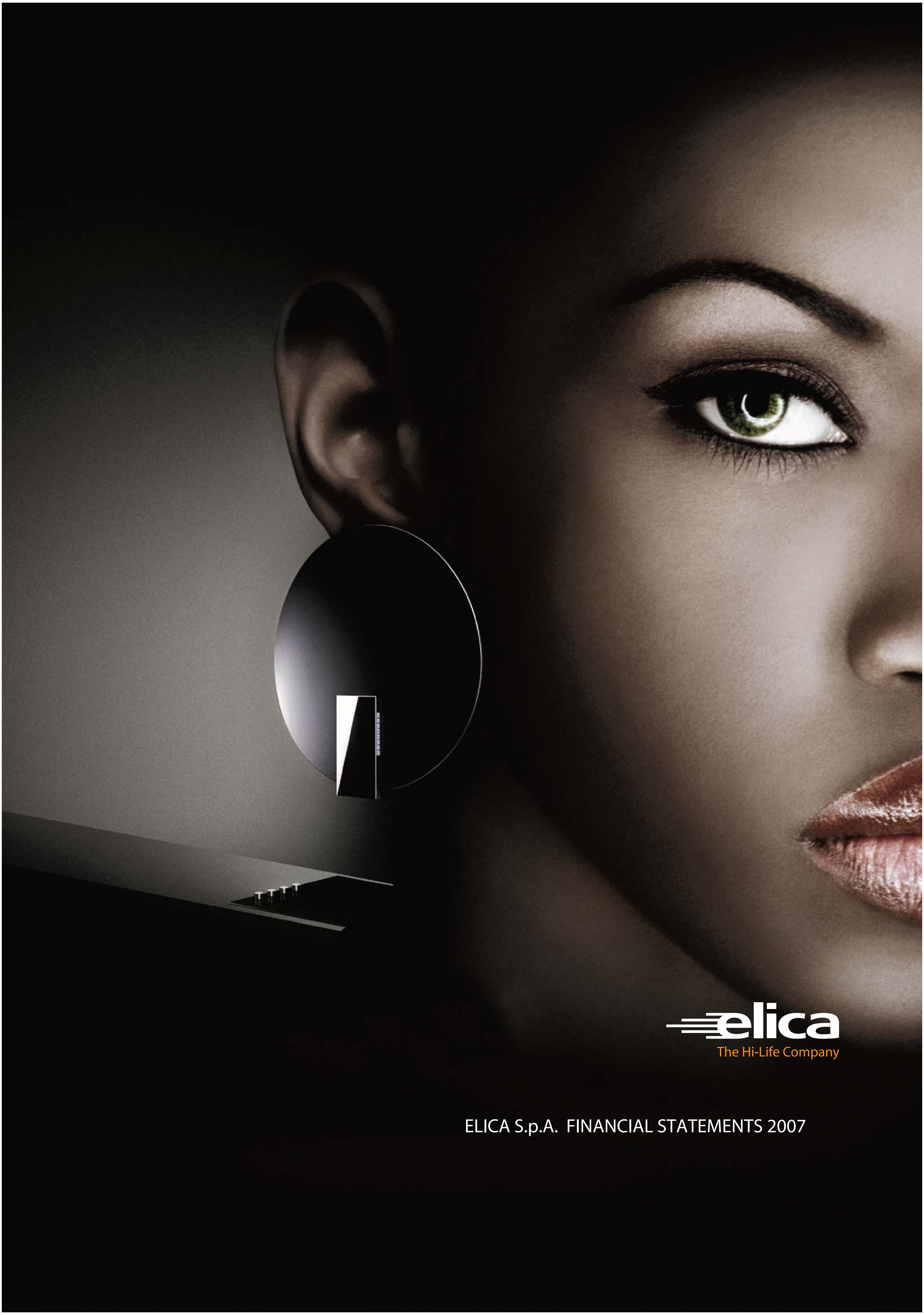

ELICA S.p.A. FINANCIAL STATEMENTS 2007

Directors' Report on operations 2007

Elica today

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

With over thirty years' experience in the sector, Elica has combined meticulous care in design, judicious choice of material and cutting edge technology to become the prominent market figure it is today. The company has revolutionized the traditional image of the kitchen cooker hood: no longer seen as a mere domestic accessory, it has been transformed into a fascinating and sophisticated design object. It is no longer seen as simple accessory but as a design object.

Macroeconomic Environment

The year 2007 was one in which the real estate crisis in the U.S.A. came to a head and manifested its effects on the economy's growth. Interest rates were on the rise during the first half of the year and decreased during the second half; cuts by the Fed were countered with inactivity from the European Central Bank which was rendered immobile by new inflationary pressures. In the U.S, favourable growth forecasts for the first part of the year were profoundly revised by the decline that occurred during the second half of the year. The negative performance of residential housing investments that had already emerged during 2006 continued throughout the year. At the same time, the Dollar's decline allowed for an improvement in the current deficit.

During 2007, the Euro zone experienced a small slowdown in growth and inflation is expected to end the year slightly above the 2% target. GDP in 2007 is expected to grow by 2.6% compared to 2.9% in 2006. The slowdown in GDP is mainly due to private consumer spending and investments. Consumer spending was affected by increased VAT in Germany, as well as the crisis that affected sub-prime mortgages. However, the job market held strong and helped to offset the decrease in consumer spending. The slowdown in capital investments can be attributed mainly to the sluggish construction sector. A slowdown in building authorisations, along with fewer mortgage applications by families for the purchase of homes, is expected to result in a continued sluggish performance in this sector throughout 2008. Good growth in 2007 has contributed to an improvement in public financing for almost all of the countries in the Euro zone.

In Pacific Asia, Japan's growth continued throughout 2007, despite signs of a slowdown. In the first 9 months of 2007, private consumer spending was less than forecast due to static salary levels. The real estate sector unexpectedly negatively affected growth. On June 20, a new law was introduced regarding building approvals which has lengthened the procedure for obtaining authorisations (the previous average of 21 days has now jumped to as long as 90 days). The Bank of Japan reduced its growth expectations for the 2007 fiscal year (which ends in March 2008) to 1.8% from the previous forecast of 2.1%. Early indicators have shown signs of a slowdown during the upcoming months. The Tankan Report has also indicated a decline in the overall level of business confidence. In 2007, China surpassed forecasted growth, adding to the fears of an excessively overheated economy. The strong growth has resulted in the creation of enormous trade surpluses that have created tension in relations with the U.S and more recently with Europe. During 2007, inflation has increased well beyond the forecasts of the PBC.

Currency markets

In 2007, the Euro rose strongly against all the currencies in the areas in which the Elica Group operates. This was particularly significant against the US Dollar, the Japanese Yen and the Mexican Peso and rose sharply at the end of the year. At the end of 2007, there was a notable rise in the Euro against UK Sterling. The Euro however fell against the Polish Zloty.

	Average 2007	Average 2006	%	31 Dec 07	29 Dec 06	%
USD	1.3705	1.2556	9.2%	1.4721	1.3170	11.8%
GBP	0.6843	0.6817	0.4%	0.7333	0.6715	9.2%
JPY	161.253	146.015	10.4%	164.930	156.930	5.1%
ZTL	3.7837	3.8959	-2.9%	3.5935	3.831	-6.2%
MXN	14.9748	13.6943	9.4%	16.054	14.2937	12.3%

IAS/IFRS

The financial statements of Elica S.p.A. for the year ended 31 December 2007 were prepared in accordance with IAS/IFRS issued by the International Accounting Standards Board and approved by the European Commission, and in accordance with article 9 of Legislative Decree No. 38/2005.

The accounting principles utilised in the preparation of these financial statements are consistent with those utilised to prepare the consolidated financial statements for the year ended 31 December 2006. For the year reported upon, no new accounting standards were adopted by the European Union and/or issued by the IAS/IASB that might have a material impact on these consolidated financial statements.

These financial statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousand, unless otherwise specified.

Financial Highlights

The balances at 31 December 2007 include the three former subsidiaries (Turbo Air, Jet Air and Fox Design) merged by incorporation (as per merger deed of 22 June 2007). For a better understanding of the accounts in 2006 and 2007, the post merger pro-forma balances are shown and commented upon in the notes to the financial statements. In addition, an attachment to the financial statements for the year ended 31 December 2007 shows a comparison of the financial statements pro-forma post-merger of the three companies incorporated and stand-alone at 31 December 2006 and 31 December 2007.

in Euro thousands	**31 Dec 06**	**31 Dec 06 Pro-forma Post-merger**	**31 Dec 07**	**07 Vs 06**
Revenues	251,265	334,445	333,173	-0.38%
EBITDA	**27,251**	**33,237**	**28,386**	**-14.59%**
revenue margin	10.80%	9.94%	8.57%	-1.37%
EBIT	**18,242**	**22,266**	**17.952**	**-19,37%**
revenue margin	7.26%	6.66%	5.39%	-1.27%
Net interest charges	-638	-1.684	603	-135.83%
revenue margin	-0.25%	-0.50%	-0.18%	-0.68%
Foreign exchange gains/(losses)	-550	-792	-825	4.17%
revenue margin	-0.22%	-0.24%	-0.25%	-0.01%
Net profit for the year	**9,957**	**9,965**	**9.283**	**-6.84%**
Basic earnings per share				
From continuing operations (Euro/cents)	18.93		14.73	-28.51%
Diluted earnings per share				
From continuing operations (Euro/cents)	18.93		14.73	-28.51%

EBIT is the operating profit from continuing operations. EBITDA is the operating profit plus amortisation and depreciation.

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

	31.12.2006		31.12.2007	
(in Euro thousands)	Stand alone	Pro-forma Post merger		Change
Cash and cash equivalents	11,301	26,186	13,726	(12,460)
Financial receivables from related parties	36,206	21,991	28,396	6,405
Bank loans and mortgages – current portion	(1,882)	(4,260)	(3,810)	450
Finance leases and other lenders – current portion	(3,372)	(1,405)	(305)	1,100
Loans from subsidiaries	(830)			
Short-term net funds	**41,423**	**42,512**	**38,007**	**(4,505)**
Bank loans and mortgages – non-current portion	(254)	(5,210)	(4,600)	610
Finance leases and other lenders – non-current portion	(1,248)	(3,385)	(1,218)	2167
Long-term net funds	(1,502)	(8,595)	(5,818)	**2,777**

Net funds/(debt)	**39,921**	**33,917**	**32,189**	**(1,728)**

Guidance for 2008

The Company's objective in 2008 is growth in market share and margins, together with an improvement in cost efficiencies and its financial position.

Revenue and margin growth will be achieved through a further strengthening of OEM partnerships, growth in Group brands and product and channel innovation. To improve the overhead structure, the Company will rationalise its plant facilities – increasing production in Poland and in Mexico, increase the share of purchases in Low Cost Countries and implement the efficiencies from the rationalisation consequent of the merger in 2007. Investments will be carried out in Poland and Mexico to increase production capacity.

In order to hedge against the exchange rate exposure of Elica S.p.A., the level of purchases in the US will gradually increase; however, the results of this activity will only be partly visible in 2008.

Elica and the financial markets

Elica's shares were placed on 10 November 2006 through an IPO at a price of Euro 5.0 each. The table below shows the performance of the share price in the year 2007 and up until March 2008. At 31 December 2007, the share price was Euro 3.397.

The share capital consists of 63,222,800 ordinary voting shares. At 31 December 2007, the investors listed below had a significant equity interest:

Shareholder	Number of shares held	Shareholding
F.A.N. S.A.	33,440,445	52.81%
Whirlpool Corporation	3,166,140	5.00%
Kairos Partners SGR Spa	1,326,628	2.10%

S.A.F.E. S.a.p.a.	116,245	0.18%
Francesco Casoli	70,000	0.11%
Gianna Pieralisi	52,000	0.08%
Elica S.p.A.	1,934,301	3.05%
Other	23,217,041	36.66%
Total	**63,322,800**	**100.00%**

At 31 December 2007, Elica held 1,934,301 shares from the buyback programme; at 7 March 2008, the number of treasury shares held in portfolio was 3,600,935. Elica S.p.A. will continue its buyback programme up to the maximum limit permitted by law and authorised by the Shareholders' Meeting.

Shares held by directors, officers, statutory auditors and executives

At 31 December 2007, the table below provides details of the shares of Elica S.p.A. held by members of the Board of Directors, Board of Statutory Auditors and executives:

Name	No. of shares at 31 Dec 2006	No. of shares acquired	No. of shares sold	No. of shares at 31 Dec 2007
Casoli Francesco	1,035,650	70,000	1,035,650	70,000
Pieralisi Gianna	1,107,200	52,000	1,107,250	52,000
Senior executives	3,675	4,369	2,000	6,044

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

Significant events in 2007

As part of its expansion strategy, on 23 January 2007 Elica S.p.A. acquired a 15% stake in Air Force S.p.A. from Fintrack S.p.A, the company that controls Elica via Fan S.A. Air Force manufactures and sells decorative hoods for the mid-range and high-end segments, based on innovative designs and the use of high content technology. As of this date, Elica S.p.A. thus holds a 60% equity interest in Air Force S.p.A., which is fully consolidated in the financial statements.

On 21 March 2007, the Board of Directors accepted the resignations submitted by the Director and Chief Executive Officer Massimo Marchetti and appointed, simultaneously, Andrea Sasso to his posts. At the Shareholders' AGM held on 30 April 2007, the shareholders confirmed the appointment of Andrea Sasso, whose term of office will expire, along with all the other members of the Board of Directors, on the date of the Shareholders' AGM convened to approve the financial statements for the year ended 31 December 2008.

From the second quarter of 2007, Elica has embarked on a series of activities aimed at simplifying the consolidation scope and focusing on its core business.

On 13 June 2007, Elica S.p.A. sold its interest in Aerdorica S.p.A. to Fintrack S.p.A. for Euro 50 thousand, equal to the carrying amount. On 28 June 2007, the debenture loan of Aerdorica S.p.A. was sold to Fintrack S.p.A. for Euro 152.6 thousand, equal to the par value.

On 25 June 2007, Elica S.p.A. sold its stake of 21.276% in Roal Electronics S.p.A. The sale was made for a value of Euro 3.0 million compared to a carrying value of Euro 3.24 million. Settlement of the transaction entails payment of Euro 1 million in cash on execution of the contract of sale, with the remainder to be paid in four instalments of Euro 500 thousand, falling due between 31 December 2007 and 31 December 2010. Interest equal to 6-month Euribor (365-day) plus a spread of 0.70% will be applied to these instalments on 30 November of each year. The investment was sold to Fintrack S.p.A., the company that controls Elica S.p.A. via FAN S.A. The value of the investment was calculated by rounding up the sum of the amounts resulting from an application of the combined equity and income method, using an independent appraisal of goodwill, and of the leveraged discounted cash flow method. The appraisal was drawn up by an independent expert.

On 25 June 2007, the Board of Directors of Elica S.p.A. approved the implementation of the "Performance Stock Option Plan 2007-2011" reserved to "key managers" and designed to reward achievement of the Company's growth and development targets, pursuant to art. 114-bis of Legislative Decree 58/98. The plan was then approved at an Ordinary Shareholders' Meeting on 25 June 2007. The Board also approved a paid capital increase of up to Euro 300,000, with full exclusion of pre-emption rights pursuant to art. 2441, paragraphs 5 and 8, of the civil code. The increase was to involve the issue of up to 1,500,000 ordinary shares with a par value of Euro 0.20 each, ranking in all respects with existing ordinary shares, at a price of Euro 5, including the par value and a share premium. The regulations of the "Performance Stock Option Plan 2007-2011" were approved by the Board of Directors on 16 July 2007.

During June 2007 part of the loan granted by Elica S.p.A. to the subsidiary Elica Group Polska Sp.z.o.o. was converted into share capital in order to fund the investment needed to further boost the production of range hoods in Poland. The holding of Elica S.p.A. increased from 5% to 62%. The remaining share capital is held by Fime S.p.A., a subsidiary of Elica S.p.A., which manufactures motors and motor sets.

On 22 June 2007, the merger of Jet Air S.r.l., Turbo Air S.p.A. and Fox Design S.p.A. into Elica S.p.A. was approved. The merger is designed to achieve further integration of range hood business processes, with a consequent improvement in operating and managerial efficiency. The operation was carried out without issuing new shares and therefore did not give rise to an increase in the share capital of the incorporated company.

In July Elica S.p.A.'s shareholding in Carifac S.p.A. was sold. The price of the shares amounted to Euro 212.6 thousand, compared with a carrying amount of Euro 152.0 thousand.

On 3 August 2007, an Ordinary Shareholders Meeting authorised the purchase and the use of treasury shares, pursuant to article 2357 of the Civil Code, with the following objectives and without prejudice to the equal treatment of shareholders: to enable the Company to stabilise the share price and improve the liquidity of the shares; to protect regular trading in the shares against speculation; to implement the "Performance Stock Option Plan 2007 -2011"; to trade in the Company's own shares, in compliance with sections 2357 of the Civil Code, via the subsequent use of the shares; and to provide the Company with the necessary degree of operating flexibility to facilitate business combinations based on the exchange of shares.

At the same Meeting, the appointment of Marcello Celi as a member of the Board of Directors of Elica S.p.A., as well as of the Internal Audit Committee and the Remuneration Committee, was confirmed. Mr Celi had already been co-opted by the Board of Directors during the meeting held on 16 July 2007.

On 6 August 2007, Elica sold its 1% interest in Falmec S.p.A. to the majority shareholders for Euro 260 thousand, compared with a carrying value of Euro 73 thousand.

On 10 December 2007, Elica S.p.A. announced a supply agreement with Whirlpool Corporation, the world's leading producer of electrical appliances, with the aim of boosting both companies' growth in the kitchen range hoods market and strengthening their partnership. The agreement allows Whirlpool to increase its presence in the kitchen range hoods market, where sales have reached approximately 30 million units worldwide, by having access to Elica's innovative products in Europe and North America, with the possibility to extend the agreement to include other geographical areas. As a result of this agreement, Elica, the world leader with 17% of the market, will further expand its share of the North American market. Based on this agreement and the forecasts contained in the Strategic Plan for 2008-2010, Elica expects to see a gradual increase in annual sales in the American market, achieving, once fully operational, an additional USD 20 million in revenue by 2011. Fan S.A., Elica's parent company, has also agreed to sell (directly or through an intermediary) a 5% holding in Elica S.p.A. at a price of Euro 5.0 per share. At the same time, Whirlpool has acquired a call option on a further 10% of the Company, to be exercised within 18 months. The option regards the shares that Elica may have purchased under its buyback programme, which was approved by shareholders on 3 August 2007. At the end of each quarter during the option period, Whirlpool may exercise its option to purchase not less than 2.5% and not more than 5% of Elica’s share capital. The price is to be equal to the weighted average cost of the shares bought back by Elica during the period, plus an additional margin of Euro 0.5 per share, up to a maximum exercise price of Euro 5 per share.

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 24/08/1965, appointed by resolution dated 30/04/2007.

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 12/04/2006.

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 a director 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 19/8/1972, 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.
Registered office and Company Data
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
Investor relations
e-mail: l.giovanetti@elica.com
Telephone: +39 0732 610727

Research and Development

The development activities represent a central focus of the business; significant resources are utilised in the activities to develop, produce and offer clients innovative products both in their design and in the utilisation of materials and technological solutions.

During the year, the company incurred costs for industrial and basic research regarding product and organisational, process and structural improvements (among which the implementation of the Wind Chill Project, a control system designed internally, and the improvements to the TXT Project which will improve the planning of resources and management of client orders through the implementation of an efficient logistical system, a post-sales management service and the improvement of the integration of the systems and processes between Group companies). Particular importance was given in the year to the implementation and personalisation of the local statutory requirements and the start-up of the SAP accounting system in Mexico for the subsidiary ElicaMex S.A. d C.V., and in Poland for the subsidiary Elica Group Polska Sp. Z o.o., entirely expensed in the year, which concerned all the factories of the company.
Total costs incurred for these activities amounted to Euro 5,758 thousand.

Information in relation to the treatment of personal data

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

Structure of the Elica Group

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

Parent Company

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

Subsidiaries at the publication date of the Financial Statements

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

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

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

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

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

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

- Air Force S.p.A. – Fabriano (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".

Associated companies

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

- Inox Market Mexico S.A.de C.V. – Queretaro (Mexico). The company, which is 30% owned by Elicamex S.A. de C.V., processes stainless steel, and steel for industrial purposes in general. It markets its products, primarily in Mexico and the United States. By acquiring this investment, the Group aims to reduce purchase costs in one of the most significant cost items for the production of mid-range and high-end hoods and will be able to take advantage of supplies of semi-finished steel integrated within the hood production cycle.

Intercompany and other related-party transactions

In 2007, 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.

Disclosures on shareholders pursuant to article 123 of the Consolidated Finance Act as at 27 March 2008

a) Share capital structure

	No. Shares	% SHARE CAPITAL	Listed/Non-listed	Rights & Obligations
Ordinary shares	63.322.800	100%	Listed on the MTA Star	Voting rights at ord/extraord meeting, dividends and payment on liquidation
Shares with limited voting rights	-			
Shares no voting rights	-			

Performance Stock Option Plan 2007-2011

On 25 June 2007, the Shareholders' Meeting also approved the "Performance Stock Option Plan 2007-2011" for employees, including senior management, advisors and executive directors of the Company and of its subsidiaries considered "key managers" for the achievement of the business growth and development objectives of the Company, pursuant to article 114 of Legislative Decree No. 58/1998.
The plan is divided into three annual tranches coinciding with the financial year end 31 December 2007, 31 December 2008 and 31 December 2009 respectively. In general, for each tranche, options will be exercisable equal to 1/3 of the total options assigned with each tranche having reference to the results of the financial year to which they refer. The options may be exercised by the beneficiaries only and exclusively in the period between 31 July 2010 and 31 January 2011.

b) Restrictions on the transfer of the securities

The by-laws do not contain any restrictions on any type of share transfer.

c) Significant Holdings in the share capital

Based on the share register, and Consob filings, the significant holdings in the share capital are as follows:

Declarant	Direct shareholder	% of ordinary share capital	% of voting share capital
HENDERSON GLOBAL INVESTORS LIMITED	HENDERSON GLOBAL INVESTORS LIMITED	2.743%	2.743%
WHIRLPOOL CORPORATION	WHIRLPOOL CORPORATION	5.000%	5.000%
KAIROS PARTNERS SGR SPA	KAIROS PARTNERS SGR SPA	2.095%	2.095%
PIERALISI GIANNA	**FAN SA**	52.809%	52.809%
PIERALISI GIANNA	S.A.F.E. S.A.P.A. DEL CAV. IGINO PIERALISI	0.184%	0.184%
PIERALISI GIANNA	PIERALISI GIANNA	0.082%	0.082%
PIERALISI GIANNA	***ELICA SPA***	5.010%	5.010%

d) Securities which confer special rights

The company has not issued shares which confer special controlling rights.

e) Employee shareholdings: method of exercise of voting rights

Not applicable.

f) Restrictions on voting rights

The by-laws do not contain any restrictions on voting rights.

g) Shareholder agreements

On 10 December 2007, FAN SA, parent company of Elica, and Whirlpool signed a shareholder agreement (the "Shareholder Agreement" or the "Agreement") which provides (i) a purchase contract by Whirlpool of 3,166,140 Shares of Elica, representing 5% of the Shares currently outstanding, equal to 63,322,800 Shares (the "5% Holding"), which were sold by FAN, ANPIER S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli; the purchase was completed on 18 December 2007 (the "Closing") and (ii) regulations concerning the governance of the Company.

The full Extract of the Shareholder Agreement communicated to Consob in accordance with article

122 of legislative decree No. 58 of February 1998 is reported below:

ELICA S.P.A.

Registered office: Via Dante Alighieri n. 288, 60044 Fabriano (AN).

Share capital Euro 12,664,560

Registered at the Company's Register Office of Ancona 00096570429

- FAN S.A., a Luxembourg incorporated company, registered office in Boulevard du Prince Henry - L - 1724 ("FAN"), with a direct holding with voting rights of 52.81% in the share capital of Elica S.p.A., registered office in Fabriano (AN), Via Dante Alighieri No. 288, registered at the Company's Register Office of Ancona, No. 00096570429 (the "Company" or "Elica");

- Whirlpool Europe S.r.l., an Italian incorporated company, registered office in Comerio (VA), Viale Guido Borghi No. 27, registered at the Company's Register Office of Varese, No. 01534610124 ("Whirlpool");

(FAN and Whirlpool hereafter are referred to as individually the "Party" and, collectively, the "Parties").

Given that

a) FAN is a Luxembourg registered company, majority shareholder of Elica;

b) Whirlpool is an Italian registered company, subsidiary of Whirlpool Corporation, parent company of a leading world manufacturer of home appliances;

c) Elica is world leader in the production of oven hoods and is a long-time supplier to Whirlpool in Europe and in North America;

d) the ordinary shares of the Company (the "Shares") were admitted for trading on the Mercato Telematico Azionario ("MTA"), Star Segment, organised and managed by Borsa Italiana S.p.A. ("Borsa Italiana");

e) on 10 December 2007, FAN and Whirlpool signed a shareholder agreement (the "Shareholder Agreement" or the "Agreement") which provides (i) a purchase contract by Whirlpool of 3,166,140 Shares, representing 5% of the Shares currently outstanding, equal to 63,322,800 Shares (the "5% Holding"), which were sold by FAN, ANPIER S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli; the purchase was completed on 18 December 2007 (the "Closing") and (ii) regulations concerning the governance of the Company;

f) in accordance with the Shareholder Agreement, Whirlpool and the Company also signed an option agreement on Shares (the "Share Option Agreement") – subject to the purchase of the 5% Share by Whirlpool – granting Whirlpool the right to purchase Treasury Shares of the Company (the "Call Option") up to 10% of the Shares currently outstanding (equal to 6,332,280 Shares) with voting rights of the Company (the "Call Option Shares") for a period of 18 months from the date of receiving communication from Elica of the purchase of the 5% Share (the "Option Period"); and

g) simultaneously, Maytag Sales Inc., a US registered company wholly owned by Whirlpool Corporation ("Maytag") and Elica signed an exclusive supply contract for hoods in Europe, the Middle East, Africa and North America for a period of 6 years ("OEM Supply Agreement");

communicates that

The Shareholder Agreement (i) grants Whirlpool an option to purchase shares held in the Company from FAN; (ii) stipulates certain aspects relating to the governance of Elica; (iii) imposes certain limits to the transfer of the shares held by the Parties; (iv) contains a non competitive clause by FAN and parties it controls and (v) requires that the Shares acquired based on the Share Option Agreement are automatically conferred to the Agreement.

1. Company whose instruments are subject to the Shareholder Agreement

Elica S.p.A., registered office in Fabriano (AN), Via Dante Alighieri n. 288, Company's Register Office Ancona No. 00096570429, share capital Euro 12,664,500.

2. Financial instruments subject to the Shareholder Agreement and percentage compared to the share capital.

The Shareholder Agreement concerns all the shares in the Company held or which will be held by the Parties for the duration of the Agreement and, for some specific clauses, some of the Shares held by the shareholders, directly or indirectly, of FAN, as indicated in the table below, which illustrates the situation at the Closing date.

Shareholder	*Number of shares held*	*Number of shares conferred*	*% of Shares conferred compared to the share capital*
FAN	*33,440,445*	*33,440,445*	*52.8095*
Whirlpool	*3,166,140**	*3,166,140**	*5**
Total	*36,606,585*	*36,606,585*	*57.8095*

** The total holding of Whirlpool takes into account, in addition to the 100 Shares transferred to Whirlpool by FAN, 1,107,200 shares transferred to Whirlpool by Ms. Gianna Pieralisi (1.7485% of the share capital of Elica), 1,035,650 shares transferred to Whirlpool by Mr. Francesco Casoli (1.6335% of the share capital of Elica), 426,000 shares transferred to Whirlpool by Ms. Cristina Casoli (0.6727% of the share capital of Elica) and 597,190 shares transferred to Whirlpool by Anpier S.p.A. (0.9431% of the share capital of Elica) and may increase the holding up to 15%, with the exercise of the option rights granted by the Company to Whirlpool.*

The Shareholders Agreement has no impact on the control of the Company which, pursuant to article 93 of the Consolidated Finance Act, is indirectly held by Ms. Gianna Pieralisi.

3. Contents of the Share Option Agreement.

3.1 Elica has granted to Whirlpool, for the duration of the Option Period, the right to purchase from the Company the Shares of the Call Option at a price per Share equal to the lower of (i) Euro 0.50 plus the weighted average price per Share paid by the Company in the buyback programme approved by the Shareholders' Meeting of the Company on 3 August 2007 up to the previous trading day at each exercise date of the Call Option, for the Shares resulting from the share register at that date, and (ii) Euro 5. Whirlpool may exercise the Call Option in one or more tranches not lower than the minimum between (a) 2.5% of the share capital of the Company and (b) the number of Shares held by the Company at the exercise date of the Call Option, on condition that the total number of the Shares acquired by Whirlpool following this exercise in each quarter will not exceed 5% of the share capital of the Company. The limit of 5% of the share capital of the Company may be exceeded in the final quarter of the Option Period for a total number of shares requested by Whirlpool in the previous quarters and not delivered by Elica, with a maximum limit of 10%. Following the exercise of the Call Option, the Company will sell a number of Shares equal to the lower between (i) the number of the Call Option Shares for which Whirlpool has exercised the Call Option and (ii) the number of Shares held by the Company at the exercise date of the Call Option.

3.2 Whirlpool, until the first date between (i) the end of the Option Period and (ii) the day of the purchase by Whirlpool of all the Call Option Shares, will not purchase or authorise the purchase of Shares or rights on shares, on the market or outside of the market.

4. Provisions of the Shareholder Agreement.

The provisions of the Shareholder Agreement are outlined below.

4.1 Sales option of the Incomplete Shares

Where, on the expiry of the Option Period, the Company is not able for whatever reason to deliver all the Shares that Whirlpool had exercised in the Call Option and Whirlpool has communicated to FAN the wish to acquire a number of Shares equal to the difference between the Shares that Whirlpool had exercised in the Call Option and the Shares effectively sold by the Company to Whirlpool (the "Incomplete Shares"):

(i) where the weighted average price of the Shares on the MTA during the Option Period exceeds Euro 5, FAN will have the obligation to sell to Whirlpool the Incomplete Shares at a price per share of Euro 5; or

(ii) where the weighted average price of the Shares on the MTA during the Option Period does not exceed Euro 5, Whirlpool will acquire the rights related to the reaching of the shareholding threshold contained in the Shareholder Agreement (including, on an example basis, those described at paragraph 4.2.3) as if they had acquired all the Shares of the Call Option on the last day of the Option Period, without Whirlpool having to acquire any Incomplete Shares.

4.2 Governance

The agreement provides for the following governance terms.

4.2.1 FAN will ensure that for the duration of the Shareholder Agreement, one member of the Board of Directors of the Company is nominated on the recommendation of Whirlpool, subject to this latter being a holder of at least 5% of the share capital of the Company. Where the Shareholder Agreement is terminated or Whirlpool has a holding lower than 5% of the share capital of the Company (except as a consequence of a "Post-Closing Dilution" or as a consequence of a breach of the Shareholder Agreement by FAN or a breach of the Share Option Agreement by Elica), Whirlpool will request the designated Director to resign from office. Post-Closing Dilution is intended as the dilution of the investment by the Investor deriving from (i) *any issues of Shares or Elica Securities (as defined) where the Investor does not have an option right or (ii) mergers or any other operations carried out by the Company after the Closing. In the case of the appointment of a new Board of Directors during the Shareholder Agreement, FAN will present a single slate of candidates, which will include the Director designated by Whirlpool and a further candidate, indicated by Whirlpool as a replacement of the first candidate.*

4.2.2 Without the approval of FAN, the designated Director of Whirlpool may not be an employee, a director or an executive of Whirlpool or a "Related Party" (intended, with reference to each Party, as a party which directly or indirectly controls, is controlled by or is subject to common control with this Party).

4.2.3 Where Whirlpool has a shareholding in Elica of at least 10%, the resolutions of the Shareholder Meetings or of the Board of Directors relating to:

(a) any issue of Shares or other "Elica Securities" (intended as any class of shares - including the Shares - convertible bonds or other securities or equity financial instruments issued by Elica), in which Whirlpool does not have the rights option, will be adopted with the favourable vote respectively of Whirlpool or of the Director designated by Whirlpool; and

(b) distribution of reserves or other provisions or assets, spin-offs, reduction of share capital (except in the case of the obligatory reduction of the share capital pursuant to article 2446, second paragraph, and article 2447 of the Civil Code) or any other resolution of the Shareholders that results in a reduction in the shareholders' equity of the Company under Euro 126,000,000 will be adopted with the favourable vote of Whirlpool or of the Director designated by Whirlpool, whose vote may not be unreasonably declined.

4.2.4 For the duration of the Option Period, FAN will not undertake any action to eliminate or to resolve the buyback programme approved by the Shareholders' Meeting of 3 August 2007.

4.3 Limits to the transfer of shares

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

4.3.1 Non transfer obligations

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

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

4.3.2 Transfers permitted

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

(a) transfer from FAN (or its successors if permitted by the Shareholder Agreement) to Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli, or their spouses or relatives (as defined by article 74 and 76 of the Civil Code) or to a company wholly owned or controlled by one of these parties;

(b) transfer from Whirlpool to a Related Party of Whirlpool Corporation or by FAN to a Related Party of FAN, provided that such Related Party of FAN is not held by a Competitor of Whirlpool.

In each case the buyer must adhere to the Shareholder Agreement and the seller will ensure that the buyer remains a Related Party and will remain fully committed to the seller.

4.3.3 Pre-emptive Right

Where one of the Parties wishes to transfer, all or part, of the Shares or other Elica Securities it holds during the Shareholder Agreement, in favour of any other person or entity, the following procedures are applied:

*(a) where one of the Parties wishes to transfer Shares or other Elica Securities, they will communicate their intention in writing (the "**Offer**") to the other Party. During a period not beyond 30 days from the reception of the Offer (the "**Pre-exemption Period**"), the other Party will have the right to acquire all (and not just some) of the Shares or Elica Securities described in the Offer at the same terms and conditions within 30 working days from the reception of the Offer;*

(b) where the Offer does not contain a cash sum, the Parties may jointly nominate an investment bank of international renown within 10 days from the Pre-emption Period in order to determine the value of the Shares or the Elica Securities and the corresponding consideration in cash.

4.3.4 <u>Extension of the transfer limits</u>

The Parties have agreed that the provisions described in paragraphs 4.3.2 and 4.3.3 are also applied to the Shares and Elica Securities held by a Related Party of FAN including Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli. In relation to the pre-emptive right:

(i) this does not apply to the transfer of Shares or Elica Securities held directly by Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli at the date of the Shareholder Agreement or subsequently acquired by them on the market; and

(ii) paragraph 4.3.3 also applies to each transfer of the majority of the shares (or rights on these) issued by FAN or by a party directly or indirectly controlled by FAN; in the case in which the transfer of the majority of the shares issued by these parties is made through several transfers of minority holdings, FAN will transfer on the request of Whirlpool all the Elica shares held by FAN at that date at the price determined in accordance with the terms of paragraph 4.3.3(b).

<u>4.4 Non Competition Clause</u>

FAN, also on behalf of its parent company Fintrack S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli, will ensure that, until any party among FAN, Fintrack S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli (the "Non-Competitive Party") holds directly or indirectly, individually or together with third parties, Shares or other Elica Securities or rights from these or relating to these, up to the first date between (i) the expiry of the Shareholder Agreement and (ii) 18 months after the date in which the Non-Competitive Party will cease to hold, directly or indirectly, Shares or such holdings or rights, this Non-Competitive Party may not:

(i) undertake or make, directly or indirectly, on its own behalf or on behalf of third parties, in North America (United States of America, Canada, Mexico), Europe (including Russia and Turkey), the Middle East and Africa (the "Territory"), any commercial or entrepreneurial operation in the production, research and development, marketing, distribution and sale of kitchen hoods (the "Competitive Activity");

(ii) hold, directly or indirectly, any interest, participation or affiliation, on its own behalf or of other parties or entities, in the Territory and in relation to the Competitive Activity, or be (A) a shareholder, lender or investor, which exercises the control or significant influence on the operations or (B) a shareholder or investor that holds (or has related voting rights or equity rights) more than 10% of any non-listed category of securities of, or more than 2% of the listed securities of, any party that undertakes or makes any commercial or entrepreneurial operations described in paragraph (i) above.

<u>4.5 Conditional rights</u>

The rights of Whirlpool described in paragraph 4.3.1 (b), 4.3.3 and 4.4 will no longer have effect if, at the end of the Option Period, the holding of Whirlpool is lower or reduces below 10% of the share capital of the Company, except in the case of a Post-Closing Dilution or due to a breach of the Shareholder Agreement by FAN or a breach of the Share Option Agreement by Elica.

5. Duration and renewal of the Shareholder Agreement.

5.1 The agreement will remain in force until the first date between (i) the third anniversary of the Closing (or the fifth if the Elica Shares are no longer listed) and (ii) the date in which Whirlpool holds less than 5% of the share capital of the Company (except in the case of a Post-Closing Dilution or as a consequence of the breach of the Shareholder Agreement by FAN or of a breach of the Share Option Agreement by Elica).

5.2 Where one of the Parties communicates to the other Party, at least 3 months before the expiry of the Agreement, their opposition to the renewal of the Shareholder Agreement, the Parties will meet within 2 weeks in order to negotiate in good faith the renewal of the Shareholder Agreement or the agreement of a new Shareholder Agreement between the Parties.

5.3 The Parties declare from the present moment, where on the expiry of the Agreement or on the negotiation of its renewal, the OEM Supplier Agreement is still effective and Whirlpool has acquired and still holds an investment of at least 10% in the share capital of Elica, they intend to renewing the Shareholder Agreement without any modifications for a further period of three years (or one year where the previous term was five years).

6. Type of Agreement.

The Agreement is made in accordance with article 122 of the Consolidated Finance Act and, specifically, fifth paragraph, letters a), b) and c) of this legislation.

7. Registration of the Agreement.

The Shareholder Agreement is subject to Consob communication and will be registered at the Company's Register Office of Ancona in accordance with the terms prescribed by law.

8. Resolution, withdrawal and penalty clauses

8.1 Right of resolution

(a) Where Whirlpool or FAN violates or does not comply with some essential clauses of the Agreement (each a "Breach"), the non-defaulting party will have the right to bring the Shareholder Agreement to immediate fruition through communication to the defaulting party pursuant to article 1456 of the Civil Code.

*(b) In the case of (i) advanced dissolution of the OEM Supply Agreement for an alleged breach by Elica of the OEM Supply Agreement, or (ii) advanced dissolution of the Share Option Agreement for an alleged breach by Elica (each a "**Elica Dissolution Event**"), Whirlpool may withdraw from the Shareholder Agreement with immediate effect through written communication to FAN.*

*(c) In the case of (i) advanced dissolution of the OEM Supply Agreement for a breach by Maytag or (ii) proof of serious breach of certain essential clauses of the OEM Supply Agreement (each a "**Buyer Dissolution Event**"), FAN may withdraw from the Shareholder Agreement with immediate effect through written communication to Whirlpool.*

8.2 Exit procedure by Whirlpool

*(a) In the case of (i) dissolution of the Shareholder Agreement following a Breach by FAN, (ii) dissolution of the Shareholder Agreement following an Elica Dissolution Event, or (iii) non renewal of the Shareholder Agreement following notice by FAN pursuant to paragraph 5.3 above (each a "**Whirlpool Exit Event**"), Whirlpool will have the unconditional right to sell on the market, all or part, the 5% Share, the Call Option Shares and any Incomplete Shares held at that moment.*

*(b) Where there is a Whirlpool Exit Event, Whirlpool, within 30 working days, must provide written communication (the "**Exit Declaration**") to FAN specifying the Whirlpool Exit Event and indicating (i) the calculation of the weighted average price per share (the "**Average Purchase Price**") paid by Whirlpool on the purchase from FAN and/or from the Company of the 5% Share, the Call Option Shares and any Incomplete Shares (the "**Exit Shares**") and (ii) the weighted average market price per share of the last 30 days preceding the Exit Declaration (the "**Elica Weighted Price**"). In this case FAN, with written communication to Whirlpool within 10 working days from the Exit Declaration, will have the right to buy from Whirlpool all the Exit Shares at the Average Purchase Price within 10 working days of the above-mentioned communication. Where FAN decides not to buy these Shares at the Average Purchase Price, or subsequently does not make the payment within the agreed terms, Whirlpool will have the right to obtain from FAN within 20 working days of the Exit Declaration an amount equivalent to the difference between the Average Purchase Price (if higher than the Elica Weighted Price) and the Elica Weighted Price, multiplied by the number of Exit Shares (the "**Exit Difference**").*

8.3 Exit procedure by FAN

(a) In the case of (i) dissolution of the Shareholder Agreement following a Breach by Whirlpool or (ii) dissolution of the Shareholder Agreement following a Buyer Dissolution Event (each a "FAN Exit Event"), FAN will have the unconditional right to buy, all or part, the 5% Share, the Call Option Shares and any Incomplete Shares held at that moment by Whirlpool (the "FAN Exit Shares").

(b) Where there is a FAN Exit Event, within 30 working days of being aware of the event, FAN may inform Whirlpool through written communication and Whirlpool will be obliged to sell to FAN the Exit Shares of FAN at the Average Purchase Price within 20 working days of the reception of the above-mentioned communication.

9. Other information.

The Agreement does not provide for a committee to oversee its functioning.

The Agreement does not contain obligations to register the Shares conferred to the Agreement.

h) Nomination and replacement of the directors and changes to the company by-laws

The By-Laws require that (i) a Director is elected from the minority slate that has obtained the highest number of votes and is not related in any manner, even indirectly, with the majority slate and (ii) a minimum number of independent directors are appointed in accordance with law. The slates can be presented by the shareholders who, alone or together with other shareholders, represent 2.5% of the share capital or otherwise established by the regulations in force.
This new voting mechanism will be applied on the renewal of the next Board of Directors.
All amendments to the by-laws are made based on the provisions of law and the By-Laws.

i) Powers to increase the share capital and authorisation of buyback programme

Regarding the authorisation to increase the share capital pursuant to article 2443 of the civil code, it is recalled that the Extraordinary Shareholders' Meeting of Elica on 12 April 2006 attributed powers to the Board of Directors, pursuant to article 2443 of the civil code, to be exercised within five years from the date of the resolution, to increase in one or more tranches, a paid capital increase of up to Euro 300,000, with full exclusion of the pre-emptive rights pursuant to article 2441, paragraphs

five and eight, of the civil code, through the issue of up to 1,500,000 ordinary shares, ranking in all aspects with existing shares, for a stock option plan for employees, senior management, advisors and executive directors of the Company and of its subsidiaries considered "key managers" and designed to reward achievement of the Company's growth and development targets.
Subsequently, on 25 June 2007, the Shareholders' Meeting in ordinary session gave powers to the Board of Directors to implement the "Performance Stock Option Plan 2007-2011".
On the same date, the Board of Directors of the Company, in extraordinary session, approved a share capital increase in accordance with the powers conferred and consequently changed the first paragraph of article 5 of the Company's by-laws.

***

The Ordinary Shareholders' Meeting of 3 August 2007 authorised the purchase and placement of treasury shares of the Company pursuant to article 2357 of the Civil Code, delegating the necessary powers to the Board of Directors of the Company.

j) Change of control clauses
Commercial agreements are in force which provide for the right of return by the other contracting party in the case of change of control of the Company.

m) Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer
No agreements have been signed between the company and the directors which provide indemnity in the case of resignation or dismissal/revocation of office following a public purchase offer.

Events after 31 December 2007 and outlook

The general economic outlook in the first months of 2008 is characterised by a general slowdown of demand in the US and in Europe, due to the real estate crisis, accompanied by a growth in demand in the Asia-Pacific region however at lower rates than those in recent years. The first quarter of 2008 also sees the continued strengthen of the Euro against the US Dollar and the UK Pound. The commodities market continues to remain strong, although at the date of the preparation of the present report the Group had already purchased almost all of its needs for the year 2008.

Management is implementing the business activities contained in the 2008-2010 industrial plan.

No significant events took place after 31 December 2007 that would affect Elica S.p.A.'s operating results and financial position or require additional disclosure. The Company's operations, plans, sales and investment activities are proceeding as expected.

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

Dear Shareholders,
the Financial Statements for the year 2007 which we present for your approval report a net profit of Euro 9,283,325 and a net equity of Euro 141,181,521.

Therefore we invite you to:

1) approve the Directors' Report on operations for the year 2007 and the Financial Statements as at 31 December 2007, comprising the Balance Sheet, the Income Statement and the Notes thereto;
2) approve the distribution of a dividend of Euro 4.82 cents per share, which corresponds to a payout ratio of 32.5% - excluding the treasury shares existing at 19 May 2008, the coupon date;
3) approve the payment of the dividends on 22 May 2008;
4) transfer the Exchange Gain Reserve to Extraordinary Reserves for Euro 17,236;
5) approve the allocation of the residual amount to the Extraordinary Reserve.

We thank you for your attention.

Fabriano, 27 March 2008

For the Board of Directors
The Chairman
Francesco Casoli

ELICA S.p.A.

Registered Office at Via Dante, 288 - 60044 Fabriano (AN) - Share Capital Euro 12,664,560 fully paid-in

Separate financial statements as at 31 December 2007

Income statement	Note	**31/12/2006**	**31/12/2007**
Revenues - third parties	4.01	223,412,788	316,836,467
Revenues - related parties	4.01	27,852,344	16,336,115
Other operating revenues	4.02	2,462,156	4,875,971
Changes in inventories of finished and semi-finished goods	4.03	1,074,044	700,281
Increase in internal work capitalised	4.04	497,061	977,152
Raw materials and consumables	4.05	(97,205,883)	(144,140,102)
Raw materials and consumables – related parties	4.05	(28,484,081)	(28,351,177)
Services	4.06	(41,242,561)	(59,331,850)
Services – related parties	4.06	(14,107,716)	(15,287,102)
Labour costs	4.07	(42,792,586)	(56,329,318)
Amortisation & depreciation	4.08	(9,008,904)	(10,434,084)
Other operating expenses and provisions	4.09	(4,214,457)	(7,200,165)
Restructuring charges	4.09		(700,000)
EBIT		**18,242,205**	**17,952,188**
Share of profit/(loss) on equity holdings	4.10	1,745,161	(180,432)
Financial income	4.11	620,755	1,945,589
Financial costs	4.12	(1,258,497)	(1,411,147)
Foreign exchange gains/(losses)	4.13	(550,494)	(824,844)
Other non-operating income			26,000
Pre-tax profit		**18,799,130**	**17,507,354**
Income taxes	4.14	(8,841,803)	(8,224,029)
Net profit for the year		**9,957,327**	**9,283,325**
Basic earnings per share			
From continuing operations (Euro/cents)	4.15	18.93	14.73
Diluted earnings per share			
From continuing operations (Euro/cents)	4.15	18.93	14.73

Note
The balances at 31 December 2007 (income statement and balance sheet) include the three former subsidiaries (Turbo Air, Jet Air and Fox Design) merged by incorporation (as per merger deed of 22 June 2007). For a better understanding of the accounts in 2006 and 2007, the pro-forma post merger balances are shown and commented upon in the notes to the financial statements. In addition, an attachment to the financial statements for the year ended 31 December 2007 shows a comparison of the financial statements pro-forma post-merger of the three companies incorporated and stand-alone at 31 December 2006 and 31 December 2007.

Balance sheet		**31/12/2006**	**31/12/2007**
Assets	Note		
Property, plant & equipment	4.16	35,093,365	39,226,111
Goodwill	4.17	0	6,713,992
Other intangible assets	4.17	2,983,627	4,884,702
Investments in subsidiary companies	4.18	48,080,640	41,604,227
Investments in associates and joint ventures	4.19	6,057,834	1,899,162
Other financial assets	4.20	150,000	30,000
Other receivables	4.21	1,262,597	1,212,156
Tax assets	4.22	752	752
Deferred tax assets	4.23	3,457,258	4,299,599
Available-for-sale financial assets	4.24	86,223	24,908
Total non-current assets		**97,172,296**	**99,895,609**
Trade receivables	4.25	57,439,089	73,605,169
Trade receivables and loans – related parties	4.25	50,981,580	45,754,129
Inventories	4.26	24,161,036	35,660,416
Other receivables	4.27	1,189,615	2,063,217
Tax assets	4.28	1,163,826	1,920,632
Derivative financial instruments	4.29	95,660	544,110
Cash and cash equivalents	4.30	11,301,281	13,725,848
Current assets		**146,332,087**	**173,273,521**
Total assets		**243,504,383**	**273,169,130**
Liabilities	Note		
Liabilities for post-employment benefits	4.31	7,357,761	9,319,139
Provisions for risks and charges	4.32	1,136,588	2,711,753
Deferred tax liabilities	4.23	4,615,726	5,828,038
Bank loans and mortgages	4.33	1,881,643	4,599,632
Finance leases and other lenders	4.34	3,372,274	1,218,402
Tax liabilities	4.35	3,851,924	4,003,532
Other payables	4.36	3,934,581	4,013,882
Derivative financial instruments	4.37	9,888	3,833
Non-current liabilities		**26,160,385**	**31,698,211**
Provisions for risks and charges	4.32	611,000	611,566
Bank loans and mortgages	4.33	254,191	3,810,102
Finance leases and other lenders	4.34	1,248,137	305,496
Trade payables	4.38	48,272,930	77,251,310
Trade payables to related parties	4.38	14,634,341	6,801,146
Tax liabilities	4.35	2,582,285	2,114,879
Other payables	4.36	7,053,655	8,977,094
Derivative financial instruments	4.29	16,457	417,805
Current liabilities		**74,672,996**	**100,289,398**
Share capital		12,664,560	12,664,560
Capital reserves		71,123,336	71,123,335
Hedging and stock option reserves		(17,651)	35,130
Treasury shares			(6,671,170)
Retained earnings		48,943,432	54,746,341
Net profit for the year		9,957,326	9,283,325
Shareholders' equity	4.39	**142,671,003**	**141,181,521**
Total liabilities and equity		**243,504,384**	**273,169,130**

Statement of changes in Shareholders' Equity *(in Euro thousands)*	**Share capital**	**Share premium reserve**	**Acquisition of treasury shares**	**Retained earnings**	**Hedging and stock option reserve**	**Net profit/(loss) for the year**	**Total shareholders ' equity**
Balance at 31 December 2005	10,165	14,811		43,267	(49)	8,217	76,411
Allocation of the result 2005							
Allocation of dividends				(2,541)			(2,541)
Allocation of profit for the year				6,737		(6,737)	0
Allocation higher profit on IAS transition				1,480		(1,480)	0
Income components recorded directly to equity							
Adjustment to the hedging reserve					16		16
Other changes							
Share capital increase	2,500	59,962					62,462
Share capital issue costs		(5,840)					(5,840)
Transfer to the income statement of the hedging reserve					16		16
Tax effect on share capital issue costs		2,190					2,190
Net profit for the year						9,957	9,957
Balance at 31 December 2006	**12,665**	**71,123**		**48,943**	**(17)**	**9,957**	**142,671**
Allocation of the result 2006							
Dividends						(2,533)	(2,533)
Allocation of profit for the year				7,424		(7,424)	0
Income components recorded directly to equity							0
Recognition of stock options					35		35
Adjustment to the hedging reserve					17		17
Other changes							0
Merger				(1,621)			(1,621)
Acquisition of treasury shares			(6,671)				(6,671)
Net profit for the year						9,283	9,283
Balance at 31 December 2007	**12,665**	**71,123**	**(6,671)**	**54,746**	**35**	**9,283**	**141,181**

CASH FLOW STATEMENT AND FINANCIAL POSITION

		31 Dec 07	31 Dec 06
CASH FLOW STATEMENT	Note		
OPERATING ACTIVITIES	4.40		
Net Profit for the year		**9,283,325**	**9,957,326**
Adjustments for non-cash items:			
Amortisation of intangible assets		1,735,118	1,562,821
Depreciation of tangible fixed assets		8,698,966	7,446,083
Employee leaving indemnity matured in the year		2,535,000	1,539,872
Employee leaving indemnity utilised in the year		(3,509,922)	(1,527,729)
Financial charges on leaving indemnities		463,677	352,100
Deferred and current taxes		8,224,029	8,841,803
Other financial expenses		947,252	906,397
Foreign exchange gains (losses)		0	85,232
Provisions (Utilisations) for risks and charges		759,043	321,883
Write-downs of assets available-for-sale		0	194,735
Cash flow generated from operating activities before working capital changes		**29,642,104**	**29,680,523**
(Increase) / Decrease in receivables		(3,736,581)	(3,573,095)
Inventories		(74,642)	(2,478,498)
Increase/ (Decrease) in payables		(784,752)	(3,351,969)
		(4,595,975)	**(9,403,562)**
Cash flow generated from operating activities		**25,046,129**	**20,276,961**
Income taxes paid		(8,173,613)	(8,999,346)
Interest paid		(947,000)	(629,103)
Cash flow generated from operating activities		**15,925,516**	**10,648,512**
INVESTING ACTIVITIES			
Value of assets sold		5,373,000	1,342,767
Acquisition of tangible fixed assets		(9,037,552)	(6,469,540)
Net increase in intangible assets		(3,174,716)	(2,262,678)
Change in equity investments and assets available for sale		2,760,348	(15,733,784)
Airforce S.p.A. and Ariafina dividends		69,000	0
Jet Air S.r.l. dividends		0	200,000
Discontinued operations		0	(196,735)
(Increase) / decrease of inter-group financial receivables		0	(33,588,995)
Net Cash flow used in investment activities		**(4,009,920)**	**(56,708,965)**
FINANCING ACTIVITIES			
New (repayment of) loans		(14,666,950)	(12,465,359)
Increase in share capital and share premium reserves	4.38	0	62,463,075
Buy Back		(6,671,170)	0
Share capital issue costs	4.38	0	(3,897,895)
Dividends distributed	4.38	(2,533,000)	(2,541,140)
Net cash flow generated from (used in) investing activities		**(23,871,120)**	**43,558,681**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(11,954,565)**	**(2,501,773)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**11,301,281**	**13,803,054**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR FROM THE MERGER		**14,884,748**	
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**13,725,848**	**11,301,281**

Net funds/(debt)

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

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Cash and cash equivalents	11,301	13,726	2,425
Financial receivables from related parties	36,206	28,396	(7,810)
Bank loans and mortgages – current portion	(1,882)	(3,810)	(1,928)
Finance leases and other lenders – current portion	(3,372)	(305)	3,067
Financial payables to associated companies	(830)		(830)
Short-term net funds	**41,423**	**38,007**	**(3,416)**
Bank loans and mortgages – non-current portion	(254)	(4,600)	(4,346)
Finance leases and other lenders – non-current portion	(1,248)	(1,218)	30
Long-term net funds	**(1,502)**	**(5,818)**	**(4,316)**
Net funds/(debt)	**39,921**	**32,189**	**(7,732)**

At 31 December 2007, net funds amounted to Euro 32,189 thousand, a decrease of Euro 7,732 thousand compared to the previous year. The merger resulted in a decrease in the funds to Euro 33,917 thousand at 31 December 2006 and a decrease compared to the stand-alone position at 31 December 2006 of Euro 6,004 thousand.

Table of contents – Notes to the financial statements for the year ended 31 December 2007

1. Accounting principles and policies

General Information

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

General principles

The Company is required to prepare its financial statements in accordance with IFRS, as it is listed on the Star segment of the Italian Stock Exchange. The Elica Group prepared the financial statements in accordance with IFRS from the previous year.

The separate financial statements as at 31 December 2007 are compared with the previous year and consist of the Balance Sheet, the Income Statement, the Cash Flow Statement, the Statement of changes in Shareholders' Equity and the Explanatory Notes thereto. The balances at 31 December 2007 include the three former subsidiaries (Turbo Air, Jet Air and Fox Design) merged by incorporation (as per merger deed of 22 June 2007). For a better understanding of the accounts in 2006 and 2007, the pro-forma post merger balances are shown and commented upon in the notes to the financial statements. In addition, an attachment to the financial statements for the year ended 31 December 2007 shows a comparison of the financial statements pro-forma post-merger of the three companies incorporated and stand-alone at 31 December 2006 and 31 December 2007.

The financial statements and related notes comply with the minimum disclosure requirements of IFRS, as supplemented, where applicable, by the provisions enacted by law and by CONSOB.

The Company did not make any changes in the accounting principles applied between the comparative dates of 31 December 2006 and 31 December 2007. Furthermore, neither the International Accounting Standards Board (IASB) nor the International Financial Reporting Interpretation Committee (IFRIC) have revised or issued standards or interpretations due to take effect on 1 January 2008 that have had a material effect on the separate financial statements.

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

Financial statements

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

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

- The **Income Statement** is prepared in accordance with the nature of the item and shows intermediary results relating to the operating result and the result before taxes in order to allow a better assessment of the normal operating performance.

The operating profit is the difference between the net operating costs and revenues (this latter inclusive of non-cash items relating to amortisation/depreciation and write-downs of current and non-current assets, net of any restatements in value) and inclusive of gains/losses generated on the disposal of non-current assets.

- **Cash flow statement** prepared using the indirect method in which the operating result is adjusted by non-cash items.
- **Statement of Changes in Shareholders' Equity** illustrates the changes in the Net Equity accounts.

Accounting principles

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

Property, plant & equipment

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

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

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

buildings	3 %
lightweight buildings	10 %
plant and machinery	10 % - 15.5 %
industrial and commercial equipment	10 % - 25 %
office furniture and equipment	12 %
EDP	20 %
commercial vehicles	20 %
automobiles	25 %

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

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

Other intangible assets

The Other Intangible Assets include assets which will produce future benefits.

Development Costs

Research costs are charged to the income statement in the period in which they are incurred.

The intangible assets generated internally deriving from the development of the products of Elica are recognised under assets only when the following conditions are complied with:
- the asset is identifiable;
- it is probable that the asset will generate future economic benefits;
- the cost of developing the asset can be reliably measured.

These intangible assets are amortised on a straight-line basis over their useful lives.
When internally generated assets cannot be recorded in the balance sheet, the related development costs are charged to the income statement in the period in which they are incurred.

Internally generated intangible assets

They refer to expenses for the realisation of equipment and are depreciated based on the duration of the underlying contract.

Trademarks and patents

Trademarks and similar rights relate to the brands of the Company and are amortised on a straight-line basis over their useful lives.
Patents are initially measured at purchase cost and amortised on a straight-line basis over their useful lives.

Software

The account includes application license software recorded at acquisition cost. They are amortised on a straight-line basis over their useful life.

Impairment

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

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

The recoverable value is the higher between fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted which reflects the market assessment of the time value of money and the risks specific to the asset.

If the recoverable value of an asset (or a CGU) is considered lower than its carrying value, it is reduced to its recoverable value. A loss in value is recognised in the income statement immediately.
When the reasons for the impairment no longer exist, the carrying value of the asset (or CGU) – except for goodwill – is increased to the revised estimate of its recoverable value. The new value cannot exceed the net carrying value if no write-down for impairment had being recorded.
The restated values are recognised in the income statement.

Investments in subsidiary and associated companies

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

Inventories

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

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

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

Financial assets and liabilities

Financial assets and liabilities are recorded and reversed in the balance sheet at the settlement date.

Trade receivables and loans

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

Non-current assets held for sale

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

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

Other financial assets

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

After initial recognition, the financial assets are measured based on their features as follows:

- financial assets which the Company intends to hold, and has the capable to hold until maturity ("held to maturity") are recorded at amortised cost using the effective interest rate method less any impairment.

- financial assets classified as "held for trading" are valued at fair value at each reporting date and gains and losses resulting from changes in fair value are recorded in the income statement for the period.

- available-for-sale financial assets are measured at fair value at each reporting date and gains and losses arising from changes in fair value are recorded directly to equity until they are sold or incur a loss in value; the total gains and losses previously recorded in equity are recorded in the income statement for the period. assets available-for-sale that consist of equity instruments are measured at cost where there is no available market price and their fair value cannot be reliably estimated.

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

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

Trade payables

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

Bank and other borrowings

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

Equity instruments

Equity instruments issued by the Company are recorded based on the proceeds received, less direct issue costs.

Derivative instruments and hedge accounting

The Company's activities are exposed to financial risks regarding fluctuations in exchange rates and interest rates. The Company uses derivative instruments to hedge these risks.

Exchange risk management is made in accordance with a "risk policy" in order to protect the expected value of the business without speculative or trading purposes.

The exchange risk method applied involves the systematic hedging of foreign exchange risks arising for the individual Company companies. Once the budgeted exchange rate – or the target exchange rate – has been identified for each currency, the Group determines the revenue streams to be hedged (the difference between opening receivables and payables plus the difference between revenues and costs for the period). A decision is then taken on the amount of the budgeted foreign currency to hedge and, based on exchange rate conditions, macroeconomic and technical factors, the Group decides on what hedges to arrange, the maturity dates and which of the instruments authorised by the risk policy to use.

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

Where applicable, Elica adopts the hedge accounting method which requires derivatives to be recorded in the balance sheet at fair value. Changes in the fair value of derivative instruments (mark to market) are accounted for differently depending on the hedge features at the valuation date:

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

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

The hedge accounting method is discontinued when the hedging instrument reaches maturity, is sold, terminates or is exercised or no longer qualifies for hedge accounting. At this point, in case of cash flow hedges, gains or losses accumulated by the hedging instrument and recorded directly under equity are retained there until the expected transaction occurs. If the hedged transaction is not expected to occur, accumulated gains and losses recorded under equity are released to the income statement for the period.

Changes in the fair value of derivative instruments that cannot be classed as hedges are recorded in the income statement for the period in which they arise.

Embedded derivatives included in other financial instruments or in other contracts are considered as separate derivatives when their risks and characteristics are not strictly related to the contracts hosting them and these host contracts are not measured at fair value with related gains and losses recorded in the income statement.

Treasury shares

Treasury shares are recorded at cost as a reduction of shareholders' equity. The gains and losses deriving from trading of treasury shares, net of the tax effect are recorded under equity reserves.

Employee benefits

Post-employment benefits

Italian post-employment benefits are considered equivalent to a defined benefit plan. For defined benefit plans, the cost of the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each year. Actuarial gains and losses that exceed 10% of the fair value of the benefits defined by the Company are amortised over the estimated average remaining employment service of the employees taking part in the scheme.

Post-employment benefits recognised in the balance sheet represent the fair value of liabilities under defined benefit plans as adjusted for unrecorded actuarial gains and losses.

Finally, the Company records the interest on employee benefit plans under finance costs.

Share-based payments

The Company, in accordance with IFRS 2, classifies the Stock Options in accordance with "equity-settled share-based payment transactions", which provide for the physical transfer of the shares, the determination of the fair value of the options issued at the granting date and its recognition under cost to be accrued over the vesting period and credited to an equity reserve. This treatment is made based on an estimate of the options that will effectively mature in favour of the personnel having the right, taking into consideration the conditions of normal take-up not based on the market value of the options. The determination of the fair value is made using the "binominal" model.

Provisions

The provisions are recorded in the financial statements when there is a present obligation resulting from a past event and it is probable that the obligation must be met.

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

These provisions consist of:

- agents' supplementary indemnity provision;
- product guarantee provision;
- other risk provisions for future losses.

Revenue recognition

Revenues from the sale of goods are recognised when the goods are shipped and the Company has transferred the significant risks and rewards of ownership of the goods to the buyer.

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

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

Leases and lease agreements

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

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

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

Foreign currency translation

Foreign currency assets and liabilities are translated at the balance sheet date using the exchange rate at the balance sheet date. Non-monetary assets and liabilities valued at historical cost in foreign currency are translated using the exchange rate at the transaction date.

Exchange differences arising on such transactions or on the translation of monetary assets and liabilities are recorded in the income statement except for those arising on derivative financial instruments qualified as cash flow hedges. These differences are recorded in equity if unrealised, otherwise they are recorded in the income statement.

Income taxes

Income taxes for the period represents the sum of current and deferred taxation.

Income tax is based on taxable income for the period as determined under applicable tax law. Current tax liabilities were calculated using the rates of taxation applicable at the balance sheet date.

Since 2005, the Company and the subsidiary Fime S.p.A., have opted for a consolidated tax regime in Italy. This means that the IRES (Corporation Tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies.

Transactions plus reciprocal responsibilities and obligations between Elica (consolidating company) and its subsidiary are defined in an agreement prepared with the consolidated company.

With regard to responsibility, the agreement provides that Elica, Consolidating Company, has a joint liable with the subsidiary for:

- amounts due by the subsidiary under Article 127(1) of the Income Tax Code;
- payment of amounts due to the tax authorities, should it emerge that sums declared in the consolidated tax return have not been paid;
- consolidation adjustments made based on figures supplied by the subsidiary and contested by the tax authorities.

The tax liability is shown under Tax payables net of payments on account, taxes withheld by third parties and tax credits. Tax payables also include the current IRES charge as determined on an estimate of the taxable income and tax losses of the subsidiaries taking part in the consolidated tax regime, net of payments on account, taxes withheld by third parties and tax credits of these subsidiaries. Tax liabilities are offset by the amounts due from subsidiaries to Elica for the current tax on income transferred by such subsidiaries under the consolidated tax regime.

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

Current and deferred IRAP regional tax is determined exclusively with reference to the company.

The deferred taxes are made on temporary timing differences and are recorded in accordance with the liability method. Deferred tax assets and liabilities are also made on adjustments.
No tax provision has been made in relation to reserves subject to taxation upon distribution as no transactions that could trigger their taxation are planned.

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

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

Deferred tax assets and liabilities are offset against one another when there is a legal enforceable right to do so and when they relate to taxes levied by the same tax authority and the Group intends to settle tax assets and liabilities on a net basis.

Earnings per share

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

2. Accounting standards effective after 1 January 2007

The IASB issued the following documents, approved by the European Union, effective for the first time from 1 January 2007:

- *IAS 1 - Presentation of financial statements*: additional disclosure on share capital: amendments issued in August 2005 and applicable from 1 January 2007;
- *IFRS 7 – Financial Instruments*: disclosures: issued in August 2005 and effective from 1 January 2007.
- IFRIC 8 – Scope of IFRS 2: issued in January 2006 and effective from 1 January 2007;
- IFRIC 9 - Reassessment of embedded derivatives: issued in March 2006 and effective from January 1, 2007;
- *IFRIC 10 - Interim reporting and impairment*: issued in July 2006 and effective from January 1, 2007.

In the application of the above-mentioned documents, there are no significant effects on the net equity or result of the company at 31 December 2007.

The employee leaving indemnity provision includes the effects of the changes introduced by the "2007 Finance Act" and subsequent decrees and regulations relating to the allocation of the indemnity maturing from 1 January 2007.
Specifically, in accordance with IAS 19 the new regulation changes the nature of the employee leaving indemnity from a "defined benefit programme" to a "defined benefit plan" as of 1 January 2007. For IAS purposes only the employee leaving indemnity provision matured at 31 December 2006 remains a defined benefit plan.
The accounting treatment of the provision maturing from 1 January 2007 is therefore similar to that for other social security payables, both for the complementary pension plan and for the allocation of the provision to the INPS treasury fund.
In accordance with IAS 19, these changes also resulted in the recalculation of the employee leaving indemnity matured at 31 December 2006: this recalculation (curtailment, as defined in IAS 19) is principally based on the exclusion from the actuarial calculation of future remuneration and the relative assumptions on salary rises. As a result of this curtailment, both the accumulated actuarial gains and losses as at 31 December 2006, not recorded in the income statement in accordance with the "corridor" method, and the effect of the recalculation of the liability matured at that date, were recognised in the income statement.

3. Discretional valuations and significant accounting estimates

In order to prepare the separate financial statements in accordance with IFRS, management had to make accounting estimates and assumptions with an effect on the assets and liabilities and disclosures, in general. The actual results may differ from these estimates. The estimates and assumptions are revised periodically and the effects of any change are promptly reflected in the financial statements.

Fundamental assumptions regarding future events and other causes of uncertainty in making accounting estimates at the reporting date, which may lead to significant adjustments to the carrying amount of assets and liabilities within a year, mainly relate to the valuation of the investments in subsidiaries and associated companies, which are recorded at cost, adjusted for any impairment.

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

On 22 June 2007, the merger by incorporation took place of Jet Air S.r.l., Turbo Air S.p.A. and Fox Design S.p.A. into Elica S.p.A.. The merger is designed to achieve further integration of range hood business processes and a rationalisation of the Group's structure, with a consequent improvement in

operating and managerial efficiency. The operation was carried out without issuing new shares and therefore did not give rise to an increase in the share capital of the incorporated company.
For a better understanding of the comparison of the balances, the tables attached to the present notes includes a column of the balances resulting from the financial statements of the previous year of Elica S.p.A. and of the three merged companies. The comments in the relative notes refer to the changes compared to the pro-forma balance.
An attachment shows a comparison of the financial statements pro-forma post-merger of the three companies incorporated and stand-alone at 31 December 2006 and 31 December 2007.

INCOME STATEMENT

4.1 Revenue

4.01 Revenues - third parties

Details of the revenue from third parties are as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Revenues from product sales	221,965	328,691	316,535	(12,156)
Service revenues	1,448	559	301	(258)
Total	**223,413**	**329,250**	**316,836**	**(12,414)**

The account decreased by approx. 4% compared to the previous year pro-forma.

4.02 Revenues - related parties

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Sub. Companies	26,549	4,734	15,507	10,773
Ass. companies	1,303	461	829	368
Total	**27,852**	**5,195**	**16,336**	**11,141**

Revenues from related parties amounted to Euro 16,336 thousand (Euro 5,195 thousand pro-forma 2006); these amounts principally refer to the sale of finished products made to the subsidiary AirForce S.p.A. for Euro 1,230 thousand (Euro 1,201 thousand in 2006), to the subsidiary Ariafina for Euro 2,131 thousand (Euro 2,272 thousand in 2006), to the subsidiary Elica Group Polska Sp.z o.o. for Euro 2,943 thousand (Euro 495 thousand in 2006) and to the subsidiary Elica Mex Sa Cv of Euro 7,673 thousand (Euro 3,718 thousand in 2006). The revenues from associated companies refer solely to the company ISM SpA.
All the transactions are regulated at prices in line with market conditions applied to third parties.

4.03 Revenues by geographic area

The breakdown of revenues from sales and services by geographic area are as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Europe + CIS	212,862	271,136	275,606	4,470
Other countries	12,058	26,670	26,364	(306)
America	26,345	36,639	31,202	(5,437)
Total	**251,265**	**334,445**	**333,172**	**(1,273)**

4.2 Other operating income

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Operating grants	0	129	82	(47)
Ordinary gains on disposal	221	366	1,165	799
Claims and insurance payouts	617	1,187	78	(1,109)
Expenses recovered	1,414	1,828	2,288	460
Other revenues and income	210	648	1,263	615
Total	**2,462**	**4,158**	**4,876**	**718**

Compared to the previous year, the account "Expenses recovered" decreased significantly, principally related to the lower claims in 2007, offset by an increase in the ordinary gains arising from the disposal of tangible fixed assets.

4.3 Changes in inventories of finished and semi-finished goods

The account Change in Inventories of finished and semi-finished goods amounted to Euro 1,074 thousand at 31 December 2006, Euro 362 thousand taking into account the merger and Euro 700 thousand at 31 December 2007.

4.4 Increases on internal work capitalised

The account Increases on internal work capitalised amounts to Euro 977 thousand (Euro 512 thousand in the previous year - pro-forma post merger) and mainly relates to the capitalisation of charges regarding the design and development of new products and the in-house construction of mouldings and industrial equipment.

4.5 Raw materials and consumables

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Purchases of consumable materials	1,488	1,239	1,131	(108)
Purchases of supplies	70	643	290	(353)
Purchase of raw materials	108,921	149,193	149,304	111
Change in inventory of raw materials, consumables and goods for re-sale	(1,404)	(1,042)	28	1,070
Purchase of finished products	7,315	6,487	7,780	1,293
Packaging	8,661	11,982	13,139	1,157
Other purchases	513	350	339	(11)
Shipping expenses on purchases	126	474	480	6
Total	**125,690**	**169,326**	**172,491**	**3,165**

The balances are broken down as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
customers	97,206	141,497	144,140	2,643
related parties	28,484	27,829	28,351	522
Total	**125,690**	**169,326**	**172,491**	**3,165**

Raw material consumption increased by over Euro 3,165 thousand in 2007 compared to 2006 due to higher cost of raw material costs in the year.

The purchases from related parties amount to Euro 28,351 thousand (Euro 27,829 thousand in 2006). The most significant account relates to the purchases of electrical motors from the subsidiary Fime S.p.A. of Euro 25,190 thousand (Euro 19,002 thousand in 2006).

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

4.6 Services

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Outsourcing expenses	30,324	38,399	38,050	(349)
Shipping	5,252	7,961	9,144	1,183
Finished goods inventories	3,126	4,391	4,655	264
Consulting	2,127	3,006	4,125	1,119
Maintenance	1,897	2,401	1,963	(438)
Utilities	2,127	3,147	2,846	(301)
Sales Commissions	1,384	2,565	2,014	(551)
Travel expenses	1,583	1,883	1,685	(198)
Advertising	1,350	1,561	1,672	111
Insurance	778	1,187	1,261	74
Remuneration of Directors and Statutory Auditors	524	956	952	(4)
Trade fairs and promotional events	1,150	1,203	568	(635)
Industrial services	430	566	634	68
Banking fees and expenses	161	295	525	230
Other services	3,137	3,954	4,525	571
Total	**55,350**	**73,475**	**74,619**	**1,144**

The balances are broken down as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
customers	41,242	59,479	59,332	(147)
Related parties	14,108	13,996	15,287	1,291
Total	**55,350**	**73,475**	**74,619**	**1,144**

Service costs were in line with the previous year as a percentage on revenues (approx. 22% in both years).

Services from related parties amounted to Euro 15,287 thousand. The most significant amount related to mechanical processing undertaken by I.S.M. S.r.l. of Euro 14,446 thousand (Euro 13,943 thousand in 2006).

4.7 Labour costs

Labour costs incurred in 2006 and 2007 were as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Salaries and wages	29,529	38,548	36,800	(1,748)
Social security charges	9,604	12,930	12,058	(872)
Employee leaving indemnity	1,540	2,093	2,999	906
Other costs	2,119	2,668	4,472	1,804
Total	**42,792**	**56,239**	**56,329**	**90**

Other costs include temporary employees for Euro 2,371 thousand and leaving incentives of Euro 1,681 thousand.

The table below shows the average workforce at 31 December 2006 and 31 December 2007:

Workforce	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Executives	18	24	19	(5)
White-collar	195	312	285	(27)
Blue-collar	930	1,196	1,124	(72)
Others	35	35	37	2
Total	**1,178**	**1,567**	**1,465**	**(102)**

The merger by incorporation of the companies Turbo Air, Jet Air and Fox Design and a corporate restructuring resulted in a decrease in employee numbers of 102.

4.8 Amortisation & depreciation

The total amount of depreciation and amortisation was Euro 10,434 thousand; for the changes in the year in the amortisation and depreciation, reference should be made to the respective paragraphs under Fixed Assets.

4.9 Other operating expenses and provisions and restructuring charges

Other operating expenses and provisions

The details of the account is as follows:

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Changes
Leasing and rental	1,029	2,222	2,048	(174)
Rental of vehicles and industrial equipment	1,113	1,331	1,187	(144)
Expenses for hardware, software and patents	140	193	501	308
Other taxes	237	308	348	40
Magazine and newspaper subscriptions	33	37	40	3
Other gains and losses	134	887	1,939	1,052
Various equipment	152	116	117	1
Catalogues and brochures	336	369	273	(96)
Other losses	519	558	109	(449)
Provisions for risks and charges	261	725	464	(261)
Other minor charges	260	19	174	(19)
Total	**4,214**	**6,765**	**7,200**	**261**

Restructuring charges

This relates to charges relating to the closure of the factory at Padua (ex Fox Design).

4.10 Share of profit/(loss) on equity holdings

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Changes
Income from related companies	1,940	957	(180)	(1,137)
Total	**1,940**	**957**	**(180)**	**(1,137)**

The charges in 2007 relate principally to the loss incurred from the sale on 25 June 2007 of the holding of 21.276% of the share capital in Roal Electronics S.p.A. The company was sold for Euro 3,000 thousand against a carrying value of Euro 3,242 thousand.
The balance includes dividends distributed during the year by the subsidiaries Airforce S.p.A. of Euro 60 thousand and Ariafina of Euro 9 thousand.

4.11 Finance income

Details of financial income are shown below:

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Changes
Interest income from subsidiary companies	192	135	1,111	976
Interest income from associated companies	2	2	38	36
Bank interest income	253	498	471	(27)
Other financial income	174	39	326	287
Total	**621**	**674**	**1,946**	**1,272**

The increase in financial receivables is largely due to interest income from subsidiaries, respectively from Fime SpA for Euro 852 thousand, Elica Group Polska Sp.z o.o. for Euro 135 thousand and Elica Mex Sa CV for Euro 123 thousand.

4.12 Financial costs

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Changes
Financial costs:				
on overdrafts and bank loans	248	1,213	708	(505)
on other borrowings	265	265	239	(26)
on employee leaving indemnity	352	487	464	(23)
Other financial expenses	393	393	0	(393)
Total financial charges	**1,258**	**2,358**	**1,411**	**(947)**

The decrease in the financial charges is principally due to reduced financial costs on bank loans of approx. Euro 505 thousand.

4.13 Foreign exchange gains and losses

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Changes
Exchange losses	(1,094)	(1,368)	(2,080)	(712)
Charges on derivatives	(12)	(12)	(674)	(662)
Exchange gains	400	432	386	(46)
Premiums on derivatives	156	156	1,543	(1,397)
Total	**(550)**	**(792)**	**(825)**	**(33)**

In 2007, net exchange losses amounted to Euro 1,694 thousand, principally deriving from the devaluation of the US Dollar and the Japanese Yen against the Euro. This account includes non-realised gains and losses, deriving from the adjustment at year-end to creditor and debtor balances in foreign currencies.

4.14 Income taxes

Total taxes for the year 2007 amount to Euro 8,224 thousand are as follows:

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Changes
Current taxes	8,385	10,493	8,810	(1,683)
Deferred taxes	457	289	(586)	(875)
Total income taxes in the year	**8,842**	**10,782**	**8,224**	**(2,558)**

Deferred IRES and IRAP is reported in the following table.

Reconciliation between expected and effective tax rates

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

	2006	2007
IRES rate	33.00%	33.00%
IRAP rate	4.50%	4.50%

	2006					2007				
	Assessable	**IRES income taxes**	**IRAP regional taxes**	**Total**	**% of IRES on pre-tax profit**	**Assessable**	**IRES income taxes**	**IRAP regional taxes**	**Total**	**% of IRES on pre-tax profit**
Income taxes										
- Current		5,788	2,597	8,385			6,093	2,717	8,810	
- Deferred – cost (income)		446	11	457			(535)	(51)	(586)	
[A] TOTAL INCOME TAXES		**6,234**	**2,608**	**8,842**	**33.16%**		**5,558**	**2,666**	**8,224**	**31.75%**
PRE-TAX RESULT	18,799					17,507				
Tax calculated using local tax rate		6,203			33.00%		5,777			33.00%
Tax effect of revenues that are not deductible for tax purposes	(1,969)	(650)			3.46%	(5,415)	(1,787)			-10.21%
Tax effect of charges that are not deductible for tax purposes	2,071	683			3.63%	4,449	1,468			8.39%
Decrease/increase in initial deferred tax assets/liabilities due to changes in tax rates	0,00	0,00			0.00%	1,818	100			0.57%
Other differences	6	2			0.01%		0			
[B] Effective tax charge and tax rate	**18,907**	**6,234**			**33.16%**	**18,359**	**5,558**			**31.75%**

The decrease in deferred taxes is essentially due to the reduction in tax rates. The statutory tax rate for 2007 (share of pre-tax income payable to tax authorities) was 31.75%, based on the corporate income tax (IRES) and regional business tax (IRAP) rates applicable to the reported taxable income at 31 December 2007.

The tax charge amounts to approximately Euro 8.2 million.

4.15 Basic earnings per share – Diluted earnings per share

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

	31.12.2006	31.12.2007
From continuing and discontinuing operations:		
Net profit for the year (thousands of Euro)	9,957	9,283
Average number of shares net of treasury shares	52,603,622	63,019,794
Basic earnings per share	**18.93**	**14.73**
Weighted average number of ordinary shares to calculate diluted earnings per share	52,603,622	63,019,794
Diluted earnings per share	**18.93**	**14.73**
From continuing operations:		
Net profit for the year (thousands of Euro)	9,957	9,283
Average number of shares net of treasury shares	52,603,622	63,019,794
Basic earnings per share	**18.93**	**14.73**
Weighted average number of ordinary shares to calculate diluted earnings per share	52,603,622	63,019,794
Earnings per share	**18.93**	**14.73**

The earnings per share was calculated by dividing the net profit by the weighted average number of ordinary shares outstanding , excluding treasury shares, as at 31 December 2007.

The basic and diluted earnings per share for the previous year were restated to take into account the current number of shares outstanding.

The impact of the stock option plan on the calculation of the diluted earnings per share is not significant.

Other information on income statement accounts

The research and development costs capitalised and charged in 2007 are summarised in the table below:

(in Euro thousands)	31.12.2006		31.12.2007	Change
	Stand alone	Pro-forma Post merger		
R&D costs expensed	5,166	6,676	5,758	(918)
Amortisation of capitalised R&D costs	524	616	591	(25)
Total R&D costs	**5,690**	**7,292**	**6,349**	**(943)**
R1D costs capitalised during the year	**649**	**649**	**622**	**(27)**

BALANCE SHEET

4.16 Property, plant and equipment

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

Property, plant & equipment *(in Euro thousands)*	01.01.2006	Increases	Disposals and reclassifications	31.12.2006
Historical cost				
Buildings	19,883	928	0	20,811
Plant and machinery	30,796	2,149	(160)	32,785
Commercial and industrial equipment	42,641	2,562	(731)	44,472
Other assets	6,744	347	(452)	6,639
Assets in progress and payments on account	676	1,568	0	2,244
Total	**100,740**	**7,554**	**(1,343)**	**106,951**

(in Euro thousands)	01.01.2006	Depreciation	Disposals and reclassifications	31.12.2006
Accumulated depreciation				
Land and buildings	4,666	677	0	5,343
Plant and machinery	20,452	2,612	(147)	22,917
Commercial and industrial equipment	35,016	3,689	(557)	38,148
Other assets	5,429	468	(447)	5,450
Total	**65,563**	**7,446**	**(1,151)**	**71,858**

(in Euro thousands)	01.01.2006	Increases	Disposals and reclassifications	Depreciation	31.12.2006
Net value					
Land and buildings	15,217	928	0	(677)	15,461
Plant and machinery	10,344	2,149	(13)	(2,612)	9,868
Commercial and industrial equipment	7,625	2,562	(174)	(3,689)	6,324
Other assets	1,315	347	(5)	(468)	1,189
Assets in progress and payments on account	676	1,568	0	0	2,244
Total	**35,177**	**7,554**	**(192)**	**(7,446)**	**35,093**

The movements in the year were as follows:

PROPERTY, PLANT & EQUIPMENT

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

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

(in Euro thousands)	01.01.2007		Increases	Disposals and reclassifications	Depreciation	31.12.2007
	Stand alone	Pro-forma Post merger				
Net value						
Land and buildings	15,468	18,674	1,758	0	(838)	19,594
Plant and machinery	9,868	12,244	3,464	(1,143)	(3,056)	11,509
Commercial and industrial equipment	6,324	8,757	2,803	(641)	(4,267)	6,652
Other assets	1,189	1,901	797	(918)	(538)	1,242
Assets in progress and payments on account	2,244	2,806	551	(3,128)		229
Total	**35,093**	**44,382**	**9,373**	**(5,830)**	**(8,699)**	**39,226**

The investments made in the year mainly regarded the upgrading of facilities, improvements to the manufacturing plant and machinery, the acquisition of new mouldings and equipment for the launch of new products and the development of hardware for use in new technical-logistical projects.
The investments in Fixed Assets in progress of Euro 350 thousand principally refers to advances granted for the study relating to the enlargement of the industrial centre of Serra San Quirico.

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 includes assets obtained under finance lease agreements.

Details of the historical cost, accumulated depreciation and depreciation charged to the income statement in the year as a result of application of the method recommended by IAS No. 17 for the accounting treatment of assets held under finance lease agreements are provided below.

Leased assets

Table of leased assets *(in Euro thousands)*	Land and buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Total
31 Dec 06					
Gross value	5,996	4,064	2,971	58	13,089
Merger contribution	0	1,174	2,205	371	3,750
Total post-merger gross values	*5,996*	*5,238*	*5,176*	*429*	*16,839*
Accumulated depreciation	(1,385)	(2,346)	(1,336)	(58)	(5,125)
Merger contribution	0	(665)	(2,175)	(338)	(3,178)
Total post merger accumulated depreciation	*(1,385)*	*(3,011)*	*(3,511)*	*(396)*	*(8,303)*
Total leased assets	4,611	1,718	1,635	0	7,964
Total merger contribution	0	509	30	33	572
Total post-merger leased assets	**4,611**	**2,227**	**1,665**	**33**	**8,536**
Depreciation at 31 December 2006	173	616	739	0	1,528
Merger contribution	0	95	61	31	187
Total post-merger depreciation at 31.12.2006	**173**	**711**	**800**	**31**	**1,715**
31 Dec 07					
Gross value	6,166	4,901	5,741	430	17,238
Accumulated depreciation	(1,593)	(3,262)	(4,537)	(420)	(9,812)
Total leased assets	**4,573**	**1,639**	**1,204**	**10**	**7,426**
Depreciation at 31 December 2007	*180*	*547*	*847*	*23*	*1,597*

It is recalled that the historical cost criteria was retained (as an alternative to fair value) as the measurement criteria for property, plant and equipment after initial recognition. The historical costs include revaluations permitted by previous legislation as considered representative of the fair value of the property, plant and equipment, shown in the following table, when the revaluation was made.

Revaluations carried out in accordance with law

(in Euro)	Reval. as per Law 575/75	Reval. as per Law 72/83	Reval. as per Law 413/91	31.12.2007
Land and buildings	20,483	115,162	104,588	240,233
Plant and machinery	3,188			3,188
Commercial and industrial equipment	46			46
Other assets	231			231
Total	**23,948**	**115,162**	**104,588**	**243,698**

4.17 Goodwill and other intangible assets

Goodwill

The balance of Euro 6,714 thousand derives from the merger into Elica S.p.A. of the companies Turbo Air for Euro 2,573 thousand and Fox Design for Euro 4,142 thousand. This goodwill was totally allocated to the range hood own brand CGU.

Other intangible assets

The table below shows details of changes in other intangible assets in 2006 and 2007.

Intangible assets *(in Euro thousands)*	01.01.2006	Increases	Disposals	Amort.	31.12.2006
Net value					
Development Costs	914	649	(51)	(524)	988
Industrial patents and intellectual property rights	870	858	0	(917)	811
Concessions, licenses, trade marks & similar rights	118	37	0	(22)	133
Other intangible assets	157	181	(13)	(99)	226
Assets in progress and payments on account	224	604	0	0	825
Total	**2,283**	**2,326**	**(64)**	**(1,562)**	**2,983**

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

Total	**2,983**	**3,324**	**4,865**	**(1,567)**	**(1,736)**	**4,886**

At 31 December 2007, "other intangible assets" amounted to Euro 4,763 thousand.

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

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

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

"Other intangible assets" mainly consists of shared costs regarding the development of mouldings. The method applied to amortise intangibles is considered appropriate to reflect the remaining useful life of the assets.
The investments in Assets in progress of Euro 1,737 thousand refer principally to advances for the design and development of a new and innovative electronic platform and the development of new software implementation projects.

4.18 Investments in subsidiary companies

(in Euro thousands)	31.12.2006		Acquisitions or subscriptions	Other movements	31.12.2007
	Stand alone	Pro-forma Post merger			
Investments in subsidiary companies	48,081	35,803	4,890	911	41,604
Total	**48,081**	**35,803**	**4,890**	**911**	**41,604**

The details are shown of investments in subsidiaries:

(in Euro thousands)	31.12.2006		Acquisitions or subscriptions	Other movements	31.12.2007
	Stand alone	Pro-forma Post merger			
Subsidiary companies					
Jet Air S.r.L.	4,266	-	-	-	-
Turbo Air S.p.A.	1,989	-	-	-	-
Fime S.p.A.	23,904	23,904	3	-	23,907
Fox Design S.p.A	6,275	-	-	-	-
Elica Group Polska S.p.zoo	133	133	3,954	-	4,087
Elicamex S.a.d. C.V.	11,461	11,695	885	(235)	12,345
Leonardo Services S.a.d. C.V.	4	4	-	-	4
Ariafina Co.Ltd	49	49	-	-	49
Airforce S.p.A.	-	-	301	911	1,212
Total	**48,081**	**35,785**	**4,890**	**676**	**41,604**

The balance of investments in subsidiaries after the merger by incorporation of the subsidiaries Jet Air srl, Turbo Air S.p.A. and Fox Design S.p.A approved on 22 June 2007 shows a total net increase of Euro 5.801 thousand. This increase is principally attributable to the following operations:

- in June 2007 part of the loan granted by Elica S.p.A. to the subsidiary Elica Group Polska Sp.z.o.o. was converted into share capital in order to fund the investment necessary of range hoods in Poland. Following this operation, the share capital was raised from Zloty 10 million

(approximately Euro 2.65 million at the Polish National Bank's exchange rate on 21 June) to Zloty 25 million (approximately Euro 3.96 million) and Elica S.p.A.'s interest rose from 5% to 62%;
- subscription to the share capital increase of the company ElicaMex and sale of 2% of Fox Design to Elica Group Polska;
- on 23 January 2007, a further stake of 15% was acquired in Air Force S.p.A. for Euro 301 thousand. The total holding is now 60%. This investment was reclassified in the previous year under investments in associated companies for Euro 911 thousand.

The table below summarises the subsidiaries recorded in the 2007 financial statements:

(in Euro thousands)	**Registered Office**	**% directly**	**% indirectly**	**Share Capital**	**Shareholders ' Equity**	**Profit/ (Loss)**
Fime S.p.A.	Castelfidardo (AN)	100		2,990	9,500	1,045
Elicamex S.a.d. C.V.	Queretaro (Mexico)	98	2	12,497	7,159	(2,361)
Elica Group Polska Sp.z o.o	Wroklaw (Poland)	62	38	6,588	5,868	(380)
Airforce S.p.A.	Fabriano (AN)	60		103	1,099	451
Ariafina	Sagamihara – Shi (Japan)	51		85	1,198	279
Leonardo	Queretaro (Mexico)	98	2	4	32	24

Elica Group Polska Sp.z o.o. is indirectly controlled through Fime S.p.A. for a further holding of 38%.
As reported in the Directors' Report, the investments in Mexico and Poland continued in 2007.
The start up necessary for the creation of the two production units abroad affected the results of the two companies although they represent a strong launching pad onto the strongly developing markets in the near future.

4.19 Investments in associated companies

The table below shows changes in investments in associated companies:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	Acquisitions or subscriptions	Sales	Other movements	31.12.2007
Investments in associated companies	6,058	6,159	0	(3,107)	(1,153)	1,899
Total	**6,058**	**6,159**	**0**	**(3,107)**	**(1,153)**	**1,899**

This investment relates to:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	Acquisitions or subscriptions	Sales	Other changes	Gain/Loss	31.12.2007
Air Force S.p.A.	911	911	0	0	(911)	0	0
Ism S.r.l.	1,899	1,899	0	0	0	0	1,899
Projet S.r.l.	6	6	0	(6)	0	0	0
Roal Electronics. S.p.A.	3,242	3,242	0	(3,000)	0	(242)	0
Immobiliare Camino Srl	0	101	0	(101)	0	0	0

Sub-total	**6,058**	**6,159**	**0**	**(3,107)**	**(911)**	**(242)**	**1,899**

The account Other changes refers to the reclassification of Air Force S.p.A. as a subsidiary.

(in Euro thousands)	**Registered Office**	**% directly**	**% indirectly**	**Share Capital**	**Shareholders' Equity**	**Profit/ (Loss)**
I.S.M. S.r.L.	Cerreto d'Esi (AN)	49,385		10	1.844	313

The Company does not consider a write-down is necessary given the profit recorded in the year.

4.20 Other financial assets

In June 2007, in addition to the sale of the investment held in the company Aerdorica S.p.A., the bond held of Euro 150 thousand was also transferred.
The balance of Euro 30 thousand refers to a life policy agreed with Carifac deriving from the incorporated company Turbo Air.

4.21 Other receivables

The details of other receivables are as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Employees	1,258	1,262	1,203	(61)
Other receivables	4	9	9	0
Total	**1,262**	**1,271**	**1,212**	**(61)**

The amount "Employees" includes amounts receivable from employees for welfare contributions and tax deductions from the income of employees and freelance personnel. The withholding of these amounts was suspended after the earthquake in 1997.
At the date of the preparation of the present notes, the relevant Ministers have not made a further extension.

Against these receivables from employees the Company has corresponding payables to the Tax Authorities and Social Security Institutions, including the employer's contribution in the account Other Payables (see note 4.36).

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

4.22 Tax receivables

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

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Changes
Tax on account of employee leaving indemnity	0	0	0	0
IRPEG and ILOR repayments	1	1	1	0
Total	**1**	**1**	**1**	**0**

4.23 Deferred tax assets and liabilities

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Changes
Deferred tax assets	3,457	4,553	4,300	(253)
Deferred tax liabilities	(4,616)	(6,690)	(5,828)	862
Net position	**(1,159)**	**(2,137)**	**(1,528)**	**609**

The account deferred tax liabilities includes deferred taxes on accelerated depreciation, deducted exclusively for tax purposes, both in relation to IRAP regional tax and IRES income tax (for the IRES income tax limited to the accelerated depreciation deducted from the year 2003 as the company availed of the provisions of article 4 of Law 448/2001 - 2002 Finance Act - which allowed the company to suspend the income taxes in reserves).
This also includes latent income taxes due on gains on capital grants and on valuation exchange gains.

The following table shows the details relating to deferred tax assets and liabilities:

(in Euro thousands)	**31/12/2006**		**31/12/2007**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Depreciation	132	2,132	599	2,063
Provisions	451		785	
Cost ded. in future years	128		281	
Write-downs of inventories	615		561	
Exchange diffs.	213	119	331	164
Gains, grants		260		501
Dividends		-		
Restructuring charges			221	
Merger adjustments			133	636
IAS adjustments				
Set-up and expansion costs	1,760		1,112	
Research, develop. & pub. costs	24	39	13	
Other deferred charges	23		202	
Goodwill	101		51	669
Other				
IRS Measurement	9		1	
Provision for employee leaving indemnity		1,006		823
Leasing/Land		1,061		972

Stock option			10	
Total	3,457	4,617	4,300	5,828

The increase in deferred tax assets related mainly to other deferred charges and depreciation; the increase in deferred tax liabilities mainly to goodwill and gains.

4.24 Available-for-sale financial assets

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

(in Euro thousands)	31.12.2006		31.12.2007	Changes
		Pro-forma		
	Stand alone	Post merger		
Carifac	0	152	0	(152)
Meccano S.p.A.	7	16	16	0
Kappe & Kappe Falmec S.r.l.	73	73	0	(73)
UnifabrianoSoc. S.r.l.	2	2	2	0
Aerdorica S.p.A.	0	0	0	0
Consorzio Energia	2	4	4	0
Other minor investments	2	4	3	(1)
Total	**86**	**251**	**25**	**(226)**

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

During 2007, the subscription took place for Euro 50 thousand of the share capital increase in the company Aerdorica S.p.A. and was then subsequently sold for Euro 50 thousand and therefore without any accounting effect which had been fully written down at 31 December 2006.

4.25 Trade receivables – third parties

The account consists of:

(in Euro thousands)	31.12.2006		31.12.2007	Changes
		Pro-forma		
	Stand alone	Post merger		
receivables within one year	57,386	81,201	73,340	(7,861)
receivables over one year	53	171	265	94
Total	**57,439**	**81,372**	**73,605**	**(7,767)**

The net trade receivables decreased by Euro 7,767 thousand; this decrease is due to the combination of two factors: improvement in the management of the receivables consequent of the post merger synergies and sales in the final quarter of 2007 which were lower than the corresponding period of the previous year.

The doubtful debts are covered by a doubtful debt provision 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 is insured by prime international insurance companies.
The receivables are recorded at realisable value through a doubtful debt provision, which are recorded for both tax purposes and as the financial statements of the subsidiary companies are prepared in

accordance with local GAAP. The management believes that the value approximates the fair value of the receivables.

Movements in the doubtful debt provision are set out below:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
Opening balance	465	618	1,009	391
Provisions	0	391	9	(382)
Utilisations	0	0	(53)	(53)
Total	**465**	**1,009**	**965**	**(62)**

The doubtful debt provision was utilised during the year for an amount of Euro 53 thousand for bad loans which the company no longer considers are recoverable.

4.25 Trade and financial receivables and loans from related parties

The receivables from related parties include trade and financial receivables from subsidiary and associated companies.
This account does not include any receivables due after more than five years at the year-end.
The breakdown is shown in the table below:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Changes
receivables from subsidiaries	50,063	26,829	42,558	15,729
receivables from holding companies			1,556	1,556
payables to associated companies	919	919	1,640	721
Total	**50,982**	**27,748**	**45,754**	**18,006**

The detail of receivables from subsidiaries is as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Fime S.p.A.	20,334	20,343	14,638	(5,705)
TurboAir S.p.A.	12,333	0		0
Fox Design S.p.A.	7,158	0		0
Jet Air S.r.l.	3,759	0		0
Air Force S.p.A.	0	0	314	314
Elica Group Polska S.p.z.oo	2,359	2,359	8,915	6,556
Leonardo S.A. de C.V.	3	3	0	(3)
Elicamex S.A. de C.V.	3,791	3,798	17,737	13,939
Ariafina Co Ltd	326	326	954	628
Total	**50,063**	**26,829**	**42,558**	**15,729**

With regard to the receivables from Fime S.p.A., Elica Group Polska and Elicamex S.A. de C.V., they include financial receivables for the following respective amounts: Euro 13,738 thousand; Euro 4,540

thousand; Euro 8,123 thousand. The financial receivables from subsidiaries are regulated by specific contracts, which may be revoked; the interest rate applied is Euribor average one month increased by a spread.
The changes demonstrate the synergies created in order to optimise the operating cash flows.
The trade receivables relate to the supply of semi finished and finished products and management services and increased by approx. Euro 8,194 thousand.

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

Associated companies

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Air force S.p.A.	325	325	0	(325)
I.S.M. S.r.l.	275	275	1,640	1,365
Projet S.r.l.	0	0	0	0
Roal Electronics S.p.A.	319	319	0	(319)
Total	**919**	**919**	**1,640**	**721**

The balance refers for Euro 1,202 thousand to trade receivables and for Euro 438 thousand to loans; the interest rate applied is Euribor at 6 months increased by a spread.

This account does not include any receivables due after more than five years at the year-end.

The receivables from the holding companies amount to Euro 1,556 thousand and refer to the receivable deriving from the sale of the investment held in Roal Electronics. The amount includes interest calculated at 31 December 2007.

4.26 Inventories

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Raw material, ancillary and consumables	11,928	17,309	17,138	(171)
Raw materials obsolescence provision	(567)	(878)	(734)	144
Total	***11,361***	***16,431***	***16,404***	***(27)***
Work-in-progress and semi-finished products	6,867	9,974	10,525	551
Work-in –progress obsolescence	(328)	(561)	(363)	198
Total	***6,539***	***9,413***	***10,162***	***749***
Finished products and goods for resale	7,005	10,075	9,769	(306)
Finished products obsolescence provision	(744)	(931)	(675)	256
Total	***6,261***	***9,144***	***9,094***	***(50)***
Value in the financial statements	**24,161**	**34,988**	**35,660**	**672**

The value of final inventories increased by Euro 672 thousand.

Inventory is recorded net of the obsolescence provision of approx. Euro 1.8 million to take account of waste, obsolescence and slow moving inventories.
Inventories also include materials and products that were not physically held by the Group at the balance sheet date. These items were held by third parties on display, for processing or for examination.

The obsolescence provision on raw materials, semi finished and finished products was based on assumptions made by Management.

4.27 Other receivables

The breakdown is as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Customs reimbursements	146	197	158	(39)
Deposits	44	89	130	41
Supplier advances	365	538	818	280
Other receivables	388	1,100	726	(374)
Prepaid insurance	177	177	150	(27)
Prepaid maintenance	15	30	55	25
Prepaid advertising	10	13	4	(9)
Other prepayments and accrued income	44	133	22	(111)
Total	**1,189**	**2,277**	**2,063**	**(214)**

The account other receivables principally consists of supplier advances, deposits on packaging and the receivable relating to customs reimbursements.
The account other receivables include grants deliberated in 2007 but not yet paid at the year end (Euro 200 thousand).
The account prepaid and accrued income principally refers to maintenance on hardware, software and other service.
This account does not include receivables due after more than five years at the year-end.

4.28 Tax receivables

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

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
IRAP	-	259	281	22
IRES	-	-	338	338
VAT	1,015	3,837	910	(2,927)
Other tax receivables	149	153	392	239
Total	**1,164**	**4,249**	**1,921**	**(2,328)**

The most significant change relates to the reduction of the VAT receivable resulting from the synergies of the merger.

4.29 Derivative financial instruments

Foreign exchange derivatives

(in Euro thousands)	31.12.2006 Assets	31.12.2006 Liabilities	31.12.2007 Assets	31.12.2007 Liabilities
Foreign exchange derivatives	96	-	544	422
IRS	-	26		
Total	**96**	**26**	**544**	**422**
of which				
Non-current	-	10	-	-
Current	96	16	544	422
Total	**96**	**26**	**544**	**422**

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

4.30 Cash and cash equivalents

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Bank and postal deposits	11,300	26,077	13,723	(12,354)
Cash in hand and similar	1	109	3	(106)
Total	**11,301**	**26,186**	**13,726**	**(12,460)**

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

4.31 Liabilities for post-retirement benefits

The amount accrued in the accounts of Euro 9,319 thousand is the current value of the liabilities for pension services matured at the year-end by employees.

The most recent actuarial calculations of the present value of the provision were performed at 31 December 2007 by actuaries from Mercer Human Resource Consulting S.r.l..

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

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Costs relating to current employee services	1,494	2,019	2,995	976
Net actuarial losses recognised in the year	45	73	4	(69)
Financial costs	352	487	464	(23)
Total	**1,891**	**2,579**	**3,463**	**884**

The amendments made to the regulations regarding termination benefits by Law 296 of 27 December 2006 (the Finance Act) and subsequent decrees and regulations issued during early 2007, which form part of an overall reform of supplementary pension provision, have given rise to effects that will have an impact on 'Liabilities for post-retirement benefits'. In fact, supplementary pension reform, by providing for the transfer of future termination benefits to open or employment-category-based pension funds or, in any case, to the INPS (the National Social Security Institute), has changed the nature of termination benefits from that of a defined benefit plan to that of a defined contribution plan. As a result of curtailment, as provided for under paragraph 109 of IAS 19, both accumulated actuarial gains and losses at 31 December 2006, which were not formerly recognised in the income statement due to adoption of the so-called corridor method, and the restatement of the liability accrued at this date have been recognised in the income statement.

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

(in Euro thousands)	31.12.2006		31.12.2007	Change
	Stand alone	Pro-forma Post merger		
Opening balance	6,994	10,548	9,830	(718)
Costs relating to current employee services	1,494	2,019	2,877	858
Curtailment effect			118	118
Net actuarial losses recognised in the year	46	73	4	(69)
	1,540	**2,092**	**2,999**	**907**
Financial costs	352	487	464	(23)
Pension fund			(2,679)	(2,679)
Benefits provided	(1,528)	(3,297)	(1,295)	2,002
Total	**7,358**	**9,830**	**9,319**	**(511)**

The corridor method was utilised which permits the non recording of the component of the cost calculated in accordance with the above-mentioned method represented by actuarial gains or losses when these do not exceed 10% of the current value of the defined benefit obligation. Following the application of this method, actuarial gains have not been recorded at 31 December 2007 amounting to Euro 62 thousand. In 2006, losses of Euro 1,814 thousand were recorded; the balance was composed as follows: Jet Air for Euro 26 thousand, Turbo Air for Euro 79 thousand, Fox Design for Euro 90 thousand and Elica S.p.A. for Euro 1,777 thousand.

Finally, the interest component of the charge relating to employee defined-benefit schemes is shown under financial charges, with a resulting increase of Euro 464 thousand in this account for the year. The cost of current retirement benefits and net actuarial losses were recorded under labour costs.

Assumptions adopted for the calculation:

(in Euro thousands)	31.12.2006	31.12.2007
Discount rate to determine the obligation	4.50%	5.50%
Expected salary growth rate	2.50%	2.50%
Rate of inflation	2.00%	2.00%
Discount rate to determine pension cost	4.00%	4.50%

Number of employees

At 31 December 2007, the Company had 1,465 employees (1,496 in 2006), broken down as follows:

Workforce	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Executives	17	23	19	(4)
White-collar	205	299	285	(14)
Blue-collar	908	1,135	1,124	(11)
Others	26	39	37	(2)
Total	**1,156**	**1,496**	**1,465**	**(31)**

4.32 Provisions for risks and charges

The composition and movements of the provisions are as follows:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	Provisions	(Utilisation)	31.12.2007
Supplementary agent termination benefits	777	1,148	109	(372)	885
Directors' termination benefits	109	109	0	0	109
Product warranty provisions	611	836	0	(224)	612
Product disposal provision	0	0	82	0	82
Taxation	0	150	0	0	150
Provisions for risks	250	322	464	0	786
Restructuring provision	0	0	700	0	700
Total	**1,747**	**2,565**	**1,355**	**(596)**	**3,324**
of which					
Non-current	1,136	1,729			2,712
Current	611	836			612

The supplementary agent termination benefits are intended to cover possible charges upon termination of relations with agents and sales representatives; during the year, indemnities were paid for the termination of contracts with agents (Euro 372 thousand).

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

Product warranty provisions represent an estimate of the costs likely to be incurred to repair or replace items sold to customers. These provisions reflect the average warranty costs historically incurred by the Group as a percentage of sales still covered by warranty. The account decreased by Euro 224 thousand in the year.

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

The restructuring provision includes the charges relating to the closure of the plant at Padova (formerly Fox Design S.p.A.).

4.33 Bank borrowings and loans

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Bank loans	2,135	9,470	8,410	(1,060)
Total	**2,135**	**9,470**	**8,410**	**(1,060)**
Mortgages have the following re-payment schedules				
On demand or within one year	254	4,260	3,810	(450)
Within two years	255	610	619	9
Within three years	259	618	627	9
Within four years	264	626	635	9
Within five years	268	635	643	8
Beyond 5 years	835	2,721	2,076	(645)
Total	**2,135**	**9,470**	**8,410**	**(1,060)**
Less amounts to be repaid within one year	254	4,260	3,810	(450)
Due beyond one year	**1,881**	**5,210**	**4,600**	**(610)**

All bank loans are denominated in Euro.

The main borrowings indicated above carry a floating rate of interest. While it is exposed to interest rate risk, the Company does not systematically hedge its exposure as, given the expectations of constantly generated cash flows, it is constantly inclined to repay early its bank loans, thus eliminating the need for any such hedge.

4.34 Amounts due under finance leases and other borrowings

Finance leases and other loans	**Minimum payments due under finance lease agreements and other loans**			**Present value of minimum payments due under finance lease agreements and other loans**		
	31.12.2006		31 12 2007	31.12.2006		31 12 2007
	Pro-forma			Pro-forma		
(in Euro thousands)	Stand alone	Post merger		Stand alone	Post merger	
Due within one year	1,413	1,574	362	1,248	1,405	305
Due within five years	3,596	3,609	1,306	3,372	3,385	1,218
Due over five years						
	5,009	**5,183**	**1,668**	**4,620**	**4,790**	**1,523**
Less future finance costs	389	393	145	n/a	n/a	
Present value of obligations under finance leases	**4,620**	**4,790**	**1,523**	4,620	4,790	1,523
Less obligations due within one year				**1,248**	**1,405**	**305**
Due over one year				**3,372**	**3,385**	**1,218**

Amounts due under finance leases relate to buildings, plant and machinery. The current value of the minimum payments due at 31 December 2007 is Euro 1,668 thousand (of which Euro 362 thousand due within 12 months).
The interest rates are linked to one-month or three-month Euribor and are set at the date the finance lease agreement is signed. All finance lease agreements involve a fixed repayment plan and there is no contractual provision for rescheduling the debt.
As already mentioned, we highlight the use of an IRS designated and effective as a cash flow hedge which is linked to a finance lease agreement (note 3.34).

4.35 Current and non-current tax liabilities

Tax payables (non-current)

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
ILOR (former local income tax) payable – earthquake suspension	667	667	667	0
ICI (local property tax) payable – earthquake suspension	32	35	35	0
Employee leaving indemnity payable – earthquake suspension	90	97	97	0
IRPEF (employees income tax) payable – earthquake suspension	1,375	1,375	1,338	(37)
Taxes on equity reserves – earthquake suspension	1,687	1,871	1,867	(4)
Total	**3,851**	**4,045**	**4,004**	**(41)**

Tax payables (current)

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Other taxes	13	58	38	(20)
IRPEF withheld	1,512	1,979	2,077	98
IRAP payable for the year	342	991	0	(991)
IRES payable for the year	715	715	0	(715)
Total	**2,582**	**3,743**	**2,115**	**(1,628)**

Non-current tax payables include amounts due to the tax authorities in respect of withholding tax and tax not withheld and not paid as a result of measures introduced in relation to areas hit by earthquake in 1997. They also include the Company's share of social security and tax liabilities accruing during the period covered by the suspension.

The payments are included under "Non-current" and are not discounted, taking into account the uncertainty on the period of their expected settlement.

4.36 Sundry and other payables

Other payables (non-current)

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Change
Other payables	2	2	2	0
INAIL contributions – earthquake suspension 1997	293	303	303	0
INPDAI contributions – earthquake suspension 1997	158	158	158	0
Employee INPS contributions – earthquake 1997	3,467	3,536	3,536	0
Freelance INPS contributions – earthquake 1997	14	17	17	0
Total	**3,934**	**4,015**	**4,015**	**0**

Other non-current payables includes amounts due to welfare and social security institutions (INAIL, INPDAI and INPS) in relation to social contributions not withheld as a result of measures introduced in relation to areas hit by earthquake in 1997. They also include the Company's share of welfare and tax liabilities accruing during the period covered by the suspension. These assets are recorded in the balance sheet under non-current liabilities at nominal value given their characteristics, their non contractual nature and the additional postponement granted by the appropriate ministries.

Other payables (current)

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Change
Payments to social security institutions	2,314	3,073	3,106	33
Other payables	209	258	383	125
Payables to personnel for remuneration	4,008	5,383	4,584	(799)
Customers	65	445	73	(372)
Accrued liabilities and deferred income	74	304	160	(144)
Customer advances	143	500	285	(215)
Directors and Statutory Auditors	240	281	386	105
Payable for acquisition of Turbo business	0	2,847	0	(2,847)
Total	**7,053**	**13,091**	**8,977**	**(4,114)**

4.38 Trade payables

(in Euro thousands)	31.12.2006 Stand alone	Pro-forma Post merger	31.12.2007	Change
payable within one year				
Trade payables	48,137	65,332	77,196	11,864
payable over one year				
Trade payables	136	136	55	(81)
Total	*48,273*	65,468	77,251	11,783
Subsidiaries	9,364	9,339	2,520	(6,819)
Associated companies	5,270	5,317	4,281	(1,036)
Total	*14,634*	14,656	6,801	(7,885)
Total	**62,907**	**80,124**	**84,052**	**3,928**

This mainly includes payables for trade purchases and other costs. The average collection period for trade payables in approximately 120 days.

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

4.38 Trade payables and other payables to related parties

Payable to subsidiaries

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Fime S.p.A.	5,444	9,335	11	(9,324)
TurboAir S.p.A.	1,440	0	0	0
Fox Design S.p.A.	1,331	0	0	0
Jet Air S.r.l.	1,147	0	0	0
Elica Group Polska S.p.z.oo	0	0	1,179	1,179
Air force S.p.A.	0	1	358	357
Elicamex S.A.	1	1	971	970
Ariafina Co Ltd	1	1	1	0
Fox IFS	0	0	0	0
Total	**9,364**	**9,338**	**2,520**	**(6,818)**

The trade payables principally refers to the purchases from the Elica Group Polska and Elicamex S.A. consequent of the growing industrial and production integration between the companies of the group.

Associated companies

These payables of an exclusive trade nature are composed of:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007	Change
Air force S.p.A.	310	353	0	(353)
Projet S.r.l.	96	96	0	(96)
I.S.M. S.r.l.	2,904	2,909	4,281	1,372
Roal Electronics S.p.A.	1,960	1,960	0	(1,960)
Total	**5,270**	**5,317**	**4,281**	**(1,036)**

In relation to the balance with the associated companies, the increase in the payable with the associated company I.S.M. S.r.l., which undertakes mechanical processing, carpentry and assembly of finished products is noted. This result is related to the increase in turnover.

4.39 Shareholders' Equity

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

Share capital

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

Capital reserves

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

Hedging and stock option reserves

The account, amounting to Euro 336 in the present year, was composed in the previous year of the hedging portion of the Reserve for derivative contracts that qualify as cash flow hedges (negative balance of Euro 18 thousand at 31 December 2006). During the year, the account increased by Euro 35 thousand following the valuation of the stock options.

On 25 June 2007, the Board of Directors of Elica S.p.A. approved the implementation of the "Performance Stock Option Plan 2007-2011" reserved to "key managers" and designed to reward achievement of the Company's growth and development targets, pursuant to art. 114-bis of Legislative Decree 58/98. The plan was then approved at an Ordinary Shareholders' Meeting on 25 June 2007. The Board also approved a paid capital increase of up to Euro 300,000, with full exclusion of pre-emption rights pursuant to art. 2441, paragraphs 5 and 8, of the civil code. The increase was to involve the issue of up to 1,500,000 ordinary shares with a par value of Euro 0.20 each, ranking in all respects with existing ordinary shares, at a price of Euro 5, including the par value and a share premium.

Treasury shares

	Number	**Book value in thousands of Euro**
Beginning balance at 1 January 2007	-	-
Increases	1,934,301	6,671
Ending balance at 31 December 2007	1,934,301	6,671

On 3 August 2007, an Ordinary Shareholders Meeting authorised the purchase and the use of treasury shares, pursuant to article 2357 of the Civil Code, with the following objectives and without prejudice to the equal treatment of shareholders:

- stabilising the share price - improving the liquidity of the shares;
- safeguarding normal trading operations against possible speculative actions;
- trading in the company's own shares, in compliance with sections 2357 of the Civil Code, via the subsequent use of the shares; and to provide the Company with the necessary degree of operating flexibility to facilitate business combinations based on the exchange of securities;
- implementing the "Performance stock option plan 2007-2011".

In relation to the details of the shares outstanding on 31 December 2007, reference should be made to the paragraph "Disclosures pursuant to article 123 of the Consolidated Finance Act" in the Directors' Report.

Retained earnings

(in Euro thousands)	31.12.2006	31.12.2007	Changes
Legal reserve	2,033	2,533	500
Exchange gains reserve	18	18	0
IAS transition reserve	1,727	1,675	(52)
Extraordinary reserve	41,291	46,645	5,354
Reserve restricted under Law 488/92	3,875	3,875	0
Total	**48,944**	**54,746**	**5,802**

The Legal Reserve amounted to Euro 2,533 thousand; during the year the reserve increased by Euro 500 thousand following the distribution of the profits of the previous year reaching the limit prescribed by the Civil Code.

The Board of Directors proposed the distribution of a dividend of Euro 4.82 cents per share, resulting in a payout ratio of 32.8% and proposed excluding the distribution of a dividend for treasury shares held at 19 May 2008, date of the dividend coupon and the payment of the dividend on Thursday 22 May 2008.

The IAS transition reserve, amounting to Euro 1,675 thousand, includes the net adjustments determined at 1 January 2005 (the date of the transition to IFRS) totalling Euro 247 thousand and the allocation of the difference between the 2005 profit reported under Italian GAAP and the 2005 profit recognised in accordance with IAS/IFRS and the portion for adjusting the balances of the merged companies amounting to Euro 1,428 thousand.

The change in the Extraordinary Reserve, amounting to Euro 5,354 thousand, relates to the allocation of the result for the year 2006 of Euro 6,924 thousand net of the IFRS consolidation adjustments from the incorporated companies of Euro 1,570 thousand.

Information on distributable reserves

The net equity accounts are divided by origin, the possibility of utilisation and distribution and any utilisation in the previous three years. The amounts are expressed in units of Euro.

Description of origin	Amount	Poss. of utilisation	Quota available	Utilisation in the last 3 years to cover losses	Utilisation in the last 3 years for other reasons
I Share capital	12,664,560	=		-	
II Share premium reserve	71,123,336	A,B,C	71,123,336	-	-
IV Legal reserve	2,532,912	B		-	
VII Other reserves: Treasury shares	(6,671,181)				
VII Other reserves:					
Extraord. reserves	46,645,615	A,B,C	46,645,279	-	4,452,549
Reserve as per Law 488/92	3,875,493	B	-		-
Stock options reserve	35,466	A,B,C			
Exchange gains reserves	17,236	A,B			
IAS transition reserve	1,675,096	A,B,C	1,675,096		
Total	**131,898,533**		**119,443,711**	**-**	**4,452,549**
Non-distributable quota	-		1,062,114		
Residual distributable	-		118,381,597		

A - for share capital increase

B - coverage of losses

C - for distribution to shareholders

5. Guarantees, commitments and contingent liabilities

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

It should be noted, however, that the Company has been sued in connection with the application of sub-contractor/supplier regulations under Law 192/92. The parties taking the legal action believe that their relations with the Company were terminated without due cause and they have claimed damages and made other additional demands.
The Company considers these claims to be groundless.

Provisions were made on a prudent basis against potential liabilities which may derive from pending judicial proceedings: at 31 December 2007, the amount included a provision for contingent risks and charges relating to legal disputes amounting to Euro 786 thousand.
Management believes that the provision for risks in order to cover possible liabilities from pending or potential disputes is, on the whole, adequate.

The sale of the subsidiary Roal Electronics S.p.A., on 25 June 2007 to Fintrack S.p.A., the company that controls Elica S.p.A. via Fan S.A., was carried out in compliance with the guarantees previously given by Elica S.p.A. to Unicredit. In particular, the letter of patronage amounting to Euro 2,127 thousand was transferred to the transferee in October 2007.

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

On 10 December 2007, FAN S.A., parent company of Elica S.p.A., and 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 buyback programme as described in the paragraph "Disclosures pursuant to article 123 of the consolidated Finance Act".
It is considered that, as the option is composed of various elements difficult to determine, not to record the option at fair value.

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), which at the date of the merger by incorporation had a residual value of Euro 802 thousand, due in 2010.

Commitments to suppliers for purchases of tangible fixed assets not yet received at 31 December 2007 amounted to approx. Euro 150 thousand; they principally relate to investments for developing production capacity such as equipment, machinery, plant and buildings for the extensions of new offices.

At the date of the current accounts, there were open rental agreements for several industrial and commercial properties, motor vehicle and hardware operating leases. The payments due under the property rentals and operating leases are summarised in the following table:

(in Euro thousands)	31.12.2006		31.12.2007	Change
		Pro-forma		
	Stand alone	Post merger		
Property rentals	213	2,184	2,049	(135)
Car and fork lift rental	1,172	1,350	1,273	(77)
Hardware operating leases	357	375	1,613	1,238

Total	**1,742**	**3,909**	**4,935**	**1,026**

6. Risk management policy

Introduction

Elica's operations are exposed to different types of financial risks, or risks associated to changes in exchange rates, interest rates, commodity prices and cash flow. In order to mitigate the impact of risks on the company's results, Elica 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 Company 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 appropriate procedures and controls, based on the correct separation of the activities of conclusion, settlement, registration and reporting of the results.

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

Market risk

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

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

In relation to these risk profiles, the Group uses derivative instruments to hedge its risks. The Group does not engage in derivative trading.

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

Foreign currency risks

The Company'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 the 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 Company on the basis of the budget for the period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections.

The hedge is made through agreements with third party financiers of forward contracts for the purchase and sale of foreign currency. As previously described, these operations are undertaken without any speculative or trading purpose, in line with the strategic policies of a prudent management of the 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.

The hedging operations as at 31 December 2007 with financial counterparties have a total Fair Value of approx. Euro 122 thousand.
For the purposes of the sensitivity analysis on the exchange rate, the Balance Sheet accounts were selected and the potential of the movements on the Euro/USD, Euro/GBP and Euro/YEN were analysed.

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

Data in Euro '000	Write-down/Revaluation foreign currency	Effect on EBT
2007	5%	(525.53)
	-5%	580.85

The potential Fair Value losses of the derivative financial instruments managing the exchange risk held by the Group at 31 December 2007, following a hypothetical unfavourable and immediate change of 5% in the exchange rates of the main foreign currencies with the Euro, would be approx. Euro 0.6 million.

The analysis was not made for the assets, liabilities and future cash flows which were hedged, in that the movements in the exchange rate would result in a profit and loss effect equal to the amount recorded in the fair value of the hedge instruments adopted.

Commodities risk

Elica is subject to market risks deriving from fluctuations in commodity prices used in the production process. The materials purchased by the Company are among those with the greatest instability in prices, being strictly related to the trend of the principal markets. The Company regularly evaluates its exposure to the risk of change in the price of commodities and manages this risk principally through fixing the price of contracts with suppliers.

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

Interest rate risk

The management of the interest rate risk by 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 interest rate. The Group is hedged against the interest rate risk through the utilisation of interest rate swaps. Based on economic considerations, the use of IRSs for hedging purposes is usually limited to a marginal part of debt.

Also the interest rate risk is measured through sensitivity analysis, in accordance with IFRS 7. This analysis illustrates that an unfavourable variation of 10% in the level of the short term interest rate applied to the variable interest financial liabilities at 31 December 2007, would result in an immaterial higher pre-tax charge on an annual basis. The potential Fair Value loss on the Interest Rate Swap would be approx. Euro 0.1 million.

Credit risk

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

The 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. 89% of existing receivables at 31 December 2007 are hedged by a credit risk insurance.

Liquidity risk

The liquidity risk represents the risk related to the unavailability of financial resources necessary to meet short-term commitments assumed by the 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.

7. Disclosure on management compensation and related-party transactions

As required by law, the fees of Directors, Statutory Auditors and Senior Managers, including in other companies, is reported below.

7.1 Directors and Statutory Auditors fees

The executives with strategic responsibility for management, planning and control are executive and non-executive directors and statutory auditors.
The fees are as follows:

Shareholder	Office held	Duration of office	Emoluments	Non-monetary benefits	Bonus and other incentives	Others
Francesco Casoli	Chairman	Approval accs. 31.12.2008	341	4		348
Gianna Pieralisi	Chief Executive Officer	Approval accs. 31.12.2008	161			
Andrea Sasso (*)	Chief Executive Officer	Approval accs. 31.12.2008	109	2		450
Massimo Marchetti (*)	Chief Executive Officer		2			
Gennaro Pieralisi	Director	Approval accs. 31.12.2008	11			
Enrico Palandri	Director	Approval accs. 31.12.2008	5			7
Paolo Omodeo Salè	Director	Approval accs. 31.12.2008	1			1
Marcello Celi	Director	Approval accs. 31.12.2008	5			5
Stefano Romiti	Director	Approval accs. 31.12.2008	11			15
Alberto Geroli	Director	Approval accs. 31.12.2008	11			14
Massimo Marchetti (**)		expiry on merger	1			
Vincenzo Maragliano (**)		expiry on merger	1			
Massimo Marchetti (***)		expiry on merger	3			
Vincenzo Montalbano(***)		expiry on merger	27			
Andrea Sasso (****)		expiry on merger	1			
Roberto Olivieri (****)		expiry on merger	23			
Massimo Marchetti (****)		expiry on merger	11			
Bettini Luciano (****)		expiry on merger	15			
Total			**740**	**6**		**839**

(*) Mr. Sasso Andrea was co-opted by the Board of Directors on 21 March 2007 and appointed Chief Executive Officer following the resignation of Mr. Marchetti Massimo on the same date.

(**) director Jet Air

(***) director Turbo Air

(****) director Fox Design

Shareholder	Office held	Duration of office	Emoluments	Non-monetary benefits	Bonus and other incentives	Others
Giovanni Frezzotti	Statutory Auditor (*)	Approval accs. 31.12.2008	53			
Stefano Marasca	Statutory Auditor (*)	Approval accs. 31.12.2008	34			
Corrado Mariotti	Statutory Auditor (*)	Approval accs. 31.12.2008	36			
Franco Borioni	Statutory Auditor (**)	Turbo Air	7			
Maria Pia Scaloni	Statutory Auditor (**)	Turbo Air	5			
Luana Bastari	Statutory Auditor (**)	Turbo Air	5			
Paolo Massinissa Magini	Statutory Auditor (***)	Fox design	8			
Paolo Mazzi	Statutory Auditor (***)	Fox design	4			
Franco Torda	Statutory Auditor (***)	Fox design	5			
Franco Borioni	Statutory Auditor (****)	Jet Air	5			
Maria Pia Scaloni	Statutory Auditor (****)	Jet Air	4			
Maurizio Benvenuto	Statutory Auditor (****)	Jet Air	3			
Giancarla Luzi	Statutory Auditor (****)	Jet Air	0			
Total			**168**			

(*) statutory auditor of Elica S.p.A.
(**) statutory auditor of Turbo Air S.p.A.
(***) statutory auditor of Fox Design S.p.A.
(****) statutory auditor of Jet Air S.r.l.

7.2 Management and direction activity

The Group is indirectly controlled by the Casoli Family through Fintrack S.p.A. of Fabriano.

Francesco Casoli, Chairman of Elica S.p.A., is the majority shareholder and Sole Director of Fintrack S.p.A., a holding company that carries out management and coordination activities.
Gianna Pieralisi Casoli holds a life-time right of usufruct on 68.33% of the shares outstanding of Fintrack S.p.A., thus exercising control over the Issuer, pursuant to article 93 of the Consolidated Finance Act.

During the year, transactions with related parties were carried out. All transactions were carried out in connection with regular business operations and on an arm's length basis.

The tables below show key data for subsidiaries and the amount of transactions entered into with them for the year ended 31 December 2007.

Subsidiaries - highlights:

The above data refers to the financial statements at 31 December 2007.

Subsidiaries - highlights:

(in Euro thousands)	Assets	Liabilities	Shareholders ' Equity	Revenues	Net profit
Subsidiary companies					
Fime S.p.A.	56,841	47,341	9,500	97,376	1,046
Air Force.S.p.A.	7,780	6,681	1,099	18,752	451
Ariafina Co Ltd	3,444	2,246	1,198	7,491	279
Airforce Germany G.m.b.h.	350	109	241	74	(1)
Elica Group Polska S.p.zoo	23,444	17,576	5,868	17,805	(380)
ElicaMex S.A.d.C.V.	28,207	21,048	7,159	14,470	(2,361)
Leonardo Services S.A.d.C.V.	280	248	32	2,290	24
Elica Inc.	123	102	21	212	19

Elica also has financial relations with Group companies as a result of loans made to them as part of a general plan to centralise cash management activities. These loans are interest bearing and at market rates. The details are shown below:

(in Euro thousands)	31.12.2006 Stand alone	31.12.2006 Pro-forma Post merger	31.12.2007
Loans to subsidiaries			
Turbo Air S.p.A.	10,365	0	0
Fime	19,986	19,986	13,739
Fox Design S.p.A	3,850	0	0
Fime Polska S.p.zoo	2,005	2,005	4,540
Elicamex S.a.d. C.V.	0	0	8,123
Total	**36,206**	**21,991**	**26,402**
Loans to associated companies			
Air Force S.p.A.	-	-	
I.S.M. S.r.L.	-	-	438
Projet S.r.L.	-	-	
Total	**-**	**-**	**438**
Financial payables to subsidiaries	(831)	0	
Total	**35,375**	**-**	**26,840**

Transactions with related parties in 2007 are summarised below:

Related parties	Payables	Receivables	Costs	Revenues
Fime S.p.A.	6	14,638	25,310	733
Elicamex S.a.d. C.V.	971	17,738	1,005	9,434
Leonardo Services S.a.d. C.V.				
Ariafina Co.Ltd	1	971	3	2,133
Elica Polska S.p.zoo	1,179	8,914	1,756	3,388
Air Force S.p.A.	358	314	1,247	1,257
I.S.M. S.r.L.	4,254	1,640	14,483	14
Fintrack SpA		1,556		

Transactions with other related parties

Elica's transactions with other related parties refers to those with Fastnet S.p.A. and Fintrack S.p.A. and are exclusively of a commercial and financial nature.

Transactions of a commercial and financial nature

The table below shows the main operating and financial amounts arising from trading transactions with Fastnet S.p.A. (30% interest held by the parent company of Elica) and loans with Fintrack S.p.A. (a company that indirectly controls Elica S.p.A.).

Elica and Fastnet S.p.A. :

(in Euro thousands)	31.12.2006		31.12.2007
	Stand alone	Pro-forma Post merger	
Trade payables	68	70	335
Costs from trading transactions	161	174	496
Purchases of property, plant and equipment	197	206	168

Elica and Fintrack S.p.A. :

(in Euro thousands)	31.12.2006		31.12.2007
	Stand alone	Pro-forma Post merger	
Trade payables	-	0	0
Trade receivables	5	0	0
Financial receivables	0	0	1,556
Revenues from trading transactions	4	0	0
Financial income	0	0	56

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

The trading relationship with Fastnet S.p.A. forms part of a strategic partnership to develop projects and implement advanced technological solutions. These projects have accompanied and continue to accompany the growth of the business; from intranet solutions to extranet solutions, from wiring to wireless solutions, from software consultancy to hardware consultancy and from training to web marketing.

The transactions with Fintrack S.p.A. relate to receivables deriving from the investment held in Roal Electronic S.p.A. made in June 2007.

8. Disclosure pursuant to article 149 of the Consob Issuer's Regulation

The following table, prepared pursuant to article 149 of the Consob Issuer's Regulations, reports the payments made in 2007 for audit services and also other services carried out by the audit firm and entities associated with the audit firm.

Service	Party providing the service	Company	Remuneration (in Euro thousand)
Audit	Deloitte & Touche S.p.A.	Elica S.p.A. and incorporated companies	254
Other services	Deloitte & Touche S.p.A	Elica S.p.A.	27
	Deloitte Network	Elica S.p.A.	53
Total			334

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

In 2007, there were no operations classified in this category.

10. Events after the year end

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

Fabriano, 27 March 2008

The Board of Directors
The Chairman
(Francesco Casoli)

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

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

of the administrative and accounting procedures for the compilation of the financial statements for 2007.

- The Company commenced the rationalisation activities of the administrative-accounting procedures and consolidated practices relating to the preparation of the financial statements, in accordance with methodology generally recognised at international level, with reference in particular to the Internal Control-Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission which represents a standard framework generally accepted at international level.

- In addition, we declare that the financial statements for 2007:

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

27 March 2008

The Chief Executive Officer
Andrea Sasso

Executive responsible for the
preparation of the corporate
accounting documents
Vincenzo Maragliano

Financial statements for comparison with 31 December 2006 in relation to the Pro-Forma post merger by incorporation of the three subsidiary companies (Turbo Air, Jet Air and Fox Design) in 2007

Income statement	Note	**31/12/2006** ***Stand alone***	**31/12/2006** ***pro forma post merger***	**31/12/2007**
Revenues - third parties	4.01	223,412,788	329,249,807	316,836,467
Revenues - related parties	4.01	27,852,344	5,195,478	16,336,115
Other operating revenues	4.02	2,462,156	4,158,366	4,875,971
Changes in inventories of finished and semi-finished goods	4.03	1,074,044	362,825	700,281
Increase in internal work capitalised	4.04	497,061	512,256	977,152
Raw materials and consumables	4.05	(97,205,883)	(141,496,701)	(144,140,102)
Raw materials and consumables – related parties	4.05	(28,484,081)	(27,829,065)	(28,351,177)
Services	4.06	(41,242,561)	(59,478,660)	(59,331,850)
Services – related parties	4.06	(14,107,716)	(13,996,563)	(15,287,102)
Labour costs	4.07	(42,792,586)	(56,239,215)	(56,329,318)
Amortisation	4.08	(9,008,904)	(10,970,992)	(10,434,084)
Other operating expenses and provisions	4.09	(4,214,457)	(6,764,834)	(7,200,165)
Restructuring charges			(437,000)	(700,000)
EBIT		**18,242,205**	**22,265,702**	**17,952,188**
Share of profit/(loss) on equity holdings	4.10	1,745,161	956,824	(180,432)
Financial income	4.11	620,755	673,708	1,945,589
Financial costs	4.12	(1,258,497)	(2,357,809)	(1,411,147)
Foreign exchange gains/(losses)	4.13	(550,494)	(792,134)	(824,844)
Other non-operating income				26,000
Pre-tax profit		**18,799,130**	**20,746,291**	**17,507,354**
Income taxes	4.14	(8,841,803)	(10,781,705)	(8,224,029)
Net profit from continuing operations		**9,957,327**	**9,964,586**	**9,283,325**
Discontinued operations			**(167,000)**	
Net profit from continuing and discontinued operations		**9,957,327**	**9,797,586**	**9,283,325**
			-	
Basic earnings per share				
From continuing and discontinued operations (Euro/cents)	4.15	18.93		14.73
From continuing operations (Euro/cents)		18.93		14.73
Diluted earnings per share				
From continuing and discontinued operations (Euro/cents)	4.15	18.93		14.73
From continuing operations (Euro/cents)		18.93		14.73

Balance sheet		31/12/2006	31/12/2006 *Pro forma post merger*	31/12/2007
Assets	Note			
Property, plant & equipment	4.16	35,093,365	44,382,100	39,226,111
Goodwill	4.17		6,713,989	6,713,992
Other intangible assets	4.17	2,983,627	3,324,445	4,884,702
Investments in subsidiary companies	4.18	48,080,640	35,785,000	41,604,227
Investments in associates and joint ventures	4.19	6,057,834	6,159,320	1,899,162
Other financial assets	4.20	150,000	180,000	30,000
Other receivables	4.21	1,262,597	1,270,628	1,212,156
Tax assets	4.22	752	1,352	752
Deferred tax assets	4.23	3,457,258	4,552,891	4,299,599
Available-for-sale financial assets	4.24	86,223	250,853	24,908
Total non-current assets		**97,172,296**	**102,620,579**	**99,895,609**
Trade receivables	4.25	57,439,089	81,371,879	73,605,169
Trade receivables and loans – related parties	4.25	50,981,580	27,748,000	45,754,129
Inventories	4.26	24,161,036	34,987,778	35,660,416
Other receivables	4.27	1,189,615	2,277,687	2,063,217
Tax assets	4.28	1,163,826	4,249,116	1,920,632
Derivative financial instruments	4.29	95,660	95,660	544,110
Cash and cash equivalents	4.30	11,301,281	26,186,029	13,725,848
Current assets		**146,332,087**	**176,916,149**	**173,273,521**
Total assets		**243,504,383**	**279,536,728**	**273,169,130**
Liabilities	Note			
Liabilities for post-employment benefits	4.31	7,357,761	9,830,061	9,319,139
Provisions for risks and charges	4.32	1,136,588	1,728,277	2,711,753
Deferred tax liabilities	4.23	4,615,726	6,690,040	5,828,038
Bank loans and mortgages	4.33	1,881,643	5,209,734	4,599,632
Finance leases and other lenders	4.34	3,372,274	3,384,963	1,218,402
Tax liabilities	4.35	3,851,924	4,045,138	4,003,532
Other payables	4.36	3,934,581	4,015,085	4,013,882
Derivative financial instruments	4.37	9,888	9,888	3,833
Non-current liabilities		**26,160,385**	**34,913,185**	**31,698,211**
Provisions for risks and charges	4.32	611,000	836,000	611,566
Bank loans and mortgages	4.33	254,191	4,259,812	3,810,102
Finance leases and other lenders	4.34	1,248,137	1,404,525	305,496
Trade payables	4.38	48,272,930	65,468,000	77,251,310
Trade payables to related parties	4.38	14,634,341	14,656,000	6,801,146
Tax liabilities	4.35	2,582,285	3,743,259	2,114,879
Other payables	4.36	7,053,655	13,090,613	8,977,094
Derivative financial instruments	4.29	16,457	16,457	417,805
Current liabilities		**74,672,996**	**103,475,153**	**100,289,398**
Share capital		12,664,560	12,664,560	12,664,560
Capital reserves		71,123,336	71,123,336	71,123,335
Hedging reserve		(17,651)	(17,651)	35,130
Treasury shares				(6,671,170)
Retained earnings		48,943,432	47,580,560	54,746,341
Net profit for the year		9,957,326	9,797,586	9,283,325
Shareholders' equity	4.39	**142,671,003**	**141,148,390**	**141,181,521**
Total liabilities and equity		**243,504,384**	**279,536,728**	**273,169,130**

Board of Statutory Auditors Report

ELICA S.p.A.

Registered office in Fabriano (AN), Via Dante No. 288

Share capital Euro 12,664,560.00 fully paid-in

Registered at the Company's Register Office of Ancona

Fiscal and VAT No. 00096570429

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING (pursuant to article 153 of Legislative Decree No. 58/1998 and article 2429 of the Civil Code)

Dear Shareholders,

during the year, we have performed controls in compliance with law and in accordance with the principles of conduct for Statutory Auditors as recommended by the Italian Accounting Profession (Consigli nazionali dei Dottori Commercialisti e degli esperti contabili).

In particular, also in accordance with the instructions issued by Consob, we performed the following:

- we verified the compliance of law and the By-Laws of the company;
- we met 10 times and we attended 3 Ordinary Shareholders' Meetings, 1 Extraordinary Shareholders' Meeting, 16 Board of Directors' meetings, 4 Remuneration Committee meetings and 3 Internal Control Committee meetings, which were carried out in accordance with the legislative, statutory and regulatory norms which govern their functioning. The resolutions passed were in compliance with law and the company by-laws and were not

imprudent, reckless or such as to compromise the integrity of the company's assets;

- we periodically received from the directors information on the general performance of the business and on the future outlook, as well as on the most significant operations, for their size or characteristics, made by the Company and we can reasonably assert that the actions taken are in conformity with law and the by-laws and there have been no cases of imprudence, risks, potential conflict of interest or contrary to the resolutions passed in Shareholders' Meeting or that would compromise the integrity of the company's assets.

The most important economic, financial and equity operations carried out in 2007 were as follows:

- on 23 January 2007, the purchase from Fintrak S.p.A. of 15% of Air Force S.p.A., a company operating in the production and marketing of decorative hoods in the medium-high end of the market, increasing Elica S.p.A.'s holding to 60% of the company;
- on 25 June 2007, Elica S.p.A. sold its stake in Roal Electronics S.p.A. to Fintrak S.r.l. for Euro 3 million;
- on 25 June 2007, the Board resolution implemented the "Performance Stock Option Plan 2007-2011" aimed at key managers to achieve the growth and development objectives of the Company;
- on 1 July 2007, the merger of Jet Air S.r.l., Turbo Air S.p.A. and Fox Design S.p.A. into Elica S.p.A. was approved.;
- on 3 August 2007, the Shareholders' Meeting passed a resolution authorising the purchase of treasury shares and the

provisions thereof in accordance with articles 2357 and 2357 ter of the Civil Code;

- on 10 December 2007, the Elica Group announced a supply agreement with Whirlpool Corporation, with the aim of boosting both companies' growth in the kitchen range hoods market and strengthening their partnership;

- the following assignments were awarded to the Audit Firm and its network:

Service	**Party providing the service**	**Company**	**Remuneration (Euro thousands)**
Audit	Deloitte & Touche SpA	Elica SpA and incorporated companies	254
Other services *(*)*	Deloitte & Touche SpA	Elica SpA	27
	Rete Deloitte (Deloitte China)	Elica SPA	53
Audit	Deloitte & Touche SpA	Fime SpA	51
Audit	Deloitte & Touche SpA	Elica Mex S.A. de C.V.	25
Audit	Deloitte & Touche SpA	Elica Group Polka Sp.z o.o.	25
Audit	Deloitte & Touche SpA	Airforce SpA	30
Total			**465**

(*) Elise Assistence project for Euro 9.5 thousand and Due Diligence China of Euro 17.5 thousand.

- from interviews and meetings with accounting personnel, in accordance with article 150, paragraph 2 of Legislative Decree 58/1998, and with the Boards of the subsidiaries, no significant information or facts arose that should be reported upon in the present report.

- we obtained information and reviewed the adequacy of the organisational structure of the company, also through the information received from departmental managers and in relation to this there are no matters to report upon;
- we assessed the adequacy of the internal control system and the administration and accounting system and on its reliability to correctly represent operations, through the obtaining of information from managers and the review of company documents. In relation to this there are no matters to report upon;
- we did not note the existence of atypical or unusual transactions with Group companies, related parties or with third parties;
- in relation to inter-group and related party transactions of an ordinary nature, these were adequately described in the Notes to the financial statements to which reference should be made. These transactions are appropriate and are in line with the corporate objectives of the Company;
- no petitions were received pursuant to art. 2308 of the Civil Code;
- we reviewed the adequacy of the instructions given by the Parent Company to its subsidiaries in order that they could provide all necessary information to comply with the obligations required by law;
- the company adhered to the Self-Governance Code of the Corporate Governance Committee for listed companies of the Italian Stock Exchange, as reported in the Board of Directors' report;

- we gave opinions in accordance with article 2441, paragraph 6 of the Civil Code, of article 154 bis, paragraph 1 of Legs. Decree 58/1998 and article 159, paragraph 1 of Legs. Decree 58/1998;
- we verified, in accordance with point 3C5 of the Self-Governance Code the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members;
- the Company, in compliance with the regulatory norms for the Issuers, as well as other norms:
  a) with the appointment in the Board meeting of 27 March 2008 of the Internal Audit Manager completed the organisation of the internal control system, which in the first phase, throughout 2007, outsourced the Internal Audit function;
  b) in the Board meeting of 27 March 2008 approved the organisation, management and control model pursuant to Legislative Decree 231/2001 and appointed the Organisation responsible for the supervision on its efficiency, compliance and updating of the model.

In relation to the separate financial statements, we confirm that:

- they were prepared in accordance with International Accounting Standards (IAS/IFRS), as presented by the Board of Directors in the notes to the financial statements, for which reference should be made and we report that the balances at 31 December 2007 include those of the three companies merged by incorporation (Turbo Air, Jet Air and Fox Design) with deed of 22 June 2007. For a better understanding of the accounts in 2006 and 2007, the pro-forma post merger balances are shown and commented upon by the Board of Directors in the notes to the financial statements.

In addition, an attachment comparing the financial statements of ELICA S.p.A. (stand alone at 31 December 2006) and the post merger pro-forma financial statements for the incorporation of the three companies at 31 December 2006 and 31 December 2007 is included.

- the presentation is in accordance with that required by IAS 1 “Presentation of the financial statements”;
- the notes to the financial statements, in addition to being in compliance with the norms for the preparation of the financial statements, also provide all information considered appropriate to represent the balance sheet, financial position and result of the Company;
- the directors’ report contains additional and exhaustive information.

The audit firm “Deloitte & Touché S.p.A.”, appointed to audit the separate and consolidated financial statements as at 31 December 2007, issued its audit opinions on 10 April 2008 without any exceptions or matters drawn to the attention of the reader.

In conclusion and taking into account the above matters, in relation to our responsibility, and not having proposals to present to the Shareholders’ Meeting pursuant to article 153, paragraph 2 of Legislative Decree 58/1998, we have no reason to impede the approval of the financial statements for the year ended 31 December 2007 and the proposal for the distribution of the dividend as presented by the Board of Directors.

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In relation to the Group consolidated financial statements, we have reviewed them and have no further comments to make.

Fabriano, 11/04/2008

THE BOARD OF STATUTORY AUDITORS

FREZZOTTI GIOVANNI	- Chairman
MARASCA STEFANO	- Standing Member
MARIOTTI CORRADO	- Standing Member

Auditors' Report

Deloitte

Deloitte & Touche S.p.A.
Viale della Vittoria, 7
60123 Ancona
Italia

Tel: +39 071 50149.11
Fax: +39 071 50149.12
www.deloitte.it

AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
ELICA S.p.A.

1. We have audited the financial statements of ELICA S.p.A., which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 12, 2007.

3. In our opinion, the financial statements present fairly the financial position of ELICA S.p.A. as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Beciani
Partner

Ancona, April 10th, 2008

This report has been translated into the English language solely for the convenience of international readers.