Elica S.p.A. Condensed consolidated quarterly report for the period ended 31 March 2007

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Governance bodies

Members of the board of directors:

Francesco Casoli
Executive Chairman,
born in Senigallia (AN) on 05/06/1961, appointed a director by resolution dated 12/04/2006.

Andrea Sasso
Chief Executive Officer, born in Rome on 24/08/1965, appointed by resolution dated 21/03/2007.

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

Geroli Alberto
Director, born in Milan (MI) on 04/01/1942, director appointed by resolution dated 12/04/2006

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

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

Enrico Palandri
Independent Director, born in Milan (MI) on 02/10/1962, appointed a director by resolution dated 12/04/2006.

Members of the Board of Statutory Auditors

Giovanni Frezzotti
Chairman,
born in Jesi (AN) on 22/02/1944, appointed by resolution dated 12/04/2006.

Stefano Marasca
Statutory Auditor, born in Osimo (AN) on 09/08/1960, appointed by resolution dated 12/04/2006.

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

Guido Cesarini
Alternate Auditor, born in Bolzano (BZ) on 19/08/1972, appointed by resolution dated 12/04/2006.

Gonberto Casali
Alternate Auditor, born in Jesi (AN) on 14/01/1954, appointed by resolution dated 12/04/2006.

Internal Control Committee
Stefano Romiti
Gennaro Pieralisi
Enrico Palandri

Remuneration Committee
Stefano Romiti
Gennaro Pieralisi
Enrico Palandri

Independent Auditors
Deloitte & Touche S.p.A.

Registered Office and Company Data
Elica S.p.A.
Registered Office: Via Dante, 288 – 60044 Fabriano (AN)
Share Capital: €12,664,560.00
Tax Code and Companies' Register Number: 00096570429
Entered in REA in Ancona no. 63006 – VAT Number 00096570429

Investor relations
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Report on operations

Currency markets

Compared to the first quarter of 2006, in the period under review (at average monthly exchange rates published by the Italian Exchange Office) the euro rose, on average, by 9.0% against the US dollar, by 11.3% against the Japanese yen, and by 1.4% against the Polish zloty whilst falling by 2.5% against sterling.

A comparison of exchange rates at 31 March 2006 and 2007 shows confirms these trends, except for the zloty, which rose against the euro.

	Jan. – Mar. 06	Jan. – Mar 07	%	31 March 06	31 March 07	%
USD	1.202	1.310	9.0%	1.2104	1.3318	10.0%
GBP	0.687	0.671	-2.5%	0.6964	0.6798	-2.4%
JPY	140.514	156.451	11.3%	142.42	157.32	10.5%
ZTL	3.833	3.887	1.4%	3.9425	3.8668	-1.9%
MXN	12.75	14.44	13.29%	13.23	14.67	10.88%

Summary operating, financial and cash flow data

(€000 except per share data)	**Q1 2006**	**Q1 2007**	**2007/2006**
Revenue	99.389	111.205	11,9%
EBIT before start-up costs	6,931	7,531	8.7%
as a % of revenue	7.0%	6.8%	-0.2%
EBIT	6,931	6,698	-3.4%
EBIT margin	7.0%	6.0%	-1.0%
Net interest expense	-632	-354	-44.0%
as a % of revenue	-0.6%	-0.3%	0.3%
Foreign exchange gains/(losses)	-181	-123	-32.0%
as a % of revenue	-0.2%	-0.1%	0.1%
Net profit for the period before start-up costs	2,616	3,106	18.7%
as a % of revenue	2.6%	2.8%	0.2%
Net profit from continuing operations	2,616	2,427	-7.2%
as a % of revenue	2.6%	2.2%	-0.4%
Basic earnings per share			
from continuing operations (euro cents)	5.14	3.72	
Diluted earnings per share			
from continuing operations (euro cents)	5.14	3.72	

EBIT reflects operating profit as reported in the consolidated income statement. EBITDA is operating profit plus amortisation and depreciation.

(€000)	**31 March 2006**	**31 December 2006**	**31 March 2007**
Trade receivables	101,344	106,874	111,491
Inventories	49,199	48,833	59,776
Trade payables	(99,315)	(94,392)	(120,914)
Operating Working Capital	**51,228**	**61,381**	**50,353**
as a % of revenue	12.9%	15.1%	11.3%
Net other receivables /payables	(19,761)	(9,356)	(9,666)
Net Working Capital	**31,467**	**52,025**	**40,687**
as a % of revenue	8.00%	13.23%	9.64%

Net debt

(€000)	31 March 2006	31 December 2006	31 March 2007
Amounts due under finance leases and other borrowings	11,899	9,617	9,117
Bank borrowings and mortgages	23,074	7,614	8,207
Long-term debt	***34,973***	***17,231***	***17,324***
Amounts due under finance leases and other borrowings	3,453	3,109	2,952
Bank borrowings and mortgages	14,971	11,284	3,110
Short-term debt	***18,424***	***14,393***	***6,062***
Cash and cash equivalents	***(15,328)***	***(29,334)***	***(34,378)***
Net debt	**38,069**	**2,290**	**(10,992)**

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

Operating review for the first quarter of 2007

During the first quarter of 2007 the Group's consolidated revenue rose by 11.9% on the comparable period in 2006. Organic growth amounted to 4.8%. After excluding the impact of the changes in euro against the other currencies in which the Group operates, overall growth was 12.5% and organic growth was 5.4%.

The increase in revenue was due to both the range hood business, whose sales grew by 12.2%, and the electric motor business, whose revenue went up by 10.6%. Particularly positive in the range hood division was the performance of products under the Group's brand name, whose revenues increased by 31.8%. The range hood business recorded particularly positive performances for decorative hoods (up 35.3%) and the Elica Collection range, which saw sales increase by over 50% on 2006. In the electric motor business, growth was driven by motors used in boilers

In terms of geographical areas, revenue in the Americas and Europe was up over 15%, whilst sales in the rest of the world decreased.

EBIT before start-up costs continued to grow, in line with the positive trend of recent years. EBIT rose from €6.9 million in Q1 2006 to €7.5 million in Q1 2007. In the period just ended, the Group incurred net start-up costs in Mexico for €0.8 million. Consequently, EBIT went from €6.9 million in Q1 2006 to €6.7 million in Q1 2007.

Net interest expense and gains and losses on foreign exchange transactions showed a marked improvement.

Net profit from continuing operations went from €2.6 million in Q1 2006 to €2.4 million in Q1 2007. After excluding start-up costs, net profit amounted to €3.1 million, up 18.7% on the comparable quarter in 2006.

Net working capital as a share of net revenue improved, as it went from 13.2% at 31 December 2006 to 9.6% at 31 March 2007. Meanwhile, the net debt of €2.3 million at 31 December 2006 turned into net cash of roughly €11 million at 31 March 2007.

Significant events in the first quarter of 2007

On 22 January 2007 the Board of Directors of the companies involved approved the merger of Jet Air S.r.l., Turbo Air S.p.A. and Fox Design S.p.A. with and into Elica S.p.A..

As part of its expansion strategy, on 23 January 2006 Elica S.p.A. acquired 15% of Air Force S.p.A. from Fintrack S.p.A., the company that controls Elica via Fan S.A.. Air Force produces and sells decorative hoods for the mid- and up-market segments, based on innovative designs and the use of advanced technology.

Thus, the basis of consolidation changed solely as a result of the inclusion of Air Force S.p.A., whose results have been consolidated as of the date on which control was acquired.

On 21 March 2007, the Board of Directors accepted the resignations submitted by Director and Chief Executive Officer Massimo Marchetti and appointed simultaneously Andrea Sasso, a member of the Board of Directors, as a replacement. This change took place against a backdrop of management continuity and in view of a strengthening of the Elica Group's strategic plan, which aims to develop the Group's sales capabilities in order to better meet the needs of the target market.

At the General Meeting held on 30 April 2007, shareholders confirmed the appointment of Andrea Sasso whose term of office will expire, as with all the other members of the Board of Directors, on the date of the General Meeting of shareholders convened to approve the financial statements at and for the year ended 31 December 2008.

Elica Group's structure and basis of consolidation

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 Group's parent company.

Subsidiaries

- 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 as well as transformers for electro-mechanic and electronic equipment. It operates mainly in European markets, where it holds significant and growing 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.

- Fox Design S.p.A.– Campodarsego Padua (Italy). FOX is the main operator in the "hood" sector outside the district of Fabriano and has a significant market share in distribution. FOX's industrial organization features substantial outsourcing activities in the mechanical and assembly functions.

- FOX I.F.S. S.r.l. – Bergamo (Italy). Elica owns 69.44% of this subsidiary, indirectly, through Fox Group S.p.A.. It engages in industrial vacuum systems, linked to air treatment.

- Jet Air S.r.l. – Cerreto d'Esi Ancona (Italy). This company operates in the hood sector, mainly in overseas markets and Eastern European countries.

- Turbo Air S.p.A. – Fabriano, Ancona (Italy). This company operates in the hood sector in the district of Fabriano. Following this acquisition in February 2006, Elica strengthened its competitive position in Italy and intends to gain market share in Eastern European countries (especially Russia where Turbo Air is widely distributed) and the Middle and Far East, as well as to achieve significant economies of scale.

- ElicaMex S.A.d.C.V. – Queretaro (Mexico). This wholly-owned subsidiary was incorporated at the beginning of 2006 (Elica S.p.A. owns 98% directly and 2% through Fox Design S.p.A.). Through this company, the Group intends to concentrate the production of products for American markets in Mexico and reap the benefits of higher revenue and the optimisation of operational and logistic 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% through Fox Design S.p.A.). Leonardo Services manages all Mexican employees, providing services to Elicamex S.A. de C.V.

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

- Air Force S.p.A. – Fabriano (Ancona, Italy). This company operates in a special segment of the hood sector. Elica S.p.A. has held a 60% equity interest in this company since 23 January 2007 (45% at 31 December 2006). Air Force owns 95% of Air Force Germany G.m.b.h., a company that sells hoods in Germany through so-called "kitchen studios".

Associates

- Roal Electronics S.p.A. – Castelfidardo, Ancona (Italy). This company manufactures power supply equipment for the world's main HW manufacturers and has a highly sophisticated R&D department. The company is also integrated into the hood and motor business by providing electronic control systems for the equipment. Elica S.p.A. holds a 21.271% equity interest.

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

- Immobiliare Camino S.r.l. – Fabriano (AN). This company is 20.8% held by Turbo Air S.p.A. and manages this company's property portfolio. Basically, it leases the industrial properties in the portfolio to Turbo Air in exchange for market-based rentals.

Intercompany and other related-party transactions

During the period under review, transactions were entered into with subsidiaries, associates and other related parties. All transactions were conducted on an arm's length basis in the ordinary course of business.

Subsequent events and outlook

Demand in the main markets where the Group operates is expected to remain satisfactory, albeit with a slight slowdown in Europe and in the US.

The outlook for 2007 is thus positive and we expect to see an improvement in the Group's financial and operating results.

Segment information – Primary Sector at 31 March 2006 and 31 March 2007

Income statement (€000)	Own brands		Third-party brands		Motors		Other activities		Eliminations		Consolidated	
	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007
Segment revenue:												
External customers	15,958	21,154	66,142	70,924	16,024	16,906	1,265	2,221	-	-	99,389	111,205
Inter-segment	-	-	204	490	7,531	7,940	561	10	(8,296)	(8,440)	-	-
Total revenue from continuing operations	**15,958**	**21,154**	**66,346**	**71,414**	**23,556**	**24,846**	**1,825**	**2,231**	**(8,296)**	**(8,440)**	**99,389**	**111,205**
Segment results from continuing operations:	**4,364**	**5,456**	**15,765**	**15,837**	**4,035**	**3,962**	**254**	**487**	**-**	**-**	**24,419**	**25,742**
Unallocated overheads											**(17,488)**	**(19,045)**
EBIT from continuing operations											**6,931**	**6,698**
Share of profit/(loss) of associates											103	61
Finance income											109	261
Finance costs											(741)	(615)
Foreign exchange gains/(losses)											(181)	(123)
Other non-operating income											12	-
Pre-tax profit											**6,233**	**6,282**
Taxation											(3,617)	(3,855)
Net profit from continuing operations											**2,616**	**2,427**
Net profit from discontinued operations											**151**	**-**
Net profit for the period											**2,767**	**2,427**

Segment information – Secondary Sector at 31 March 2006 and 31 March 2007

The Group's assets are located in Italy, Mexico, Japan and Poland.

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

Revenues by geographical area	America	Europe + CSI	Other countries	Consolidated
31 March 2006	9,237	82,754	7,398	**99,389**
31 March 2007	10,642	93,386	7,177	**111,205**

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

Total assets	Italy	Poland	Mexico	Japan	Consolidated
31 March 2006	288,480	4,356	-	-	**292,836**
31 March 2007	310,799	11,900	21,626	2,166	**346,492**

During the first quarter of 2007, operating profit amounted to € 6.7 million, down €0.2 million from the comparable quarter in 2006.

The profit of the own brand hoods segment increased by around €1.1 million and, as a share of revenue, it fell from 27.35% in the first quarter of 2006 to 25.79% in the same comparable period in 2007. The profit of the Customer brands range hoods segment rose by around Euro 0.1 million in absolute terms and, as a share of revenue, it went from 23.76% in the first quarter of 2006 to 22.18% in the corresponding quarter in 2007. Lastly, the result of the motor segment was basically stable, as it amounted to €4 million in both periods.

Financial statements and summary notes

Condensed consolidated income statement for the quarters ended 31 March 2006 and 2007

€000 except per share data	**Q1 2006**	**Q1 2007**
Revenue	99,389	111,205
Other operating revenue	641	921
Non-recurring revenues	-	-
Change in inventories of finished goods and semi-finished products	2,084	4,524
Increase in self-constructed assets	469	453
Raw and consumable materials	(50,138)	(59,927)
Service expense	(22,097)	(25,443)
Staff costs	(17,873)	(19,167)
Amortisation and depreciation	(3,732)	(3,821)
Other operating expenses and provisions	(1,812)	(2,047)
Restructuring charges	-	-
EBIT	**6,931**	**6,698**
Share of profit/(loss) of associates	103	61
Impairment of available-for-sale financial assets	-	-
Finance income	109	261
Finance costs	(741)	(615)
Foreign exchange gains/(losses)	(181)	(123)
Other non-operating income	12	-
Pre-tax profit	**6,233**	**6,282**
Taxation for the period	(3,617)	(3,855)
Net profit from continuing operations	**2,616**	**2,427**
Net profit from discontinued operations	**151**	**-**
Net profit for the period	**2,767**	**2,427**
of which:		
Attributable to minority interest	(2)	(69)
Attributable to shareholders of the Parent Company	2,765	2,358
Basic earnings per share (euro cents)(*)		
from continuing and discontinued operations	5.44	3.72
from continuing operations	5.14	3.72
Diluted earnings per share (euro cents)		
from continuing and discontinued operations	5.44	3.72
from continuing operations	5.14	3.72

(*) For comparative purposes, it should be noted that earnings per share in the first quarter of 2006, restated on the basis of the average number of post-IPO shares outstanding, would have amounted to €4.37 from continuing and discontinued operations and €4.13 from continuing operations.

Condensed consolidated balance sheet at 31 March 2006, 31 December 2006 and 31 March 2007

Assets *(€000)*	**31 March 2006**	**31 December 2006**	**31 March 2007**
Continuing operations			
Property, plant and equipment	75,049	79,007	80,384
Goodwill	29,382	29,382	29,798
Other intangible assets	3,314	3,751	4,094
Investments in unconsolidated subsidiaries, associates and joint ventures	4,717	5,916	5,306
Other financial assets	1,798	180	200
Sundry receivables	1,490	1,456	1,274
Tax assets	75	41	9
Deferred tax assets	3,589	6,305	6,366
Available-for-sale financial assets	444	251	251
Non-current assets	**119,858**	**126,289**	**127,682**
Trade receivables and loans	101,344	106,874	111,491
Inventories	49,199	48,899	59,776
Other receivables	3,804	5,784	7,759
Tax assets	1,597	6,201	5,331
Derivative financial instruments	2	96	75
Cash and cash equivalents	15,328	29,334	34,378
Current assets	**171,274**	**197,188**	**218,810**
Total assets in continuing operations	**291,132**	**323,477**	**346,492**
Total assets in discontinued operations	**1,704**	**-**	**-**
Total assets	**292,836**	**323,477**	**346,492**

Liabilities and equity *(€000)*	**31 March 2006**	**31 December 2006**	**31 March 2007**
Continuing operations			
Liabilities for post-retirement benefits	13,498	13,228	13,388
Provisions	1,830	2,155	2,245
Deferred tax liabilities	9,916	10,357	10,724
Amounts due under finance leases and other borrowings	11,899	9,617	9,117
Bank borrowings and mortgages	23,074	7,614	8,207
Sundry payables	4,920	4,025	4,023
Tax liabilities	4,071	4,045	4,045
Derivative financial instruments	98	10	6
Non-current liabilities	**69,306**	**51,051**	**51,755**
Provisions	619	836	950
Amounts due under finance leases and other borrowings	3,453	3,109	2,952
Bank borrowings and mortgages	14,971	11,284	3,110
Trade payables	99,315	94,392	120,914
Sundry payables	16,418	16,022	13,667
Tax liabilities	8,125	4,483	8,139
Derivative financial instruments	99	79	79
Current liabilities	**143,000**	**130,205**	**149,811**
Share capital	10,165	12,665	12,665
Capital reserves	14,811	71,123	71,123
Other reserves	-125	-200	-532
Retained earnings	52,355	49,816	58,378
Net profit for the period attributable to shareholders of the Parent Company	2,765	8,328	2,358
Total equity attributable to shareholders of the Parent Company	**79,971**	**141,732**	**143,992**
Total equity attributable to minority interest	15	489	934
Consolidated equity	**79,986**	**142,221**	**144,926**
Total liabilities and equity in continuing operations	**292,292**	**323,477**	**346,492**
Total liabilities and equity in discontinued operations	**544**	**-**	**-**
Total liabilities and equity	**292,836**	**323,477**	**346,492**

Consolidated cash flow statement for the quarters ended 31 March 2006 and 2007

OPERATING ACTIVITIES	Q1 2006	Q1 2007
Net profit/(loss) for the period	**2,767**	**2,427**
Adjustments for non-cash items:		
Amortisation	375	383
Depreciation	3,369	3,438
Termination indemnity accruing for period	532	1,131
Termination indemnity paid during period	(467)	(1,282)
Financial costs on termination indemnities	162	175
Current and deferred taxation for the period	3,617	3,855
Other financial costs	586	440
Foreign exchange gains/(losses)	75	123
Increase / (Decrease) in provisions for doubtful debts	253	110
Increase / (Decrease) in provisions	102	170
Measurement of investments	(103)	(61)
Gain on spin-off of property division	(12)	-
Cash flow from operating activities before changes in working capital	**11,256**	**10,909**
(Increase)/decrease in receivables	3,757	(1,154)
Inventories	(3,398)	(8,894)
Increase/(decrease) in payables	2,399	18,562
	2,757	8,514
Cash generated from operating activities	**14,014**	**19,424**
Income taxes paid	-	-
Interest paid	(438)	(549)
Net cash flow from operating activities	**13,576**	**18,875**
INVESTING ACTIVITIES		
Proceeds on disposal of components of property, plant and equipment	298	108
Purchases of components of property, plant and equipment	(3,275)	(4,053)
Net increase in intangible assets	(525)	(901)
Net change in investments and available-for-sale assets	(1,066)	671
Acquisition of Turbo business	(553)	-
Acquisition of remaining interest in Jet Air S.r.l.	(2,806)	-
Acquisition of equity interest in Air Force S.p.A.	-	(252)
Net cash used in investing activities	**(7,926)**	**(4,427)**
FINANCING ACTIVITIES		
Borrowings/(repayments)	(8,599)	(9,297)
Decrease/(increase) in other financial assets	(14)	-
Cash and cash equivalents used for/generated by financing activities	**(8,613)**	**(9,297)**
Net increase/(decrease) in cash and cash equivalents	**(2,964)**	**5,151**
Cash and cash equivalents at the beginning of the period	**18,316**	**29,334**
Effect of exchange rate fluctuations	**(24)**	**(107)**
Cash and cash equivalents at the end of the period	**15,328**	**34,378**

Notes to the consolidated quarterly financial statements at 31 March 2007

Group's structure and brief description of its activities

Elica S.p.A. is a company organized under the laws of Italy, with its registered office in Fabriano, in the province of Ancona. It is the Parent of a group of companies, the Elica Group, engaging primarily in the market for kitchen range hoods, as well as in the market for electric motors.

The Group's primary segments, as defined by IAS 14, consist of the businesses in which it operates. Specifically, the breakdown by segment is as follows: own brands (manufacturing and sale of range hoods and accessories under its own brand), third-party brands (manufacturing and sale of range hoods, accessories and other components for home appliances sold under third-party brands), motors (manufacturing and sale of electric motors) and other activities (manufacturing and sale of electric transformers and other products).

The secondary segments are represented by the geographical areas where revenues are generated (Americas, Europe + CIS and Other countries) and the above activities are conducted (Italy, Poland, Mexico and Japan).
Segment information in accordance with IAS 14 is detailed in the report on the Group's operations for the period ended 31 March 2007, in the previous section.

The euro is the functional and reporting currency for Elica and all the companies included in the consolidation, except for such foreign subsidiaries as Elica Group Polska Sp.z.o.o, ElicaMex S.A.d.C.V., Leonardo S.A.d.C.V. and Ariafina Co Ltd., which prepare their accounts in Polish zloty, Mexican pesos and Japanese yen, respectively.

Approval of the quarterly report at 31 March 2007

The quarterly report at 31 March 2007 was approved by the Board of Directors on 14 May 2007.

Accounting standards and basis of consolidation

These condensed quarterly financial statements have been prepared under international financial reporting standards (IFRS) and in accordance with the provisions of art. 82 of the "Regulations implementing the regulations for issuers established by Legislative Decree no. 58 of 24 February 1998" (CONSOB Resolution no. 11971 of 14 May 1999 and subsequent amendments), in accordance with Annex 3D of the above Regulations.

Therefore, the consolidated quarterly financial statements at and for the period ended 31 March 2007 are compared with both the income statement for the corresponding period of 2006 and with the consolidated balance sheet at 31 December 2006. They consist of the balance sheet, income statement and cash flow statement. These notes to the financial statements are reported on a selected basis in order not to duplicate already published information, in accordance with the provisions of art. 82 of the "Regulations implementing the regulations for issuers established by Legislative Decree no. 58 of 24 February 1998".
The accounting standards used in the preparation of these consolidated quarterly financial statements are consistent with the standards used in the preparation of the consolidated financial statements at and for the period ended 31 December 2006, to which reference should be made for further details.
The figures at 31 March 2006 are derived from the consolidated balance sheet and income statement at and for the period ended 31 March 2006, as prepared in accordance with IFRS solely for the purposes of comparison with the summary quarterly financial statements at and for the period ended 31 March 2007.

The condensed quarterly financial statements have been prepared on a historical cost basis, except for such financial instruments as are reported at fair value. Estimates were made on an accruals basis and in accordance with the prudence and going concern principles, also taking into account the economic function of the asset or liability considered.

During the period, no accounting standards have been issued by the International Accounting Standards Board (IASB) or interpreted by the International Financial Reporting Interpretation Committee (IFRIC), effective 1 January 2007, which might have had a significant impact on this quarterly report.

These consolidated quarterly financial statements are in euros. All the amounts are rounded to the nearest thousand, unless otherwise indicated.

Composition and main changes in the consolidated income statement and balance sheet

Revenue

Group revenue includes €2,919 resulting from the consolidation of Air Force S.p.A. as of the date of acquisition of control of this company.

Reference should be made to the consolidated report on operations for the segment information required by IAS 14.

EBIT

(€000)	**Q1 2006**	**Q1 2007**
Revenue	99,389	111,205
Other operating income	641	921
Change in inventories of finished goods and semi-finished products	2,084	4,524
Increase in self-constructed assets	469	453
Cost of raw and consumable materials	(50,138)	(59,927)
Service expense	(22,097)	(25,443)
Staff costs	(17,873)	(19,167)
Amortisation and depreciation	(3,732)	(3,821)
Other operating expenses and provisions	(1,812)	(2,047)
EBIT	**6,931**	**6,698**

EBIT for the first quarter of 2007 includes €216 thousand contributed by Air Force S.p.A.. The other main effects of the change in the basis of consolidation are related to the "Cost of raw and consumable materials" (€1,956 thousand), "Service expense" (€682 thousand) and "Staff costs" (€304 thousand).

Net finance costs

(€000)	**Q1 2006**	**Q1 2007**
Finance income	109	261
Finance costs	(741)	(615)
Foreign exchange gains/(losses)	(181)	(123)
Total net finance costs	**(813)**	**(487)**

The €326 thousand decline in net finance costs between March 2006 and March 2007 was due to the drop in net interest expense as a result of the improvement in net debt in March 2007, thanks to the proceeds generated from the IPO and operating cash flow.

Property, plant and equipment

The table below shows details of the changes in property, plant and equipment at 31 March 2006 and 31 March 2007.

(€000)	**31 December 2006**	**31 March 2007**
Land and buildings	35,489	38,629
Plant and equipment	21,011	21,864
Industrial and commercial equipment	13,061	12,468

Other assets	2,652	2,769
Assets under construction and advance payments	6,794	4,654
Total property, plant and equipment	**79,007**	**80,384**

Goodwill

(€000)	**31 December 2006**	**31 March 2007**
Goodwill recognised in subsidiaries' accounts	12,208	12,208
Goodwill arising from consolidation	17,174	17,590
Total goodwill	**29,382**	**29,798**

The €416 thousand increase in goodwill during the first quarter of 2007 was due to goodwill arising from the consolidation of Air Force S.p.A.

The amount of goodwill arising from consolidation was determined on a provisional basis, as the allocation of fair value, especially to non-current assets, may be reviewed within twelve months of the acquisition, as allowed by the applicable accounting standards. Any adjustment to goodwill will be charged directly to goodwill.
Goodwill was attributed to "Own Air Force brands" (€112 thousand) and to "Third-party brands" (the remaining €304 thousand).

Other intangible assets
The table below provides a breakdown of "Other intangible assets" at 31 March 2006 and 31 March 2007.

(€000)	**31 December 2006**	**31 March 2007**
Development costs	1,103	1,014
Patents and other intellectual property rights	1,205	1,508
Concessions, licences, trademarks and similar rights	157	157
Assets under construction and advance payments	833	911
Other intangible assets	453	504
Total intangible assets	**3,751**	**4,094**

Inventories

(€000)	**31 December 2006**	**31 March 2007**
Raw, ancillary and consumable materials	21,704	25,960
Work in process and semi-finished products	16,369	19,818
Finished products and goods for resale	10,826	13,998
Total inventories	**48,899**	**59,776**

The impact of the consolidation of Air Force S.p.A. was €1,982 thousand.

Fabriano, Italy

14 May 2007

Francesco Casoli
Chairman of the Board