 April 2006.

The Board meeting called for 27 March will be asked to approve the consolidated financial statements and proceed to approve the separate financial statements and to call the Annual General Meeting.

The general economic outlook in the first months of 2008 is characterised by a general slowdown of demand in the US and in Europe, due to the real estate crisis, accompanied by a growth in demand in the Asia-Pacific region however at lower rates than those in recent years. The first quarter of 2008 also sees the continued strengthen of the Euro against the US Dollar and the UK Sterling. The commodities market continues to remain strong, although at the date of the preparation of the present report the Group had already purchased almost all of its needs for the year 2008.

Group management is implementing the business activities contained in the 2008-2010 industrial plan.

No significant events took place after 31 December 2007 that would affect the Group's operating results and financial position or require additional disclosure. The Company's operations, plans, sales and investment activities are proceeding as expected.

Fabriano March 27 2008

For the Board of Directors
The Chairman
Francesco Casoli

ELICA GROUP

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

Consolidated Financial Statements for the year ended 31/12/2007

Consolidated Income Statement

(in Euro thousands)		**2006**	**2007**
Continuing Operations			
	Note		
Revenues	5.1	405,366	426,795
Other operating revenues	5.2	3,895	5,321
Changes in inventories of finished and semi-finished goods	5.3	401	1,471
Increase in internal work capitalised	5.4	1,578	2,956
Raw materials and consumables	5.5	(202,804)	(218,417)
Services	5.6	(89,674)	(95,026)
Labour costs	5.7	(70,896)	(75,307)
Amortisation and depreciation	5.8	(16,051)	(16,443)
Other operating expenses and provisions	5.9	(7,624)	(8,547)
Restructuring charges	5.10	(437)	(700)
EBIT		**23,754**	**22,103**
Share of profit/(loss) from associates	5.11	809	(163)
Impairment of available-for-sale financial assets	5.12	(195)	-
Financial income	5.13	675	948
Financial costs	5.14	(3,529)	(1,344)
Foreign exchange gains/(losses)	5.15	(837)	(2,146)
Other non-operating income	5.16	12	26
Pre-tax profit		**20,689**	**19,424**
Income taxes	5.17	(12,103)	(9,862)
Net profit from continuing operations		**8,586**	**9,562**
Discontinued operations			
Net profit/(loss) from discontinued operations	5.18	(167)	17
Net profit for the year		**8,419**	**9,579**
of which:			
Minority interest share	5.19	91	327
Group net profit		**8,328**	**9,252**
Basic earnings per share	5.20		
From continuing and discontinued operations (Euro/cents)		15.83	14.68
From continuing operations (Euro/cents)		16.15	14.65
Diluted earnings per share	5.20		
From continuing and discontinued operations (Euro/cents)		15.83	14.68
From continuing operations (Euro/cents)		16.15	14.65

Consolidated balance sheet

(in Euro thousands)	Note	31 Dec 06	31 Dec 07
Assets			
Property, plant & equipment	5.22	79,007	78,091
Goodwill	5.23	29,382	29,798
Other intangible assets	5.24	3,751	5,515
Investments in associated companies	5.25	5,916	2,363
Other financial assets	5.26	180	31
Other receivables	5.27	1,456	1,318
Tax assets	5.28	41	9
Deferred tax assets	5.38	6,305	6,607
Available-for-sale financial assets	5.29	251	26
Total non-current assets		**126,289**	**123,758**
Trade receivables and loans	5.30	106,874	108,457
Inventories	5.31	48,899	56,408
Other receivables	5.32	5,784	6,141
Tax assets	5.33	6,201	5,249
Derivative financial instruments	5.34	96	544
Cash and cash equivalents	5.35	29,334	21,948
Current assets		**197,188**	**198,747**
Assets of discontinued operations	5.18	**-**	**3,258**
Total assets		**323,477**	**325,763**
Liabilities			
Liabilities for post-employment benefits	5.36	13,228	12,349
Provisions for risks and charges	5.37	2,155	3,322
Deferred tax liabilities	5.38	10,357	9,381
Finance leases and other lenders	5.39	9,617	4,614
Bank loans and mortgages	5.40	7,614	6,705
Other payables	5.41	4,025	4,016
Tax liabilities	5.42	4,045	4,004
Derivative financial instruments	5.34	10	-
Non-current liabilities		**51,051**	**44,391**
Provisions for risks and charges	5.37	836	612
Finance leases and other lenders	5.39	3,109	1,170
Bank loans and mortgages	5.40	11,284	6,206
Trade payables	5.43	94,392	112,503
Other payables	5.41	16,022	13,144
Tax liabilities	5.42	4,483	3,353
Derivative financial instruments	5.34	79	422
Current liabilities		**130,205**	**137,410**
Liabilities of discontinued operations	5.18	**-**	**1,905**
Share capital		12,665	12,665
Capital reserves		71,123	71,123
Hedging, currency translation and stock options reserve		(200)	(803)
Treasury shares			(6,671)
Retained earnings		49,816	55,341
Group profit for the year		8,328	9,252
Group shareholders' equity	5.44	**141,732**	**140,907**
Capital and reserves of minority interests		398	823
Minority interest profit for the year		91	327
Minority interest equity		**489**	**1,150**
Consolidated shareholders' equity		**142,221**	**142,057**
Total liabilities and equity		**323,477**	**325,763**

CASH FLOW STATEMENT	Note		
OPERATING ACTIVITIES	4.40		
Net Profit for the year		**9,579**	**8,419**
Adjustments for non-cash items:			
Amortisation of intangible assets		2,248	1,952
Depreciation of tangible fixed assets		14,347	14,258
Employee leaving indemnity matured in the year		3,687	2,685
Employee leaving indemnity utilised in the year		(4,977)	(3,923)
Financial charges on leaving indemnities		642	651
Deferred and current taxes		9,862	12,103
Other financial expenses		809	2,878
Foreign exchange gains (losses)		2,146	152
Provisions (Utilisations) for doubtful debts		127	391
Provisions (Utilisations) for risks and charges		935	648
Valuation of equity investments		176	(614)
Gains on conferment business unit		720	(12)
Negative goodwill		0	(2)
Cash flow generated from operating activities before working capital changes		**40,301**	**39,586**
(Increase) / Decrease in receivables		1,934	(7,238)
Inventories		(7,082)	(2,119)
Increase/ (Decrease) in payables		8,756	(17,287)
		3,608	**(26,644)**
Cash flow generated from operating activities		**43,909**	**12,942**
Income taxes paid		(12,688)	(10,342)
Interest paid		(809)	(2,571)
Cash flow generated from operating activities		**30,412**	**29**
INVESTING ACTIVITIES			
Value of assets sold		4,897	8,456
Acquisition of tangible fixed assets		(21,093)	(17,937)
Net increase in intangible assets		(3,609)	(2,164)
Change in equity investments and assets available for sale		3,207	(251)
Acquisition of Turbo business unit		0	(553)
Acquisition of investment Jet Air S.r.l.		0	(2,806)
Acquisition of investment Ariafina Co. Ltd.		0	715
Change in consolidation scope		539	0
Discontinued operations			190
Net Cash flow used in investment activities		**(16,040)**	**(14,540)**
FINANCING ACTIVITIES			
New (repayment of) loans		(6,939)	(20,976)
Increase/ (Decrease) in financial payables		(5,190)	(9,452)
Increase in share capital and share premium reserves	4.38		62,463
IPO charges to share premium reserve			(3,897)
Buy Back		(6,671)	
Share capital issue costs	4.38	(2,552)	
Dividends distributed	4.38		(2,541)
Minority interest capital paid-in	4.38	334	0
Net cash flow generated from (used in) investing activities		**(21,018)**	**25,597**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(6,646)**	**11,086**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**29,334**	**18,316**
Effect of the changes in foreign exchange rates		(740)	(68)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**21,948**	**29,334**

Statement of changes in Consolidated Shareholders' Equity *(in Euro thousands)*	**Share capital**	**Share premium reserve**	**Acquisition of treasury shares**	**Retained earnings**	**Hedging, translation and stock options reserve**	**Net Profit for the year**	**Total Group shareholders' equity**	**Total Minority Interest shareholder**	**Total**
Balance at 31 December 2005	**10,165**	**14,811**		**43,686**	**(104)**	**10,144**	**78,702**	**802**	**79,504**
Change in cash flow hedges net of the tax effect					16		**16**		**16**
Differences arising from translation of foreign subsidiaries' financial statements					(128)		**(128)**		**(128)**
Total gains/(losses) recognised directly to equity in the year	-	-		-	(112)	-	**(112)**	**-**	**(112)**
Transfer of cash flow hedges to income statement net of the tax effect					16		**16**		**16**
Net profit for the year						8,328	**8,328**	91	**8,419**
Total gains/(losses) recognised in the income statement	-	-		-	16	8,328	**8,344**	91	**8,435**
Share capital increase	2,500	59,962					**62,462**		**62,462**
Share capital issue costs		(5,840)					**(5,840)**		**(5,840)**
Tax effect on hare capital issue costs		2,190					**2,190**		**2,190**
Allocation of the net profit				10,144		(10,144)	**-**		**-**
Other movements				(1,473)			**(1,473)**	(404)	**(1,877)**
Dividends				(2,541)			**(2,541)**		**(2,541)**
Balance at 31 December 2006	**12,665**	**71,123**		**49,816**	**(200)**	**8,328**	**141,732**	**489**	**142,221**
Change in cash flow hedges net of the tax effect					16		**16**		**16**
Recognition of stock options					35		**35**		**35**
Differences arising from translation of foreign subsidiaries' financial statements					(654)		**(654)**		**(654)**
Total gains/(losses) recognised directly to equity in the year	-	-	-	-	(603)	-	**(603)**	**-**	**(603)**
Transfer of cash flow hedges to income statement net of the tax effect							**-**		**-**
Net profit for the year						9,252	**9,252**	327	**9,579**
Total gains/(losses) recognised in the income statement	-	-		-	-	9,252	**9,252**	327	**9,579**
Acquisition of treasury shares			(6,671)				**(6,671)**		**(6,671)**
Allocation of the net profit				8,328		(8,328)	**-**		**-**
Other movements				(270)			**(270)**	334	**64**
Dividends				(2,533)			**(2,533)**		**(2,533)**
Balance at 31 December 2007	**12,665**	**71,123**	**(6,671)**	**55,341**	**(803)**	**9,252**	**140,907**	**1,150**	**142,057**

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1. Group structure and activities

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

Elica and all of the consolidated companies functional and presentation currency is the Euro, except for the foreign subsidiaries Polska Sp.z. o.o ElicaMex S.A.d.C.V., Leonardo Services S.A.d.C.V., Ariafina Co Ltd and Elica Inc which prepare their financial statements in the Polish Zloty, the Mexican Peso (ElicaMex S.A.d.C.V. and Leonardo Services S.A.d.C.V.) and the Japanese Yen respectively.

The Board of Directors today approved the consolidated financial statements for the year ended 31 December 2007 and authorised its publication.

2. Accounting principles and basis of consolidation

The Group is required to prepare its financial statements in accordance with IFRS, as it is listed on the Star segment of the Italian Stock Exchange. The Elica Group had opted to prepare its financial statements in accordance with IFRS since 2005, as permitted by Legislative Decree No. 38/2005.

The consolidated financial statements as at 31 December 2007 are compared with the previous year and consist of the Balance Sheet, the Income Statement, the Cash Flow Statement, the Statement of changes in Shareholders' Equity and the Explanatory Notes thereto.

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

The Group did not make any changes in the accounting principles applied between the comparative dates of 31 December 2006 and 31 December 2007. Furthermore, neither the International Accounting Standards Board (IASB) nor the International Financial Reporting Interpretation Committee (IFRIC) have revised or issued standards or interpretations due to take effect on 1 January 2008 that have had a material effect on the consolidated financial statements.

The consolidated 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 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.

Basis of consolidation

The consolidated financial statements for the year ended 31 December 2007 include the financial statements of the Company and the companies it controls directly or indirectly (the subsidiaries). Control is exercised when the company has the power to determine the financial and operating policies of an entity so as to benefit from its activity.

The separate financial statements at 31 December 2007 of the Parent Company 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 subsidiaries and associated companies were prepared in accordance with Legislative Decree No. 127/91 1 as supplemented, where necessary, by accounting standards issued by the Italian Accounting Profession *(Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri)* and, in the absence of standards laid down by this latter, by accounting standards issued by the IASB as well the documents issued by the Italian Accounting Standards Setter. The financial statements of foreign subsidiaries were prepared in accordance with applicable local regulations.
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 associated companies reference should be made to sections "4 Composition and changes in the consolidation scope" and "7 Disclosure pursuant to IAS 24 on management compensation and related-party transactions".

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement 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 tangible fixed assets are eliminated, where considered material.

Minority interest share in the net assets of consolidated subsidiaries are recorded separately from the Group shareholders' equity ("Minority interest"). Minority interest net equity includes the amount attributable to the minority shareholders at the original acquisition date (see below) and changes in equity after that date.
Losses attributable to minority shareholders in excess of the minority interest share in the subsidiary's equity are allocated to equity attributable to the shareholders of the Parent Company, except to the extent that the minority shareholders are subject to a binding obligation and are capable of making additional investments to cover the losses.

Consolidation of foreign companies and translation into Euro of foreign-denominated items

The assets and liabilities of consolidated foreign companies in currencies other than the Euro are translated using the exchange rates at the balance sheet date. Revenues 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 31 December 2007, the consolidated foreign companies whose operating currency is other than the Euro are ElicaGroup Polska (Fime Polska until 31 December 2006), ElicaMex, Leonardo Services, Ariafina and Elica Inc, which use the Polish Zloty, the Mexican Pesos (ElicaMex and Leonardo Services), the Japanese Yen and the US Dollar respectively.

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

Currency	Exchange Rate at 31 December 2007	Average exchange 2007
Polish Zloty (Zty vs Euro)	3.59	3.78
Mexican Pesos (Mxn vs Euro)	16.05	14.97
US Dollar (USD vs Euro)	1.47	1.37
Japanese Yen (Jpy vs Euro)	164.93	161.25

Business Combinations

Business combinations are recorded in accordance with the purchase method. The acquisition cost is measured at the aggregate of the fair values – at the transaction date – of the assets given, liabilities incurred or assumed and of the financial instruments issued by the Group in exchange for control of the company acquired, plus any costs directly attributable to the business combination.

The identifiable assets, liabilities and contingent liabilities acquired that comply with the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups), which are classified as held for sale in accordance with IFRS 5 and are recognised and measured at fair value less costs to sell.

Other intangible assets recognised on acquisition are recorded separately from goodwill if their fair value can be determined on a reliable basis.

Goodwill arising on an acquisition is recorded as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities. If, after reassessment, the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the excess is recognised immediately in the income statement.

Effective from 1 January 2004, the minority interest in the acquired entity is initially measured at the fair value of the assets, liabilities and contingent liabilities recorded.

Investments in associated companies and joint ventures

An associated company is a company in which the Group has significant influence, but not full control or joint control. The Group exerts its influence by taking part in the associated company'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. It exists only when the strategic financial and operating decisions of the business require the unanimous approval of all of the parties that share control.

The profits and losses, assets and liabilities of associated companies and joint ventures are recorded in the consolidated financial statements using the equity method, except where the investments are classified as held for sale.

Under this method, investments in associated companies and joint ventures are recorded in the balance sheet at cost, as adjusted for changes after the acquisition of the net assets of the associated companies, less any impairment in the value of the individual investments. Losses of the associated companies and joint ventures in excess of the Group share are not recorded 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 subject to impairment tests. Any excess of the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associated company over the cost of acquisition is recorded in the income statement in the year of acquisition.

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

Accounting principles and policies

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

Property, plant & equipment

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

Depreciation is calculated on a straight-line basis on the cost of the assets based on their estimated useful lives applying the following rates:

buildings	3 %
lightweight buildings	10 %
plant and machinery	10 % - 15.5 %
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 tangible fixed assets.

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

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

Goodwill

Goodwill arising on the acquisition of a subsidiary or other business combinations represents the excess of the acquisition cost over the 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 reviewed annually for any impairment. An impairment loss is recorded immediately in the income statement and is not restated in a subsequent period.

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

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

Other intangible assets

Internally generated intangible assets and development costs

Research costs are charged to the income statement in the period in which they are incurred.
Internally generated intangible assets resulting from the development of Group products are recognised only if the following conditions are met:
- the asset is identifiable;
- it is probable that the asset will generate future economic benefits;
- the cost of developing the asset can be reliably measured.

These intangible assets are amortised on a straight-line basis over their useful lives.

When internally generated assets cannot be recorded in the balance sheet, the related development costs are charged to the income statement in the period in which they are incurred.

Trademarks and patents

Trademarks and patents are initially measured at purchase cost and amortised on a straight-line basis over their useful lives.

Impairment Test

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

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

The recoverable value is the higher between fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted on a pre-tax basis which reflects the market assessment of the time value of money and the risks specific to the asset.

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

When the reasons for the impairment no longer exist, the carrying value of the asset (or CGU) – except for goodwill – is increased to the revised estimate of its recoverable value. The new value cannot exceed the net carrying value if no write-down for impairment had being recorded.
The reversal of an impairment loss is recorded immediately in the income statement unless the asset is stated at the revalued amount, in which case the reversal is credited to the revaluation reserve.

Inventories

Inventories are recorded at the lower of purchase or production cost and net realisable value.
The purchase cost of raw, ancillary, supplies and goods for resale is determined using the weighted average cost method.
The production cost of finished goods, work in progress and semi-finished goods is determined considering the cost of the materials used plus direct operating costs and overheads.

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

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

Financial assets and liabilities

Financial assets and liabilities are recorded in the balance sheet at the settlement date.

Trade receivables and loans

Trade receivables and loans are recorded at nominal value which normally represents their fair value. In the event of a significant difference between nominal value and fair value, the receivables are recorded at fair value and subsequently valued at amortised cost using the effective interest rate method.
The receivables are adjusted through a provision for doubtful debt so as to reflect their realisable value. The provision is calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flow discounted at the effective interest rate on initial recognition.

Non-current assets held for sale

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

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

Other financial assets

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

After initial recognition, the financial assets are measured based on their features as follows:

- financial assets which the Group intends to hold, and has the capable to hold until maturity ("held to maturity") are recorded at amortised cost using the effective interest rate method less any impairment.

- financial assets classified as "held for trading" are valued at fair value at each reporting date and gains and losses resulting from changes in fair value are recorded in the income statement for the period.

- available-for-sale financial assets are measured at fair value at each reporting date and gains and losses arising from changes in fair value are recorded directly to equity until they are sold or incur a loss in value; the total gains and losses previously recorded in equity are recorded in the income statement for the period. assets available-for-sale that consist of equity instruments are measured at cost where there is no available market price and their fair value cannot be reliably estimated.

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 based on the substance of the contractual agreements that generated them and in accordance with the respective definitions of financial liabilities and equity instruments.
Equity instruments consist of contracts which, stripped of the liability component, give rights to a share in the assets of the Group.

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

Trade payables

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

Bank and other borrowings

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

Equity instruments

Equity instruments issued by the Company are recorded based on the proceeds received, less direct issue costs.

Derivative instruments and hedge accounting

Derivative financial instruments are initially measured at fair value and, subsequently measured at fair value.

Where applicable, the Elica Group adopts the hedge accounting method which requires derivatives to be recorded in the balance sheet at fair value. Changes in the fair value of derivative instruments (mark to market) are accounted for differently depending on the hedge features at the valuation date:

- For derivatives that hedge expected transactions (i.e. cash flow hedges), changes in the fair value of derivative instruments are allocated to equity for the portion considered effective while the portion considered ineffective is recognised in the income statement.

- For derivatives that hedge receivables and payables recorded in the balance sheet (i.e. fair value hedges), differences in fair value are recognised in full in the income statement. Moreover, the value of the receivables/payables hedged is adjusted for the change in the risk hedged, also in the income statement.

The hedge accounting method is discontinued when the hedging instrument reaches maturity, is sold, terminates or is exercised or no longer qualifies for hedge accounting. At this point, in case of cash flow hedges, gains or losses accumulated by the hedging instrument and recorded directly under equity are retained there until the expected transaction occurs. If the hedged transaction is not expected to occur, accumulated gains and losses recorded under equity are released to the income statement for the period.

Changes in the fair value of derivative instruments that cannot be classed as hedges are recorded in the income statement for the period in which they arise.

Embedded derivatives included in other financial instruments or in other contracts are considered as separate derivatives when their risks and characteristics are not strictly related to the contracts hosting them and these host contracts are not measured at fair value with related gains and losses recorded in the income statement.

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

Treasury shares

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

Employee benefits

Post-employment benefits

Italian post-employment benefits are considered equivalent to a defined benefit plan. For defined benefit plans, the cost of the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each year. Actuarial gains and losses that exceed 10% of the fair value of the benefits defined by the Group are amortised over the estimated average remaining employment service of the employees taking part in the scheme.

Post-employment benefits recognised in the balance sheet represent the fair value of liabilities under defined benefit plans as adjusted for unrecorded actuarial gains and losses.

Finally, the Group records the interest on employee benefit plans under finance costs.

Share-based payments

The Group, in accordance with IFRS 2, classifies the Stock Options in accordance with "equity-settled share-based payment transactions", which provide for the physical transfer of the shares, the determination of the fair value of the options issued at the granting date and its recognition under cost to be accrued over the vesting period and credited to an equity reserve. This treatment is made based on an estimate of the options that will effectively mature in favour of the personnel having the right, taking into consideration the conditions of normal take-up not based on the market value of the options. The determination of the fair value is made using the "binominal" model.

Provisions

Provisions are recorded 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 the Directors best estimate of the cost of fulfilling the obligation at the balance sheet date and are discounted to present value when the effect is significant.

Revenue recognition

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

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

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

Leases and lease agreements

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

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

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

Foreign currency translation

In the preparation of the financial statements of the individual Group companies, transactions in foreign companies 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 balance sheet date using the exchange rate at the balance sheet date. Non-monetary assets and liabilities valued at historical cost in foreign currency are translated using the exchange rate at the transaction date.

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

Public grants

Government grants related to property, plant and equipment (purchase, extension, construction) are deducted from the cost of the assets to which they relate. Depreciation is charged to the income statement on the net cost (cost less grants) of the asset. If a grant is awarded in a period after the start of the depreciation period of the asset, the portion of the grant relating to the prior periods is recorded in the income statement as other income.

Income taxes

Income taxes for the period represents the sum of current and deferred taxation.

For each consolidated company, current taxation is based on taxable income for the period as determined under applicable tax law. Current tax liabilities were calculated using the rates of taxation applicable at the balance sheet date.

Since 2005, the Company and the subsidiary Fime S.p.A., have opted for a consolidated tax regime in Italy. This means that the IRES (Corporation Tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies.

Transactions plus reciprocal responsibilities and obligations between the Parent Company and the aforementioned subsidiary are defined by a consolidation agreement prepared with each consolidated company.

With regard to responsibility, the agreement provides that the Parent Company is jointly liable with the subsidiary for:

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

The tax liability is shown under Tax payables net of payments on account, taxes withheld by third parties and tax credits. Tax payables also include the current IRES charge as determined on an estimate of the taxable income and tax losses of the subsidiaries taking part in the consolidated tax regime, net of payments on account, taxes withheld by third parties and tax credits of these subsidiaries. Tax liabilities are offset by the amounts due from subsidiaries to the Parent Company for the current tax on income transferred by such subsidiaries under the consolidated tax regime.

The liability for tax losses surrendered by a subsidiary is recorded under "Amounts due to subsidiaries".

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

Deferred tax assets and liabilities also arise on timing differences between the taxable income reported by subsidiaries and that utilised for consolidation purposes and are accounted according to the liability method. Deferred tax assets and liabilities also arise as a result of consolidation adjustments made to the accounts of the Group companies.

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

Deferred tax assets and liabilities are also recorded on temporary differences relating to investments in associated companies and joint ventures except in cases where the Group can control the reversal of these timing differences and it is probable that they will not reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset against one another when there is a legal enforceable right to do so and when they relate to taxes levied by the same tax authority and the Group intends to settle tax assets and liabilities on a net basis.

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 dilution effect on earnings.

Accounting standards effective from 1 January 2007

The IASB issued the following documents, approved by the European Union, effective for the first time from 1 January 2007:

- *IAS 1 - Presentation of financial statements*: additional disclosure on share capital: amendments issued in August 2005 and applicable from 1 January 2007;
- *IFRS 7 – Financial Instruments*: disclosures: issued in August 2005 and effective from 1 January 2007.
- IFRIC 8 – Scope of IFRS 2: issued in January 2006 and effective from 1 January 2007;
- IFRIC 9 - Reassessment of embedded derivatives: issued in March 2006 and effective from January 1, 2007;
- *IFRIC 10 - Interim reporting and impairment*: issued in July 2006 and effective from January 1, 2007.

Regarding the application of the above-mentioned documents, there are no significant effects on the net equity or result for the period.

The employee leaving indemnity provision includes the effects of the changes introduced by the "2007 Finance Act" and subsequent decrees and regulations relating to the allocation of the indemnity maturing from 1 January 2007.
Specifically, in accordance with IAS 19 the new regulation changes the nature of the employee leaving indemnity from a "defined benefit programme" to a "defined benefit plan" as of 1 January 2007. For IAS purposes only the employee leaving indemnity provision matured at 31 December 2006 remains a defined benefit plan.
The accounting treatment of the provision maturing from 1 January 2007 is therefore similar to that for other social security payables, both for the complementary pension plan and for the allocation of the provision to the INPS treasury fund.
In accordance with IAS 19, these changes also resulted in the recalculation of the employee leaving indemnity matured at 31 December 2006: this recalculation (curtailment, as defined in IAS 19) is principally based on the exclusion from the actuarial calculation of future remuneration and the relative assumptions on salary rises. As a result of this curtailment, both the accumulated actuarial gains and losses as at 31 December 2006, not recorded in the income statement in accordance with the "corridor" method, and the effect of the recalculation of the liability matured at that date, were recognised in the income statement.

3. Critical judgements and 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. The actual results may differ from these estimates. The estimates and assumptions are revised periodically and the effects of any change are promptly reflected in the financial statements.

Fundamental assumptions regarding future events and other causes of uncertainty in making accounting estimates at the reporting date, which may lead to significant adjustments to the carrying amount of assets and liabilities within a year, mainly relate to the possible impairment of goodwill.

In order to determine whether there are impairment indicators, it is necessary to estimate the value of the cash-generating unit to which goodwill is allocated. To determine the CGU's value in use, the Company must estimate the revenue streams that it expects from the CGU and set an appropriate discount rate.

At 31 December 2007, the carrying value of the goodwill was Euro 29,798 thousand, after capitalisation of Euro 416 thousand on the entry into the consolidation area of Airforce S.p.A. as per note 5.23 and 5.46.
The goodwill is subject to an annual impairment test. From the impairment test made at 31 December 2007, no loss in value arose.

4. Composition and changes in the consolidation scope

At 31 December, 2007, the consolidation scope includes the companies controlled by the Parent Company, Elica S.p.A.. Control exists where the Parent Company 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 contains a list of the companies consolidated on a line-by-line basis and controlled directly or indirectly by the Parent Company.

Company	Registered office	Currency	Share capital	% interest held directly	% interest held indirectly	Total % interest
Companies consolidated under the line-by-line method						
Elica S.p.A.	Fabriano (AN)	EUR	12,664,560			
Fime S.p.A.	Castelfidardo (AN)	EUR	2,990,000	100	-	100
Elica Group Polska S.p.zoo	Wroklaw (Poland)	PLN	25,000,000	62	38 (a)	100
ElicaMex S.a.d.C.V.	Queretaro (Mexico)	MXP	176,397,372	98	2 (b)	100
Leonardo Services S.a.d.C.V.	Queretaro (Mexico)	MXP	50,000	98	2 (b)	100
Ariafina Co. Ltd	Sagamihara-shi (Japan)	JPY	10,000,000	51	-	51
Air Force.S.p.A.	Fabriano (AN)	EUR	103,200	60	-	60
Airforce Germany G.m.b.h.	Stuttgart (Germany)	EUR	26,000	-	57 (c)	57
Elica Inc.	Chicago,Illinois(United Sta	USD	5,000	-	100 (d)	100

(a) Held through Fime S.p.A.
(b) Held through Elica Group Polska S.p.zoo
(c) Held through Airforce S.p.A.
(d) Held through ElicaMex S.a.d.C.V.

Concerning data and information on subsidiaries and associated companies, reference should be made to section 8 of the Notes.

During the year, there were no significant changes in the consolidation scope. The main corporate operations related to internal reorganisation operations which did not change the consolidation scope. On 1 July 2007, the merger of Jet Air S.r.l., Turbo Air S.p.A. and Fox Design S.p.A. into Elica S.p.A. was completed. The merger is designed to achieve further integration of range hood business processes and a rationalisation of the Group's structure, with a consequent improvement in operating and managerial efficiency. The operation was carried out without issuing new shares and therefore did not give rise to an increase in the share capital of the incorporated company.

The main changes relating to the companies consolidated under the line-by-line method during the year are shown below:

- On 23 January 2007, a further stake of 15% was acquired in Air Force S.p.A. for Euro 301 thousand. The total holding is now 60%;
- On 31 May 2007, Fox Design S.p.A. sold its 70.0% interest in Fox IFS S.r.l. to third parties for Euro 26 thousand compared with a zero carrying amount;
- In June 2007, part of the loan granted by Elica S.p.A. to the subsidiary Elica Group Polska Sp z o.o. was converted into share capital in order to fund the investment needed to further boost the production of range hoods in Poland. Following this operation, the share capital was raised from 10 million zloty (approximately Euro 2.65 million at the Polish National Bank's exchange rate on 21 June) to 25 million zloty (approximately Euro 3.96 million) and Elica S.p.A.'s interest rose from 5% to 62%. The remaining share capital is held by Fime S.p.A., a subsidiary of Elica S.p.A., which manufactures motors and motor sets.
- On 2 July 2007, Elica Inc. was incorporated in Chicago, Illinois, with a view to promoting development of 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.;
- The share capital increase in the company ElicaMex of Euro 903 thousand.

The following table contains a list of associated companies measured under the equity method and controlled directly or indirectly by the Parent Company.

Company	Registered office	Currency	Share capital	% interest held directly	% interest held indirectly	Total % interest
Associated companies measured under the equity method						
I.S.M. S.r.l.	Cerreto d'Esi (AN)	EUR	10,327	49		49
Inox M. M. Sa.d.C.V.	Queretaro (Messico)	MXP	21,444,169		30 (d)	30

(d) Held through ElicaMex S.a.d.C.V.

Regarding the associated companies, valued under the equity method, the following changes took place compared to 31 December, 2006:

- On 15 May 2007, Turbo Air S.p.A. sold its 20.80% interest in Immobiliare Camino S.r.l. to Canto Alto S.r.l. for Euro 101.6 thousand, compared with a carrying value of Euro 127 thousand;
- On 13 June, 2007, Elica S.p.A. sold its interest in Aerdorica S.p .A. to Fintrack S.p.A. for Euro 50 thousand, equal to the carrying value. On 28 June 2007, the debenture loan granted by Elica S.p.A. to Aerdorica S.p.A. was also sold to Fintrack S.p.A. for Euro 152.6 thousand, equal to the par value.
- On 25 June 2007, Elica S.p.A. sold its stake of 21.276% in Roal Electronics S.p.A. The sale was made for a value of Euro 3 million compared to a carrying value of Euro 3.24 million. Settlement of the transaction entails payment of Euro 1 million in cash on execution of the contract of sale, with the remainder to be paid in four instalments of Euro 500 thousand, falling due between 31 December 2007 and 31 December 2010. Interest equal to 6-month Euribor (365-day) plus a spread of 0.70% will be applied to these instalments on 30 November of each year. The investment was sold to Fintrack S.r.l., the company that controls Elica S.p.A. via FAN S.A.;
- For the associated company Inox M. M. Sa.d.C.V., incorporated in 2006, a share capital increase of Euro 400 thousand was paid in by Elica Mex on 31 December 2007.

5. Notes to the Income Statement and Balance Sheet

The costs and revenues and the assets and liabilities of the "ACEM division" available-for-sale, as reported in the Directors' Report on Operations, were eliminated from the Consolidated Balance Sheet and Income Statement as at 31 December 2007 and recorded in a single asset account called "Assets of discontinued operations" (Euro 3,258 thousand) and in a single liability account called "Liabilities of discontinued operations" (Euro 1,905 thousand) and in the Income Statement account "Discontinued operations" (Euro 17 thousand) in accordance with IFRS 5. Therefore, the balances at 31 December 2007 in the following table do not include the ACEM division (discontinued). Reference to note 5.18 should be made for further details.

CONSOLIDATED INCOME STATEMENT

5.1 Revenue

Details of the Group's revenue are as follows:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Revenues from product sales	404,831	426,393	21,562
Service revenues	535	402	(133)
Total	**405,366**	**426,795**	**21,429**

For an analysis on revenues, reference should be made to the paragraph "Financial and operating review" in the Directors' Report. The change in revenues was significantly impacted by the change in the consolidation area, equal to Euro 15,646 thousand, and from the discontinuation of the ACEM division for Euro 7,564 thousand.

5.1.1 Information by business and geographical segment

The primary form of segment reporting is by the business sector in which the Group operates. The breakdown by segment is as follows:

- "Own brands": production and sale of range hoods and accessories under own brands;
- "Third-party brands": production and sale of range hoods, accessories and other components for domestic appliances under third-party brands;
- "Motors": production and sale of electric motors;
- "Other activities": production and sale of electrical transformers and other products,.

Segment revenues are determined in accordance with the classification of the products sold in a business sector instead of another. Segment results are determined by taking into account all the costs that can be allocated directly to sales in a specific segment. Costs not allocated to the segments include all costs not directly attributable to the area, including manufacturing, sales, general, administrative costs, as well as financial income and charges and taxes.
Inter-segment revenues include revenues between Group segments that are consolidated on a line-by-line basis in relation to sales made to other segments.
Assets, liabilities and investments are allocated directly on the basis of their classification in a specific sector.
As previously described, in January 2008, the company Fime S.p.A. wholly owned by Elica S.p.A., sold the "ACEM division", whose results for 2007 are reported in note 5.18.
The following tables contain segment information by business segment as defined above:

Income statement	**Own brands**		**Third-party brands**		**Electric motors**		**Other activities**		**Corporate**		**Eliminations**		**Consolidated**	
(in Euro thousands)	**Dec-07**	**Dec-06**	**Dec-07**	**Dec-06**	**Dec-07**	**Dec-06**	**Dec-07**	**Dec-06**	**Dec-07**	**Dec-06**	**Dec-07**	**Dec-06**	**Dec-07**	**Dec-06**
Segment revenue:														
Customers	93,505	68,087	265,679	262,618	67,611	67,089		7,571					426,795	405,366
Inter-segment	0	0	954	694	27,579	31,581		56			(28,533)	(32,330)	(0)	0
Total revenues	**93,505**	**68,087**	**266,633**	**263,312**	**95,189**	**98,670**		**7,627**			**(28,533)**	**(32,330)**	**426,795**	**405,366**
Segment result:	18,117	14,005	45,051	45,210	10,685	10,535		872					73,853	70,622
Overheads not allocated													**(51,750)**	**(46,868)**
Operating result													**22,103**	**23,754**
Share of profit/(loss) from associates													(163)	809
Impairment of available-for-sale financial assets														(195)
Financial income													948	675
Financial costs													(1,344)	(3,529)
Foreign exchange gains/(losses)													(2,146)	(837)
Other non-operating income													26	12
Pre-tax profit													**19,424**	**20,689**
Income taxes													(9,862)	(12,103)
Net profit from continuing operations													**9,562**	**8,586**
Net profit/(loss) from discontinued operations													17	(167)
Net profit for the year													**9,579**	**8,419**

Balance sheet data	Own brands		Third-party brands		Electric motors		Other activities		Corporate		Eliminations		Consolidated	
(in Euro thousands)	dic-07	dic-06	dic-07	dic-06	dic-07	dic-06	dic-07	dic-06	dic-07	dic-06	dic-07	dic-06	dic-07	dic-06
Assets:														
Segment assets	37,735	31,642	135,945	129,876	68,116	77,338	2,825	3,992			(2,259)	(10,424)	242,362	232,425
Investments in associates									2,363	5,916			2,363	5,916
Unallocated assets									77,780	85,137			77,780	85,137
Total operational assets													**322,505**	**323,477**
Total assets from discontinued or to be operations							1,771	0	1,487				**3,258**	**0**
Total assets													**325,763**	**323,477**
Liabilities														
Segment liabilities	(22,824)	(18,936)	(78,413)	(76,295)	(24,497)	(20,885)	(1,620)	(1,927)			2,259	10,424	(125,095)	(107,620)
Unallocated liabilities									(56,706)	(73,636)			(56,706)	(73,636)
Shareholders' equity									(142,057)	(142,221)			(142,057)	(142,221)
Total operational liabilities													**(323,858)**	**(323,477)**
Total liabilities from discontinued or to be operations							(399)		(1,506)				**(1,905)**	**0**
Total liabilities													**(325,763)**	**(323,477)**

Segment information – Secondary segment for the twelve months ended 31 December 2007 and 31 December 2006

Operating and financial data and other information *(€000)*

The Group's activities are located in Italy, Mexico, Japan, Poland, Germany and the United States.

The table below provides an analysis of sales by geographic area, regardless of the origin of the goods and services.

Revenues by geographic area	Europe + CIS	Other countries	America	Consolidated
Dec 31, 07	358,649	29,940	38,206	**426,795**
Dec 31, 06	336,681	30,247	38,438	**405,366**

The following table contains details of the Group's assets based on their geographical location.

Total assets	Europe + CIS	America	Other countries	Consolidated
Dec 31, 07	295,477	26,842	3,444	325,763
Dec 31, 06	303,551	17,986	1,940	323,477

An analysis of the segment information is reported in the paragraph "Financial and operating review" in the Directors' Report.

5.2 Other operating income

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Rental income	240	47	(193)
Operating grants	13	210	197
Ordinary gains on disposal	313	1,414	1,101
Claims and insurance payouts	1,485	279	(1,206)
Expenses recovered	712	1,037	325
Business rental income	10	-	(10)
Other revenues and income	1,122	2,334	1,212
Total	**3,895**	**5,321**	**1,426**

The change in the account "Other operating revenues" is due to the combined effect of the following events:
- an increase in ordinary gains (Euro 1,101 thousand), principally due to the sale of tangible fixed assets;
- a decrease of claim recoveries and insurance damages (Euro 1,206 thousand), which in the previous year related mainly to the losses suffered on inventories due to the floods in August and September that hit the plants in Fabriano, Cerreto and Castelfidardo.
- an increase in other revenues and income (Euro 1,212 thousand) principally due to the reversal of the doubtful debt provision of Euro 727 thousand as excessive following an analysis of receivables on an estimate of uncollectable receivable positions made by management.

5.3 Changes in inventories of finished and semi-finished goods

The account changes in finished and semi-finished product inventory increased by Euro 1,070 thousand compared to 2006, of which Euro 664 thousand relating to the change in the consolidation scope.

5.4 Increases on internal work capitalised

The account Increases on internal work capitalised amounts to Euro 2,956 thousand (Euro 1,578 thousand in the previous year) and mainly relates to the capitalisation of charges regarding the design and development of new products and the in-house construction of mouldings and equipment.

5.5 Raw materials and consumables

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Purchases of consumable materials	2,063	1,426	(637)
Purchases of supplies	368	610	242
Purchase of raw materials	181,206	198,122	16,916
Change in inventory of raw materials, consumables and goods for re-sale	(2,524)	(4,894)	(2,370)
Purchase of finished products	6,703	6,077	(626)
Packaging	12,929	15,219	2,290
Other purchases	990	446	(544)
Shipping expenses on purchases	1,069	1,411	342
Total	**202,804**	**218,417**	**15,613**

Raw materials and consumables increased on 2006 by Euro 15,613 thousand (of which Euro 9,797 thousand relating to the change in the consolidation scope). These costs have increased slightly as a percentage of revenues to 51.2%.

5.6 Services

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Outsourcing expenses	45,542	47,581	2,039
Shipping	9,091	11,277	2,186
Finished goods inventories	4,395	4,807	412
Consulting	5,193	4,606	(587)
Maintenance	4,061	3,907	(154)
Utilities	3,832	4,067	235
Sales Commissions	3,381	3,279	(102)
Travel expenses	2,427	2,598	171
Advertising	1,645	1,779	134
Insurance	1,293	1,721	428
Remuneration of Directors and Statutory Auditors	1,271	1,453	182
Trade fairs and promotional events	1,302	719	(583)
Industrial services	661	722	61
Banking fees and expenses	333	598	265
Other services	5,247	5,912	665
Total	**89,674**	**95,026**	**5,352**

Services increased by Euro 1,929 thousand, net of the change in the consolidation scope of Euro 3,423 thousand and 2.15% in percentage terms. The percentage on revenues was 22.3%, in line with 22.1% in the previous year.

5.7 Labour costs

Labour costs incurred by the Group in 2006 and 2007 were as follows:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Salaries and wages	49,398	49,800	402
Social security charges	16,273	15,933	(340)
Employee leaving indemnity	2,685	4,000	1,315
Other costs	2,540	5,574	3,034
Total	**70,896**	**75,307**	**4,411**

Labour costs, net of the change in the consolidation scope, increased by Euro 3,787 thousand (+5.34%), in line with the increase in employee numbers. Labour costs, as a percentage of revenues was 17.6% (17.5% in the previous year).

Other costs include temporary employees for Euro 3,052 thousand (Euro 1,962 thousand in 2006) and leaving incentives of Euro 1,690 thousand (Euro 259 thousand in 2006).

The table below shows the Group workforce at 31 December 2006 and 31 December 2007:

Workforce	31.12.2006	31.12.2007	Changes
Executives	30	25	(5)
White-collar	415	419	4
Blue-collar	1,623	1,828	205
Others	45	48	3
Total	**2,113**	**2,320**	**207**

The change in the consolidation scope resulted in an increase in employee numbers of 39.

5.8 Amortisation & depreciation

Amortisation and depreciation increased from Euro 16,051 thousand in 2006 to Euro 16,443 thousand in 2007. The break-down of this account is reported under Property, plant and equipment.

5.9 Other operating expenses and provisions

The details of the account is as follows:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Leasing and rental	2,599	2,427	(172)
Rental of vehicles and industrial equipment	1,427	1,396	(31)
Expenses for hardware, software and patents	192	579	387
Other taxes	544	524	(20)
Magazine and newspaper subscriptions	40	48	8
Various equipment	372	361	(11)
Catalogues and brochures	372	312	(60)
Losses and bad debts	391	127	(264)
Provisions for risks and charges	335	639	304
Prior year expenses and losses	1,352	2,134	782
Total	**7,624**	**8,547**	**923**

The changes in the consolidation scope resulted in an increase in the account by Euro 1,366 thousand.

5.10 Restructuring charges

The account Restructuring Charges includes the charges relating to the closure of the plant at Padua (formerly Fox Design S.p.A.).

5.11 Share of profit/(loss) from associates

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Share of profit/(loss) from associates	**809**	**(163)**	**(972)**

The amounts recorded under this account relate to the equity method of accounting for investments in associated companies and from the sale of some of these investments. The table below shows a breakdown of the account:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Airforce S.p.A.	310	24	(286)
Ariafina	96	-	(96)
Ism S.r.l.	241	176	(65)
Roal Electronics S.p.A.	136	(337)	(473)
Immobiliare Camino S.r.l.	26	(26)	(52)
Total	**809**	**(163)**	**(972)**

The amount of Euro 24 thousand relating to the company Airforce S.p.A. refers to the period prior to the acquisition of majority control on 23 January 2007.

5.13 Finance income

Details of financial income are shown below:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Income from other non-current financial assets	30	-	(30)
Interest income from associated companies	18	38	20
Bank interest income	380	581	201
Interest income from customers	2	1	(1)
Discounts on purchases	206	270	64
Other financial income	39	58	19
Total	**675**	**948**	**273**

Financial income increased by Euro 273 thousand, due mainly to interest income from banks and financial discounts received during the year.

5.14 Financial costs

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Financial costs:			
on overdrafts and bank loans	1,722	438	(1,284)
on other borrowings	936	589	(347)
on employee leaving indemnity	651	642	(9)
Discounts on sales	571	607	36
Other financial costs	12	-	(12)
Other financial expenses			
Gains/(losses) from cash flow hedges transferred from equity	(24)	(14)	10
Net financial gains/(losses) from traded financial instruments	(339)	(918)	(579)
Total	**3,529**	**1,344**	**(2,185)**

The decrease in the total financial charges of Euro 2,185 thousand is due to the significant decrease in lending costs related to the improvement in the financial position and to the increase in gains on financial instruments from trading.

The account "Net financial gains/(losses) from traded financial instruments" in 2007 of Euro 918 thousand compared to Euro 339 thousand principally relates to income on derivative operations, which in accordance with the accounting standards may not be treated as hedging operations, although they were made for this purpose, and are recorded at fair value through the income statement. The balance of Euro 339 thousand in 2006 includes income from fair value valuations (Euro 146 thousand) and on interest rate swaps (Euro 193 thousand).

5.15 Foreign exchange gains and losses

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Exchange losses	(1,617)	(4,135)	(2,518)
Exchange gains	780	1,989	1,209
Total Foreign exchange gains/(losses)	**(837)**	**(2,146)**	**(1,309)**

Net exchange losses in the year amounted to Euro 2,146 thousand compared to Euro 837 thousand in 2006.

The account includes the balance of the non-realised gains and losses deriving from the adjustment at the end of the year of debtor and creditor positions in foreign currencies of Euro 160 thousand in 2006 and Euro 978 thousand in 2007.

5.16 Other non-operating income

In 2007, the account includes Euro 26 thousand relating to the sale of the investment in Fox IFS.

5.17 Taxation

Total taxes for the year 2007 amount to Euro 9,862 thousand are as follows:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Current taxes	12,368	11,215	(1,153)
Deferred taxes	(265)	(1,353)	(1,088)
Total income taxes	**12,103**	**9,862**	**(2,241)**

In 2007, the Parent Company was subject to a statutory tax rate (share of pre-tax income payable to tax authorities) of 37.5%, based on the corporate income tax (IRES) and regional business tax (IRAP) rates applicable to the reported taxable income for the period ended 31 December 2007. For foreign subsidiaries the statutory tax rate varies from country to country.

The table below shows a reconciliation between the expected and effective tax rates paid by the Parent Company, amounting to 50.77% in 2007 against 58.50% in the previous year. The deferred taxes were also adjusted following the reduction in the income tax rate from the year 2008, from 33% to 27.5%, with a positive impact on the income statement of Euro 356 thousand.

		2006					2007				
	Theoretical IRES rate	33.00%					33.00%				
	Theoretical IRAP rate	4.50%					4.50%				
	(In Euro thousands)	**Assessable**	**IRES income taxes**	**IRAP regional taxes**	**Total**	**% of IRES on pre-tax profit**	**Assessable**	**IRES income taxes**	**IRAP regional taxes**	**Total**	**% of IRES on pre-tax profit**
	Income taxes										
	- Current		8,116	4,252	12,368			7,689	3,526	11,215	
	- Deferred – cost (income)		(329)	64	(265)			(1,160)	(193)	(1,353)	
	[A] TOTAL INCOME TAXES		**7,787**	**4,316**	**12,103**	**37.64%**		**6,529**	**3,333**	**9,862**	**33.61%**
	PRE-TAX RESULT	**20,689**					**19,424**				
+	Tax calculated using local tax rate		6,827			33.00%		6,410			33.00%
+	Tax effect of expenses/revenues that are not deductible for tax purposes	2,106	695			3.36%	(103)	(35)			-0.18%
							-				
-	Tax effect on the different tax rates of the foreign subsidiaries	842	278			1.34%	1,336	441			2.27%
							-				
-	Decrease/increase in initial deferred tax assets/liabilities due to changes in tax rates	-	-			0.00%	(5,217)	(287)			-1.48%
							-				
-	Other differences	(39)	(13)			-0.06%	-	-			0.00%
	[B] Effective tax charge and tax rate	**23,598**	**7,787**			**37.64%**	**15,440**	**6,529**			**33.61%**

5.18 Assets of discontinued operations

In January 2008, Fime S.p.A., a wholly owned subsidiary of Elica S.p.A., divested its "ACEM division" which produces transformers, as it was no longer considered of strategic importance for the businesses of Fime S.p.A. and the Elica Group. The transfer of the "ACEM division", comprising plant, machinery, equipment, receivables, payables, termination benefits and goods for resale, took place via the spin-off of the division to a company called Acem S.r.l. and the subsequent transfer of the shares to third parties. Fime S.p.A. continues to own 10% of Acem Srl. By the end of February 2008, Fime S.p.A. intends to acquire the property housing Acem S.r.l.'s production plant and sell it to the leasing company, which will then lease the building to third parties.

This transaction will enable the Elica Group to benefit by concentrating investments in its motors business, freeing up the necessary funds to finance investment in this area.

The assets, liabilities and the results of the ACEM division are shown separately in the table below. In accordance with IFRS 5, the amounts in the assets and liabilities and costs and revenues were eliminated from the consolidated balance sheet and income statement at 31 December 2007 and recorded in a single asset account "Assets of discontinued operations" (Euro 3,258 thousand) and "Liabilities of discontinued operations" (Euro 1,905 thousand) and in the income statement account "Result from discontinued operations" (Euro 17 thousand).

(in Euro thousands)	31.12.2007
Revenues	7,564
Other operating revenues	33
Changes in inventories of finished and semi-finished goods	215
Raw materials and consumables	(4,478)
Services	(1,122)
Labour costs	(1,661)
Amortisation and depreciation	(470)
Other operating expenses and provisions	(33)
EBIT	**47**
Income taxes	(30)
Net profit/(loss) from discontinued operations	**17**

The costs and revenues in the table above relate to transactions with third parties, while inter-segment sales and the relative costs of sales were eliminated.

	31.12.2007
Property, plant & equipment	2,031
Other intangible assets	14
Total non-current assets	**2,045**
Inventories	1,215
Current assets	**1,215**
Liabilities for post-employment benefits	642
Deferred tax liabilities	183
Finance leases and other lenders	1,080
Non-current liabilities	**1,905**

5.19 Minority interest profit

The minority interest profit relates to those subsidiaries not wholly owned by the Elica Group. They include Ariafina Co Ltd.. (minority interest 49%), Airforce S.p.A. (40%) and Airforce Germany Gmbh (43%).
For further information, reference should be made to the notes in Paragraph 5.44.

5.20 Basic earnings per share – Diluted earnings per share

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

	31 Dec 06	31 Dec 07
From continuing and discontinuing operations:		
Net profit for the year (thousands of Euro)	8,328	9,252
Average number of shares net of treasury shares	52,603,622	63,019,794
Basic earnings per share	**15.83**	**14.68**
Weighted average number of ordinary shares to calculate diluted earnings per share	52,603,622	63,019,794
Diluted earnings per share	**15.83**	**14.68**
From continuing operations:		
Net profit for the year (thousands of Euro)	8,495	9,235
Average number of shares net of treasury shares	52,603,622	63,019,794
Basic earnings per share	**16.15**	**14.65**
Weighted average number of ordinary shares to calculate diluted earnings per share	52,603,622	63,019,794
Diluted earnings per share	**16.15**	**14.65**

The earnings per share in 2007 was calculated by dividing the Group net profit by the weighted average number of ordinary shares outstanding , excluding treasury shares, as at 31 December 2007.

The impact of the stock option plan on the calculation of the earnings per share is immaterial.

5.21 Other information on income statement accounts

The research and development costs charged in the Income Statement in 2006 and 2007 are summarised in the table below:

(in Euro thousands)	**31.12.2006**	**31.12.2007**	**Changes**
R&D costs expensed	6,966	5,758	(1,208)
Amortisation of capitalised R&D costs	637	591	(46)
Total R&D costs	**7,603**	**6,349**	**(1,254)**
R&D costs capitalised during the year	**824**	**622**	**(202)**

CONSOLIDATED BALANCE SHEET

5.22 Property, plant and equipment

The table below shows details of the changes in property, plant and equipment in 2006 and 2007.

Property, plant & equipment *(in Euro thousands)*	01.01.2006	Increases	Disposals	Other movements	31.12.2006
Historical cost					
Land and buildings	37,004	6,375	(14,956)	15,923	44,346
Plant and machinery	68,090	6,146	(3,211)	4,741	75,766
Commercial and industrial equipment	70,970	5,713	(1,031)	2,188	77,840
Other assets	10,172	1,300	(682)	397	11,187
Assets in progress and payments on account	1,341	5,458	(32)	26	6,793
Total	**187,577**	**24,992**	**(19,912)**	**23,275**	**215,932**

(in Euro thousands)	01.01.2006	Depreciation	Disposals	Other movements	31.12.2006
Accumulated depreciation					
Land and buildings	7,411	1,400	(172)	217	8,856
Plant and machinery	50,443	5,268	(954)	(2)	54,755
Commercial and industrial equipment	58,788	6,823	(862)	32	64,781
Other assets	8,362	767	(595)	(1)	8,533
Total	**125,004**	**14,258**	**(2,583)**	**246**	**136,925**

(in Euro thousands)	01.01.2006	Increases	Disposals	Other movements	Depreciation	31.12.2006
Net value						
Land and buildings	29,593	6,375	(14,784)	15,706	(1,400)	35,490
Plant and machinery	17,647	6,146	(2,257)	4,743	(5,268)	21,011
Commercial and industrial equipment	12,182	5,713	(169)	2,156	(6,823)	13,059
Other assets	1,810	1,300	(87)	398	(767)	2,654
Assets in progress and payments on account	1,341	5,458	(32)	26	-	6,793
Total	**62,573**	**24,992**	**(17,329)**	**23,029**	**(14,258)**	**79,007**

Property, plant & equipment ***(in Euro thousands)***	**01.01.07**	**Increases**	**Disposals**	**Other movements**	**31.12.07**
Historical cost					
Land and buildings	44,346	3,138	(192)	404	47,696
Plant and machinery	75,766	2,175	(2,592)	91	75,440
Commercial and industrial equipment	77,840	6,136	(1,053)	650	83,573
Other assets	11,187	583	(2,574)	361	9,557
Assets in progress and payments on account	6,793	2,547	(6,080)	-	3,260
Total	**215,932**	**14,579**	**(12,491)**	**1,506**	**219,526**

(in Euro thousands)	01.01.07	Depreciation	Disposals	Other movements	31.12.07
Accumulated depreciation					
Land and buildings	8,856	2,054	(773)	94	10,231
Plant and machinery	54,755	4,743	(5,896)	58	53,660
Commercial and industrial equipment	64,781	6,739	(2,194)	517	69,843
Other assets	8,533	735	(1,845)	278	7,701
Total	**136,925**	**14,271**	**(10,708)**	**947**	**141,435**

(in Euro thousands)	01.01.07	Increases	Disposals	Other movements	Depreciation	31.12.07
Net value						
Land and buildings	35,490	3,138	581	310	(2,054)	37,465
Plant and machinery	21,011	2,175	3,304	33	(4,743)	21,780
Commercial and industrial equipment	13,059	6,136	1,141	133	(6,739)	13,730
Other assets	2,654	583	(729)	83	(735)	1,856
Assets in progress and payments on account	6,793	2,547	(6,080)	-		3,260
Total	**79,007**	**14,579**	**(1,783)**	**559**	**(14,271)**	**78,091**

The net book value of tangible fixed assets amounts to Euro 78,091 thousand compared to Euro 79,007 at the end of the previous year.
The column "other movements" includes the changes in the consolidation scope.
The account "disposals" includes Euro 2,031 thousand relating to the sale of the ACEM division.
Property, plant and equipment are adequately insured against fire, weather damage and similar risks by means of insurance policies arranged with leading insurance companies.
Property, plant and equipment includes assets obtained under finance lease agreements.
Details of the historical cost, accumulated depreciation and depreciation charged to the income statement in the year as a result of application of the method recommended by IAS No. 17 for the accounting treatment of assets held under finance lease agreements are provided below.

Leased assets

Table of leased assets *(in Euro thousands)*	Land and buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Total
Gross value	16,496	12,199	6,912	713	36,320
Accumulated depreciation	(3,620)	(7,695)	(4,899)	(659)	(16,873)
31 Dec 06	**12,876**	**4,504**	**2,013**	**54**	**19,447**
Depreciation at 31 Dec 2006	*495*	*1,527*	*1,114*	*57*	*3,193*
Gross value	15,218	9,612	7,392	171	32,393
Accumulated depreciation	(3,809)	(8,514)	(6,359)	(152)	(18,834)
31 Dec 07	**11,409**	**1,098**	**1,033**	**19**	**13,559**
Depreciation at 31 Dec 2007	*451*	*1,225*	*1,061*	*37*	*2,774*

It is recalled that the historical cost criteria was retained (as an alternative to fair value) as the measurement criteria for property, plant and equipment after initial recognition.
The historical costs includes revaluations permitted by previous legislation as considered representative of the fair value of the property, plant and equipment when the revaluation was made.

5.23 Goodwill

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Goodwill recorded by subsidiaries	12,208	15,306	3,098
Consolidation difference	17,174	14,492	(2,682)
Goodwill	***29,382***	***29,798***	***416***

Details of the allocations are provided below:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Cost per CGU			
Electric Motors	22,667	22,667	-
Hoods	6,715	7,131	416
-Own brands	*1,413*	*1,829*	*416*
Turbo Air own brands	1,413	1,413	-
Air Force own brands		416	416
-Third party brands	*5,302*	*5,302*	-
Turbo Air third party brands	1,160	1,160	-
Fox Design third party brands	4,142	4,142	-
Total book value of goodwill	**29,382**	**29,798**	**416**

The increase in the account "Goodwill" in 2007, equal to Euro 416 thousand, relates to the company Air Force SpA., consolidated under the equity method in the previous year.
The reclassification between the accounts "Goodwill recorded by subsidiaries" and "Consolidation difference" derives from the merger described in the paragraph "Composition and consolidation scope".
The changes in the account during the year were as follows:
- an increase of Euro 416 thousand relating to the goodwill of Air Force SpA, consolidated under the equity method in the previous year;
- a reclassification between the account "Goodwill recorded by subsidiaries" and "Consolidation difference" and from the "Own/third party brands Turbo Air/Fox Design" to the allocation of costs per CGU, deriving from the merger described in the paragraph "Composition and consolidation scope".

The recoverable value of a CGU is based on the calculation of its value in use. Such calculation involves the discount to present value of the cash flows projected by the respective CGUs over a time horizon of five years, three of which representing the period covered by the three-year operational plan and the remaining two year pro forma assessment.
The cash flows utilised to estimate the recoverable value of the CGUs have been derived from the medium-term plan prepared in accordance with management's forecasts and expectations, which are based on past experience and are in keeping with market trends. On the other hand, the cash flows related to the fourth and fifth year were extrapolated assuming a 2% growth rate, which reflects the expected rate of inflation for the medium term.
The expected cash flows were discounted to present value at a weighted average cost of capital (WAAC) of 8.9% for all the CGUs.

Goodwill was tested for impairment on 31 December 2006 and 31 December 2007 and was found unimpaired.

5.24 Other intangible assets

The table below shows details of changes in other intangible assets in 2006 and 2007.

Intangible assets *(in Euro thousands)*	01.01.2006	Increases	Decreases	Other Changes	Amortisation	31.12.2006
Net value						
Develop. costs	1,141	824	(225)	-	(637)	1,103
Industrial patents and intellectual property rights	1,156	976	(1)	174	(1,100)	1,205
Concessions, licenses, trademarks & similar rights	159	44	-	-	(46)	157
Assets in progress and payments on account	236	601	(4)	-	-	833
Other intangible assets	341	394	(140)	27	(169)	453
Total	**3,033**	**2,839**	**(370)**	**201**	**(1,952)**	**3,751**

Intangible assets ***(in Euro thousands)***	**01.01.07**	**Increases**	**Dec.**	**Other movements**	**Amort.**	**31.12.07**
Net value						
Develop. Costs	1,103	1,444	(14)	(59)	(669)	1,805
Industrial patents and intellectual property rights	1,205	599	-	27	(97)	1,734
Concessions, licenses, trade marks & similar rights	157	-	-	(5)	(31)	121
Assets in progress and payments on account	833	543	(11)	(6)	-	1,359
Other intangible assets	453	1,351	(31)	97	(1,374)	496
Total	**3,751**	**3,937**	**(56)**	**54**	**(2,171)**	**5,515**

At 31 December 2007, intangible assets amounted to Euro 5,515 thousand, an increase of Euro 1,764 thousand on the previous year.

"Development costs" regards product design and development activities. The increase mainly relates to the cost of developing new products. Development costs are amortised on a straight-line basis over a five-year period.
"Industrial patents and intellectual property rights" includes patents and royalties regarding the recognition of patents, intellectual property rights and software programs. The increase for the year mainly relates to the acquisition of licenses for technical software programmes and the continuous upgrading of technical and management reporting software (SAP, TXT). Industrial patents and intellectual property rights are amortised over a three-year period.

"Concessions, licenses, brands and similar rights" regards the registration of brands by Group companies.
The account "Assets in progress and advances" includes the advance relating to the implementation of software projects; the increase in the year of Euro 601 thousand principally refers to the design and development of a new and innovative electronic platform and the related IT project.

"Other intangible assets" mainly consists of shared costs regarding the development of mouldings.

The method applied to amortise intangibles is considered appropriate to reflect the remaining useful life of the assets

5.25 Investments in associated companies

The table below shows changes in investments in associated companies:

(in Euro thousand)	**31.12.2006**	**Acq./Sub.**	**Other changes**	**Rev. (Write-down)**	**Gain/(Loss)**	**31.12.2007**
Investments in subsidiaries	5,916	400	(3,790)	209	(372)	2,363
Total	**5,916**	**400**	**(3,790)**	**209**	**(372)**	**2,363**

The amount of Euro 400 thousand in the Purchases column refers to the increase in the investment Inox Market Mexico S.a.de C.V. following the share capital increase. The holding is for 30%.
The amount of Euro 3,790 thousand under other changes relates for Euro 682 thousand to the entry into the consolidation scope of Airforce S.p.A. (an associated company in 2006 and a subsidiary in 2007) and for the remaining Euro 3,107 thousand to the sale of the holdings in Projet S.r.l., Roal Electronics S.p.A. and Immobiliare Camino S.r.l.
The balance in the column Revaluations/(Write-downs) of a positive amount of Euro 209 thousand includes the balance and adjustments made in the year to investments recorded under the equity method, shown in the table below.
The table below shows the carrying values at the end of the previous year and as at 31 December 2007.

(in Euro thousand)	Purchase cost	Post acquisition share of profit/loss (net of dividends)	Balance at 31.12.2006	Purchase cost	Post acquisition share of profit/loss (net of dividends)	Balance at 31.12.2007	Income statement effect
Airforce S.p.A.	910	(252)	658	-		-	24
Ism S.r.l.	1,899	(112)	1,787	1,899	63	1,962	176
Projet S.r.l.	6	-	6	-	-	-	-
Roal Electronics. S.p.A.	3,063	274	3,337	-	-	-	(337)
Immobiliare Camino S.r.l.	102	25	127	-	-	-	(26)
Inox Market Mexico S.a.de C.V.	1	-	1	401	-	401	-
Total	**5,981**	**(65)**	**5,916**	**2,300**	**63**	**2,363**	**(163)**

5.26 Other financial assets

The account at 31 December 2007 amounted to Euro 31 thousand (Euro 180 thousand at 31 December 2006) and principally relates to an insurance investment.

5.27 Other receivables

The breakdown of the other receivables is as follows:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Employees	1,262	1,203	(59)
Other receivables	194	115	(79)
Total	**1,456**	**1,318**	**(138)**

The amount "Employees" includes amounts receivable from employees for welfare contributions and tax deductions from the income of employees and freelance personnel. The withholding of these amounts was suspended after the earthquake in 1997.
At the date of the preparation of the present notes, the relevant Ministers have not made a further extension.
Against these receivables from employees the Group has corresponding payables to the Tax Authorities and Social Security Institutions, including the employer's contribution in the account Other Payables (see note 5.41).
These assets are recorded in the balance sheet under non-current assets at nominal value given their characteristics, their non contractual nature and the additional postponement granted by the competent ministries.

5.28 Tax receivables

The breakdown of non-current tax receivables are as follows:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
IRPEG and ILOR repayments	35	3	(32)
Other tax receivables	6	6	-
Total	**41**	**9**	**(32)**

5.29 Available-for-sale financial assets

This account regards investments held by the Elica Group in other companies. The investments are held in unlisted companies whose shares are not traded on a regulated market.
Therefore, as there were no purchases or sales of these shares in the last year, their fair value cannot be determined in a reliable manner.

The carrying value at cost of the investments is shown below:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Meccano S.p.A.	16	16	-
Kappe & Kappe Falmec S.r.l.	73	-	(73)
UnifabrianoSoc. S.r.l.	2	2	-
Consorzio Energia	2	4	2
Aerdorica S.p.A.	-	-	-
Carifac	152	-	(152)
Cedec	4	2	(2)
Other minor investments	2	2	-
Total	**251**	**26**	**(225)**

The change in the account refers to the sale during the year of the investment in Kappe & Kappe Falmec Srl, Carifac and Aerdorica S.p.A., fully written down in 2005 and 2006.
The residual decrease of Euro 2 thousand relates to the subscription to the Ceced Italia Consortium, which represents an association of home appliance producers.

5.30 Trade receivables and loans

The account consists of:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Trade receivables	105,245	107,258	2,013
Receivables from associated companies	1,629	1,199	(430)

Total	**106,874**	**108,457**	**1,583**

Trade receivables and loans increased by Euro 1,583 thousand; excluding the changes from the consolidation scope of Euro 2,901 thousand, these amounts decreased by Euro 1,318 thousand.
This account does not include any receivables due after more than five years at the year-end.
Receivables are recorded net of provisions of Euro 1,359 thousand 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 is insured by prime international insurance companies.
The management believes that the value approximates the fair value of the receivables.
The charge for the year, considered adequate to adjust receivables to their realisable value, was Euro 127 thousand.
The receivables from associated companies refer to normal operations of the company; these are regulated at market conditions and are of a commercial nature:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Air Force S.p.A.	891		(891)
I.S.M. S.r.l.	275	1,199	924
Projet S.r.l.	-		-
Roal Electronics S.p.A.	463		(463)
Total	**1,629**	**1,199**	**(430)**

The reduction in the receivables from associated companies is principally due to the fact that Airforce S.p.A. was fully consolidated in 2007 and Roal Electronics S.p.A. was sold in the year.

5.31 Inventories

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Raw material, ancillary and consumables	22,859	26,857	3,998
Raw materials obsolescence provision	(1,155)	(986)	169
Total	*21,704*	*25,871*	*4,167*
Work-in-progress and semi-finished products	17,165	18,650	1,485
Work-in –progress obsolescence	(796)	(523)	273
Total	*16,369*	*18,127*	*1,758*
Finished products and goods for resale	11,811	12,832	1,021
Finished products obsolescence provision	(985)	(760)	225
Total	*10,826*	*12,072*	*1,246*
Advances	-	338	338
Value in the financial statements	**48,899**	**56,408**	**7,509**

The value of final inventories increased by approximately Euro 7,509 thousand, of which Euro 1,833 thousand relating to the change in the consolidation scope. This change was impacted by the reclassification to the account "assets of discontinued operations" of Euro 1,215 thousand. The balances in 2007 also include Euro 5,478 thousand of inventory at the Mexican plant, which commenced its production and commercial activities in November 2006 when the balance of inventories amounted to Euro 770 thousand. Inventories are stated net of obsolescence provisions of approximately Euro 2,269 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 and semi-finished materials based on assumptions made by management.

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.
Recognition of the inventories at current value does not entail any difference from recognition with the average weighted cost method.

5.32 Other receivables

The breakdown is as follows:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Other receivables	5,417	5,677	260
Prepayments and accrued income	367	464	97
Total	**5,784**	**6,141**	**357**

The account principally consists of advances to suppliers, in particular for the new international initiatives, advances on services, deposits on packaging and the receivable relating to customs reimbursements.
This account does not include receivables due after more than five years at the year-end.

5.33 Tax receivables - Current

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

(in Euro thousands)	31.12.2006	31.12.2007	Changes
IRAP	436	448	12
IRES	-	302	302
VAT	5,630	3,764	(1,866)
Other tax receivables	135	735	600
Total	**6,201**	**5,249**	**(952)**

The VAT and other foreign indirect tax receivables decreased in the year by Euro 1,866 thousand, of which the change in the consolidation scope accounted for Euro 181 thousand.

5.34 Derivative financial instruments

(in Euro thousands)	31.12.2006		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivatives	96	-	544	422
IRS	-	89		
Total	**96**	**89**	**544**	**422**
of which				
Non-current	-	10	-	-
Current	96	79	544	422
Total	**96**	**89**	**544**	**422**

For a description of the above account reference should be made to paragraph 7 "Risk management policy" of the present notes.

5.35 Cash and cash equivalents

(in Euro thousands)	31.12.2006	31.12.2007	Changes

Bank and postal deposits	29,214	21,828	(7,386)
Total	**29,334**	**21,948**	**(7,386)**

This account reflects positive balances held in bank current accounts and cash on hand. The decrease was due to a different composition in the Group's net financial position. The book value of these assets reflects their fair value.
For further information, reference should be made to the section on the net financial position in the Directors' Report.
In relation to the credit risk, reference should be made to the paragraph "Management of financial risks".

5.36 Liabilities for post-retirement benefits

The Elica Group reports obligations of Euro 12,349 thousand, reflecting the present value of its retirement benefit obligations accruing at the year-end in favour of employees of the Group's Italian companies and representing employee leaving indemnities at the end of the year.
The most recent actuarial calculations of the present value of the provision were performed at 31 December 2007 by Mercer Human Resource Consulting S.r.l., with a projection of the expected cost at 31 December 2008.
The amounts recognised in the income statement may be summarised as follows:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Costs relating to current employee services	2,582	3,676	1,094
Net actuarial losses recognised in the year	103	11	(92)
Financial costs	651	642	(9)
Total	**3,336**	**4,329**	**993**

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

(in Euro thousands)	**Balance at 31 December 2006**	**Balance at 31 December 2007**
Opening balance	13,827	13,228
Change consolidation area/method		103
	13,827	**13,331**
Costs relating to current employee services	2,582	3,676
Curtailment effect		313
Net actuarial losses recognised in the year	103	11
	2,685	**4,000**
Financial costs	651	642
Benefits provided	(3,923)	(2,869)
Pension fund		(2,113)
Conferment	(12)	-
Liabilities of discontinued operations		(642)
Total	**13,228**	**12,349**

The Group has decided to use the corridor method. Under this method it may elect not to recognise the actuarial gains or losses, where these do not exceed 10% of the present value of the defined benefit obligation.

The amendments made to the regulations regarding termination benefits by Law 296 of 27 December 2006 (the Finance Act) and subsequent decrees and regulations issued during early 2007, which form part of an overall reform of supplementary pension provision, have given rise to effects that will have an impact on 'Liabilities for post-retirement benefits'. In fact, supplementary pension reform, by providing for the transfer of future termination benefits to open or employment-category-based pension funds or, in any case, to the INPS (the National Social Security Institute), has changed the nature of termination benefits from that of a defined benefit plan to that of a defined contribution plan. As a result of curtailment, as provided for under paragraph 109 of IAS 19, both accumulated actuarial gains and losses at 31 December 2006, which were not formerly recognised in the income statement due to adoption of the so-called corridor method, and the restatement of the liability accrued at this date have been recognised in the income statement.

Following these adjustments, actuarial gains have not been recorded at 31 December 2007 of Euro 116 thousand, while in 2006 actuarial losses amounted to Euro 2,633 thousand.

Finally, the Group shows the interest component of the charge relating to employee defined-benefit schemes under financial charges, with a resulting increase of Euro 642 thousand in this account for the year. The cost of current retirement benefits and net actuarial losses were recorded under labour costs.

Assumptions adopted for the calculation

	31.12.2006	31.12.2007
Discount rate to determine the obligation	4.5%	5.5%
Expected salary growth rate	2.5%	2.5%
Rate of inflation	2.0%	2.0%
Discount rate to determine pension cost	4.0%	4.5%

The number of employees at 31 December 2007 was 2,320 (2,113 in 2006 on like-for-like consolidation scope) and can be broken down as follows:

Workforce	31.12.2006	31.12.2007	Changes
Executives	30	25	(5)
White-collar	415	419	4
Blue-collar	1,623	1,828	205
Others	45	48	3
Total	**2,113**	**2,320**	**207**

5.37 Provisions for risks and charges

The composition and movements of the provisions are as follows:

(in Euro thousands)	31.12.2006	Provisions	Other movements	31.12.2007
Supplementary agent termination benefits	1,726	206	(448)	1,484
Directors' termination benefits	108			108
Restructuring provisions	-	700		700
Provisions for risks	321	547	162	1,030
Product warranty provisions	836	92	(316)	612
Total	**2,991**	**1,545**	**(602)**	**3,934**
of which				
Non-current	2,155			3,322
Current	836			612
Total	**2,991**			**3,934**

The supplementary agent termination benefits are intended to cover possible charges upon termination of relations with agents and sales representatives. The utilisation of provisions during the period was triggered by the termination of several agency relationships following the strengthening of the strategic business area of the own brand product sales.

The Directors' termination benefits regard the termination benefits for the Parent Company's Executive Chairman.
The restructuring provision was accrued in the year against charges relating to the Padua plant.
The provisions for risks relates to likely costs and charges to be incurred as a result of ongoing legal disputes. The provisions have been determined based on the best possible estimates, considering the available information.
Product warranty provisions represent an estimate of the costs likely to be incurred to repair or replace items sold to customers. These provisions reflect the average warranty costs historically incurred by the Group as a percentage of sales still covered by warranty.

5.38 Deferred tax assets – Deferred tax liabilities

At 31 December 2007, details of deferred tax assets and liabilities, determined on the basis of the asset-liabilities method, were as follows:

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

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Provisions, amortisation and non-tax-deductible risks	2,325	2,297	(28)
Elimination of goodwill amortisation	823	1,677	854
Elimination of intercompany profits	388	174	(214)
Tax losses carried forward	800	-	(800)
Other deductible timing differences	1,969	2,459	490
		-	
Total deferred tax assets	**6,305**	**6,607**	**302**
Accelerated depreciation	3,368	3,108	(260)
Impact of IAS (Employee Leaving Indemnity)	1,553	1,103	(450)
Effect of IAS 17 (Leases)	2,008	1,950	(58)
Deferred gains on disposals	1,049	636	(413)
Elimination of amortisation/depreciation (goodwill and land)	773	1,612	839
Fair value adjustments on business combination	1,495	800	(695)
Other deferred tax liabilities	111	172	61
Total deferred tax liabilities	**10,357**	**9,381**	**(976)**

5.39 Amounts due under finance leases and other borrowings

Finance leases and other lenders	**Minimum payments due under finance lease agreements and other loans**		**Present value of minimum payments due under finance lease agreements and other loans**	
(in Euro thousands)	**31.12.2006**	**31.12.2007**	**31.12.2006**	**31.12.2007**
Due within one year	3,624	1,487	3,109	1,170
Due within five years	10,608	5,180	9,617	4,614
Due over five years	-		-	
Total	**14,232**	**6,667**	**12,726**	**5,784**
of which:				
- future financing costs	1,506	883	n/a	
- present value of obligations under finance leases	12,726	5,784	12,726	5,784
of which:				

- due within one year	3,109	1,170
- due beyond one year	9,617	4,614

Amounts due under finance leases relate to buildings, plant, machinery, equipment and other assets. The current value of the minimum payments due at 31 December 2007 is Euro 5,784 thousand, of which Euro 1,170 thousand due within 12 months.
The interest rates are linked to one-month or three-month Euribor and are set at the date the finance lease agreement is signed. All finance lease agreements involve a fixed repayment plan and there is no contractual provision for rescheduling the debt.

5.40 Bank borrowings and mortgages

(in Euro thousands)	**Balance at 31.12.2006**	**Balance at 31.12.2007**	**Changes**
Bank borrowings	5,656	1,597	(4,059)
Mortgages loans	13,242	11,314	(1,928)
Total	**18,898**	**12,911**	**(5,987)**
Bank loans and mortgages have the following re-payment schedules			
On demand or within one year	11,284	6,206	(5,078)
Within two years	1,797	2,724	927
Within three years	1,808	627	(1,181)
Within four years	654	635	(19)
Within five years	635	643	8
Beyond 5 years	2,720	2,076	(644)
Total	**18,898**	**12,911**	**(5,987)**
Less amounts to be repaid within one year	11,284	6,206	(5,078)
Due beyond one year	**7,614**	**6,705**	**(909)**

All bank borrowings and mortgages are denominated in euros.

The main borrowings indicated above carry a floating rate of interest. While it is exposed to interest rate risk, the Group does not systematically hedge its exposure as, given the expectations of constantly generated cash flows, it is constantly inclined to repay early its bank loans, thus eliminating the need for any such hedge.

5.41 Other Payables

Other Payables (non-current)

(in Euro thousands)	**31.12.2006**	**31.12.2007**	**Changes**
Other payables	2	4	2
INAIL contributions – earthquake suspension 1997	303	303	-
INPDAI contributions – earthquake suspension 1997	158	158	-
Employee INPS contributions – earthquake 1997	3,545	3,534	(11)
Freelance INPS contributions – earthquake 1997	17	17	-
Total	**4,025**	**4,016**	**(9)**

Other Payables includes amounts due to welfare and social security institutions in relation to social contributions not withheld as a result of measures introduced in relation to areas hit by earthquake in 1997. They also include the Company's share of welfare and tax liabilities accruing during the period covered by the suspension. These assets are recorded in the balance sheet under non-current liabilities at nominal value given their characteristics, their non contractual nature and the additional postponement granted by the appropriate ministries.

Other payables (current)

(in Euro thousands)	**31.12.2006**	**31.12.2007**	**Changes**
Payments to social security institutions	3,928	4,687	759
Other payables	385	71	(314)
Payables to personnel for remuneration	6,933	6,967	34
Customers	622	186	(436)
Accrued liabilities and deferred income	483	383	(100)
Customer advances	503	372	(131)
Directors and Statutory Auditors	321	478	157
Payable for acquisition of Turbo business	2,847	-	(2,847)
Total	**16,022**	**13,144**	**(2,878)**

The account decreased by Euro 2,878 thousand, principally relating to the settlement of the payable for the acquisition of the Turbo business unit. The effect of the change in the consolidation scope on this account was Euro 140 thousand.

5.42 Current and non-current tax liabilities

Tax payables (non-current)

(in Euro thousands)	**31.12.2006**	**31.12.2007**	**Changes**
ILOR (former local income tax) payable – earthquake suspension	667	667	-
ICI (local property tax) payable – earthquake suspension	35	35	-
Employee leaving indemnity payable – earthquake suspension	97	97	-
Flat tax payable – earthquake suspension	4	4	-
IRPEF (employees income tax) payable – earthquake suspension	1,375	1,334	(41)
Taxes on equity reserves - earthquake suspension	1,867	1,867	-
Total	**4,045**	**4,004**	**(41)**

Non-current tax liabilities include amounts due to the tax authorities in respect of withholding tax and tax not withheld and not paid as a result of measures introduced in relation to areas hit by earthquake in 1997. They also include the Company's share of social security and tax liabilities accruing during the period covered by the suspension.

Taking account of the characteristics of the payables, their non-contractual nature and the repeated postponement granted by the appropriate Ministries – recently extended until the end of 2007 - these payables are recorded as non-current payables at nominal value.

Tax payables (current)

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Other taxes	278	607	329
Flat tax	1	16	15
IRPEF withheld	2,482	2,655	173
IRAP payable for the year	1,007	8	(999)
IRES payable for the year	715	67	(648)
Total	**4,483**	**3,353**	**(1,130)**

The reduction in the income tax and regional tax payables is related to the higher payments on account in 2007 compared to 2006, which are more in line with the final payment compared to the previous year.

5.43 Trade payables

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Trade payables	89,060	108,249	19,189
Associated companies	5,332	4,254	(1,078)
Total	**94,392**	**112,503**	**18,111**

This mainly includes payables for trade purchases and other costs.
The change in the consolidation scope resulted in an increase in trade payables of approximately Euro 5,380 thousand. The residual increase was due to extended credit terms obtained from suppliers.
Management believes that the book value of trade payables and other payables reflects their fair value.

Associated companies

These payables of an exclusive trade nature are composed of:

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Air force S.p.A.	363		(363)
Ariafina Co Ltd (J.V.)	-		-
Projet S.r.l.	96		(96)
I.S.M. S.r.l.	2,909	4,254	1,345
Roal Electronics S.p.A.	1,964		(1,964)
Inox M. M. Sa.d.C.V.	-	-	-
Total	**5,332**	**4,254**	**(1,078)**

5.44 Group shareholders' equity

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

Comments are provided on each of the equity reserves.

Share capital

The share capital at 31 December 2007 amounts to Euro 12,664,560, consisting of 63,322,800 ordinary shares with a par value of Euro 0.2 each, fully subscribed and paid-in.

Capital reserves

The capital reserves amount to Euro 71,123 thousand and relate entirely to the Share Premium Reserve.
The costs of the IPO, amounting to Euro 3,650 thousand, net of the relevant tax effect of Euro 2,190 thousand, were charged to the share premium reserve, in accordance with IAS/IFRS.

Hedging, currency translation reserve and stock options

This negative account of Euro 803 thousand (negative of Euro 200 thousand in 2006), changed on the translation of the financial statements of subsidiaries in foreign currencies (ElicaMex, Leonardo, Elica Polska, Ariafina and Elica Inc) for a negative value of Euro 654 thousand, the change in the fair value of the cash flow hedges less the tax effect (positive for Euro 16 thousand) and the write-down of the stock options (positive of Euro 35 thousand).
On 25 June 2007, the Board of Directors of Elica S.p.A. approved the implementation of the "Performance Stock Option Plan 2007-2011" reserved to "key managers" and designed to reward achievement of the Company's growth and development targets, pursuant to art. 114-bis of Legislative Decree 58/98. The plan was then approved at an Ordinary Shareholders' Meeting on 25 June 2007. The Board also approved a paid capital increase of up to Euro 300,000, with full exclusion of pre-emption rights pursuant to art. 2441, paragraphs 5 and 8, of the civil code. The increase was to involve the issue of up to 1,500,000 ordinary shares with a par value of Euro 0.20 each, ranking in all respects with existing ordinary shares, at a price of Euro 5, including the par value and a share premium.

Treasury shares

	Number	Book value in thousands of Euro
Beginning balance at 1 January 2007	-	-
Increases	1,934,301	6,671
Ending balance at 31 December 2007	1,934,301	6,671

On 3 August 2007, an Ordinary Shareholders Meeting authorised the purchase and the use of treasury shares, pursuant to article 2357 of the Civil Code, with the following objectives and without prejudice to the equal treatment of shareholders:

- stabilising the share price - improving the liquidity of the shares;
- safeguarding normal trading operations against possible speculative actions;
- trading in the company's own shares, in compliance with sections 2357 of the Civil Code, via the subsequent use of the shares; and to provide the Company with the necessary degree of operating flexibility to facilitate business combinations based on the exchange of securities;
- implementing the "Performance stock option plan 2007-2011".

In relation to the details of the shares outstanding on 31 December 2007, reference should be made to the paragraph "Disclosures pursuant to article 123 of the Consolidated Finance Act".

Retained earnings

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Legal reserve	2,033	2,533	500
Undistributed earnings	873	(1,009)	(1,882)

IAS transition reserve	1,727	1,727	-
Extraordinary reserve	41,308	48,215	6,907
Reserve restricted under Law 488/92	3,875	3,875	-
Total	**49,816**	**55,341**	**5,525**

The Legal Reserve amounts to Euro 2,533 thousand and includes the profits allocated by the Parent Company of 5% of the profits for the year. In the current year, the legal reserve increased by Euro 500 thousand.

Shareholders' equity – minority interest

This account increased by Euro 661 thousand as a result of the following changes: an increase of Euro 327 thousand for the allocation of the minority interest result in 2007 and an increase of Euro 334 thousand following the acquisition of control of the associated companies Airforce S.p.A. and Airforce Germany Gmbh.

The reconciliation between the net equity and net profit of the Parent Company and the Consolidation is shown in the Directors' Report.

5.45 Net debt, default risk and covenants

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

in Euro thousands	**Dec 31 06**	**Dec 31 07**
Cash and cash equivalents	***29,334***	***21,948***
Finance leases and other lenders	(3,109)	(1,170)
Bank loans and mortgages	(11,284)	(6,206)
Short-term debt	***(14,393)***	***(7,376)***
Finance leases and other lenders	(9,617)	(4,614)
Bank loans and mortgages	(7,614)	(6,705)
Long-term debt	***(17,231)***	***(11,319)***
Net funds/(debt)	**(2,290)**	**3,253**

Concerning the default risk and covenants on debt reference should be made to section 7 "Risk management policy" of the Notes.

It should be noted that there are no accelerated payment provisions on bank debt, in case the group's creditworthiness deteriorates. In addition the Group is not subject to any financial covenants in terms of restrictions with respect to certain financial, performance and cash-flow ratios.

5.46 Acquisitions and asset transfers

Acquisition of majority shareholding of Air Force S.p.A.

On 23 January 2007, Elica S.p.A. acquired a 15% interest in Air Force S.p.A (in which it already held a 45% stake) from Fintrack S.p.A., the company that controls Elica via Fan S.A. The consolidation scope thereby changed to include Air Force S.p.A. and its subsidiary Airforce Germany Gmbh, whose operating results have been included in the financial statements since the date of acquisition of the

controlling interest. Up to the consolidation date, the investment was measured under the equity method.
The effects of this transaction are summarised in the table below.

(in Euro thousands)	**Carrying value**	**Fair value adjustments**	**Fair value**
Property, plant & equipment	680	190	870
Intangible assets	81		81
Non-current financial assets	20		20
Inventories	1,983		1,983
Trade receivables	3,987		3,987
Deferred tax assets	189		189
Other receivables	311		311
Equity investments	242		242
Cash and cash equivalents	571		571
Liabilities for post-employment benefits	(147)		(147)
Provisions for risks and charges	(34)		(34)
Deferred tax liabilities	(105)	(71)	(176)
Bank loans and mortgages	(1,059)		(1,059)
Trade payables	(5,218)		(5,218)
Other payables	(675)		(675)
Total Net Equity	**826**	**119**	**945**
- minority interest share (40%)			378
- Elica S.p.A. share already held (45%)			425
Residual Net Equity (15%)			**142**
Goodwill			160
Total acquisition cost			**302**
Total acquisition cost (*)			(302)
Cash and cash equivalents acquired			571
Net cash flow deriving from the acquisition			**270**

(*) Including approx. Euro 2 thousand for accessory acquisition costs.

The amount of the goodwill attributed to the holding of 60% was Euro 416 thousand.

Sale of the shareholding in Roal Electronics S.p.A..

As already reported, on 25 June 2007, Elica S.p.A. sold its holding of 21.276% of the share capital in Roal Electronics S.p.A. The sale was made for a value of Euro 3.0 million compared to a carrying value of Euro 3.24 million. Settlement of the transaction entails payment of Euro 1 million in cash on execution of the contract of sale, with the remainder to be paid in four instalments of 500 thousand each, due between 31 December 2007 and 31 December 2010. Interest equal to 6 month Euribor (365 day) plus a spread of 0.70% will be applied to these instalments on November 30 of each year. The investment was sold to Fintrack S.r.l., the company that controls Elica S.p.A. via FAN S.A. Until the date of the sale, the investment had been accounted for under the equity method. The effective value of the investment was calculated by rounding up the sum of amounts resulting from application of the Combined Equity and Income Method, using an independent appraisal of goodwill, and by the Leveraged Discounted Cash Flow Method. The appraisal was drawn up by an independent expert.

Sale of Fox Ifs S.p.A.

On 31 May 2007, Fox Design S.p.A. sold its 70.0% interest in Fox IFS S.r.l. to third parties for Euro 26 thousand compared with a zero carrying amount. The transaction was settled in cash. On the same date the surety taken out with the Ancona branch of BPU was discharged. Until the date of sale, the investment had been consolidated.

(in Euro thousands)	**Book value ceded**
Property, plant & equipment	19
Intangible assets	107
Inventories	161
Trade receivables	405
Deferred tax assets	56
Other receivables	92
Cash and cash equivalents	68
Liabilities for post-employment benefits	(45)
Bank loans and mortgages	(435)
Trade payables	(310)
Other payables	(113)
Shareholders' Equity	**4**
Gain	22
Value of sale	**26**
Value of sale	26
Cash and cash equivalents ceded	(68)
Net cash flow deriving from the sale	**(42)**

Sale of the shareholding in Immobiliare Camino S.r.l.

On 15 May 2007, Turbo Air S.p.A. sold its 20.80% interest in Immobiliare Camino S.r.l. to one of the other shareholders for Euro 101.6 thousand, compared with a carrying value of Euro 127 thousand. The transaction was settled in cash. Until the date of sale, the investment had been accounted for using the equity method. For the determination of the effective value of the investment, the book value was confirmed as representative of the fair value.

Sale of the investment in Aerdorica S.p.A.

On 13 June 2007, Elica S.p.A. sold its interest in Aerdorica S.p .A. to Fintrack S.p.A. for Euro 50.0 thousand, equal to the carrying amount. The transaction was settled in cash. Until the date of sale, the investment had been recorded at fair value less sale costs. On 28 June 2007, Elica S.p.A. sold the debenture loan granted to Aerdorica S.p.A. to Fintrack S.p.A. for Euro 152.6 thousand, equal to the par value.

6. Guarantees, commitments and contingent liabilities

a) Contingent liabilities

The Parent Company 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.

It should be noted, however, that the Parent Company has been sued in connection with the application of sub-contractor/supplier regulations under Law 192/92. The parties taking the legal action believe that their relations with the Company were terminated without due cause and they have claimed damages and made other additional demands. The Company considers these claims to be groundless.

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 included in the Group consolidated financial statements at 31 December 2007 for contingent risks and charges relating to legal disputes amount to Euro 1,030 thousand.
Management believes that the provision for risks in order to cover possible liabilities from pending or potential disputes is, on the whole, adequate.

b) Guarantees and commitments

In 2006 a surety of Euro 2,500 thousand to Bank Polska Kasa Opieki SA in favour of its subsidiary, Fime Polska Sp.z.o.o (owned indirectly through Fime S.p.A. – renamed ElicaGroup Polska in January 2007) was discharged. In addition, it issued a surety of USD 6,500 thousand to IntesaSanPaolo, under a line of credit obtained from this bank by ElicaMex S.A.d.C.V. .

The sale of the subsidiary Roal Electronics S.p.A., on 25 June 2007 to Fintrack S.p.A., the company that controls Elica S.p.A. via Fan S.A., was carried out in compliance with the guarantees previously given by the Parent Company to Unicredit. In particular, the letter of patronage amounting to Euro 2,127 thousand was transferred to the transferee. The transaction was completed in October 2007.

Elica S.p.A. has provided a surety to BPU Esaleasing S.p.A. for a finance lease relating to Pani S.p.A. (company supplier) expiring in 2010 which, at the date of the merger by incorporation, had a residual value of 802 thousand.

The amount of orders made with suppliers relating to raw materials amounted to Euro 6,678 thousand.

On 10 December 2007, FAN S.A., parent company of Elica S.p.A., and Whirlpool Corporation signed a shareholder agreement which provides for an option agreement on Shares between Elica SpA and Whirlpool Europe S.r.l. where this latter acquired the right to purchase Elica S.p.A. shares up to 10% of the share capital of Elica SpA from the buyback programme as described in the paragraph "Disclosures pursuant to article 123 of the consolidated Finance Act".
It is considered that, as the option is composed of variable elements difficult to determine, not to record the option at fair value.

c) Operating leases

The Group has also entered into rental agreements for several industrial and commercial properties, motor vehicle and hardware operating leases. The payments due by the Group under the property rentals and operating leases are summarised in the following table:

	31.12.2006	**31.12.2007**
Property rentals	8,112	5,298
Car and fork lift rental	1,393	1,705
Hardware operating leases	703	1,633
Minor equipment		27
Total	**10,208**	**8,663**

The decrease in property rentals is primarily due to the cancellation of contracts regarding industrial premises previously held by companies that have been merged with the Parent Company, Elica S.p.A.

7. Risk management policy

Introduction

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

- Identify the risks related to the achievement of the business objectives;
- Assess the risk to determine whether they are acceptable compared to the controls in place and require additional treatment;
- Reply appropriately to risks;
- Monitor and report on the current state of the risks and the effectiveness of their control.

The Group "Financial Risk Management Policy" is based on the principle of a dynamic management and the following assumptions:

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

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

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

Market risk

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

- foreign currency risks;
- 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.

Foreign currency risks

The Group's operating currency is the Euro. However, the Group's companies trade also in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Polish Zloty (PLN), Mexican Pesos (MXN), Brazilian Real (BRL), Norwegian Kroner (NOK) and Australian Dollars (AUD). In all of these currencies, except for the Mexican Pesos, the Elica Group has higher revenues 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 revenues 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 period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections.

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

The Group is also exposed to the "translation" exchange risk. The assets and liabilities of companies consolidated in currencies other than the Euro may be translated into Euro at varying exchange rates, whose amount is recorded in the "translation reserve" under equity.
The Group monitors this exposure, against which there were no hedging operations at the balance sheet date; in addition, against the total control by the parent company over its subsidiaries, the governance on the respective foreign currency operations is greatly simplified.

The hedging operations as at 31 December 2007 with financial counterparties have a total Fair Value of approx. Euro 122 thousand.
The table below shows the details of the notional and Fair Values:

FOREIGN EXCHANGE DERIVATIVES

Currency	**Notional (in foreign currency)**	**FV at 31/12/2007 (in Euro thousands)**
USD		
Forward	16,000	42
Options	22,000	295
GBP		
Options	3,000	23
YEN		
Forward	960,000	78
Options	1,850,000	(316)
Total		**122**

For the sensitivity analysis on the exchange rate, the individual foreign currency Balance Sheet accounts were identified. The values are shown below at 31 December 2007 for the most significant currencies:

Assets and liabilities in foreign currencies at 31.12.2007

Data in Eur/000	**USD**	**GBP**	**CHF**	**Total**
Assets				
Other receivables	(43)	(1)	-	(44)
Trade receivables due within 12 months	4,318	1,355	-	5,673
Trade receivables due over 12 months	9	-	-	9
Other payables	(1)	-	-	(1)
Cash and cash equivalents	2,985	3,618	-	6,603
Total	7,268	4,972	0	12,240

Liabilities				
Trade payables within one year	(1,040)	(62)	(305)	(1,407)
Other receivables	127	-	-	127
Total	(913)	(62)	(305)	(1,280)
Balance	**6,355**	**4,910**	**(305)**	**10,960**

For the purposes of the sensitivity analysis on the exchange rate, the potential of the movements on the Euro/USD, Euro/GBP and Euro/YEN were analysed.

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

(in Euro thousands)	**Change in foreign currency**	**EBIT Effect**
2007	5%	(526)
	(5.0%)	581

The potential Fair Value losses of the derivative financial instruments managing the exchange risk held by the Group at 31 December 2007, following a hypothetical unfavourable and immediate change of 5% in the exchange rates of the main foreign currencies with the Euro, would be approx. Euro 0.6 million.
The analysis was not made for the assets, liabilities and future cash flows which were hedged, in that the movements in the exchange rate would result in a profit and loss effect equal to the amount recorded in the fair value of the hedge instruments adopted.

Commodities risk

The Group is subject to market risk deriving from fluctuations in commodity prices used in the production process. The materials purchased by the Group are among those with the greatest instability in prices, being strictly related to the trend of the principal markets. The Group regularly evaluates its exposure to the risk of change in the price of commodities and manages this risk principally through fixing the price of contracts with suppliers.

Based on this strategy, the Elica Group does not adopt any hedging through derivative financial instruments, as the Company implements a hedging policy based on quantities. In particular, as illustrated by Management, between the end and the beginning of the year, on the basis of the production budget for the year, the raw material orders are made establishing the delivery period and the price to be paid. Operating in this manner, the Group covers the standard cost of the raw materials contained in the budget from possible increases in commodity prices, achieving the operating profit objective.

Interest rate risk

The management of the interest rate risk by the Elica Group is in line with the consolidated practices over time to reduce the volatility risk on the interest rates, while at the same time minimising the borrowing charges.
The Group's debt carries mainly a floating interest rate. The Group is hedged against the interest rate risk through the utilisation of interest rate swaps. Based on economic considerations, the use of IRSs for hedging purposes is usually limited to a marginal part of debt.
Also the interest rate risk is measured through sensitivity analysis, in accordance with IFRS 7. This analysis illustrates that an unfavourable variation of 10% in the level of the short term interest rate applied to the variable interest financial liabilities at 31 December 2007, would result in an immaterial higher pre-tax charge on an annual basis. The potential Fair Value loss on the Interest Rate Swap would be approx. Euro 0.1 million.

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 only deals with well known and reliable clients. It is Group policy to analyse clients in order to award a credit rating. Moreover, the collection of receivables is monitored during the year so that the exposure to losses is not substantial.

At 31 December 2007, trade receivables, amounted to Euro 108.4 million, including approx. Euro 8.0 million relating to overdue receivables. Only 7.1% of receivables are overdue by 90 days.

The amount of trade receivables reported in the balance sheet is net of the allowance for doubtful accounts. The allowance is made on the basis of past experience and on the basis of specific considerations on the individual customers. 89% of existing receivables at 31 December 2007 are hedged by a credit risk insurance.

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 maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions. These factors are monitored constantly in order to guarantee a correct equilibrium of the financial resources.

For details on the net financial position, reference should be made to note 5.45 of the notes.

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.
Francesco Casoli, Chairman of Elica S.p.A., is the majority shareholder and Sole Director of Fintrack S.p.A., a holding company that carries out management and coordination activities.
Gianna Pieralisi Casoli holds a life-time right of usufruct on 68.33% of the shares outstanding 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 Management with strategic responsibility

The remuneration of the above-mentioned parties is indicated below (in Euro thousands):

Shareholder	Office held	Duration of office	Emoluments	Non-monetary benefits	Bonus and other incentives	Others
Francesco Casoli	Chairman	Appr. accs. 31.12.2008	341	4		348
Gianna Pieralisi	Chief Executive Director	Appr. accs. 31.12.2008	161			
Andrea Sasso (*)	Chief Executive Director	Appr. accs. 31.12.2008	109	2		450
Massimo Marchetti (*)	Chief Executive Director		2			
Gennaro Pieralisi	Director	Appr. accs. 31.12.2008	11			
Enrico Palandri	Director	Appr. accs. 31.12.2008	5			7
Paolo Omodeo Salè	Director	Appr. accs. 31.12.2008	1			1
Marcello Celi	Director	Appr. accs. 31.12.2008	5			5
Stefano Romiti	Director	Appr. accs. 31.12.2008	11			15
Alberto Geroli	Director	Appr. accs. 31.12.2008	11			14
Massimo Marchetti (**)		expiry on merger	1			
Vincenzo Maragliano (**)		expiry on merger	1			
Massimo Marchetti (***)		expiry on merger	3			
Vincenzo Montalbano(***)		expiry on merger	27			
Andrea Sasso (****)		expiry on merger	1			
Roberto Olivieri (****)		expiry on merger	23			
Massimo Marchetti (****)		expiry on merger	11			
Bettini Luciano (****)		expiry on merger	15			
Total			**740**	**6**		**839**

(*) Mr. Sasso Andrea was co-opted by the Board of Directors on March 21, 2007 and appointed Chief Executive Officer following the resignation of Mr. Marchetti Massimo on the same date.

(**) director Jet Air

(***) director Turbo Air

(****) director Fox Design

Shareholder	Office held	Duration of office	Emoluments	Non-monetary benefits	Bonus and other incentives	Others
Giovanni Frezzotti	Statutory Auditor (*)	Approval accs. 31.12.2008	53			
Stefano Marasca	Statutory Auditor (*)	Approval accs. 31.12.2008	34			
Corrado Mariotti	Statutory Auditor (*)	Approval accs. 31.12.2008	36			
Franco Borioni	Statutory Auditor (**)	Turbo Air	7			
Maria Pia Scaloni	Statutory Auditor (**)	Turbo Air	5			
Luana Bastari	Statutory Auditor (**)	Turbo Air	5			
Paolo Massinissa Magini	Statutory Auditor (***)	Fox design	8			
Paolo Mazzi	Statutory Auditor (***)	Fox design	4			
Franco Torda	Statutory Auditor (***)	Fox design	5			
Franco Borioni	Statutory Auditor (****)	Jet Air	5			
Maria Pia Scaloni	Statutory Auditor (****)	Jet Air	4			
Maurizio Benvenuto	Statutory Auditor (****)	Jet Air	3			
Giancarla Luzi	Statutory Auditor (****)	Jet Air	0			
Total			**168**			

(*) statutory auditor of Elica S.p.A.
(**) statutory auditor of Turbo Air S.p.A.
(***) statutory auditor of Fox Design S.p.A.
(****) statutory auditor of Jet Air S.r.l.

The senior managers with strategic responsibility in Elica S.p.A are the following: The Administration, Finance and Control Director, the Supply Chain Director, the "Third Party Brands" Commercial Director, the Human Resource Director, the Marketing and Innovation Director, the Purchase Office Director and the Elicamex General Manager.
The aggregated remuneration in 2007 amounted to Euro 1,206 thousand.

8.2 Information on subsidiary companies

The tables below show key data for subsidiaries and the amount of transactions entered into with them for the year ended 31 December 2007.

Subsidiaries - highlights:

(in Euro thousands)	Assets	Liabilities	Shareholders' Equity	Revenues	Net profit
Subsidiary companies					
Fime S.p.A.	56,841	47,341	9,500	97,376	1,046
Air Force.S.p.A.	7,780	6,681	1,099	18,752	451
Ariafina Co Ltd	3,444	2,246	1,198	7,491	279
Airforce Germany G.m.b.h.	350	109	241	74	(1)
Elica Group Polska S.p.zoo	23,444	17,576	5,868	17,805	(380)
ElicaMex S.A.d.C.V.	28,207	21,048	7,159	14,470	(2,361)
Leonardo Services S.A.d.C.V.	280	248	32	2,290	24
Elica Inc.	123	102	21	212	19

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

(in Euro thousands)	**31.12.2006**	**31.12.2007**
Loans to subsidiaries		
Fime S.p.A.	19,986	13,739
Fox Design S.p.A.	3,850	-
Turbo Air S.p.A	10,365	
Elica Group Polska Sp. z o.o.	2,005	4,540
ElicaMex S.A.d.C.V.		8,123
Loans to associated companies		
I.S.M. S.r.L.	-	438

8.3 Information on associated companies

The table below shows the operating and financial amounts arising from transactions with associated companies for 2007. No separate indication of these positions was given in the financial statements as the amounts involved were limited.

Transactions with consolidated companies have been eliminated from the consolidated financial statements. As a result they are not shown in these notes.

All transactions carried out in connection with regular business operations and on an arm's length basis.

The table below summarises key operating and financial data for associated companies, as derived from the companies' financial statements in accordance with Italian GAAP and local GAAP for foreign companies.

Associated companies

Summary data at 31 December 2007

(in Euro thousands)	Registered Office	% held	Share Capital	Shareholders' Equity	Net profit
I.S.M. S.r.l.	Cerreto d'Esi (AN)	49,385	10	1,844	313
Inox M. M. Sa.d.C.V.	Queretaro (Mexico)	30,000	1,336	1,430	94

Summary data at 31 December, 2006

(in Euro thousands)	Registered Office	% held	Share Capital	Net Equity	Net profit
Air force S.p.A.	Fabriano (AN)	45 (*)	103	747	601
I.S.M. S.r.l.	Cerreto d'Esi (AN)	49,385	10	1,532	415
Projet S.r.l.	Castelbellino (AN)	30	20	13	-
Roal Electronics S.p.A.	Castelfidardo (AN)	21,276	16.606	14,312	(2,294)
Immobiliare Camino S.r.l.	Fabriano (AN)	20.8	192	625	136
Inox M. M. Sa.d.C.V.	Queretaro (Mexico)	30	4	4	0

(*) In January 2007, the Group acquired a further 15% in the share capital of Air Force S.p.A., and therefore it became a subsidiary company (total stake of 60%).

8.4 Transactions with other related parties

During the first half of 2007, transactions were entered into with subsidiaries, associated companies and other related parties. All transactions were conducted on an arm's length basis in the ordinary course of business.

On 25 June 2007, Elica S.p.A. sold its investment in Roal Electronics S.p.A. to Fintrack S.p.A., the company which controls Elica S.p.A. through Fan S.a. On 23 January 2007, Elica S.p.A. acquired 15% of Airforce S.p.A. from the same parent company (for further details reference should be made to note 4 and to the Directors' Report).

Transactions of a commercial nature

The table below shows the main operating and financial amounts arising from trading transactions with Fastnet S.p.A. (30% interest held by the parent company of Elica) and with Fintrack S.p.A. (a company that indirectly controls the Parent Company, Elica S.p.A.).

Elica Group and Fastnet S.p.A.

(in Euro thousands)	31.12.2006	31.12.2007

Trade payables	76	353
Costs from trading transactions	286	538
Purchases of property, plant and equipment	245	190

Elica Group and Fintrack S.p.A.

(in Euro thousands)	31.12.2006	31.12.2007
Financial receivables	-	1,556
Revenues from trading transactions	4	56
Other receivables	5	

The operating and financial balances arise from the trading transactions conducted to purchase goods and services on an arm's length basis.
The trading relationship with Fastnet S.p.A. forms part of a strategic partnership to develop projects and implement advanced technological solutions. These projects have accompanied and continue to accompany the growth of the business; from intranet solutions to extranet solutions, from wiring to wireless solutions, from software consultancy to hardware consultancy and from training to web marketing.
The relations with Fintrack S.p.A. regard management and administrative/accounting services.

9. Disclosure pursuant to article 149 of the Consob Issuer's Regulation

The following table, prepared pursuant to article 149 of the Consob Issuer's Regulations, reports the payments made in 2007 for audit services and also other services carried out by the audit firm and entities associated with the audit firm.

Service	Party providing the service	Company	Remuneration (in Euro thousand)
Audit	Deloitte & Touche S.p.A.	Elica S.p.A. and incorporated companies	254
Other services	Deloitte & Touche S.p.A	Elica S.p.A.	27
	Rete Deloitte	Elica S.p.A.	53
Service	Party providing the service	Company	Remuneration (in Euro thousand)
audit	Deloitte & Touche S.p.A.	Fime S.p.A.	51
audit	Deloitte & Touche S.p.A.	Elica Mex S.A.de C.V.	25
audit firm	Deloitte & Touche S.p.A.	Elica Group Polska Sp.z o.o.	25
audit firm	Deloitte & Touche S.p.A.	AirForce S.p.A.	30
Total			430

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

In 2007, there were no operations classified in this category.

11. Events after the year end

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

Fabriano, 27 March 2008

For the Board of Directors
The Chairman
Francesco Casoli

12. Declaration on the Consolidated Financial Statements as per Article 81-ter of Consob Regulation No. 11971 of 14 May, 1999 and subsequent modifications and integrations

- The undersigned Andrea Sasso, as Chief Executive Officer, and Vincenzo Maragliano, Executive responsible for the preparation of the corporate accounting documents of Elica S.p.A., affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:
  - the accuracy of the information on company operations and
  - the effective application,

of the administrative and accounting procedures for the compilation of the consolidated financial statements for 2007.

- The Group commenced the rationalisation activities of the administrative-accounting procedures and consolidated practices relating to the preparation of the financial statements, in accordance with methodology generally recognised at international level, with reference in particular to the Internal Control-Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission which represents a standard framework generally accepted at international level.

- In addition, we declare that the consolidated financial statements for 2007:

  - Corresponds to the underlying accounting documents and records;
  - Were prepared in accordance with International Reporting Standards adopted by the European Union and also in accordance with article 9 of Legislative Decree 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the issuer and of the consolidated companies.

27 March 2008

The Chief Executive Officer	Executive responsible for the preparation of the corporate accounting documents
Andrea Sasso	Vincenzo Maragliano

Auditors' Report

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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
ELICA S.p.A.

1. We have audited the consolidated financial statements of ELICA S.p.A. (and subsidiaries) (the ELICA Group), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 12, 2007.

3. In our opinion, the consolidated financial statements present fairly the financial position of the ELICA Group as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Beciani
Partner

Ancona, April 10th, 2008

This report has been translated into the English language solely for the convenience of international readers.