Elica S.p.A.

Directors' Report 2008

Elica today

Elica has been present in the cooker hood market since the 1970s and today is the world leader in the production of hoods and market leader in terms of units sold in the main European countries. It is also a European leader in the design, manufacture and sale of motors for central heating boilers for domestic use.

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 figure it is today. The company has revolutionized the traditional image of the kitchen cooker hood: it is no longer seen as a simple accessory but as a design object.

The Macroeconomic Environment in 2008 and Outlook 2009

In the Euro Zone, 2008 was a year of strong deterioration in growth which mainly took place in the second half of the year. The growth in GDP in 2008 was significantly lower than that of 2007 and 2006, while in 2009 a decrease is expected. The financial crisis, which began with the bursting of the subprime mortgage bubble in 2007 and the drop in the price of petrol in the final months of the year, had a strongly negative impact on the real economy and caused a substantial slowdown in consumer prices. The slowdown of the economy affected all of the Euro Zone countries and the principal economies officially entered recession. The fall off in the real estate sector with the intensification of the financial crisis saw a significant reduction in bank loans issued for the purchase of houses, generating a drop in selling prices and of all activities related to the sector. It was aggravated by an increase in unemployment, which is expected to rise further in the coming months.

The United States in 2008 was also affected by a real estate crisis, already evident in 2007 and coupled with the financial crisis. US household consumption was not able to benefit from the increase in property prices, achieved through the structured finance applied to the mortgage sector. In the second part of 2008, the repayment process of the large household debt began together with the increased tightening of bank lending to businesses. According to the majority of macroeconomic research, the current phase of contraction in the cycle appears set to last for at least 16 months, with 2009 a year of contraction - particularly in the first half year. However, it cannot be excluded that the first signs of recovery of growth at the end of 2009 will be accompanied by still rising unemployment.

In Japan, 2008 saw a recessionary environment for the first time since 2001. The global economic slowdown had a strong impact on the Japanese economy and household consumption began to drop in the year. In 2008, the drop in exports, the sharp increase in the Yen and the credit crisis forced businesses to cut capital expenditure. In the second half of the year, net exports dropped, which together with investments were the drivers of growth since 2003. In 2009, a period of recession with a return to deflation is expected.

In 2008, China was hit by a series of natural disasters (earthquakes and freezing conditions). The Olympics was an important event, but the period immediately succeeding it saw the manifestation of all the negative effects of the global economic crisis which until September had only affected China marginally. The quarterly GDP figures were decreasing throughout 2008, although the rates of growth in absolute terms were high when compared with that of other countries. The government, realising that the situation was deteriorating rapidly, announced a comprehensive recovery plan for the economy. In relation to employment, in recent months many medium/small sized companies were forced to close and many workers have returned from the cities to the regions. The employment situation in 2009 will be very difficult and may cause social tension. Early indicators show signs of continued slowdown in the upcoming months.

In the emerging markets, which during the first part of 2008 remained relatively stable, the situation changed radically in the second half of the year. In fact, with the protracted credit crisis and the weakening of the principal advanced economies, the external credit conditions began to worsen, which accentuated risks. In Latin America, the economy slowed due to the reduction in exports and the collapse of commodity prices. In Russia, share prices lost nearly 70% since the beginning of the year which was affected also by persistent inflation, which forced the central bank to increase interest rates and saw the exit of foreign capital. Both these factors caused a rapid reduction in the value of the Rouble and the reduction of foreign currency reserves.

In relation to commodities, 2008 was one of the worst years on record and was influenced both by institutional investor behaviour and the drop in demand. In relation to the first point, institutional investors contributed to inflate prices, but once the credit bubble burst, they sold up en masse in order to obtain liquidity. General demand for raw materials fell strongly in the year. The industrial metals sector was the worst performing area due to the strong slowdown signals in China, meaning lower imports and greater exports from the country thanks to the tax incentives that the government has given to sustain exports.

Currency markets

In 2008, Euro average exchange rates strengthened against the US Dollar, the UK Sterling and the Mexican Peso, while weakening against the Japanese Yen and the Polish Zloty. The exchange rates at the end of the year however showed a further strengthening for the Japanese Yen against the Euro and a reversal of the US Dollar which strengthened against the Euro and a further worsening of the Polish Zloty, the Mexican Peso and of the UK Sterling against the Euro.

	Average 08	Average 07	%	31 Dec 2008	31 Dec 2007	%
USD	1.47	1.37	7.30%	1.39	1.47	-5.44%
JPY	152.45	161.25	-5.46%	126.14	164.93	-23.52%
PLN	3.51	3.78	-7.14%	4.15	3.59	15.60%
MXN	16.29	14.97	8.82%	19.23	16.05	19.81%
GBP	0.80	0.68	17.65%	0.95	0.73	30.14%

IAS/IFRS

The financial statements of Elica S.p.A. for the year ended 31 December 2008 were prepared in accordance with IAS/IFRS issued by the International Accounting Standards Board and approved by the European Commission, and in accordance with article 9 of Legislative Decree No. 38/2005.

The accounting principles utilised for the preparation of the current Financial Statements are consistent with those utilised for the preparation of the Financial Statements for the year ended 31 December 2007. 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 Financial Statements.

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

Financial Highlights

(Data in Euro thousands)	FY 08	FY 07	08 Vs 07
Revenues	333,173	267,669	-20%
EBITDA	**28,386**	**13,507**	**-52%**
revenue margin	8.57%	5.05%	-4%
EBIT	**17,952**	**783**	**-96%**
revenue margin	5.39%	0.29%	-5%
Interest charge/(income)	603	-669	-211%
revenue margin	-0.18%	-0.25%	0%
Exchange gains (losses)	-825	522	-163%
revenue margin	-0.25%	0.19%	0%
Net profit for the year	**9,283**	**1,373**	**-85%**
Basic earnings per share from continuing operations (Euro/cents)	14.73	2.36	
Diluted earnings per share from continuing operations (Euro/cents)	14.73	2.36	

EBIT is the operating profit from continuing operations. EBITDA is the operating profit plus amortisation and depreciation and write-downs of goodwill for loss in value.

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.

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Cash and cash equivalents	13,726	3,128	(10,598)
Loans to related parties	28,396	30,542	2,146
Bank loans and mortgages - current	(3,810)	(33,306)	(29,496)
Finance leases and other lenders - current	(305)	(309)	(4)
Short-term net funds	**38,007**	**55**	**(37,952)**
Bank loans and mortgages – non-current	(4,600)	(3,981)	619
Finance leases and other lenders – non-current	(1,218)	(810)	408
Long-term net funds/(debt)	**(5,818)**	**(4,791)**	**1,027**
Net Funds/(Debt)	**32,189**	**(4,736)**	**(36,925)**

2008 operating performance

In 2008, Elica revenues decreased by 20% on the previous year. The reduction was more evident in the final part of the year, reflecting the overall global demand. The changes in the Euro against the other currencies in which the Group operates had minor positive effect on revenues.

Sales were affected by the performance of the CIS[1] market (as well as the rest of Europe), while the maintenance of the share[2] of products with the major OEM[3] clients is considered significant, together with the rationalisation of the client portfolio with below average credit ratings.
Operating profits were impacted by the decrease in revenues, which did not permit an optimal absorption of overhead costs, of the restructuring following the reorganisation of production activities and of the greater inefficiencies following the reorganisation of the Supply Chain, although necessary to enable the relocation of production to Poland and Mexico and the write-down of goodwill for Euro 3,268 thousand. In the final quarter, a lesser amount of products in the mid to high range were launched. In order to deal with the reduction in revenues, the Company accelerated all activities focused on a more efficient and flexible operating cost structure, as set out in the 2007-2010 Group Business Plan. In addition, a further cost reduction programme of fixed costs was implemented in the final part of the year. The Supply Chain and production reorganisation, together with the reduction in corporate costs, produced their first effects in the final part of the year, in terms of the reduction of labour and service costs.

On the completion of the industrial restructuring, the present financial statements include restructuring costs of Euro 1.9 million, relating to labour costs, scrap material, restoration and plant removal.

The uncertain macroeconomic situation, extreme demand volatility and the problematic nature of making forecasts for the coming years led management to prudently recognise a permanent impairment in the value of goodwill following the annual impairment test in accordance with IAS 36 of the Range Hood CGU for Euro 3,268 thousand.

Despite the events which have affected the international economy and the financial markets, the Company has not adjusted its strategic plans, considering that they are designed to develop the business and to strengthen its competitive position. The above-cited events have however caused an adjustment in external variables (basic assumptions) which affect the principal economic and financial targets.

In particular, company management notes the reduction in the size of the market in which our trading activities are carried out and a consequent re-assessment of the economic-financial targets for the coming periods.
Within this context, the Company accelerated all activities focused on a more efficient and flexible operating cost structure, as set out in the 2007-2010 Business Plan. In addition, a further cost reduction programme of corporate fixed costs was implemented in the final part of the year. The Supply Chain and production reorganisation, together with the reduction in corporate costs, produced their first effects in the final part of the year, in terms of the reduction of labour and service costs.

In a situation beset by economic-financial tensions and by the tightening of bank credit, the company views its financial flexibility as an element of stability.

The financial components recorded significant improvements. In fact, against a negative impact from exchange rate movements on EBIT of Euro 108 thousand, the hedging activities put in place realised exchange gains of Euro 93 thousand. The exchange gains compensated the net interest expense - which rose following higher net debt.

Net Funds of Euro 32.2 million at 31 December 2007 compares to Net Debt of Euro 4.7 million at 31 December 2008.

[1] Commonweath of Independent States
[2] Volumes share
[3] Original Equipment Manufacturer

Guidance for 2009

The management of the company views the 2008 result and the first months of 2009 as the beginning of a long-term phenomenon which will see a significant resizing of the operating markets. To remain competitive in an environment which has deteriorated in such a manner, Elica intends to quicken the implementation of the activities set out in the Strategic Plan 2008-2010:

- ✓ launch of new products;
- ✓ maintenance of the competitive position in the principal markets;
- ✓ acceleration of the production outsourcing plans in Poland and Mexico;
- ✓ acceleration of the purchasing process in the Low Cost Countries, utilising also the Chinese Purchasing Office;
- ✓ aligning productive capacity with demand;
- ✓ efficiency of industrial costs;
- ✓ implementation of the rationalisation of investments in non-core activities;
- ✓ the continual improvement of the financial structure.

Elica S.p.A. and the financial markets

The Share Capital consists of 63,222,800 ordinary voting shares. At 31 December 2008, 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%
Elica S.p.A. – Treasury shares	6,332,280	10.00%
Whirlpool Corporation	3,166,140	5.00%
Henderson Global Investor	1,736,926	2.74%
S.A.F.E. S.a.p.a.	116,245	0.18%
Francesco Casoli	70,000	0.11%
Gianna Pieralisi	52,000	0.08%
Others	18,408,764	29.07%
Total	**63,322,800**	**100%**

At 31 December 2008, Elica held 6,332,280 shares from the buy-back programme; at the date of the present report the number of shares remained unchanged.

Shares held by directors, officers, statutory auditors and key executives

At 31 December 2008, 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 key executives:

Name	No. of shares at 31 Dec. 2007	No. of shares acquired	No. of shares sold	No. of shares at 31 Dec. 2008
Francesco Casoli	70,000	-	-	70,000
Gianna Pieralisi	52,000	-	-	52,000
Senior executives	5,150	-	-	5,150

Name	Office
Francesco Casoli	Executive Chairman of the Board of Directors of Elica S.p.A.
Gianna Pieralisi	Executive Director of Elica S.p.A..

Significant events in 2008

On 14 February 2008, Elica S.p.A.'s Board of Directors, following the resignation of the Director Alberto Geroli, elected Fiorenzo Busso to serve as a Director; his appointment was subsequently renewed by the Shareholders' AGM of 28 April 2008. 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.

Within the Group's industrial reorganisation programme contained in the 2008-2010 Strategic Plan, on 7 March 2008 the manufacturing activities of the factory at Campodarsego – Padova were transferred to other Elica factories.

The Board of Directors' meeting of 27 March 2008 approved the Consolidated Financial Statements, the Parent Company Financial Statements and called the Shareholders' AGM.

On 28 April 2008, the Shareholders' AGM of Elica S.p.A. approved the Financial Statements for 2007 and a dividend of Euro 0.0482 per share, corresponding to a payout ratio of 32.5%. The treasury shares held in portfolio on 19 May 2008, date of the dividend coupon, were excluded from the distribution of the dividend. The dividend was paid on 22 May 2008. The residual amount of profit was allocated to the Extraordinary Reserve.

On 28 August 2008, the Chairman of the Board of Statutory Auditors of Elica S.p.A., Mr. Giovanni Frezzotti, due to exceeding the limits regarding the accumulation of offices held pursuant to article 144.3 of the Issuers' Regulations, resigned from office with immediate effect.
Pursuant to article 2401 of the civil code and until the next Shareholders' Meeting, the alternative statutory auditor Mr. Gilberto Casali replaced the resigning member; the standing member Mr. Corrado Mariotti assumed the chair of the Board of Statutory Auditors.

On 11 November, the Elica Group acquired 100% of the German company Gutmann Exklusiv – Hauben GmbH, leader in the German high-end kitchen range hood market specialised in the production of high performing "customised" range hoods.

In 2008, Gutmann recorded net revenues of Euro 23.5 million, an EBITDA of Euro 2.7 million and Net Funds of Euro 0.3 million. In the 3 years 2005/2007 sales revenues of the German company grew at a CAGR of approximately 18%.
The acquisition of Gutmann by the Group is an opportunity to strengthen its position at the high-end of the range hood market and increase revenues thanks to the highly complementary nature of the product ranges of the two companies: the Elica Collection range being set apart by its innovative design, with "tailor made" being a central aspect of Gutmann's production - while both companies operate at high performance levels. Thanks to this acquisition, the Group will also consolidate its presence in Germany and in other European markets due to the highly complementary markets in which the two companies are present.
These factors, combined with the strong financial position of Gutmann, will ensure future growth for both Gutmann and the Group, in line with the strategy for growth of its own brands and in the high-end market, undertaken since its stock market listing.
The acquisition price agreed is the higher of Euro 14 million and a value calculated based on the performance of Gutmann in the two year period 2008-2009 (this value will be equal to 7 times the average EBIT of 2008 and 2009, net of the Net Funds at today's date). In addition, the previous owners will be recognised 75% of the 2008 Net Profit.

On 14 November 2008, the Board of Directors of Elica S.p.A., pursuant to article 16.6 of the current By-Laws, article 2386 of the Civil Code and article 3.C.1 of the Self-Governance Code of the Issuers' Regulations, following the resignation communicated on the same date and with immediate effect of the Independent Director Marcello Celi, appointed Mr. Giovanni Frezzotti as an Independent Director of the Company until the next Shareholders' Meeting. The Board of Directors also appointed Mr. Giovanni Frezzotti to the Internal Control Committee and the Remuneration Committee in place of the above-mentioned resigning director.

Research and Development

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

During the year, the company was involved in industrial research, seeking to improve products as well as organisational, process and structural improvements.
The implementation of the OCTOPUS Project, an innovative product and design management system and the SAP project, which will improve the integration of systems and processes between the Group companies, are highlighted.
Total research and development costs incurred amounted to Euro 4,705 thousand.

Information in relation to the treatment of personal data

With reference to the provisions on the protection of personal data, the Company updated and implemented the Document on personal data security in accordance with articles 33-34-35-36 and regulation 19 and 26 of Attachment B, of the Technical Regulations in relation to minimum security requirements, pursuant to Legislative Decree No. 196/2003.

Information relating to the environment

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

Information relating to personnel

In 2008, no major workplace accidents occurred. The company has continued however to undertake initiatives focussed on increasing security levels at the plant, reducing and monitoring risks and training personnel for more conscientious behaviour and prudency in the workplace, further improving the already low staff turnover levels and accidents.

Exposure to risks and uncertainty and financial risk factors

The Company is exposed to risks and the usual uncertainties regarding a business enterprise. The markets in which Elica operates are global markets of a contained size and within which demand shows signs of weakening. The sales mix within the market, traditionally one of the strong points of the Company, also show signs of weakness. The uncertain macroeconomic scenario and the extreme volatility in demand could influence future results in a significant manner.

Elica holds leadership positions in the principal markets. Moreover in a market affected by economic-financial tensions and the emergence of credit restrictions by the banks, the Company sees its financial flexibility and balance sheet solidity as an element of stability. Elica has brought forward its cost savings programmes set out in the development plan.

These positions mitigate the uncertainties in the market and business risks.

The principal financial risks to which Elica are exposed are:

- risks related to exchange rate movements;
- risks related to interest rate movements;
- risks related to the change in raw material costs;
- risks related to changes in operating cash flows;
- risks related to liquidity;

In order to mitigate the impact of these risks on the company's results, Elica commenced the implementation of a financial risk monitoring system through a "Financial Risk Policy" which is currently in the approval phase by the Board of Directors of the Company.
Within this policy, the Company constantly monitors the financial risks related to the operating activities in order to assess any potential negative impact and undertakes corrective action where necessary.
The main guidelines for the Company risk policy management are as follows:

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

The Group "Financial Risk Policy" is based on the principle of 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.

Corporate Boards

Members of the Board of Directors:

Francesco Casoli
Executive Chairman
born in Senigallia (AN) on 5/6/1961, appointed by resolution 12/4/2006.

Andrea Sasso
Chief Executive Officer, born in Rome on 24/8/1965, appointed by resolution 30/4/2007.

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

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

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

Stefano Romiti
Independent Director and Lead Independent Director, born in Rome (RM) on 17/11/1957, appointed by resolution 12/4/2006.

Giovanni Frezzotti
Independent Director, born in Jesi (AN) on 22/02/1944, appointed by resolution 14/11/2008.

Members of the Board of Statutory Auditors

Corrado Mariotti
Chairman, born in Numana (AN) on 29/2/1944, appointed by resolution 28/8/2008.

Stefano Marasca
Statutory Auditor, born in Osimo (AN) on 9/8/1960, appointed by resolution 12/4/2006.

Gilberto Casali
Statutory Auditor, born in Jesi (AN) on 14/1/1954, appointed by resolution 28/8/2008.

Guido Cesarini
Alternate Auditor, born in Bolzano (BZ) on 19/8/1972, appointed by resolution 12/4/2006.

Internal Control Committee
Stefano Romiti
Gennaro Pieralisi
Giovanni Frezzotti

Remuneration Committee
Stefano Romiti
Gennaro Pieralisi
Giovanni Frezzotti

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Structure of the Elica Group

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

Parent Company

- Elica S.p.A, - Fabriano (AN) is the parent of a Group of companies engaging in the design, manufacturing and sale of kitchen range hoods for domestic use as well as electric motors and power systems for home heating equipment, kitchen range hoods and home appliances.

Subsidiaries at the publication date of the 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 European markets, where it holds significant market shares.

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

- Ariafina Co. Ltd - Sagamihara-shi (Japan). Established in September 2002 as a 50/50 joint venture with Tokyo-based Fuji Industrial and 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 hood sector. 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".

The following companies were included in the consolidation scope during 2008:

- Elica International S.à.r.l. – Luxembourg, 100% held by Elica SpA;

- Elica Finance Limited – Dublin (Ireland), 100% held by Elica International S.à.r.l.;

- Elica Germany G.m.b.h. – Norimberga (Germany), 100% held by Elica International S.à.r.l.;

- Exklusiv Hauben Gutmann GmbH – Mulacker (Germany) - a German company entirely acquired in November 2008 by Elica Germany and the German leader in the high-end kitchen range hood market, specialised in "tailor made" and high performance hoods.

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 2008, 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. Information on transactions between group companies is provided in the notes to the financial statements.

Subsidiary companies – key data according to local accounting principles and performance in the year:

(in Euro thousands)	Assets	Liabilities	Net Equity	Revenues	Net result
Subsidiary companies					
FIME S.p.A.	50,630	40,613	10,017	79,851	517
Air Force.S.p.A.	8,141	6,627	1,514	19,249	515
ARIAFINA CO. LTD	5,279	2,788	2,491	9,847	882
Airforce Ge	222	6	216	34	(25)
Elica Group Polska Sp.zo.o	32,007	11,695	20,312	39,627	2,679
ELICAMEX S.A. de C.V.	31,109	12,019	19,090	30,443	(1,991)
Leonardo Services S.A.de C.V.	256	248	8	3,224	(22)
Elica Inc..	104	62	42	805	19
Elica International S.à.r.l.(1)	26,214	26,059	155	-	55
Elica Finance Limited (1)	12,050	4	12,046	-	(4)
Elica Germany Gmbh (1)	19,908	18,317	1,591	-	(184)
Exklusiv Hauben Gutmann GmbH (1)	5,139	2,385	2,754	3,118	52

(1) Revenues and the net result refer to the period following the acquisition/incorporation.

Corporate Governance

In compliance with reporting obligations, the "Corporate Governance Report" is published annually, containing information in accordance with article 123-bis of Legislative Decree 58/98; this information is reported in the specific section of the Directors' Report.
The Annual Corporate Governance Report sets out the Corporate Governance system adopted by Elica S.p.A., in accordance with the recommendations of the Self-Governance Code issued by Borsa Italiana and adopted in March 2006 by the Corporate Governance Committee.
The 2008 Report will be available in accordance with law on the internet site www.elicagroup.com – Investor Relations/ Corporate Governance sector, on the site of Borsa Italiana S.p.A. and at the registered offices, updated to 30 March 2009 and containing information on the activities carried out by the Group in compliance with the above-mentioned Code.

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

a) Share capital structure

Amount of subscribed and paid-in share capital: **Euro 12,664,560.**

Categories of shares that make up the share capital: **63,322,800** ordinary shares with a nominal value of Euro 0.20 each.

	NO. OF 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 with no voting rights				

Elica S.p.A. has not issued other share categories at the date of this Report, nor convertible financial instruments which confer voting rights or shares that confer newly issued share subscription rights.

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 information available to the company, significant holdings in the share capital are as follows:

Shareholder	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 EUROPE Srl	5.000%	5.000%
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	10.000%	10.000%

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.

Stock Option Plan 2007 – 2011 Performance

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 currently divided into three annual tranches coinciding with the financial year end 31 December 2007, 31 December 2008 and 31 December 2009 respectively. At the end of each Cycle, except where otherwise decided by the Board of Directors, 1/3 of the total assigned Options will mature. Each Cycle will use results for the period to which it refers as its reference, except where otherwise decided by the Board of Directors. The Options may be exercised by the beneficiaries exclusively in the period 31 July 2010 to 31 December 2011.[4]

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 S.p.A., 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.
This agreement was modified through an additional agreement signed on 3 December 2008 between Whirlpool Europe S.r.l. and Elica S.p.A. (the "**Modifying Agreement**"). Due to the Modifying Whirlpool Agreement, in derogation of the exclusivity obligation set out in the Share Options Agreement, a maximum number of 1,266,456 ordinary shares of the Company, comprising 2% of the

[4] Reference should be made to the Annual Corporate Governance Report in relation to this.

share capital, can be purchased on the market in the period between the signing of the Modifying Agreement and 31 March 2009.
The full Extract of the Shareholder Agreement communicated to Consob in accordance with article 122 of legislative decree No. 58 of 24 February 1998 following the signing of the Modifying Agreement is provided below:

ELICA S.P.A.

Registered Office: Via Dante Alighieri n. 288, 60044 Fabriano (AN)
Share Capital Euro 12,664,560
Ancona Company Registration Office No. 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**");*

*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**"); and*

*h) on 3 December 2008, Whirlpool and the Company signed an agreement to modify some clauses of the Share Options Agreement ("**Modifying 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 3 December 2008.

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.

3.3 Pursuant to the Modifying Agreement, Whirlpool, in derogation to the limit cited at point 3.2, may purchase a maximum number of 1,266,456 ordinary shares of the Company, comprising 2% of the Share Capital, on the market in the period between the signing of the Modifying Agreement and 31 March 2009. These purchases must be carried out by Whirlpool through only one intermediary and at the end of the purchase period, Whirlpool must pay an amount of Euro 0.50 for each share purchased on the market to the Company. Such shares purchased by Whirlpool reduces the maximum number of shares for which Whirlpool can exercise the Call Option.

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.

<u>4.3 Limits to the transfer of shares</u>

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

4.3.1 <u>Non transfer obligations</u>

*(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 <u>Transfers permitted</u>

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 articles 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 renew 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 communications and was filed at the Ancona Company's Registration Office on 20 December 2007.

The Modifying Agreement is subject to Consob communications and was filed at the Ancona Company's Registration Office on 10 December 2008.

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 appointment and replacement of directors is governed by article 16 of the by-laws.
Specifically, the appointment of the Board of Directors is carried out by voting of slates. Only shareholders who individually or collectively hold at least 2.5% of the share capital have the right to present slates. The slates of candidates, signed by the presenting Shareholders and supported by the relevant documentation, must be filed at the registered office of the Company at least fifteen days prior to the date called for the Shareholders' Meeting in first call.
The presentation of slates for the appointment of the Board of Directors will occur in the manner established by, and in compliance with, article 16 of the By-Laws, to which reference should be made.
The By-Laws are available on the internet sites www.elicagroup.com, of Borsa Italiana S.p.A. and at the registered office of the company.
The slates presented that do not comply in full with the by-laws shall be considered as not presented.

In relation to the election of candidates, 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 voting of slates 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. In particular, in accordance with article 19.2 of the By-Law which adheres to article 2365 of the civil code, adjustments to the by-laws in accordance with law are reserved to the Board of Directors.

i) Powers to increase the share capital and authorisation of buy-back 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.

***

In relation to the authorisations for the share buy-back, it is noted that on 3 August 2007, the Shareholders' Meeting of Elica approved the procedures and delegated powers to the Board of Directors of the Company to purchase (until 3 February 2009) and place (without time limits) ordinary shares of the Company, establishing the manner of completion and delegating to the Board of Directors the power to take any necessary actions in order to give effect to resolutions in accordance with applicable laws.

Through this resolution, 6,332,280 treasury shares, amounting to 10% of the share capital, were purchased through JP Morgan Securities Ltd.

l) Change of control clauses

Commercial and financial agreements of a confidential and privileged manner 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; however, a single agreement could not significantly affect 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 without just cause from office following a public purchase offer.

Events after 31 December 2008 and outlook

At the beginning of 2009, demand remained weak in all markets in which the Company operates. As this may significantly influence results, the Company is implementing additional cost savings programmes to those already outlined in the 2007-2010 Business Plan of the Group.

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

Elica S.p.A. confirms compliance with the conditions for listing pursuant to articles 36 and 37 of Consob's Market Regulations. In particular, having control, directly or indirectly, over some companies registered in countries outside of the European Union, the financial statements of the above-mentioned companies, prepared for the purposes of the Elica Group consolidated financial statements, were made available in accordance with the provisions required by the current regulations enacted on 25 August 2008.

Proposal for the allocation of the net profit and reclassification of the reserves

Dear Shareholders,
the Financial Statements for the year 2008 which we present for your approval report a net profit of Euro 1,372,831 and a net equity of Euro 128,725,514.

Therefore we invite you to:

1) approve the Directors' Report on operations for the year 2008 and the Parent Company Financial Statements at 31 December 2008, as a whole and of the individual items;
2) approve the distribution of a dividend of Euro 1.87 cents per share, which corresponds to a payout ratio of 86.01% - excluding the treasury shares held at 4 May 2009, the coupon date;
3) approve the payment of the dividends on 7 May 2009;
4) approve the allocation of the residual amount to the Extraordinary Reserve.

We thank you for your assistance.

Fabriano, 30 March 2009

For the Board of Directors
THE CHAIRMAN
Francesco Casoli

Parent Company financial statements at 31 December 2008

Income statement	*Note*	FY 08	FY 07
Revenues - third parties	4.01	241,124,526	316,836,467
Revenues - related parties	4.02	26,544,897	16,336,115
Other operating revenues	4.2	4,919,151	4,875,971
Changes in inventories of finished and semi-finished goods	4.3	(2,411,711)	700,281
Increase in internal work capitalised	4.4	979,765	977,152
Raw materials and consumables – third parties	4.5	(109,770,960)	(144,140,102)
Raw materials and consumables – related parties	4.5	(28,808,190)	(28,351,177)
Services – third parties	4.6	(46,343,807)	(59,331,850)
Services – related parties	4.6	(16,084,833)	(15,287,102)
Labour costs	4.7	(48,234,840)	(56,329,318)
Amortisation & depreciation	4.8	(9,455,084)	(10,434,084)
Other operating expenses and provisions	4.9	(6,463,282)	(7,200,165)
Restructuring charges	4.10	(1,940,659)	(700,000)
Write-down of goodwill for loss of value	4.18	(3,268,039)	-
EBIT		**786,934**	**17,952,188**
Share of profit/(loss) from associates	4.11	91,718	(180,432)
Financial income	4.12	1,686,317	1,945,589
Financial charges	4.13	(2,355,792)	(1,411,147)
Exchange gains (losses)	4.14	521,586	(824,844)
Other non-operating income		-	26,000
Pre-tax profit		**730,766**	**17,507,354**
Income taxes	4.15	642,065	(8,224,029)
Net profit for the year		**1,372,831**	**9,283,325**

Balance sheet	Note	31 Dec 08	31 Dec 07
Assets			
Property, plant & equipment	4.17	32,446,794	39,226,111
Goodwill	4.18	3,445,953	6,713,992
Other intangible assets	4.18	8,083,751	4,884,702
Investments in subsidiary companies	4.19	70,229,057	41,604,227
Investments in associated companies	4.20	1,899,162	1,899,162
Other financial assets	4.21	30,000	30,000
Other receivables	4.22	171,554	1,212,156
Tax receivables	4.23	570	752
Deferred tax assets	4.24	3,539,983	4,299,599
Financial assets available-for-sale	4.25	23,803	24,908
Total non-current assets		**119,870,627**	**99,895,609**
Trade receivables and loans	4.26	52,445,538	73,605,169
Trade receivables and loans – related parties	4.27	44,103,578	45,754,129
Inventories	4.28	29,363,120	35,660,416
Other receivables	4.29	3,002,515	2,063,217
Tax receivables	4.30	6,038,908	1,920,632
Derivative financial instruments	4.31	1,747,746	544,110
Cash and cash equivalents	4.32	3,127,691	13,725,848
Current assets		**139,829,096**	**173,273,521**
Total assets		**259,699,723**	**273,169,130**
Liabilities			
Liabilities for post-employment benefits	4.32	8,063,074	9,319,139
Provisions for risks and charges	4.33	2,729,202	2,711,753
Deferred tax liabilities	4.23	2,416,616	5,828,038
Finance leases and other lenders	4.35	809,633	1,218,402
Bank loans and mortgages	4.34	3,981,446	4,599,632
Other payables	4.37	1,218,747	4,013,882
Tax payables	4.36	1,293,228	4,003,532
Derivative financial instruments	4.31	11,218	3,833
Non-current liabilities		**20,523,164**	**31,698,211**
Provisions for risks and charges	4.33	295,041	611,566
Finance leases and other lenders	4.35	308,593	305,496
Bank loans and mortgages	4.34	33,306,093	3,810,102
Trade payables	4.38	55,979,167	77,251,310
Trade payables - related parties	4.38	9,085,607	6,801,146
Other payables	4.37	6,973,632	8,977,094
Tax payables	4.36	2,603,294	2,114,879
Derivative financial instruments	4.31	1,899,618	417,805
Current liabilities		**110,451,045**	**100,289,398**
Share capital		12,664,560	12,664,560
Capital reserves		71,123,335	71,123,335
Hedging and stock option reserve		(19,219)	35,130
Treasury shares		(17,629,065)	(6,671,170)
Retained earnings		61,213,072	54,746,341
Profit for the year		1,372,831	9,283,325
Shareholders' equity	4.39	**128,725,514**	**141,181,521**
Total liabilities and shareholders' equity		**259,699,723**	**273,169,130**

Statement of changes in Shareholders' Equity	**Share capital**	**Share premium reserve**	**Acquisition of treasury shares**	**Retained earnings**	**Hedging Reserve**	**Net profit for the year**	**Total shareholders' equity**
(in Euro thousands)							
Balance at 31 December 2006	**12,665**	**71,123**		**48,943**	**(17)**	**9,957**	**142,671**
Allocation of 2006 net profit							
Dividends						(2,533)	(2,533)
Other allocations				7,424		(7,424)	0
Income components recorded directly to equity (net of tax effect)							0
Recognition of stock options					35		35
Changes in hedging reserve					17		17
Other changes							0
Merger				(1,621)			(1,621)
Acquisition of treasury shares			(6,671)				(6,671)
Net profit for the year						9,283	9,283
Balance at 31 December 2007	**12,665**	**71,123**	**(6,671)**	**54,746**	**35**	**9,283**	**141,181**
Allocation of 2007 net profit							
Dividends						(2,816)	(2,816)
Other allocations				6,467		(6,467)	0
Income components recorded directly to equity (net of tax effect)							0
Recognition of stock options					(35)		(35)
Changes in hedging reserve					(19)		(19)
Other changes							0
Acquisition of treasury shares			(10,958)				(10,958)
Net profit for the year						1,373	1,373
Balance at 31 December 2008	**12,665**	**71,123**	**(17,629)**	**61,213**	**(19)**	**1,373**	**128,726**

CASH FLOW STATEMENT

Cash flow statement	Note	31 Dec 08	31 Dec 07
Opening cash and cash equivalents		**13,725,848**	**11,301,281**
EBIT- Operating profit		786,934	17,952,188
Amortisation, depreciation and write-downs		9,455,084	10,434,084
Write-down of goodwill for loss of value	4.18	3,268,039	0
EBITDA		**13,510,057**	**28,386,272**
Changes in Working Capital		(4,085,179)	(4,093,557)
trade working capital		(669,971)	(4,745,975)
other working capital accounts		(3,415,208)	652,418
Income tax paid		(4,826,707)	(8,173,613)
Change in provisions		(1,555,141)	247,798
Gains from earthquake payable write-offs	5	(4,084,000)	
Cash flow from operating activity		**1,040,970**	**16,366,900**
Net increases		(5,873,732)	(6,828,298)
Intangible assets		(5,085,049)	(3,174,716)
Property, plant & equipment		(788,683)	(3,653,582)
(Purchase)/Sale of equity investments		(776,471)	2,829,348
(Increase)/Decrease in intercompany loans		(15,726,487)	(7,235,000)
Cash flow from investments		**(22,376,690)**	**(11,233,950)**
Acquisition of treasury shares	4.39	(10,957,895)	(6,671,170)
Dividends	4.39	(2,816,602)	(2,533,000)
Increase (decrease) financial payables		28,476,000	(7,431,950)
Interest paid		(1,882,000)	(957,000)
Cash flow from investing activities		**12,819,503**	**(17,593,131)**
Change in cash and cash equivalents		**(10,598,157)**	**(12,460,181)**
Cash and cash equivalents from the merger			14,884,748
Closing cash and cash equivalents		**3,127,691**	**13,725,848**

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1. Accounting principles and policies

General information

Elica S.p.A. is a company incorporated under Italian law, with its registered office in Fabriano (AN).
The company is listed on the STAR segment on the Italian Stock Exchange.
The main activities of the Company and its subsidiaries as well as its registered office and secondary offices are illustrated in the Directors' Report on Operations.
The Euro is the functional and presentation currency of the company.
The amounts are expressed in thousands of Euro.

General principles

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

The separate financial statements at 31 December 2008 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 Company did not make any changes in the accounting principles applied between the comparative dates of 31 December 2007 and 31 December 2008. 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 separate financial statements.

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

Format of the accounts

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

- The **Income Statement** is prepared in accordance with the nature of the item and shows intermediary results relating to the operating result and the result before taxes in order to allow a better assessment of the normal operating performance.
  The operating profit is the difference between the net operating costs and revenues (this latter inclusive of non-cash items relating to amortisation/depreciation and write-downs of current and non-current assets, net of any restatements in value) and inclusive of gain/losses generated on the disposal of non-current assets.

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

- **Cash flow statement** prepared using the indirect method in which the operating result is adjusted by non-cash items.

- **Statement of Changes in Shareholders' Equity** illustrates the changes in Equity accounts.

Accounting principles and policies

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

Property, plant & equipment

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

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

buildings	3 %
lightweight buildings	10 %
plant and machinery	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 company. These grants are recognised in the income statement by gradually reducing the depreciation charged over the useful life of the assets to which they relate.

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

Goodwill

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

On the sale of a subsidiary, any Goodwill not amortised attributable to the subsidiary is included in determining the gain or loss on the sale.
Goodwill arising on acquisitions prior to 1 January 2004 is carried at the amount recognised under Italian GAAP after an impairment test at that date.

Research and development costs

The research costs are recognised in the income statement in the year in which they are incurred.
Development costs in relation to projects are capitalised when all of the following conditions are satisfied:

- the costs can be reliably determined,
- the technical feasibility of the product is demonstrated,
- the volumes, and expected prices indicate that costs incurred for development will generate future economic benefits,
- the technical and financial resources necessary for the completion of the project are available

The development costs capitalised are amortised on a straight-line basis, commencing from the beginning of the production over the estimated life of the product.
The carrying value of the development costs are reviewed annually through a test in order to record any loss in value when the asset is no longer in use, or with greater frequency when there are indications of a possible loss in the carrying value.
All other development costs are charged to the income statement when incurred.

Other intangible assets

The other intangible assets acquired or produced internally are recorded under assets, in accordance with the provisions of "IAS 38 – Intangible Assets", when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined reliably.
The useful life of the intangible assets are classified as definite or indefinite. Intangible fixed assets with a definite useful life are amortised monthly for the duration of the period. The useful life is reviewed on an annual basis and any changes are made in accordance with future estimates.
The intangible assets with indefinite useful life are not amortised but are subject annually or, more frequently where there is an indication that the activity may have suffered a loss in value, to a verification which identifies any reduction in value.

Impairment

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

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

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

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

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

Investments in subsidiary and associated companies

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

Inventories

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

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

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

Trade receivables and loans and other financial assets

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

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

Non-current assets held for sale

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

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

Trade payables and other financial liabilities

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

Bank and other borrowings

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

Derivative instruments and hedge accounting

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

Where applicable, Elica 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 characteristics at the valuation date:

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

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

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 forecasted 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 do not qualify as hedges are recognised in the Income Statement when they arise.

Embedded derivatives included in other financial instruments or in other contracts are treated 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 Company records the interest on employee benefit plans under finance costs.
Up to 31 December 2006, the employee leaving indemnities of the Italian companies were considered as defined benefit plans. The regulations of this provision were modified by Law No. 296 of 27 December 2006 ("2007 Finance Act") and subsequent Decrees and Regulations issued at the beginning of 2007. In view of these changes, and specifically with reference to companies with more than 50 employees, this fund is now to be considered a defined benefit plan exclusively for the amounts matured prior to 1 January 2007 (and not paid at the balance sheet date), while subsequent to this date they are similar to a defined contribution plan.

Share-based payments

The Company, 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 for risks and charges

Provisions are recorded when the Company has a current obligation resulting from a past event and it is probable that the Company will be required to fulfil the obligation.

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

Revenues and income

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.

Financial income (with the exception of dividends) is recognised in accordance with the accruals principle; interest income is recorded based on the amount lent and the effective interest rate applicable.

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 benefits of ownership to the lessee. All the other leases are considered operating leases.

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

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

Foreign currency transactions

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

Public 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 year represent 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. The liability for current income taxes is calculated using the current rates at the reporting date.

Elica S.p.A. and the subsidiaries FIME S.p.A. (since 2005 with renewal in 2008) and Airforce S.p.A. (since 2008) have opted for a consolidated tax regime in Italy. This means that the IRES (Corporation Tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies.

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

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

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

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

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

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

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

2. Accounting standards effective after 1 January 2008

The accounting standards adopted are in line with those of the previous year, with the exception of the interpretations of IFRIC14 (Assets for defined benefit plans and minimum hedging requirements) and IFRIC12 (Service concession arrangements), whose adoption did not have significant effects on the financial statements of the Company, nor has given rise to additional disclosure requirements.
The Company has not yet adopted the following new standards and believes they will not have significant impacts on the financial statements.

IFRS not yet in force

IFRS 8 – Operating segments

The accounting standard IFRS 8 - Operating Segments, will be applicable from January 1, 2009 in place of IAS 14 - Segment Information. This standard requires the presentation of information on operating segments of the Company and replaces the requirements for the determination of the primary (business) and secondary (geographic) segments of the Company. The new accounting standard requires the company to base the segment information on the elements which management utilises to make its operating decisions, therefore requiring the identification of the operating segments on the basis of the internal reporting which is regularly reviewed by management for the allocation of resources to the different segments and for the purposes of performance analysis. The adoption of the standard will not have an impact on the valuation of accounts in the financial statements.

IAS 1 Presentation of Financial Statements

The revised standard IAS 1 - Presentation of financial statements (September 2007) will be effective from January 1, 2009. The standard requires the movements in equity to show those attributable to the parent and to minority interest. The statement of change in shareholders' equity will include all transactions with shareholders while all the changes relating to transactions with minority interest will be presented in a single line. In addition, the standard introduces the "comprehensive income" statement: this statement includes all the revenue and cost items for the period recorded in the income statement, and in addition all the other cost and revenue items recorded. The "comprehensive income" statement may be presented in a single statement or in two related statements. The Company is still considering whether to prepare one or two statements.

IAS 23 Borrowing costs

On 29 March 2007, IASB issued the revised IAS 23 – Borrowing Costs which is applicable from 1 January 2009. The revised version of the standard no longer includes the option in which the companies may immediately record in the income statement borrowing costs incurred against assets in which a determined period would normally pass before the asset is ready for use or for sale. The standard will be applicable to borrowing costs relating to assets capitalised from 1 January 2009.

IFRS 2 – Share-based payment – Vesting and Cancellation conditions

This change to IFRS 2 Share-based payments was published in January 2008 and will be effective from 1 January 2009. The standard defines "vesting conditions" as a condition which includes an explicit or implicit obligation to provide a service. All other conditions are a "non-vesting condition" and must be taken into consideration in determining the fair value of the instrument representing the capital assigned.
Where the premium does not mature as a consequence of the fact that it does not satisfy a "non vesting condition" which is under the control of the entity or of the counterparty, this must be recorded as a cancellation.
The Group has not made any share-based payments with "non-vesting" conditions and, consequently, no significant effects are expected in the recording of the share-based payments on options.
IFRS3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
The two revised standards were approved in January 2008 and will be effective from 1 July 2009. IFRS 3R introduces some changes in the recording of the business combinations which will have effects on the amount of the goodwill recorded, on the result for the year in which the acquisition takes place and on the results of subsequent years. IAS 27R requires that a change in the holding in a subsidiary is recorded as a capital transaction. Consequently, this change will have no impact on goodwill, and will not give rise to gains or losses.
In addition, the revised standard introduces changes in the recording of a loss incurred by a subsidiary and the loss of control of the subsidiary. The changes introduced by the standards IFRS 3R and IAS 27R must be applied to future periods and will have an impact on the future acquisitions and transactions with minority shareholders.
Changes to IAS 32 and to IAS 1 Financial Instruments "for sale":
The changes to IAS 32 and IAS 1 are effective from 1 January 2009. The change to IAS 32 requires that some financial instruments "for sale" and obligations arising on settlement are classified as capital instruments if certain conditions apply. The change to IAS 1 requires that certain information on options "for sale" classified as capital is disclosed in the explanatory notes.
Amendments to IFRS 1 – First-time adoption of international accounting principles and IAS 27 Consolidated and Separate Financial Statements.
The amendments to IFRS 1 allow the entity to determine in its first IFRS accounts, the "cost" of the investments in associated companies, subsidiaries and joint ventures based on IAS 27 or utilising the deemed cost method.
The amendment to IAS 27 requires that all dividends from subsidiaries, associated companies and joint ventures are recorded to the income statement of the separate financial statements. Both the amendments are effective from 1 January 2009 or at a subsequent date. The amendments to IAS 27 must be applied in a prospective manner.
IAS 39 – Financial Instruments: recognition and measurement – Instruments that qualify as hedges
This amendment to IAS 39 was issued in August 2008 and is effective from 1 July 2009 or at a subsequent date. The amendment concerns the designation of unilateral risks of a hedged instrument and the designation of inflation as a hedged risk or portion of hedged risk in certain situations. The amendment clarifies that the entity may designate a portion of the changes of fair value or of the changes in cash flow to a financial instrument such as the hedged instrument. The Company concluded that the amendments will not have impact on the financial position or profitability of the Company in that they do not take part in operations of this type.
IFRS improvements not yet in force
In May 2008, the Board issued its first full amendment to the standards principally to remove the inconsistencies and to clarify the text. Varying transition periods for each standard are applicable. The Company has not yet adopted any amendments to the following principles:
- IFRS 7 Financial Instruments – Disclosure:
- IAS 8 Accounting policies, changes in accounting estimates and errors:
- IAS 10 Events after the balance sheet date
- IAS 16 - Property, plant and equipment.
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for government grants.
- IAS 27 Consolidated and separate financial statements.
- IAS 29 Financial reporting in hyperinflationary economies:
- IAS 34 Interim financial reporting.

IAS 39 – Financial Instruments: recognition and measurement:
IAS 40 Investment property.
IAS 41 Agriculture:
IFRIC Interpretations not yet in force.
The following interpretations not yet in force have also been issued:
IFRIC 13 – Customer loyalty programmes (applicable from 1 January 2009)
IFRIC 15 Agreement for construction of own plant (effective from 1 January 2009 and not yet approved by the European Union).
IFRIC 16 hedging of a net investment in a foreign operation (effective from 1 January 2009 and not yet approved by the European Union).

3. Significant accounting estimates

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

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

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

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

4. Notes to the income statement, balance sheet and cash flow statement

INCOME STATEMENT

4.1 Revenue

4.01 Revenues - third parties

Details of revenues from third parties are as follows:

(Data in Euro thousands)	FY 07	FY 08	Changes
Revenues from product sales	316,535	239,749	(76,786)
Service revenues	301	1,376	1,075
Total	**316,836**	**241,125**	**(75,711)**

The account recorded a decrease of approx. 24% on the preceding year - principally due to a drop in demand in the fourth quarter of 2008.
For information on the revenues, reference should be made to the Directors' Report.

4.02 Revenues - related parties

(Data in Euro thousands)	FY 07	FY 08	Changes
Subsidiary companies	15,507	26,539	11,032
Associate companies	829	6	(823)
Total	**16,336**	**26,545**	**10,209**

Revenues from related parties amount to Euro 26,545 thousand; these amounts principally refers to the sale of finished products to the subsidiaries AirForce S.p.A. for Euro 1,133 thousand (Euro 1,230 thousand in 2007), Ariafina for Euro 473 thousand (Euro 2,131 thousand in 2007), Elica Group Polska Sp.z o.o. for Euro 9,898 thousand (Euro 2,943 thousand in 2007) and Elica Mex Sa CV for Euro 14,324 thousand (Euro 7,673 thousand in 2007). Revenues from associated companies refer solely to the company ISM SpA.
All transactions are regulated at prices in line with market conditions applied to third parties.

4.03 Revenues by geographic area

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

(Data in Euro thousands)	FY 07	FY 08	Changes
Europe + CIS	275,606	243,075	(32,531)
Other countries	26,364	16,424	(9,940)
The Americas	31,202	8,169	(23,033)
Total	**333,172**	**267,668**	**(65,504)**

4.2 Other operating income

(Data in Euro thousands)	FY 07	FY 08	Changes
Operating grants	82	310	228
Ordinary gains on disposal	1,165	431	(734)
Claims and insurance payouts	78	252	174
Expenses recovered	2,288	1,334	(954)
Other revenues and income	1,263	2,592	1,329
Total	**4,876**	**4,919**	**43**

The amount reports an increase of Euro 43 thousand on the previous year, relating to - the reduction in "Expenses recovered" (Euro 954 thousand), essentially related to reduced transport recoverables following the reduced activity, countered by an increase in "Other revenues and income" related to the earthquake suspension payables in accordance with Law No.103 of 6 June 2008 (in relation to which reference should be made to paragraph 5), for Euro 1,543 thousand.

4.3 Changes in inventories of finished and semi-finished goods

Changes in finished products, semi-finished and work-in-progress inventories was positive for Euro 700 thousand at 31 December 2007; at 31 December 2008 the account was negative for Euro 2,412 thousand; this is due to a greater use of inventory to optimise current assets.

4.4 Increases on internal work capitalised

The account Increases on internal work capitalised under fixed assets amounted to Euro 980 thousand (Euro 977 thousand in the previous year) and mainly relates to the capitalisation of charges regarding the design and development of new products and costs sustained internally for the construction of mouldings, industrial equipment and the implementation of new IT programmes.

4.5 Raw and consumable materials

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

(Data in Euro thousands)	FY 07	FY 08	Changes
Purchases of consumable materials	1,131	895	(236)
Purchases of supplies	290	342	52
Purchase of raw materials	149,304	113,002	(36,302)
Change in inventory of raw materials, consumables and goods for re-sale	28	3,886	3,858
Purchase of finished products	7,780	8,858	1,078
Packaging	13,139	11,094	(2,045)
Other purchases	339	205	(134)
Shipping expenses on purchases	480	297	(183)
Total	**172,491**	**138,579**	**(33,912)**

The balance is broken down as follows:

(Data in Euro thousands)	FY 07	FY 08	Changes
Third parties	144,140	109,771	(34,369)
Related parties	28,351	28,808	457
Total	**172,491**	**138,579**	**(33,912)**

Raw materials and consumable reduced by Euro 33,912 thousand in 2008 compared to 2007; this reduction is directly related to the decrease in revenues.

Purchases from related parties amount to Euro 28,808 thousand (Euro 28,351 thousand in 2007). The most significant amount relates to electric motor purchases from the subsidiary Fime S.p.A. for Euro 19,776 thousand (Euro 25,190 thousand in 2007).

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

4.6 Service expenses

(Data in Euro thousands)	FY 07	FY 08	Changes
Outsourcing expenses	38,050	32,788	(5,262)
Transport	9,144	6,434	(2,710)
Finished goods inventories	4,655	4,509	(146)
Consulting	4,125	4,055	(70)
Maintenance	1,963	1,414	(549)
Utilities	2,846	2,515	(331)
Commissions	2,014	567	(1,447)
Travel expenses	1,685	1,609	(76)
Advertising	1,672	1,384	(288)
Insurance	1,261	738	(523)
Remuneration of Directors and Statutory Auditors	952	808	(144)
Trade fairs and promotional events	568	854	286
Industrial services	634	415	(219)
Banking commissions and charges	525	156	(369)
Other services	4,525	4,183	(342)
Total	**74,619**	**62,429**	**(12,190)**

Service expenses reduced by Euro 12,190 thousand. The principal decreases relate to the outsourced work accounts for Euro 5,262 thousand and transport for Euro 2,710 thousand.

The balance is comprised of:

(Data in Euro thousands)	FY 07	FY 08	Changes
Third parties	59,332	46,344	(12,988)
Related parties	15,287	16,085	798

Total	**74,619**	**62,429**	**(12,190)**

Service expenses decreased by over 16% on the previous year.

Services from related parties amounted to Euro 16,085 thousand. The most significant amount related to mechanical processing undertaken by I.S.M. S.r.l. of Euro 15,624 thousand (Euro 14,446 thousand in 2007).

4.7 Labour costs

Labour costs incurred in 2007 and 2008 were as follows:

(Data in Euro thousands)	FY 07	FY 08	Changes
Salaries and wages	36,800	32,752	(4,048)
Social security charges	12,058	11,494	(564)
Employee leaving indemnity	2,999	2,616	(383)
Other costs	4,472	1,373	(3,099)
Total	**56,329**	**48,235**	**(8,094)**

Other costs principally include temporary employees for Euro 816 thousand and leaving incentives of Euro 335 thousand; the residual amount refers to employee social security expenses.

The table below shows the average number of employees at 31 December 2007 and 31 December 2008:

Workforce	FY 07	FY 08	Changes
Executives	19	18	(1)
White-collar	285	262	(23)
Blue-collar	1,124	966	(158)
Other	37	35	(2)
Total	**1,465**	**1,281**	**(184)**

The company restructuring operation resulted in a decrease in employee numbers of 184.

4.8 Amortisation and depreciation

Amortisation and depreciation amounted to Euro 9,455 thousand; for the movements in the respective accounts, reference should be made to the paragraph on fixed assets.

4.9 Other operating expenses and provisions

The details of the account are as follows:

(Data in Euro thousands)	FY 07	FY 08	Changes
Leasing and rental	2,048	1,179	(869)

Rental of vehicles and industrial equipment	1,188	1,336	148
Expenses for hardware, software and patents	501	826	325
Other taxes	346	402	56
Magazine and newspaper subscriptions	40	40	-
Prior year and other charges	2,114	1,558	(556)
Various equipment	117	50	(67)
Catalogues and brochures	273	485	212
Miscellaneous losses	109	389	280
Provisions for risks and charges	464	199	(265)
Total	**7,200**	**6,464**	**(736)**

The account prior year and other charges principally includes the expenses related to the development of sales for Euro 482 thousand and compensation for damages of Euro 574 thousand.

4.10 Restructuring charges

The account restructuring charges include the charges relating to the restructuring operation described in the paragraph "Significant events in 2008" in the Directors' Report and note 5.

4.11 Share of profit/(loss) from associates

(Data in Euro thousands)	**FY 07**	**FY 08**	**Changes**
Income from related companies	(180)	92	272
Total	**(180)**	**92**	**272**

The balance includes dividends distributed in the year by the subsidiaries Airforce S.p.A. for Euro 60 thousand and Ariafina for Euro 32 thousand.

4.12 Financial income

Details of financial income are shown below:

(Data in Euro thousands)	**FY 07**	**FY 08**	**Changes**
Interest income from subsidiary companies	1,111	1,042	(69)
Interest income from associated companies	38	3	(35)
Bank interest	471	107	(364)
Other financial income	326	534	208
Total	**1,946**	**1,686**	**(260)**

The drop in financial income is mainly due to the fall off in bank income following the utilisation of financial resources for investments in the year.

4.13 Financial costs

(Data in Euro thousands)	**FY 07**	**FY 08**	**Changes**
Financial charges:			
on overdrafts and bank loans	708	1,812	1,104

on other borrowings	239	70	(169)
on employee leaving indemnity	464	474	10
Total	**1,411**	**2,356**	**945**

The increase in financial charges for Euro 1,104 thousand is principally due to the increase in charges on loans and mortgages.

4.14 Exchange gains/(losses)

(Data in Euro thousands)	FY 07	FY 08	Changes
Exchange losses	(2,080)	(4,540)	(2,460)
Charges on derivative instruments	(674)	(23)	651
Exchange gains	386	4,248	3,862
Profits on derivative instruments	1,543	837	(706)
Total	**(825)**	**522**	**1,347**

In 2008, net exchange losses of Euro 292 thousand were recorded. In this account, in addition to the gains and losses realised, the gains and losses from valuations - deriving from the adjustment at the end of the year of debtor and creditor balances expressed in foreign currencies - are recorded.
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 730 thousand in 2007 and Euro 72 thousand in 2008. The exchange gains and losses increased considerably on the previous year following a substantial increase in the volatility of the currencies in which the Company operates.

4.15 Income taxes

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

(Data in Euro thousands)	FY 07	FY 08	Changes
Current income tax	(8,810)	(2,003)	6,807
Deferred taxes	586	2,645	2,059
Total	**8,224**	**(642)**	**8,866**

The 2008 positive income of Euro 642 thousand is due for Euro 2,589 thousand to non-recurring events (reference should be made to note 5). However, net of the non-recurring events, income taxes for the year would have been a charge of Euro 1,947 thousand.

The change in income taxes is principally due, apart from non-recurring events, to the decrease in assessable income and the tax rates applicable (32% compared to 37.5% in 2007).

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

Reconciliation between expected and effective tax rates

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

2) RECONCILIATION TAX RATE

	2007	2008
IRES rate	33.00 %	27.50%
IRAP rate	4.50%	4.13%

	2007					2008				
	Assessable	**IRES**	**IRAP**	**Total**	**% of IRES on pre-tax profit**	**Assessable**	**IRES**	**IRAP**	**Total**	**% of IRES on pre-tax profit**
Income taxes for the year										
- Current		6,093	2,717	8,810			(306)	1,297	991	
- Substitute tax							1,011		1,011	
- Deferred – cost (income)		(535)	(51)	(586)			(2,220)	(424)	(2,644)	
[A] TOTAL INCOME TAXES		**5,558**	**2,666**	**8,224**	**31.75 %**		**(1,515)**	**873**	**(642)**	**(207.25 %)**
PRE-TAX RESULT	17,507					731				
Tax calculated using local tax rate		5,777			33.00%		201			27.50%
Tax effect of exempt income	(5,415)	(1,787)			-10.21%	(2,310)	(635)			86.87%
Tax effect of expenses not deductible	5,055	1668			9.53%	1,097	302			41.31%
Decrease/increase in deferred tax assets/liabilities due to changes in tax rates	(1,818)	(100)			-1.98%	0	0			0.00%
Other differences		0			0.00%	(8,702)	(2,394)			-327.52%
[B] Effective tax charge and tax rate net of substitute tax	**15,329**	**5,558**			**31.75 %**	**(9,184)**	**(2,526)**			**-345.57%**
Substitute Tax effect							1,011			138.30%
[C] Effective tax charge and tax rate							**(1,515)**			**-207.27%**

It is noted that the impact of the absorption of taxes following the change described in note 5 is included among Other differences.

Other information on income statement items

The research and development costs capitalised and expensed in 2008 are summarised in the table below:

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
R&D costs expensed	5,758	4,295	(1,463)
Amortisation of capitalised R&D costs	591	410	(181)
Total R&D costs	**6,349**	**4,705**	**(1,644)**
R&D costs capitalised during the year	**622**	**774**	**152**

BALANCE SHEET

4.17 Property, plant and equipment

The table below shows details of the changes in property, plant and equipment in 2007 and 2008.

PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment *(in Euro thousands)*	01.01.2007 Stand alone	Pro-forma Post merger	Increases	Disposals & Reclass.	31.12.2007
Historical cost					
Land and buildings	20,811	24,871	1,758		26,629
Plant and machinery	32,785	38,919	3,464	(3,140)	39,243
Commercial and industrial equipment	44,472	51,454	2,803	(1,205)	53,052
Other assets	6,639	8,524	797	(2,184)	7,137
Assets in progress and payments on account	2,244	2,806	551	(3,128)	229
Total	**106,951**	**126,574**	**9,373**	**(9,657)**	**126,290**

(in Euro thousands)	01.01.2007 Stand alone	Pro-forma Post merger	Depreciation	Disposals & Reclass.	31.12.2007
Accumulated depreciation					
Land and buildings	5,343	6,197	838		7,035
Plant and machinery	22,917	26,675	3,056	(1,997)	27,734
Commercial and industrial equipment	38,148	42,697	4,267	(564)	46,400
Other assets	5,450	6,623	538	(1,266)	5,895
Total	**71,858**	**82,192**	**8,699**	**(3,827)**	**87,064**

(in Euro thousands)	01.01.2007 Stand alone	Pro-forma Post merger	Increases	Disposals & Reclass.	Depreciation	31.12.2007
Net value						
Land and buildings	15,468	18,674	1,758	-	(838)	19,594
Plant and machinery	9,868	12,244	3,464	(1,143)	(3,056)	11,509
Commercial and industrial equipment	6,324	8,757	2,803	(641)	(4,267)	6,652
Other assets	1,189	1,901	797	(918)	(538)	1,242
Assets in progress and payments on account	2,244	2,806	551	(3,128)	-	229
Total	**35,093**	**44,382**	**9,373**	**(5,830)**	**(8,699)**	**39,226**

The changes relating to 2008 are the following:

Property, plant & equipment *(Data in Euro thousands)*	01.01.2008	Increases	Disposals & Reclass.	31.12.2008
Historical cost				
Land and buildings	26,629	87	(10)	26,706
Plant and machinery	39,243	449	(2,150)	37,542
Commercial and industrial equipment	53,052	1,186	(692)	53,546
Other assets	7,137	337	(818)	6,656
Assets in progress and payments on account	229	348	(171)	406
Total	**126,290**	**2,407**	**(3,841)**	**124,856**

(Data in Euro thousands)	01.01.2008	Depreciation	Disposals & Reclass.	31.12.2008
Accumulated depreciation				
Land and buildings	7,035	862		7,897
Plant and machinery	27,734	2,682	(1,340)	29,076
Commercial and industrial equipment	46,400	3,686	(478)	49,608
Other assets	5,895	337	(405)	5,827
Total	**87,064**	**7,567**	**(2,223)**	**92,408**

(Data in Euro thousands)	01.01.2008	Increases	Disposals & Reclass.	Deprec.	31.12.2008
Net value					
Land and buildings	19,594	87	(10)	(862)	18,809
Plant and machinery	11,509	449	(810)	(2,682)	8,466
Commercial and industrial equipment	6,652	1,186	(214)	(3,686)	3,938
Other assets	1,242	337	(413)	(337)	829
Assets in progress and payments on account	229	348	(171)		406
Total	**39,226**	**2,407**	**(1,618)**	**(7,567)**	**32,448**

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

Assets in progress and payments on account of Euro 406 thousand refer principally to advances relating to the study undertaken regarding the expansion of the industrial area of Serra San Quirco, for new equipment and for additions to the productive facilities.

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

They include 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 17 for the accounting treatment of assets held under finance lease agreements are provided below.

Leased assets

Table of leased assets	Land and buildings	Plant & equipment	Commercial and industrial equipment	Other assets	Total
(Data in Euro thousands)					
31 December 2007					
Gross value	6,166	4,901	5,741	430	17,238
Accumulated depreciation	(1,593)	(3,262)	(4,537)	(420)	(9,812)
Total leased assets	**4,573**	**1,639**	**1,204**	**10**	**7,426**
Depreciation at 31 December 2007	180	547	847	23	1,597
31 December 2008					
Gross value	6,193	3,868	5,768	381	16,210
Accumulated depreciation	(1,779)	(2,948)	(5,358)	(378)	(10,463)
Total leased assets	**4,414**	**920**	**410**	**3**	**5,747**
Depreciation at December 31, 2008	186	390	832	7	1,415

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 cost includes revaluations permitted by previous legislation as considered representative of the fair value of the property, plant and equipment when the revaluation was made and described in the following table.

Revaluations made as permitted by Law

(Data in Euro thousands)	Reval. Law 576/75	Reval. Law 72/83	Reval. Law 413/91	31.12.2008
Land and buildings	20,483	115,162	104,588	240,233
Plant and machinery	3,188			3,188
Commercial and industrial equipment	46			46

Other assets	231			231
Total	**23,948**	**115,162**	**104,588**	**243,698**

4.18 Goodwill and other intangible assets

Goodwill

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

(in Euro thousands)	31.12.2007	Acquisitions/(write -downs)	31.12.2008
Cost per CGU			
Hoods	**6,714**	**(3,268)**	**3,446**
- Own brands	*1,413*		
Turbo Air own brands	1,413		
- Third party brands	*5,301*		
Turbo Air third party brands	1,160		
Fox Design third party brands	4,141		
Total book value of goodwill	**6,714**	**(3,268)**	**3,446**

The change in the "Goodwill" account of Euro 3,268 thousand relates to the write-down for loss in value of the Hoods CGU.

Company management notes the effects of the merger of the companies Turbo Air, Fox Design and Jet Air in 2007, the altered commercial and marketing policies and the rationalisation of the productive structure and current and future management information systems, which would not allow an adequate separate identification of cash flows generated from the "Hoods - own brand" Cash Generating Unit and from that concerning "Hoods - third party brands" as in the past. Consequently, it was decided to unify into one "Hoods" CGU, the two CGUs from 31 December 2008.

The recoverable value of the "Hoods" CGU to which the goodwill is allocated was verified through the determination of the value in use considered as the current value of the expected cash flows utilising a rate which reflects the risks of the CGU at the valuation date. Such calculation discounts the future cash flows based on the business plans of the CGU's over a time horizon of five years, two of which (2009 and 2010) reflecting the period covered by the Three-year Industrial Plan and the remaining three year (2011-2013) pro forma assessment.
The cash flows were estimated by the Company based on the forecasts of the updated 2009 budget and the forecasts in the plan for 2010. For the 2011-2013 extrapolation, an annual revenue growth rate of 3% was utilised. The terminal values were determined based on a growth rate of 1.6%. The discount rate (WACC) was estimated at 9.4%.

The valuations at 31 December 2008 resulted in the recognition of a loss in value of goodwill of Euro 3,268 thousand, recorded in the income statement in the account "Write-down of Goodwill for loss in value".

It should be noted that in carrying out the above-mentioned analyses, the Company utilised different assumptions including estimates of future trends: of sales, of prices of raw materials and operating costs, of investments, of changes in working capital and the average weighted cost of capital. Naturally, a change in these assumptions will incur a significantly different value in use and thus difficulties arise in determining "impairment". For this reason, and considering the uncertainties which characterises the market at the present moment, management will monitor periodically the circumstances and the events which affect the above-mentioned assumptions and future trends.

Other intangible assets

The table below shows details of changes in other intangible assets in 2007 and 2008.

Intangible assets *(in Euro thousands)*	01.01.2007 Stand alone	Pro-forma Post merger	Increases	Disposals & Reclass.	Amort.	31.12.2007
Net value						
Development Costs	988	1,029	624		(591)	1,062
Industrial patents and intellectual property rights	811	970	1,541		(1,087)	1,424
Concessions, licenses, trade marks & similar rights	133	154	31		(30)	155
Other intangible assets	226	344	71		(28)	387
Intangible assets in progress and advances	825	827	2,598	(1,567)		1,858
Total	**2,983**	**3,324**	**4,865**	**(1,567)**	**(1,736)**	**4,886**

Intangible assets *(in Euro thousands)*	01.01.2008	Increases	Disposals & Reclass.	Amort.	31.12.2008
Net value					
Development Costs	1,062	774		(410)	1,426
Industrial patents and intellectual property rights	1,424	2,131		(1,304)	2,251
Concessions, licenses, trade marks & similar rights	155	23	0	(31)	147
Other intangible assets	387	28	(26)	(141)	248
Intangible assets in progress and advances	1,858	3,712	(1,559)		4,011
Total	**4,886**	**6,668**	**(1,585)**	**(1,886)**	**8,083**

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

"Industrial patents and intellectual property rights" includes patents and royalties regarding the recognition of patents, intellectual property rights and software programs. The increase for the year mainly refers to the acquisition of licenses for technical software programmes and the continuous upgrading of technical and management reporting software.

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

"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.

The intangible assets in progress and advances for Euro 4,011 thousand refers principally to the advances and the development of projects for the implementation of new software (Octopus and integrated SAP) and the design and development of a new innovative electronic platform.

4.19 Investments in subsidiary companies

(Data in Euro thousands)	Dec. 31, 07	Acquisi. & Sub.	Other changes	31/12/2008
Investments in subsidiary companies	41,604	28,625	0	70,229
Total	**41,604**	**28,625**	**0**	**70,229**

The details of investments in subsidiary companies are shown below:

(Data in Euro thousands)	Dec. 31, 07	Acquisi. & Sub.	Other changes	31/12/2008
Fime S.p.A.	23,907			23,907
Elica Group Polska S.p.zoo	4,087	9,709		13,796
Elicamex S.a. de C.V.	12,345	18,138		30,483
Leonardo Services S.a. de C.V.	4			4
Ariafina Co.Ltd	49			49
Airforce S.p.A.	1,212			1,212
Elica International S.à.r.l.		778		778
Total	**41,604**	**28,625**	**0**	**70,229**

Investments in subsidiary companies increased by a net amount of Euro 28,625 thousand. This increase was principally due to the following operations:

- During the year, Elica S.p.A. converted its financial and trade receivables from the subsidiary Elica Group Polska Sp z o.o. into payments for future increases in share capital in order to fund the investment needed to further boost the production of range hoods in Poland for a total amount of Euro 9.8 million.
  On 24 April 2008, for an amount of PLN 17 million (approx. Euro 5 million);
  On 2 October 2008, for an amount of PLN 10.5 million (approx. Euro 3.1 million);
  On 6 November 2008, for an amount of PLN 5.6 million (approx. Euro 1.6 million);
- During the year Elica S.p.A. converted its financial and trade receivables from the subsidiary Elicamex S.A. de C.V. into Share Capital in order to provide funding to drive the production of hoods in Mexico for an amount of MXN 277 million, equal to approx. Euro 18 million, for the respective transactions on February 14 (for an amount of MXN 127 million, equal to approx. Euro 8.1 million) and on August 19 (for an amount of MXN 149 million, equal to approx. Euro 10 million).

- The company Elica International S.a.r.l. was also incorporated.

The table below summarises the key figures derived from the subsidiary companies' 2008 financial statements:

(Data in Euro thousands)	Registered office	% direct	% indirect	Share capital	Net Equity	Profit (loss)
Fime S.p.A.	Castelfidardo (AN)	100		2,990	10,017	517
Elicamex S.a.d. C.V.	Queretaro (Mexico)	98	2	31,003	19,090	(1,991)
Elica Group Polska Sp.z o.o	Wroklaw (Poland)	62	38	6,588	20,312	2,679
Airforce S.p.A.	Fabriano (AN)	60		103	1,514	515
Ariafina	Sagamihara-Shi (Japan)	51		85	2,491	882
Leonardo	Queretaro (Mexico)	98	2	4	8	(21)
Elica International S.à.r.l.	Luxembourg	100		100	155	55
Elica Finance Limited	Dublin (Ireland)		100	12,050	12,046	(4)
Elica Germany Gmbh	Nurnberg (Germany)		100	1,775	1,591	(184)
Exklusiv Hauben Gutmann Gmbh	Muhlacker (Germany)		100	25	2,754	52

(Data in Euro thousands)	% held	Value at 31.12.2008	Profit (loss)	Net equity at 31.12.2008	Share of Net Equity at 31.12.2008
Fime S.p.A.	100	23,907	517	10,017	10,017
Elicamex S.a.d. C.V.	98	30,485	(1,991)	19,090	18,708
Elica Group Polska Sp.z o.o	62	13,796	2,679	20,312	12,593
Airforce S.p.A.	60	1,212	515	1,514	908
Ariafina	51	49	882	2,491	1,270
Leonardo	98	4	(21)	8	8
Elica International S.à.r.l.	100	778	55	155	155

Elica Group Polska Sp.z o.o. is indirectly controlled through Fime S.p.A. for a further holding of 38%.
The necessary start-up costs for the establishment of the Mexican company and the unfavourable economic situation in the American market has affected the results of Elicamex.
Elica Group Polska recorded strong results, taking advantage of the opportunities available on the market. Both Companies are a suitable launch pad for the penetration of interesting and expanding markets.

The recoverable value of the principal investments was verified through the determination of the value in use considered as the current value of the expected cash flows utilising a rate which reflects the risks of the investment at the valuation date. Such calculation discounts the future cash flows based on the business plans of the investments over a time horizon of five years, two of which (2009 and 2010) reflecting the period covered by the Three-year Industrial Plan and the remaining three year (2011-2013) pro forma assessment.
The cash flows were estimated by the Company based on the forecasts of the updated 2009 budget and the forecasts in the plan for 2010. For the 2011-2013 extrapolation, an annual revenue growth rate of 3% was utilised. The terminal values were determined based on a growth rate of 1.6% for the investments in Air Force and Fime, of 2.4% for the investment in Elica group Polska and 3.3% for the investment in Elicamex. The discount rate (WACC) was estimated as 9.4% for the valuation of the investments in Air Force and Fime, 10.83% for Elica Group Polska and 11.13% for Elicamex.

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

It should be noted that in carrying out the above-mentioned analyses, the Company utilised different assumptions including estimates of future trends: of sales, of prices of raw materials and operating costs, of investments, of changes in working capital and the average weighted cost of capital. Naturally, a change in these assumptions will incur a significantly different value in use and thus difficulties arise in determining "impairment". For this reason, and considering the uncertainties which characterises the market at the present moment, management will monitor periodically the circumstances and the events which affect the above-mentioned assumptions and future trends.

4.20 Investments in associated companies

The table below shows changes in investments in associated companies:

(Data in Euro thousands)	31 Dec 07	Acquisi. & Sub.	Other changes	31 Dec 08
Investments in associated companies	1,899			1,899
Total	**1,899**	**0**	**0**	**1,899**

These investments relate to:

(Data in Euro thousands)	Registered office	% direct	% indirect	Share capital	Net Equity	Profit (loss)
I.S.M. Srl	Cerreto d'Esi (AN)	49.385		10	2,146	315

(Data in Euro thousands)	% held	Value at 31.12.2008	Profit (loss)	Net equity at 31.12.2008	Share of Net Equity at 31.12.2008
I.S.M. Srl	49.385	1,899	319	2,150	1,062

The Company does not consider it necessary to write down the investment given the positive results in the year and the results of the impairment test carried out on the same assumptions described in paragraph 4.19.
In particular, for this test a growth rate of 1.6% was utilised and a WACC of 9.4%.

4.21 Other financial assets

The amount of Euro 30 thousand refers to a policy signed with Carifac.

4.22 Other receivables

The breakdown of the other receivables is as follows:

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Employees	1,203	163	(1,040)
Other receivables	9	9	0

Total	**1,212**	**172**	**(1,040)**

The decrease in the account "Employees" is due to the application of Law No. 103 of June 6, 2008 which requires the repayment of a reduced amount of 40% of taxes and contributions suspended following the earthquake in 1997. Against this reduction from employees, there is a corresponding reduction in payables to the Tax Authorities and Social Security Institutions, including the employer's contribution in the account Other Payables (see notes 4.36, 4.37 and 5).

These assets are recorded in the balance sheet under non-current assets at nominal value given their characteristics, their non contractual nature and the postponement granted by the regulations.

4.23 Tax receivables

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

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Other tax receivables	1	1	0
Total	**1**	**1**	**0**

4.24 Deferred tax assets and liabilities

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Deferred tax assets	4,300	3,540	(760)
Deferred tax liabilities	(5,828)	(2,416)	3,412
Total	**(1,528)**	**1,124**	**2,652**

The account Deferred tax assets principally include the valuation exchange losses and the non deductible provisions. The account Deferred tax liabilities principally includes the latent taxes due on deferred gains, valuation exchange gains and employee leaving indemnity.

The following table details deferred tax assets and liabilities:

(in Euro thousands)	31/12/2007		income statement effect		31/12/2008	
	Assets	Liabilities	Costs	Revenues	Assets	Liabilities
Amortisation & depreciation	599	2,063	592	2,066	11	0
Provisions	785		248	160	697	0
Costs ded. in future years	281		205	50	126	0
Inventory write-down	561		745	403	219	0
Exchange differences	331	164	857	748	584	527
Gains, grants		501	34	167	0	367
Restructuring charges	221		221	165	165	0
Merger adjustments	133	636	133	26	0	610
Set up and expansion costs	1,112		372	0	740	0
R&D costs	13		8	0	5	0

Other deferred charges	202		63	0	139	0
Goodwill	51	669	114	1,578	847	0
Others	10		133	0	0	123
IRS Valuation	1		0	0	7	0
Provision for employee leaving indemnity		823	15	49	0	789
Leasing/Land		972	0	972	0	0
Total	4,300	5,828	3,740	6,384	3,540	2,416

The decrease in deferred tax assets related mainly to other deferred charges and depreciation; the decrease in deferred tax liabilities related mainly to depreciation and leasing/land due to redemption in accordance with articles 1 c.33 and 34 of law No 244 of 24 December 2007 (reference should be made to note 5).

4.25 Financial assets available-for-sale

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

(Data in Euro thousands)	**31 Dec 07**	**31 Dec 08**	**Changes**
Meccano S.p.A.	16	16	0
UnifabrianoSoc. S.r.l.	2	2	0
Consorzio Energia	4	4	0
Other minor investments	3	2	(1)
Total	**25**	**24**	**(1)**

The above investments are recorded at cost in accordance with article 10 of Law 72/83 and no revalutions have been made pursuant to specific laws.

4.26 Trade receivables – third parties

The account consists of:

(Data in Euro thousands)	**31 Dec 07**	**31 Dec 08**	**Changes**
- receivables within one year	73,340	51,884	(21,456)
- receivables over one year	265	561	296
Total	**73,605**	**52,445**	**(21,160)**

Trade receivables decreased by Euro 21,160 thousand; this relates to two effects: the improvement in the management of receivables and lower sales in 2008 than that of the previous year.

Doubtful receivables are covered by the doubtful debt provision based on an analysis of the credit risk on receivables and on the basis of historical data on credit losses, considering that a substantial portion of the receivables are insured by primary international insurance companies.
The realignment of receivables to fair value was made through the doubtful debt provision - on the one hand for fiscal requirements and on the other as the financial statements of subsidiary companies were prepared based on local accounting principles. Management believes that the value approximates the fair value of the receivables.

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

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Opening balance	1,009	965	(44)
Provisions	9	389	380
Utilisations	(53)	(214)	(161)
Total	**965**	**1,140**	**175**

The doubtful debt provision was utilised in the year for Euro 214 thousand for credit positions that the Company believes, after prolonged attempts at recovery, will not be repaid.

4.27 Trade and financial receivables and loans – related parties

Receivables from related companies include both receivables of a commercial and financial nature from subsidiary and associated companies.
This account does not include any receivables due after more than five years at the year-end.
The details of the subdivision are shown in the table below:

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Receivables from subsidiaries	42,558	42,471	(87)
Receivables from related parties	0	31	31
Receivables from holding companies	1,556	1,069	(487)
Receivables from associated companies	1,640	533	(1,107)
Total	**45,754**	**44,104**	**(1,650)**

The account receivables from related parties refers to the receivable from Roal Electronics S.p.A. (associated company of the parent company Fintrack); in the previous year, the amount was Euro 29 thousand and was classified under trade receivables.

Receivables from subsidiary companies are composed of:

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Fime S.p.A.	14,638	14,491	(147)
Air Force S.p.A.	314	187	(127)
Elica Group Polska S.p.z.oo	8,915	4,955	(3,960)
Elicamex S.A. de C.V.	17,737	8,662	(9,075)
Ariafina Co Ltd	954	136	(818)
Elica International S.à.r.l.	0	14,000	14,000

Elica Germany Gmbh	0	40	40
Total	**42,558**	**42,471**	**(87)**

In relation to receivables from the companies Fime S.p.A., Elica Group Polska, Elicamex S.A. de C.V and Elica International S.à.r.l. it is noted that financial receivables are included for the following amounts: Euro 14,102 thousand; Euro 4 thousand; Euro 1,366 thousand; Euro 14,000 thousand.
Financial receivables from the subsidiaries Fime and EGPolska are regulated by their respective contracts and are revocable; the interest rate applied is the Euribor 1M and the Libor 3M average preceding month increased by a spread. The loan to Elica International S.a.r.l. refers to a convertible non-interest bearing loan.
The changes show the synergies created in order to optimise cash management.

The receivables from associated companies refer to normal operations of the company; these are regulated at market conditions and are of a commercial nature:

Associated companies

(Data in Euro thousands)	**31 Dec 07**	**31 Dec 08**	**Changes**
I.S.M. S.r.l.	1,640	533	(1,107)
Total	**1,640**	**533**	**(1,107)**

The balance of Euro 533 thousand refers to trade receivables.
This account does not include any receivables due after more than five years at the year-end.

The receivables from holding companies amount to Euro 1,069 thousand and refer to the receivable from the sale of the investment held in Roal Electronics to the Parent Company Fintrack S.p.A.
The amount includes interest calculated at 31 December 2008.

4.28 Inventories

(Data in Euro thousands)	**31 Dec 07**	**31 Dec 08**	**Changes**
Raw material, ancillary and consumables	17,138	12,844	(4,294)
Raw materials obsolescence provision	(734)	(326)	408
Total	***16,404***	***12,518***	***(3,886)***
Products in work-in-progress and semi-finished	10,525	7,753	(2,772)
Work-in–progress obsolescence	(363)	(257)	106
Total	***10,162***	***7,496***	***(2,666)***
Finished products and goods for resale	9,769	9,457	(312)
Finished products obsolescence provision	(675)	(108)	567
Total	***9,094***	***9,349***	***255***

Total	**35,660**	**29,363**	**(6,297)**

The value of inventories decreased by approx. Euro 6,297 thousand.

Inventories are recorded net of the obsolescence provision which amounts to Euro 691 thousand in order provide for the effect of waste, obsolete and slow moving items.
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.

The quantification of the stock obsolescence provision of raw materials, semi finished and finished products is based on assumptions made by Management.

4.29 Other receivables

The breakdown is as follows:

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Customs reimbursements	158	128	(30)
Deposits	130	171	41
Supplier advances	818	1,894	1,076
Other receivables	726	421	(305)
Insurance prepayments	150	128	(22)
Maintenance prepayments	55	51	(4)
Advertising prepayments	4	4	-
Other prepayments and accrued income	22	206	184
Total	**2,063**	**3,003**	**940**

The account other receivables principally consists of supplier advances, deposits on packaging and customs reimbursements.
The account Other receivables includes advance payments for hardware and autovehicles.
The account prepayments and accrued income principally refers to maintenance of hardware, consultancy and other services.
This account does not include other receivables due after more than five years at the year-end.

4.30 Tax receivables

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

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
IRAP	281	364	83
IRES	338	3,807	3,469
VAT	910	1,418	508
Other tax receivables	392	450	58
Total	**1,921**	**6,039**	**4,118**

The most significant changes refer to the increase in the IRES receivable relating to the payments on account made in the year.

4.31 Derivative financial instruments

Foreign exchange derivatives

(in Euro thousands)	31.12.2007		31.12.2008	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivatives	544	422	1,748	1,885
Irs				26
Total	**544**	**422**	**1,748**	**1,911**
of which				
Non-current	0	0	0	11
Current	544	422	1,748	1,900
Total	**544**	**422**	**1,748**	**1,911**

For further information, refer to paragraph 6 Information on risks.

4.32 Cash and cash equivalents

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Bank and postal deposits	13,723	3,125	(10,598)
Cash in hand and similar	3	3	-
Total	**13,726**	**3,128**	**(10,598)**

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 net funds/(debt) in the Directors' Report and to the Cash Flow Statement.

4.32 Liabilities for post-retirement benefits

The amount provisioned in the accounts of Euro 8,063 thousand is the current value of pension liabilities matured by employees at the year-end.

The most recent calculation of the present value of the provision was performed at 31 December 2008 by actuaries from Mercer Human Resource Consulting S.r.l.

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

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Costs relating to current employee services	2,995	2,616	(379)
Net actuarial losses recognised in the year	4	-	(4)

Financial charges	464	474	10
Total	**3,463**	**3,090**	**(373)**

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

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Opening balance	9,830	9,319	(511)
Costs relating to current employee services	2,877	2,529	(348)
Curtailment effect	118	87	(31)
Net actuarial losses recognised in the year	4	-	(4)
	2,999	2,616	(383)
Financial charges	464	474	10
Pension fund	(2,679)	(1,891)	788
Benefits provided	(1,295)	(2,455)	(1,160)
Total	**9,319**	**8,063**	**(1,256)**

The corridor method was utilised which permits the non recording of the component of the cost calculated in accordance with the above-mentioned method represented by actuarial gains or losses when these do not exceed 10% of the current value of the defined benefit obligation. Following the application of this method, actuarial losses at 31 December 2008 amounting to Euro 62 thousand have not been recorded (gain of Euro 62 thousand at 31 December 2007).
Lastly, the interest component of the charge relating to employee defined-benefit schemes is shown under financial charges, with a resulting increase of Euro 474 thousand in this item for the year. The cost of current retirement benefits and net actuarial losses were recorded under labour costs.

Assumptions adopted for the calculation:

	31.12.2007	31.12.2008
Discount rate to determine the obligation	5.50%	5.75%
Rate of inflation	2.00%	2.00%
Discount rate to determine pension cost	4.50%	5.50%

Number of employees

At 31 December 2008 the Company had 1,281 employees (1,465 in 2007) as described in note 4.7.

4.33 Provisions for risks and charges

The composition and movements of the provisions are as follows:

(Data in Euro thousands)	31 Dec 07	Provisions	Utilisations	31 Dec 08
Supplementary agent termination benefits	885	64	(461)	488
Directors' termination benefits	109		-	109

Product warranty provisions	612	93	(410)	295
Product disposal provision	82	540	(26)	596
Income tax	150		-	150
Provisions for risks	786		-	786
Restructuring provision	700	600	(700)	600
Total	**3,324**	**1,297**	**(1,597)**	**3,024**
of which				
Non-current	**2,712**			**2,729**
Current	**612**			**295**

The supplementary agent termination benefits are intended to cover possible charges upon termination of relations with agents and sales representatives. Part of the benefits provisioned in previous years for the resolution of agency relations with agents were liquidated (Euro 461 thousand).

The Directors' termination benefits regard the termination benefits for the Executive Chairman.

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. The same registered a decrease in the year of Euro 410 thousand.

The provisions for risks relates to likely costs and charges to be incurred as a result of ongoing legal disputes. The provisions have been determined based on the best possible estimates, considering the available information. It is considered that the current provision is adequate.

The Restructuring Provision recorded against restructuring charges in the income statement relates to the company restructuring programme.

4.34 Bank borrowings and mortgages

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Bank loans and mortgages	8,410	37,288	28,878
Total	**8,410**	**37,288**	**28,878**
Bank loans and mortgages have the following repayment schedules			
On demand or within one year	3,810	33,306	29,496
Within two years	619	628	9
Within three years	627	634	7
Within four years	635	643	8
Within five years	643	651	8
Beyond 5 years	2,076	1,426	(650)
Total	**8,410**	**37,288**	**28,878**
Less amounts to be repaid within one year	3,810	33,306	29,496
Due beyond one year	**4,600**	**3,982**	**(618)**

All Bank Mortgages are denominated in Euro.
The main borrowings indicated above carry a floating rate of interest. The company, while it is exposed to interest rate risk, does not systematically hedge its exposure as, given the expectations of constantly generated cash flows, it is inclined to repay early its bank loans, thus eliminating the need for any such hedge.

4.35 Amounts due under finance leases and other borrowings

Amounts due under finance leases and other *(in Euro thousands)*	**Minimum payments due under finance lease agreements and other loans**		**current value of payments Minimum due under finance lease agreements and other loans**	
	31 Dec 07	**31 Dec 08**	**31 Dec 07**	**31 Dec 08**
Due within one year	362	351	305	309
Due within five years	1,306	839	1,218	810
Due over five years	-		-	
	1,668	**1,190**	**1,523**	**1,119**
of which:				
- future financing costs	145	73		
- present value of obligations under finance leases	1,523	1,117	1,523	1,119
of which:				
- within one year			305	309
- beyond one year			1,218	810

Lease payments refer to factories. The current value of the minimum payments due at 31 December 2008 is Euro 1,190 thousand, of which Euro 351 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.
As already mentioned, we highlight the use of an IRS designated and effective as a cash flow hedge which is linked to a finance lease agreement (note 3.34).

4.36 Current and non-current tax liabilities

Tax payables (non-current)

(Data in Euro thousands)	**31 Dec 07**	**31 Dec 08**	**Changes**
ILOR (former local income tax) payable – earthquake suspension	667	200	(467)
ICI (local property tax) payable – earthquake suspension	35	10	(25)
Employee leaving indemnity payable – earthquake suspension	97	29	(68)
IRPEF (employees income tax) payable – earthquake suspension	1,338	183	(1,155)
Taxes on equity reserves – earthquake suspension	1,867	563	(1,304)

Flat tax	0	308	308
Total	**4,004**	**1,293**	**(2,711)**

Tax payables (current)

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Other taxes	38	172	134
IRPEF withheld	2,077	2,021	(56)
Substitute tax	0	410	410
Total	**2,115**	**2,603**	**78**

The decrease in the account "Non-current tax payables" is due to the application of Law No. 103 of 6 June, 2008 which provides for the repayment of a reduced amount of 40% of taxes and the contributions suspended following the earthquake in 1997. Against this reduction from employees, there is a corresponding reduction in payables to the Tax Authorities and Social Security Institutions, including the employer's contribution in the account Other Payables (see note 4.36). The balance of Euro 308 thousand refers to the substitute tax in which the company benefited from the provisions in accordance with articles 1 c.33 and 34 of the 2008 Finance Law relating to the redemption of such.

The payables included in the section "Non-Current" were not discounted.

4.37 Sundry and Other Payables (non-current)

Other Payables (non-current)

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Other payables	2	2	-
INAIL contributions – earthquake suspension 1997	302	91	(211)
INPDAI contributions – earthquake suspension 1997	158	48	(110)
Employee INPS contributions – earthquake 1997	3,534	1073	(2,461)
Freelance INPS contributions – earthquake 1997	17	5	(12)
Total	**4,013**	**1,219**	**(2,794)**

The decrease in the account "Non-current tax payables" is due to the application of Law No. 103 of 6 June, 2008 which provides for the repayment in a reduced amount of 40% of taxes and the contributions suspended following the earthquake in 1997. Against this reduction from employees, there is a corresponding reduction in payables to the Tax Authorities and Social Security Institutions, including the employer's contribution in the account Other Payables (see note 4.36).
The amount includes:

Other payables (current)

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes

Payments to social security institutions	3,106	2,407	(699)
Other payables	383	33	(350)
Payables to personnel for remuneration	4,584	3,326	(1,258)
Customers	73	316	243
Accruals and deferred income	160	249	89
Customer advances	285	599	314
Directors and Statutory Auditors	386	44	(342)
Total	**8,977**	**6,974**	**(2,003)**

4.38 Trade payables

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Trade payables			
- payables within one year	77,196	55,924	(21,272)
- payables beyond one year	55	55	-
Total	77,251	55,979	(21,272)
Subsidiaries	2,520	4,121	1,601
Related companies		1,038	1,038
Associated companies	4,281	3,926	(355)
Total	6,801	9,085	2,284
Total	**84,052**	**65,064**	**(18,988)**

This mainly includes payables for trade purchases and other costs. The average payment period for the trade payables is approx. 120 days.
The receivables from related parties (Euro 1,038 thousand) includes the payables at 31.12.2008 to Roal Electronics S.p.A. (Euro 987 thousand) and Fastnet S.p.A. (Euro 51 thousand).

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

4.38 Trade payables and other payables to related parties

Payable to subsidiaries

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Fime S.p.A.	11	2,723	2,712
Elica Group Polska	1,179	731	(448)
Airforce	358	200	(158)
Elicamex S.A.	971	466	(505)
Ariafina Co Ltd	1	1	-
Total	**2,520**	**4,121**	**1,601**

The amounts of a commercial nature refer principally to the purchases carried out by Elica Group Polska and Elicamex S.A. following the increased industrial and productive integration of the group companies.
The balances relating to Fime S.p.A. and Airforce S.p.A. include the tax payables deriving from the two subsidiary companies taking part in the fiscal consolidation respectively for Euro 488 thousand and Euro 7 thousand.

Associated companies

These payables of an exclusive trade nature are composed of:

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
I.S.M. S.r.l.	4,281	3,926	(355)
Total	**4,281**	**3,926**	**(355)**

The amount from associated companies refers to the payable to the associated company I.S.M. S.r.l. which relates to mechanical works, carpentry and finished product assembly.

4.39 Shareholders' Equity

For the analysis on the movements in Shareholder's equity, reference should be made to the relative table. Comments are provided on each of the equity reserves.

Share capital

The share capital at 31 December 2007 amounts to Euro 12,664 thousand, consisting of 63,322,800 ordinary shares with a par value of Euro 0.20 each, fully subscribed and paid-in.

Capital reserves

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

Hedging and stock option reserves

The account amounts to Euro 19 thousand and refers to the change in cash flow hedges net of the tax effect; in the previous year, it amounted to Euro 336. The Stock Option Reserve in the year decreased by Euro 35 thousand following the stock option valuation. The share prices in 2008 led to a non significant intrinsic value of the options, which is added to the negligible time value.

Treasury shares

	Number	Book value in thousands of Euro
Beginning balance at 1 January 2008	1,934,301	6,671
Increases	4,397,979	10,958
Ending balance at 31 December 2008	6,332,280	17,629

On 3 August 2008, an Ordinary Shareholders Meeting authorised the purchase and the use of treasury shares, pursuant to article 2357 and 235—ter 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 2008-2011".

In relation to the details of the shares outstanding on 31 December 2008, reference should be made to the paragraph "Disclosures pursuant to article 123-bis of the Consolidated Finance Act".

Retained earnings

(Data in Euro thousands)	31 Dec 07	31 Dec 08	Changes
Legal reserve	2,533	2,533	-
Exchange gains reserve	18		(18)
IAS transition reserve	1,675	1,675	-
Extraordinary reserve	46,645	53,130	6,485
Reserve restricted under Law 488/92	3,875	3,875	-
Total	**54,746**	**61,213**	**6,467**

The Legal Reserve amounts to Euro 2,533 thousand.
In relation to 2008, the directors have proposed the distribution of a dividend of Euro 3.03 per share resulting in a payout ratio of 53.18%, and propose to exclude the distribution of a dividend for shares in portfolio held at 4 May 2009, date of the dividend coupon with dividends to be paid on 7 May 2009.

The IAS Transition Reserve amounts to Euro 1,675 thousand: it is unchanged on the previous year.
The change in the Extraordinary Reserve of Euro 6,485 thousand relates to the allocation of the 2007 net profit for Euro 9,283 thousand net of the distribution of dividends of Euro 2,817 thousand and the transfer of the non distributable reserve on exchange gains of Euro 17 thousand.

Information on distributable reserves

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

Description:	Amount	Poss. of utilisation	Quota available	Util. in past 3 years to cover losses	Util. in past 3 years for other reasons
I Share capital	12,664,560	=		-	
II Share premium reserve	71,123,336	A,B,C	71,123,336	-	-
IV Legal reserve	2,532,912	B		-	
VII Other reserves					
Treasury shares not recorded under assets	(17,629,065)				
Extra. reserve	53,129,571	A,B,C	53.110.352	-	3,875,492
Reserve Law 488/92	3,875,493	B	-		-
IAS transition reserve	1,675,096	A,B,C	1,675,096		
Total	**127,371,903**		**125.908.784**	**-**	**3,875,492**
Non-distributable quota	-		19.055.111		
Residual distributable	-		106.853.673		

A: for share capital increase

B - coverage of losses

C: for distribution to shareholders

The account Extraordinary Reserve is not distributable for an amount of Euro 17,629 thousand, corresponding to the value of the treasury shares held as set out in article 2357 of the civil code.

Net funds/(debt)

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

(Data in Euro thousands)	**31 Dec 07**	**31 Dec 08**	**Changes**
Cash and cash equivalents	13,726	3,128	(10,598)
Loans to related parties	28,396	30,542	2,146
Bank loans and mortgages - current	(3,810)	(33,309)	(29,499)
Finance leases and other lenders - current	(305)	(309)	(4)
Short-term net funds	**38,007**	**52**	**(37,955)**
Bank loans and mortgages – non-current	(4,600)	(3,981)	619
Finance leases and other lenders – non-current	(1,218)	(810)	408
Long-term net funds/(debt)	**(5,818)**	**(4,791)**	**1,027**
Net funds/(debt)	**32,189**	**(4,739)**	**(36,928)**

At 31 December 2008, net debt amounted to Euro 4,739 thousand, a decrease of Euro 36,928 thousand compared to the previous year, principally due to the purchase of treasury shares during the year and the conversion of some loans to subsidiary companies in investments to subsidiaries.

5 Significant non-recurring events and operations

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

	Net Equity		**Net Profit**	
	Amount	%	Amount	%
Book values	128,726		1,373	
a) Gains from 1997 earthquake suspension payables write-offs	3,451		3,451	
b) Restructuring charges	(1,330)		(1,330)	
Total effect	2,121	2%	2,121	155%
c) Gain from payable of substitute tax	2,023	2%	2,023	147%
d) write-down of goodwill for loss in value	(2,234)	-2%	(2,234)	-163%
Gross notional book value	126,816		(537)	

a) Legislative Decree 61/2008 approved the repayment, reduced to 40%, without any sanctions and interests, through 120 monthly payments, of the taxes and contributions suspended following the provisions issued in favour of the areas hit by the 1997 earthquake (Marche and Umbria).
Following these provisions, the payable to the relevant Pension Institutions and tax payables were written off for a total effect on the income statement of Euro 4,084 thousand and the remaining 40% was discounted with a positive effect on the income statement, gross of taxes of Euro 447 thousand. These operations had the following effect:
- in the balance sheet: Euro 2,994 thousand in the account "Tax payables", Euro 2,916 thousand in the account "Other payables" and Euro 1,196 thousand in the account "Other receivables".
- in the income statement: Euro 2,434 thousand in the account "Labour costs", Euro 1,543 thousand in the account "Other revenues", Euro 107 thousand in the account "Service expenses" and Euro 447 thousand in the account "Financial Income".

b) The amount refers to the industrial reorganisation charges.

c) The amounts shown in the table illustrates the benefit deriving from the exercise of the option contained in law No. 244 of 2007 (2008 finance act) to recognise, with the payment of the substitute tax, the misalignment between the result for the year and the assessable base for taxes prior to 2007.
d) These accounts includes the effects of the write-down of goodwill for loss in value net of the relative tax effect, as described in paragraph 4.18.

The above-mentioned non-recurring events had no effect on the company's financial situation.

6. Guarantees, commitments and contingent liabilities

a) Contingent liabilities

Elica is not involved in administrative, judicial or arbitration proceedings that are underway or have been settled by means of a ruling or arbitration award issued in the last 12 months and which might have or might have had an effect on the financial situation or profitability.
Appropriate provisions on a prudent basis have been made on the contingent liabilities that could arise from pending judicial proceedings: the provision included in the financial statements at 31 December 2008 for contingent risks and charges relating to legal disputes amounts to Euro 786 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

Elica S.p.A. in 2007 provided a comfort letter to IntesaSanPaolo, in connection to a credit line of Euro 6,500 thousand obtained from this bank by ElicaMex S.A.d.C.V.

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 S.p.A. This agreement was modified through an additional agreement signed on 3 December 2008 between Whirlpool Europe S.r.l. and Elica S.p.A. ("Modifying Agreement"). Due to the Modified Whirlpool Agreement, in derogation of the exclusivity obligation set out in the Share Options Agreement, a maximum number of 1,266,456 ordinary shares of the Company, comprising 2% of the Share Capital, can be purchased on the market in the period between the signing of the Modified Agreement and 31 March 2009. The details of the Agreement are described in the paragraph "Information in accordance with article 123-bis CFA". It was decided, as the option is composed of various variable elements difficult to determine, not to record the option at "fair value".

In 2008, the Parent Company Elica SpA issued the following guarantees:

- a surety in favour of Unicredit SpA for a value of Euro 5,500 thousand for the credit lines granted by Bayerische Hypo and Vereinsbank Ag to the company Elica Germany GmbH; this surety will expire in 2010;
- two sureties in favour of Bank DnB Nord for a value of Euro 3,000 thousand and PLN 15,000 for credit lines granted to the subsidiary Elica Group Polska S.p.zo.o; these sureties will expire in 2012.

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 with Turbo Air (with the merger deed on 22 June 2007), had a residual value of Euro 548 thousand.

Commitments with suppliers for fixed asset purchases at 31 December 2008 amount to approx. Euro 109 thousand, principally relating to investments in the productive capacity such as equipment, plant and buildings for the expansion of industrial activities.

c) Operating leases

At the balance sheet date there were rental agreements for several industrial and commercial properties, motor vehicle rental agreements and operating leases for hardware. Future payments due against lease contracts are summarised in the following table:

(Data in Euro thousands)	**31.12.2007**	**31.12.2008**
Property rentals	2,049	1,393
Car and fork lift rental	1,273	2,240
Hardware operating leases	1,613	875
Equipment	0	0
Total	**4,935**	**4,508**

7. Risk management policy

Introduction

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

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

The Group "Financial Risk Policy" is based on the principle of 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 Elica is exposed to, indicating the level of exposure and, for the market risks, the potential impact on the results deriving from hypothetical fluctuations in the parameters (sensitivity analysis).

Market risk

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

- 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, Elica uses derivative instruments to hedge its risks and does not engage in derivative trading.

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

Foreign currency risks

The Company's operating currency is the Euro. However, the Group companies trade also in Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss Francs (CHF) and Russian Roubles (RUB). In all of these currencies, except for the Swiss Franc, the Company has higher revenues than costs; therefore changes in the exchange rates between the Euro and these currencies impact the Company results as follows:

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

The amount of the exchange risk, defined in advance by management of the Company on the basis of the budget for the period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections.
The hedge is made through agreements with third party financiers of forward contracts for the purchase and sale of foreign currency. As previously described, these operations are undertaken without any speculative or trading purpose, in line with the strategic policies of a prudent management of the cash flows.
As well as the trading risks just described, the Group is also exposed to balance sheet translation risks. The assets and liabilities of companies consolidated in currencies other than the Euro may be translated into Euro at varying exchange rates, whose amount is recorded in the "translation reserve" under Group Net Equity.
The Group monitors this exposure, against which there were no hedging operations at the balance sheet date; in addition, against the total control by the Parent Company over its subsidiaries, the governance on the respective foreign currency operations is greatly simplified.

The hedging operations of Elica as at 31 December 2008 (all with expiry within 12 months) with financial counterparties have a total negative Fair Value of Euro 136.6 thousand.
The table below shows the details of the notional and Fair Values:

FOREIGN EXCHANGE DERIVATIVES

Currency	**Notional (in foreign currency/000)**	**FV at 31/12/2008 (Euro/000)**
USD		
Forward	7,000	36
Options	2,500	41
GBP		
Forward	450	48
Options	350	4
JPY		
Forward	1,100,000	(342)
Options	1,250,000	77
Total		**(137)**

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

The following table shows the sensitivity to reasonably possible movements in the exchange rates and the rate curves, maintaining all other variables unchanged, of the Fair Value of the operations in foreign currencies at 31 December 2008:

(in Euro)	**USD**	**GBP**	**JPY**
Currency	**Notional 9,500 USD/000**	**Notional 800 GBP/000**	**Notional 2,350,000 JPY/000**
Exchange depreciation 10%	-534,026	-36,182	-67,299
Curr. Depreciation EUR 25%	14,572	790	3,523
Currency depreciation 30%	-8,820	-744	-1,529
Sensitivity to Depreciation	**-528,273**	**-36,136**	**-65,305**
Exchange appreciation 10%	487,258	39,288	209,944
Curr. appreciation EURO 25%	-8,622	-258	-2,107
Currency appreciation 30%	3,051	245	118
Sensitivity to Appreciation	**481,686**	**39,275**	**207,956**

The values are shown below at 31 December 2008 of the balance sheet accounts in foreign currencies for the most significant currencies:

Assets & Liabilities in Foreign Currencies at 31.12.2008							
Data in EUR/000	CHF	GBP	JPY	RUB	USD		TOTAL
Assets							
Other financial assets - due within one year					1.366		1.366
Other receivables - due within one year				16	114		130
Trade receivables - due within one year		50	136		3.992		4.178
Cash and cash equivalents		1	196	6	112		314
TOTAL	**0**	**51**	**332**	**22**	**5.584**		**5.989**
Liabilities							
Others payables - due within one year		-1		-5	-19		-25
Trade payables - due within one year	-311	-1	-1	-2	-284		-599
Tax payables - due within one year					6		6
TOTAL	**-311**	**-2**	**-1**	**-8**	**-296**		**-618**
BALANCE	**-311**	**49**	**331**	**14**	**5.288**		**5.371**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the EUR/CHF, EUR/GBP, EUR/JPY, EUR/RUB and EUR/USD rates were analysed.

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

	CHF	GBP	JPY	Rub	USD	Total
Depreciation of foreign currencies 10%	28	(4)	(30)	(1)	(481)	(488)
Appreciation of foreign currencies 10%	(35)	5	37	2	588	597

Commodity risk

Elica is subject to market risk deriving from fluctuations in commodity prices used in the production process. The raw materials purchased by the Company are affected by the trends of the principal markets. The Company 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, Elica 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 Company 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 Elica 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 Company's debt mainly carries a floating rate of interest. The Company is hedged against the interest rate risk through the utilisation of Interest Rate Swaps. The Fair Value at 31 December 2008 of the Interest Rate Swap amounted to a negative amount of Euro 26.5 thousand.
Based on economic considerations, the use of IFRS 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 shows that a translation of 75 bps on the interest rate curve for the period covered by the Swap would cause a change in the Fair Value in the Interest Rate Swap at 31 December 2008 of Euro 9.7 thousand.
A translation of -75 bps on the interest rate curve would cause a reduction in the fair value of the Interest Rate Swap of Euro 9.9 thousand.

Credit risk

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

The Company only deals with well known and trustworthy clients. It is Company 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 2008, trade receivables, amounted to Euro 55.1 million, including approx. Euro 7.7 million relating to overdue receivables. 11.4% of receivables were 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 2008 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 Company and its own financial needs.

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

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

Data at 31 December 2008

(in Euro thousands)	within 12 months	1-5 years	Over 5 years
Finance leases and other lenders	Z309	810	-
Bank loans and mortgages	33,306	2,555	1,426
Trade and other payables	74,642	2,512	-
Total	**145,414**	**9,816**	**1,426**

Data at 31 December 2007

(in Euro thousands)	within 12 months	1-5 years	Over 5 years
Finance leases and other lenders	305	1,218	-
Bank loans and mortgages	3,810	2,521	2,078
Trade and other payables	95,144	8,017	-
Total	**145,414**	**9,816**	**2,078**

Classification of the financial instruments

(in Euro thousands)	**31 Dec 08**	**31 Dec 07**
Other financial assets	30	30
Financial assets available-for-sale	24	25
Non-current assets	**54**	**55**
Derivative financial instruments	1,748	544
Cash and cash equivalents	3,128	13,726
Current assets	**4,876**	**14,270**
Finance leases and other lenders	810	1,218
Bank loans and mortgages	3,981	4,600
Non-current liabilities	**4,791**	**5,818**
Finance leases and other lenders	309	305
Bank loans and mortgages	33,306	3,810
Derivative financial instruments	1,900	418
Current liabilities	**35,515**	**4,533**

The book value of financial assets and liabilities described above is equal or approximate to the fair value of the same.

8. Disclosure on management compensation and related-party transactions

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

8.1 Directors and Statutory Auditors' fees

Senior managers with responsibilities for strategic, planning and control are identified as executive directors, non executive directors and statutory auditors.
The remuneration paid was as follows:

Party	Office held	Duration	Emoluments	Non-monetary benefits	Bonus and other incentives	Others
Francesco Casoli	Chairman of the Board of Directors	Appr. Accounts 31.12.2008	341	6		241
Andrea Sasso	Chief Executive Officer	Appr. Accounts 31.12.2008	111	5		570
Gianna Pieralisi	Executive director	Appr. Accounts 31.12.2008	161			
Gennaro Pieralisi	Director	Appr. Accounts 31.12.2008	24			
Fiorenzo Busso	Director	Appr. Accounts 31.12.2008	11			
Giovanni Frezzotti*	Director	Appr. Accounts 31.12.2008	21			
Stefano Romiti	Director	Appr. Accounts 31.12.2008	24			
Total			**693**	**11**	**-**	**811**

* On 28 August 2008, the Chairman of the Board of Statutory Auditors of Elica S.p.A., Mr. Giovanni Frezzotti, due to exceeding the limits regarding the accumulation of offices held pursuant to article 144.3 of the Issuers' Regulations, resigned from office with immediate effect.
Pursuant to article 2401 of the civil code and until the next Shareholders' Meeting, the alternative statutory auditor Mr. Gilberto Casali replaced the resigning member; the standing member Mr. Corrado Mariotti assumed the chair of the Board of Statutory Auditors.

Party	Office held	Duration	Emoluments	Non-monetary benefits	Bonus and other incentives	Others
Corrado Mariotti	Chair. Board of Statutory Auditors (*)	Appr. Accounts 31.12.2008	34			
Stefano Marasca	Statutory Auditor	Appr. Accounts 31.12.2008	31			
Gilberto Casali	Statutory Auditor	Appr. Accounts 31.12.2008	1			
Guido Cesarini	Alternate Auditor	Appr. Accounts 31.12.2008	-			
Giovanni Frezzotti	Chair. Board of Statutory Auditors (**)	28.08.2008	48			
Total			**114**	**-**	**-**	**-**

(*) Appointed on 28/8/2008 in replacement of Mr. Frezzotti Giovanni
(**) In office until 28/08/2008

8.2 Management and direction activity

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

Francesco Casoli, Chairman of Elica S.p.A., is the majority shareholder and Sole Director of Fintrack S.p.A., a holding company that does not carry out management and coordination activities.
Gianna Pieralisi Casoli holds a life-time right of usufruct on 68.33% of the shares of Fintrack S.p.A., thus exercising control over the Issuer, pursuant to article 93 of the Consolidated Finance Act.

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

The tables below show key data for subsidiaries and the amount of transactions entered into with them at and for the year ended 31 December 2008.

Subsidiaries - highlights:

The above data refers to the financial statements as at 31 December 2008.

Subsidiaries - highlights:

(in Euro thousands)	**Assets**	**Liabilities**	**Net Equity**	**Revenues**	**Net result**
Subsidiary companies					
FIME S.p.A.	50,630	40,613	10,017	79,851	517
Air Force.S.p.A.	8,141	6,627	1,514	19,249	515
ARIAFINA CO. LTD	5,279	2,788	2,491	9,847	882
Elica Group Polska S.p.zo.o	32,007	11,695	20,312	39,627	2,679
ELICAMEX S.A. de C.V.	31,109	12,019	19,090	30,443	(1,991)
Elica International S.à.r.l.(1)	26,214	26,059	155	-	55

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:

(Data in Euro thousands)	**31 Dec 07**	**31 Dec 08**	**Changes**
Financial receivables from holding companies:			
Fintrack Spa	1,556	1,069	(487)
Loans to subsidiaries			
Fime SpA	13,739	14,102	363
Elicamex S.A. de C.V.	4,540	1,366	(3,174)
Elica International Sarl	-	14,000	14,000
Elica Group Polska S.p.zoo	8,123	5	(8,118)
Total	26,402	29,473	3,071
Loans to associated companies			
ISM Srl	438	0	(438)
Total	**28,396**	**30,542**	**2,146**

The table below summarises the transactions and balances with related parties in 2008:

Related parties	**Payables**	**Fin/Trade receivables**	**Costs**	**Revenues**
Subsidiary Companies				
Fime S.p.A.	(2,723)	28,593	(19,917)	605
Elicamex S.a.d. C.V.	(466)	10,028	(519)	14,680
Leonardo Services S.a.d. C.V.				
Ariafina Co.Ltd	(1)	136		477
Elica Polska S.p.zoo	(731)	4,960	(4,324)	9,202
Air Force S.p.A.	(157)	187	(1,022)	1,134
Elica International		14,000		
Associated company				
I.S.M. S.r.L.	(4,171)	533		
other related parties				
Fintrack Spa		1,069		
Fastnet SpA	(52)		(15)	
Roal Electronics Srl	(987)	31	(3,475)	

Transactions with other related parties

Transactions with other related parties (Fastnet S.p.A. and Fintrack S.p.A.) are exclusively of a trading and financial nature.

Transactions of a commercial and financial nature

The table above shows the main operating and financial amounts arising from trading transactions with Fastnet S.p.A. (30% interest held by the parent company of Elica) and financial transactions with Fintrack S.p.A. (company that indirectly controls Elica S.p.A.).
The operating and financial balances arise from trading transactions conducted to purchase goods and services on an arm's length basis.
The transactions with Fastnet S.p.A. forms part of a strategic partnership to develop projects and implement advanced technological solutions. These projects have accompanied and continue to accompany the growth of the business; from intranet solutions to extranet solutions, from wiring to wireless solutions, from software consultancy to hardware consultancy and from training to web marketing.

The transactions with Fintrack S.p.A. relates to the receivable from the sale of the investments held in Roal Electronics S.p.A. in June 2007.

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 2008 for audit and 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.	227

Other services	Deloitte Network	Elica S.p.A.	91
Total			318

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

In 2008, no operations classifiable in this category were recorded.

11. Events after the year-end

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

Declaration of the Separate 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 adequacy of the information on company operations and the effective application of the administrative and accounting procedures for the compilation of the Financial Statements for 2008.

In addition, we certify that the Financial Statements:

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

30 March, 2009

The Chief Executive Officer
Andrea Sasso

Executive responsible for the preparation
of corporate accounting documents
Vincenzo Maragliano