The Hi-Life Company

Elica Group

Consolidated Half-Year Report at 30 June 2008

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

Contents

Corporate Officers .... page 3
Directors' Report on first half 2008 .... page 4
Elica Group's structure and consolidation scopes .... page 7
Subsequent events and business outlook .... page 8

Condensed first half-year 2008 consolidated financial statements

Consolidated Income Statement .... page 9
Consolidated Balance Sheet .... page 10
Consolidated Cash Flow Statement .... page 11
Statement of changes in Consolidated Shareholders' Equity .... page 12
Notes to the condensed consolidated half-year financial statements .... page 13
Positions or transactions arising from exceptional and/or unusual operations .... page 29
Events after the year end.. page 29
Certification of the half-year report as per Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent modifications and integrations..Page 30

Corporate Officers

Members of the Board of Directors:

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

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

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

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

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

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

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

Members of the Board of Statutory Auditors

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

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

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

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

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

Internal control committee
Stefano Romiti
Gennaro Pieralisi
Marcello Celi

Remuneration Committee
Stefano Romiti
Gennaro Pieralisi
Marcello Celi

Independent Auditors
Deloitte & Touche S.p.A.

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Directors' Report on first half 2008

Financial and operating review

In Euro thousands	1H 08	revenue margin	1H 07 (*)	revenue margin	08 Vs 07 %
Revenues	206,466		215,261		(4.1%)
EBITDA from continuing operations	13,223	6.4%	20,383	9.5%	(35.1%)
EBIT from continuing operations	4,694	2.3%	12,221	5.7%	(61.6%)
Financial income/(costs)	1,027	0.5%	(851)	(0.4%)	(220.7%)
Income taxes	(177)	(0.1%)	(6,249)	(2.9%)	(97.2%)
Net profit from continuing operations	**5,544**	**2.7%**	**5,121**	**2.4%**	8.3%
Basic earnings per share on continuing operations (**)	9.22		7.85		17.4%
Diluted earnings per share on continuing operations (**)	9.22		7.85		17.4%

(*) with ACEM discontinued- - see "Significant events during the first half of 2008"
(**) The earnings per share for the first half of 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.

In Euro thousands	Q2 08	revenue margin	Q2 07 (*)	revenue margin	08 Vs 07 %
Revenues	104,807		105,935		(1.1%)
EBITDA from continuing operations	6,669	6.4%	10,041	9.5%	(33.6%)
EBIT from continuing operations	2,356	2.2%	5,587	5.3%	(57.8%)
Financial income/(costs)	883	0.8%	(435)	(0.4%)	(303.0%)
Income taxes	648	0.6%	(2,434)	(2.3%)	(126.6%)
Net profit from continuing operations	**3,887**	**3.7%**	**2,718**	**2.6%**	**43.0%**
Basic earnings per share on continuing operations (**)	6.49		4.17		55.8%
Diluted earnings per share on continuing operations (**)	6.49		4.17		55.8%

(*) with ACEM discontinued- see "Significant events during the first half of 2008"
(***) The earnings per share for Q II 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 plus amortisation and depreciation. EBIT is the operating profit as reported in the consolidated income statement.

In Euro thousands	30 June 08	31 Dec 07	30 June 07 (*)
Trade receivables	111,392	108,457	114,807
Inventories	65,995	56,408	66,299
Trade payables	(116,783)	(112,503)	(124,294)
Managerial Working Capital	**60,604**	**52,362**	**56,812**
as a % of annualised revenues	14.7%	12.3%	13.2%
Other receivables/payables	(5,503)	(5,719)	(9,997)
Net Working Capital	**55,101**	**46,643**	**46,815**
as a % of annualised revenues	13.3%	10.9%	10.9%

(*) with ACEM discontinued

For the periods ending 30 June 2008 and 30 June 2007, the Managerial Working Capital and Net Working Capital as a percentage of annualised revenue were calculated by dividing the figures for each period by the revenue of the corresponding period, multiplied by two.

In Euro thousands	**30 June 08**	**31 Dec 07**	**30 June 07 (*)**
Cash and cash equivalents	**18,364**	**21,948**	**27,382**
Finance leases and other lenders	(4,583)	(4,614)	(7,769)
Bank loans and mortgages	(5,292)	(6,705)	(7,282)
Long-term debt	**(9,875)**	**(11,319)**	**(15,051)**
Finance leases and other lenders	(563)	(1,170)	(3,001)
Bank loans and mortgages	(25,986)	(6,206)	(2,374)
Short-term debt	**(26,549)**	**(7,376)**	**(5,375)**
Net funds/(debt)	**(18,060)**	**3,253**	**6,956**

(*) with ACEM discontinued

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

Operating review first half 2008

During the first half of 2008, the Group's consolidated revenue contracted by 4.1% on the same period of the previous year. After excluding the impact of movements in the Euro against the other currencies in which the Group operates, the decrease in revenues was 3.4%.

Compared to the first half of 2007, in the period under review (at average monthly exchange rates published by the Italian Exchange Office), the Euro rose strongly against the US Dollar, the UK Sterling and the Mexican Peso, remained stable against the Japanese Yen and depreciated against the Polish Zloty. A comparison of exchange rates at 30 June 2008 and 2007 confirms these trends.

	First half 2008	**First half 2007**	**%**	**30 June 08**	**29 June 07**	**%**
USD	1.53	1.33	15.0%	1.58	1.35	17.0%
GBP	0.77	0.67	14.9%	0.79	0.67	17.9%
JPY	160.56	159.60	0.6%	166.44	166.63	-0.1%
PLN	3.49	3.84	-9.1%	3.35	3.77	-11.1%
MXN	16.25	14.56	11.6%	16.23	14.57	11.4%

Revenues declined in the range hood business unit. Group brand revenues however remained stable. In particular, Elica Collection revenues reported a growth of 24.3%. The motors business unit also reported growth, led by home appliance motors. Geographically (data in Euro at actual exchange rates), revenues declined in Europe and in the Rest of the World, while the Americas reported growth of 10.6%. In US Dollars, revenues in the Americas and the Rest of the World grew by 27.7% and 7.6% respectively.

Operating profits were impacted by the decrease in revenues, which did not permit an optimal absorption of overhead costs, by restructuring costs for the new manufacturing footprint and by exchange rate movements.

There was a significant improvement in financial and tax items. In fact, the Group realised exchange gains of Euro 1.7 million, while net interest expense was stable in spite of higher net debt due to the buy-back plan.

Earnings per share – EPS grew by 17.4% from Euro 0.0785 per share in the first half of 2007 to Euro 0.0922 per share in the first half of 2008.

Net Working Capital on annualised net revenues increased from 10.9% at 31 December 2007 to 13.3% at 30 June 2008; at 30 June 2007, the percentage on revenues was 10.9%. The increase in the first half of 2008 is due to the higher inventory consequent of the reorganisation of the manufacturing footprint.

Net Debt of Euro 18.1 million at 30 June 2008 compares to Net Funds of Euro 7.0 million at 30 June 2007 following the implementation of the share buy-back plan.

The Elica Group continues the actions set out in the 2008-2010 strategic plan:

- acceleration of the production outsourcing to Poland and Mexico (20% of volumes in the second quarter of 2008);
- acceleration of the purchasing process in the Low Cost Countries;
- implementation of the rationalisation of investments in non-core activities;
- the continual improvement of the financial structure.

Significant events during the first half of 2008

On 16 January 2008, Fime S.p.A., a wholly owned subsidiary of Elica S.p.A., divested its "ACEM" division, which produces transformers, as it was no longer considered of strategic importance for the businesses of Fime S.p.A. and the Elica Group. The transfer of the division, comprising plant, machinery, equipment, receivables, payables, termination benefits and goods for resale, took place via the spin-off of the division to a company called Acem S.r.l. and the subsequent transfer of the shares to third parties. Fime S.p.A. continues to own 10% of Acem S.r.l.. As part of the operation, the building in which the manufacturing activities are undertaken was sold. The Elica Group was therefore able to benefit by concentrating investment on its motors business, freeing up the necessary funds to finance investment in this area. The effects of the divestment were recorded in the present half-year report.

On 14 February 2008, Elica S.p.A.'s Board of Directors, following the resignation of the Director Alberto Geroli, elected Fiorenzo Busso to serve as a Director; his appointment was subsequently renewed by the Shareholders' AGM of 28 April 2008. The appointment was conducted pursuant to article 16.6 of the By-laws in force and article 2386 of the Civil Code, and in accordance with the criteria set out in art. 3.C.1 of the Corporate Governance Code and with Regulatory Instructions.

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

On the completion of the industrial restructuring, the present half-year report includes a further provision for restructuring of Euro 2 million, relating to personnel costs, scrap material, restoration and plant removal.

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

On 28 April 2008, the Shareholders' Meeting 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.

Elica Group structure and consolidation scope

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

Parent Company

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

Subsidiaries at the publication date of the Consolidated Half-Year Report

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

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

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

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

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

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

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

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

Associated companies

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

Changes in the consolidation scope

During the first half-year, the holding in the company Inox Market Mexico S.A. de C.V. reduced from 30% to 17.85%.

Elica Group Inter-company and other related-party transactions

During the first half of 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.

Subsequent events and business outlook

The Group continued the restructuring plan of its manufacturing base while Management continues its monitoring of demand and commodity prices.

Financial statements as at 30 June, 2008

Consolidated income statement first half 2008

In Euro thousands	Note	Q2 08 (1)	Q2 07 (1)	1H 08	1H 07
Revenues	1	104,807	107,984	206,466	219,189
Other operating revenues	2	2,362	1,697	3,490	2,618
Changes in inventories of finished and semi-finished goods		2,082	1,866	3,469	6,390
Increase in internal work capitalised		328	472	743	925
Raw materials and consumables		(57,696)	(55,026)	(112,167)	(114,953)
Services		(23,639)	(24,801)	(45,817)	(50,244)
Labour costs	3	(17,383)	(19,267)	(36,849)	(38,434)
Amortisation & depreciation		(4,313)	(4,581)	(8,529)	(8,402)
Other operating expenses and provisions		(2,128)	(2,732)	(4,048)	(4,779)
Restructuring charges	4	(2,064)	-	(2,064)	-
EBIT	**5**	**2,356**	**5,612**	**4,694**	**12,310**
Share of profit/(loss) from associates	6	14	(177)	(65)	(116)
Financial income	7	767	156	868	417
Financial charges	7	(781)	(323)	(1,450)	(938)
Foreign exchange gains/(losses)	7	883	(91)	1,674	(214)
Pre-tax profit		**3,239**	**5,177**	**5,721**	**11,459**
Income taxes	21	648	(2,449)	(177)	(6,304)
Net profit from continuing operations		**3.887**	**2,728**	**5,544**	**5,155**
Net profit/(loss) from discontinued operations	**18**	(296)	-	63	-
Net profit		**3,591**	**2,728**	**5,607**	**5,155**
of which:					
Minority interests share		142	80	227	149
Group net profit		3,449	2,648	5,380	5,006
Basic earnings per share					
From continuing and discontinued operations (Euro/cents)		5.90	4.18	9.07	7.91
From continuing operations (Euro/cents)		6.41	4.18	8.96	7.91
Diluted earnings per share					
From continuing and discontinued operations (Euro/cents)		5.90	4.18	9.07	7.91
From continuing operations (Euro/cents)		6.41	4.18	8.96	7.91

(1) Data not audited

Consolidated balance sheet at 30 June 2008

In Euro thousands	Note	30 June 08	31 Dec 07
Assets			
Property, plant & equipment	**8**	76,315	78,091
Goodwill		29,798	29,798
Other intangible assets	**9**	6,849	5,515
Investments in associated companies	**10**	1,898	2,363
Other financial assets		35	31
Other receivables	**21**	41	1,318
Tax receivables		9	9
Deferred tax assets		6,429	6,607
Available-for-sale financial assets	**10**	793	26
Total non-current assets		**122,167**	**123,758**
Trade receivables and loans	**11**	111,392	108,457
Inventories	**12**	65,995	56,408
Other receivables		7,008	6,141
Tax receivables		6,045	5,249
Derivative financial instruments	**13**	1,255	544
Cash and cash equivalents	**19**	18,364	21,948
Current assets		**210,059**	**198,747**
Assets of discontinued operations	**18**	**-**	**3,258**
Total assets		**332,226**	**325,763**
Liabilities			
Liabilities for post-employment benefits	**14**	11,926	12,349
Provisions for risks and charges	**15**	4,427	3,322
Deferred tax liabilities		5,388	9,381
Finance leases and other lenders	**19**	4,583	4,614
Bank loans and mortgages	**19**	5,292	6,705
Other payables	**21**	1,102	4,016
Tax payables	**21**	1,420	4,004
Derivative financial instruments		-	-
Non-current liabilities		**34,138**	**44,391**
Provisions for risks and charges	**15**	664	612
Finance leases and other lenders	**19**	563	1,170
Bank loans and mortgages	**19**	25,986	6,206
Trade payables	**16**	116,783	112,503
Other payables		15,097	13,144
Tax payables		2,795	3,353
Derivative financial instruments	**13**	815	422
Current liabilities		**162,703**	**137,410**
Liabilities of discontinued operations	**18**	**-**	**1,905**
Share capital		12,665	12,665
Capital reserves		71,123	71,123
Hedging, translation & stock option reserve		(623)	(803)
Treasury shares		(16,315)	(6,671)
Retained earnings		61,879	55,341
Group profit for the period		5,380	9,252
Group shareholders' equity		**134,109**	**140,907**
Capital and reserves of minority interests		1,049	823
Minority interest profit for the period		227	327
Minority interest equity		**1,276**	**1,150**
Consolidated shareholders' equity	**17**	**135,385**	**142,057**
Total liabilities and equity		**332,226**	**325,763**

Consolidated cash flow statement at 30 June 2008

In Euro thousands	Note	30 June 08	30 June 07
Cash and cash equivalents at beginning of period		**21,948**	**29,334**
EBIT		4,694	12,310
Amortisation, depreciation and write-downs		8,529	8,402
EBITDA		13,223	20,712
Changes in Working Capital		(6,846)	3,307
trade working capital		(7,932)	3,354
other working capital accounts		1,086	(47)
Income tax paid		(4,937)	(6,116)
Change in provisions		397	287
Other changes		(2,504)	172
operating activity changes with derivatives		1,395	
gains from earthquake payable write-offs		(4,083)	
other		184	
Cash flow from operating activity		**(667)**	**18,362**
Net increases		(8,293)	(7,479)
Intangible assets		(2,512)	(1,870)
Property, plant & equipment		(5,576)	(9,008)
Investments and other financial assets		(205)	3,399
Divestment of business unit	**18**	944	0
Cash flow from investments		**(7,349)**	**(7,479)**
Acquisition of treasury shares		(9,644)	0
Dividends		(2,817)	(2,534)
Increase (decrease) financial payables		17,729	(9,782)
Net changes in other financial assets/liabilities		79	216
Interest paid		(876)	(735)
Change flow from financing activity		**4,471**	**(12,835)**
Change in cash and cash equivalents		**(3,545)**	**(1,952)**
Effect of the changes in foreign exchange rates		**(39)**	**(194)**
Cash and cash equivalents at end of period		**18,364**	**27,382**

Statement of changes in Consolidated Shareholders' Equity *In Euro thousands*	**Share capital**	**Share premium reserve**	**Acquisition of treasury shares**	**Retained earnings**	**Hedging, translation & stock option reserves**	**Result for the period**	**Total Group NE**	**Total Minority 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)**
Transfers to the IS of hedging derivatives, net of tax effect									
Net profit for the year						9,252	**9,252**	327	**9,579**
Total gains recognised in the income statement	-	-		-	-	9,252	**9,252**	327	**9,579**
Acquisition of treasury shares			(6,671)				**(6,671)**		**(6,671)**
Allocation of the net profit				8,328		(8,328)	**-**		**-**
Other movements				(270)			**(270)**	334	**64**
Dividends				(2,533)			**(2,533)**		**(2,533)**
Balance at 31 December 2007	**12,665**	**71,123**	**(6,671)**	**55,341**	**(803)**	**9,252**	**140,907**	**1,150**	**142,057**
Change in cash flow hedges net of the tax effect					10		**10**		**10**
Recognition of stock options							**-**		**-**
Differences arising from translation of foreign subsidiaries' financial statements					170		**170**		**170**
Total gains recognised directly to equity in the period	-	-	-	-	180	-	**180**	**-**	**180**
Transfer to the IS of hedging derivatives, net of tax effect									
Net profit for the period						5,380	**5,380**	227	**5,607**
Total gains recognised in the income statement	-	-		-	-	5,380	**5,380**	227	**5,607**
Acquisition of treasury shares			(9,644)				**(9,644)**		**(9,644)**
Allocation of the net profit				9,252		(9,252)	**-**		**-**
Other movements				103			**103**	(101)	**2**
Dividends				(2,817)			**(2,817)**		**(2,817)**
Balance at 30 June 2008	**12,665**	**71,123**	**(16,315)**	**61,879**	**(623)**	**5,380**	**134,109**	**1,276**	**135,385**

Notes to the condensed consolidated half-year financial statements at 30 June 2008

Group structure and brief description of its activities

Elica S.p.A. is a company incorporated under Italian law based in Fabriano (AN - Italy). The company is the Parent of a group of companies, the Elica Group, which operates in the kitchen range hoods market, as well as in the electric motors market.

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

The secondary segments are represented by the geographical areas where revenues are generated (the Americas, Europe + CIS and Other countries) and where the above activities are carried out (Italy, Poland, Mexico and Japan).
Segment information in accordance with IAS 14 is reported in detail below.

The Euro is the functional and reporting currency for Elica S.p.A and all consolidated companies, except for such foreign subsidiaries as Elica Group Polska Sp.z.o.o, ElicaMex S.A.d.C.V., Leonardo S.A.d.C.V. and Ariafina Co Ltd., which prepare their accounts in Polish Zloty, Mexican Pesos and Japanese Yen, respectively.

Approval of the Half-Year Report at 30 June 2008

The half-year report for the period ended 30 June 2008 was approved by the Board of Directors on 25 August 2008.

Accounting principles and consolidation scope

The present consolidated half-year financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and with the provisions of Consob Regulation No. 11971 of 14 May 1999 as amended by Consob Resolution No. 14990 of 14 April 2005.
The annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union through Regulation No. 1606/2002.
The consolidated half-year financial statements as at 30 June 2008 are compared with the income statement for the corresponding period of 2007 and with the consolidated balance sheet at 31 December 2007. They consist of the Balance Sheet, Income Statement, Cash Flow Statement and the Statement of changes in Consolidated Shareholders' Equity.
The accounting principles used in the preparation of these consolidated half-year financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended December 31, 2007, to which reference should be made. The data at 31 December 2007 are derived from the consolidated balance sheet and income statement for the year ended 31 December 2007, as prepared in accordance with the same IFRS used to prepare the consolidated half-year financial statements as at 30 June 2008.
The half-year report has been prepared on a historical cost basis, except for some financial instruments which are reported 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.

Change of accounting principles, change of estimates and reclassifications

No new or revised accounting standards or interpretations have been issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC), having effect from 1 January 2008, which might have had a significant impact on this present report. The present consolidated financial statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

The effects on the financial position and results of operations deriving from the sale of assets, relating to the "ACEM" division (whose balances at 31 December 2007 were classified in the Balance Sheet under the items "Assets of discontinued operations" and "Liabilities of discontinued operations") are shown separately in the income statement under the item "Net profit from discontinued operations".

1. Revenues

Details of the Group's revenue are as follows:

In Euro thousands	**1H 08**	**1H 07**	**Change**
Revenues from product sales	206,404	219,065	(12,661)
Service revenues	62	124	(62)
Total revenues	**206,466**	**219,189**	**(12,723)**

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

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.

The following tables contain segment information by business segment as defined above:

Segment information – Primary segment for the first half of 2008 and 2007
Income statement *(in thousands of Euro)*

INCOME STATEMENT	Own brands		Third-party brands		Electric motors		Other activities		Corporate		Eliminations		Consolidated	
	1H 08	1H 07	1H 08	1H 07	1H 08	1H 07	1H 08	1H 07	1H 08	1H 07	1H 08	1H 07	1H 08	1H 07
Segment revenue:														
customers	44,234	43,880	126,611	136,932	35,622	34,449	0	3,928					206,466	219,189
Inter-segment	1	0	361	592	13,906	15,232	0	20			(14,268)	(15,844)	0	0
Total revenues	**44,235**	**43,880**	**126,971**	**137,524**	**49,528**	**49,682**	**0**	**3,948**			**(14,268)**	**(15,844)**	**206,466**	**219,189**
Segment result:	8,851	9,138	18,299	23,268	4,967	6,166	0	436					32,117	39,008
Overheads not allocated													**(27,425)**	**(26,698)**
EBIT													**4,693**	**12,310**
Share of profit/(loss) from associates													(65)	(116)
Impairment of available-for-sale financial assets														0
Financial income													868	417
Financial charges													(1,450)	(938)
Foreign exchange gains/(losses)													1,674	(214)
Other non-operating income													0	0
Pre-tax profit													**5,720**	**11,459**
Income taxes													(177)	(6,304)
Net profit from continuing operations													**5,543**	**5,155**
Net profit from discontinued operations													63	0
Net profit for the period													**5,606**	**5,155**

Segment information – Primary segment as at 30 June 2008 and 30 June 2007
Balance sheet *(in thousands of Euro)*

BALANCE SHEET	Own brands		Third-party brands		Electric motors		Other activities		Corporate		Eliminations		Consolidated	
	June 08	June 07	June 08	June 07	June 08	June 07	June 08	June 07	June 08	June 07	June 08	June 07	June 08	June 07
Assets:														
Segment assets	36,771	34,189	143,251	135,724	78,769	79,449	0	3,569			(5,168)	(13,161)	253,622	239,769
Investments in associates									1,898	1,983			1,898	1,983
Unallocated assets									76,706	111,296			76,706	111,296
Total operational assets													**332,226**	**353,048**
Total assets from discontinued/to be discontinued operations													**0**	**0**
Total assets													**332,226**	**353,048**
Liabilities														
Segment liabilities	(24,005)	(22,087)	(82,222)	(92,242)	(27,650)	(33,190)	0	(2,344)			5,168	13,161	(128,709)	(136,702)
Unallocated liabilities									(68,133)	(71,331)			(68,133)	(71,331)
Shareholders' equity									(135,384)	(145,015)			(135,384)	(145,015)
Total operational liabilities													**(332,226)**	**(353,048)**
Total liabilities from discontinued/to be discontinued operations													**0**	**0**
Total liabilities													**(332,226)**	**(353,048)**

Segment information – Secondary segment for the first half year ended 30 June 2008 and 30 June 2007

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

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

Revenues by geographic area	The Americas	Europe + CIS	Other countries	Consolidated
Q2 2008	20,346	172,418	13,702	**206,466**
Q2 2007	18,505	185,942	14,742	**219,189**

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

Total Assets	The Americas	Europe + CIS	Other countries	Consolidated
30 June 2008	35,933	293,757	2,535	**332,226**
30 June 2007	25,199	325,302	2,548	**353,048**

During the first half of 2008, revenues declined in the range hood business unit. Group brand revenues however remained stable. The motors business unit also reported growth, led by home appliance motors. There were no revenues from "Other activities" following the divestment of the "ACEM" division.
Geographically, revenues declined in Europe and in the Rest of the World, while the Americas reported growth of 10%.

2. Other operating revenues

In Euro thousands	1H 08	1H 07	Change
Rental income	-	47	(47)
Ordinary gains on disposal	284	911	(627)
Claims and insurance payouts	56	286	(230)
Expenses recovered	465	479	(14)
Earthquake Suspension 1997	1,543	-	1,543
Other contingencies	478	-	478
Operating grants	7	80	(73)
Equipment sales	-	526	(526)
Other revenues and income	657	289	368
Total other operating revenues	**3,490**	**2,618**	**872**

The change in the account is principally due to the write-off of the payables in suspension relating to the earthquake of 1997 as described in the paragraph "Significant non-recurring events and operations".

3. Labour costs

Labour costs incurred by the Group were as follows:

In Euro thousands	Q2 08	Q207	Change
Salaries and wages	27,433	26,623	810
Social charges	6,316	8,274	(1,958)
Employee leaving indemnity	1,571	1,131	440
Other costs	1,529	2,406	(877)
Total labour costs	**36,849**	**38,434**	**(1,585)**

The decrease of 4.1% is principally due to the write-off of the payables in suspension relating to the earthquake of 1997, amounting to Euro 2,434 thousand, as described in the paragraph "Significant non-recurring events and operations".

4. Restructuring charges

The balance in the account of Euro 2,064 thousand relates to restructuring charges described in the paragraph "Significant events in the first half of 2008 and subsequent events after 30 June 2008".

5. EBIT

In Euro thousands	1H 08	% of total	Q2 07	% of total	CHANGE
Revenues	206,466	100%	219,189	100%	(12,723)
Other operating revenues	3,490	2%	2,618	1%	872
Changes in inventories of finished and semi-finished goods	3,469	2%	6,390	3%	(2,921)
Increase in internal work capitalised	743	0%	925	0%	(182)
Raw materials and consumables	(112,167)	-54%	(114,953)	-52%	2,786
Services	(45,817)	-22%	(50,244)	-23%	4,427
Labour costs	(36,849)	-18%	(38,434)	-18%	1,585
Amortisation & depreciation	(8,529)	-4%	(8,402)	-4%	(127)
Other operating expenses and provisions	(4,048)	-2%	(4,779)	-2%	731
Restructuring charges	(2,064)	-1%	-	0%	(2,064)
EBIT	**4,694**	**2%**	**12,310**	6%	**(7,616)**

Operating profits were impacted by the decrease in revenues, which did not permit an optimal absorption of overhead costs, by restructuring costs for the new manufacturing footprint and by exchange rate movements.

6. Share of profit/(loss) from associates

The amounts recorded under this account relate to the equity method of accounting for investments in associated companies.

In Euro thousands	1H 08	1H 07	Change
Airforce S.p.A.	-	24	(24)
Fox I.f.s.	-	26	(26)
Ism S.r.l.	(65)	89	(154)
Immobiliare Camino S.r.l.	-	(25)	25
Roal Electronics S.p.A.	-	(230)	230
Total share of profit/(loss) from associates	**(65)**	**(116)**	**51**

7. Net Financial charges

In Euro thousands	1H 08	1H 07	Change
Financial income	868	417	451
Financial charges	(1,450)	(938)	(512)
Foreign exchange gains/(losses)	1,674	(214)	1,888
Total net financial charges	**1,092**	**(735)**	**1,827**

The change compared to the previous half year is due to the strong improvement in exchange gains and losses. Financial income includes Euro 631 thousand relating to the discounting of residual earthquake payables (see the paragraph "Significant non-recurring events and operations"). Financial charges increased following the higher net debt after the share buy-back programme.

8. Property, plant & equipment

The changes in property, plant and equipment in the first half-year are illustrated below.

In Euro thousands	30 June 08	31 Dec 07	Change
Land and buildings	36,727	37,465	(738)
Plant and machinery	20,309	21,780	(1,471)
Commercial and industrial equipment	11,776	13,730	(1,954)
Other assets	1,488	1,856	(368)
Assets in progress and payments on account	6,015	3,260	2,755
Total tangible fixed assets	**76,315**	**78,091**	**(1,776)**

Property, plant and equipment decreased from Euro 78,091 thousand at 31 December 2007 to Euro 76,315 thousand at 30 June 2008, a decrease of Euro 1,776 thousand resulting from the difference between the sales and purchases (principally for the capital expenditures on the Polish factory) and depreciation for the period of Euro 7,352 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.

Property, plant and equipment include assets obtained under finance lease agreements.

9. Other intangible assets

The table below shows the changes in other intangible assets in the first half of 2008 and 2007.

In Euro thousands	**30 June 08**	**31 Dec 07**	**Change**
Development Costs	1,595	1,805	(210)
Industrial patents and intellectual property rights	2,424	1,734	690
Concessions, licenses, trade marks & similar rights	194	121	73
Assets in progress and payments on account	1,910	1,359	551
Other intangible assets	726	496	230
Total other intangible fixed assets	**6,849**	**5,515**	**1,334**

Other intangible assets increased from Euro 5,515 thousand at 31 December 2007 to Euro 6,849 thousand at 30 June 2008, an increase of Euro 1,334 thousand resulting from the difference between purchases and sales and the amortisation in the period of Euro 1,178 thousand.

10. Investments in associated companies and available-for-sale financial assets

During the first half of 2008, a share capital increase was issued by Inox Market Mexico S.A. de C.V of Euro 200 thousand and the shareholding in the company decreased from 30% to 17.85%, with a consequent reclassification of the value at 30 June 2008 of Euro 601 thousand, from the account "Investments in associated companies" to the account "available-for-sale financial assets".

11. Trade receivables and loans

The account trade receivables and loans at the end of period is composed of:

In Euro thousands	**30 June 08**	**31 Dec 07**	**Change**
Trade receivables	108,645	105,702	2,943
Receivables from associated companies	1,203	1,199	4
Receivables from holding companies	1,544	1,556	(12)
Total trade receivables and loans	**111,392**	**108,457**	**2,935**

Trade receivables increased by 2.7%, amounting to Euro 2,935 thousand.

This account does not include any receivables due after more than five years at the period end. Receivables are recorded net of provisions of Euro 1,484 thousand (Euro 1,359 thousand at 31 December 2007) and 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 primary international insurance companies.

12. Inventories

In Euro thousands	30 June 08	31 Dec 07	Change
Raw material, ancillary and consumables	33,529	26,857	6,672
Raw materials obsolescence provision	(1,305)	(986)	(319)
Total	32,224	25,871	6,353
Work-in-progress and semi-finished products	20,508	18,650	1,858
Work-in –progress obsolescence	(878)	(523)	(355)
Total	19,630	18,127	1,503
Finished products and goods for resale	15,277	13,170	2,107
Finished products obsolescence provision	(1,136)	(760)	(376)
Total	14,141	12,410	1,731
Total inventories	**65,995**	**56,408**	**9,587**

The account increased by 16.9% (Euro 9,587 thousand) principally attributable to the reorganisation of the manufacturing footprint.
Inventories are stated net of obsolescence provisions of approximately Euro 3,319 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.

13. Derivative financial instruments

The account increased by Euro 711 thousand in relation to assets and Euro 393 under liabilities, following the increased foreign exchange hedging activities.

14. Liabilities for post-employment benefits

The Elica Group reports obligations of Euro 11,926 thousand, reflecting the present value of its retirement benefit obligations accruing at the period-end in favour of employees of the Group's Italian companies and representing employee leaving indemnities at the end of the period.
The most recent actuarial calculations of the present value of the provision were performed at 31 December 2007 with a projection of the expected cost at 31 December 2008.
The changes for the period regarding the present value of retirement benefit obligations were as follows:

In Euro thousands	30 June 08
Opening balance	**12,349**
Costs relating to current employee services	1,570
Net actuarial losses recognised in the year	1
Financial charges	337
Benefits issued/pension fund	(2,331)
Total liabilities for post-employment benefits	**11,926**

The movement in the above table does not include the provision relating to the "ACEM" business unit classified in the previous year in the account "Liabilities related to discontinued operations". To evaluate the impact of the disposal of this business unit, updated actuarial calculations were made at the disposal date; the negative impact of this operation, amounting to Euro -178 thousand, was classified in the income statement account "Net result from discontinued operations" as described in paragraph 21.

15. Provisions for risks and charges

The breakdown of the account are shown below:

(in Euro thousands)	**30.06.2008**	**31.12.2007**	**Change**
Supplementary agent termination benefits	1,080	1,484	(404)
Directors' termination benefits	108	108	0
Restructuring provisions	2,000	700	1,300
Provisions for risks	854	1,030	(176)
Product warranty provisions	1,049	612	437
Total	**5,091**	**3,934**	**1,157**
of which			
Non-current	4,427	3,322	1,105
Current	664	612	52
Total	**5,091**	**3,934**	**1,157**

The change in the restructuring provision relates to the accrual of Euro 2 million against charges to be incurred for the industrial restructuring as described in the paragraph "Significant events in the first half of 2008" of the Directors' Report on operations.

16. Trade payables

In Euro thousands	**30 June 08**	**31 Dec 07**	**Change**
Trade payables	112,230	108,249	3,981
Associated companies	4,553	4,254	299
Total trade payables	**116,783**	**112,503**	**4,280**

Trade payables principally include payables for trade purchases and other types of costs. Management believes that the book value of trade payables and other payables reflects their fair value.
Payables to associated companies are of a commercial nature. The transactions are at market conditions.

17. Shareholders' Equity

On 28 April 2008, the Shareholders' Meeting 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% and Euro 2,817 thousand (Euro 2,533 thousand at 30 June 2007). 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.
During the half-year, 3,702,701 treasury shares were also purchased for a total value of Euro 16,315 thousand. The total number of shares purchased to date amounts to 5,637,002 or 8.9% of the share capital.

18. Operations to be discontinued

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 as at 31 December 2007 and reported in a single line item under assets and liabilities respectively and in an income statement account 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 economic effect of this operation was Euro 63 thousand and was classified in the income statement account "Net result from discontinued operations", as shown in the following table.

in Euro thousands	
Investment in ACEM	162
Total sales price	2,067
Total value of the "ACEM" division	2,229
Book value of the ACEM division at the moment of sale	1,467
Gain	762
ACEM division costs in the period	(618)
	144
Income taxes	(81)
Net profit	63

The effect on the cash flow was Euro 945 thousand.

19. Net Debt

The breakdown of the Net debt/Funds at 30 June 2008 and at 31 December 2007 is shown below.

In Euro thousands	**30 June 08**	**31 Dec 07**
Cash and cash equivalents	**18,364**	**21,948**
Finance leases and other lenders	(4,583)	(4,614)
Bank loans and mortgages	(5,292)	(6,705)
Long-term debt	**(9,875)**	**(11,319)**
Finance leases and other lenders	(563)	(1,170)
Bank loans and mortgages	(25,986)	(6,206)
Short-term debt	**(26,549)**	**(7,376)**
Net funds/(debt)	**(18,060)**	**3,253**

The Net Debt is principally attributable to the implementation of the share buy-back programme.

The breakdown of financial payables is shown below.

In Euro thousands	currency	30 June 08	31 Dec 07	Change
Short-term bank loans	Euro	10,913	6,705	4,208
Short-term bank loans	USD	12,968	0	12,968
Short-term bank loans	PLN	2,105	0	2,105
Medium/long term loans	EUR	5,292	6,206	(914)
Finance leases	EUR	5,146	5,784	(638)
Total		**36,424**	**18,695**	**17,729**

20. Related parties transactions and balances

The transactions between the company and its subsidiaries were eliminated in the consolidated financial statements and are not shown in these notes.
The transactions with related parties were made in accordance with the provisions of current law, based on reciprocal economic convenience.
The transactions and balances in the first half of 2008 with related parties, disclosed in accordance with the provisions of international accounting standard IAS 24, are shown below.

Elica Group and Fastnet S.p.A.

(in Euro thousands)	30 June 08	31.12.2007
Trade payables	75	353
Costs from trading transactions	72	538
Purchases of property, plant and equipment	250	190

Elica Group vs Fintrack S.p.A.

(in Euro thousands)	30 June 08	31.12.2007
Receivables	1,544	1,556
Revenues from trading transactions	44	56
Other receivables		

The receivable from Fintrack SpA refers to the instalment payments relating to the sale of the investment Roal Electronics SpA on 25 June 2007.

21. Significant non-recurring events and operations

A summary of the non-recurring significant operations during the period and with impact, net of the tax effect, on the Net Equity and Net Result are shown below.

In Euro thousands	Shareholders' Equity		Net profit for the period	
		%		%
Book values	135,385		5,607	
a) Gains from 1997 earthquake suspension payables write-offs	3,235		3,235	
b) Restructuring charges	(1,414)		(1,414)	
Total effect	1,821	1%	1,821	32%
c) Gain from payable of substitute tax	2,590	2%	2,590	46%
Gross notional book value	130,974		1,196	

a) Law 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 631 thousand. This operation had the following effect:
- in the balance sheet - Euro 2,994 thousand in the account "Tax payables", Euro 2,916 thousand in the account "Other payables" and Euro 1,196 thousand in the account "Other receivables".
- in the income statement - Euro 2,434 thousand in the account "Labour costs", Euro 1,543 thousand in the account "Other revenues", Euro 107 thousand in the account "Service costs" and Euro 631 thousand in the account "Financial Income".

b) In relation to the restructuring charges, reference should be made to the paragraph "Significant events in the first half of 2008 and subsequent events after the end of the half year".

c) The amounts shown in the table illustrates the benefits 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.

The above-mentioned non-recurring events had no effect on the Group financial situation.

22. 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 30 June 2008 for contingent risks and charges relating to legal disputes amounts to Euro 854 thousand.
Management believes that the provision for risks in order to cover possible liabilities from pending or potential disputes is, on the whole, adequate.

b) Guarantees and commitments

In 2006, a surety of Euro 2,500 thousand and Zloty 14,000 thousand to Bank Polska Kasa Opieki SA in favour of its subsidiary, Elica Polska Sp.z.o.o was discharged. In addition, it issued a surety of USD 6,500 thousand to IntesaSanPaolo, under a line of credit obtained from this bank by ElicaMex S.A.d.C.V. .

Elica S.p.A. has provided a surety to BPU Esaleasing S.p.A. for a finance lease relating to Pani S.p.A. (company supplier) expiring in 2010 which, at the date of the merger by incorporation of Turbo Air (with merger deed of 22 June 2007), had a residual value of 802 thousand.

On 10 December 2007, FAN S.A., parent company of Elica S.p.A., and Whirpool Corporation signed a shareholder agreement which provides for an option agreement on Shares between Elica SpA and Whirlpool Europe S.r.l. where this latter acquired the right to purchase Elica S.p.A. shares up to 10% of the share capital of Elica SpA from the buy-back programme as described in the paragraph "Disclosures pursuant to article 123 of the consolidated Finance Act".

As the option is composed of various elements difficult to determine and to date not exercised, the option was not recorded at fair value.

23. Risk management policy

Introduction

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

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

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

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

The process for the management of the financial risks is structured on the basis of consolidated practices and a results reporting system.
The risks to which the Elica Group is exposed are illustrated below.

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.

Foreign currency risks

The Group's operating currency is the Euro. However, the Group's companies trade also in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Polish Zloty (PLN), Mexican Pesos (MXN), Brazilian Real (BRL), Norwegian Kroner (NOK) and Australian Dollars (AUD). In all of these currencies, except for Mexican Pesos, the Elica Group has higher revenues than costs; therefore changes in the exchange rates between the Euro and these currencies impact the Group results as follows:

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

The amount of the exchange risk, defined in advance by management of the Group on the basis of the budget for the period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections.
The hedge is made through agreements with third party financiers of forward contracts for the purchase and sale of foreign currency. As previously described, these operations are undertaken without any speculative or trading purpose, in line with the strategic policies of a prudent management of the treasury cash flows.

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

Commodities risk

The Group is subject to market risk deriving from fluctuations in commodity prices used in the production process. The materials purchased by the Group are among those with the greatest instability in prices, being strictly related to the trend of the principal markets. The Group regularly evaluates its exposure to the risk of change in the price of commodities and manages this risk principally through fixing the price of contracts with suppliers.
Based on this strategy, the Elica Group does not adopt any hedging through derivative financial instruments, as the Company implements a hedging policy based on quantities. In particular, as illustrated by Management, between the end and the beginning of the year, on the basis of the production budget for the year, the raw material orders are made establishing the delivery period and the price to be paid. Operating in this manner, the Group covers the standard cost of the raw materials contained in the budget from possible increases in commodity prices, achieving the operating profit objective.

Interest rate risk

The management of the interest rate risk by the Elica Group is in line with the consolidated practices over time to reduce the volatility risk on the interest rates, while at the same time minimising the borrowing charges.
The Group's debt carries mainly a floating rate of interest. The Group is hedged against the interest rate risk through the utilisation of interest rate swaps (IRS). Based on economic considerations, the use of IFRS for hedging purposes is usually limited to a marginal part of debt.

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.
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.

Liquidity risk

The liquidity risk represents the risk related to the unavailability of financial resources necessary to meet short-term commitments assumed by the Group and its own financial needs.
The principal factors which determine the liquidity of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions. These factors are monitored constantly in order to guarantee a correct equilibrium of the financial resources.
For details on the net financial position, reference should be made to the Directors' Report

Positions or transactions arising from exceptional and/or unusual transactions

During the first half of 2008, there were no operations classified in this category.

Events after the year end

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

Fabriano, 25 August 2008

The Chairman of the Board of Directors

(Francesco Casoli)

Certification of the Half-Year Report 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 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 financial statements during the first half-year of 2008.

In addition, they declare that the abbreviated consolidated half-year financial statements:
- correspond to the underlying accounting documents and records;
- were prepared in accordance with the international accounting standards recognised by the European Union under EU Regulation No. 1606/2002 of the European Parliament and Commission of 19 July 2002 and provide a true and fair representation of the balance sheet, financial position and results of the issuer and of the companies included in the consolidation.

The Interim report on operations includes the significant events in the first six months of the year and their impact on the abbreviated consolidated half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. They also contain information on transactions with related parties.

25 August 2008

The Chief Executive Officer
Andrea Sasso

Executive responsible for the preparation
of corporate accounting documents
Vincenzo Maragliano