Consolidated quarterly report for the period ended 30 September 2006

Elica S.p.A.
Registered office: Via Dante, 288 – 60044 Fabriano (AN)
Share Capital: Euro 10,164,560.00
Tax Number and Register of Companies Number: 00096570429
Registered with Ancona REA no 63006 – VAT Number 00096570429

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Governance bodies

Members of the board of directors:

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

Marchetti Massimo
Chief Executive Officer, born in Verdello (BG) on 17/04/1951, appointed by resolution dated 12/04/2006.

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

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

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

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

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

Members of the Board of Statutory Auditors

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

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

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

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

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

Internal Control Committee
Stefano Romiti
Gennaro Pieralisi
Enrico Palandri

Remuneration Committee
Stefano Romiti
Gennaro Pieralisi
Enrico Palandri

Independent Auditors
Deloitte & Touche S.p.A.

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

Investor relations
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Report on operations

Accounting Standards

This quarterly report has been prepared in keeping with the provisions of article 82 of the Regulations for Issuers no. 11971 dated 14 May 1999, as amended, in accordance with IAS 34 – Interim Financial Reporting. The figures at 30 September 2005 have been restated in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission.

Macroeconomic indicators

Also in the third quarter of 2006 the Euro area showed a positive performance, with widely varying results within the different countries. Germany displayed the main weakness areas, even though its output grew substantially thanks to capital and durable goods, more than to the stabilization of domestic consumer spending. GDP in France rose by more than 2%. In Italy, GDP is expected to increase by 1.7%, with a positive outlook for output and investment. On the other hand, none of the structural reforms necessary to ensure the stability of the current recovery have been implemented.

In the United States, the slowdown signalled by the economic indicators has not materialized in view of an expected GDP growth rate of 3.4%, increasing consumer confidence and the positive performance of consumer spending thanks to favourable labour market conditions.

The Asian countries grew at a fast pace, thanks to high domestic demand in the main countries, especially China and Japan.

Currency markets

Compared to the third quarter of 2005, during the third quarter of 2006 (average exchange rates published by the Italian Exchange Office) the euro rose, on average, by 4.5% against the US dollar, by 1.6% against the Polish zloty, was mainly unchanged vis-à-vis the pound sterling and gained 9.2% against the Japanese yen. During the first nine months of the current year, the euro lost 1.5% against the US dollar, 3.6% against the Polish Zloty, was mostly unchanged compared to the pound sterling and rose by 6% against the Japanese yen.

Initial Public Offering

On 12 April 2006, the Ordinary and Special General Meeting of Shareholders approved the application for admission to trading of the Company's ordinary shares on the Mercato Telematico Azionario MTA – STAR Segment, the screen-based market organized and managed by Borsa Italiana S.p.A.. Moreover, the Meeting approved a 5-for-1 share split. Following this split, the share capital consists of 50,822,800 ordinary shares with a par value of €0.20 each, representing a total of €10,564,560. Subsequently, 12,500,000 shares were issued and sold to the general public, as well as to Italian and foreign professional and institutional investors under the Global Offering.

On 23 October 2006 the shares of Elica S.p.A. were admitted to trading on the Mercato Telematico Azionario (MTA), STAR segment, organized and managed by Borsa Italiana S.p.A.. The float consists of 22,479,594 shares, representing 35.5% of the share capital, before the greenshoe which, at the time of writing, has not yet been exercised.

On 10 November 2006 the shares were offered for sale at €5.0 each. During the first trading day, the price reached €5.65, an increase of 13.14% on the opening price. The trading volume involved 10,700,000 shares, slightly less than half the 22,500,000 shares placed on the market. Based on the closing price for the first trading day, the market capitalization is €358,217,080.

Summary operating, financial and cash flow data

	Q3 2005	Q3 2006	Growth 2006/2005	9M 2005	9M 2006	Growth 2006/2005
Revenue	**85,784**	**95,215**	**11.0%**	**259,933**	**297,189**	**14.3%**
EBITDA before non-recurring items	**10,532**	**11,734**	**11.4%**	**30,109**	**35,353**	**17.4%**
EBITDA margin before non-recurring items	12.3%	12.3%	0.0%	11.6%	11.9%	0.3%
EBIT before non-recurring items	**6,830**	**7,596**	**11.2%**	**19,071**	**23,329**	**22.3%**
EBIT margin before non-recurring items	8.0%	8.0%	0.0%	7.3%	7.8%	0.5%
Non-recurring items (profit and loss)	-147	-569		594	-2,793	
as a % of revenue	-0.2%	-0.6%	-0.4%	0.2%	-0.9%	-1.2%
EBITDA	**10,385**	**11,165**	**7.5%**	**30,703**	**32,560**	**6.0%**
EBITDA margin	12.1%	11.7%	-0.4%	11.8%	11.0%	-0.9%
EBIT	**6,683**	**7,027**	**5.1%**	**19,665**	**20,536**	**4.4%**
EBIT margin	7.8%	7.4%	-0.4%	7.6%	6.9%	-0.7%
Net interest charges	**-618**	**-1,069**		**-2,110**	**-2,544**	
as a % of revenue	-0.7%	-1.1%		-0.8%	-0.9%	
Foreign exchange gains/(losses)	**-132**	**48**	**0**	**590**	**-416**	**-2**
as a % of revenue	-0.2%	0.1%		0.2%	-0.1%	
Net profit	**2,905**	**2,508**	**-13.7%**	**8,399**	**7,729**	**-8.0%**
Net profit margin	3.4%	2.6%	-0.8%	3.2%	2.6%	-0.6%
Net income attributable to shareholders of the Parent Company	2,732	2,466	-9.7%	8,109	7,676	-5.3%
EPS (euro cents)	**5.4**	**4.9**		**16.0**	**15.1**	
Diluted EPS (euro cents)	**4.3**	**3.9**		**12.8**	**12.1**	
EPS before non-recurring items (euro cents)	**5.9**	**5.7**	**-4.1%**	**15.8**	**18.8**	**18.9%**

	31 December 2005	30 June 2006	30 September 2006
Trade receivables	90,831	103,311	99,190
Inventories	40,466	52,710	54,729
Trade payables	-87,467	-108,640	-101,142
Operating Working Capital	43,830	47,381	52,777
as a % of revenue	12,5%	11,7%	13,3%
Net other receivables /payables	-8,473	-16,556	-15,962
Net Working Capital	**35,357**	**30,825**	**36,815**
as a % of revenue	**10.1%**	**7.6%**	**9.3%**
Net debt	-28,545	-37,723	-45,661
Total equity	79,504	80,146	82,774
Gearing	**35.9%**	**47.1%**	**55.2%**
Net debt	-28,545	-37,723	-45,661
EBITDA before non-recurring items	39,717	23,619	35,353
Debt coverage	**0.72**	**0.80**	**0.97**
EBIT before non-recurring items	23,475	15,733	23,329
Net Invested Capital	102,903	112,116	122,494
Return On Net Invested Capital	**22.8%**	**28.1%**	**25.4%**

Operating review for the first nine months of 2006

During the first nine months of 2006, the Group's consolidated revenue rose by 14.3% on the comparable period of 2005. This was due to a 3.3% organic growth rate and to the positive effect determined by the consolidation of Turbo Air as of 1 February 2006. Growth was achieved both in the range hood business, which rose by 13.8%, and in the electric motor business, which increased by 16.6%. Total revenue was not substantially affected by currency trends, compared to the first nine months of 2005.

Operating margins before non-recurring items continued to grow, confirming the positive trend of previous years. EBITDA rose from €30.1 million in the first nine months of 2005 (11.6% of revenue) to €35.3 million in 2006 (11.9% of revenue). Meanwhile, EBIT increased from €19.0 million (7.3% of revenue) to €23.3 million (7.8% of revenue).

Excluding the impact of Turbo Air, and before non-recurring items, the EBITDA margin improved from 11.6% in the first nine months of 2005 to 12.5% in the corresponding period in 2006 whilst the EBIT margin went from 7.2% in 2005 to 8.2% in 2006. Profitability increased thanks to the further improvement of the sales mix and operating efficiency, in addition to higher revenues.

In the period under review, the Group incurred non-recurring charges, after non-recurring income, of €2.8 million (0.9% of total revenue). Charges included approximately €1.8 million in costs linked to the start-up of operations in America; €0.3 million reflecting the greater costs incurred to develop the sales of hoods under the Company's own brand; charges of €0.24 million in connection with IFRS 3, relating to the business combination with Turbo Air; approximately €1 million due to redundancies and restructuring, half of which attributable to the reorganization of Turbo Air.

Net interest expense, as adjusted for gains and losses on foreign currency hedges, increased in absolute terms, from €2.1 million in 2005 to €2.5 million in 2006, due to the consolidation of Turbo Air. On a like-for-like basis of consolidation, net interest expense decreased by over €0.5 million.

After excluding gains and losses on foreign currency hedges, net foreign exchange losses amount to €0.5 million compared to a net gain of €0.6 million in 2005. This was due mainly to the unfavourable performance of the euro against the US dollar and the Japanese yen.

Net profit for the period, inclusive of non-recurring items, went from €8.4 million in 2005 to €7.7 million in 2006. Earnings per share amounted to 15.1 euro cents in 2006, compared to 16 euro cents in the first nine months of 2005. Without non-recurring items, EPS rose by 19%, from 18.8 euro cents in 2005 to 18.8 euro cents in 2006.

At 30 September 2006, net working capital accounted for 9.3% of revenue, down from 10.1% at 31 December 2005. This improvement was due mainly to the difference between other receivables and payables.

The Company showed once again its ability to improve the return on net invested capital (RONIC) as, before non-recurring items, this ratio increased from 22.8% at 31 December 2005 to 25.4% at 30 September 2006. The Group's financial stability is high, thanks to a debt coverage ratio of 0.97 years and a gearing of 55.2%. The improvement of these ratios, compared to December 2005, was due, on the one hand, to the consolidation of Turbo Air's accounts and, on the other, to the investment in the Mexican start-up and the Polish subsidiary. On a like-for-like basis of consolidation, RONIC is 27.2% while gearing and debt coverage amount to 39.3% and 0.72, respectively.

Revenue

During the first nine months of 2006, the Group posted consolidated revenue of €297 million, compared to €260 million in the same period in 2005, a 14.3% increase.

	2005	% of total	2006	% of total	CAGR
Sbu Cooker hoods	212,119	81.6%	241,425	81.2%	13.8%
Sbu Motors	47,814	18.4%	55,764	18.8%	16.6%
Total	**259,933**	**100%**	**297,189**	**100%**	**14.3%**

Revenue growth was due to the kitchen range hood business, with an increase in total sales of over €29 million, or 13.8%, and to the motor business, where total sales rose by €7.9 million, or 16.6%. Revenue was boosted to a significant extent by the acquisition of Turbo Air (range hoods and motors), which was included in the basis of consolidation as of February 2006.

	2005	% of total	2006	% of total	CAGR
Americas	23,030	8.9%	25,578	8.6%	11.1%
Europe	221,841	85.3%	250,151	84.2%	12.8%
Other countries	15,062	5.8%	21,460	7.2%	42.5%
Total	**259,933**	**100.0%**	**297,189**	**100.0%**	**14.3%**

All the main geographic areas where the Group operates showed progress. In Europe, the main market for the Group's products, revenue rose by 12.8% compared to the same period in the previous year. The pace was brisk also in the Americas and in the rest of the world, where sales went up by 11% and by 42.5%, respectively. This attests to the growing internationalisation of the Elica Group. Revenue growth in the Americas was due to the greater quantities purchased by the main OEM customers. The Elica group strengthened its position in Europe following the acquisition of Turbo Air, which boosted growth in Russia, Italy, Spain and the United Kingdom. In the rest of the world, demand rose as a result of the increased penetration of kitchen range hoods.

Revenue from range hoods

	2005	% of total	2006	% of total	CAGR
Own brands	32,169	15.2%	48,877	20.2%	51.9%
Client brands	179,950	84.8%	192,548	79.8%	7.0%
Total	**212,119**	**100.0%**	**241,425**	**100.0%**	**13.8%**

Revenue grew by 13.8% on the comparable amount in the previous year. This was due mainly to products marketed under the Group's brand names, which rose by 52%. Sales of products marketed under customers' brand names rose by 7%. At 30 September 2006, revenue from sales of products marketed under the Group's own brands accounted for 20.2% of the total, compared with 15.2% at 30 September 2005. This is a consequence of the Group's strategy of pursuing market growth by relying on design and innovation, while achieving greater control over sales channels and improved margins.

	2005	% of total	2006	% of total	CAGR
Classic	33,744	15.9%	41,320	17.1%	22.5%
Built-in	38,958	18.4%	43,165	17.9%	10.8%
Chimney	44,358	20.9%	51,048	21.1%	15.1%
Decorative	75,305	35.5%	81,698	33.8%	8.5%
Elica Collection	3,850	1.8%	6,836	2.8%	77.6%
Accessories and spare parts	15,904	7.5%	17,358	7.2%	9.1%
Total	**212,119**	**100.0%**	**241,425**	**100.0%**	**13.8%**

All product lines have generated significant revenue increases. Specifically, revenues from the Elica collection rose from €3.8 million in 2005 (1.8% of revenue) to over €6.8 million in 2006 (2.8% of revenue). Decorative and fireplace hoods, which compete in the medium-high end segment, also delivered positive results. This performance is consistent with the Company's strategy of gaining share in the high-value-added market. The classic and built-in product lines grew mainly thanks to the consolidation of Turbo Air.

	2005	% of total	2006	% of total	CAGR
Americas	21,427	10.1%	24,076	10.0%	12.4%
Europe	175,812	82.9%	198,241	82.1%	12.8%
Other countries	14,880	7.0%	19,108	7.9%	28.4%
Total	**212,119**	**100.0%**	**241,425**	**100.0%**	**13.8%**

In terms of geographic areas, Europe showed the highest growth rate, in terms of value. However, also the Americas and the rest of the world grew at a lively pace. Revenue in the Americas rose from 10.1% of total revenue at 30 September 2005 to 12.4% of total revenue at 30 September 2006. The rest of the world, for its part, accounted for 7.9% of total revenue, compared with 7.0% in 2005. Growth in the Americas was due both to the cooperation arrangements established with the main OEMs and to the sales of own brand products through the partner that distributes products from the Elica Collection. Revenue growth in Europe was due also to the acquisition of Turbo Air in February 2006. In the period between February and March 2006, Turbo Air accounted for over 73% of all European sales. In the rest of the world, revenue was boosted mainly by the sale of own-brand products and by the improved sales mix, with the resulting increase in the average price.

Revenue rose hand in hand with profit margins, thanks to a better sales mix and cost savings.

Revenue from motors

	2005	% of total	2006	% of total	CAGR
Motors	42,152	88.2%	48,761	87.4%	15.7%
Other	5,662	11.8%	7,003	12.6%	23.7%
Total	**47,814**	**100.0%**	**55,764**	**100.0%**	**16.6%**

	2005	% of total	2006	% of total	CAGR
Motors for domestic appliances	11,984	25.1%	11,559	20.7%	-3.5%
Motors for gas water heaters	22,360	46.8%	24,209	43.4%	8.3%
Motors for cooker hoods	6,521	13.6%	11,433	20.5%	75.3%
Accessories and spare parts	6,949	14.5%	8,563	15.4%	23.2%
Total	**47,814**	**100.0%**	**55,764**	**100.0%**	**16.6%**

Revenue from motors rose by 16.6% on the comparable amount in the preceding year. This increase was due to hood motors and accessories. Motors for heating systems saw a revenue increase of 8.3% on the previous year whilst motors for home appliances decreased by 3.5%, due to a delay in the registration of a motor type, which was finally completed at the beginning of October.

	2005	% of total	2006	% of total	CAGR
Americas	1,603	3.4%	1,502	2.7%	-6.3%
Europe	46,029	96.3%	51,910	93.1%	12.8%
Rest of the world	182	0.4%	2,352	4.2%	1.192.3%
Total	**47,814**	**100.0%**	**55,764**	**100.0%**	**16.6%**

Europe continues to be the main market, even though in the first nine months of 2006 sales in the rest of the world showed a positive trend due mainly to the consolidation of Turbo Air.

Significant events in the first nine months of 2006

During the first nine months of 2006, the Group's operations were characterized by six significant events: the acquisition of Turbo Air; the spin-off of part of the acquired unit to Immobiliare Camino S.R.L.; purchase of the residual equity interest in Jet Air S.R.L.; purchase of the majority stake in the Ariafina joint venture; incorporation of the companies that will operate in the Americas; and the official opening of the Polish subsidiary, Fime Polska Sp.zo.o.

These events are described in greater detail below.

A) Acquisition of Turbo Air.

Through the acquisition of Turbo Air the Group intends to expand in important international markets for the range hood sector, such as Russia and the Far East. In fact, Turbo Air has been a significant players in those markets for years. Another opportunity is provided by the manufacture of electric hood motors which, as a result of the integration with the industrial operations of Fime S.p.A., gives rise to significant economies of scale.

The Elica Group's management has outlined a plan to integrate Turbo, which can be summarized as follows:

1) Spin off of non-operating property;

2) Integration of the Turbo Air's motor unit into Fime S.p.A.'s manufacturing division.

3) Increase in the value of production of the "plastics" unit due to new contracts awarded to the group.

The following is a comment on the individual items.

1) *Property spin-off*

The merger of the range hood unit is based on the simplification of Turbo's supply chain, whose integration into the Elica Group is already at an advanced stage. This determined the progressive abandonment of plants previously occupied by Turbo's workforce. These plants were transferred to Immobiliare Camino S.R.L. in order to be sold.

2) Motor division

In June the company's management devised a plan to reorganize the manufacture of electric motors, to benefit from significant economies of scale. Following the implementation of this plan, employees and equipment were transferred to the Fime plants. Under the reorganization plans, redundancy charges amounted to €437,000.

3) Moulding of plastic components

To utilize any unused capacity in the moulding plant, orders given to the Group will no longer be outsourced but will be filled internally.

In 2005, Turbo Air had revenue of €45.7 million euros, selling over 853,000 range hoods and over 1 million motors.

B) Property spin-off to Immobiliare Camino.

On 15 March 2006 Turbo Air S.p.A. spun off its real estate portfolio, consisting mainly of three plants, the relevant mortgages and other assets and liabilities to the newly-established Immobiliare Camino S.R.L. in exchange for a 40% equity interest. The remaining 60% of this company was held by third parties. On 20 June 2006 the Special General Meeting of Shareholders of Camino Immobiliare S.R.L. resolved on a share capital increase for consideration, for a total amount of up to €92,308, inclusive of share premium, in order to transfer an equity interest of 32% to a group of banks that have claims outstanding on Immobiliare Camino S.R.L.. Following the placement of the new shares, which is currently under way and has already been approved by the boards of directors of the two banks, the Elica Group's stake will decrease to 20.8%. At the time of writing, the cash payment for the equity interests is expected by the end of November.

C) Purchase of the residual 40% of Jet Air S.r.l.

On 28 February 2006 the Group purchased the remaining 40% of Jet Air, a company already included in the basis of consolidation, for €2.8 million, inclusive of transaction costs of €6,000. The purchase price was determined on the basis of an internal estimate. The main decisions adopted on the accounting standards for the business combination have resulted in the effects described in the notes to the financial statements.

D) Purchase of majority stake in the Ariafina joint venture.

On 28 May 2006, the Parent Company Elica S.p.A. completed the purchase of 1% of Ariafina Co. Ltd.. Since it already owned 50% of this company, now Elica is the majority shareholder. Ariafina Co. Ltd - Sagamihara-Shi (Japan) is a joint venture established in September 2002 with Tokyo-based Fuji Industrial, the leader in Japan with 70% of the range hood market. By acquiring a controlling interest, the Group intends to provide further impetus to the development of the important Japanese market, where high-quality products are sold.

E) Incorporation of the companies to operate in the Americas.

At the beginning of 2006 two new companies were incorporated in Mexico: ElicaMex S.A.d.C.V. and Leonardo Services S.A.d.C.V., both located in Queretaro. ElicAmex S.A. de C.V. and Leonardo Service S.A. de C.V. will manufacture the products designed for the Americas and manage local distribution and logistics. Expected benefits include higher revenues, widespread and prompt service to overseas customers, lower distribution costs, shorter delivery times and higher flexibility of the individual manufacturing plants.

F) Approval of separate and consolidated financial statements.

On 12 April 2006 the Ordinary General Meeting of Shareholders of Elica S.p.A. approved the separate and the consolidated financial statements for 2005. On the same date, the Special General Meeting of Shareholders approved the application for admission to trading of the Company's ordinary shares on the Mercato Telematico Azionario MTA – STAR Segment, the screen-based market organized and managed by Borsa Italiana S.p.A.. Moreover, the Meeting approved a 5-for-1 share split. Following this split, the share capital consists of 50,822,800 ordinary shares with a par value of €0.20 each. The Special General Meeting of Shareholders also approved amendments to the Meeting Rules, the corporate governance rules, the rules of conduct related to the Internal Dealing Code, and the rules on intercompany and other related-party transactions.

G) Purchase of a minority stake in Inox Market Mexico.

In September a company was incorporated in Mexico, called Inox Market Mexico S.A. de .C.V., which is designed to engage in steel trading throughout the Americas. The Group acquired 30% of this company through Elicamex S.A. de C.V.. Following this acquisition, the Group intends to achieve significant purchasing economies in one of the most cost items in the production of range hoods.

IFRS

The consolidated income statement and balance sheet of Elica S.p.A. at 30 September 2006 were prepared under the IFRS issued by the International Accounting Standards Board and endorsed by the European Commission.

The accounting policies used in the preparation of this consolidated quarterly report are consistent with those adopted in the preparation of the consolidated financial statements for the year ended 31 December 2005. In the period just ended, the European Commission did not adopt, and the IASB did not issue, any new accounting standard that might affect this consolidated report.
The amounts in this consolidated report are shown in euros and are all rounded to the nearest thousand, unless otherwise indicated.

Elica Group's structure and basis of consolidation

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

Parent Company

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

Subsidiaries

- FIME S.p.A. – Castelfidardo, Ancona (Italy). This company operates in the sector of electric motors, mainly for home appliances (range hoods, ovens, refrigerators), home heating and ventilation (fan coils) systems as well as transformers for electro-mechanic and electronic equipment. It operates mainly in European markets, where it holds significant and growing market shares, despite the presence of bigger competitors. This subsidiary is implementing significant plans to launch new products, also in cooperation with important US multinationals, attesting to the highly skilled nature of its activities.

- FIME POLSKA – Wroclaw – Poland. This company has been operational since September 2005 in the sector of electric motors. Investment in construction of a new plant will be completed by the end of 2006 and will result in increased production capacity.

- FOX Design S.p.A.– Campodarsego, Padua (Italy). Acquired at the end of 2001, FOX is the main operator in the "hood" sector outside the district of Fabriano and has a significant market share in distribution. FOX's industrial organization is different from Elica's, given that its focus is on marketing, R&D, design and the management of a supply chain characterized by substantial outsourcing of the mechanic and assembly functions.

- FOX I.F.S. S.r.l. – Bergamo (Italy) This company was established at the end of 2001. Elica owns 69.44% of this subsidiary, indirectly, through Fox Group S.p.A.. It engages in industrial vacuum systems, linked to air treatment.

- JET AIR S.r.l. – Cerreto d'Esi, Ancona (Italy). This company operates in the hood sector and has benefited from the group synergies that accelerated the upgrading of its product range. It operates mainly in overseas markets, with special emphasis on China, and in eastern European countries.

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

- ElicaMex S.A.d.C.V. – Queretaro (Mexico). This wholly-owned subsidiary was incorporated at the beginning of 2006 (Elica S.p.A. owns 98% directly and 2% through Fox Design S.p.A.). Investments are being made to build the industrial plant and to purchase the equipment and machinery necessary to manufacture the products for the Americas and manage local distribution and logistics. Expected benefits include higher revenues, widespread and prompt service to overseas customers, lower distribution costs, shorter delivery times and higher flexibility of the individual manufacturing plants.

- Leonardo Services S.A.d.C.V. – Queretaro (Mexico). This wholly-owned subsidiary was incorporated in January 2006 (The Parent Company owns 98% directly and 2% through Fox Design S.p.A.). Leonardo Services manages all Mexican employees, providing services to Elicamex.

- Ariafina Co. Ltd– Sagamihara-Shi (Japan) is a JV established in September 2002 with Tokyo-based Fuji Industrial, leader in Japan with over 70% of the range hood market. By acquiring a controlling interest, the Group intends to provide further impetus to the development of the important Japanese market, where high-quality products are sold.

Associates

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

- I.S.M. S.r.l. – Cerreto d'Esi, Ancona (Italy). The company manufactures semi-finished products for the hood production cycle and its operations are integrated into the assembly lines of Elica S.p.A.'s plants.

- Project S.r.l. – Castelbellino, Ancona (Italy). This company was established in March 2003 and the Parent Company holds a 30% equity interest. Project S.r.l. engages in the design and drawing of models and, in general, in all aspects of industrial design relating to home appliances.

- Air Force S.p.A. – Fabriano, Ancona (Italy). This company operates in a special segment of the hood sector. At 31 December 2005 Elica S.p.A. held 45% of this company. Air Force owns 95% of Technovent G.m.b.h., a company that sells hoods in Germany through so-called "kitchen studios". In 2005, Technovent G.m.b.h. sold its operations and, in the future, this company will act as an agent for the German market, thereby discontinuing its direct sales activities.

- Immobiliare Camino S.r.l. – Fabriano, Ancona (Italy). This company is 40% held by Turbo Air S.p.A. and manages this company's property portfolio. Basically, it leases the properties in the portfolio to Turbo Air in exchange for market-based rentals.

Intercompany and other related-party transactions

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

Events after 30 September 2006 and outlook

As already noted, on 10 November 2006 trading of Elica S.p.A.'s shares began on the STAR segment of the screen-based Mercato Telematico Azionario of the Milan Stock Exchange.

Based on the sales and operating results of the first nine months of the current year, and based on the best information available, management is confident that the Group will be able to meet the targets for 2006 set out in the 2006-2008 business plan.

Plans in Poland (FIME Polska Sp.z.oo) and the Americas (ElicAmex and Leonardo Services) are proceeding as scheduled.

To expand in the Americas, recently Elicamex (a wholly-owned subsidiary of Elica) signed an agreement with MABE, one of the Continent's main household appliance manufacturers, with annual revenues in excess of US$3 billion, to distribute products under the various MABE brand names in Mexico, South America and Canada. A new agreement is expected to be finalized to distribute products under the Elica Collection brand in the same countries. Elicamex will manufacture its products at the new plant in Queretaro. The agreement will last five years and, once it has come fully into effect in January 2007, should generate revenues of around US$10 million per year.

Furthermore, Elicamex has secured an important order from "The Home Depot" (THD) for the supply of a new line of decorative kitchen range hoods. The order was given to our office in the US, where THD has over 2,000 outlets. THD also operates in Canada and Mexico.

On 18 October 2006 Fime Polska Sp.zo.o. opened for business. During the official ceremony, which saw the participation of representatives from the main commercial and financial partners of the Elica Group, as well as local authorities and the press, the guidelines of the strategic plan were unveiled. The objective of Fime Polska Sp.zo.o. is to increase motor sales in the areas of Eastern Europe where the main home appliance manufacturers are setting up their plants.

Activities relating to the Turboair S.p.A. acquisition are proceeding as planned. Following determination of the sale price on the basis of the results for the first half of 2006 (under the earn out clause), Turbo Air S.p.A. was transferred to the Elica Group with effect from 1 July 2006. The Elica Group's management is confident that it will be able to achieve the commercial and manufacturing synergies outlined in the initial plan. Integration is already at an advanced stage and the results are beginning to materialize. The personnel responsible for the manufacture of motors and the production lines have been transferred to FIME S.p.A.'s plants.

No such events took place after 30 September 2006 as to warrant a change in the Group's operating results and financial conditions or to require additional information. The Company's operations, plans, sales and investment activities are proceeding as scheduled.

Segment information – Primary segment at 30 September 2005 and 30 September 2006
Results of operations *(€000)*

Income statement	Own brands		Third-party brands		Motors		Other activities		Eliminations		Consolidated	
	9M 2006	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**
Segment revenue:												
External customers	48,877	32,169	192,548	179,950	48,761	42,152	7,003	5,662			297,189	259,933
Inter-segment	0	0	688	396	23,039	15,540	1,586	40	(25,313)	(15,976)	0	0
Total revenue	48,877	32,169	193,236	180,346	71,800	57,692	8,589	5,701	(25,313)	(15,976)	297,189	259,933
Segment results:	**13,419**	**7,892**	**47,624**	**40,109**	**10,879**	**11,127**	**1,103**	**1,173**			**73,024**	**60,301**
Unallocated overheads											(52,205)	(40,637)
EBIT											**20,819**	**19,664**
Share of profit/(loss) of associates											405	144
Finance income											361	195
Finance costs											(2,844)	(2,517)
Foreign exchange gains/(losses)											(477)	802
Pre-tax profit											18,264	18,288
Taxation											(10,463)	(9,478)
Net profit for the period											**7,801**	**8,810**

Segment information – Primary segment at 30 September 2005 and 30 September 2006
Balance sheet information *(€000)*

Balance sheet	Own brands		Third-party brands		Motors		Other activities		Eliminations		Consolidated	
	9M 2006	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**
Assets:	**31,009**	**19,357**	**126,381**	**109,002**	**78,514**	**65,016**	**6,305**	**4,145**	**(12,000)**	**(5,112)**	**230,209**	**192,407**
Segment assets											5,387	3,399
Investments in associates											72,719	67,585
Unallocated assets											5,387	3,399
Total consolidated assets											**308,314**	**263,391**
Liabilities:												
Segment liabilities	(17,955)	(11,433)	(75,228)	(61,157)	(28,303)	(19,625)	(3,631)	(2,206)			(113,116)	(89,309)
Unallocated liabilities											(112,425)	(96,737)
Equity											(82,773)	(77,346)
Total consolidated equity and liabilities											**(308,314)**	**(263,391)**

Segment information – Primary segment at 30 September 2005 and 30 September 2006
Other information *(€000)*

Other information	Own brands		Third-party brands		Motors		Other activities		Unallocated		Consolidated	
	9M 2006	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**	**9M 2006**	**9M 2005**
Amortization and depreciation	771	646	4,129	3,690	2,516	2,185	348	159	4,260	4,358	12,024	11,038

Segment information – Primary segment at 30 September 2005 and 30 September 2006

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

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

Revenue by geographic area	Americas	Europe + CIS	Other countries	Consolidated
30 September 2005	23,030	221,841	15,062	**259,933**
30 September 2006	25,578	250,151	21,460	**297,189**

The table below provides details of the Group's assets by geographic area.

Total assets	Italy	Poland	Mexico	Japan	Consolidated
30 September 2005	263,391				**263,391**
30 September 2006	291,045	7,160	7,438	2,671	**298,205**

During the first nine months of 2006, EBIT amounted to €20.8, up €1.2 million on the comparable amount in 2005. Net profit for the segment as a whole rose, both in absolute terms and as a share of total revenue, driven by the results in the hoods business.

The result for the own-brand hood segment rose in absolute terms by around €5.5 million whilst, as a percentage of total revenue, it increased from 24.5% in 2005 to 27.5% in 2006. The result for the third-party brand hood segment rose in absolute terms by around €7.5 million whilst, as a percentage of total revenue, it increased from 22.2% in 2005 to 24.6% in 2006. In both cases, the increase was driven mainly by a better sales mix. In fact, the results of the fireplace, decorative and Elica Collection lines, intended for the high end of the market, were extremely positive. Service revenues include non-recurrent items totalling €226,000 relating to own brands. The result for the other activities segment was basically in line with the previous year, both in absolute terms and as a share of total revenue. This is a marginal area of the Group's operations. The result for the motor segment is in line with the previous year but fell as a percentage of total revenue from 19.3% to 15.2%. This contraction was due to the higher cost of raw materials, compared to the previous year. This was expected, but the result represented a positive surprise thanks, on the one hand, to a better sales mix and, on the other, to cost savings on the purchase of raw materials.

Financial statements and explanatory notes

Consolidated income statement for the third quarter 2005 and 2006 and for the nine months ended 30 September 2005 and 2006 prepared in accordance with IFRS as endorsed by the European Commission

(€000 except per share data)	**Q3 2005**	**Q3 2006**	**9M 2005**	**9M 2006**
Revenue	85,784	95,215	259,933	297,189
Other operating revenue	465	835	2,958	2,343
Change in inventories of finished goods and semi-finished products	(2,032)	345	824	3,720
Increase in self-constructed assets	196	401	690	1284
Raw and consumable materials	(40,542)	(47,736)	(128,428)	(149,169)
Service expense	(18,321)	(19,879)	(57,372)	(64,253)
Staff costs	(13,385)	(16,185)	(43,206)	(52,909)
Amortisation and depreciation	(3,702)	(4,138)	(11,038)	(12,024)
Other operating expenses and provisions	(1,780)	(1,831)	(4,696)	(5,208)
Restructuring charges	-	-	-	(437)
EBIT	**6,683**	**7,027**	**19,665**	**20,536**
Share of profit/(loss) of associates	121	98	144	405
Impairment of available-for-sale financial assets	-	-	(412)	(72)
Finance income	46	86	195	271
Finance costs	(740)	(1,155)	(2,517)	(2,754)
Foreign exchange gains/(losses)	(56)	48	802	(477)
Other non-operating income	-	-	-	283
Pre-tax profit	**6,054**	**6,104**	**17,877**	**18,192**
Taxation	(3,149)	(3,596)	(9,478)	(10,463)
Net profit for the period	**2,905**	**2,508**	**8,399**	**7,729**
of which:				
Attributable to minority interest	(95)	(42)	(212)	(53)
Attributable to shareholders of the Parent Company	2,810	2,466	8,187	7,676
Earnings per share *(euro cents)*	5.53	4.85	16.11	15.10
Diluted earnings per share *(euro cents)*	4.44	3.89	12.93	12.12

Consolidated balance sheet at 30 September 2005, 31 December 2005 and 30 September 2006 prepared in accordance with IFRS as endorsed by the European Commission

Assets *(€000)*	**30 September 2005**	**31 December 2005**	**30 September 2006**
Property, plant, and equipment	61,980	62,573	81,141
Goodwill	26,809	26,809	30,008
Other intangible assets	2,819	3,033	3,877
Investments in unconsolidated subsidiaries, associates and joint ventures	3,730	3,641	5,481
Other financial assets	1,738	1,748	186
Sundry receivables	1,329	1,307	1,516
Tax assets	96	46	100
Deferred tax assets	3,150	3,325	3,514
Available-for-sale financial assets	94	94	376
Non-current assets	**101,745**	**102,576**	**126,199**
Trade receivables and loans	85,546	90,831	99,190
Inventories	44,594	40,466	54,729
Other receivables	2,235	1,446	5,457
Tax assets	8,107	5,403	8,523
Derivative financial instruments	-	2	13
Cash and cash equivalents	21,158	18,316	14,204
Current assets	**161,640**	**156,464**	**182,116**
Total assets	**263,385**	**259,040**	**308,315**

Liabilities and equity *(€000)*	**30 September 2005**	**31 December 2005**	**30 September 2006**
Liabilities for post-retirement benefits	10,475	10,679	14,141
Provisions	1,959	1,769	1,913
Deferred tax liabilities	8,633	8,995	10,326
Amounts due under finance leases and other borrowings	12,928	12,725	14,018
Bank borrowings and mortgages	22,137	18,465	14,117
Sundry payables	4,035	4,034	4,027
Tax liabilities	4,083	4,070	4,070
Derivative financial instruments	176	136	40
Non-current liabilities	**64,426**	**60,873**	**62,652**
Provisions	479	504	784
Amounts due under finance leases and other borrowings	3,361	3,524	3,239
Bank borrowings and mortgages	13,568	12,147	28,491
Trade payables	82,744	87,467	101,142
Sundry payables	11,079	10,633	17,754
Tax liabilities	10,088	4,185	11,404
Derivative financial instruments	222	203	75
Current liabilities	**121,541**	**118,663**	**162,889**
Share capital	10,165	10,165	10,165
Capital reserves	14,811	14,811	14,811
Other reserves	(57)	(104)	(172)
Retained earnings	43,646	43,686	49,813
Net profit for the period attributable to shareholders of the Parent Company	8,187	10,144	7,676
Total equity attributable to shareholders of the Parent Company	**76,752**	**78,702**	**82,293**
Total equity attributable to minority interest	666	802	481
Consolidated equity	**77,418**	**79,504**	**82,774**
Total liabilities and equity	**263,385**	**259,040**	**308,315**

Consolidated cash flow statement for the periods ended 30 September 2005, 31 December 2005 and 30 September 2006 prepared in accordance with IFRS as endorsed by the European Commission

Summary consolidated cash flow statement *(€000)*	**9M 2005**	**FY 2005**	**9M 2006**
Operating activities:			
Net profit for the period	**8,399**	**10,505**	**7,729**
Adjustments to :			
Amortisation	1,202	1,680	1,253
Depreciation	9,836	13,404	10,771
Increase in staff severance indemnities	1,338	1,967	1,665
Decrease in staff severance indemnities	(1,155)	(1,220)	(1,827)
Finance costs on staff severance indemnities	361	483	488
Current and deferred taxes for the period	9,478	11,243	10,463
Other finance costs	2,156	2,601	2,266
Effect of movements in exchange rates	(350)	(265)	291
Provisions for bad debts	521	365	307
Provisions/(Use of provisions)	239	544	350
Valuation of investments	268	342	(333)
Gain on spin-off of property portfolio	-	-	(283)
Negative goodwill	-	-	(2)
Cash from/(for) operating activities before changes in working capital	***32,293***	***41,649***	***33,138***
(Increase)/decrease in receivables	(1,366)	(3,120)	(1,460)
Inventories	2,255	6,383	(7,968)
Increase/(decrease) in payables	(2,358)	(6,455)	3,574
	(1,469)	**(3,192)**	**(5,853)**
Cash from/(for) operating activities	***30,824***	***38,457***	***27,285***
Income tax payable	(6,859)	(10,928)	(6,219)
Interest expense payable	(1,793)	(2,249)	(1,893)
Net cash from/(for) operating activities	***22,172***	***25,280***	***19,173***
Investing activities:			
Proceeds from the sale of assets	377	1,001	941
Purchase of property, plant and equipment	(5,488)	(9,372)	(14,995)
Net increase in intangible assets	(912)	(1,603)	(1,631)
Net changes in investments and available-for-sale assets	(498)	(483)	(200)
Acquisition of Turbo Air S.p.A.	-	-	(459)
Acquisition of Jet Air S.r.l.	-	-	(2,806)
Acquisition of investment Ariafina Co. Ltd.	-	-	715
Net cash from/(for) investing activities	***(6,521)***	***(10,457)***	***(18,434)***
Financing activities:			
Borrowings/(loan repayments)	(3,026)	(3,726)	(8,686)
Increase/(decrease) in financial debt	(3,554)	(5,169)	6,537
Change in equity attributable to shareholders of the Parent Company	(538)	(538)	(2,541)
Decrease in capital and reserves attributable to minority interest	(253)	(266)	-
Reduction/(increase) other financial assets	(31)	79	-
Increase/(reduction) other non-current liabilities	49	251	-
Increase/(reduction) other non-current liabilities	***(7,353)***	***(9,369)***	***(4,691)***
Increase/(decrease) in cash and cash equivalents	***8,298***	***5,454***	***(3,951)***

Summary consolidated cash flow statement *(€000)*	**9M 2005**	**FY 2005**	**9M 2006**
Cash and cash equivalents at beginning of period	***12,842***	***12,842***	***18,316***
Effect of movements in exchange rates	18	20	(161)
Cash and cash equivalents at end of period	**21,158**	**18,316**	**14,204**

Statement of changes in consolidated equity for the periods ended 30 September 2005 and 2006 on the basis of the consolidated financial statements prepared in accordance with IFRS as endorsed by the European Commission.

(€000)	Share capital	Share premium account	Retained earnings	Other reserves	Net profit for the period	Total equity attributable to shareholders of the Parent Company	Total equity attributable to minority interest	Total
Balance at 1 January 2005	**10,165**	**14,811**	**39,075**	**(66)**	**5,112**	**69,097**	**707**	**69,804**
Change in fair value of cash flow hedges, net of tax effect				(11)		**(11)**		**(11)**
Total gains/(losses) recognized in equity during the period				**(11)**		**(11)**		**(11)**
Recognition in the income statement of cash flow hedges, net of tax effect				20		**20**		**20**
Net profit for the period					8,181	**8,187**	212	**8,399**
Total profit/(loss) for the period				*20*	*8,187*	*8,207*	*212*	*8,419*
Allocation of net profit for 2004			5,112		(5,112)	**-**		**-**
Dividends			(508)			**(508)**	(200)	**(708)**
Other changes			(33)			**(33)**	(53)	**(86)**
Balance at 30 September 2005	**10,165**	**14,811**	**43,646**	**(57)**	**8,187**	**76,752**	**666**	**77,418**
Balance at 1 January 2006	**10,165**	**14,811**	**43,686**	**(104)**	**10,144**	**78,702**	**802**	**79,504**
Change in fair value of cash flow hedges, net of tax effect				7		**7**		**7**
Exchange rate differences arising from translation of foreign financial statements				(111)		**(111)**		**(111)**
Revaluation reserve for investments in associates accounted for using equity method				23		**23**		**23**
Total gains/(losses) recognized in equity during the period				*(81)*		*(81)*		*(81)*
Recognition in the income statement of cash flow hedges, net of tax effect				13		**13**		**13**
Net profit for the period					7,676	**7,676**	53	**7,729**
Total profit/(loss) for the period				*13*	*7,676*	*7,689*	*53*	*7,742*
Allocation of net profit for 2005			10,144		(10,144)	**-**		**-**
Dividends			(2,541)			**(2,541)**		**(2,541)**
Other changes			(1,476)			**(1,476)**	(374)	**(1,850)**
Balance at 30 September 2006	**10,165**	**14,811**	**49,813**	**(172)**	**7,676**	**82,293**	**481**	**82,774**

Notes to the consolidated quarterly financial statements at and for the period ended 30 September 2006

Group's structure and brief description of its activities

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

The Group's primary segment, as defined by IAS 14, consists of the businesses in which it operates. Specifically, the breakdown by segment is as follows: own brands (manufacturing and sale of range hoods and accessories under its own brand), third-party brands (manufacturing and sale of range hoods, accessories and other components for home appliances sold under third-party brands), motors (manufacturing and sale of electric motors) and other activities (manufacturing and sale of electric transformers and other products).
The secondary segment is represented by the geographical areas where revenues are generated (Americas, Europe + CIS and Other countries) and the above activities are conducted (Italy, Poland, Mexico and Japan).
Segment information in accordance with IAS 14 is detailed in the report on the Group's operations for the period ended 30 September 2006, in the previous section.

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

The consolidated financial statements are shown in thousands of euros.

Approval of the quarterly report at 30 September 2006

The quarterly report at 30 September 2006 was approved by the Board of Directors on 14 November 2006.

Accounting policies and basis of consolidation

The summary quarterly report was prepared in accordance with IFRS, particularly on the basis of IAS 34 with reference to interim financial reporting.

Therefore, the consolidated quarterly financial statements at and for the period ended 30 September 2006 are compared with both the income statement for the corresponding period of 2005 (and the income statement for the nine months ended 30 September 2005 and 2006) and with the consolidated balance sheet at 31 December 2005 and 30 September 2005. This quarterly report includes the balance sheet, income statement, cash flow statement and statement of changes in consolidated equity as shown in the consolidated financial statements at and for the year ended 31 December 2005. These notes to the financial statements are reported on a selected basis in order not to duplicate already published information, as required by IAS 34.

The figures at 30 September 2005 are derived from the consolidated balance sheet and income statement at and for the period ended 30 September 2005, which were prepared in accordance with IFRS solely for comparison purposes with the summary quarterly financial statements at and for the period ended 30 September 2006.

The accounting policies adopted in the preparation of the consolidated quarterly financial statements at and for the period ended 30 September 2006 are consistent with those adopted for the Group's consolidated financial statements at and for the year ended 31 December 2005, to which reference should be made.

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

During the period, no accounting standards have been issued by the International Accounting Standards Board (IASB) or interpreted by the International Financial Reporting Interpretation Committee (IFRIC), effective 1 January 2006, which might have had a significant impact on the quarterly report.

Specifically, in accordance with IAS 34, these explanatory notes refer to such items affecting assets, liabilities, equity, net profit, or cash flows - because of their nature, size, or incidence or because they are unusual – as are essential to understand the Group's financial conditions, operating results and cash flows.

There have been no changes in accounting policies with respect to the comparable data at 30 September 2005 and 31 December 2006.

Composition and main changes in the consolidated income statement for the periods ended 30 September 2005 and 2006 prepared in accordance with IFRS as endorsed by the European Commission

Revenue

Group revenue breaks down as follows:

(€000)	Q3 2005	Q3 2006	9M 2005	9M 2006
Sales	85,657	95,205	259,548	297,157
Service revenues	127	10	385	32
Total revenue	**85,784**	**95,215**	**259,933**	**297,189**

Group revenue included €26,454 thousand generated by Turbo, which was acquired with effect from 1 February 2006. Not including this item, total revenue rose by 3.3%.

Reference is made to the report on operations for the segment information required by IAS 14.

EBIT

(€000)	Q3 2005	Q3 2006	9M 2005	9M 2006
Revenue	85.784	95.215	259.933	297.189
Other operating income	465	835	2.958	2.343
Change in inventories of finished goods and semi-finished products	(2.032)	345	824	3.720
Increase in self-constructed assets	196	401	690	1284
Cost of raw and consumable materials	(40.542)	(47.736)	(128.428)	(149.169)
Service expense	(18.321)	(19.879)	(57.372)	(64.253)
Staff costs	(13.385)	(16.185)	(43.206)	(52.909)
Amortisation and depreciation	(3.702)	(4.138)	(11.038)	(12.024)
Other operating expenses and provisions	(1.780)	(1.831)	(4.696)	(5.208)
Restructuring charges	-	-	-	(437)
EBIT	**6.683**	**7.027**	**19.665**	**20.536**

As required by IAS 1, the above schedule makes it possible to analyse the nature of the costs incurred to calculate EBIT.

Net finance costs

(€000)	Q3 2005	Q3 2006	9M 2005	9M 2006
Finance income	46	86	195	271
Finance costs	(740)	(1,155)	(2,517)	(2,754)
Foreign exchange gains/(losses)	(56)	48	802	(477)
Total net finance costs	**(593)**	**(1,082)**	**(1,363)**	**(3,021)**

The change in net finance costs, which rose overall by €161 thousand between September 2005 and September 2006, was due to the €237 thousand increase in costs following the assumption of Turbo's financial debt.

At 30 September 2006 foreign exchange losses exceeded gains by €477 thousand, compared to a net gain of €802 thousand for the corresponding period of 2005.

These results, and the comparable figures posted in the third quarters of 2005 and 2006, were due to the mixed performance of the main currencies used by the Group. The Group is a net foreign exchange creditor.

Composition and main changes in the consolidated balance sheets at 30 September 2005, 31 December 2005 and 30 September 2006 prepared in accordance with IFRS as endorsed by the European Commission

Property, plant and equipment
The table below shows details of the changes in property, plant and equipment at 30 September 2005, 31 December 2005 and 30 September 2006

(€000)	**30 September 2005**	**31 December 2005**	**30 September 2006**
Land and buildings	29,403	29,593	37,984
Plant and equipment	17,925	17,647	20,043
Industrial and commercial equipment	12,207	12,183	14,095
Other assets	1,757	1,809	2,064
Assets under construction and advance payments	688	1,341	6,955
Total property, plant and equipment		**62,573**	**81,141**

Goodwill

(€000)	**30 September 2005**	**31 December 2005**	**30 September 2006**
Goodwill recognised in subsidiaries' accounts	9,635	9,635	12,834
Goodwill arising from consolidation	17,174	17,174	17,174
Total goodwill	**26,809**	**26,809**	**30,008**

Other intangible assets
The table below provides a breakdown of "Other intangible assets" at 30 September 2005, 31 December 2005 and 30 September 2006

(€000)	**30 September 2005**	**31 December 2005**	**30 September 2006**
Development costs	1,079	1,141	901
Patents and other intellectual property rights	1,131	1,156	1,052
Concessions, licences, trademarks and similar rights	150	160	181
Assets under construction and advance payments	97	236	1,022
Other intangible assets	362	340	721
Total intangible assets	**2,819**	**3,033**	**3,877**

Inventories

(€000)	**30 September 2005**	**31 December 2005**	**30 September 2006**
Raw, ancillary and consumable materials	18,239	16,838	24,329
Work in process and semi-finished products	14,946	14,572	17,715
Finished products and goods for resale	18,239	9,054	12,663
Advance payments	1	2	22
Total inventories	**44,596**	**40,466**	**54,729**

Borrowings and financing structure

At 30 September 2005, 31 December 2005 and 30 September 2006, the Group reports financial debt as detailed below:

(€000)	**30 September 2005**	**31 December 2005**	**30 September 2006**
Cash and cash equivalents	21,158	18,316	14,204
Bank borrowings and mortgages – current portion	(13,568)	(12,147)	(28,491)
Amounts due under finance leases and other borrowings – current portion	(3,361)	(3,524)	(3,239)
(Net financial debt) / Net cash - current portion	4,229	2,645	(17,526)
Bank borrowings and mortgages – non-current portion	(22,137)	(18,465)	(14,117)
Amounts due under finance leases and other borrowings – non-current portion	(12,928)	(12,725)	(14,018)
(Net financial debt) / Net cash - non-current portion	(35,065)	(31,190)	(28,135)
(Net financial debt)	**(30,836)**	**(28,545)**	**(45,661)**

(a) Data at 30 September 2006 include the results of Turbo Air, the company acquired with effect from 1 February 2006, and Ariafina, which was consolidated from 1 January 2006.

Other information

There no were significant events during the period with regard to related party transactions or any other aspects not expressly provided in this quarterly report.

Fabriano, Italy

14 November 2006

Francesco Casoli
(Chairman of the Board)