elica

The Hi-Life Company

Elica Group

2008 CONSOLIDATED FINANCIAL STATEMENTS

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Directors' Report

Consolidated Financial Statements

The Elica Group today

The Elica Group is currently the world's largest manufacturer of kitchen range hoods for domestic use and is leader in Europe in the sector of motors for boilers used in home heating systems. With over 2,400 employees and an annual output of approx. 20 million units of kitchen hoods and motors, the Elica Group has 10 plants - of these, seven are in Italy, one is in Poland, one in Mexico and one in Germany. 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.

Letter to the shareholders

Dear Shareholders,

Throughout the world, 2008 is a year that will stick in the memory.
The financial crisis and the grave repercussions on the real economy have affected everyone.

I believe that the term recession does not in fact portray the gravity of the current crisis.
The crisis hit the home appliances market in the second half of the year - accelerating the difficult structural situation which had already made its effects known.
The development strategy of the Elica Group had already reacted to these signals through a series of measures and operations which strengthened our organisational structure, improving the financial structure and safeguarding our results in the presence of such penalising factors as increases in the prices of raw materials and a continuous drop in demand.

At the end of the year, however, this situation of real chaos for the entire financial and economic scenario forced us to revise our outlook and made it virtually impossible to make forecasts with any degree of certainty.
In basic terms, for us and for everyone, a "short-term" outlook was taken.

In this very difficult climate, but with an entrepreneurial eye on the future, we can say that the very difficult situation will be resolved positively.
Short-term navigation is possible when the boat is stable and the crew has experience and ability - from the storm we can emerge a strengthened force.
The crisis has affected the entire world, crushing the weakest, but consolidating the strongest and most structured who will maintain leadership in their markets and will benefit from a healthier economy.

The Elica Group has proved its sound fundamentals - through which it established an international leadership position over the years.
We are facing this emergency without losing sight of our growth projects for products and our global presence, with constant focus on industrial relations.
Our business model has always sought to reconcile the needs of competition with an appreciation of the individual. Our relationships are a defining part of our history and at this time, more than ever, we wish to pursue a path which both values and rewards the individual.

In 2008 we received numerous awards such as the Great Place to Work which, for the second consecutive year, confirms Elica as the best company in Italy to work for.
The most prestigious award however, particularly in the context in which we find ourselves, is the award that Elica received in the Social Responsibility category, honouring the Supplementary Contract.
It is the first contract of its kind signed by our Group with the trade unions and is recognised for its strongly innovative approach.
It is an instrument with an internal welfare system centred on a participation process with the trade unions.
It is my belief, and that of management, that relations based on the principles of correctness, collaboration and recognition of responsibility are the foundation on which our objectives of efficiency and excellence can be built.
A good balance between the needs of the enterprise and society is a necessary part of achieving strong results.

In this current global crisis, I believe that those with a development strategy based on solidity and prudency will be rewarded. The Elica Group is working in this belief with the same passion as always. This also leads us to look to the future with confidence.

Francesco Casoli

Executive Chairman

Chief Executive Officer's view

2008 was clearly definable into two parts: a first part with a stable market performance, however in line with the forecasts of the sector operators, and a second part - particularly in the final three months – which saw a strong and sudden drop in demand which has taken everybody by surprise, even the most pessimistic.

In this market situation, the Elica Group has continued to work with great determination and with even greater efficiency, implementing a series of actions - the most significant being:

- a strategic agreement with Artemide, leader in the lighting sector, for the opening of a new business line, developing a unique type of product called Luxerion, based on the confluence of light and air purification;
- acquisition of Gutmann, leader in Germany for the production of "tailor made" kitchen hoods, to strengthen Elica's leadership in the high-end sector, but also to further consolidate our presence in Germany;
- the launch of 58 new products in the year, of which 12 are our own brands and 46 are third party brands, increasing our competitive advantage in terms of innovation and design;
- continual growth in the market share of our brands in Europe, with the opening of a representative office in the CIS (Commonwealth of Independent States) and a direct sales structure in the Americas, as well as that acquired in Germany with the purchase of Gutmann;
- stability in OEM market share (Original Equipment Manufacturer) with a process of rationalisation of our client portfolio with low margins and/or payment risk;
- production of 5% to 19% of kitchen hoods in the Low Cost Countries, after the closure of two factories in Italy (Padova and Fabriano) and the strong rationalisation of the product codes and components;
- establishment of a purchasing office in China, which has helped us to achieve the purchasing target of 15% of components in the Low Cost Countries.

Therefore, with a strong decrease in world demand and an increase in raw material prices, Elica has strengthened its global leadership in terms of market share, managing to contain the effects of the economic crisis through the following results: Turnover Euro 385.4 million (-9.7% vs. 2007), Group Net Profit Euro 3.6 million (equal to 0.9% of turnover), Net Debt of Euro 34.9 million (equal to a Debt/Ebitda ratio of 1.5, but with a net debt of only Euro 3.9 million before extraordinary operations: share buy-back and acquisition of Gutmann).

The most significant figure is an operating cash flow of Euro 6.4 million, despite the strong decrease in the margins.

It was also a year in which we saw the most painful but necessary actions such as the closure of two factories while we simultaneously received an unprecedented amount of awards:

- Good Design Award and Best of Year Award for Ola;
- US Award for Architect Riccardo Diotallevi for the design of the Group headquarters;
- Ethical Enterprise Award in the social responsibility category for our supplementary contract (the first for the Group);
- for the second year running, Elica is considered as the best company in Italy to work for, as decided by the Great Place to Work Institute.

We are facing a structural change in our market, which is neither a drastic collapse or a temporary crisis but a reassessment which will see global demand drop by a further 10% in 2009: the Elica Group has a programme of actions which will see the strengthening of our financial structure, both in relation to fixed costs and the top line, enabling us to emerge from the crisis stronger and remain market leader.

Andrea Sasso

Chief Executive Officer

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 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 announced a comprehensive recovery plan for the economy.
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 economics, the external credit conditions began to worsen, accentuating 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 put in place 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

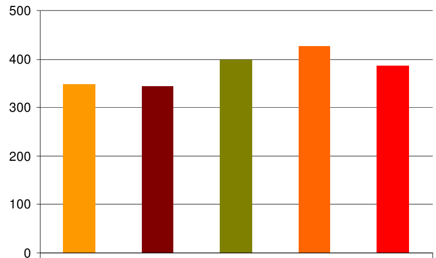
The consolidated financial statements of Elica S.p.A. for the year ended 31 December 2008 were prepared in accordance with IAS/IFRS issued by the International Accounting Standards Board and approved by the European Commission, and in accordance with article 9 of Legislative Decree No. 38/2005.

The accounting principles utilised in the preparation of these Consolidated Financial Statements are consistent with those utilised for the preparation of the Consolidated 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 Consolidated Financial Statements.

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

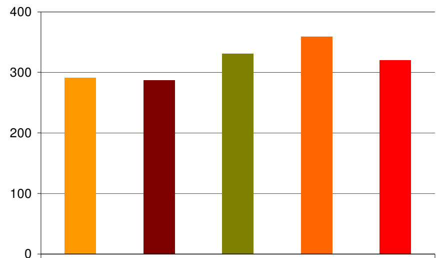
Financial Highlights
Discontinued amounts of the "ACEM" business units

CONSOLIDATED REVENUES



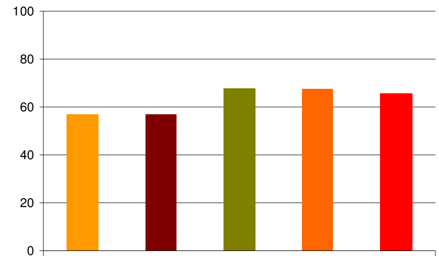
	2004	2005	2006	2007	2008
Euro Millions	347.6	344.2	398.8	426.8	385.4

REVENUES HOODS SEGMENT



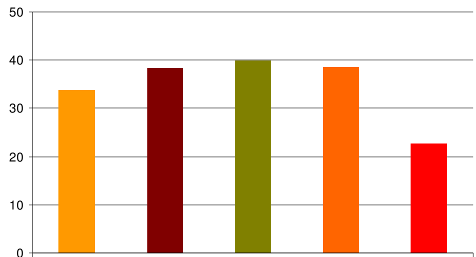
	2004	2005	2006	2007	2008
Euro Millions	290.5	287.1	330.7	359.2	319.7

REVENUES MOTOR SEGMENT



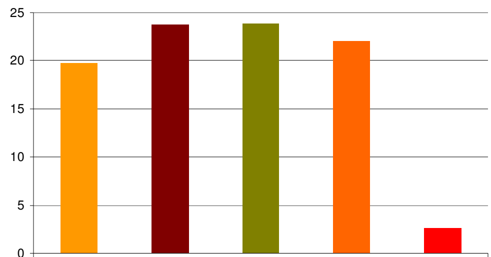
	2004	2005	2006	2007	2008
Euro Millions	57.1	57.1	68.1	67.6	65.7

EBITDA



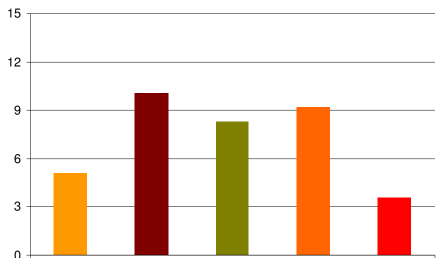
	2004	2005	2006	2007	2008
Euro Millions	33.8	38.4	39.8	38.5	22.7

EBIT



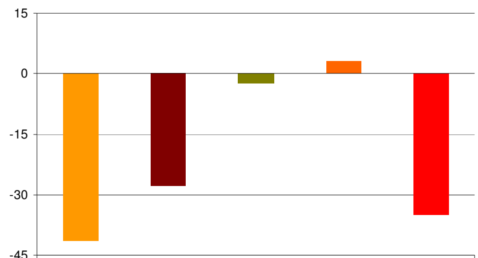
	2004	2005	2006	2007	2008
Euro Millions	19.8	23.8	23.9	22.1	2.6

GROUP NET PROFIT



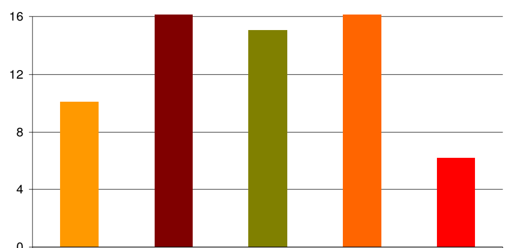
	2004	2005	2006	2007	2008
Euro Millions	5.1	10.1	8.3	9.2	3.6

CASH/(NET DEBT)



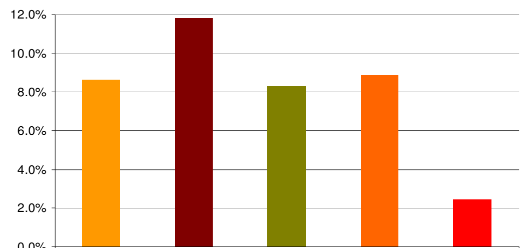
	2004	2005	2006	2007	2008
Euro Millions	-41.5	-27.8	-2.3	3.2	-34.9

EPS



	2004	2005	2006	2007	2008
Euro/cents	10.1	20.0	15.1	16.2	6.17

ROCE



	2004	2005	2006	2007	2008
Euro/cents	8.6%	11.8%	8.3%	8.9%	2.4%

Financial and operating review

(in Euro thousands)	**FY 08**	**FY 07**	**08 Vs 07**
Revenues	385,435	426,795	(9.7%)
EBIT from continuing operations	**2,594**	**22,103**	(88.3%)
revenue margin	0.7%	5.2%	
Financial income/(costs)	136	(2,542)	(105.4%)
revenue margin	0.0%	(0.6%)	
Result from normal operations	4,171	9,562	(56.4%)
revenue margin	1.1%	2.2%	
Net profit from discontinued operations	63	17	
revenue margin	0.0%	0.0%	
Net profit for the year	**4,234**	**9,579**	**(55.8%)**
revenue margin	1.1%	2.2%	
Group profit	3,579	9,252	(61.3%)
Basic earnings per share (*)			
from continuing and discont. operations (Euro/cents)	6.28	15.07	(58.3%)
From continuing operations (Euro/cents)	6.17	15.04	(59.0%)
Diluted earnings per share (*)			
from continuing and discont. operations (Euro/cents)	6.28	15.07	(58.3%)
From continuing operations (Euro/cents)	6.17	15.04	(59.0%)

(*) The earnings per share for 2008 and 2007 were calculated by dividing the Group net profit from continuing operations by the number of outstanding shares at the respective reporting dates.
EBITDA is the operating profit (EBIT) plus amortisation and depreciation and write-downs of goodwill for losses in value. EBIT is the operating profit from continuing operations as reported in the consolidated Income Statement.

(in Euro thousands)	**31 Dec 08**	**31 Dec 07**
Trade receivables	91,335	108,457
Inventories	51,868	56,408
Trade payables	(86,968)	(112,503)
Managerial Working Capital	***56,235***	***52,362***
% on revenue	14.6%	12.3%
Other net receivables/payables	(7,919)	(5,719)
Net Working Capital	***48,316***	***46,643***
% on revenue	12.5%	10.9%

(in Euro thousands)	**31 Dec 08**	**31 Dec 07**
Cash and cash equivalents	***14,968***	***21,948***
Finance leases and other lenders	(3,914)	(4,614)
Bank loans and mortgages	(4,677)	(6,705)
Long-term debt	***(8,591)***	***(11,319)***
Finance leases and other lenders	(1,000)	(1,170)
Bank loans and mortgages	(40,324)	(6,206)
Short-term debt	***(41,324)***	***(7,376)***
Net Funds/(Debt)	**(34,947)**	**3,253**

Net funds/(debt) is the sum of amounts due under finance leases and other lenders (current and non-current) plus bank borrowings and mortgages (current and non-current), less cash and cash equivalents, as reported in the balance sheet.
The account "Other net receivables/payables" include the accounts "Other receivables/payables" and "Tax receivables/payables" and Provisions for risks and charges of current assets/liabilities.

2008 operating performance

In 2008, Group consolidated revenues decreased by 9.7% on the previous year. The reduction was more evident in the final part of the year, reflecting the overall global demand.
The drop in revenues was sharper in the Range Hood Business Unit (decreasing by 11% on 2007) than the Motor Business Unit (decrease of 2.7%). The sales in the Range Hood Business Unit were particularly affected by the performance in the CIS[1] area and one of the main US retail chains; the Elica Collection performed well, recording an increase of 5.3% on 2007, bucking the market trend. In this context, the maintenance of the share[2] of Group products with the major OEM[3] clients is considered significant, together with the rationalisation of the client portfolio with below average credit ratings. Geographically, revenues grew in the Americas and in the Rest of the World, while dropping in Europe.
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 Group accelerated all activities focused on a more efficient and flexible operating cost structure, as set out in the Strategic 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.

With the slowdown of world demand in the home appliances sector and the corporate and productive reorganisation process which began in 2007 continuing in 2008, the necessary decision to rationalise the workforce structure was taken, introducing instruments such as Temporary Redundancy and Mobility assistance measures.

On the completion of the industrial restructuring, the present financial statements include restructuring costs of Euro 2.5 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[4] for Euro 3,268 thousand.

Despite the events which have affected the international economy and the financial markets, the Group has not adjusted its strategic plans, considering that they are designed to develop the business and to strengthen the 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, Group management notes the reduction in the size of the market in which our trading activities are carried out.

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

[1] Commonwealth of Independent States
[2] Volume share
[3] Original Equipment Manufacturer
[4] Cash Generating Unit

The fiscal and financial components recorded significant improvements. In fact, against a negative impact from exchange rate movements on EBIT of Euro 757 thousand, the hedging activities put in place by the Group realised exchange gains of approx. Euro 2,700 thousand. The exchange gains compensated the net interest expense - which rose following higher net debt, due in part to the execution of a share buy-back plan and the acquisition of Gutmann.

The earnings per share – EPS[5]– from continuing operations decreased from Euro 0.1504 in 2007 to Euro 0.0617 in 2008.

Net Working Capital on net revenues increased from 10.9% at 31 December 2007 to 12.5% at 31 December 2008; this increase was due to both the movements in inventories and the consolidation of Gutmann in the second half of the year. Trade receivable days improved on 2007 while trade payable days were stable on 2007.

Net Funds of Euro 3.3 million at 31 December 2007 decreased to a Net Debt of Euro 34.9 million at 31 December 2008. The movement in the Net Financial Position is due for Euro 11 million to the use of funds for the share buy-back plan and for Euro 13.4 million for the acquisition of Gutmann and for the remaining part to operating activities.

Excluding the entire share buy-back plan, carried out from 2007, and the acquisition of Gutmann, the Net Financial Position would be Net Debt of approx. Euro 3.9 million.

5 Earning Per Share. The earnings per share for 2008 and 2007 were calculated by dividing the Group net profit from continuing operations by the number of outstanding shares at the respective reporting dates.

Reconciliation between Parent Company and Consolidated net equity and net profit

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

Situation at 31 December 2008

(in Euro thousands)	Net profit for the year	Net Equity
As per Parent Company Financial Statements	**1,373**	**128,726**
Elimination of the effect of intercompany operations net of tax effect:		
Non-realised gains on fixed assets	221	(136)
Non-realised gains on sale of goods	(229)	(549)
Tax effect	41	216
Dividends received from consolidated companies	(95)	
Share of expenses/(income) from equity investments	**182**	**160**
Carrying value of consolidated companies		**(112,724)**
Net equity and result for the year of consolidated companies	**2,897**	**76,086**
Allocation of differences to assets of consolidated companies and related depreciation and write-down		
Intangible and tangible assets	(156)	8,891
Consolidation difference		23,824
As per Consolidated Financial Statements	**4,234**	**124,494**
Group share	3,579	122,528
Minority interest share	655	1,966

Situation at 31 December 2007

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

Guidance for 2009

The management of the Elica Group 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 the Elica Group intends to quicken the implementation of the activities set out in the Strategic Plan:

- ✓ launch of new products both in the own brand business unit and in the third party brand business unit;
- ✓ 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;
- ✓ reduction of industrial and corporate costs;
- ✓ rationalisation of non-core expenditure;
- ✓ 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
FAN S.A.	33,440,445	52.81%
Elica S.p.A.	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%
Other	18,408,764	29.07%
Total	**63,322,800**	**100.00%**

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

Significant events in 2008

On 16 January 2008, FIME S.p.A., a wholly owned subsidiary of Elica S.p.A., divested its "ACEM" business unit, which produces transformers, as it was no longer considered of strategic importance for the businesses of FIME S.p.A. and the Elica Group. The transfer of the business unit, comprising plant, machinery, equipment, receivables, payables, termination benefits and inventories, took place via the spin-off of the division to a company called Acem S.r.l. and the subsequent transfer of the shares to third parties. Fime S.p.A. continues to own 10% of Acem S.r.l.. Through the same operation, property was sold in which production activities were carried out. The Elica Group benefited by concentrating investment in its motors business, freeing up the necessary funds to finance investment in this area. The effects of the divestment were recorded in the present accounts.

The Shareholders' Meeting also confirmed Mr. Fiorenzo Busso as a Director, born in Milan on 11 September 1942, resident in Viale Matteotti 2, 10048 Vinovo – TO, co-opted by the Board of Directors of Elica S.p.A. at the meeting of 14 February 2008 in which his independence was also confirmed. Mr. Fiorenzo Busso replaces Alberto Geroli, who was elected on 12 April 2006 and will remain in office for the remainder of the Board of Directors' mandate.

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 factories of the Group.

The Board of Directors' meeting of 27 March 2008 approved the Consolidated Financial Statements, the Elica S.p.A. 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 profit for the year 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.

In August, the production activities in the factory at Fabriano (Marischio) were transferred to the other Group factories.

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, a net profit of Euro 1.7 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 Elica 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 Elica 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 Elica Group, in line with the strategy for growth of its 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. At 31 December 2008 the total price for the operation was estimated at Euro 19,179 thousand.

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.

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

The Elica Group operates in compliance with all regulations - local, national and international – for the protection of the environment both in relation to 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 Group.

Information relating to personnel

In 2008, no major workplace accidents occurred. The Group 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 Group is exposed to risks and the usual uncertainties regarding a business enterprise. The markets in which the Group operate 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 Group, also show signs of weakness. The uncertain macroeconomic scenario and the extreme volatility in demand could influence future results in a significant manner.

The Elica Group 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 Group sees its financial flexibility and balance sheet solidity as an element of stability. The Elica Group 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 the Elica Group 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, 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 Parent Company.
Within this policy, the Group constantly monitors the financial risks related to the operating activities in order to assess any potential negative impact and undertakes corrective action where necessary.
The main guidelines for the Group 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

Investor Relations
e-mail: l.giovanetti@elica.com
Telephone: +39 0732 610727

Elica Group structure and consolidation scope

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

Parent Company

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

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

- Leonardo Services S.A. de 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 S.A. de C.V. manages all Mexican staff, providing services to 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.

- Airforce S.p.A. – Fabriano (AN). This company operates in a specialised segment of the hood sector, in particular in the restaurant channel. The holding of Elica S.p.A. is 60%.

- Airforce Germany Hochleistungs-Dunstabzugssysteme GmbH– Stuttgart (Germany) (hereafter Airforce Ge). Airforce 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".

- Elica Inc. – Chicago, Illinois (USA). 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.

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

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

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

- Elica Germany GmbH – Norimberga (Germany), 100% held by Elica International S.à.r.l.;

- Exklusiv Hauben Gutmann GmbH – Muhlacker (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. Srl – 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 13.2885% 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 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.

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
Airforce.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.

Commercial transactions between the companies of the Elica S.p.A. Group and Fime S.p.A. with the group companies Elica Group Polska Sp.zo.o. and Elicamex S.A. de C.V. are at market value in accordance with the OCSE principles and based on the specific economic context and the relative trade strategies. Specifically, following a start-up period and within the progressive consolidation of the internationalisation strategies and penetration of new highly competitive markets, the Group has followed inter-group pricing policies which have temporarily supported the commercial and industrial entities established over recent years in the North American and East European markets.
Elica S.p.A. also carries out transactions with Group companies as part of a general plan to centralise treasury management activities. These loans are interest bearing and at market rates. The details are shown below:

Elica S.p.A. financial receivables from subsidiary and associated companies

(in Euro thousands)	**31.12.2008**	**31.12.2007**
Loans to subsidiaries		
Fime S.p.A.	14,102	13,739
Elica International S.à.r.l.	14,000	
ELICAMEX S.A. de C.V.	1,366	8,123
Elica Group Polska Sp.zo.o	5	4,540
Loans to associated companies		
I.S.M. S.r.L.	-	438

Elica International S.à.r.l. financial receivables from subsidiary companies

(in Euro thousands)	31.12.2008	31.12.2007
Elica Germany GmbH	12,000	-

Elica Finance Limited financial receivables from subsidiary companies

(in Euro thousands)	31.12.2008	31.12.2007
Elica International S.à.r.l.	12,000	-

Associated companies

The table below shows the operating and financial amounts from transactions with associated companies for 2008. No separate disclosure of these positions was given in the financial statements, given the limited amounts involved.
Transactions with consolidated companies have been eliminated from the Consolidated Financial Statements. As a result they are not reported in these notes.

(in Euro thousands)	Payables	Receivables	Costs	Revenues
I.S.M. Srl	4,188	533	15,721	10
Inox Market Mexico S.A. de C.V.	-	-	210	-
Total	**4,188**	**533**	**15,931**	**10**

Information on the transactions are provided below.

I.S.M. Srl

The costs incurred with ISM Srl include Euro 15,516 thousand related to outsourcing services (shown in the income statement under "Service expense").

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

Associated companies: Key data at 31 December 2008

(in Euro thousands)	Registered Office	% held	Share Capital	Net Equity	Net result
I.S.M. Srl	Cerreto d'Esi (AN)	49.385	10	2,146	315
Inox Market Mexico S.A. de C.V.	Queretaro (Mexico)	13.289	4,523	3,626	(255)

Associated companies: Key data at 31 December 2007

(in Euro thousands)	Registered Office	% held	Share Capital	Net Equity	Net result
I.S.M. Srl	Cerreto d'Esi (AN)	49.385	10	1,844	313
Inox Market Mexico S.A. de C.V.	Queretaro (Mexico)	30.000	1,336	1,430	94

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, which 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 at 30 March 2009

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. 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 INVEST(LIMITED	2.743%	2.743%
WHIRLPOOL CORPORATI	WHIRLPOOL EUROPE Srl	5.000%	5.000%
PIERALISI GIANNA	FAN S.A.	52.809%	52.809%
PIERALISI GIANNA	S.A.F.E. S.A.P.A. DEL CAV. IG PIERALISI	0.184%	0.184%
PIERALISI GIANNA	PIERALISI GIANNA	0.082%	0.082%
PIERALISI GIANNA	ELICA S.p.A.	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.

Performance Stock Option Plan 2007 – 2011

On 25 June 2007, the Shareholders' Meeting also approved the "Performance Stock Option Plan 2007-2011" for employees, including senior management, advisors and executive directors of the Company and of its subsidiaries considered "key managers" for the achievement of the business growth and development objectives of the Company, pursuant to article 114 of Legislative Decree No. 58/1998.
The plan is 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.[6]

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 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**");*

[6] See also the Corporate Governance Report.

*- **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.

Share holder	***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.

<u>4.1 Sales option of the Incomplete Shares</u>

*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.

<u>4.2 Governance</u>

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 Non transfer obligations

*(a) Up to (x) the second anniversary of the Closing or, if subsequent, (y) in the case in which FAN, Fintrack S.p.A. (parent company of FAN) and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli no longer have a holding in the share capital of the Company equal to at least 47%, the first anniversary of the last purchase of the Shares by Whirlpool (the "**Standstill Period**"), FAN and Whirlpool may not transfer or may not encumber (where such an encumbrance would involve the Shares to be exercised by third parties) the respective Shares and the other Elica Securities held. In addition, during the Standstill period, (i) the Parties will not promote directly or indirectly, alone or together with third parties, public purchase or exchange offers on the Shares or on the other Elica Securities; (ii) the Parties will not undertake any action or omission which results in the obligation to promote directly or indirectly, alone or together with third parties, an obligatory public purchase offer on the Shares and on the other Elica Securities and (iii) Whirlpool will not act, alone or in concert with other parties, to acquire the control of the Company or to solicit proxies at the shareholders' meeting of the Company, an obligation which will also apply to the Related Parties. Following the launch of a public purchase or exchange offer on the Shares or on the other Elica Securities by third parties not related in the Standstill Period, each Party will have the right to launch a counter-bid on the Shares and other Elica Securities.*

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

4.3.2 Transfers permitted

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

(a) transfer from FAN (or its successors if permitted by the Shareholder Agreement) to Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli, or their spouses or relatives (as defined by 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 <u>Extension of the transfer limits</u>

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).

<u>4.4 Non Competition Clause</u>

*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.

<u>4.5 Conditional rights</u>

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 <u>Exit procedure by Whirlpool</u>

*(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.

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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. The Board of Directors also has the following duties:
a) merger and spin-off resolutions in the cases established by articles 2505 and 2505-bis, of the Civil Code;
b) the opening, transfer and closing of secondary offices;
c) the indication of which Directors may represent the company;
d) the issue of non convertible bonds within the limits set out in article 2412 of the Civil Code and convertible within the limits set by article 2420-ter of the Civil Code;
e) the reduction of the share capital in the case of return of shares by shareholders;

f) the transfer of the registered office to another municipality in the national territory;
g) the reduction of the share capital where losses are greater than one-third of the share capital and the Company has issued shares without nominal value.

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 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.

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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 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 Elica Group operates. As this may significantly influence results, the Elica Group is implementing additional cost savings programmes to those already outlined in the 2008-2010 Strategic Plan.

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 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.

Fabriano, 30 March 2009

For the Board of Directors
The Chairman
Francesco Casoli

Format of the accounts

Independent Auditors
Deloitte & Touche S.p.A.

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

ELICA GROUP- Consolidated Financial Statements at 31/12/2008
Registered Office at Via Dante, 288 - 60044 Fabriano (AN) - Share Capital Euro 12,664,560 fully paid-in

(in Euro thousands)	**Note**	**FY 08**	**FY 07**
Revenues	5.1	385,435	426,795
Other revenues	5.2	6,213	5,321
Changes in inventories of finished and semi-finished goods	5.3	(402)	1,471
Increase in internal work capitalised	5.4	2,762	2,956
Raw materials and consumables	5.5	(206,024)	(218,417)
Services	5.6	(83,873)	(95,026)
Labour costs	5.7	(69,911)	(75,307)
Amortisation & depreciation	5.8	(16,855)	(16,443)
Other operating expenses and provisions	5.9	(9,030)	(8,547)
Restructuring charges	5.10	(2,453)	(700)
Write-down of Goodwill for loss of value	5.21	(3,268)	-
EBIT		**2,594**	**22,103**
Share of profit/(loss) from associates	5.11	149	(163)
Financial income	5.12	843	948
Financial charges	5.13	(3,393)	(1,344)
Exchange gains (losses)	5.14	2,686	(2,146)
Other non-operating income		-	26
Pre-tax profit		**2,879**	**19,424**
Income taxes	5.15	1,292	(9,862)
Net profit from continuing operations		**4,171**	**9,562**
Net profit from discontinued operations	5.16	63	17
Net profit for the year		**4,234**	**9,579**
of which:			
Minority interests share	5.17	655	327
Group net profit		3,579	9,252
Basic earnings per share	5.18		
From continuing and discontinued operations (Euro/cents)		6.15	14.68
From continuing operations (Euro/cents)		6.04	14.65
Diluted earnings per share	5.18		
From continuing and discontinued operations (Euro/cents)		6.15	14.68
From continuing operations (Euro/cents)		6.04	14.65

Consolidated balance sheet *(in Euro thousands)*	**Note**	**31 Dec 08**	**31 Dec 07**
Property, plant & equipment	5.20	70,010	78,091
Goodwill	5.21	35,862	29,798
Other intangible assets	5.22	20,199	5,515
Investments in associated companies	5.23	2,627	2,363
Other financial assets	5.24	30	31
Other receivables	5.25	344	1,318
Tax receivables	5.26	6	9
Deferred tax assets	5.36	6,372	6,607
Financial assets available-for-sale	5.27	191	26
Total non-current assets		**135,641**	**123,758**
Trade receivables and loans	5.28	91,335	108,457
Inventories	5.29	51,868	56,408
Other receivables	5.30	5,722	6,141
Tax receivables	5.31	9,131	5,249
Derivative financial instruments	5.32	2,554	544
Cash and cash equivalents	5.33	14,968	21,948
Current assets		**175,578**	**198,747**
Assets of discontinued operations	5.16	**-**	**3,258**
Total assets		**311,219**	**325,763**
Liabilities for post-employment benefits	5.34	11,023	12,349
Provisions for risks and charges	5.35	3,127	3,322
Deferred tax liabilities	5.36	7,739	9,381
Finance leases and other lenders	5.37	3,914	4,614
Bank loans and mortgages	5.38	4,677	6,705
Other payables	5.39	1,225	4,016
Tax payables	5.40	1,400	4,004
Derivative financial instruments	5.32	-	-
Non-current liabilities		**33,105**	**44,391**
Provisions for risks and charges	5.35	1,307	612
Finance leases and other lenders	5.37	1,000	1,170
Bank loans and mortgages	5.38	40,324	6,206
Trade payables	5.41	86,968	112,503
Other payables	5.39	17,122	13,144
Tax payables	5.40	4,343	3,353
Derivative financial instruments	5.32	2,556	422
Current liabilities		**153,620**	**137,410**
Liabilities of discontinued operations	5.16	**-**	**1,905**
Share capital		12,665	12,665
Capital reserves		71,123	71,123
Hedging, translation and stock option reserve		(9,081)	(803)
Treasury shares		(17,629)	(6,671)
Retained earnings		61,871	55,341
Group profit for the year		3,579	9,252
Group Shareholders' Equity	5.42	**122,528**	**140,907**
Capital and reserves of minority interests		1,311	823
Minority interest profit		655	327
Minority interest shareholders' equity		**1,966**	**1,150**
Consolidated shareholders' equity		**124,494**	**142,057**
Total Liabilities and Shareholders' Equity		**311,219**	**325,763**

Consolidated cash flow statement *(in thousands of Euro)*	**Note**	**31 Dec 08**	**31 Dec 07**
Opening cash and cash equivalents		**21,948**	**29,334**
EBIT- Operating profit		2,594	22,103
Amortisation, depreciation and write-downs		16,855	16,443
Write-down of Goodwill for loss of value	5.21	3,268	-
EBITDA		22,717	38,546
Changes in Working Capital		(2,971)	7,144
trade working capital		1,014	9,019
other working capital accounts		(3,985)	(1,875)
Exchange rate effect		(1,180)	(1,287)
Income tax paid		(5,698)	(12,688)
Change in provisions		(2,381)	64
Other changes:		(4,061)	115
Gains from earthquake payable write-offs	5.45	(4,084)	
other		23	115
Cash flow from operating activity		**6,425**	**31,894**
Net increases		(17,071)	(14,864)
Intangible assets		(6,905)	(3,920)
Property, plant & equipment		(5,419)	(13,370)
Equity investments and other financial assets		(736)	3,199
Exchange rate effect		(4,011)	(773)
Divestment of Business Unit	5.16	1,190	(1,336)
Purchase of equity investments	5.44	(12,551)	-
Cash flow from investments		**(28,432)**	**(16,200)**
Acquisition of treasury shares		(10,958)	(6,671)
Dividends		(2,817)	(2,533)
Increase (decrease) financial payables		30,649	(12,929)
Net changes in other financial assets/liabilities		869	163
Interest paid		(2,337)	(370)
Cash flow from investing activity		**15,406**	**(22,340)**
Effect of exchange rate change on liquidity		**(379)**	**(740)**
Change in cash and cash equivalents		**(6,980)**	**(7,386)**
Closing cash and cash equivalents		**14,968**	**21,948**

Statement of changes in Consolidated Shareholders' Equity *(in Euro thousands)*	Share capital	Share premium reserve	Acquisition of treasury shares	Retained earnings	Hedge, trans. & stock option reserve	Result for the year	Total Group NE	Total Minorities NE	Total
Balance at 31 December 2006	**12,665**	**71,123**		**49,816**	**(200)**	**8,328**	**141,732**	**489**	**142,221**
Change in cash flow hedges net of the tax effect					16		**16**		**16**
Recognition of stock options					35		**35**		**35**
Differences arising from translation of foreign subsidiaries' financial statements					(654)		**(654)**		**(654)**
Total gains/(losses) recognised directly to equity in the year	-	-	-	-	(603)	-	**(603)**	**-**	**(603)**
Transfer to P&L of hedges net of tax effect									
Net profit for the year						9,252	**9,252**	327	**9,579**
Total gains/(losses) recognised in the income statement	-	-		-	-	9,252	**9,252**	327	**9,579**
Acquisition of treasury shares			(6,671)				**(6,671)**		**(6,671)**
Allocation of net profit				8,328		(8,328)	**-**		**-**
Other movements				(270)			**(270)**	334	**64**
Dividends				(2,533)			**(2,533)**		**(2,533)**
Balance at 31 December 2007	**12,665**	**71,123**	**(6,671)**	**55,341**	**(803)**	**9,252**	**140,907**	**1,150**	**142,057**
Change in cash flow hedges net of the tax effect					(19)		**(19)**		**(19)**
Recognition of stock options					(35)		**(35)**		**(35)**
							-		
Differences arising from translation of foreign subsidiaries' financial statements					(8,224)		**(8,224)**	163	**(8,061)**
Total gains/(losses) recognised directly to equity in the year	-	-	-	-	**(8,278)**	-	**(8,278)**	**163**	**(8,115)**
Net profit for the year						3,579	**3,579**	655	**4,234**
Total gains/(losses) recognised in the income statement	-	-		-	-	**3,579**	**3,579**	**655**	**4,234**
Acquisition of treasury shares			(10,958)				**(10,958)**		**(10,958)**
Allocation of net profit				9,252		(9,252)	**-**		**-**
Other movements				95			**95**	(2)	**93**
Dividends				(2,817)			**(2,817)**		**(2,817)**
Balance at 31 December 2008	**12,665**	**71,123**	**(17,629)**	**61,871**	**(9,081)**	**3,579**	**122,528**	**1,966**	**124,494**

Table of contents – Notes to the consolidated financial statements for the year ended 31 December 2008

1. Group structure and activities

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

The Euro is the functional and presentation currency of Elica and all of the consolidated companies, except for the foreign subsidiaries Polska Sp.zo.o ELICAMEX S.A.de C.V., Leonardo Services S.A.d.C.V., ARIAFINA CO. LTD and Elica Inc. which prepare their financial statements in the Polish Zloty, the Mexican Peso (ELICAMEX S.A.de C.V. and Leonardo Services S.A. de C.V.), the Japanese Yen and US Dollars respectively.

The Board of Directors today approved the Consolidated Financial Statements for the year ended 31 December 2008 and authorised its publication.

2. Accounting principles and basis of consolidation

The Consolidated 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 Consolidated 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 Group 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 Consolidated Financial Statements.

The Consolidated Financial Statements were prepared on the basis of the historical cost convention, except for some financial instruments which are recognised at fair value. The financial statement 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.

Basis of Consolidation

The Consolidated Financial Statements for the year ended 31 December 2008 include the financial statements of the Company and the companies it controls directly or indirectly (the subsidiaries). Control is exercised when the company has the power to determine the financial and operating policies of an entity so as to benefit from its activity.

The separate financial statements at 31 December 2008 of the Parent Company Elica S.p.A. were prepared in accordance with IFRS, in accordance with Legislative Decree No. 38/2005 and CONSOB regulations. The financial statements of the Italian subsidiaries and associated companies were prepared in accordance with Legislative Decree No. 127/91 1 as supplemented, where necessary, by accounting standards issued by the Italian Accounting Profession *(Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri)* and, in the absence of standards laid down by this latter, by accounting standards issued by the IASB as well the documents issued by the Italian Accounting Standards Setter. The financial statements of foreign subsidiaries were prepared in accordance with applicable local regulations.

All the Group companies have provided the data and information required to prepare the Consolidated Financial Statements in accordance with IFRS.
For information on the consolidation scope and the associated companies reference should be made to sections "4 Composition and changes in the consolidation scope" and "8 Disclosure pursuant to IAS 24 on management compensation and related-party transactions".

The results of subsidiaries acquired or sold during the year are included in the Consolidated Income Statement from the date of acquisition until the date of sale.

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

Gains and losses arising on inter-company sales of tangible fixed assets are eliminated, where considered material.

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

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

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

At 31 December 2008, the consolidated foreign companies whose operating currency is other than the Euro are Elica Group Polska Sp.zo.o, ELICAMEX S.A. de C.V., Leonardo Services S.A. de C.V, ARIAFINA CO., LTD and Elica Inc, which use the Zloty, the Mexican Pesos (ELICAMEX S.A. de C.V. and Leonardo Services S.A. de C.V.), the Japanese Yen and the US Dollar respectively.

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

Currency	**31 Dec. 08**	**Average 08**
USD	1.39	1.47
JPY	126.14	152.45
PLN	4.15	3.51
MXN	19.23	16.29

Business Combinations

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

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

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

Goodwill acquired in a business combination is recognised as an asset and initially measured at its cost - being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the excess is immediately recognised in the Income Statement.
The minority interests in the companies acquired are initially measured at the fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associated companies and joint ventures

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

A joint venture is a contractual agreement whereby the Group undertakes a jointly controlled business venture with other parties. Joint control is defined as a contractually shared control over a business. It exists only when the strategic financial and operating decisions of the business require the unanimous approval of all of the parties that share control.

The profits and losses, assets and liabilities of associated companies and joint ventures are recorded in the Consolidated Financial Statements using the Equity method, except where the investments are classified as held for sale.

Under this method, investments in associated companies and joint ventures are recorded in the Balance Sheet at cost, as adjusted for changes after the acquisition of the net assets of the associated companies, less any impairment in the value of the individual investments. Losses of the associated companies and joint ventures in excess of the Group share are not recorded unless the Group has an obligation to cover them. Any excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date, is recognised as Goodwill. Goodwill is included in the carrying value of the investment and is subject to an impairment test. Any excess of the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associated company over the cost of acquisition is recorded in the Income Statement in the year of acquisition.

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

Accounting principles and policies

The main accounting principles and policies adopted in the preparation of the Consolidated Financial Statements are described below.

Property, plant & equipment

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

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

buildings	3.0 %
lightweight buildings	10.0 %
plant and machinery	10.0 % - 15.5 %
industrial and commercial equipment	10.0 % - 25.0 %
office furniture and equipment	12.0 %
EDP	20.0 %
commercial vehicles	20.0 %
automobiles	25.0 %

Assets held under finance leases are recorded as property, plant and equipment and depreciated on a straight-line basis over their estimated useful lives, on the same basis as owned tangible fixed assets.

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

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

Goodwill

Goodwill arising on the acquisition of a subsidiary or other business combinations represents the excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. Goodwill is recognised as an asset and reviewed 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 still not 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 Test

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

The recoverable value is the higher between fair value less costs to sell and value in use.

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

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.

Inventories

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

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

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

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

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

Trade payables 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, the Elica Group adopts the hedge accounting method which requires derivatives to be recorded in the Balance Sheet at fair value. Changes in the fair value of derivative instruments (mark to market) are accounted for differently depending on the hedge 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 Group 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 Group, in accordance with IFRS 2, classifies the Stock Options in accordance with "equity-settled share-based payment transactions", which provide for the physical transfer of the shares, the determination of the fair value of the options issued at the granting date and its recognition under cost to be accrued over the vesting period and credited to an Equity reserve. This treatment is made based on an estimate of the options that will effectively mature in favour of the personnel having the right, taking into consideration the conditions of normal take-up not based on the market value of the options. The determination of the fair value is made using the "binominal" model.

Provisions for risks and charges

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

Provisions are made based on 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.

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

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

Leases and lease agreements

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

Assets held under finance leases are recorded as assets of the Group at the lower of their fair value at the date of the lease contract and the present value of the minimum payments due under the lease contract. The corresponding liability towards the lessor is 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.

Deferred income taxation is recorded on temporary timing difference between the statutory financial statements and the fiscal assessable result, recorded under the liability method.

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

Deferred tax income is recognised when the income taxes are considered recoverable in relation to the assessable results expected for the period in which the deferred tax asset is reversed. The carrying value of deferred tax assets is revised at the end of the year and reduced, where necessary. The compensation between deferred tax assets and liabilities is carried out only for similar items, and if there is a legal right to compensation the current deferred tax assets and liabilities; otherwise they are written separately under receivables and payables.

Elica S.p.A. and the subsidiaries FIME S.p.A. (since 2005 and renewed 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 group tax liability is shown under "Tax payables" or "Tax receivables" in the accounts of the consolidating company, less payments made on account. In the accounts of the subsidiaries and in the present accounts of the Elica Group the debt for the transfer of income taxes to the parent company is recorded under "Other payables". The receivables which derive from the transfer of income tax losses are classified in the account "Other receivables".

Earnings per share

Basic earnings per share is calculated based on the net profit of the Group and the weighted average number of shares outstanding at the balance sheet date. Treasury shares are excluded from the calculation. Diluted earnings per share equate to the basic earnings per share adjusted to assume conversion of all potentially dilutable shares, i.e. all financial instruments potentially convertible into ordinary shares with a dilutive effect on earnings.

Change of accounting standards

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 Group, nor has given rise to additional disclosure requirements.
The Group 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 Group and replaces the requirements for the determination of the primary (business) and secondary (geographic) segments of the Group. 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 1 January 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 group 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 amendments to IAS 27 require 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 Group concluded that the amendment will not have an impact on the financial position or profitability of the Group 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 Group has not yet adopted the amendments which relate to the following standards:

- IFRS 7 Financial Instruments – Disclosures:
- 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. Critical judgements and estimates

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

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. Composition and changes in the consolidation scope

At December 31, 2008, the consolidation scope includes the companies controlled by the Parent Company, Elica S.p.A.. Control exists where the Parent Company has the power to determine, directly or indirectly, the financial or management policies of an entity so as to obtain benefits from the activities of the company.

The following table contains a list of the companies consolidated on a line-by-line basis and controlled directly or indirectly by the Parent Company.

Companies consolidated by the line-by-line method:

Company	Registered office	Currency	Share Capital	Direct holding	Indirect holding	Total holding
Elica S.p.A.	Fabriano (AN)	Euro	12,664,560	-	-	-
FIME S.p.A.	Castelfidardo (AN)	Euro	2,990,000	100	-	100
Elica Group Polska Sp.zo.o	Warsaw (Poland)	PLN	78,458,717	62	38 (a)	100
ELICAMEX S.A. de C.V.	Queretaro (Mexico)	MXN	458,633,515	98	2 (b)	100
Leonardo Services S.A. de C.V.	Queretaro (Mexico)	MXN	50,000	98	2 (b)	100
ARIAFINA CO., LTD	Sagamihara-shi (Japan)	JPY	10,000,000	51	-	51
Airforce.S.p.A.	Fabriano (AN)	Euro	103,200	60	-	60
Airforce Ge	Stuttgart (Germany)	Euro	26,000	-	57 (c)	57
Elica Inc..	Chicago, Illinois (United States)	USD	5,000	-	100 (d)	100
Elica International S.à.r.l.	Luxembourg	Euro	100,000	100	-	100
Elica Finance Limited	Dublin (Ireland)	Euro	12,050,001	-	100 (e)	100
Elica Germany GmbH	Nurnberg (Germany)	Euro	1,775,000		100 (e)	100
Exklusiv Hauben Gutmann GmbH	Muhlacker (Germany)	Euro	25,000		100 (f)	100

(a) Held through Fime S.p.A.
(b) Held through Elica Group Polska Sp.zo.o
(c) Held through Airforce.S.p.A.
(d) Held through ELICAMEX S.A. de C.V.
(e) Held through Elica International S.à.r.l.
(f) Held through Elica Germany GmbH

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

During the year, the consolidation scope changed following the acquisition/incorporation of the following companies.

- Elica International S.à.r.l. – Luxembourg, 100% held by Elica S.p.A;
- Elica Finance Limited – Dublin (Ireland), 100% held by Elica International S.à.r.l.;
- Elica Germany GmbH – Norimberga (Germany), 100% held by Elica International S.à.r.l.;
- Exklusiv Hauben Gutmann GmbH – Muhlacker (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.

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

- during the year Elica S.p.A. and FIME S.p.A. converted their financial receivables from the subsidiary Elica Group Polska Sp.zo.o.. into Share Capital in order to provide the necessary funding to further drive the production of hoods in Poland for a total amount of PLN 53.5 million (approx. Euro 15.6 million) at the exchange rates of the transaction dates on April 24 (for an amount of PLN 27.5 million, equal to approx. Euro 8 million), on October 2 (for an amount of PLN 16.9 million, equal to approx. Euro 5 million) and on November 6 (for an amount of PLN 9.1 million, equal to approx. Euro 2.6 million);
- during the year Elica S.p.A. and Elica Group Polska Sp.zo.o converted their financial 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 282 million, equal to approx. Euro 18.5 million for the respective transactions on February 14 (for an amount of MXN 130 million, equal to approx. Euro 8.3 million) and on August 19 (for an amount of MXN 152 million, equal to approx. Euro 10.2 million).

The following table contains a list of associated companies consolidated under the Equity method and held directly or indirectly by the Parent Company.

Associated companies measured under the Equity method

Company	**Registered office**	**Currency**	**Share Capital**	**% held directly**	**% held indirectly**		**Total held**
I.S.M. Srl	Cerreto d'Esi (AN)	Euro	10,000	49			49
Inox Market Mexico S.A. de C.V.	Queretaro (Mexico)	MXN	73,878,643		13	(d)	13

(d) Held through ELICAMEX S.A. de C.V.

With regard to associated companies, which are all accounted for using the Equity method, the holding of ELICAMEX S.A. de C.V. in Inox Market Mexico S.A. de C.V. decreased from 30% to 13%. Based on IAS 28 paragraph 7, it is considered that notable influence still exists due to the following factors:

- representation on the board of directors or equivalent governing body of the investee,
- material transactions between the investor and the investee and
- interchange of managerial personnel.

5. Notes to the Income Statement and Balance Sheet

CONSOLIDATED INCOME STATEMENT

5.1 Revenue

Details of the Group's revenue are as follows:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Revenues from product sales	426,393	385,346	(41,047)
Service revenues	402	89	(313)
Total	**426,795**	**385,435**	**(41,360)**

For an analysis on revenues, reference should be made to the paragraph "Financial and operating review" in the Directors' Report. The change in the account, as well as a strong reduction in Group sales in the fourth quarter, is affected by the change in the consolidation scope for Euro 3,118 thousand.

5.1.1 Information by business and geographical segment

The primary form of segment reporting is by business sector in which the Group operates. The breakdown by segment is as follows:
-"Hoods": production and sale of range hoods and accessories;
- "Motors": production and sale of electric motors;
- "Other activities": production and sale of electrical transformers and other products.
The "Hoods" segment previously was divided into "Hoods – own brands" and "Hoods – third party brands". As described in the following point 5.21, Group management has noted the effects of the merger of the companies Turbo Air, Fox Design and Jet Air into the Parent Company 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.
It is noted also that the "Other activities" segment recorded a drop following the exit from the Group of the company ACEM S.p.A. (see point 5.16).
Segment revenues are determined in accordance with the classification of the products sold by business sector. Segment results are determined by taking into account all the costs that can be allocated directly to sales in a specific segment. Costs not allocated to the segments include all costs not directly attributable to the area, including manufacturing, sales, general, administrative costs, as well as financial income and charges and taxes.
Inter-segment revenues include revenues between Group segments that are consolidated on a line-by-line basis in relation to sales made to other segments.
Assets, liabilities and investments are allocated directly on the basis of their classification in a specific sector.
The following tables contain segment information by business segment as defined above:

INCOME STATEMENT	Hoods		Electric motors		Other activities		Corporate		Eliminations		Consolidated	
	Dec '08	**Dec '07**	**Dec '08**	**Dec '07**	**Dec '08**	**Dec '07**	**Dec '08**	**Dec '07**	**Dec '08**	**Dec '07**	**Dec '08**	**Dec '07**
Segment revenue:												
Customers	319,710	359,184	65,725	67,611	-	-					385,435	426,795
Inter-segment	599	954	24,458	27,579	-	-			(25,056)	(28,533)		-
Total revenues	**320,109**	**360,138**	**90,182**	**95,190**	**-**	**-**			**(25,056)**	**(28,533)**	**385,435**	**426,795**
Segment result:	42,244	63,168	9,136	10,685	-	-					51,380	73,853
Overheads not allocated											**(48,786)**	**(51,750)**
EBIT											**2,594**	**22,103**
Share of profit/(loss) from associates											149	(163)
Impairment of available-for-sale fin. assets												-
Financial income											843	948
Financial charges											(3,393)	(1,344)
Foreign exchange gains (losses)											2,686	(2,146)
Other non-operating income											-	26
Pre-tax profit											**2,879**	**19,424**
Income taxes											1,292	(9,862)
Net profit from normal operations											**4,171**	**9,562**
Net profit from discontinued operations											63	17
Net profit for the year											**4,234**	**9,579**

BALANCE SHEET	Hoods		Electric motors		Other activities		Corporate		Eliminations		Consolidated	
	Dec '08	Dec '07	Dec '08	Dec '07	Dec '08	Dec '07	Dec '08	Dec '07	Dec '08	Dec '07	Dec '08	Dec '07
Assets:												
Segment assets	170,703	173,680	63,660	68,116	-	2,825			(3,767)	(2,259)	230,596	242,362
Investments in ass. companies							2,627	2,363			2,627	2,363
Assets not allocated							77,996	77,780			77,996	77,780
Total operational assets											**311,219**	**322,505**
Total assets of discontinued operations						1,771		1,487			**-**	**3,258**
Total assets											**311,219**	**325,763**
Liabilities												
Segment liabilities	(84,087)	(101,238)	(17,671)	(24,497)	-	(1,620)			3,767	2,259	(97,991)	(125,096)
Liabilities not allocated							(88,735)	(56,706)			(88,735)	(56,706)
Net Equity							(124,493)	(142,056)			(124,493)	(142,056)
Total operational liabilities											**(311,219)**	**(323,858)**
Total liabilities of discontinued operations						(399)		(1,506)			**-**	**(1,905)**
Total liabilities											**(311,219)**	**(325,763)**

Segment information – Secondary segment for the twelve months ended 31 December 2008 and 31 December 2007

Operating and financial data and other information *(in thousands of Euro)*

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

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

Revenues by geographic area	**Europe + CIS**	**Other countries**	**America**	**Consolidated**
31 Dec 08	312,324	34,647	38,465	**385,435**
31 Dec 07	358,649	29,940	38,206	**426,795**

The decrease in the account "Europe+CIS" includes Euro 3,118 thousand deriving from the change in the consolidation scope.

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

Total assets	**Europe + CIS**	**Other countries**	**America**	**Consolidated**
31 Dec 08	275,934	5,278	30,006	**311,219**
31 Dec 07	295,477	3,444	26,842	**325,763**

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

5.2 Other operating income

(in Euro thousands)	31.12.2007	31.12.2008	Change
Rental income	47	5	(42)
Operating grants	210	555	345
Ordinary gains on disposal	1,414	520	(894)
Claims and insurance payouts	279	292	13
Expenses recovered	1,037	800	(237)
Other revenues and income	2,334	4,041	1,707
Total	**5,321**	**6,213**	**892**

The change in the account is principally due to the earthquake suspension payables relating to the earthquake in 1997 as described in paragraph 5.45 "Significant non-recurring events and operations" which contributed Euro 1,543 thousand to the Euro 1,707 thousand change in the account "Other income and revenues".

5.3 Changes in inventories of finished and semi-finished goods

The account change in finished and semi finished product inventory decreased by Euro 1,873 thousand on 2007; the change in the consolidation scope had a positive impact for Euro 809 thousand.

5.4 Increases on internal work capitalised

The account Increases on internal work capitalised amounts to Euro 2,762 thousand (Euro 2,956 thousand in the previous year) and mainly relates to the capitalisation of charges regarding the design and development of new products, the in-house construction of mouldings and equipment and the up-grading of technical-management software.

5.5 Raw and consumable materials

(in Euro thousands)	31.12.2007	31.12.2008	Change
Purchases of consumable materials	1,426	1,300	(126)
Purchases of supplies	610	588	(22)
Purchase of raw materials	198,122	179,240	(18,882)
Change in inventory of raw materials, consumables and goods for re-sale	(4,894)	4,081	8,975
Purchase of finished products	6,077	4,660	(1,417)
Packaging	15,219	13,563	(1,656)
Other purchases	446	430	(16)
Shipping expenses on purchases	1,411	2,162	751
Total	**218,417**	**206,024**	**(12,393)**

Raw materials and consumables decreased on 2007 by Euro 12,393 thousand, net of the change in the consolidation scope of Euro 2,402 thousand. These costs increased slightly as a percentage of revenues to 53%.

5.6 Service expenses

(in Euro thousands)	31.12.2007	31.12.2008	Change
Outsourcing expenses	47,581	39,819	(7,762)
Transport	11,277	9,529	(1,748)
Finished goods inventories	4,807	4,839	32
Consulting	4,606	5,236	630
Maintenance	3,907	2,928	(979)
Utilities	4,067	4,156	89
Commissions	3,279	2,230	(1,049)
Travel expenses	2,598	2,702	104
Advertising	1,779	1,689	(90)
Insurance	1,721	1,276	(445)
Remuneration of Directors and Statutory Auditors	1,453	904	(549)
Trade fairs and promotional events	719	990	271
Industrial services	722	624	(98)
Banking commissions and charges	598	258	(340)
Other services	5,912	6,693	781
Total	**95,026**	**83,873**	**(11,153)**

Service expenses decreased by Euro 11,153 thousand, net of the change in the consolidation scope of Euro 807 thousand. The percentage on revenues was 22%, in line with the previous year. The account other services includes communication services (Euro 972 thousand), technical assistance costs (Euro 1,402 thousand), canteen costs (Euro 517 thousand), cleaning costs (Euro 455 thousand) and vehicle expenses (Euro 411 thousand).

5.7 Labour costs

Labour costs incurred by the Group in 2007 and 2008 were as follows:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Salaries and wages	49,800	47,993	(1,807)
Social security charges	15,933	16,056	123
Employee leaving indemnity	4,000	3,433	(567)
Other costs	5,574	2,429	(3,145)
Total	**75,307**	**69,911**	**(5,396)**

Labour costs, net of the change in the consolidation scope, decreased by Euro 5,396 thousand (7%), in line with the change in employee numbers following the implementation of the restructuring plan as described in the Directors' Report. The percentage on revenues was 18%, in line with the previous year.

Other costs include temporary employees for Euro 1,615 thousand (Euro 3,052 thousand in 2007) and leaving incentives of Euro 885 thousand (Euro 1,690 thousand in 2007).

The change in the account relates also to the effect of the earthquake suspensions payables relating to the earthquake in 1997 as described in the paragraph 5.45 "Significant non-recurring events and operations".

The table below shows the Group workforce at 31 December 2007 and 31 December 2008.

Workforce	31.12.2007	31.12.2008	Change
Executives	25	23	(2)
White-collar	487	521	34
Blue-collar	1,876	1,888	12
Temporary	109	1	(108)
Total	**2,497**	**2,433**	**(64)**

The change in the consolidation scope resulted in an increase in employee numbers of 94.

5.8 Amortisation and depreciation

Amortisation and depreciation increased from Euro 16,443 thousand in 2007 to Euro 16,855 thousand in 2008. The break-down of this account is reported under fixed assets.

5.9 Other operating expenses and provisions

The details of the account is as follows:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Leasing and rental	2,427	1,703	(724)
Rental of vehicles and industrial equipment	1,396	1,706	310
Expenses for hardware, software and patents	579	1,006	427
Other taxes	524	595	71
Magazine and newspaper subscriptions	48	42	(6)
Various equipment	361	287	(74)
Catalogues and brochures	312	530	218
Losses and bad debts	127	730	603
Provisions for risks and charges	639	465	(174)
Other prior year expenses and losses	2,134	1,966	(168)
Total	**8,547**	**9,030**	**483**

The changes in the consolidation scope resulted in a change in the account of Euro 88 thousand.
The account "Other prior year expenses and losses" principally includes expenses for damages reimbursed and third party penalties amounting to Euro 574 thousand.

5.10 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 5.45.

5.11 Share of profit/(loss) from associates

(in Euro thousands)	31.12.2007	31.12.2008	Change
Share of profit/(loss) from associates	**(163)**	**149**	**312**

The amounts recorded under this heading relate to the Equity method of accounting for investments in associates. In 2008, adjustments in the value of investments were made, as reported in paragraph 5.23 and are summarised in the table below:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Airforce.S.p.A.	24	-	(24)
I.S.M. Srl	176	182	6
Roal Electronics S.p.A.	(337)	-	337
Immobiliare Camino S.r.l.	(26)	-	26
Inox Market Mexico S.A. de C.V.	-	(33)	(33)
Total	**(163)**	**149**	**312**

5.12 Financial income

The details of financial income are reported below, which is in line with that of the previous year:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Income from other non-current financial assets	-	14	14
Interest income from associated companies	38	3	(35)
Interest on bank deposits	581	251	(330)
Interest income from customers	1	69	68
Discounts on purchases	270	502	232
Other financial income	58	4	(54)
Total	**948**	**843**	**(105)**

The change in the account relates to the effect of the earthquake suspensions payables relating to the earthquake in 1997 as described in the paragraph 5.45 "Significant non-recurring events and operations" and recorded for Euro 447 thousand in the account "discounts on purchases".

5.13 Financial charges

(in Euro thousands)	31.12.2007	31.12.2008	Change
Financial charges:			
on overdrafts and bank loans	(438)	(1,849)	(1,411)
on other borrowings	(589)	(320)	269
on employee leaving indemnity	(642)	(660)	(18)
Discounts on sales	(607)	(56)	43
Other financial expenses	-	-	-
Other financial expenses			
Gains from cash flow hedges transferred from equity	14	-	(14)
Financial income from traded financial instruments	918	-	(918)
Total	**(1,344)**	**(3,393)**	**(2,049)**

It is noted that in 2008 in order to better represent the "Financial charges (gains) from traded financial instruments", equal to Euro 1,576 thousand, they were classified in the account "Exchange gains (losses)" instead of the account "Financial charges".

The account increased by Euro 1,117 thousand net of the reclassification described in the previous paragraph, following the increased debt.

5.14 Exchange gains/(losses)

(in Euro thousands)	31.12.2007	31.12.2008	Change
Exchange losses	(4,135)	(12,126)	(7,991)
Exchange gains	1,989	13,236	11,247
Charges on derivative instruments	-	(89)	(89)
Profits on derivative instruments	-	1,665	1,665
Total exchange gains/(losses)	**(2,146)**	**2,686**	**4,832**

Net exchange gains in the year amounted to Euro 1,110 thousand compared to losses of Euro 2,146 thousand in the previous year. In 2007, considering the reclassification of the previous point, the change would have amounted to Euro 1,228 thousand.
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 978 thousand in 2007 and Euro 1,026 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 Group operates, specifically, US Dollars, Polish Zloty and Mexican Pesos. A large part of the exchange gains and losses are concentrated in the Parent Company Elica S.p.A. (Euro 293 thousand), in Elica Group Polska Sp.zo.o (Euro 741 thousand) and in ELICAMEX S.A. de C.V. (Euro 434 thousand). For further comments on the gains and losses in the year, reference should be made to the Directors' Report.

The account "Net financial gains/(losses) from traded financial instruments" in 2008 amounted to Euro 1,576 thousand compared to Euro 918 thousand in 2007 classified in the account financial charges, and relates principally to income on currency derivatives, which in accordance with the accounting standards may not be treated as hedging operations, although they were made for this purpose, and are recorded at fair value through the Profit and Loss account.

5.15 Income taxes

Income taxes in the year amounted to Euro 1,292 thousand and were broken down between current and deferred taxes as follows:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Current income tax	(11,215)	(3,514)	7,701
Deferred taxes	1,353	4,806	3,453
Total income taxes	**(9,862)**	**1,292**	**10,120**

The 2008 positive income tax of Euro 1,292 thousand is due for Euro 3,337 thousand to non-recurring events (in relation to which reference should be made to the following note 5.45). However, net of the non-recurring events, income taxes for the year would have been a charge of Euro 2,045 thousand.

The change in income taxes is due, in addition to the non-recurring events, principally to the decrease in assessable income and the tax rates of the Italian group companies.

In 2008, the Parent Company was subject to a statutory tax rate (share of pre-tax income payable to tax authorities) of 32% (compared to 37.5% in 2007), based on the corporate income tax (IRES) and regional business tax (IRAP) rates applicable to the reported taxable income for the year ended 31 December 2008. For foreign subsidiaries the statutory tax rate varies from country to country.

The reconciliation between the theoretical and effective tax rates, calculated utilised the theoretical tax rate of the Parent Company, is shown in the table below.

		2007					**2008**				
	Theoretical IRES rate	33.00%					27.50%				
	Theoretical IRAP rate	4.50%					4.50%				
	(in Euro thousands)	**Assessable**	**IRES income taxes**	**Regional taxes**	**Total**	**% of IRES on pre-tax profit**	**Assessable**	**IRES income taxes**	**Regional taxes**	**Total**	**% of IRES on pre-tax profit**
	Income taxes for the year										
	- Current		7,689	3,526	11,215			1,654	1,860	3,514	
	- Deferred – cost (income)		(1,160)	(193)	(1,353)			(4,219)	(587)	(4,806)	
	[A] TOTAL INCOME TAXES		**6,529**	**3,333**	**9,862**	**33.61%**		**(2,565)**	**1,273**	**(1,292)**	**-89.09%**
	PRE-TAX RESULT	**19,424**					**2,879**				
+	Tax calculated using local tax rate		6,410			33.00%		792			27.50%
+	Tax effect of expenses/revenues that are not deductible for tax purposes	(103)	(35)			-0.18%	800	221			7.68%
-	Tax effect on the different tax rates of the foreign subsidiaries	1,336	441			2.27%	(3,523)	(969)			-33.65%
-	Decrease/increase in initial deferred tax assets/liabilities due to changes in tax rates	(5,217)	(287)			-1.48%	-	-			0.00%
	[B] Effective tax charge and tax rate net of substitute tax	**15,440**	**6,529**			**33.61%**	**156**	**44**			**1.53%**
-	Substitute Tax effect							(2,609)			-90.61%
	[C] Effective tax charge and tax rate	**15,440**	**6,529**			**33.61%**	**156**	**(2,565)**			**-89.09%**

5.16 Assets of discontinued operations

The costs and revenues and the assets and liabilities of the "ACEM division" available-for-sale were eliminated from the Consolidated Balance Sheet and Income Statement at 31 December 2007 and reported in a single line item of assets and of liabilities and in the Income Statement in accordance with IFRS 5.
As described in the Directors' Report, on 16 January 2008, the company FIME S.p.A. sold this Business Unit. The effect of this operation amounted to Euro 63 thousand and is classified in the Income Statement in the account "Net profit from discontinued operations" as shown in the following table.

(in Euro thousands)	31.12.2008	31.12.2007
Revenues		7,564
Other operating revenues		33
Changes in inventories of finished and semi-finished goods		215
Raw materials and consumables		(4,478)
Services		(1,122)
Labour costs		(1,661)
Amortisation & depreciation		(470)
Other operating expenses and provisions		(33)
Gains from the sale of the ACEM division (net of selling costs)	144	
EBIT	**144**	**47**
Income taxes	(81)	(30)
Net profit from discontinued operations	**63**	**17**

The sales price was Euro 2,067 thousand, with Euro 1,190 thousand paid at 31 December 2008. Therefore at 31 December 2008, the receivables for the sale of the ACEM division amounted to Euro 877 thousand, classified in the account "Other receivables" under Current Assets.

5.17 Minority interest share

The minority interest profit relates to those subsidiaries not wholly owned by the Elica Group. They include ARIAFINA CO., LTD (minority interest 49%), Airforce S.p.A. (40%) and Airforce Germany Hochleistungs-Dunstabzugssysteme GmbH (43%).

5.18 Basic earnings per share – Diluted earnings per share

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

	31 Dec. 07	31 Dec.08
From continuing and discontinuing operations:		
Net profit for the year (thousands of Euro)	9,252	3,579
Average number of ordinary shares net of treasury shares	63,019,794	58,222,618
Basic earnings per share	**14.68**	**6.15**
Weighted average number of ordinary shares to calculate diluted earnings per share	63,019,794	58,222,618
Diluted earnings per share	**14.68**	**6.15**
From continuing operations:		
Net profit for the year (thousands of Euro)	9,235	3,516
Average number of ordinary shares net of treasury shares	63,019,794	58,222,618
Basic earnings per share	**14.65**	**6.04**
Weighted average number of ordinary shares to calculate diluted earnings per share	63,019,794	58,222,618
Diluted earnings per share	**14.65**	**6.04**

The earnings per share in 2008 was calculated by dividing the Group net profit by the weighted average number of ordinary shares outstanding, excluding treasury shares, at 31 December 2008.

5.19 Other information on the Income Statement accounts

The research and development costs charged in the Income Statement in 2007 and 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	627	36
Total R&D costs	**6,349**	**4,922**	**(1,427)**
R&D costs capitalised during the year	**622**	**1,641**	**1,019**

"Development costs capitalised in the year" regards product design and development activities. The increase mainly relates to the cost of developing new products.

CONSOLIDATED BALANCE SHEET

5.20 Property, plant & equipment

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

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

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

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

Property, plant & equipment ***(in Euro thousands)***	**01.01.08**	**Increases**	**Disposals**	**Other movements**	**31.12.08**
Historical cost					
Land and buildings	47,696	4,603	-	(1,934)	50,365
Plant & equipment	75,440	3,053	(6,984)	(813)	70,696
Commercial and industrial equipment	83,573	3,924	(2,842)	(730)	83,925
Other assets	9,557	717	(1,079)	(17)	9,178
Assets in progress and payments on account	3,260	1,288	(2,995)	(128)	1,425
Total	**219,526**	**13,585**	**(13,900)**	**(3,622)**	**215,589**

(in Euro thousands)	01.01.08	Deprec.	Disposals	Other movements	31.12.08
Accumulated depreciation					
Land and buildings	10,231	1,576	-	(119)	11,688
Plant & equipment	53,660	5,014	(6,092)	(216)	52,366
Commercial and industrial equipment	69,843	6,977	(2,605)	(292)	73,923
Other assets	7,701	543	(597)	(44)	7,603
Total	**141,435**	**14,110**	**(9,294)**	**(671)**	**145,580**

(in Euro thousands)	01.01.08	Increases	Disposals	Other movements	Deprec.	31.12.08
Net value						
Land and buildings	37,465	4,063	-	(1,815)	(1,576)	38,677
Plant & equipment	21,780	3,053	(892)	(597)	(5,014)	18,330
Commercial and industrial equipment	13,730	3,924	(239)	(438)	(6,977)	10,002
Other assets	1,856	717	(482)	28	(543)	1,576
Assets in progress and payments on account	3,260	1,288	(2,995)	(128)		1,425
Total	**78,091**	**13,585**	**(4,606)**	**(2,950)**	**(14,110)**	**70,010**

The net book value of tangible fixed assets amounts to Euro 70,010 thousand compared to Euro 78,091 thousand at the end of the previous year.
The column "other movements" principally includes the change in the consolidation scope for Euro 677 thousand and the negative exchange rate effect of Euro 3,659 thousand.
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 *(in Euro thousands)*	Land and buildings	Plant & equipment	Commercial and industrial equipment	Other assets	Total
Gross value	15,218	9,612	7,392	171	32,393
Accumulated depreciation	(3,809)	(8,514)	(6,359)	(152)	(18,834)
31 Dec 07	**11,409**	**1,098**	**1,033**	**19**	**13,559**
Depreciation at 31 Dec 2007	*451*	*1,225*	*1,061*	*37*	*2,774*
Gross value	15,250	9,643	7,419	160	32,471
Accumulated depreciation	(4,266)	(8,752)	(7,252)	(543)	(20,813)
31 Dec 08	**10,984**	**890**	**167**	**(383)**	**11,658**
Depreciation at 31 Dec 2008	*477*	*951*	*904*	*28*	*2,360*

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.

5.21 Goodwill

(in Euro thousands)	31.12.2007	31.12.2008	Change
Goodwill recorded by subsidiaries	15,306	15,306	-
Consolidation difference	14,492	20,556	6,064
Goodwill	***29,798***	**35,862**	***6,064***

Details of the allocations are provided below:

(in Euro thousands)	31.12.2007	Acquisitions/(write-downs)	31.12.2008
Cost per CGU			
Electric motors	22,667	-	22,667
Hoods	7,131	(3,268)	3,863
- Own brands	*1,829*		
Turbo Air own brands	1,413		
Airforce own brands	416		
Gutmann own brands			
- Third party brands	*5,302*		
Turbo Air third party brands	1,160		
Fox Design third party brands	4,142		
Gutmann Hoods	-	9,332	9,332
Total book value of goodwill	**29,798**	**6,064**	**35,862**

The increase in the account "Goodwill" of Euro 6,064 thousand relates to the Goodwill resulting from the entry into the consolidation scope of Exklusiv Hauben Gutmann GmbH (for Euro 8,650 thousand - see the following point 5.44), of Elica International S.à.r.l. (for Euro 682 thousand) and of Elica Germany GmbH and for Euro 3,268 thousand to the write-down of the losses in value in the Hoods Business Unit.
Group management notes the effects of the merger of the companies Turbo Air, Fox Design and Jet Air into the Parent Company 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 recent acquisition of Gutmann presently allows the recording of the cash flows generated by the same in an equivalent CGU.
The recoverable value of the CGU's to which the individual goodwill is allocated is 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 individual CGU's at the valuation date. Such calculation discounts the future cash flows based on the business plans of the respective 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 Group 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 discounting rate (WACC) was estimated as 9.4% for the Motors and Hoods CGU's and 7.3% for the Gutmann Hoods CGU.

In relation to the Hoods CGU, 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 Group 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.

5.22 Other intangible assets

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

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

Intangible assets *(in Euro thousands)*	**01.01.08**	**Increases**	**Decr.**	**Other movements**	**Amort.**	**31.12.08**
Net value						
Development Costs	1,805	1,641	-	(218)	(642)	2,586
Industrial patents and intellectual property rights	1,734	2,164	(1)	19	(1,411)	2,505
Concessions, licenses, trade marks & similar rights	121	88	-	2,098	(69)	2,238
Assets in progress and payments on account	1,359	4,204	(1,539)	1	-	4,025
Other intangible assets	496	648	(19)	8,343	(623)	8,845
Total	**5,515**	**8,745**	**(1,559)**	**10,243**	**(2,745)**	**20,199**

At 31 December 2008, intangible assets amounted to Euro 20,199 thousand, an increase of Euro 14,684 thousand on the previous year.

The column "other movements" includes the change in the consolidation scope for Euro 10,503 thousand and the exchange rate effect for a negative amount of Euro 260 thousand.
"Development costs" relate to product design and development activities. The increase is mainly attributable to the cost of developing new products. Development costs are amortised on a straight-line basis over a five-year period.
"Industrial patents and intellectual property rights" includes patents and royalties regarding the recognition of patents, intellectual property rights and software programs. The increase for the year mainly refers to the acquisition of licenses for technical software programmes and the continuous upgrading of technical and management reporting software (SAP, TXT). Industrial patents and intellectual property rights are amortised over a three-year period.

"Concessions, licenses, brands and similar rights" refers to the registration of brands by Group companies.
The account "Assets in progress and payments on account" includes the advances relating to the implementation of software projects; the increase in the year of Euro 4,204 thousand principally refers to the design and development of a new and innovative electronic platform and the related IT project.

"Other intangible assets" mainly consists of shared costs regarding the development of mouldings, as well as changes in the consolidation scope (reference should be made to paragraph 5.44 in relation to these).

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

5.23 Investments in associated companies

The table below shows changes in investments in associated companies:

(in Euro thousands)	**31.12.2007**	**Acq. or subscrip.**	**Translation reserve**	**Reval./ (Write-downs)**	**31.12.2008**
Investments in associated companies	2,363	200	(85)	149	2,627
Total	**2,363**	**200**	**(85)**	**149**	**2,627**

The amount of Euro 200 thousand in the Acquisitions column refers to the investment Inox Market Mexico S.A de C.V. following the share capital increase. The holding is for 13%.

The balance in the column Revaluations/(Write-downs) of a net increase of Euro 149 thousand refers to the balance of the adjustments made in the year to investments recorded under the Equity method, shown in the table below.

The table below shows the carrying values at the end of the previous year and as at 31 December 2008.

(in Euro thousands)	Purchase cost	Pro-quota post-acquisition gain/loss (exclud. dividends)	Balance at 31.12.2007	Purchase cost	Pro-quota post-acquisition gain/loss (exclud. dividends)	Balance at 31.12.2008
I.S.M. Srl	1,899	63	1,962	1,899	245	2,144
Inox Market Mexico S.A. de C.V.	401	-	401	516	(33)	483
Total	**2,300**	**63**	**2,363**	**2,415**	**212**	**2,627**

5.24 Other financial assets

The account at 31 December 2008 amounted to Euro 30 thousand (Euro 31 thousand at 31 December 2007) and principally relates to an insurance investment.

5.25 Other receivables

The breakdown of the other receivables is as follows:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Employees	1,203	165	(1,038)
Other receivables	115	179	64
Total	**1,318**	**344**	**(974)**

The decrease in the account "Employees" is related to the earthquake suspension payable following the earthquake activity in 1997 as described in the paragraph 5.45 "Significant non-recurring events and operations".

5.26 Tax receivables

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

(in Euro thousands)	31.12.2007	31.12.2008	Change
IRPEG and ILOR repayments	3	-	(3)
Other tax receivables	6	6	-
Total	**9**	**6**	**(3)**

5.27 Financial assets available-for-sale

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

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

(in Euro thousands)	31.12.2007	31.12.2008	Change
Meccano S.p.A.	16	15	-
UnifabrianoSoc. S.r.l.	2	2	-
Consorzio Energia	4	4	-
Ceced	2	5	3
ACEM Srl	-	162	162
Other minor investments	2	3	-
Total	**26**	**191**	**165**

The increase in the account relates to the holding in the company ACEM Srl, which decreased to 10%.

5.28 Trade receivables and loans

The account consists of:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Trade receivables	107,258	90,802	(16,456)
Receivables from associated companies	1,199	533	(666)
Total	**108,457**	**91,335**	**(17,122)**

Trade receivables and loans decreased by Euro 17,122 thousand, including the increases from the consolidation scope of Euro 1,591 thousand.
This account does not include any receivables due after more than five years at the year-end.
Receivables are recorded net of provisions of Euro 1,795 thousand made following an analysis of the credit risk on receivables and on the basis of historical data on credit losses, considering that a substantial portion of the receivables are insured by prime international insurance companies.
Management believes that the value approximates the fair value of the receivables.
The charge for the year, considered adequate to adjust receivables to their realisable value, was Euro 730 thousand.
The receivables from associated companies refer to normal operations of the Group; these are regulated at market conditions and are of a commercial nature:

(in Euro thousands)	31.12.2007	31.12.2008	Change
I.S.M. Srl	1,199	533	(666)
Inox Market Mexico S.A. de C.V.	-	-	-
Total	**1,199**	**533**	**(666)**

5.29 Inventories

(in Euro thousands)	31.12.2007	31.12.2008	Change
Raw material, ancillary and consumables	26,857	23,621	(3,236)
Raw materials obsolescence provision	(986)	(992)	(6)
Total	*25,871*	*22,629*	*(3,242)*
Products in work-in-progress and semi-finished	18,650	16,193	(2,457)
Work-in–progress obsolescence	(523)	(670)	(147)
Total	*18,127*	*15,523*	*(2,604)*
Finished products and goods for resale	12,832	13,418	586
Finished products obsolescence provision	(760)	(249)	511
Total	*12,072*	*13,169*	*1,097*
Payments on account	338	547	209
Book value	**56,408**	**51,868**	**(4,540)**

The value of final inventories decreased by approximately Euro 4,540 thousand, net of the change in the consolidation scope of Euro 1,690 thousand.
Inventories are stated net of obsolescence provisions of approximately Euro 1,911 thousand, in order to take into consideration the effect of waste, obsolete and slow moving items and the risk estimates of the use of some categories of raw and semi-finished materials based on assumptions made by management.
Inventories also include materials and products that were not physically held by the Group at the balance sheet date. These items were held by Third Parties on display, for processing or for examination.
Recognition of the inventories at current value does not entail any difference from recognition with the average weighted cost method.

5.30 Other receivables

The breakdown is as follows:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Other receivables	5,677	4,433	(1,244)
Prepaid and accrued income	464	1,289	825
Total	**6,141**	**5,722**	**(419)**

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

5.31 Tax receivables

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

(in Euro thousands)	31.12.2007	31.12.2008	Change
IRAP	448	364	(84)
IRES	302	4,001	3,699
VAT	3,764	4,069	305
Other tax receivables	735	697	(38)
Total	**5,249**	**9,131**	**3,882**

The VAT and other foreign indirect tax receivables increased in the year by Euro 267 thousand, of which the change in the consolidation scope accounted for Euro 7 thousand. The change in the income tax and regional tax receivables is the difference between the payments on accounts and income tax payables for the year 2008.

5.32 Derivative financial instruments

(in Euro thousands)	31.12.2007		31.12.2008	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivatives	544	422	2,554	2,529
Irs	-	-	-	27
Total	**544**	**422**	**2,554**	**2,556**
of which				
Non-current	-	-	-	-
Current	544	422	2,554	2,556
Total	**544**	**422**	**2,554**	**2,556**

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

5.33 Cash and cash equivalents

(in Euro thousands)	31.12.2007	31.12.2008	Change
Bank and postal deposits	21,828	14,901	(6,927)
Cash in hand and similar	120	67	(53)
Total	**21,948**	**14,968**	**(6,980)**

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

In relation to the credit risk, reference should be made to paragraph 7 "Risk management policy".

5.34 Liabilities for post-employment benefits

The Elica Group reports obligations of Euro 11,023 thousand, reflecting the present value of its retirement benefit obligations accruing at the year end in favour of employees of the Group's Italian companies and representing termination benefits at the end of the employment period.
The most recent actuarial calculations of the present value of the provision were performed at 31 December 2008 by Mercer Human Resource Consulting Srl, with a projection of the expected cost at 31 December 2008.
The amounts recognised in the Income Statement may be summarised as follows:

(in Euro thousands)	31.12.2007	31.12.2008	Change
Costs relating to current employee services	3,676	3,328	(348)
Net actuarial losses recognised in the year	11	3	(8)
Financial charges	642	660	18
Total	**4,329**	**3,991**	**(338)**

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

(in Euro thousands)	**Balance at 31 December 2007**	**Balance at 31 December 2008**
Opening balance	13,228	12,349
Change in consolidation scope/method	103	-
	13,331	**12,349**
Costs relating to current employee services	3,676	3,328
Curtailment effect	313	102
Net actuarial losses recognised in the year	11	3
	4,000	**3,433**
Financial charges	642	660
Benefits provided	(2,869)	(3,062)
Pension fund	(2,113)	(2,357)
Conferments	-	-
Liabilities of discontinued operations	(642)	-
Total	**12,349**	**11,023**

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

Following these adjustments, actuarial gains have not been recorded at 31 December 2008 of Euro 59 thousand, while in 2007 these gains amounted to Euro 116 thousand.

Lastly, the Group shows the interest component of the charge relating to employee defined-benefit schemes under financial charges, with a resulting increase of Euro 660 thousand in this item for the period. The cost of current retirement benefits and net actuarial losses were recorded under staff costs.
The costs relating to current employee services and utilisations of pension funds respectively include the charges and liquidations in the period under the "Finance Law 2008".

Assumptions adopted for the calculation

	31.12.2007	31.12.2008
Discount rate to determine the obligation	5.50%	5.75%
Expected salary growth rate	2.50%	2.50%
Rate of inflation	2.00%	2.00%
Discount rate to determine pension cost	4.50%	5.50%

The number of employees at 31 December 2008 was 2,432 (2,320 in 2007 on a like-for-like consolidation scope) as shown in note 5.7.

5.35 Provisions for risks and charges

The composition and movements of the provisions are as follows:

(in Euro thousands)	31.12.2007	Provisions	Utilisations	Other movements	31.12.2008
Supplementary agent termination benefits	1,484	72	(896)	-	659
Directors' termination benefits	108	-	-	-	108
Restructuring provisions	700	675	(700)	-	675
Provisions for risks	1,030	776	(243)	122	1,685
Product warranty provisions	612	230	(318)	783	1,307
Total	**3,934**	**1,752**	**(2,157)**	**905**	**4,434**
of which					
Non-current	3,322				3,127
Current	612				1,307
Total	**3,934**				**4,434**

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

The Directors' termination benefits regard the termination benefits for the Parent Company's Executive Chairman.

The restructuring provision was accrued in the year against charges relating to the closure of some plants.

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

Product warranty provisions represent an estimate of the costs likely to be incurred to repair or replace items sold to customers. These provisions reflect the average warranty costs historically incurred by the Group as a percentage of sales still covered by warranty.

It is noted that in 2008 in order to allow better representation, the provision for risks on taxes amounting to Euro 150 thousand was classified in the account "Provisions for risks and charges" instead of in the account "Deferred tax liabilities".

The column "other movements" principally includes the change in the consolidation scope for Euro 783 thousand set out in note 5.44 "Purchases and conferments".

5.36 Deferred tax assets – Deferred tax liabilities

At 31 December 2008, details of deferred tax assets and liabilities, determined on the basis of the asset-liabilities method, were as follows:

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
Deferred tax assets	6,607	6,372	(235)
Deferred tax liabilities	(9,381)	(7,739)	1,642
Net deferred tax liabilities	**(2,774)**	**(1,367)**	**1,407**

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

(in Euro thousands)	**31/12/2007**		**Credit/Debit to P&L**		**Other move.**	**31/12/2008**	
	Assets	**Liab.**	**deferred tax assets**	**deferred tax liab.**	**deferred tax asset /diff.**	**Assets**	**Liab.**
Amortisation & depreciation	646	3,107	(544)	(3,042)	-	102	65
Provisions	955	-	(187)	-	-	768	-
Costs ded. in future years	281	-	(155)	-	-	126	-
Inventory write-down	727	-	(207)	-	-	520	-
Exchange differences	356	164	235	363	-	591	527
Gains, grants	-	636	-	(10)	-	-	625
Restructuring charges	221	-	(56)	-	-	165	-
Merger adjustments	133	636	(133)	(26)	-	-	610
Other IAS Adjust:	377	368	(23)	112	151	55	332
Set up and expansion costs	1,112	-	(372)	-	-	740	-
R&D costs	13	-	(8)	-	-	5	-
Other deferred charges	202	-	(63)	-	-	139	-
Goodwill	51	1,264	796	- (765)	-	847	499
Allocation purchase price Gutmann	-	-	-	-	3,002	-	3,002
Others	37	150	(12)	123	(150)	25	123
IRS Valuation	1	-	-	-	(6)	7	-
Provision for employee leaving indemnity	-	1,103	-	(127)	-	-	976
Leasing/Land	-	1,950	-	(1,214)	183	-	919
Losses carried forward	1,321	4	945	39	220	2,040	37
Reversal of intercompany profits	174	-	66	25	-	241	24
Total	6,607	9,381	283	(4,522)	3,400	6,372	7,739

The column "other movements" includes all of the movements of Deferred Tax Assets and Liabilities which do not have an effect on the income statement; in particular, Euro 3,002 thousand relates to the deferred tax on the allocation of the purchase price of the company Gutmann, as reported in paragraph 5.44.

5.37 Finance leases and other lenders

Finance leases and other lenders	**Minimum payments due under finance lease agreements and other loans**		**Present value of minimum payments due under finance lease agreements and other loans**	
(in Euro thousands)	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**
Due within one year	1,487	1,185	1,170	1,000
Due within five years	5,180	4,071	4,614	3,914
Due over five years	-		-	-
	6,667	**5,256**	**5,784**	**4,914**
of which:				
- future financing costs	883	342	-	
- present value of obligations under finance leases	5,784	4,914	5,784	4,914
of which:				
- due within one year			1,170	1,000
- due beyond one year			4,614	3,914

Amounts due under finance leases relate to buildings, plant, machinery, equipment and other assets. The current value of the minimum payments due at 31 December 2008 is Euro 4,914 thousand, of which Euro 692 thousand due within 12 months.
The interest rates are linked to one-month or three-month Euribor and are set at the date the finance lease agreement is signed. All finance lease agreements involve a fixed repayment plan and there is no contractual provision for rescheduling the debt.

5.38 Bank loans and mortgages

(in Euro thousands)	**Balance at 31.12.2007**	**Balance at 31.12.2008**	**Change**
Bank loans and mortgages	12,911	45,001	32,090
Total	**12,911**	**45,001**	**32,090**
Bank loans and mortgages have the following repayment schedules			
On demand or within one year	6,206	40,324	34,118
Within two years	2,724	1,323	(1,401)
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	**12,911**	**45,001**	**32,090**
Less amounts to be repaid within one year	6,206	40,324	34,118
Due beyond one year	**6,705**	**4,677**	**(2,028)**

The change in the account includes the increase of Euro 14,000 relating to the acquisition of the German company Gutmann as described in paragraph 5.44.
All bank borrowings and mortgages are denominated in Euro. The main borrowings indicated above carry a floating rate of interest. While it is exposed to interest rate risk, in 2008 the Group did 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".

5.39 Other Payables

Other Payables (non-current)

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
Other payables	4	1	(3)
INAIL contributions – earthquake suspension 1997	303	91	(212)
INPDAI contributions – earthquake suspension 1997	158	48	(110)
Employee INPS contributions – earthquake 1997	3,534	1,080	(2,454)
Freelance INPS contributions – earthquake 1997	17	5	(12)
Total	**4,016**	**1,225**	**(2,791)**

The decrease in the account is related to the earthquake suspension payables following the earthquake in 1997 as described in the paragraph 5.45 "Significant non-recurring events and operations". The balance includes Euro 534 thousand to be paid beyond 5 years.

Other payables (current)

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
Payments to social security institutions	4,687	3,185	(1,502)
Other payables	71	7,145	7,074
Payables to personnel for remuneration	6,967	5,053	(1,914)
Customers	186	406	220
Accruals and deferred income	383	432	49
Customer advances	372	853	481
Directors and Statutory Auditors	478	48	(430)
Total	**13,144**	**17,122**	**3,978**

The impact of the changes in the consolidation scope on this account amount to Euro 7,294 thousand, of which Euro 5,969 thousand relates to the payable for the "earn out" deriving from the purchase of the company Gutmann.
The account "Payables to Social Institutions" and "Payables to personnel for remuneration" decreased in line with the changes in the cost of labour as reported in paragraph 5.7.

5.40 Current and non-current tax liabilities

Tax payables (non-current)

Tax payables (non-current)

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
ILOR (former local income tax) payable – earthquake suspension	667	201	(466)
ICI (local property tax) payable – earthquake suspension	35	10	(25)
Employee leaving indemnity payable – earthquake suspension	97	29	(68)
Flat tax payable – earthquake suspension	4	414	410
IRPEF (employees income tax) payable – earthquake suspension	1,334	184	(1,150)
Taxes on equity reserves – earthquake suspension	1,867	562	(1,305)
Total	**4,004**	**1,400**	**(2,604)**

The decrease in the account is related to the earthquake suspension payables following the earthquake in 1997 as described in the paragraph 5.45 "Significant non-recurring events and operations". The balance includes Euro 496 thousand to be paid beyond 5 years.

Tax payables (current)

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
Other taxes	607	1,123	516
Flat tax	16	551	535
IRPEF withheld	2,655	2,639	(16)
IRAP payable for the year	8	-	(8)
IRES payable for the year	67	30	(37)
Total	**3,353**	**4,343**	**990**

The reduction in the income tax and regional tax payables is related to the higher payments on account in 2008 compared to 2007, which are more in line with the final payment compared to the previous year.

5.41 Trade payables

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
Trade payables	108,249	82,780	(25,469)
Associated companies	4,254	4,188	(66)
Total	**112,503**	**86,968**	**(25,535)**

Trade payables

This mainly includes payables for trade purchases and other costs.
Management believes that the book value of trade payables and other payables reflects their fair value.

Associated companies

These payables of an exclusive trade nature are composed of:

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
I.S.M. Srl	4,254	4,188	(66)
Inox Market Mexico S.A. de C.V.	-	-	-
Total	**4,254**	**4,188**	**(66)**

5.42 Group shareholders' equity

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

Comments are provided on each of the Equity reserves.

Share capital

The share capital at 31 December 2008 amounts to Euro 12,664,560, consisting of 63,322,800 ordinary shares with a par value of Euro 0.2 each, fully subscribed and paid-in.

Capital reserves

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

Hedging, translation and stock option reserves

This negative account of Euro 9,081 thousand (negative for Euro 803 thousand in 2007), changed on the translation of the financial statements of subsidiaries in foreign currencies (ELICAMEX, Leonardo, Elica Group Polska Sp.zo.o, ARIAFINA CO. LTD and Elica Inc.) for a negative value of Euro 8,224 thousand, the change in the fair value of the cash flow hedges less the tax effect (negative for Euro 19 thousand) and the cancellation of the write-down of the stock options (negative for Euro 35 thousand). 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 ‘000 of Euro)**
Beginning balance at 1 January 2008	1,934,301	6,671
Purchases	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".

At 31 December 2008, the treasury shares in portfolio represent 10% of the Share Capital.
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

(in Euro thousands)	**31.12.2007**	**31.12.2008**	**Change**
Legal reserve	2,533	2,533	-
Undistributed earnings	613	658	45
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	**55,341**	**61,871**	**6,530**

Minority interest equity

This account increased by Euro 816 thousand as a result of the following changes: increase of Euro 655 thousand for the allocation of the 2008 minority profit and an increase of Euro 161 thousand relating to minority interests for the translation effect of financial statements of the company ARIAFINA CO., LTD , stated in foreign currency.

The reconciliation between Net Equity and profit attributable to shareholders of the Parent Company and the corresponding consolidated items is provided in the Directors' Report.

5.43 Net debt, default risk and covenants

(In accordance with CONSOB No. DEM/6064293 of 28 July 2006)

(in Euro thousands)	**31 Dec 08**	**31 Dec 07**
Cash and cash equivalents	***14,968***	***21,948***
Finance leases and other lenders	(3,914)	(4,614)
Bank loans and mortgages	(4,677)	(6,705)
Long-term debt	***(8,591)***	***(11,319)***
Finance leases and other lenders	(1,000)	(1,170)
Bank loans and mortgages	(40,324)	(6,206)
Short-term debt	***(41,324)***	***(7,376)***
Net funds/(debt)	**(34,947)**	**3,253**

For further information on the net financial position movements, reference should be made to the Directors' Report.

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

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

5.44 Acquisitions and asset transfers

Purchase of investment in Exklusiv Hauben Gutmann GmbH

The Elica Group, on 11 November 2008, purchased 100% of the share capital of the German company Gutmann Exklusiv–Hauben GmbH, as described in the paragraph "Significant events in 2008" of the Directors' Report.
The effects of this transaction are summarised in the table below.

(in Euro thousands)	**Carrying value – Group principles**	**Fair value adjustments**	**Fair value**
Property, plant & equipment	285	326	611
Other intangible assets	85	10.438	10.523
Trade receivables	2,945		2.945
Inventories	1,889	65	1.954
Other receivables	702		702
Tax receivables	2,551		2.551
Cash and cash equivalents	659		659
Lease payables (Non-current)	(122)		(122)
Bank loans and mortgages	(416)		(416)
Deferred tax liabilities		(3.002)	(3.002)
Provisions for risks and charges	(895)		(895)
Lease payables (Current)	(39)		(39)
Trade payables	(12)		(12)
Other payables	(1,918)		(1.918)
Tax payables	(3,012)		(3.012)
Total Shareholders' Equity	**2,702**	**7.827**	**10.529**
Goodwill			8.650
Total acquisition cost (*)			**19.179**
Payable to former shareholder			(5.969)
Cash and cash equivalents acquired			659
Net cash flow from the acquisition			**(12,551)**

(*) of which accessory charges of Euro 182 thousand and earn out of Euro 5,969 thousand

The other intangible assets include "intangible assets based on contracts" amounting to Euro 2,054 thousand (to be amortised over 20 years), "intangible assets related to clients" amounting to Euro 5,759 thousand (to be amortised over 10 years) and "intangible assets relating to technology" amounting to Euro 2,625 thousand (to be amortised over 10 years). The 2008 result of the Germany company Gutmann included in the Consolidated Financial Statements from the date of acquisition amounted to Euro 52 thousand.

5.45 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	124,494		4,234	
a) Gains from 1997 earthquake suspension payables write-offs	3,451	3%	3,451	82%
b) Restructuring charges	(1,680)	-1%	(1,680)	-40%
c) Gain from payable of substitute tax	2,609	2%	2,609	62%
d) write-down of Goodwill for loss in value	(2,234)	-2%	(2,234)	-53%
Gross notional book value	122,348		2,088	

a) Legislative Decree 61/2008 approved the restitution, 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 and Ministry 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 (gross of the tax effect):
- in the balance sheet: Euro 2,906 thousand in the account "Tax payables", Euro 2,820 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 costs" and Euro 447 thousand in the account "Financial Income".
b) The account refers to the Group industrial reorganisation charges of Euro 2,453 thousand and the relative tax effect.
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, as described in paragraph 5.21, net of the relative tax effect.
The above-mentioned non-recurring events had no effect on the Group financial situation.

6. Guarantees, commitments and contingent liabilities

a) Contingent liabilities

The Parent Company and its subsidiaries are not involved in administrative, judicial or arbitration proceedings that are underway or have been settled by means of a ruling or arbitration award issued in the last 12 months and which might have or might have had an effect on the financial situation or profitability of the Group.

Group companies have valued the contingent liabilities that could arise from pending judicial proceedings and have made appropriate provisions in their financial statements on a prudent basis.
The provision included in the Group consolidated financial statements at 31 December 2008 for contingent risks and charges relating to legal disputes amount to Euro 1,685 thousand.
Management believes that the provision for risks in order to cover possible liabilities from pending or potential disputes is, on the whole, adequate.

b) Guarantees and commitments

In 2007 a surety was issued in favour of the banking group for an amount of USD 6,500 thousand for a credit line obtained by the subsidiary ELICAMEX S.A. de C.V.

Elica S.p.A. has provided a surety to BPU Esaleasing S.p.A. for a finance lease relating to Pani Srl (company supplier) expiring in 2010 which, at 31 December 2008, had a residual value of 548 thousand.

FIME S.p.A. provided a guarantee to Banca Fortis in favour of the subsidiary Elica Group Polska Sp.zo.o for an amount of PLN 10 million in relation to the credit line issued by the bank.

The amount of orders with suppliers relating to raw materials and sub-contracted work amounted to Euro 26,246 thousand.

On 10 December 2007, FAN S.A., parent company of Elica S.p.A., and Whirlpool Corporation signed a shareholder agreement which provides for an option agreement on Shares between Elica S.p.A. 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 S.p.A. issued the following guarantees:
- a surety in favour of Unicredit S.p.A. 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 Sp.zo.o; these sureties will expire in 2012.

c) Operating leases

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

	31.12.2007	**31.12.2008**
Property rentals	5,298	1,689
Car and fork lift rental	1,705	3,199
Hardware operating leases	1,633	1,321
Equipment	27	44
Total	**8,663**	**6,253**

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

7. Risk management policy

Introduction

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

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

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

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

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

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

Market risk

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

- foreign currency risks;
- commodity risk, related to the volatility of the prices of the raw materials utilised in the production processes;
- interest rate risk.

In relation to these risk profiles, the Group uses derivative instruments to hedge its risks. The Group does not engage in derivative trading.
The paragraphs below individually analyse the different risks, indicating where necessary, through sensitivity analysis, the potential impact on the results deriving from hypothetical fluctuations in the parameters.

Foreign currency risks

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

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

The amount of the exchange risk, defined in advance by management of the Group on the basis of the budget for the period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections.
The hedge is made through agreements with third party financiers of forward contracts for the purchase and sale of foreign currency. As previously described, these operations are undertaken without any speculative or trading purpose, in line with the strategic policies of a prudent management of the 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 translation risk also has an impact on the consolidated Income Statement due to the varying exchange rates used on first conversion.
The Group monitors this exposure, against which there were no hedging operations at the balance sheet date; in addition, against the total control by the Parent Company over its subsidiaries, the governance on the respective foreign currency operations is greatly simplified.
The hedging operations as at 31 December 2008 (all with expiry within 12 months) with financial counterparties have a total Fair Value of Euro 25.7 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)**	**FV at 31/12/2008 (Euro/000)**
USD			
Forward	7,000	36	42
			295
Options	2,500	41	
GBP			
Forward	450	48	
Options	350	4	23
PLN			
Options	3,480	162	
JPY			
			78
Forward	1,100,000	(342)	
		77	(316)
Options	1,250,000		
Total		**26**	**122**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the Euro/USD, Euro/GBP, EUR/PLN and Euro/YEN 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**	**PLN**	**JPY**

Currency	Notional 9,500 USD/000	Notional 800 GBP/000	Notional 3,400 PLN/000	Notional 2,350,000 JPY/000
Exchange depreciation 10%	(534,026)	(36,182)	(66,648)	(67,299)
Curr. depreciation EURO 25%	14,572	790	108	3,523
Currency depreciation 30%	(8,820)	(744)	(171)	(1,529)
Sensitivity to Depreciation	**(528,273)**	**(36,136)**	**(66,710)**	**(65,305)**
Exchange appreciation 10%	487,258	39,288	49,462	209,944
Curr. appreciation EURO 25%	(8,622)	(258)	(132)	(2,107)
Currency appreciation 30%	3,051	245	113	118
Sensitivity to Appreciation	**481,686**	**39,275**	**49,443**	**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 and liabilities in foreign currencies at 31.12.2008

(in Euro thousands)	CHF	GBP	JPY	RUB	USD	PLN	MXN	TOTAL
Assets								
Other financial assets - due within one year					1,366			1,366
Other receivables - due within one year				16	131	32	7	186
Trade receivables - due within one year		548	136		9,173	8,501	1,600	19,958
Tax receivables - due within one year					37	141		178
Cash and cash equivalents		26	196	6	1,840	1,191	734	3,992
TOTAL	**-**	**574**	**332**	**22**	**12,547**	**9,865**	**2,341**	**25,681**
Liabilities								
Other payables - due within one year		(1)		(5)	(1,645)	(20)	(5)	(1,676)
Trade payables – due within one year	(311)	(21)	**(1)**	(2)	(5,767)	(9,626)	(4,207)	(19,936)
Tax payables - due within one year				6		(1)		5
TOTAL	**(311)**	**(22)**	**(1)**	**(1)**	**(7,413)**	**(9,647)**	**(4,212)**	**(21,607)**
BALANCE	**(311)**	**552**	**331**	**21**	**5,135**	**217**	**(1,871)**	**4,074**

Assets and liabilities in foreign currencies at 31.12.2007

(in Euro thousands)	CHF	GBP	USD	TOTAL
Assets				
Other financial assets - due within one year	-	-	-	-
Other receivables - due within one year	-	(1)	(35)	(36)
Trade receivables - due within one year	-	1.355	4.318	5.673
Tax receivables - due within one year	-	-	-	-
Cash and cash equivalents	-	3.618	2.985	6.603
TOTAL	**0**	**4.972**	**7.268**	**12.240**
Liabilities				
Other payables - due within one year	-	-	127	127
Trade payables – due within one year	(305)	(62)	(1.040)	(1.407)
Tax payables - due within one year		-	-	-
TOTAL	**(305)**	**(62)**	**(913)**	**(1.280)**
BALANCE	**(305)**	**4.910**	**6.355**	**10.960**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the Euro/CHF, Euro/GBP, Euro/YEN, Euro/RUB, Euro/USD, Euro/PLN and Euro/MXNN 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:

(in Euro thousands)	CHF	GBP	JPY	RUB	USD	PLN	MXN		Total
Depreciation of foreign currencies 10%	28	(50)	(30)	(2)	(467)	20	(170)		(671)
Appreciation of foreign currencies 10%	(35)	61	37	2	571	(24)	208		820

Commodity risk

The Group is subject to market risk deriving from fluctuations in commodity prices used in the production process. The raw materials purchased by the Group (including copper and aluminium) are affected by the trends of the principal markets. The Group regularly evaluates its exposure to the risk of change in the price of commodities and manages this risk principally through fixing the price of contracts with suppliers.
Based on this strategy, the Elica Group does not adopt any hedging through derivative financial instruments, as the Group implements a hedging policy based on quantities. In particular, as illustrated by Management, between the end and the beginning of the year, on the basis of the production budget for the year, the raw material orders are made establishing the delivery period and the price to be paid. Operating in this manner, the Group

covers the standard cost of the raw materials contained in the budget from possible increases in commodity prices, achieving the operating profit objective.

Interest rate risk

The management of the interest rate risk by the Elica Group is in line with the consolidated practices over time to reduce the volatility risk on the interest rates, while at the same time minimising the borrowing charges.

The Group's debt carries mainly a floating rate of interest. The Group is hedged against the interest rate risk through the utilisation of Interest Rate Swaps. The fair value at December 31, 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 the Elica Group to potential losses deriving from the non-compliance of obligations by trading partners. This risk derives in particular from economic-financial factors related to a potential solvency crisis of one or more counterparties.

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

At 31 December 2008, trade receivables, amounted to Euro 91.4 million and included approx. Euro 12.8 million relating to overdue receivables. 14.1% 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. 84% of existing receivables at 31 December 2008 are hedged by credit risk insurance.

Liquidity risk

The liquidity risk represents the risk related to the unavailability of financial resources necessary to meet short-term commitments assumed by the Group and its own financial needs.
The principal factors which determine the liquidity of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions. These factors are monitored constantly in order to guarantee a correct equilibrium of the financial resources.
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 December 31, 2008			
(in Euro thousands)	within 12 months	1-5 years	Over 5 years
Finance leases and other lenders	1,000	3,914	-
Bank loans and mortgages	40,324	3,251	1,426
Trade and other payables	104,090	1,225	-
Total	**145,414**	**8,390**	**1,426-**

Data at December 31, 2007			
	within 12 months	1-5 years	Over 5 years
Finance leases and other lenders	1,170	4,614	-
Bank loans and mortgages	6,206	4,627	2,078
Trade and other payables	125,647	4,016	-
Total	**133,023**	**13,257**	**2,078**

Management believes that at the present moment, the funds available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and repayment of debt in accordance with their maturities.

In particular, it is noted that the current portion of bank loans and mortgages include, as well as the funding for the operating activities of the Group, the loan for the acquisition of Gutmann.

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

Classification of the financial instruments

(in Euro thousands)	**31 Dec 08**	**31 Dec 07**
Other financial assets	30	31
Financial assets available-for-sale	191	26
Non-current assets	**221**	**57**
Derivative financial instruments	2,554	544
Cash and cash equivalents	14,968	21,948
Current assets	**17,522**	**22,492**
Finance leases and other lenders	3,914	4,614
Bank loans and mortgages	4,677	6,705
Non-current liabilities	**8,591**	**11,319**
Finance leases and other lenders	1,000	1,170
Bank loans and mortgages	40,324	6,206
Derivative financial instruments	2,556	422
Current liabilities	**43,880**	**7,798**

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

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

The Group is indirectly controlled by the Casoli Family through Fintrack S.p.A. of Fabriano.
Francesco Casoli, Chairman of Elica S.p.A., is the majority shareholder and Sole Director of Fintrack S.p.A., a holding company that does not carry out management and coordination activities in accordance with article 2497 and subsequent of the civil code. This conclusion derives from the fact that the majority shareholder does not carry out management activities within the company and, although exercising their voting rights at the shareholders' meeting, does not exercise any managerial directives or have any involvement in the production and financial programmes. The Company therefore carries out its operations through a totally autonomous and independent decision-making process.
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.

8.1 Remuneration of Directors, Statutory Auditors and Senior Management with strategic responsibility

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

Name	Office	Duration	Emol.	Non-monetary benefits	Bonus and other incentives	Others
Francesco Casoli	Chairman of the Board of Directors	Acc. app 2008	341	6		241
Andrea Sasso	Chief Executive Officer		111	5		570
Gianna Pieralisi	Executive director	Acc. app 2008	161			
Gennaro Pieralisi	Director	Acc. app 2008	23			
Fiorenzo Busso	Director	Acc. app 2008	11			
Giovanni Frezzotti	Director	Acc. app 2008	21			
Stefano Romiti	Director	Acc. app 2008	23			
Total			**691**	**11**	**-**	**811**

Name	Office	Duration	Emol.	Non-monetary benefits	Bonus and other incentives	Others
Corrado Mariotti	Chair. Board of Statutory Auditors (*)	Acc. app 2008	34			
Stefano Marasca	Statutory Auditor	Acc. app 2008	31			
Gilberto Casali	Statutory Auditor	Acc. app 2008	1			
Guido Cesarini	Alternate Auditor	Acc. app 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

The senior managers with strategic responsibilities in Elica S.p.A are the following: the Administration, Finance and Control Director, the Supply Chain Director, the B2B Commercial Director, the Industrial Operations Director, the Human Resource Director, the Marketing and Innovation Director, the Elicamex Director and the ICT and Business Integration Director.

The aggregated remuneration in 2008 amounted to Euro 1,601 thousand.

8.2 Share-based payments

Stock options granted to the members of the Board of Directors and senior managers with strategic responsibilities are listed below.

		Options assigned during the year			Options held at the end of the year		
Name	**Office held**	**Number of options**	**Average exercise price**	**Average expiry**	**Number of options**	**Average exercise price**	**Average expiry**
Andrea Sasso	Chief Executive Officer	62,333	Euro 5	31 Dec 11	62,333	Euro 5	31 Dec 11
Senior executives	Senior executives	91,878	Euro 5	31 Dec 11	91,878	Euro 5	31 Dec 11

8.3 Information on subsidiary companies

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.

Subsidiary companies – key data according to local accounting principles:

(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
Airforce.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 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)
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.

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:

Elica financial receivables from subsidiaries

(in Euro thousands)	**31.12.2008**	**31.12.2007**
FIME S.p.A.	14,102	13,739
Elica International S.à.r.l.	14,000	
ELICAMEX S.A. de C.V.	1,366	8,123
Elica Group Polska S.p.zo.o	5	4,540

Elica International S.à.r.l. financial receivables from subsidiaries

(in Euro thousands)	31.12.2008	31.12.2007
Elica Germany GmbH	12,000	-

Elica Finance Limited financial receivables from subsidiaries

(in Euro thousands)	31.12.2008	31.12.2007
Elica International S.à.r.l.	12,000	-

8.4 Information on associated companies

The table below shows the operating and financial amounts arising from transactions with associated companies for 2008. No separate indication of these positions was given in the financial statements as the amounts involved were limited.
All transactions were carried out in connection with regular business operations and on an arm's length basis.
The table below summarises key operating and financial data for associated companies, as derived from the companies' financial statements in accordance with Italian GAAP and local GAAP for foreign companies.

Associated companies

Summary data at 31 December 2008

(in Euro thousands)	Registered Office	% held	Share Capital	Net Equity	Net result
I.S.M. Srl	Cerreto d'Esi (AN)	49.385	10	2,146	315
Inox Market Mexico S.A. de C.V.	Queretaro (Mexico)	13.289	4,523	3,626	(255)

Summary data at 31 December 2007

(in Euro thousands)	Registered Office	% held	Share Capital	Net Equity	Net result
I.S.M. Srl	Cerreto d'Esi (AN)	49.385	10	1,844	313
Inox Market Mexico S.A. de C.V.	Queretaro (Mexico)	30.000	1,336	1,430	94

Elica financial receivables from associated companies

(in Euro thousands)	**31.12.2008**	**31.12.2007**
I.S.M. Srl	-	438

Commercial transactions with associated companies

(in Euro thousands)	**Payables**	**Receivables**	**Costs**	**Revenues**
I.S.M. Srl	4,188	533	15,721	10
Inox Market Mexico S.A. de C.V.	-	-	210	-
Total	**4,188**	**533**	**15,931**	**10**

8.5 Transactions with other related parties

In 2008, transactions with other related parties took place. All transactions were conducted on an arm's length basis in the ordinary course of business.

Commercial transactions

The table below shows the main operating and financial amounts arising from trading transactions with FASTNET S.p.A. (30% interest held by the parent company of Elica), with Roal Electronics S.p.A. (21.276% interest held by the parent company of Elica) and with Fintrack S.p.A. (company that indirectly controls the Parent Company, Elica S.p.A.).

Elica Group and FASTNET S.p.A.

(in Euro thousands)	31.12.2007	31.12.2008
Payables	353	51
Costs	728	14

Elica Group and Fintrack S.p.A.

(in Euro thousands)	31.12.2007	31.12.2008
Receivables	1,556	1,069
Revenues	56	-

Elica Group and Roal Electronics S.p.A.

(in Euro thousands)	31.12.2007	31.12.2008
Receivables	184	36
Payables	2,190	1,010
Revenues	852	49
Costs	3,011	4,181

The operating and financial balances arise from the trading transactions conducted to purchase goods and services on an arm's length basis.

The trading relationship with FASTNET S.p.A. forms part of a strategic partnership to develop projects and implement advanced technological solutions. These projects have accompanied and continue to accompany the growth of the business; from intranet solutions to extranet solutions, from wiring to wireless solutions, from software consultancy to hardware consultancy and from training to web marketing.
The transactions with Fintrack S.p.A. regard management and administrative/accounting services. It is noted that the receivable is related to the sale in 2007 of the shareholding in Roal Electronics S.p.A.
The transactions with Roal Electronics S.p.A. relate to the supply of electronic control systems for equipment.

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 thousands)
Audit	Deloitte & Touche S.p.A.	Elica S.p.A.	227
Audit	Deloitte & Touche S.p.A.	FIME S.p.A.	43
Audit	Deloitte & Touche S.p.A.	Airforce.S.p.A.	25
Audit	Deloitte & Touche S.p.A.	ELICAMEX S.A. de C.V.	19
Audit	Deloitte & Touche Sp.z o.o.	Elica Group Polska Sp.zo.o.	28
Audit	Deloitte & Touche S.p.A.	Elica International S.à.r.l.	8
Audit	Deloitte & Touche GmbH	Elica Germany GmbH	5
Audit	Deloitte & Touche GmbH	Exklusiv Hauben Gutmann GmbH	25
Other services	Deloitte Network	Elica S.p.A.	91
Total			471

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.

Fabriano, 30 March 2009

For the Board of Directors
The Chairman
Francesco Casoli

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

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

- the accuracy of the information on company operations and
- the effective application,

of the administrative and accounting procedures for the compilation of the Consolidated Financial Statements for 2008.

In addition, we declare that the Consolidated Financial Statements:

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

Fabriano, 30 March 2009

The Chief Executive Officer
Andrea Sasso

Executive responsible for the preparation
of corporate accounting documents
Vincenzo Maragliano