# Annual Report 2007


Hotpoint
ARISTON


Indesit Coolbricks
fridge, Concept Area
Eurocucina 2008

# Chairman's letter

Shareholders,

Indesit's performance in 2007 was very good, with growth in sales and profits. These results enabled us to achieve the objectives set in our 2006-2008 industrial plan a year advance and to honour our commitments to shareholders.

The Company's results are to be seen in the context of a continually evolving white goods market in which the main trend is one of concentration of manufacturers around the market leaders.

This phenomenon, which is also part of the geographical and economic reality we know as globalization, is starting to uniform consumers' tastes and preferences and bring down the barriers between American, Asian and European standards. This means that appliances once sold in Europe may soon become successful products in America or Asia as well, and vice versa.

2007 also saw the consolidation of a number of markets that should no longer be called "emerging": Latin America, China and India.

To operate in such a scenario, Indesit will trust to the force of its brands and continue to invest in Indesit and Hotpoint-Ariston, the latter having merged two of our market leading brands.

Key roles in this process will be marketing and technological innovation, which will enable us to have products that are increasingly advanced and appropriately geared to consumers' needs. We have continued to invest in this, a long-standing commitment, and are planning to launch some 50 new appliances in 2008.

The Moon was last year's star product – a washing machine with a totally new design that won wide consensus amongst clients and earned itself an impressive list of international awards.

Lastly, a mention of Aristide Merloni and the values underpinning our Company. The municipality of Radomsko in Poland, where we've built a production site that will create hundreds of jobs, decided to name its main street after our founder in recognition of the principle he enunciated, that "there is no value in any economic success unless there is also commitment to social progress".

We will continue to uphold that commitment.

Vittorio Merloni

# Key events of 2007

## January

**Indesit Company is one of Europe's most active champions of social responsibility.**

This fact is endorsed by its Etica Sgr ranking, which is based on performance in terms of corporate governance (independent directors, transparent executive remuneration criteria, focus on social, environmental and reputation risks), social policy (workplace health and safety, personnel training, workers rights) and the environment (environmental management, production/use of energy from renewable sources, environmental impact of products and production processes, sustainability criteria).

## March

**Hotpoint-Ariston: a new brand for the Group**

The brand architecture of the new Hotpoint-Ariston combines the international reach of the Hotpoint brand and the tradition and Italian character of Ariston. The brands were merged to improve the Group's positioning in the middle to high end market in Europe and give consumers looking for maximum comfort and style a diversified range of high profile and increasingly innovative products.

**Our ideas, your home**

## April

**Poland: the millionth fridge**

The Łodz plant turned out its millionth fridge and to mark the occasion a limited edition of Hotpoint-Ariston models was produced. The appliances made in this plant have reached the highest quality standards of the entire Group.

## May

**New board of directors**

On 3rd May, the shareholders appointed a new board of directors, which included some new faces - Bruno Busacca, Luca Garavoglia, Emma Marcegaglia and Paolo Monferino – bringing the number of independent directors to eight out of thirteen.

## February

**Indesit launches the Moon, washing machine of the future**

After months of design work and in-depth market research, Indesit launched a new Giugiaro designed washing machine reflecting the brand's philosophy of "We work, you play". With its simple, rational and highly futuristic design, the Moon has a simplified interface and a number of technical and technological innovations that make everyday life easier. This, together with its rich and innovative advertising campaign, earned the Moon numerous awards and mentions in Italy and abroad in 2007.

**Future Friendly**

## June

Scholtès

### Scholtès launches new professional hobs

The new professional hobs are made almost entirely by hand to render them one-off pieces. Outstanding performance and top quality, plus the capacity to innovate whilst balancing technology, design and ease of use. For the first time, on any market, gas hobs with Touch Control, guaranteeing precision, safety and heat regulation across nine settings, with the temperature of each burner shown on the display.

**Taste the perfection**

## July

### The Moon at Covent Garden

The launch of the Indesit Moon in the UK was highly innovative, in line with the brand's identity. Having projected images of the Moon in various key points in London, such as the Tate Gallery, Marble Arch and Piccadilly Circus, the "Moonbase" landed in Covent Garden. Passers by were able to view Indesit's new product, thanks to the 18 models on display, and the luckier ones (one every hour) actually won a Moon.

## August

### indesit.mobi comes on line

www.indesitcompany.mobi is a special version of the website for users of mobile phones, palmtops and pocket PCs. Addressing mainly the media and the financial community, it provides four types of content: info on the Company, press releases, corporate events and real-time share prices. ".mobi" is a natural development of the Company's website and offers advanced functions, such as the e-mail alert service.

## September

### Indesit title sponsor of the 2007 European Volleyball Championships

For the third year running, Indesit was title sponsor of the European Volleyball Championships. The sponsorship strengthens the brand's positioning in the eyes of young and active consumers and of the sport and leisure industries in particular.

## October

### "FAI la tua parte!"

Under the aegis of the education and environment ministries and with support from Indesit Company, FAI launched an environmental awareness campaign - "DO your bit!" - inviting students in primary and secondary schools to draw up and implement environmental action plans to save water and energy. Thanks to FAI and Indesit Company, water will once again flow from the four fountains in the Parco Villa Gregoriana at Tivoli.

## November

### Inauguration of Viale Aristide Merloni in Radomsko

In Radomsko, Poland, a ceremony took place to inaugurate "Aristide Merloniego", the road on which two new Indesit washing product plants are being built and which has been named after Aristide Merloni, founder of Industrie Merloni. Indesit Company has been in Poland for over ten years, with two plants in Łodz, one for cooking and one for cooling products.


## December

### 3rd European Corporate Social Responsibility MarketPlace, Brussels

Indesit Company was invited to MarketPlace, an event in which CSR experts and professionals from all over Europe discuss their work in informal meetings and workshops. One of the 90 or so CSR case histories selected from over 650 entries, Indesit Company gave an account of its agreement over re-organization at its Refrontolo plant (2006), which earned the Company a mention at Etica&Impresa, a national competition focusing on best CSR practice and the best agreements between companies and employees.

# Awards

**Berlin,**
**European Excellence Award**

A European Excellence Award (2007) went to Indesit Company for its innovative Intranet, Insight. This is one of the most prestigious international awards in the field of communication.

**Paris,**
**Grand Prix de l'Innovation**

The Indesit Moon won a Grand Prix de l'Innovation at the Paris Fair. The Giugiaro designed washing machine was judged best product in the design category for its brilliant combination of looks and utility.

**Paris,**
**Janus de l'Industrie**

The Indesit Moon was given a Janus de l'Industrie by the Institut Français du Design for outstandingly creative results in the field of industrial design.

**London,**
**Kitchen Product of the Year**

The Indesit Moon was judged Kitchen Product of the Year at the Designer Awards in London for real innovative content offered to consumers and a design perfectly marrying technological performance and ease of use.

**Milan,**
**Intellectual Capital Award**

Indesit Company was a winner at the 1st Intellectual Capital Awards for its commitment to developing human resources, their motivation, skills and attitudes.

**Milan,**
**Ecohitech Award**

Indesit Company received a special mention at the Ecohitech Awards for its new Hotpoint-Ariston dishwasher and for its packaging management and work safety.

**Milan,**
**Sodalitas Social Award**

Indesit Company received a special mention at the 5th Sodalitas Social Awards for the Jonathan project, which employs young people from socially depressed areas of southern Italy, helping them to fully reintegrate with the community. In 2008, Indesit Company's partnership with Associazione Jonathan will celebrate its first ten years, a fine testament to the success of the Project and the Company's commitment.

**Warsaw,**
**Zlota Villa Awards**

The Moon won a "Zlota Villa" award, organized by the prestigious Polish furnishing and interior design magazine, in the white goods category.

**London,**
**Best Technology Award**

Indesit Company won a Best Technology Award in the "technology for the home" category, at the Grand Designs Live in London, with the new Hotpoint-Ariston 48 cm oven designed by Makio Hasuike.


**Russia,**
**Narodnaya Marka**

With Indesit at the top of the washing machine and fridge categories, Ariston in 3rd place in washing machines and Stinol 2nd in the fridge category, Indesit Company was one of the most successful companies at the 2007 Narodnaya Marka, an awards event indicating where Russian consumers place their trust.

**London,**
**Motor Transport Award 2007**

Indesit Company won a Motor Transport Award in London in the Own Account Operator category. The event looks at the performance of logistics and transport operators in the UK in terms of delivery times and pollutant emissions.

**Miami,**
**Grand Clio Awards**

For the first time, an Italian TV commercial won a prestigious Grand Clio Award. Indesit Company received the coveted award for its Aqualtis "Undersea World" ad in the TV category. The film also won a Silver Clio in the Animation category and a Bronze Clio in the Visual Effects category.

**Moscow,**
**Superbrand Award**

Indesit was given a Superbrand Award at the 3rd Superbrands Russia. It was Indesit's first ever Superbrand Award. Superbrand is a UK group active in 55 countries and has official "Independent Arbiter on Branding" status in the UK. Superbrand identifies and assigns awards to outstanding brands throughout the world.

**London,**
**2006 STEPS Awards**

Indesit received its first Suppliers Towards Excellence Programme award (STEPS, 2006) from British Gas, a leader in white goods repairs. The programme measures suppliers capacity to provide optimum response to British Gas service requirements (in terms of order processing, delivery times, precision collection and prices).

## 2008 awards

**Chicago,**
**Good Design Awards**

The Chicago Athenaeum - Museum of Architecture and Design gave the Moon a Good Design Award as a new concept, high-performance washing machine with a strong personality, an example of bold innovative design creating an object of furnishing in its own right.

**USA,**
**EiD Awards**

Appliance Design, an American electronics and technology journal addressing industrial designers, gave the Indesit Moon a gold Excellence in Design Award for bold and innovative design and the capacity to offer intelligent solutions for the home.

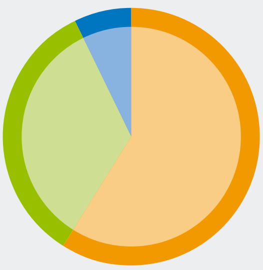
# Inside figures

| Income statement (million Euro) | 2005 | | 2006 | | 2007 | |
|---|---|---|---|---|---|---|
| Revenue | 3,064 | | 3,249 | | 3,438 | |
| EBITDA | 264 | 8.6% | 303 | 9.3% | 333 | 9.7% |
| EBIT | 122 | 4.0% | 160 | 4.9% | 192 | 5.6% |
| Profit before taxation | 93 | 3.0% | 132 | 4.1% | 166 | 4.8% |
| Group profit | 51 | 1.6% | 77 | 2.4% | 105 | 3.1% |
| Tax rate (%) | | 46% | | 42% | | 37% |

| Financial statement (million Euro) | 31/12/2005 | 31/12/2006 | 31/12/2007 |
|---|---|---|---|
| Net working capital | 78 | 40 | 2 |
| Non-current operating assets | 1,269 | 1,252 | 1,208 |
| Other current assets and liabilities and non-current liabilities | (310) | (317) | (299) |
| **Net invested capital** | **1,037** | **976** | **911** |
| Net financial indebtedness | 517 | 424 | 331 |
| Equity attributable to the Group | 505 | 546 | 578 |
| Minority interests | 14 | 7 | 2 |
| **Equity and financial liabilities** | **1,037** | **976** | **911** |

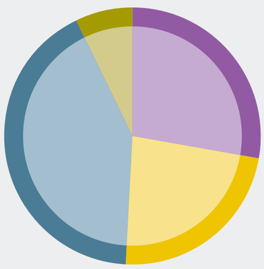
| Cash flow statement (million Euro) | 2005 | 2006 | 2007 |
|---|---|---|---|
| Cash flows from operating activities | 192 | 273 | 273 |
| Cash flows from investing activities | (167) | (145) | (143) |
| Share capital increase | 6 | 3 | 2 |
| Dividend payment | (37) | (37) | (40) |
| **Free cash flow** | **(5)** | **94** | **92** |
| Cash flows from financing activities | (7) | (109) | (90) |
| **Cash flows, net** | **(12)** | **(15)** | **2** |

## 2007 revenue by geographical area



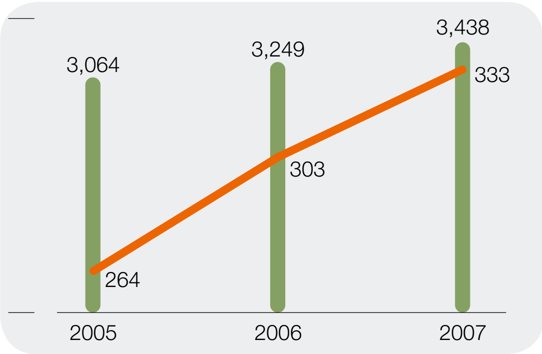
| | |
|---|---|
| West Europe | 59% |
| East Europe | 34% |
| Other countries | 7% |

## 2007 revenue by product

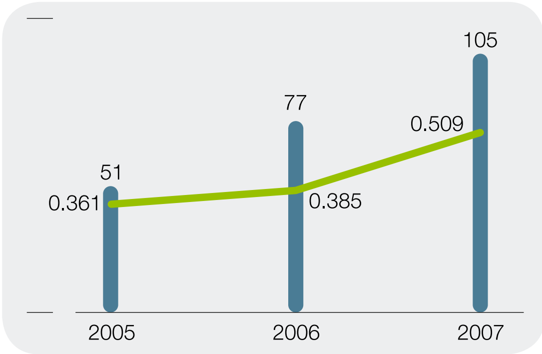


| | |
|---|---|
| Cooling | 28% |
| Cooking | 23% |
| Laundry | 42% |
| Services | 7% |

## Consolidated revenue and EBITDA




## Group profit and dividend



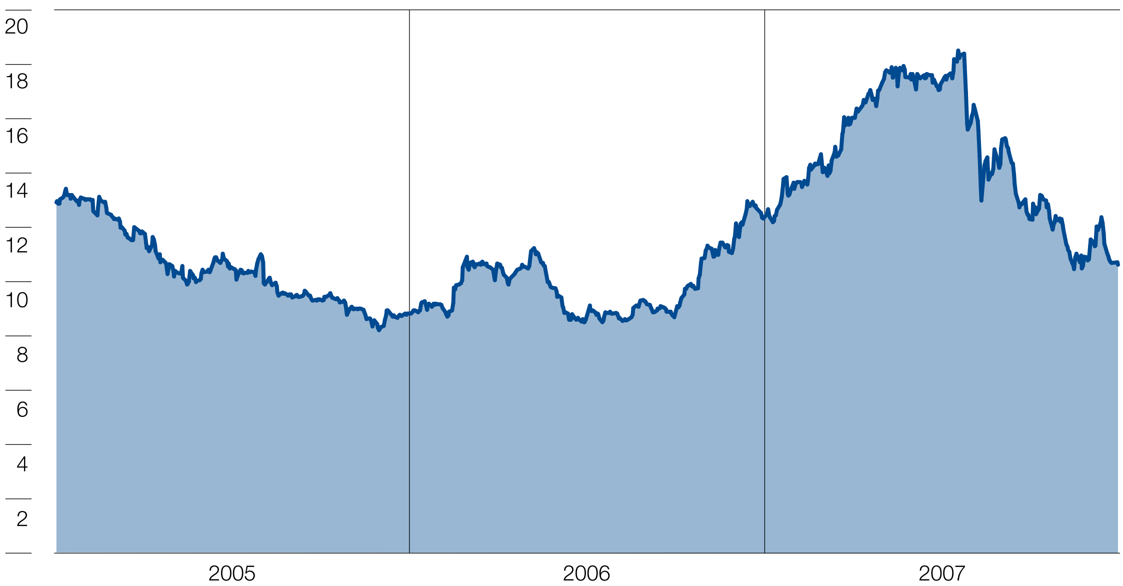

Left chart
- Consolidated revenue (m€)
- EBITDA (m€)

Right chart
- Group profit (m€)
- Dividend (€)

| Stockmarket information (at 31/12)* | 2005 | 2006 | 2007 |
|---|---|---|---|
| EBITDA per share (Euro) | 2.62 | 2.96 | 3.25 |
| Basic EPS (Euro) | 0.50 | 0.74 | 1.02 |
| Diluted EPS (Euro) | 0.50 | 0.74 | 1.02 |
| Average no. of shares used for basic EPS calculation (thousand) | 100,514.30 | 102,251.80 | 102,520.40 |
| Average no. of shares used for diluted EPS calculation (thousand) | 101,161.50 | 102,479.60 | 102,671.10 |
| Free cash flow (Euro) | (0.05) | 0.92 | 0.90 |
| Dividend (Euro) | 0.361 | 0.385 | 0.509 |
| Year lowest share price (Euro) | 8.23 | 8.46 | 10.44 |
| Year average share price (Euro) | 10.45 | 9.87 | 14.51 |
| Year highest share price (Euro) | 13.32 | 12.90 | 18.53 |
| Year-end share price (Euro) | 8.74 | 12.33 | 10.61 |
| Average share price/EPS basic | 20.9 | 13.3 | 14.2 |
| Book value per share | 5.2 | 5.4 | 5.7 |
| Share price/Net equity per share | 2.0 | 1.8 | 2.6 |
| Pay out ratio (%) | 73.2 | 52.1 | 50.0 |
| Dividend per share/price per share (%) | 3.5 | 3.9 | 3.5 |
| Share capital (thousand Euro) | 92.2 | 92.6 | 92.8 |
| Market capitalisation (million Euro)** | 892,292 | 1,267,213 | 1,094,388 |
| Debt+Equity/Revenue (%) | 0.34 | 0.30 | 0.26 |
| Debt+Equity/EBITDA | 1.96 | 1.40 | 0.99 |

**Figures referred to ordinary shares only.**
* Per share data are calculated with the average no. of ordinary shares used for basic EPS calculation.
** Calculated using ordinary and savings share price at year-end.

## Indesit Company ordinary share price 2005-2007 (Euro)




Hotpoint-Ariston
Aqualtis washing
machine and dryer

# Report on operations during the year ended 31 December 2007

## Chief Executive Officer's discussion

Capitalising on the success achieved in 2006, further excellent progress in 2007 has enabled us to reach or surpass, one year ahead of schedule, many of the objectives set in the business plan for 2006-2008: sales of 3,437.8 million Euro were up 5.8%; the operating profit (EBIT) of 192.2 million Euro was 20.0% higher, net profit rose by 38.0% to 105.4 million Euro and, for the second consecutive year, there was very substantial free cash flow of 92.4 million Euro.

By contrast with 2006, there was a general slowing of demand in Western Europe, especially in the last part of the year, due to changes in the principal macroeconomic variables. Demand remained strong from Eastern Europe, especially the CIS, with particularly healthy growth in the Russian and Romanian markets. Against this background, Indesit Company has continued to strengthen its position with a 0.3% increase in market share in volume terms.

Sell-out prices held up well for the second successive year, not so much because of price rises but rather due to the better mix of products sold by all manufacturers. Indeed, the only easing of retail prices was seen in Eastern Europe, excluding the CIS. After several years of declining average unit revenues, even Indesit achieved a slight increase in unit prices during 2007 (+ 0.2%) due, as in the general case, to an improvement in the product mix.

Positive results were achieved by all product lines, with growth in both volume and sales. The progress made by the refrigeration division was particularly satisfactory, both in terms of sales and profitability.

There were also good results from the built-in segment (up by 7.2%), which grew faster than the free-standing segment (up by 5.8%) and continues to represent one of the Group's main areas of growth potential.

The efforts made in 2007 were consistent with the strategic guidelines set out in the three-year plan and will continue to bear fruit in the coming years. In this context, work to sharpen the focus on the Group's principal brands has progressed. The combination of the Hotpoint and Ariston brands was presented in March, giving form to the Hotpoint-Ariston brand which has been introduced in Italy, the CIS, Germany, the Netherlands, Greece, Romania, Bulgaria and the Balkans. The new Hotpoint-Ariston brand, to be extended to other countries during 2008, combines the international potential of the British brand with the tradition of the Italian brand. This move is set to improve the Group's positioning in the middle-upper segment of the market. In the meantime, the positioning of the Indesit brand continues to evolve, with a focus on innovation and design. The launch of Moon is just the first example of this approach. This new washing machine, with a cutting-edge look and advanced functions, immediately achieved a highly satisfactory volume of sales.

Stinol, the traditional Russian brand, was definitively abandoned in December. The sales of the two principal brands (Indesit and Hotpoint-Ariston) have risen as a percentage of total revenues from products from 92% in 2006 to 94% in 2007.

The brands were well supported by both robust product innovation and by the growing investment in advertising and promotion.

In the first case, Indesit Company launched a range of innovative products during 2007 that both

## Debt to equity ratio

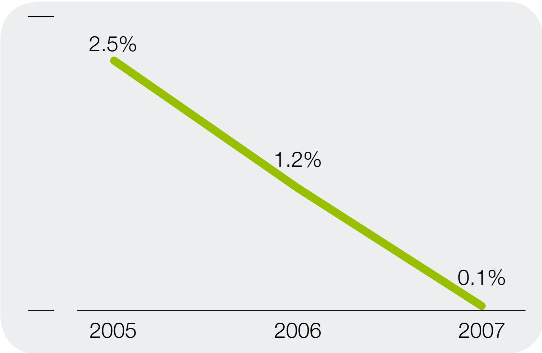
# 0.6x

0.8x in 2006

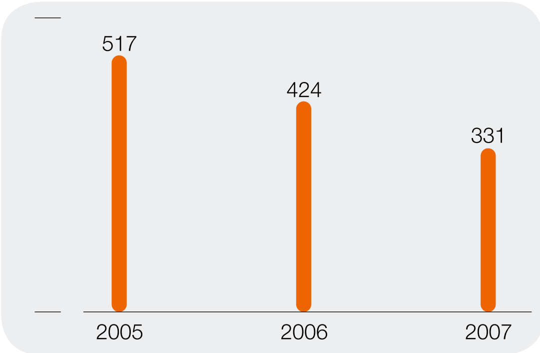
respond to and anticipate major market trends: the concepts of environmental sustainability, ease of use, flexibility and design guided the creation and development of the products presented during the year. Indesit's Moon washing machine is a leading example, combining a revolutionary design from Giugiaro with extreme ease of use: just five programmes satisfy all washing requirements. Just one year after the launch, Moon's design has become a beacon for the entire market. This is confirmed by the numerous official awards already received: Design Award, Good Design, Grand Prix de l'Innovation and Janus de l'Industrie. Moon has also achieved exceptional results in terms of profitability, with a price positioning that greatly exceeds the average for Indesit's standard range of washing machines. In the refrigeration segment, Hotpoint-Ariston's "Big 60" fridge-freezer combines the flexibility of a standard unit affording more than 35 litres of extra capacity with the savings of energy class A+. This product, designed by Makio Hasuike, was launched throughout Europe in June 2007 and has rapidly gained acceptance and market share everywhere, despite a price positioning that is more than 30% higher than the category average. Hotpoint-Ariston's Flexipower dishwasher represents the most significant innovation among the Group's built-in products. This radically new product is positioned at the top end of the market in terms of wash effectiveness (variable intensity, depending on the level of grime), quietness (43 dbA) and flexibility. Also launched in June 2007, Flexipower has already had a significant impact on segment profitability: in Italy, as an example, this product has

Indesit Prime line cooking hob, Eurocucina 2008

## Net working capital/revenue (%)




## Net financial indebtedness (m€)






raised Group sales at the top end of the market by 20%.

In addition to these launches, work in 2007 laid the foundations for a 2008 product plan that is even more innovative and ripe for further success. No less than 60 projects are dedicated to the development of new concepts for products, while 20 research projects are updating and expanding our market knowledge: these efforts represent an important driver for the confirmation and consolidation of the Group's position in all markets.

Spending on advertising and promotion was 14% higher than in 2006.

Work to contain procurement and production costs also continued in 2007. The slight increase in average unit revenues, together with careful purchasing policies and the improvement of manufacturing processes, has enabled the Group to offset the higher cost of raw materials including, in particular, plastics and components. As envisaged in the business plan, the inflationary pressures on components were contained, in part, by an increase in purchasing from low-cost nations. In particular, purchasing of raw materials and components from these nations has increased from 30% to 36%, while local purchasing by factories situated in low-cost nations rose from 36% to 43%.

The process of redistributing production has continued in accordance with the business plan: work to complete the two new factories (washing machines and dishwashers) in the Radomsko area of Poland is on schedule and the closure of the Blythe Bridge factory in the UK was confirmed at the end of 2007.

The total direct labour hours dedicated to production in low-cost nations has risen from 40% to 51%. The continuation of redistribution activities has further lowered payroll costs as a percentage of revenues from 15.2% in 2006 to 14.6% in 2007.

The Group is therefore consolidating the benefits deriving from the work to contain and rationalise costs that began in 2005. The incidence of selling and distribution expenses has stabilised as a percentage of revenues, remaining in line with the prior year despite increased advertising and the higher cost of logistics due to fuel price inflation. At the same time, general and administrative expenses have continued to fall as a percentage of revenues: down from 4.3% to 4.1%.

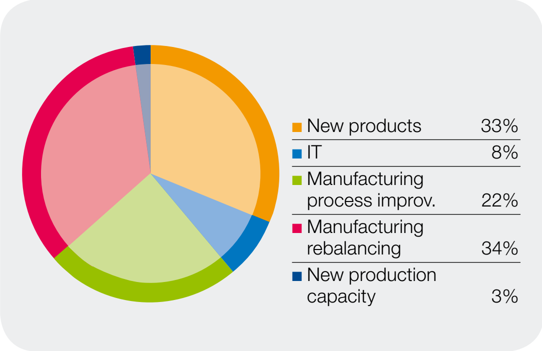
The results of attentive financial management have been most satisfactory: once again the Group generated free cash flow that reduced net borrowing by 92 million Euro. The ratio of net borrowing to equity is 0.6 as of 31 December 2007 (0.8 as of 31 December 2006).

Net working capital is now negligible as a percentage of revenues (1.2% in 2006) due to improved credit collection and inventory turnover. On the other hand, the days of purchasing outstanding have fallen markedly, as envisaged in the business plan, mainly due to the rise in purchasing from low-cost nations.

The policy of greater focus on capital investment processes, adopted back in 2005, has continued. This is designed to contain the level of net invested capital while, at the same time, guaranteeing the resources needed for the development of strategic initiatives. Net investment during the year amounted to 154 million Euro (130 million Euro in 2006), of which 124 million Euro for property, plant and equipment and 30 million Euro for intangible assets, including 17 million Euro from the capitalisation of development costs. The increase with respect to the prior year mainly related to work on the two new factories in the Radomsko area of Poland.

Again with a view to containing capital investment, focusing on activities in the household appliances sector and improving governance, work continued in 2007 on the reorganisation of certain minority investments. This involved the

## 2007 investments by destination




disposal of equity interests that are no longer strategic and the purchase of minority interests in subsidiaries.
The combined effect of higher operating profits and the focus on invested capital, down by 6.7%, has resulted in a significant increase in the return on investment - before taxation - to 20.4% (15.9% in 2006).
Lastly on this topic, the Group also analysed a number of acquisition opportunities during 2007 with a view to accelerating growth in areas where internal expansion is considered insufficient or clouded by uncertainty. Possible targets were identified in nations with strong current (China) or potential (India) growth, but negotiations have not yet made any progress. The Group will continue to take action on this front, not only in these countries but also in all other areas where the

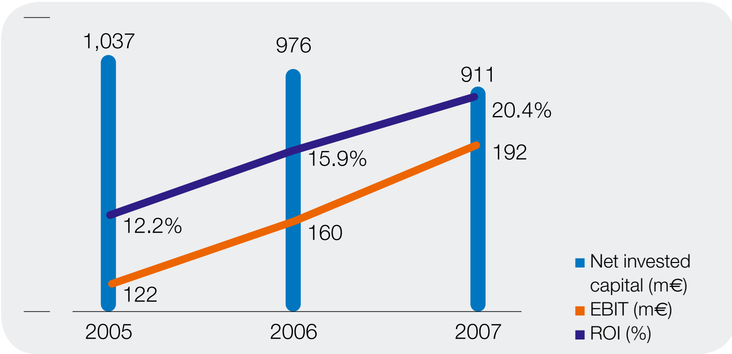
Scholtès Multiplo, Triennale di Milano, 2008

Dividend

+32.2%

ordinary share

Net invested capital, EBIT and ROI




characteristics of the market, existing brands and potential takeover targets are consistent with Indesit Group's strategy.
In view of the good results achieved and confirmation of the objectives established in the three-year plan, the Group has adopted a new dividend policy from 2007 which envisages paying out at least 50% of the Group's profit. In 2007, Indesit Company paid a dividend of 0.385 Euro per ordinary share and 0.403 Euro per savings share (up from 6.6% and 6.3% respectively in 2006).

## Sales of household appliances in Europe

Sales of white goods (sell out) grew well in Eastern Europe (+3.9%) and the CIS (+7.4%) during 2007, but there was a slight overall slowdown in Western Europe ( -1.1%) caused by a downturn in the last part of the year. Retail prices rose by 1.5% in Western Europe and by 1.8% in the CIS, but fell slightly in Eastern Europe (-0.5%).

## Currency markets

Compared with 2006, during 2007 the Euro[1] fell by 2.9% against the Zloty and 1.1% against the Turkish Lira, but appreciated by 9.2% against the US Dollar, 2.7% against the Russia Rouble and by 0.4% against the British Pound.

## Significant events during the year and subsequent to year end

In April 2007, the Indesit Group acquired the remaining 28.8% interest in Argentron SA, an Argentinian subsidiary that was already 71.2% owned. The acquisition price of 1.2 million Euro was lower than the related portion of equity. This purchase of the residual minority interests on favourable terms resulted in the recognition of 1.3 million Euro in the income statement.

In May 2007, Indesit Company commenced consultations with the parties concerned about the closure of the Blythe Bridge factory in the UK; these consultations were completed successfully in August 2007. Production ceased at this factory on 31 December 2007.
Following exercise of General Electric's put option

1. Determined with reference to the average monthly rates reported by the Italian Exchange Office.

Revenue

+5.8%

in June 2007, a further 8% of the share capital of General Domestic Appliances Holdings Ltd was acquired on 1 October 2007, under the terms of the related put-call option agreement, for 57.1 million Dollars. This company was already fully consolidated as a result of adopting IFRS 3.

The sale by Indesit Company of its 30% equity interests in Haier Indesit (QuigDao) Electrical Appliance Co. Ltd and Haier Indesit (QuigDao) Washing Machines Co Ltd for 14.3 million Euro was completed in October 2007, with a capital gain of 4.3 million Euro. Further information is provided in the explanatory notes to the consolidated financial statements as of 31 December 2007.

Following the changes made to the severance indemnity regulations (TFR) by Law 296 dated 27 December 2006 (2007 Finance Law), and by the subsequent decrees and regulations issued in early 2007 as part of the overall reform of supplementary pensions, Indesit Company has recognised non-recurring income of 4.8 million Euro as of 30 June 2007 deriving from the transformation of severance indemnities from a defined benefit plan to a defined contribution plan. Further information is provided in the explanatory notes to the consolidated financial statements as of 31 December 2007.

As part of the policy of rationalising non-current assets, the Group continued to sell non-strategic assets throughout the whole of 2007, realising a total capital gain of 8.0 million Euro.

The demerger of Marchi e Brevetti Srl, owner of the Ariston brand, took place in February 2008 in accordance with agreements reached between Indesit Company SpA and Merloni Termosanitari SpA. This company was jointly owned by the two groups. As a consequence, the two groups have acquired full ownership of the Ariston brand in the product sectors in which they are active. With regard to the Indesit Company Group, this demerger resulted in the set up of Indesit Company IP Srl, wholly owned by Indesit Company SpA, which owns the rights to use the Ariston brand in the product sectors relevant to the Group.
There were no other significant events, significant non-recurring events or unusual and/or atypical business transactions during 2007 or subsequent to year end.

## Approach taken

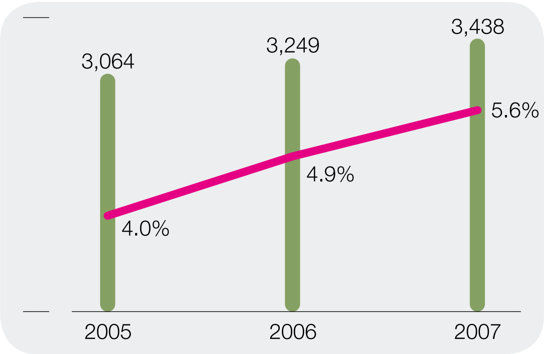
All amounts are stated in millions of Euro. All comparisons contained in this report and in the consolidated financial statements are made with respect to the prior year figures (stated in brackets). Percentages (margins and changes) are determined with reference to amounts stated in thousands of Euro. The Group reporting to Indesit Company SpA is hereafter referred to as “Indesit Company” or simply the “Group”. When the commentary relates to the parent company or individual subsidiaries, their names are stated in full.

## Summary of consolidated results

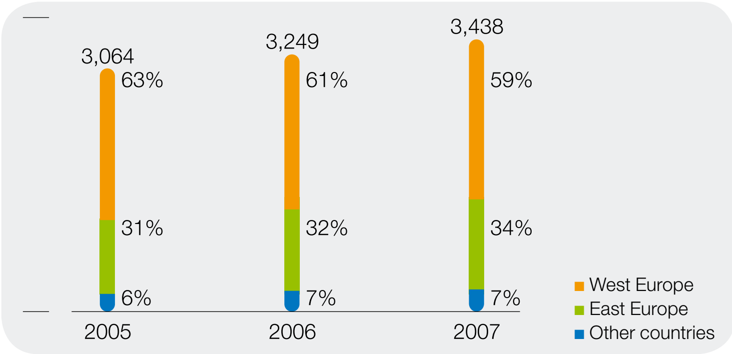
The Group’s principal economic indicators are reported in the following table.
Sales rose by 5.8% in 2007 as a whole. The sales of household appliances were 6% higher due to an increase in volume (+5.8%) and a rise in unit revenues of about 0.2%.
The gross operating profit (EBITDA)[2] amounted to 333.4 million Euro in 2007 (303.0 million Euro), representing 9.7% (9.3%) of revenue. EBITDA before non-recurring charges was 360.8 million Euro (341.9 million Euro), representing 10.5% (10.5%)

2. EBITDA: operating profit reported in the consolidated income statement, stated gross of the depreciation and amortization reported in note 8.6.

## Revenue (m€) and EBIT (%)




## 2007 revenue by geographical area (m€)




of revenue. Net non-recurring charges totalled 27.4 million Euro, including 35.5 million Euro for restructuring work performed in accordance with the business plan and 4.7 million Euro for the start-up of activities. These costs were offset by income from the adjustment of severance indemnities following the reform of supplementary pensions in Italy, 4.8 million Euro, and income from the sale of non-strategic property 8.0 million Euro. EBITDA before non-recurring charges rose in line with revenue and was therefore stable in percentage terms. The Group managed to offset the higher cost of key raw materials by improving its industrial processes and, after several adverse years, via the positive price mix effect on unit revenues. Further positive effects were contributed by improved product quality and the consistent containment of general and administrative expenses (down from 4.3% of revenue to 4.1%).

Operating profit (EBIT) amounted to 192.2 million Euro (160.2 million Euro), representing 5.6% (4.9%) of revenues. This improvement reflects the careful management of non-current assets which, despite a slight increase in investment, lowered the impact of depreciation and amortization as a percentage of revenue to 4.1% (4.4%) in 2007.

Net financial charges amounted to 30.2 million Euro (26.6 million Euro). Profit before taxation (PBT) was 166.4 million Euro (131.6 million Euro), representing 4.8% (4.1%) of revenue.

Share of profits from associates contributed 4.3 million Euro (losses of 2.0 million Euro). The profits recorded almost entirely relate to the gain realised on the disposal of Indesit Company's interest in Haier Indesit (QuigDao) Electrical Appliances Co. Ltd and Haier Indesit (QuigDao) Washing Machines Co. Ltd.

Profit for the year was 105.2 million Euro (76.7 million Euro), up 37%. The tax charge was 61.2 million Euro (54.9 million Euro). The effective tax rate (tax charge as a percentage of PBT) has decreased from 41.7% to 36.8%, mainly due to the lower impact of IRAP on the parent company and the reduction of the tax rates in Italy and the UK.

| Key operating indicators and statistics | 2007 | | 2006 | | Change | |
|---|---|---|---|---|---|---|
| | m€ | % | m€ | % | m€ | % |
| Revenue | 3,437.8 | 100.0% | 3,248.6 | 100.0% | 189.2 | 5.8% |
| Gross operating profit before non-recurring items | 360.8 | 10.5% | 341.9 | 10.5% | 18.9 | 5.5% |
| Gross operating profit | 333.4 | 9.7% | 303.0 | 9.3% | 30.4 | 10.0% |
| Operating profit before non-recurring items | 219.7 | 6.4% | 199.1 | 6.1% | 20.5 | 10.3% |
| Operating profit | 192.2 | 5.6% | 160.2 | 4.9% | 32.0 | 20.0% |
| Profit before taxation | 166.4 | 4.8% | 131.6 | 4.1% | 34.8 | 26.4% |
| Profit for period | 105.2 | 3.1% | 76.7 | 2.4% | 28.5 | 37.2% |

## Results by geographical segment

Sales performance during 2007 was good overall in every market where the Group is present, with above-average growth throughout Eastern Europe and in export markets. Profitability for the year was also good in almost all markets.

| Information by geographical area (m€) | Revenue | | | Segment result | | | % on revenue | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | Change | 2007 | 2006 | Change | 2007 | 2006 | Change |
| Western Europe | 2,015.5 | 1,973.8 | 2.1% | 140.9 | 132.7 | 6.2% | 7.0% | 6.7% | 0.3 p.p. |
| Eastern Europe | 1,175.0 | 1,050.8 | 11.8% | 215.4 | 196.7 | 9.5% | 18.3% | 18.7% | (0.4 p.p.) |
| Other countries | 247.3 | 224.1 | 10.4% | 23.2 | 23.5 | -1.4% | 9.4% | 10.5% | (1.1 p.p.) |
| **Total** | **3,437.8** | **3,248.6** | **5.8%** | **379.5** | **352.9** | **7.5%** | **11.0%** | **10.9%** | **0.2 p.p.** |

## Summary of the consolidated financial position

Cash flows generated by operating activities during 2007 totalled 272.7 million Euro (272.9 million Euro), in line with the prior year. The increase in gross operating profit offset the effects of greater capital expenditure and higher tax payments. Free Cash Flow[3] amounted to 92.4 million Euro (93.9 million Euro), thus reducing net financial indebtedness to 331.1 million Euro.

3. Free Cash Flow: the cash flow absorbed by operating and investing activities, net of dividend payments and capital increases

| Key information and financial indicators (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Trade receivables | 522.7 | 573.2 |
| Inventories | 334.2 | 353.4 |
| Trade payables | (854.5) | (886.1) |
| **Net working capital** | **2.4** | **40.5** |
| | | |
| Non-current operating assets | 1,207.7 | 1,252.3 |
| Other current assets and liabilities and non-current liabilities | (299.3) | (316.9) |
| **Net invested capital** | **910.8** | **975.8** |
| | | |
| Net financial indebtedness | 331.1 | 423.6 |
| Equity attributable to the Group | 577.9 | 545.6 |
| Minority interests | 1.8 | 6.6 |
| **Equity and financial liabilities** | **910.8** | **975.8** |
| | | |
| **Cash flows from operating activities** | **272.7** | **272.9** |
| | | |
| **Net working capital/sales (12 months)** | **0.1%** | **1.2%** |
| **Net financial indebtedness/equity** | **0.6** | **0.8** |

## Reconciliation with the equity and profit for the year of the parent company

In accordance with CONSOB Communication no. DEM/6064293 dated 28 July 2006, the equity and profit for the year of the parent company are reconciled below with the related consolidated amounts.

| Reconciliation with parent company (million Euro) | 31/12/2007 | | 31/12/2006 | |
|---|---|---|---|---|
| | Results | Equity | Results | Equity |
| **Financial statements of the parent company** | **55.8** | **427.9** | **54.3** | **409.8** |
| **Consolidation adjustments** | | | | |
| Difference between carrying amount and equity of Group companies | 195.9 | 157.9 | 116.2 | 140.1 |
| Dividends received from subsidiaries | (141.0) | - | (93.8) | - |
| Measurement of companies using the equity method | 1.1 | 0.2 | (1.6) | (0.8) |
| Effect of aligning individual financial statements with Group accounting policies | (0.3) | (0.3) | (0.6) | 0.1 |
| Elimination of intercompany profits | (6.2) | (9.6) | 2.9 | (5.1) |
| Tax effect of adjustments | (0.3) | 1.6 | (0.9) | 1.6 |
| Other minority effets | 0.4 | 0.1 | - | - |
| **Total consolidation adjustments** | **49.6** | **149.9** | **22.2** | **135.9** |
| **Consolidated financial statements** | **105.4** | **577.9** | **76.4** | **545.6** |

## Intercompany and related-party transactions, and significant, non-business or unusual transactions

Transactions between Group companies are settled on arms'-length terms, having regard for the quality of the goods and services provided. Note 10 to the consolidated financial statements describes the nature of the principal transactions arranged by the parent and other Group companies with related parties including, in particular, associates, subsidiaries and parent companies and fellow subsidiaries. This note also contains the detailed information required by CONSOB regulations and IAS 24. In accordance with CONSOB Resolution no. 15519 dated 27 July 2006 and CONSOB Communication no. DEM/6064293 dated 28 July 2006, Attachments 3 and 4 to the consolidated financial statements present the consolidated income statement and balance sheet showing non-recurring items and transactions with related parties separately, together with the percentage impact with respect to each caption.

Transactions with related parties are not significant to the economic and financial position of the Group.

There were no unusual or non-business transactions during 2007.

Further information on the procedures adopted by the Group with regard to significant and related-party transactions can be found in the Annual Report on Corporate Governance prepared by Indesit Company SpA (posted on the Group's website).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doors fridge,
Eurocucina 2008

## Information on Company bodies

The directors and officers are listed below.
The Shareholders' Meeting held on 3 May 2007 authorised total remuneration of 920,000 Euro for the Board of Directors (plus the reimbursement of documented expenses and insurance cover). The Board of Directors resolved to allocate this amount in the form of attendance fees of 10 thousand Euro for each board meeting. Members of the Audit and Human Resources committees receive annual remuneration of 20 thousand Euro, while the committee Chairman each receive 25 thousand Euro. Each director receives 5 thousand Euro for attending each meeting of the Innovation and Technology Committee.
The Chairman and the Chief Executive Officer also benefit from remuneration for the special duties performed pursuant to art. 2389.3 of the Italian Civil Code.
The remuneration of the Board of Statutory Auditors totals 140 thousand Euro (plus the reimbursement of expenses), of which 60 thousand Euro for the Chairman and 40 thousand Euro for each of the serving auditors.
Further information is available in the Annual Report on Corporate Governance and in the attachments to this report.

## Information on stock option plans

The stock option plans are described in the explanatory notes to the consolidated financial statements (note 8.31), which describe the plans and provide the information required by law and the relevant CONSOB communications.

## Corporate Governance

The system of corporate governance adopted by Indesit Company is essentially consistent with the principles established in the Code of Conduct for Listed Companies and with international best practice. On 20 March 2008, the Parent Company's Board of Directors approved the Annual Report on Corporate Governance, which provides a complete description of the governance model adopted by the Company and reports on the implementation of the Code.
The Parent Company has adopted the ordinary administration and control model (envisaged under Italian law), with the presence of a Board of Directors, a Board of Statutory Auditors and Independent Auditors. The directors and officers are appointed at the Shareholders' Meeting and remain in office for a period of three years. The significant presence of independent directors, as defined in the Code, and the important role they play in its both the Board and Committees (Human Resources Committee, Audit Committee and Innovation and Technology Committee), ensures that the interests of all shareholders are appropriately balanced and guarantees a high level of discussion at Board meetings.
Further information is available in the Annual Report on Corporate Governance.

## Environment, personnel and sector regulations

The Group's exposure to risks deriving from the application of environmental and employment regulations is monitored, and any situations arising in the course of operations are dealt with in compliance with the regulations adhered to by Indesit Company.
On the personnel front, Indesit Company safeguards the health and safety of its employees in compliance with the regulations in force in each country and the ILO (International Labour Organization) guidelines on health and safety at work.
In terms of environmental policy, Indesit Com-

## Corporate bodies

| | | |
|---|---|---|
| **Board of Directors** | | |
| Chairman | Vittorio Merloni | |
| Chief Executive Officer | Marco Milani | |
| Directors | Bruno Busacca<br>Innocenzo Cipolletta<br>Adriano De Maio<br>Luca Garavoglia<br>Mario Greco<br>Hugh Malim | Emma Marcegaglia<br>Andrea Merloni<br>Antonella Merloni<br>Ester Merloni<br>Paolo Monferino |
| **Board of Statutory Auditors** | | |
| Chairman | Angelo Casò | |
| Auditors | Demetrio Minuto | Paolo Omodeo Salè |
| Alternate Auditors | Maurizio Paternò di Montecupo | |
| | Serenella Rossano | |
| **Human Resources Committee** | Mario Greco (Chairman)<br>Andrea Merloni | Paolo Monferino |
| **Audit Committee** | Hugh Malim (Chairman)<br>Innocenzo Cipolletta | Antonella Merloni |
| **Innovation and Technology Committee** | | |
| Members who are directors | Adriano De Maio (Chairman)<br>Andrea Merloni | Vittorio Merloni<br>Marco Milani |
| Members who are not directors | Valerio Aisa<br>Enrico Cola<br>Mauro Cola<br>Silvio Corrias<br>Marco Iansiti<br>Adriano Mencarini | Davide Milone<br>Pasquale Pistorio<br>Massimo Rosini<br>Daniele Rossi<br>Giuseppe Salvucci<br>Andrea Uncini (secretary) |
| **Representative of the savings shareholders** | Adriano Gandola | |
| **Independent Auditor** | KPMG SpA | |
| **Manager charged with preparing the Company's financial reports** | Andrea Crenna | |

pany supports actions and projects that respect the environment and meet the requirements of stakeholders. Respect for and compliance with environmental regulations are monitored and assessed periodically, considering also the principles of proper environmental policy based on sustainable development and respect for the environment as strategic success factors in the competitive arena.

The regulations on product responsibility include the WEEE (Waste Electrical and Electronic Equip-

Efesto Scholtès cooking modules, Concept Area Eurocucina 2008 ment) Directive which makes manufacturers responsible at a European level for the recovery and disposal of waste products. The Directive imposes collective responsibility for products put on the market prior to 13 August 2005 and individual responsibility for products sold after that date. At this time, certain EU nations have established transition periods during which these regulations will not be effective.

## Treasury shares and shares in the parent company

Indesit Company SpA did not purchase or sell any treasury shares or shares in the parent company during the year, whether directly or via third parties. Information on the treasury shares held by the Parent Company is provided in that company's explanatory notes.

## Financial instruments

Information about the policies adopted for the management of financial risks is provided in the explanatory notes (note 9).

## Forecast for operations

Macroeconomic uncertainties are somewhat greater than in the past two years. In this regard, important factors for the Indesit Group include the performance of the markets in Western Europe, which contracted overall during the last quarter of 2007; the depreciation of the British Pound to its lowest level against the Euro since the introduction of the single currency; and the pressure on oil prices that affects the cost of plastics and transportation.
On the other hand, hopeful signs for the future include the continued growth of the markets in Eastern Europe, especially Russia, and expectations of further rises in the retail prices for household appliances. Against this economic background, the Group will continue implementation of the actions envisaged at the end of 2005 as part of the three-year plan for 2006-2008, while also launching major initiatives in new markets with a view to improving sales and profitability, despite current market uncertainties.

20 March 2008

for the Board of Directors

*The Chairman*
**Vittorio Merloni**

Attachment 1. Investments held by directors, statutory auditors, general managers and executives with strategic responsibilities as of 31 December 2007

| Name and surname | Company held | Nature of holding[2] | Number of shares held at the beginning of the current year | Number of shares acquired | Number of shares sold | Number of shares held at the end of the current year |
|---|---|---|---|---|---|---|
| Merloni Vittorio | Indesit Company SpA - ordinary shares | direct | 1,338,300 | - | - | 1,338,300 |
| | | indirect via Fineldo SpA | 44,302,029 | - | - | 44,302,029 |
| | | indirect via Merloni Progetti SpA | 2,061 | 95,000 | - | 97,061 |
| | | indirect via Merloni Progetti Int. SA | 934,995 | - | - | 934,995 |
| | | indirect via Indesit Company SpA, treasury shares without voting rights at general meetings | 11,039,750 | - | - | 11,039,750 |
| | | via Franca Carloni, wife | 254,840 | - | - | 254,840 |
| | Indesit Company France SA | direct | 1 | | 1 | - |
| Milani Marco | Indesit Company SpA ordinary shares | direct | 87,000 | 13,000 | | 100,000 |
| | Indesit Company France SA | direct | 1 | | 1 | - |
| | Indesit Company Beyaz Esya Sanayi ve Ticaret AS | direct | 2 | | | 2 |
| Merloni Ester | Indesit Company SpA ordinary shares | indirect via Fines SpA | 7,415.190 | | | 7,415,190 |
| | | direct | 5,042,400 | | | 5,042,400 |
| Merloni Andrea | Indesit Company SpA ordinary shares | indirect via Alpha 67 Srl One-man Company | 254,840 | | | 254,840 |
| Merloni Antonella | Indesit Company SpA ordinary shares | direct | 264,780 | | | 264,780 |
| De Maio Adriano | Indesit Company SpA ordinary shares | direct | 1,000 | | | 1,000 |
| Managers with strategic respon-sibilities | Indesit Company SpA ordinary shares | direct | - | 37,000 | 35,000 | 2,000[1] |
| | Indesit Company France SA | direct | 1 | | 1 | - |
| | Indesit Company Beyaz Esya Sanayi ve Ticaret AS | direct | 7 | | | 7 |

**Notes:**
1. The changes in 2007 derive from the exercise of stock options.
2. Including shares held through wives or husbands not legally divorced and through underage sons.

Attachment 2. Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities as of 31 December 2007

| Surname and name | Position | Period in office during the year | Duration of mandate | Remunerations for position in company preparing the financial statements | Non-cash benefits | Bonuses and other incetives | Other remuneration | Notes |
|---|---|---|---|---|---|---|---|---|
| Vittorio Merloni | Chairman of the Board | 01/01/2007 - 31/12/2007 | 2009 financial statements | 1,903,730 | | 1,350,000 | | 5 |
| Marco Milani | Chief Executive Officer | 01/01/2007 - 31/12/2007 | 2009 financial statements | 473,730 | 9,054 | 750,000 | 737,419 | 1, 6 |
| Bruno Busacca | Board Director | 03/05/2007 - 31/12/2007 | 2009 financial statements | 38,730 | | | | |
| Innocenzo Cipolletta | Board Director | 01/01/2007 - 31/12/2007 | 2009 financial statements | 78,730 | | | | |
| Luca Cordero di Montezemolo | Board Director | 01/01/2007 - 02/05/2007 | 2006 financial statements | 5,330 | | | | |
| Adriano De Maio | Board Director | 01/01/2007 - 31/12/2007 | 2009 financial statements | 53,730 | | | | |
| Alberto Fresco | Board Director | 01/01/2007 - 02/05/2007 | 2006 financial statements | 43,730 | | | | |
| Luca Garavoglia | Board Director | 03/05/2007 - 31/12/2007 | 2009 financial statements | 38,730 | | | | |
| Mario Greco | Board Director | 01/01/2007 - 31/12/2007 | 2009 financial statements | 63,730 | | | | |
| Carl H. Hahn | Board Director | 01/01/2007 - 02/05/2007 | 2006 financial statements | 33,730 | | | 2,375 | 3 |
| Hugh Charles Blagden Malim | Board Director | 01/01/2007 - 31/12/2007 | 2009 financial statements | 93,730 | | | | |
| Emma Marcegaglia | Board Director | 03/05/2007 - 31/12/2007 | 2009 financial statements | 28,730 | | | | |
| Andrea Merloni | Board Director | 01/01/2007 - 31/12/2007 | 2009 financial statements | 265,390 | | 90,000 | 13,334 | 2 |
| Antonella Merloni | Board Director | 01/01/2007 - 31/12/2007 | 2009 financial statements | 80,390 | | | | |
| Ester Merloni | Board Director | 01/01/2007 - 31/12/2007 | 2009 financial statements | 18,730 | | | | |
| Paolo Monferino | Board Director | 03/05/2007 - 31/12/2007 | 2009 financial statements | 40,390 | | | | |
| Roberto Ruozi | Board Director | 01/01/2007 - 02/05/2007 | 2006 financial statements | 38,730 | | | | |
| Angelo Casò | Chairman of the Board of Statutory Auditors | 01/01/2007 - 31/12/2007 | 2007 financial statements | 62,400 | | | 1,286 | 3 |
| Demetrio Minuto | Auditor | 01/01/2007 - 31/12/2007 | 2007 financial statements | 41,600 | | | 4,867 | 3 |
| Paolo Omodeo Salè | Auditor | 01/01/2007 - 31/12/2007 | 2007 financial statements | 41,600 | | | 10,388 | 3 |
| Managers with strategic responsibilities | | 01/01/2007 - 31/12/2007 | Indefinite | | 50,647 | 669,042 | 1,384,450 | 4, 7 |

**Notes:**
1. Other remuneration includes remuneration as an executive of Indesit Company
2. Remuneration as Chairman of the Board of Directors of Wrap SpA during January-February 2007.
3. Remuneration includes travellling expenses.
4. Executives with strategic responsibility in Indesit Company are four. Remunerations are indicated at aggregate level.
5. Other than amounts indicated in “Bonus and other incentives” have been accrued and not paid, 1,350,000 Euro, subordinated to long-term target achievement.
6. Other than amounts indicated in “Bonus and other incentives” have been accrued and not paid, 2,250,000 Euro, subordinated to long-term target achievement.
7. Other than amounts indicated in “Bonus and other incentives” have been accrued and not paid, 1,685,709 Euro, subordinated to long-term target achievement.


Hotpoin
ARISTON

INDESIT company

# Consolidated financial statements at 31/12/2007

| Consolidated income statement for the year ended 31/12/2007[1] (million Euro) | Note | 2007 | 2006 |
|---|---|---|---|
| Revenue | 8.1 | 3,437.8 | 3,248.6 |
| Cost of sales | 8.2 | (2,570.2) | (2,437.4) |
| Selling and distribution expenses | 8.3 | (547.3) | (512.1) |
| General and administrative expenses | 8.4 | (140.9) | (139.8) |
| Other income | 8.5 | 12.8 | 4.9 |
| Other expenses | | (0.0) | (4.0) |
| **Operating profit** | **8.6** | **192.2** | **160.2** |
| | | | |
| Net financial expenses | 8.7 | (30.2) | (26.6) |
| Share of profit (losses) of associates | 8.8 | 4.3 | (2.0) |
| **Profit before tax** | | **166.4** | **131.6** |
| | | | |
| Income tax expenses | 8.9 | (61.2) | (54.9) |
| | | | |
| **Profit for period** | | **105.2** | **76.7** |
| of which: | | | |
| Attributable to minority interests | 8.10 | (0.2) | 0.3 |
| Attributable to the Group | | 105.4 | 76.4 |
| | | | |
| | | | |
| Basic earnings per share | 8.21 | 1.02 | 0.74 |
| | | | |
| Diluted earnings per share | 8.21 | 1.02 | 0.74 |

1. Pursuant to CONSOB Resolution no. 15519 dated 27 July 2006, the effects of related-party and non-recurring transactions on the consolidated income statement are reported in Attachment 3 and in notes 10.4 and 8.6 respectively.

| Consolidated balance sheet as of 31/12/2007[2] (million Euro) | Note | 31/12/2007 | 31/12/2006 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 8.11 | 763.0 | 751.2 |
| Goodwill and other intangible assets with an indefinite useful life | 8.12 | 297.5 | 325.5 |
| Other intangible assets with a finite life | 8.13 | 108.3 | 114.5 |
| Investments in associates | 8.14 | 0.5 | 12.5 |
| Other investments | 8.15 | 0.5 | 0,6 |
| Deferred tax assets | 8.16 | 37.8 | 47.8 |
| Other non-current financial assets | 8.23 | 11.2 | 79.3 |
| **Total non-current assets** | | **1,218.9** | **1,331.4** |
| | | | |
| Inventories | 8.17 | 334.2 | 353.4 |
| Trade receivables | 8.18 | 522.7 | 573.2 |
| Current financial assets | 8.23 | 56.5 | 11.1 |
| Tax receivables | 8.19 | 64.6 | 52.1 |
| Other receivables and current assets | 8.20 | 76.4 | 63.7 |
| Cash and cash equivalents | 8.23 | 186.5 | 184.5 |
| Assets held for sale | | - | 1.8 |
| **Total current assets** | | **1,240.9** | **1,239.8** |
| **Total assets** | | **2,459.8** | **2.571.2** |
| | | | |
| **Equity** | | | |
| Share capital | | 92.8 | 92.6 |
| Reserves | | 340.8 | 316.2 |
| Retained earnings | | 38.9 | 60.5 |
| Profit attributable to the Group | | 105.4 | 76.4 |
| **Equity attributable to the Group** | **8.21** | **577.9** | **545.6** |
| **Minority interests** | **8.22** | **1.8** | **6.6** |
| **Total equity** | | **579.6** | **552.2** |
| | | | |
| **Liabilities** | | | |
| Medium and long-term interest-bearing loans and borrowings | 8.23 | 309.2 | 402.7 |
| Employee benefits | 8.24 | 83.8 | 98.7 |
| Provisions for risks and charges | 8.25 | 67.1 | 53.9 |
| Deferred tax liabilities | 8.26 | 58.2 | 74.1 |
| Other non-current liabilities | 8.27 | 41.0 | 23.4 |
| **Total non-current liabilities** | | **559.4** | **652.8** |
| Banks and other financial payables | 8.23 | 276.2 | 295.7 |
| Provisions for risks and charges | 8.25 | 24.9 | 24.7 |
| Trade payables | 8.28 | 854.5 | 886.1 |
| Tax payables | 8.29 | 23.9 | 32.9 |
| Other payables | 8.30 | 141.4 | 126.7 |
| **Total current liabilities** | | **1,320.8** | **1,366.1** |
| **Total liabilities** | | **1,880.2** | **2,018.9** |
| **Total equity and liabilities** | | **2,459.8** | **2,571.2** |

2. Pursuant to CONSOB Resolution no. 15519 dated 27 July 2006, the effects of related-party transactions on the consolidated balance sheet are reported in Attachment 4 and in note 10.4. The effects of non-recurring transactions on the balance sheet and financial position are described in note 8.6.

| Statement of consolidated cash flows for the period ended 31/12/2007[3] (million Euro) | Note | 31/12/2007 | 31/12/2006 |
|---|---|---|---|
| Total profit | 8.32 | 105.2 | 76.7 |
| Income taxes | 8.32 | 61.2 | 54.9 |
| Depreciation and amortisation | 8.32 | 141.1 | 142.8 |
| Other non-monetary income and expenses, net | 8.33 | 43.4 | 50.6 |
| Change in trade receivables | 8.34 | 50.5 | (18.1) |
| Change in inventories | 8.34 | 19.2 | (10.6) |
| Change in trade payables | 8.34 | (25.5) | 85.2 |
| Change in other assets and liabilities | 8.35 | (36.9) | (40.6) |
| Income taxes | 8.32 | (58.8) | (44.2) |
| Interest paid | 8.33 | (37.9) | (32.2) |
| Interest received | 8.33 | 11.2 | 8.3 |
| **Cash flows from operating activities** | | **272.7** | **272.9** |
| | | | |
| Acquisition of property, plant and equipment | 8.36 | (142.9) | (120.7) |
| Proceeds from sale of property, plant and equipment | 8.36 | 13.8 | 5.0 |
| Acquisition of intangible assets | 8.37 | (30.4) | (34.6) |
| Proceeds from sale of non-current intangible assets | 8.37 | 5.7 | - |
| Proceeds from sale of non-current financial assets | 8.38 | 16.2 | 13.0 |
| Acquisition of non-current financial and other investments | 8.38 | (4.8) | (7.6) |
| **Cash flows from (used in) investing activities** | | **(142.5)** | **(145.0)** |
| | | | |
| Proceeds from share capital increases | 8.39 | 1.9 | 3.2 |
| Dividends paid | 8.39 | (39.7) | (37.1) |
| New medium/long-term payables | 8.40 | - | 0.6 |
| Repayment of borrowing for acquisition of GDAH | 8.41 | (40.1) | (49.8) |
| Change in current financial payables | 8.42 | (50.2) | (59.9) |
| **Cash flows from (used in) financing activities** | | **(128.1)** | **(143.1)** |
| | | | |
| **Net cash flows** | | **2.1** | **(15.2)** |
| | | | |
| Cash and cash equivalents, start of year | 8.23.2 | 184.5 | 199.7 |
| Cash and cash equivalents, end of year | 8.23.2 | 186.5 | 184.5 |
| **Total change in cash and cash equivalents** | | **2.1** | **(15.2)** |

3. Pursuant to CONSOB Resolution no. 15519 dated 27 July 2006, the financial effects of non-recurring transactions are reported in note 8.6.

Statement of changes in consolidated equity for the year ended 31/12/2007 (million Euro)

| Note 8.21 | Opening balances | Measurement of derivatives | Measurement of stock options | Translation of foreign currency financial statements | Total direct effects on equity | Dividends paid | Exercise of stock options | Total effect of transactions with shareholders | Allocation of profit for the year | Changes in scope of consolidation and acquisition of minority interests | Profit for the year | Closing balances |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share capital | 92.6 | - | - | - | - | - | 0.2 | 0.2 | - | - | - | 92.8 |
| Share premium reserve | 34.1 | - | - | - | - | - | 1.7 | 1.7 | - | - | - | 35.8 |
| Legal reserve | 19.9 | - | - | - | - | - | - | - | 2.7 | - | - | 22.7 |
| Translation reserve | 53.0 | - | - | (33.2) | (33.2) | - | - | - | - | - | - | 19.8 |
| Other reserves | 209.2 | (2.3) | 0.1 | - | (2.2) | - | - | - | 51.6 | - | - | 258.5 |
| Retained earnings | 60.5 | - | - | - | - | (39.7) | - | (39.7) | 22.1 | - | - | 42.9 |
| Profit attributable to the Group | 76.4 | - | - | - | - | - | - | - | (76.4) | - | 105.4 | 105.4 |
| **Equity attributable to the Group** | **545.6** | **(2.3)** | **0.1** | **(33.2)** | **(35.4)** | **(39.7)** | **1.9** | **(37.8)** | **-** | **-** | **105.4** | **577.9** |
| Minority interests | 6.6 | - | - | 0.2 | 0.2 | - | - | - | - | (4.9) | (0.2) | 1.8 |
| **Total equity** | **552.2** | **(2.3)** | **0.1** | **(33.0)** | **(35.2)** | **(39.7)** | **1.9** | **(37.8)** | **-** | **(4.9)** | **105.2** | **579.6** |

Statement of changes in consolidated equity for the year ended 31/12/2006 (million Euro)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share capital | 92.2 | - | - | - | - | - | 0.4 | 0.4 | - | - | - | 92.6 |
| Share premium reserve | 31.3 | - | - | - | - | - | 2.8 | 2.8 | - | - | - | 34.1 |
| Legal reserve | 15.3 | - | - | - | - | - | - | - | 4.6 | - | - | 19.9 |
| Translation reserve | 55.7 | - | - | (2.7) | (2.7) | - | - | - | - | - | - | 53.0 |
| Other reserves | 156.9 | 0.3 | 1.5 | - | 1.8 | - | (0.5) | (0.5) | 51.0 | - | - | 209.2 |
| Retained earnings | 102.5 | - | - | - | - | (37.1) | - | (37.1) | (4.9) | - | | 60.5 |
| Profit attributable to the Group | 50.7 | - | - | - | - | - | - | - | (50.7) | - | 76.4 | 76.4 |
| **Equity attributable to the Group** | **504.6** | **0.3** | **1.5** | **(2.7)** | **(0.9)** | **(37.1)** | **2.7** | **(34.5)** | **-** | **-** | **76.4** | **545.6** |
| Minority interests | 14.4 | - | - | (0.5) | (0.5) | - | - | - | - | (7.6) | 0.3 | 6.6 |
| **Total equity** | **519.1** | **0.3** | **1.5** | **(3.2)** | **(1.4)** | **(37.1)** | **2.7** | **(34.5)** | **-** | **(7.6)** | **76.7** | **552.2** |

# Explanatory Notes

1. Group structure and activities

2. Approval of the consolidated financial statements as of 31 December 2007

3. Significant events subsequent to year end

4. Statement of compliance with IFRS and basis of presentation

5. Changes in accounting policies, new accounting policies, changes in accounting estimates and reclassifications

6. Changes in the scope of consolidation

7. Segment reporting
   - 7.1 Information by geographical segment (primary segment))
   - 7.2 Information by business segment (secondary segment)

8. Notes to the consolidated income statement, balance sheet and cash flow statement
   - 8.1 Revenue
   - 8.2 Cost of sales
   - 8.3 Selling and distribution expenses
   - 8.4 General and administrative expenses
   - 8.5 Other income
   - 8.6 Operating profit
   - 8.7 Net financial expenses
   - 8.8 Share of profits (losses) from associates
   - 8.9 Income tax
   - 8.10 Profit for the year attributable to minority interests
   - 8.11 Property, plant and equipment
   - 8.12 Goodwill and other intangible assets with an indefinite useful life
   - 8.13 Other intangible assets with a finite life
   - 8.14 Investments in associates
   - 8.15 Other investments
   - 8.16 Deferred tax assets
   - 8.17 Inventories
   - 8.18 Trade receivables
   - 8.19 Tax receivables
   - 8.20 Other receivables and current assets
   - 8.21 Equity attributable to the Group
   - 8.22 Minority interests
   - 8.23 Net financial position
   - 8.24 Employee benefits

## Attachments

## 1. Group structure and activities

Indesit Company is a Group led by Indesit Company SpA, an Italian company based in Fabriano (near Ancona), which is active in the production and sale of white goods, namely household appliances for the cooking sector (cookers, ovens and hobs), the refrigeration sector (refrigerators and freezers), the washing sector (washing machines, dryers, combined washer-dryers and dishwashers).
The Group operates mainly in Europe, Turkey and the CIS with 17 factories.
The primary and secondary segments of reporting, as defined by IAS 14, are represented respectively by the geographical segment (Western Europe, Eastern Europe and Other Nations) and by the cooking, refrigeration, washing and services segment. In particular, the CIS is included in Eastern Europe and Turkey is included in Other Nations.
The household appliances sector is highly seasonal, which affects all the main economic and financial parameters. The reporting by business segment required by IAS 14 is provided in note 7.

## 2. Approval of the consolidated financial statements as of 31 December 2007

The consolidated financial statements as of 31 December 2007 were approved by the Board of Directors on 20 March 2008 and have been audited and will be presented to the shareholders' meeting.

## 3. Significant events subsequent to year end

There have not been any significant events subsequent to year end.

## 4. Statement of compliance with IFRS and basis of presentation

The consolidated financial statements of the Indesit Company Group have been prepared in accordance with the International Financial Reporting Standards - IFRSs™ (hereafter referred to as IFRS or IAS) issued by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union.

The consolidated financial statements at 31 December 2007 have also been prepared in accordance with CONSOB's instructions regarding the format of financial statements, in application of art. 9 of Legislative Decree 38/2005 and other CONSOB regulations and instructions concerning financial statements.

The consolidated financial statements as of 31 December 2007 are presented on a comparative basis and comprise the consolidated balance sheet, the income statement, the cash flow statement, the statement of changes in consolidated shareholders' equity and these explanatory notes. The income statement format adopted by the Group classifies costs by function, which is deemed to be more meaningful than a classification by nature, since it reflects the format of internal reporting and is consistent with international practice in the household appliances sector. The presentation of the balance sheet distinguishes between current and non-current assets and liabilities. The cash flow statement is presented using the indirect method.

With regard to the parent company's separate financial statements, in application of CONSOB Communication no. 15519 dated 28 July 2006, Indesit Company SpA prepares the income statement in the format which classifies expenditure by nature. This decision was made to ensure continuity with the formats adopted for the presentation of results under Italian GAAP, since these are deemed to be the most appropriate given the dual role of the parent company, both as an operating company that supplies goods and services to other Group companies, and as the holding company for the investments held in them. In order to ensure consistency for the users of the financial statements, an attachment to the parent company's separate financial statements presents the income statement, classified by function, in the format and using the criteria adopted for the preparation of the consolidated income statement.

## Principal accounting policies

### Basis of preparation

The currency of presentation of the consolidated financial statements is the Euro, and the financial statement balances are stated in millions of Euro (except where stated otherwise). The consolidated financial statements are prepared on an historical cost basis, except for derivative financial instruments, financial assets held for sale and financial instruments classified as available for sale, which are stated at their fair value. The accounting policies are applied on a consistent basis by all Group companies. There are no financial assets held to maturity. Financial transactions are recorded with reference to the trade date.
The accounting policies adopted for the preparation of the consolidated financial statements as of 31 December 2007 have also been applied on a consistent basis to all the comparative financial information.

### Accounting estimates

The preparation of consolidated financial statements involves making assumptions and estimates that affect assets and liabilities and the related disclosure, as well as contingent assets and liabilities at the reference date. These estimates are used to measure the property, plant and equipment and intangible assets subject to impairment, as well as to recognise provisions for doubtful accounts, inventory obsolescence, depreciation and amortization and the impairment of assets, employee benefits, taxation, and risks and charges. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed regularly and, if later estimates differ from those made initially, the effects are immediately reflected in the income statement. If the changes in estimate relate to both the current and future periods, their effects are reflected in the income statements for the periods concerned.

## Basis of consolidation

### Subsidiaries

Subsidiaries are entities over which Indesit Company SpA exercises control by virtue of the power to govern, directly or indirectly, their financial and operating policies and to obtain benefits from their activities. In general, companies in which Indesit Company holds more than 50% of the voting rights, considering any potential voting rights that may be exercised at the time, are deemed to be subsidiaries. The financial statements of subsidiaries are consolidated on a line-by-line basis from the time that control commences until the date on which control ceases. Significant transactions between Group companies are eliminated in full. Unrealised gains and losses on transactions with subsidiaries are eliminated in full. The portion of equity and results attributable to minority interests are determined with reference to their voting rights, without considering any potential voting rights. Any surplus arising on the elimination of investments against the carrying amount of the related equity at the time of first consolidation is allocated as an increase in the carrying amount of the assets, liabilities and contingent liabilities concerned; any residual amounts are classified as goodwill. The balance sheet date of all Group companies is 31 December.
Dormant subsidiaries and those with an insignificant volume of business are not consolidated on a line-by-line basis, since they do not have a significant influence on the financial position and the results of operations of the Group.
This list of companies consolidated on a line-by-line basis is presented in Attachment 1 to the explanatory notes.

**Associates**

Associates are those entities over which Indesit Company exercises significant influence, but does not control their financial and operating policies or obtain benefits from their activities. In general, companies in which Indesit Company holds directly or indirectly between 20% and 50% of the share capital or voting rights, considering any potential voting rights that may be exercised or converted, are deemed to be associated companies.

Associates are measured using the equity method from the time that significant influence commences over their operations until the date on which such influence ceases. If the Group's interest in the losses of an associate exceeds the carrying amount of the related investment, such carrying amount is written off and the additional losses are covered by a specific provision to the extent that Indesit Company is obliged to cover the losses of such company or, in any case, to fulfil obligations on its behalf. Unrealised gains and losses on transactions with associates are eliminated in proportion to the interest held.

**Investments in other companies**

Investments in other companies in which, in general, the Group holds less than 20% of the share capital or voting rights are initially measured at cost and subsequently adjusted to fair value through the income statement. Where fair value cannot be reliably determined, these investments are measured at cost as adjusted to reflect any impairment losses. Dividends are recognised as financial income from investments when the right to collect them is established, which generally coincides with the shareholders' resolution.

## Treatment of foreign currency transactions

**Foreign currency transactions**

All transactions are recorded in the functional currency of the principal operating environment in which each Group company operates. Transactions not carried out in the functional currency of Group companies are translated using the exchange rates ruling at the time of the related transactions. Monetary assets and liabilities are translated using the exchange rates ruling at the balance sheet date and any exchange rate differences are recognised in the income statement. Non-monetary assets and liabilities recorded at historical cost in foreign currencies are translated using the historical rates applying at the time of the related transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated using the exchange rates ruling at the time that their fair value was determined.

**Translation of financial statements**

The financial statements of companies whose functional currency differs from that used to prepare the consolidated financial statements (Euro) and which do not operate in hyper-inflationary economies, are translated as follows:

a. assets and liabilities, including the goodwill and fair-value adjustments arising on consolidation, are translated using the exchange rates ruling at the balance sheet date;
b. revenues and costs are translated using the weighted average exchange rate for the year, which is deemed to approximate the rates applying on the dates when the individual transactions took place;
c. translation differences are recognised in a specific equity reserve.

On disposal of an economic entity that gave rise to translation differences, the related cumulative translation differences are reclassified from equity to the income statement. The cumulative translation differences were reclassified to other reserves on the first-time adoption of IFRS, accordingly the gains and losses deriving from future disposals will only include the translation differences arising from 1 January 2004 onwards.

### Net investments in foreign operations

The exchange differences arising from the translation of net investments in functional currencies other than the Euro, generally comprising intercompany loans, are taken to the translation reserve. Such differences are released to the income statement upon disposal.

## Derivative financial instruments

If the conditions established in IAS 39 regarding the formal designation of derivative financial instruments as hedges are met and these instruments are shown to be highly effective, both ex ante when the transaction is arranged and ex post during subsequent accounting periods, then they are recorded on a hedge accounting basis, as described below.

### Fair value hedges (hedges of assets and liabilities)

If a derivative financial instrument is designated to hedge the risk of changes in the fair value of an asset or liability reported in the balance sheet (the underlyings), the gain or loss deriving from subsequent fair-value adjustments to the hedging instrument is recorded in the income statement together with the gain or loss deriving from the valuation of the related underlyings.

### Cash flow hedges

If a derivative financial instrument is designated as a hedge of the risk of variability in the cash flows of a recognised asset or liability or a highly probable forecasted transaction, the effective part of gains or losses on such financial instrument is recognised in the cash flow hedging reserve, within equity, while the ineffective portion (if any) is taken to the income statement. If the hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or liability, the cash flow hedging reserve is removed from equity and included in the initial cost of such non-financial asset or liability. If the hedge of an expected transaction subsequently involves recognition of a financial asset or liability, the cash flow hedging reserve is released to the income statement in the period when the acquired asset or recognised liability has an effect on the income statement. In other cases, the cash flow hedging reserve is recognised to the income statement in a manner consistent with the hedged transaction i.e. when its economic effects are recognised. If a hedging instrument expires, is sold or is terminated early with respect to the timing of the hedged transaction and the latter is no longer expected to take place, the related cash flow hedging reserve is released immediately to the income statement. If a hedging instrument expires, is sold or is terminated early with respect to the timing of the hedged forecast transaction, but the latter is still expected to occur, the cumulative gain or loss remains in equity until the transaction takes place.

### Hedge of a net investment in a foreign operation

If a derivative financial instrument is designated to hedge a net investment in a foreign operation, the gains or losses deriving from the related fair value measurement are recognised directly in equity, to the extent that the hedge is deemed to be effective, while the ineffective portion (if any) is recorded in the income statement.

If, on the other hand, financial instruments do not meet the requirements for the application of hedge accounting methodology, they are stated at fair value and the related effects are recorded directly in the income statement.

## Property, plant and equipment

### Owned assets

Property, plant and equipment are stated at purchase cost or, if self-constructed, at production cost, comprising the cost of materials, labour and a reasonable portion of overheads and related charges, less accumulated depreciation and impairment losses determined on the basis described below. If necessary and significant, the cost of property, plant and equipment includes an initial estimate of dismantling and removal costs. Ordinary maintenance expenses are charged to the income statement, while the costs of replacing certain parts of property, plant and equipment and extraordinary maintenance costs are capitalised when it is probable that they will generate measurable economic benefits in the future. The financial expenses incurred to finance the purchase or production of a specific asset are only capitalised if the loans concerned relate solely to that asset.

### Finance leases

Property, plant and equipment held under finance leases, in relation to which Indesit Company has assumed substantially all the risks and rewards of ownership, are recognised at fair value at inception of the lease or, if lower, at the present value of the minimum lease payments, depreciated over their estimated useful lives and adjusted for any impairment loss determined on the basis described below. The liability to the lessor is classified among financial payables in the balance sheet.

### Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Significant parts of plant and machinery with different useful lives are depreciated separately. Useful lives are monitored on a constant basis, having regard for changes in the intensity with which these assets are used. Any changes in the depreciation schedules are applied on a prospective basis.
Carrying amount is verified with reference to the estimated present value of expected future cash flows and adjusted, where necessary, every time events suggest that the carrying amount of property, plant and equipment may be impaired, or when there is a marked decrease in their market value, significant technological changes or evidence of significant obsolescence. The impairment loss is reversed if the reasons for recognition cease to apply. Land, whether or not used for the construction of civil or industrial buildings, is not depreciated since it is deemed to have an indefinite useful life.
The useful lives of property, plant and equipment are grouped into the following categories:

| Category | Useful lives |
|---|---|
| Buildings and temporary constructions | from 10 to 33 years |
| Plant and machinery | from 5 to 20 years |
| Industrial and commercial equipment | from 3 to 20 years |
| Other assets: | |
| - vehicles and internal transport | from 3 to 6 years |
| - furniture, IT and office machines | from 3 to 10 years |

## Intangible assets

Intangible assets are stated at cost, determined on the basis described for property, plant and equipment, when it is likely that the use of such assets will generate economic benefits and their cost can be determined reliably. Intangible assets with a finite useful life are amortised and stated net of both the related accumulated amortization, provided on a straight-line basis over their estimated useful lives, having regard for the period during which they are expected to generate economic benefits, and any impairment loss. Intangible assets with an indefinite useful life, comprising certain brand names and goodwill, are not amortised but their recoverability is tested for impairment annually, or more frequently if specific events suggest that their carrying amount may be impaired. Subsequent expenditure on recognised intangible assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates; otherwise, it is charged to the income statement as incurred. The financial expenses incurred to finance the purchase or production of a specific intangible asset are only capitalised if the loans concerned relate solely to that asset.

### Goodwill

Goodwill is an intangible asset with an indefinite useful life, deriving from business combinations recognised using the purchase method of accounting, and is recorded to reflect the positive difference between purchase cost and the Group's interest at the time of acquisition, after having recorded all assets, liabilities and identifiable contingent liabilities attributable to both the Group and third parties at their full fair value.

This method of accounting applies to all acquisitions made subsequent to 31 December 2002. Goodwill deriving from earlier acquisitions was determined by using the amount recorded in accordance with Italian GAAP.

Goodwill is tested with reference to the cash generating units that benefit from the synergies deriving from the acquisition. The expected cash flows are discounted at the cost of capital, having regard for the specific risks associated with the unit concerned. Impairment losses are recognised if the recoverable amount of the CGU, represented by the discounted cash flows, is less than the related carrying amount. Such impairment losses are deducted first from goodwill.

The gains and losses arising on the disposal of businesses or lines of business that were acquired with the payment of goodwill are determined taking into account the residual amount of such goodwill. Any impairment losses in goodwill charged to the income statement are not reversed even if the related reasons cease to apply.

### Research and development expenses

Expenditure on research activities, undertaken with the prospect of gaining new knowledge are charged to the income statement as incurred. Expenditure on development activities incurred to create new products or improve existing products, or to develop and improve production processes, are capitalised if the innovations made result in technically feasible processes and commercially saleable products, on condition that there is an intention to complete the development project, sufficient resources are available for such completion, and the economic costs and benefits deriving from such innovations can be measured reliably. Capitalised expenditure includes both internal and external design costs (including payroll and materials) and the portion of general production costs reasonably attributable to the projects concerned. Capitalised development expenditure is treated as an intangible asset with a finite life and is amortised over the expected period of economic benefit, which is generally taken to be five years. Adjustments are recorded to reflect any impairment losses subsequent to initial recognition.

Other development expenditures are charged to the income statement in the year incurred.

### Other intangible assets

Other intangible assets expected to generate measurable economic benefits are deemed to have a finite life and stated at cost. They are amortised on a straight-line basis over the period of expected economic benefit, which is deemed to be 20 years for brands with a finite life, except for the Creda brand whose useful life has been revised down to five years, and between five and 10 years for other assets. Adjustments are recorded to reflect any impairment losses subsequent to initial recognition.

### Trade receivables

Trade receivables, generally due within one year, are stated at the fair value of the initial consideration, increased by the related transaction costs. Subsequently, they are stated at amortised cost, adjusted to reflect any impairment losses represented by the difference between the carrying amount and the estimated future cash flows. If the impairment loss decreases in a later period, the loss previously recorded is partly or fully reversed and the carrying amount of the receivable is restored to an amount that does not exceed the amortised cost that would have been reported had the impairment loss not been recognised.
Trade receivables sold with or without recourse for which the conditions established in IAS 39 for the derecognition of financial assets do not apply continue to be reported in the balance sheet, while receivables sold without recourse which satisfy all the conditions of IAS 39 for the derecognition of financial assets are eliminated from the financial statements at the time of disposal.

### Other current and non-current financial assets

Held-to-maturity securities are initially measured at cost, increased by the transaction costs incurred to acquire these financial assets. Subsequently, they are measured at amortised cost using the effective interest method, net of any impairment loss.
Financial assets held for trading are classified as current assets and measured at fair value, with recognition of any gains or losses in the income statement.
Securities and other financial assets classified as available for sale are stated at their fair value. Gains and losses deriving from fair-value measurement are recognised directly in equity, except for impairment losses and exchange rate losses which are charged to the income statement. The deferred gains and losses recognised in equity are released to the income statement at the time of sale.
Receivables due after one year that do not earn interest or which earn interest at below market rates are discounted using market rates.
The interest earned on financial assets, determined using the effective interest method, is taken to the income statement. The fair value of financial assets held for trading and those available for sale is represented by their market price at the balance sheet date.

### Inventories

Inventories are stated at the lower of cost and realisable value. Cost is determined on a weighted-average cost basis and includes purchasing-related expenses, inclusive of indirect charges, and the costs of converting products and bringing them to their present location and condition. Net realisable value is determined with reference to market prices after deducting completion costs and selling expenses. Obsolete and slow-moving materials and finished products are written down to reflect their estimated realisable value.

## Cash and cash equivalents

Cash and cash equivalents, recorded at nominal value, comprise cash on hand, bank and postal deposits and equivalent assets that can be converted into cash in the very-short term (three months) and are not subject to significant fluctuations in value.

## Impairment of assets

At each balance sheet date, the carrying amounts of the Group's intangible assets with an indefinite useful life, goodwill and intangible assets under development are tested for impairment, on the basis described in the relevant paragraphs. With the exclusion of inventories and deferred tax assets and except as discussed in relation to property, plant and equipment, other assets are tested for impairment if events suggest that they may have incurred an impairment loss. If the test shows that the recorded assets or a cash-generating unit (CGU) have suffered an impairment loss in value, their recoverable amount is estimated and the excess carrying amount is charged to the income statement. The impairment loss on a CGU is allocated first against the related goodwill, if any, and then against other assets.
The recoverable amount of an asset or a CGU is determined by discounting the cash flows that such asset or CGU is expected to generate. The discounting rate applied is the cost of capital, having regard for the specific risks associated with the asset or CGU concerned. The recoverable amount of investments in securities held to maturity and receivables recorded at amortised cost is represented by the present value of future cash flows, discounted using the effective interest rate determined at the time of initial recognition. The recoverable amount of other assets is represented by the greater of their net selling price and their value in use, determined by discounting estimated future cash flows using a market rate.
Impairment losses on goodwill are not reversed. Any impairment losses on securities held to maturity and receivables stated at amortised cost are reversed if any subsequent increases in their recoverable amount can be determined on an objective basis.
If an impairment loss in respect of an individual asset cannot be determined, the Group identifies the loss in respect of the CGU to which it belongs.

## Share capital

Share capital, including the portion represented by savings shares, is stated at nominal value. The repurchase of treasury shares, stated at cost including related charges, is recorded as a change in equity; the nominal value of treasury shares is deducted from share capital, while the difference between cost and nominal value is deducted from the equity reserves. Dividends are recognised as a liability in the period in which they are declared.

## Financial liabilities

Financial liabilities are initially recognised at their fair value, net of related charges, and subsequently measured at amortised cost using the effective interest method. The difference between amortised cost and repayment value is recorded in the income statement over the life of the liability in proportion to the related interest accrued. Where hedge accounting applies, the financial liabilities hedged by derivative instruments are measured on a basis consistent with the hedging instrument.

## Trade payables and other payables

Trade payables and other payables due on normal commercial terms, generally within one year, are recorded at the fair value of the initial consideration, increased by the related transaction costs. Following initial recognition, they are stated at amortised cost and any differences are reflected in the income statement over the life of the liability using the effective interest method. Trade payables and other payables, generally due within one year, are not discounted.

## Employee benefits

Obligations for contributions to defined contribution plans and similar benefits are charged to the income statement on an accruals basis. The net obligation to employees under defined benefit plans, principally represented by severance indemnities in Italy and pension funds the UK, is recorded at the expected future value of the benefits to be received by employees and accrued by them in the current and prior years. These benefits are discounted and the resulting obligation is stated net of the fair value of any pension plan assets. The net obligation is determined separately for each plan using actuarial assumptions and is calculated each year, or more frequently, with the support of an independent actuary using the projected unit credit method. The benefits are discounted using the rate for a bond with an AA rating and a maturity date that is consistent with the timing of the related payments to employees. The actuarial gains and losses arising subsequent to 1 January 2004, the IFRS transition date, are recorded in the income statement on a straight-line basis over the residual working lives of employees, to the extent that their cumulative net value exceeds by more than 10% the greater of: the total liability arising under defined benefit plans or the fair value of the assets servicing these plans (corridor method) at the end of the prior year.
With regard to the severance indemnities (TFR) of Italian companies, Indesit Company has recognised the accounting effects of the curtailment envisaged in para. 109 of IAS 19. This follows the changes made to the related regulations by Law 296 dated 27 December 2006 (2007 Finance Law), and by the subsequent decrees and regulations issued in early 2007 as part of the overall reform of supplementary pensions. The above reform of supplementary pensions envisages the transfer of the TFR accrued by employees to open-ended or sector pension funds or, otherwise, to Istituto Nazionale di Previdenza Sociale (the national social security institution); this has effectively changed the nature of TFR. In particular, as a result of the reform, the TFR accrued from 1 January 2007 is treated as a defined contribution plan, while that accrued up to 31 December 2006 continues to be treated as a defined benefit plan.

As a consequence of the above curtailment, the actuarial profits and losses accumulated as of 31 December 2006, but not recognised due to application of the corridor method, have been recorded in the income statement, together with the effect of redetermining the liability accrued at that date.

### Stock options

The remuneration recognised to employees and directors by the granting of stock options is charged to the income statement with a matching entry in equity. Such cost is determined with reference to the fair value of the options at the time they are granted. The cost of stock options, determined on the above basis, is charged to the income statement over the related vesting period. The fair value of the options at the grant date is determined using financial models that take account of the terms and conditions under which such options were granted.

## Provisions for risks and charges

The provisions for risks and charges are recognised to cover the Group's obligations, of a legal or constructive nature (under contracts or for other reasons), deriving from past events. Provisions for risks and charges are recognised if it is probable that an outflow of economic benefits will be required to settle the obligation and the amounts concerned can be estimated reliably. If the settlement of such obligations is expected to take place after more than one year and the effects of this are significant, they are discounted using a rate that takes account of the cost of money and the specific risks associated with the liabilities concerned. Any changes in the estimated amount of provisions are reflected in the income statement in the year identified. In the event of discounting, the increase in the provision due to the passage of time and the effect of any changes in the discounting rate are recorded as a financial charge.
The principal liabilities covered by provisions are described below.

### Warranties

Provisions for legally-required and voluntary warranty costs are recognised when the underlying products are sold. The provision is determined with reference to the call rate for the products still under warranty cover, the period of time between sell in and sell out (start of the warranty period) and the average unit cost of the work performed.

### Provision for restructuring

Provisions for restructuring are recognised at the time constructive obligation arises, such as when the Group informs interested parties about the restructuring plan or makes sufficiently specific announcements which induce interested parties to believe that the related obligation will be met.

### Provision for onerous contracts

Provisions for onerous contracts are recognised when the expected benefits are lower than the related costs. They are accrued in a specific provision in the year in which the losses become known and measurable.

### Product disposal (WEEE)

The European Union adopted the WEEE (Waste Electrical and Electronic Equipment) Directive in December 2002, which makes manufacturers responsible at a European level for the recovery and disposal of waste products.
The Directive describes the following levels of responsibility:

a. old waste (regarding products put on the market before 13 August 2005): the costs of disposal are incurred collectively by the manufacturers which contribute in proportion to their market share;
b. new waste (regarding products put on the market after 13 August 2005): each manufacturer is responsible for the disposal of its own products.

The Group only makes provisions to the extent that local legislation has adopted the directive concerned and confirms the principle of individual responsibility laid down in the community regulations.
Provisions are therefore recorded to cover the charges deriving from the application of the WEEE regulations in relation to new waste arising in the nations that have already adopted the Directive. The provision is recorded with reference to the visible fees established in each country, as well as the benefits deriving from the steady increase in the efficiency of product disposal processes and the greater disposability of the products concerned. This liability is discounted using a reference rate over a period of time that represents the life cycles of the products concerned. The costs relating to old waste are charged to the income statement in the year they are incurred. In this regard, the directive allows manufacturers to increase the selling price of goods by a visible fee, for a period of about eight years, to cover the related disposal costs. The amounts collected for this reason are

subsequently paid over to the consortia, established in most of the nations in which the directive applies, responsible for the disposal of the waste products. The visible fee is recorded among trade receivables and other payables, without any effect on revenue or the cost of sales.

### Other provisions

Provisions are recorded for other future charges deriving from court cases, disputes and other obligations when the requirements for the recognition of a liability are met, being in the accounting period in which such charges become known and measurable reliably.

## Income

### Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the sale of goods is generally recognised when they are handed over to the transport firms which, under the terms of current contracts, marks the time when the above risks and rewards are transferred. Revenue is not recognised if its recoverability is considered to be uncertain.
Revenue is stated net of discounts, allowances, rebates and returns, and does not include the proceeds from the disposal of raw materials and scrap. Revenue from services is recorded in the income statement based on the stage of completion at the balance sheet date, determined with reference to the work performed or, alternatively, to the percentage of completion with respect to the total.

### Dividends

Collectible dividends are recognised as revenue when they are declared at the related shareholders' meeting.

### Grants

Grants from the government or other bodies, recognised in the form of direct payments or tax benefits, are recognised as deferred income in the balance sheet, among other liabilities, at the time their collection become reasonably certain and when compliance with all the requirements to obtain them is assured. They are recognised as revenue in the income statement on a systematic basis in order to match the accounting recognition of the costs for which such grants were made.
Grants related to income are taken to the income statement at the time the requirements for their recognition are met, and when it becomes certain that they will be recognised in order to offset the eligible costs.

### Other income

Other income includes all forms of non-financial revenue not covered above and is recognised on the basis described in relation to revenue from goods sold and services rendered.

## Expenses

The costs of purchasing goods and services are recognised when the amounts concerned can be determined reliably. The costs of purchasing goods are recognised on delivery which, under the terms of current contracts, marks the time when the related risks and rewards are transferred. The costs of services are recognised on an accruals basis with reference to the time they are received.

### Cost of sales

Cost of sales includes all the costs of manufacturing finished products, comprising raw materials, the purchase of components, the cost of direct and indirect, internal and external processing, industrial depreciation, all production-related charges, and the provisions for costs to be incurred in relation to products sold, as well as research costs and any development costs that are not capitalised.

**Selling, distribution, general and administrative expenses**

Selling, distribution, general and administrative expenses comprise all the costs incurred to market products and provide services, the costs of distributing products to the Group's warehouses and to customers, general and administrative expenses and related charges, as well as all the other non-financial expenses that are not part of core business.

**Operating and finance lease payments**

Payments made under operating leases are expensed on an accruals basis to match the economic benefits deriving from the leased assets. If such economic benefits are lower than the related charges, falling into the category of onerous contracts, the difference between the charges and benefits is recorded as an expense in the income statement.

Finance leases give rise to the recognition of depreciation on the assets recognised and of financial charges representing interest on the loan obtained under the lease.

Financial charges are spread over the term of the leases in order to produce a constant interest rate on the remaining balance of the liability.

**Net financial expenses**

Net financial expenses include the interest payable on the borrowings, cash discounts allowed to customers for early payments with respect to the agreed terms of sale, financial income from cash and cash equivalents, dividends, and exchange rate gains and losses, as well as the economic effects recorded in the income statement of measuring the transactions that hedge interest-rate and exchange-rate risks.

## Share of profits (losses) from associates

Profits and losses from associates include the effects deriving from application of the equity method.

## Income tax

Income tax is recognised in the income statement, except for that relating to transactions recognised directly in equity, in which case it is also recognised in equity. Income tax includes current and deferred tax. Current taxes are based on an estimate of the amount that Indesit Company expects to be paid by multiplying the taxable income of each Group company by the tax rate in force at balance sheet date in each of the nations concerned.

Deferred tax is provided for using the liability method, considering all the temporary differences that emerge between the tax value of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred tax is not recognised in respect of goodwill or those assets and liabilities that do not affect taxable income. Income taxes deriving from the distribution of dividends are recognised at the time the related payable is recognised. The recoverability of deferred tax assets is verified at each balance sheet date and any amounts for which recovery is no longer likely are charged to the income statement.

Deferred taxation is recognised using the tax rates expected to be in force in the nations concerned for the tax periods in which the related temporary differences are forecast to reverse.

Deferred tax assets are recognised to the extent it is probable that future taxable income will be available to recover such taxes. Current and deferred tax assets and liabilities are offset when due to the same tax authority, if the periods of reversal are the same and a legal right of offset exists.

Deferred taxation is recognised in relation to the distributable profits of subsidiaries if there is an intention to distribute such profits.

## Non-current assets held for sale and discontinued operations

Assets held for sale are measured at the lower of their carrying amount at the time their sale was decided and their fair value, net of estimated selling costs. All costs, income and impairment losses, if any, are recognised in the income statement and reported separately.
Operating activities that represent a separate major line of business or geographical area of operations are classified separately in the income statement and the balance sheet at the time of disposal, or when they meet the conditions for classification as assets held for sale.

## Earnings per share

Basic earnings per share are calculated with reference to the profit for the year of the Group and the weighted average number of shares outstanding during the year. Treasury shares are excluded from this calculation. Diluted earnings per share are determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with a diluting effect.

Scholtès Multiplo,
Eurocucina 2008

## 5. Changes in accounting policies, new accounting policies, changes in accounting estimates and reclassifications

The accounting policies adopted are unchanged with respect to those applied for the preparation of the consolidated financial statements as of 31 December 2006.

With reference to the reform of supplementary pensions, the accounting effects of curtailment on the parent company's TFR were described in the section of note 4 dealing with Employee benefits.

At the reporting date, there are no significant estimates regarding the unforeseeable outcome of future events and other causes of uncertainty that might result in significant adjustments being made to the value of assets and liabilities in the coming year.

In order to improve the presentation of the consolidated financial statements as of 31 December 2007, VAT receivable, previously classified among Tax receivables, is now included among Other receivables, while VAT payable, previously classified among Tax payables, is included among Other payables; the 2006 comparative information has also been reclassified accordingly.

In August 2005, the IASB issued IFRS 7 on financial instruments disclosures on the performance and financial position of an entity, an amendment of IAS 1 on the disclosures to be made regarding the entity's capital with effect from 1 January 2007. These standards have been applied by the Group, commencing from 1 January 2007. The disclosures required by IFRS 7 are provided in note 9.

The following interpretations issued in 2006 are applicable to the Group from 2007; their application has not affected the consolidated financial statements:
- IFRIC 8 on the scope of IFRS 2;
- IFRIC 9 on the reassessment of embedded derivatives;
- IFRIC 10 on interim financial reporting and impairment.

The changes in accounting policy and interpretations to be applied in the periods subsequent to the date of these financial statements are described below. The Group is currently evaluating the impact of making these changes.

In November 2006, the IASB issued IFRS 8 on operating segments, which will replace IAS 14 from 1 January 2009. The new standard requires the segment reporting provided in the financial statements to be based on the management information used to make operating decisions and allocate resources to the various segments and, accordingly, on the internal reports that are reviewed regularly by management for the analysis of performance.

In November 2006, the IASB issued IFRIC 11 – IFRS 2 on group and treasury share transactions, which applies to the Group from 1 January 2008.

On 29 March 2007, the IASB issued a revised version of IAS 23 – Borrowing costs which will be applicable from 1 January 2009. The new version of this standard will prevent companies from immediately expensing the financial expenses incurred in relation to assets that normally require time before they become available for use or for sale. The standard will be applicable on a prospective basis to the financial expenses incurred in relation to assets capitalised from 1 January 2009 onwards. At this time, the standard has not yet been endorsed by the European Commission.

IFRIC 14, entitled "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding" was issued on 5 July 2007 and takes effect from 1 January 2008. This interpretation provides general guidelines on how to determine the limit set by IAS 19 for the recognition of plan assets, and explains the accounting effects of minimum funding clauses. At this time, this document has not yet been endorsed by the European Commission.

On 6 September 2007, the IASB issued a revised version of IAS 1 – Presentation of Financial Statements which will take effect from 1 January 2009. The new version of the standard requires companies to report in a statement of changes in equity all those changes that were generated by transactions with the shareholders. The effect of all transactions with third parties ("comprehensive income") must be reported in a single statement of comprehensive income or in two separate statements (income statement and statement of comprehensive income). In any case, the changes generated by transactions with third parties must not be reported in the statement of changes in equity. At this time, this standard has not yet been endorsed by the European Commission.

Lastly, IFRIC 13 – Customer Loyalty Programmes was issued in 2007 and is applicable to the Group from 1 January 2009; this document has not yet been endorsed by the European Commission.

## 6. Changes in the scope of consolidation

There have not been any changes in the scope of consolidation, except for the disposal of the investments in Haier Indesit (QuigDao) Electrical Appliance Co. Ltd and Haier Indesit (QuigDao) Washing Machines Co. Ltd, formerly associates measured using the equity method.

## 7. Segment reporting

### 7.1 Reporting by geographical segment (primary segment)

The primary segment comprises the geographical areas in which the Group is active. The geographical areas are classified as follows:

1. Western Europe: Italy, France, Belgium, the Netherlands, Great Britain, Germany, Spain, Portugal and other smaller countries;
2. Eastern Europe: CIS, Poland, Romania, Bulgaria, Hungary, Czech Republic, Slovak Republic and other smaller countries;
3. Other countries: Turkey, South America, North America, Africa, Australia, the Middle East and the Far East.

Segment revenue is calculated based on the final destination of the products and segment results take account of all the expenses that can be directly allocated to the geographical areas concerned. The expenses allocated to the various geographical areas do not include Corporate general and administrative expenses or restructuring charges.
Inter-segment revenue comprises the revenue earned by companies consolidated on a line-by-line basis from sales of products in markets that belong to a different geographical segment to their own.
Assets, liabilities and capital investment are allocated with reference to the final destination of the products sold; accordingly, on a direct basis with regard to trade receivables and inventories and using indirect criteria with regard to property, plant and equipment and intangible assets, capital investment and liabilities.
The following tables present the information analysed by geographical area based on the final destination of the products.

| Segment reporting - Primary Segment as of 31/12/2007 (million Euro) | Western Europe | Eastern Europe | Other countries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Third-party revenue | 2,015.5 | 1,175.0 | 247.3 | | 3,437.8 |
| Inter-segment revenue | 349.4 | 382.0 | 67.5 | (798.9) | - |
| **Total sales** | **2,364.8** | **1,557.0** | **314.9** | **(798.9)** | **3,437.8** |
| Segment results | 140.9 | 215.4 | 23.2 | | 379.5 |
| Unallocated income and expenses | | | | | (187.3) |
| **Operating profit** | | | | | **192.2** |
| Net financial expenses | | | | | (30.2) |
| Share of profit (losses) of associates | | | | | 4.3 |
| Income tax expense | | | | | (61.2) |
| Profit attributable to minority interests | | | | | 0.2 |
| **Profit attributable to the Group** | | | | | **105.4** |
| | | | | | |
| **Other information** | | | | | |
| Segment non-current assets | 561.7 | 219.6 | 39.4 | | 820.8 |
| Segment current assets | 519.2 | 228.7 | 109.0 | | 856.9 |
| Tax assets | | | | | 102.4 |
| Financial assets | | | | | 254.3 |
| Other unallocated consolidated assets | | | | | 425.5 |
| **Total assets** | **1,080.9** | **448.3** | **148.4** | **-** | **2,459.8** |
| Equity | | | | | 579.6 |
| Segment non-current liabilities | 112.2 | 49.9 | 10.5 | | 172.6 |
| Segment current liabilities | 541.9 | 254.3 | 64.9 | | 861.1 |
| Tax liabilities | | | | | 82.1 |
| Financial liabilities | | | | | 585.4 |
| Other unallocated consolidated liabilities | | | | | 179.0 |
| **Total equity and liabilities** | **654.1** | **304.2** | **75.4** | **-** | **2,459.8** |
| Capital investment | 96.5 | 51.5 | 10.0 | | 158.1 |
| Unallocated capital investment | | | | | 9.1 |
| **Total capital investment** | | | | | **167.2** |
| Depreciation and amortization | (70.5) | (45.5) | (6.7) | | (122.7) |
| Unallocated depreciation and amortization | | | | | (18.5) |
| **Total depreciation and amortization** | **(70.5)** | **(45.5)** | **(6.7)** | | **(141.1)** |
| Other non-monetary income and expenses | (15.3) | (14.6) | (2.4) | | (32.3) |
| Other unallocated non-monetary income and expenses | | | | | (11.1) |
| **Total non-monetary income and expenses** | **(15.3)** | **(14.6)** | **(2.4)** | | **(43.4)** |

| Segment reporting - Primary Segment as of 31/12/2006 ( million Euro) | Western Europe | Eastern Europe | Other countries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Third-party revenue | 1,973.8 | 1,050.8 | 224.1 | | 3,248.6 |
| Inter-segment revenue | 260.5 | 363.3 | 68.4 | (692.2) | - |
| **Total sales** | **2,234.3** | **1,414.1** | **292.5** | **(692.2)** | **3,248.6** |
| Segment results | 132.7 | 196.7 | 23.5 | - | 352.9 |
| Unallocated income and expenses | | | | | (192.7) |
| **Operating profit** | | | | | **160.2** |
| Net financial expenses | | | | | (26.6) |
| Share of profit (losses) of associates | | | | | (2.0) |
| Income tax expense | | | | | (54.9) |
| Profit attributable to minority interests | | | | | (0.3) |
| **Profit attributable to the Group** | | | | | **76.4** |
| | | | | | |
| **Other information** | | | | | |
| Segment non-current assets | 595.0 | 217.2 | 39.3 | | 851.4 |
| Segment current assets | 589.9 | 226.0 | 110.8 | | 926.6 |
| Tax assets | | | | | 135.7 |
| Financial assets | | | | | 274.9 |
| Other unallocated consolidated assets | | | | | 382.5 |
| **Total assets** | **1,184.9** | **443.1** | **150.1** | **-** | **2,571.2** |
| Equity | | | | | 552.2 |
| Segment non-current liabilities | 110.6 | 40.8 | 9.2 | | 160.6 |
| Segment current liabilities | 574.9 | 255.7 | 60.2 | | 890.9 |
| Tax liabilities | | | | | 137.7 |
| Financial liabilities | | | | | 698.4 |
| Other unallocated consolidated liabilities | | | | | 131.3 |
| **Total equity and liabilities** | **685.5** | **296.6** | **69.5** | **-** | **2,571.2** |
| Capital investment | 89.7 | 34.6 | 6.0 | | 130.2 |
| Unallocated capital investment | | | | | 5.6 |
| **Total capital investment** | | | | | **135.9** |
| Depreciation and amortization | (69.6) | (44.8) | (6.7) | | (121.1) |
| Unallocated depreciation and amortization | | | | | (21.6) |
| **Total depreciation and amortization** | **(69.6)** | **(44.8)** | **(6.7)** | | **(142.8)** |
| Other non-monetary income and expenses | (12.1) | (12.5) | (1.4) | | (26.0) |
| Other unallocated non-monetary income and expenses | | | | | (24.6) |
| **Total non-monetary income and expenses** | **(12.1)** | **(12.5)** | **(1.4)** | | **(50.6)** |

The Group's information analysed by the geographical location of activities is presented below.

| Business Segment by geographical location as of 31/12/2007 (million Euro) | Western Europe | Eastern Europe | Other countries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Non-current assets | 740.2 | 385.0 | 43.6 | - | 1,168.8 |
| Current assets | 1,416.8 | 299.6 | 113.8 | (973.3) | 856.9 |
| Tax assets | | | | | 102.4 |
| Financial assets | | | | | 254.3 |
| Other consolidated assets | | | | | 77.5 |
| **Total assets** | **2,157.0** | **684.5** | **157.4** | **(973.3)** | **2,459.8** |
| **Capital investment** | **75.8** | **79.2** | **12.2** | **-** | **167.2** |

| Business Segment by geographical location as of 31/12/2006 (million Euro) | Western Europe | Eastern Europe | Other countries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Non-current assets | 831.0 | 324.7 | 35.6 | - | 1,191.3 |
| Current assets | 1,435.1 | 294.8 | 100.1 | (901.8) | 928.2 |
| Tax assets | | | | | 135.7 |
| Financial assets | | | | | 274.9 |
| Other consolidated assets | | | | | 41.0 |
| **Total assets** | **2,266.1** | **619.5** | **135.8** | **(901.8)** | **2,571.2** |
| **Capital investment** | **93.5** | **36.5** | **5.8** | **-** | **135.9** |

## 7.2 Reporting by business segment (secondary segment)

The secondary segment comprises the Group's business segments. For the purposes of segment reporting, the Group's products are classified into the following business segments:

1. the Cooking segment which comprises cookers, ovens, microwave ovens, extractors and hobs;
2. the Cooling segment which comprises refrigerators and freezers;
3. the Washing segment which comprises washing machines, washer-dryers, dryers and dishwashers;
4. the Services segment comprises after-sales assistance for customers, the sale of extended warranties and transport.

| Segment reporting - Secondary Segment as of 31/12/2007 (million Euro) | Cooking | Cooling | Washing | Services | Consolidated |
|---|---|---|---|---|---|
| Third party revenue | 780.5 | 961.0 | 1,459.4 | 236.9 | 3,437.8 |
| | | | | | |
| **Other information** | | | | | |
| Segment non-current assets | 168.9 | 283.3 | 359.3 | 9.2 | 820.8 |
| Segment current assets | 188.5 | 233.6 | 364.3 | 52.7 | 839.1 |
| Tax assets | | | | | 102.4 |
| Financial assets | | | | | 254.3 |
| Other consolidated assets | | | | | 443.3 |
| **Total assets** | **357.4** | **517.0** | **723.6** | **61.9** | **2,459.8** |
| Capital investment | 16.7 | 28.1 | 111.6 | - | 156.4 |
| Unallocated capital investment | | | | | 10.8 |
| **Total capital investment** | **16.7** | **28.1** | **111.6** | **-** | **167.2** |

| Segment reporting - Secondary Segment as of 31/12/2006 (million Euro) | Cooking | Cooling | Washing | Services | Consolidated |
|---|---|---|---|---|---|
| Third party revenue | 739.4 | 881.6 | 1,399.8 | 227.9 | 3,248.6 |
| **Other information** | | | | | |
| Segment non-current assets | 182.3 | 295.3 | 363.2 | 10.5 | 851.3 |
| Segment current assets | 206.8 | 248.7 | 394.5 | 58.1 | 908.1 |
| Tax assets | | | | | 135.7 |
| Financial assets | | | | | 274.9 |
| Other consolidated assets | | | | | 401.2 |
| **Total assets** | **389.1** | **543.9** | **757.7** | **68.6** | **2,571.2** |
| Capital investment | 36.3 | 34.9 | 59.1 | - | 130.2 |
| Unallocated capital investment | | | | | 5.6 |
| **Total capital investment** | **36.3** | **34.9** | **59.1** | **-** | **135.9** |

# 8. Notes to the consolidated income statement, balance sheet and cash flow statement

## Consolidated income statement

### 8.1 Revenue

Revenue is analysed as follows:

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Revenue from sale of finished products | 3,200.9 | 3,020.7 |
| Revenue from provision of services | 236.9 | 227.9 |
| **Total revenue** | **3,437.8** | **3,248.6** |

In addition to the analysis of revenue by geographical area and business segment presented in note 7 on segment reporting, revenue from the sale of finished products is analysed by brand below.

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Indesit | 1,502.7 | 1,341.8 |
| Ariston | 811.6 | 979.4 |
| Hotpoint | 477.5 | 462.7 |
| Hotpoint Ariston | 220.8 | - |
| Stinol | 50.1 | 78.6 |
| Scholtès | 64.8 | 68.1 |
| Cannon | 49.0 | 55.4 |
| Other brands | 24.4 | 34.7 |
| **Total** | **3,200.9** | **3,020.7** |

Revenue from the provision of services relate to services provided to customers (transport) and to end consumers (after-sales maintenance) and to the sale of extended warranties beyond the legal minimum period.

## 8.2. Cost of sales

Cost of sales comprises the cost of raw materials and components, external processing, direct and indirect labour, the depreciation of property, plant and equipment, internal movements and logistics, inventory write-downs, provisions for product warranty and provisions for risks and charges, as well as research costs, development costs that are not capitalised and all other production overheads.

Cost of sales is analysed by type of expenditure in the following table.

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Change in the inventories of finished products | (7.3) | (23.5) |
| Purchase of raw materials, components, materials and change in inventories | (1,913.0) | (1,770.3) |
| Services | (177.2) | (181.0) |
| Payroll costs | (351.9) | (346.2) |
| Depreciation and amortization | (111.5) | (108.0) |
| Other income and expenses | (9.3) | (8.3) |
| **Total** | **(2,570.2)** | **(2,437.4)** |

The most significant change in the captions that comprise cost of sales relates to the costs incurred for the purchase of raw materials. In addition to the higher volume of production, the 8% increase was due to the greater cost of certain raw materials and to a change in the product mix.

The cost of services has decreased by 2.1%, principally due to a reduction in handling costs.

The non-recurring charges and income included in cost of sales (within other costs and revenues in the classification by nature) totalled 30.7 million Euro (33.7 million Euro). Non-recurring charges principally comprise redundancy costs of 21.6 million Euro (23.4 million Euro), plant closure costs (impairment losses on property, plant and equipment and other liabilities) totalling 7.9 million Euro (7.7 million Euro), plant start-up and other costs relating to the redistribution of production of 4.7 million Euro (2.6 million Euro), and other non-recurring charges of 1.2 million Euro. Non-recurring income includes 3.2 million Euro deriving from the adjustment of severance indemnities on the reform of supplementary pensions in Italy, together with 1.6 million Euro in disposal gains linked to the planned restructuring of the Group's industrial assets. Non-recurring charges are analysed in the table included in note 8.6 Operating profit.

Research costs totalling 8.3 million Euro (8.0 million Euro) were charged to the income statement.

### 8.3 Selling and distribution expenses

Selling and distribution expenses comprise all the costs incurred to commercialise products and provide services, as well as the costs of distributing products to the Group's warehouses and to customers. Selling and distribution expenses are analysed by type in the following table.

| Selling and distributions expenses (million Euro) | 2007 | 2006 |
|---|---|---|
| Purchase of raw materials, components, materials and change in inventories | (9.5) | (10.5) |
| Services | (381.0) | (353.0) |
| Payroll costs | (104.8) | (97.3) |
| Depreciation and amortization | (7.6) | (8.1) |
| Other income and expenses | (44.4) | (43.1) |
| **Total** | **(547.3)** | **(512.1)** |

The principal services consisted of distribution expenses of 179.1 million Euro (162.8 million Euro) and advertising and promotion expenses of 103.4 million Euro (89.1 million Euro). The 10.0% increase in distribution expenses exceeded the percentage rise in the volume of sales due, in the main, to higher transport costs. This reflects the effect of the industrial reorganisation, with volumes transported up by more than the rise in the volume of sales, longer average distances transported and a change in the product mix (increase in the cooling segment) that has resulted in higher logistics costs.
Other costs and revenues mainly comprise provisions, the writedown of receivables and taxes other than income taxes.

The net non-recurring expenses included in selling and distribution expenses (within other costs and revenue in the classification by nature) totalled 2.9 million Euro (2.0 million Euro). This amount principally comprises redundancy costs of 3.1 million Euro and other non-recurring charges of 0.1 million Euro, as offset by non-recurring income of 0.3 million Euro deriving from the adjustment of severance indemnities on the reform of supplementary pensions in Italy.

### 8.4 General and administrative expenses

General and administrative expenses include all general management and administrative costs, and all expenditure not directly attributable to production or sales units or to research and development. General and administrative expenses are analysed by type in the following table.

| General and administrative expenses (million Euro) | 2007 | 2006 |
|---|---|---|
| Purchase of raw materials, components, materials and change in inventories | (1.0) | (1.1) |
| Services | (68.2) | (65.5) |
| Payroll costs | (46.6) | (48.8) |
| Depreciation and amortization | (22.0) | (26.6) |
| Other income and expenses | (3.0) | 2.2 |
| **Total** | **(140.9)** | **(139.8)** |

The non-recurring income and expenses included in general and administrative expenses totalled 0.3 million Euro (zero in 2006). This amount principally comprises redundancy costs of 1.3 million Euro and other non-recurring expenses of 0.4 million Euro, as offset by non-recurring income of 1.3 million Euro deriving from the adjustment of severance indemnities on the reform of supplementary pensions in Italy.

### 8.5 Other income

Other income is analysed as follows:

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Gains on disposal of assets | 7.0 | 0.3 |
| Lease income | 1.0 | 0.8 |
| Export grants | 1.7 | 1.8 |
| Insurance reimbursements | 0.7 | 0.9 |
| Other | 2.3 | 1.0 |
| **Total** | **12.8** | **4.9** |

The capital gains mainly relate to the sale of rights to use land in Poland and to the sale of non-industrial property in the UK. The caption Other includes the positive effect taken to the income statement, 1.3 million Euro, deriving from the purchase on favourable terms of the residual interests held by the minority shareholders of Argentron SA.

### 8.6 Operating profit

As required by IAS 1, operating profit is analysed by type of cost in the following table.

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Revenue | 3,437.8 | 3,248.6 |
| Change in the inventories of finished products | (6.9) | (23.5) |
| Purchase of raw materials, components, materials and change in inventories | (1,924.0) | (1,781.9) |
| Services | (625.7) | (599.6) |
| Payroll costs | (502.9) | (492.3) |
| Depreciation and amortisation | (141.1) | (142.8) |
| Other income and expenses | (45.0) | (48.3) |
| **Operating profit** | **192.2** | **160.2** |

The change in inventories is analysed by type below:

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Raw materials, components and consumables | (2.5) | 33.8 |
| Finished products | (6.9) | (23.5) |
| **Total** | **(9.3)** | **10.4** |

The continued redistribution of industrial activities has lowered payroll costs to 14.6% of revenues (15.2%) with, in particular, increases in Poland and Russia and a reduction in the UK.
The number of employees is 17,418 (17,284). Employment is analysed as follows:

| | 2007 | 2006 |
|---|---|---|
| Executives | 123 | 130 |
| Clerical staff | 5,513 | 5,489 |
| Factory workers | 11,782 | 11,665 |
| **Total** | **17,418** | **17,284** |

As required by CONSOB Communication DEM/6064293 dated 28 July 2006, the significant non-recurring income and expenses are detailed in the following table. They mainly comprise restructuring charges.

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Redundancies | (26.0) | (23.4) |
| Charges for disposal of industrial assets in industrial areas involved in restructuring plans | (7.9) | (10.9) |
| Start up charges in new industrial areas | (4.7) | (2.6) |
| Curtailment TFR | 4.8 | - |
| Gain on disposal of assets | 8.0 | - |
| Provision for recall campaign | (1.6) | (2.0) |
| **Total** | **(27.4)** | **(39.0)** |

Redundancies include charges incurred on matters covered by the Group's restructuring plan.
The cost of disposing assets in industrial areas relate, in general, to the restructuring plans that involve closure of the factories in the UK.
The gains derive from the disposal of certain assets no longer deemed strategic.

Attachment 3 (Consolidated income statement for the year ended 31 December 2007, prepared in accordance with CONSOB Resolution no. 15519 dated 27 July 2006 and CONSOB Communication no. DEM/6064293 dated 28 July 2006) to these notes summarises the overall effect of non-recurring expenses on the consolidated income statement. Non-recurring expenses have an immediate effect, except for the redundancy costs recorded in accordance with IAS 37 which, on average, are incurred over the twelve months following the accounting recognition. Total payables and provisions for non-recurring transactions as of 31 December 2007 amount to 3.9 million Euro (7.1 million Euro) and the cash flow absorbed by them was 30.5 million Euro.

## 8.7 Net financial expenses

Net financial expenses are analysed at 31 December 2007 as follows:

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Interest on bank current accounts | 10.5 | 8.4 |
| Interest income on UK pension scheme | 5.1 | 5.1 |
| Mark-to-market derivatives | 0.4 | 0.7 |
| **Total** | **16.1** | **14.1** |
| Interest expenses | (37.3) | (36.6) |
| Interest expenses on TFR | (2.4) | (2.3) |
| Mark-to-market derivatives realeted to loans | 3.7 | 7.5 |
| **Total** | **(35.9)** | **(31.4)** |
| **Exchange rate fluctuations** | **(6.5)** | **(5.1)** |
| **Commissions** | **(3.9)** | **(4.3)** |
| **Total net financial expenses** | **(30.2)** | **(26.6)** |

Interest income from pension schemes includes the net yield expected from the defined benefit pension plan assets. Interest expense comprises:

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Bond interest | (13.5) | (9.9) |
| Interest on medium/long-term bank loans | (2.2) | (4.3) |
| Interest on liability for GDAH acquisition | (4.0) | (6.1) |
| Interest on short-term borrowing | (16.1) | (13.7) |
| Other interest expense | (1.5) | (2.6) |
| Mark-to-market derivatives realeted to loans | 3.7 | 7.5 |
| Interest expense on pension funds and TFR | (2.4) | (2.3) |
| **Total** | **(35.9)** | **(31.4)** |

The change in the mark-to-market adjustment of the derivatives related to loans reflects the increase in the fair value of the floating-to-fixed IRS arranged in relation to the nominal value of the bond placed with US institutional investors.
Exchange fluctuations are analysed as follows:

| (million Euro) | 2007 | 2006 |
|---|---|---|
| Realised exchange rate fluctuations, net | (17.2) | (5.9) |
| Unrealised exchange rate fluctuations, net | 10.7 | 0.8 |
| **Exchange rate fluctuations, net** | **(6.5)** | **(5.1)** |

## 8.8 Share of profits (losses) from associates

The profits and losses deriving from associates are analysed below:

| (milion Euro) | 2007 | 2006 |
|---|---|---|
| Gain on disposal of investment in Haier Indesit | 4.3 | - |
| Gain on disposal of investment in Merloni Progetti | - | 2.7 |
| Impairment and price adjustment on disposal of other equity investement | - | (5.2) |
| Devaluation of other equity investments | - | (0.9) |
| Revaluation of other equity investments | - | 1.3 |
| **Total** | **4.3** | **(2.0)** |

The gain of 4.3 million Euro relates to the disposal by Indesit Company of its investment in Haier Indesit (QuigDao) Electrical Appliance Co. Ltd and Haier Indesit (QuigDao) Washing Machines Co. Ltd. The disposal of these foreign currency (Renminbi - Yuan) equity investments resulted in foreign exchange loss of 0.3 million Euro, but did not involve the release of the related translation reserve accumulated up to 31 December 2004 due to the application, on the first-time adoption of IFRS, of the right to reclassify to other available reserves the cumulative translation reserve at the transition date. Had the cumulative translation reserve at 31 December 2004 been released to the income statement, foreign exchange loss of 2.8 million Euro would have been recognised.

### 8.9. Income tax

The taxation charged to the income statement is analysed below.

| (million Euro) | 2007 | 2006 |
|---|---|---|
| IRES | (4.6) | (4.8) |
| IRAP | (7.2) | (11.4) |
| Other direct taxes charged by nations where the Group operates | (49.2) | (42.7) |
| Change in deferred tax assets, net | (0.2) | 3.9 |
| **Total** | **(61.2)** | **(54.9)** |

Taxation represents 36.8% (41.7%) of profit before taxation (PBT).
The deferred tax assets on prior-year tax losses amount to 12.2 million Euro (17.7 million Euro).
The following table reconciles the theoretical tax charge, determined using the current tax rate in Italy, with the tax charge reported in the consolidated financial statements.

| (milion Euro) | 2007 | 2006 |
|---|---|---|
| Profit before tax | 166.4 | 131.6 |
| Theoretical tax charge (33%) | (54.9) | (43.4) |
| Actual tax charge | (61.2) | (54.9) |
| **Difference** | **(6.3)** | **(11.5)** |
| | | |
| **Effects relating to the parent company and companies based in Italy** | | |
| IRAP | (7.2) | (11.4) |
| Taxation of dividends to be distributed by subsidiaries | (8.0) | (6.5) |
| Prior year items and undeductible expenses | (2.5) | (2.0) |
| Taxation on undeductible stock option expense | - | (0.3) |
| Effect of untaxed gains on disposal of investments | (3.5) | 0.5 |
| Effect of italian tax rate reduction on deffered taxes | (0.6) | - |
| Other effects | (0.2) | (1.2) |
| **Total effects relating to the Parent Company and companies based in Italy** | **(22.0)** | **(21.0)** |
| Effects relating to companies operating in other countries and tax differentials with respect to companies based in Italy | 15.7 | 9.5 |
| **Total differences** | **(6.3)** | **(11.5)** |

### 8.10 Profit for the year attributable to minority interests

The Profit attributable to minority shareholders relate to Indesit Company Portugal Electrodomésticos SA and Wuxi Indesit Home Appliance Co. Ltd. Compared with the prior year, the Group has acquired the residual minority interests in the share capital of Aermarche SpA and Argentron SA, which are now wholly owned subsidiaries.

## Consolidated balance sheet

### 8.11 Property, plant and equipment

The changes in property, plant and equipment are analysed in the table presented on the following page.

The depreciation charge for the year was 109.5 million Euro (110.8 million Euro).

The carrying amounts of land and buildings, plant and machinery, and industrial and commercial equipment includes 15.0 million Euro (at historical exchange rates) deriving from recognition of their fair value on the acquisition of GDAH in 2002.

The carrying amount of the property, plant and equipment of the company operating in Turkey was previously restated for the effects of hyper-inflation, as required by IAS 29, and adjusted for any impairment losses. Following a new test of the recoverability in use of the carrying value of these assets, no basis was found for reversing the adjustments already made or for recording further adjustments.

Orders placed for the supply of property, plant and equipment amount to 18.0 million Euro (6.2 million Euro) and mainly relate to investment at the new factories in Poland.

Advances to the suppliers of property, plant and equipment not yet delivered or constructed amount to 1.7 million Euro (0.3 million Euro).

Net disposals and retirements, 12.6 million Euro (6.7 million Euro), mainly relate to the elimination of non-strategic fixed assets and the closure of the Blythe Bridge factory in the UK.

Assets under construction, 85.9 million Euro (41.5 million Euro), mainly relates to the construction of two new factories in the Radomsko area (Poland).

The ownership of property is not restricted by liens and charges, except as indicated below.

| (million Euro) | 31/12/2006 | | | Changes during 2007 | | | | | | | | | 31/12/2007 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historical cost | Accumulated depreciation and impairment losses | Total | Additions | Decreases | Use of accumulated depreciation | Impairment losses | Depreciation | Reclassifications from assets under construction | Reclassifications to assets available for sale | Exchange rate differences on historical cost | Exchange rate differences on accumulated depreciation | Historical cost | Accumulated depreciation and impairment losses | Total |
| Land and buildings | 414.6 | (133.8) | **280.9** | 16.2 | (30.2) | 18.9 | - | (14.9) | 2.5 | - | (4.9) | 3.4 | 398.2 | (126.4) | **271.9** |
| Plant and machinery | 777.3 | (482.0) | **295.3** | 43.3 | (31.1) | 30.4 | - | (50.9) | - | - | (10.0) | 7.7 | 779.5 | (494.7) | **284.8** |
| Industrial and commercial equipment | 413.7 | (327.4) | **86.4** | 26.1 | (26.4) | 26.2 | - | (31.1) | - | - | (7.3) | 5.7 | 406.2 | (326.7) | **79.5** |
| Assets under construction | 41.5 | - | **41.5** | 43.8 | - | - | - | - | - | - | 0.6 | - | 85.9 | (0.0) | **85.9** |
| Other assets | 174.6 | (127.5) | **47.1** | 7.3 | (12.1) | 11.8 | - | (12.6) | - | - | (5.0) | 4.5 | 164.7 | (123.8) | **41.0** |
| **Total** | **1,821.8** | **(1,070.6)** | **751.2** | **136.7** | **(99.8)** | **87.2** | **-** | **(109.5)** | **2.5** | **-** | **(26.6)** | **21.3** | **1,834.6** | **(1,071.6)** | **763.0** |

| (million Euro) | 31/12/2005 | | | Changes during 2006 | | | | | | | | | 31/12/2006 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historical cost | Accumulated depreciation and impairment losses | Total | Additions | Decreases | Use of accumulated depreciation | Impairment losses | Depreciation | Reclassifications from assets under construction | Reclassifications to assets available for sale | Exchange rate differences on historical cost | Exchange rate differences on accumulated depreciation | Historical cost | Accumulated depreciation and impairment losses | Total |
| Land and buildings | 403.5 | (122.8) | **280.7** | 3.6 | (6.4) | 3.0 | - | (15.0) | 15.1 | 2.2 | (3.4) | 1.0 | 414.6 | (133.8) | **280.9** |
| Plant and machinery | 764.2 | (464.6) | **299.6** | 16.6 | (28.6) | 26.2 | - | (46.1) | 30.1 | - | (5.1) | 2.6 | 777.3 | (482.0) | **295.3** |
| Industrial and commercial equipment | 378.4 | (303.6) | **74.9** | 18.6 | (11.7) | 10.7 | - | (35.3) | 29.1 | - | (0.6) | 0.8 | 413.7 | (327.4) | **86.4** |
| Assets under construction | 63.9 | - | **63.9** | 57.7 | - | - | - | - | (77.7) | - | (2.5) | | 41.5 | - | **41.5** |
| Other assets | 175.5 | (117.6) | **57.9** | 4.8 | (1.8) | 1.8 | - | (14.4) | (1.2) | - | (2.7) | 2.8 | 174.6 | (127.5) | **47.1** |
| **Total** | **1,785.5** | **(1,008.6)** | **776.9** | **101.3** | **(48.4)** | **41.7** | **-** | **(110.8)** | **(4.7)** | **2.2** | **(14.2)** | **7.2** | **1,821.8** | **(1,070.6)** | **751.2** |

### Finance leases

The net carrying amount of assets held under finance leases amounts to 3.1 million Euro and relates to Industrial and commercial, 2.4 million Euro; Land, 0.5 million Euro, and Other assets, 0.1 million Euro.

The finance lease of Industrial and commercial buildings and Land relates to the building in Croissy (France) and the related land. This contract has a term of 15 years and expires in 2011. The building is subject to redemption against payment of the agreed amount. The building is mortgaged for the amount of the outstanding finance lease liability.

The minimum future lease payments are analysed by maturity below:

| Finance leases (million Euro) | 2007 | 2006 |
|---|---|---|
| Within 1 year | 0.6 | 0.5 |
| Between 1 and 5 years | 1.7 | 1.9 |
| Beyond 5 years | - | - |
| **Total minimum lease payments** | **2.2** | **2.3** |

### Non-cancellable operating leases

The minimum future lease payments under non-cancellable operating leases are analysed by maturity below.

| Non-cancellable operating leases (million Euro) | 2007 | 2006 |
|---|---|---|
| Within 1 year | 12.6 | 12.2 |
| Between 1 and 5 years | 32.2 | 34.5 |
| Beyond 5 years | 20.0 | 63.3 |
| **Total minimum lease payments** | **64.8** | **110.0** |

The principal assets held under non-cancellable operating leases mainly relate to the warehouse at Raunds in the UK. This contract, which involves minimum future lease payments of 34.4 million Euro, expires in 2020/2021 and envisages adjustments to the annual instalments every five years. The contract does not envisage renewal or the purchase of the assets concerned. Such amounts also include 3.7 million Euro representing the expected residual minimum future lease payments to be made in relation to the Blythe Bridge facilities. The operating lease in relation to these facilities is currently being renegotiated and is likely to be terminated within a fairly short period of time. The outcome of these renegotiations will involve charges that are already covered by related provisions. If the contract is not terminated, the Group will use the site for other activities (logistics or services) and the related minimum future lease payments would amount to 38.2 million Euro.

The income statement reflects lease instalments incurred under operating leases of 11.0 million Euro (15.7 million Euro).

## 8.12. Goodwill and other intangible assets with an indefinite useful life

Goodwill and other intangible assets with an indefinite useful life as of 31 December 2007 and 2006 are analysed in the following tables.

| Changes during 2007 (million Euro) | Historical cost | Accumulated impairment losses | Total | Exchange rate differences arising in the year | Impairment losses during the period | Historical cost | Accumulated impairment losses | Total |
|---|---|---|---|---|---|---|---|---|
| Goodwill | 173.3 | (7.7) | 165.6 | (14.6) | - | 158.7 | (7.6) | 151.1 |
| Brands with an indefinite useful life | 172.2 | (12.3) | 159.9 | (13.5) | - | 157.7 | (11.3) | 146.4 |
| **Total** | **345.5** | **(20.0)** | **325.5** | **(28.1)** | **-** | **316.4** | **(18.9)** | **297.5** |
| Changes during 2006 (million Euro) | | | | | | | | |
| Goodwill | 169.8 | (7.5) | 162.3 | 3.3 | - | 173.3 | (7.7) | 165.6 |
| Brands with an indefinite useful life | 168.8 | (12.1) | 156.6 | 3.2 | - | 172.2 | (12.3) | 159.9 |
| **Total** | **338.6** | **(19.7)** | **318.9** | **6.6** | **-** | **345.5** | **(20.0)** | **325.5** |

The brand names with an indefinite life and the goodwill relate to the purchase of General Domestic Appliances Holdings Ltd (GDAH), a UK company, in 2002. On allocating the purchase price of GDAH, 160.3 million Euro (at historical exchange rates) was attributed to brands with an indefinite useful life and 164.9 million Euro (at historical exchange rates) to goodwill. Goodwill is denominated in Pounds Sterling and, accordingly, is subject to exchange rate fluctuations arising on the translation to Euro.

The brands with an indefinite life are Hotpoint and Cannon. These brand names are deemed to have an indefinite useful life since they are strategic to the Group being, respectively, the leader of the UK market for household appliances and the leader in the ovens sector, especially double ovens. These brands are denominated in Pounds Sterling and, accordingly, are subject to exchange rate fluctuations arising on the translation to Euro.

The carrying amount of intangible assets with an indefinite useful life is subjected to an impairment test at least once every year. The tests performed as of 31 December 2006 and 31 December 2007 did not identify the need to adjust the carrying amount of these assets. For the purposes of this test, part of the goodwill identified at the time of acquisition and expressed at current exchange rates, 37.0 million Euro, was attributed to the cash-generating unit (CGU) represented by the UK market and part, 114.1 million Euro, was attributed to the other Group CGUs that are expected to benefit from the synergies released as a result of the acquisition.
The recoverable amount of the CGU represented by the UK market (UK CGU) and the Group CGUs was determined with reference to the value-in-use of the assets concerned. The related calculations discount the forecast cash flows included in the business plans of the UK CGU for the next five years, and those of the Group CGUs for the next three years (the period covered by the three-year business plan). The cash flows used to estimate the recoverable amount of the CGUs are based on the medium-term plans prepared by management, having regard for past experience and forecasts for the business considering expected market conditions.

The principal assumptions underpinning the business plan of the UK CGU are set out below:

1. volume of sales: annual average growth of 2.2% during the period covered by the plan;
2. price trend: annual average decrease of 0.7% during the period covered by the plan.

The forecasts made for the impairment test took account of prudent assumptions that considered various scenarios for movements in the Sterling - Euro exchange rate. Certain of these scenarios would result in significant reductions in EBITDA in percentage terms, but none would require adjustment of goodwill allocated to the UK CGU.

The assumptions contained in the business plan for the other Group CGUs are those reported in the Business plan published on 26 October 2005, as adjusted solely to take account of the new forecasts made at the end of the first two years covered by the plan.

Forecast cash flows have been discounted using a weighted-average cost of capital (WACC) of 8.46% (8.26%) for the UK CGU and 8.40% (7.95%) for the other Group CGUs. The terminal value of the CGUs was determined by assuming a long-term cash flow equal to the cash flow generated in the final year of the business plan, considering different scenarios with a nominal long-term growth factor (g) of 2.00%, and 1.00%, being respectively the inflation rate and lower than the inflation rate (representing therefore situations with zero and negative real growth).
The impairment test on the UK CGU was carried out with the assistance of an independent expert.


Open Space Oven
Hotpoint-Ariston,
Eurocucina 2008

### 8.13 Other intangible assets with a finite life

Other intangible assets with a finite life are analysed, together with the related movements, in the table below.

| (million Euro) | 31/12/2006 | | | Changes during 2007 | | | | | | 31/12/2007 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historical cost | Accumulated impairment losses | Total | Additions and capitalizations during the year | Decrerases | Amortization and impairment losses in the year | Recl. from assets under construction | Exchange rate differences on historical cost | Exchange rate difference on accumulated amortization | Historical cost | Depreciation and accumulated impairment losses | Total |
| Development expenses | 71.2 | (23.6) | 47.5 | 16.7 | - | (19.0) | - | (1.2) | 0.7 | 86.6 | (42.0) | 44.6 |
| Licences and software | 103.6 | (58.2) | 45.4 | 9.5 | - | (8.8) | - | (1.3) | 0.8 | 111.7 | (66.2) | 45.5 |
| Brands with a finite useful life | 21.4 | (6.1) | 15.3 | - | - | (3.5) | - | (2.5) | 1.1 | 18.8 | (8.5) | 10.4 |
| Other | 7.2 | (0.9) | 6.2 | 4.4 | (0.2) | (0.3) | (2.5) | (0.1) | 0.2 | 8.9 | (1.0) | 7.8 |
| **Total** | **203.3** | **(88.8)** | **114.5** | **30.6** | **(0.3)** | **(31.6)** | **(2.5)** | **(5.2)** | **2.7** | **226.0** | **(117.7)** | **108.3** |

| (million Euro) | 31/12/2005 | | | Changes during 2006 | | | | | | 31/12/2006 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historical cost | Accumulated impairment losses | Total | Additions and capitalizations during the year | Decrerases | Amortization and impairment losses in the year | Recl. from assets under construction | Exchange rate differences on historical cost | Exchange rate difference on accumulated amortization | Historical cost | Depreciation and accumulated impairment losses | Total |
| Development expenses | 63.9 | (21.5) | 42.5 | 16.6 | - | (11.9) | 0.2 | (9.6) | 9.7 | 71.2 | (23.6) | 47.5 |
| Licences and software | 79.6 | (41.3) | 38.3 | 17.8 | (0.2) | (16.2) | 5.8 | 0.4 | (0.7) | 103.6 | (58.2) | 45.4 |
| Brands with a finite useful life | 21.5 | (3.5) | 18.0 | - | - | (3.3) | - | (0.1) | 0.8 | 21.4 | (6.1) | 15.3 |
| Other | 8.3 | (0.4) | 7.9 | 0.1 | - | (0.6) | (1.3) | - | - | 7.2 | (0.9) | 6.2 |
| **Total** | **173.4** | **(66.7)** | **106.7** | **34.6** | **(0.2)** | **(32.0)** | **4.7** | **(9.3)** | **9.8** | **203.3** | **(88.8)** | **114.5** |

Development expenses totalling 16.7 million Euro (16.6 million Euro) were capitalised in 2007, including 8.0 million Euro (9.1 million Euro) in relation to projects for the launch of new products not yet available for sale which, accordingly, have not been amortised.

The caption Licences and software comprises the capitalised internal and external cost of IT projects carried out by the Group, and the cost of licences to use software that will benefit future years. The average residual life of these intangible assets is three years. This caption includes capitalised projects totalling 8.2 million Euro (10.7 million Euro) that have not yet entered into service and which, therefore, have not been amortised.

Brands with a finite life include 10.4 million Euro relating to the Creda brand, which was recorded on the acquisition of GDAH. Consistent with the development plan for the Group's brands, the useful life of this brand was revised down to five years in 2006 and, consequently, the brand name has been amortised. The amortization charge for 2007 was 3.5 million Euro.

The caption Other intangible assets principally comprises industrial patents with an average residual life of 5 years.

### 8.14 Investments in associates

Investments in associates are analysed below:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Haier Indesit (QuigDao) Washing Machines Co. Ltd | - | 7.2 |
| Haier Indesit (QuigDao) Electrical Appliance Co. Ltd | - | 4.5 |
| Other minor | 0.5 | 0.8 |
| **Total investments in associates** | **0.5** | **12.5** |

The investments in Haier Indesit Washing Machines Co. Ltd and Haier Indesit Electrical Appliance Co. Ltd were sold during 2007, as described further in note 8.8.

### 8.15 Other investments

Other investments comprise investments in other companies which generally represent less than 20% of their share capital or voting rights, and other non-current financial assets. The investments held by Indesit Company are not listed and their securities are not traded in a regulated market. Accordingly, their fair value cannot be determined reliably since there were no transactions involving these securities during the past year.

### 8.16 Deferred tax assets

Deferred tax assets and the related changes during the year are analysed in the following table:

| Deferred tax assets (million Euro) | Opening balance 31/12/2006 | Credited/ charged to income statement | Credited/ charged to equity | Exchange rate effect | Closing balance 31/12/2007 |
|---|---|---|---|---|---|
| Property, plant and equipment | 0.2 | 0.8 | - | (0.2) | 0.7 |
| Intangible assets | 4.8 | (1.7) | - | 0.1 | 3.1 |
| Inventories | 2.3 | 0.3 | - | - | 2.6 |
| Financial payables | 4.9 | 4.9 | - | (0.4) | 9.4 |
| Deferred payroll | 11.9 | (1.7) | - | (1.0) | 9.3 |
| Provisions for risks | 11.4 | 1.8 | - | 0.2 | 13.3 |
| Other | 18.3 | 1.1 | 0.5 | - | 19.9 |
| Tax losses carried forward | 22.0 | (9.5) | - | (0.3) | 12.2 |
| **Total** | **75.8** | **(4.0)** | **0.5** | **(1.7)** | **70.6** |
| Amounts offset | (28.0) | (5.1) | - | 0.3 | (32.8) |
| **Total net** | **47.8** | **(9.0)** | **0.5** | **(1.4)** | **37.8** |

The amounts offset relate to the deferred tax liabilities that reduce deferred tax assets since they are due to the same tax authorities, are legally offsettable and relate to temporary differences that will reverse at the same time.
The reduction in the deferred tax assets recorded in relation to carried-forward tax losses was mainly due to the use of 10.8 million Euro to offset the taxable income generated by Indesit Company UK Ltd during 2007, as well as to the elimination of deferred tax assets totalling 3.2 million Euro, pre-

viously recorded by other Group companies but no longer deemed recoverable, as offset by an increase of 4.3 million Euro in the deferred tax assets recorded in relation to the carried-forward tax losses of Indesit Company SpA.

The deferred tax assets recorded in relation to prior-year tax losses amount to 12.2 million Euro (22.0 million Euro), while those not recorded amount to 40.3 million Euro (35.3 million Euro). The situation is analysed in the following table:

| Company | Tax losses | Duration of recover-ability | Tax rate | Deferred tax assets recognised | Deferred tax assets not recognised | Total |
|---|---|---|---|---|---|---|
| Indesit Company Luxembourg SA | 108.7 | indefinite | 22.00% | 3.6 | 20.4 | 23.9 |
| Indesit Company SpA | 31.3 | 5 years | 27.50% | 8.6 | - | 8.6 |
| Indesit Company Portugal Electrodomésticos SA | 23.8 | 6 years | 26.50% | - | 6.3 | 6.3 |
| Fabrica Portugal SA | 9.8 | 6 years | 26.50% | - | 2.6 | 2.6 |
| Indesit Company Magyarország Kft | 5.8 | indefinite | 16.00% | - | 0.9 | 0.9 |
| Indesit Company Deutschland GmbH | 2.7 | indefinite | 40.86% | - | 1.1 | 1.1 |
| Indesit Electrodomésticos SA | 27.7 | 15 years | 32.50% | - | 9.0 | 9.0 |
| **Total** | **209.7** | | | **12.2** | **40.3** | **52.4** |

## 8.17 Inventories

Inventories are analysed as follows:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Raw materials and semi-finished parts | 118.6 | 121.1 |
| Finished products | 215.6 | 232.3 |
| **Total inventories** | **334.2** | **353.4** |

The provision for obsolescence totals 13.9 million Euro (12.9 million Euro) and the accrual for the year was 1.9 million Euro (1.9 million Euro).

The provision for obsolescence is determined by writing down obsolete and slow-moving inventories have regard for, respectively, their life cycles and their turnover statistics.

## 8.18 Trade receivables

Trade receivables comprise amounts due from customers as a result of commercial transactions and the provision of services, stated net of the provision for doubtful accounts of 41.4 million Euro (35.4 million Euro).
The accruals to the provision for doubtful accounts and the losses on receivables recorded during the year amounted to 9.9 million Euro (12.9 million Euro).
Advances to suppliers as of 31 December 2007 amount to 5.8 million Euro (2.5 million Euro).

The provision for doubtful accounts is determined by writing down receivables both based on their ageing and with reference to specific disputed amounts. All receivables overdue by more than 180 days are written off, net of any collateral obtained. Detailed information on the Group's credit management policies is provided in note 9.

### 8.18.1 Securitisation of trade receivables

The Group is party to a revolving securitisation programme involving the monthly sale of a portfolio of trade receivables with a value not exceeding 120 million Euro (maximum value for the issue of A1 securities).

The programme envisages sourcing the funds to finance the purchase of the receivables via the monthly issue of commercial paper by a multi-seller vehicle.

The securities are subdivided into classes based on their ranking and their rating. The higher ranking classes (A1 securities) are placed in the market and subscribed for by investors. The lower ranking classes (junior) are subscribed for by the Group. The Group's residual involvement in the receivables sold is therefore limited to the subscribed value of the junior securities.

In accordance with IAS 39, the receivables sold under the securitisation programme, amounting to 103.4 million Euro (112.9 million Euro), continue to be reported as trade receivables in the balance sheet and securities issued amounting to 32.7 million Euro (34.5 million Euro) have been reclassified to this caption with a balancing entry under financial payables.

## 8.19 Tax receivables

The amounts due from the tax authorities in the nations in which the Group operates relate to advance taxation. These amounts are analysed below:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Advance taxation | 34.5 | 37.8 |
| IRPEF on advance of termination benefits | 1.4 | 1.4 |
| Tax credit for Special Economic Zone | 28.6 | 12.8 |
| **Total** | **64.6** | **52.1** |

The VAT receivable previously classified among Tax receivables is now included among Other receivables; the 2006 comparative information has therefore been reclassified accordingly. The increase in the tax credits for the Special Economic Zone relates to the tax incentives to be obtained by the Group in relation to its ongoing investment in Poland. These credits are matched by the deferred government grants from the State, classified as other non-current liabilities, which are discussed in note 8.27.

## 8.20 Other receivables and current assets

Other receivables and current assets are analysed as follows:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Due from employees | 2.6 | 4.0 |
| Insurance reimbursements | 0.4 | 0.9 |
| Grants due from public bodies | 10.6 | 15.1 |
| Due from social security and pension institutions | 2.3 | 0.8 |
| VAT | 47.7 | 35.9 |
| Other receivables | 12.9 | 7.0 |
| **Total other receivables and other current assets** | **76.4** | **63.7** |

## 8.21 Equity attributable to the Group

The statement of changes in equity is presented in a separate schedule.

Share capital comprises ordinary shares and savings shares, as analysed below.

| Description | 31/12/2007 | | 31/12/2006 | |
|---|---|---|---|---|
| | Number | Euro | Number | Euro |
| Ordinary shares | 113,630,684 | 102,267,616 | 113,418,434 | 102,076,591 |
| Savings shares | 511,282 | 460,154 | 511,282 | 460,154 |
| **Total** | **114,141,966** | **102,727,769** | **113,929,716** | **102,536,744** |

The change in share capital during the year was due to the exercise of stock options, involving the issue of 212,250 shares.

The number of shares in the table is stated gross of the treasury shares held. Net of the treasury shares held directly by Indesit Company SpA, 11,039,750, there are 102,590,934 ordinary shares outstanding.

No stock options were granted in 2007. The total cost charged to the income statement was 0.1 million Euro (1.0 million Euro).

The nominal value of the ordinary and savings shares is 0.90 Euro.

The holders of ordinary shares and savings shares enjoy the ownership and participation rights granted under Italian law and the articles of association of Indesit Company SpA. In addition to the right to participate in the distribution of profits and the liquidation of company assets, the ordinary shares also carry the right to vote at ordinary and extraordinary shareholders' meetings. The savings shares, on the other hand, have greater ownership rights but reduced administrative rights. The greater ownership rights comprise:

1. the right to a portion of profit for the year (after allocating 5% to the legal reserve) representing up to 5% of the nominal value of the savings shares;
2. the right, if a dividend of less than 5% was paid in a given year, to collect this shortfall in the preference dividend in the following two years;
3. the right, if a dividend is declared at the shareholders' meeting, to receive a total dividend that is higher than that paid on the ordinary shares by 2% of the nominal value of the savings shares.

In addition, in the event of a capital reduction to cover losses, the nominal value of the savings shares is only reduced by the amount of the losses that exceed the total nominal value of the other shares. The lesser administrative rights with respect to the ordinary shares consist of the absence of voting rights at ordinary and extraordinary shareholders' meetings.

The following table analyses the share capital structure of the parent company as of 31 December 2007, indicating the outstanding stock options and the treasury shares held (amounts in Euro). The above include both ordinary and savings shares.

| Share capital (Euro) | Authorised share capital | Authorised no. of shares | Issued and fully-paid share capital | No. of shares issued and fully paid |
|---|---|---|---|---|
| Share capital following the conversion of savings shares into ordinary shares in 2001 | 98,832,569 | 109,813,966 | 98,832,569 | 109,813,966 |
| 1st and 2nd stock option plans for employees authorised on 19 September 1998 and 23 October 2001 respectively | 5,400,000 | 6,000,000 | 2,455,200 | 2,728,000 |
| 1st stock option plan for Directors authorised on 23 October 2001 | 1,260,000 | 1,400,000 | 1,260,000 | 1,400,000 |
| 2nd stock option plan for Directors authorised on 6 May 2002 | 180,000 | 200,000 | 180,000 | 200,000 |
| | **105,672,569** | **117,413,966** | **102,727,769** | **114,141,966** |

With regard to the 1st and 2nd employee stock option plans, the residual 3,272,000 options authorised are analysed as follows: 332,000 granted, 2,940,000 not granted.
The description of, changes in and restrictions applying to the principal reserves are described below. The detailed analysis of these changes is presented in a separate schedule.

**Reserves**

a. Share premium reserve: this reserve, 35.8 million Euro, has increased by 1.7 million Euro following the exercise of stock options.

b. Legal reserve: this reserve, 22.7 million Euro, reflects the allocation of 5% of the parent company's profit for each year. The increase was 2.7 million Euro. Moreover, the reserve has exceeded legally required threshold of one fifth of the share capital.

c. Translation reserve: this reserve amounts to 19.8 million Euro and reflects the exchange rate differences arising on the translation of foreign currency financial statements.

d. Other reserves, 258.5 million Euro. Other reserves include the extraordinary reserve, the reserve for capital grants, the derivatives measurement reserve, the stock options valuation reserve and other reserves. The extraordinary reserve has increased by 51.6 million Euro on allocation of the prior year's consolidated profit. The derivatives measurement reserve has decreased by 2.3 million Euro in relation to the measurement of derivative financial instruments deemed to represent cash flow hedges. The stock options valuation reserves has increased by 0.1 million Euro.

e. Retained earnings: these amount to 42.9 million Euro and have decreased by 39.7 million Euro on the payment of dividends and increased by 22.1 million Euro on allocation of the parent company's profit for 2006.

As indicated above with regard to the changes in reserves, the dividends paid in 2007 amounted to 39.7 million Euro (37.1 million Euro) representing 0.385 Euro per ordinary share and 0.403 Euro per savings share. Both payments were higher than those made in the prior year.
The Board meeting held on 20 March 2008 approved these consolidated financial statements and recommended that a dividend of 0,507 Euro per ordinary share and 0,529 Euro per savings share be declared at the shareholders' meeting. The size of the dividend per share was determined by assuming that all options exercisable by the date of the shareholders' meeting will be exercised, and includes the portion relating to treasury shares, 0,049 Euro per share, determined with reference to the number of such shares held at the time of the Board meeting.

The following table shows the calculation of the basic earnings per share (Basic EPS) and the diluted earnings per share (Diluted EPS) reported in the consolidated income statement.

| Basic EPS | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Basic attributable earnings (million Euro) | 105.4 | 76.4 |
| Unit earnings attributed to savings shares (Euro) | 1.028 | 0.784 |
| Number of savings shares (thousand) | 511.3 | 511.3 |
| Earnings attributed to savings shares (million Euro) | (0.53) | (0.40) |
| **Basic attributable earnings (million Euro)** | **104.9** | **76.0** |
| Basic average number of ordinary shares (thousand) | 102,520.4 | 102,251.8 |
| **Basic EPS (Euro)** | **1.02** | **0.74** |

| Diluted EPS | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Basic attributable earnings (million Euro) | 104.9 | 76.0 |
| Basic average number of ordinary shares (thousand) | 102,520.4 | 102,251.8 |
| Average number of shares granted to Directors without payment (thousand) | - | 85.8 |
| Average number of shares granted to employees without payment (thousand) | 150.7 | 142.0 |
| Total | 102,671.1 | 102,479.6 |
| **Diluted EPS (Euro)** | **1.02** | **0.74** |

## 8.22 Minority interests

Minority interests have decreased by 4.8 million Euro following the purchase by Indesit Company SpA of additional shares in Aermarche SpA and Argentron SA. Further information on these transactions is provided in note 10.4.

Minority interests are analysed in the following table.

| (million Euro) | 31/12/2007 | | 31/12/2006 | |
|---|---|---|---|---|
| | Equity | Results for the year | Equity | Results for the year |
| Wuxi Indesit Home Appliances Co. Ltd | 2.0 | (0.2) | 2.8 | (0.5) |
| Fabrica Portugal SA | (0.2) | - | (0.2) | - |
| Argentron SA | - | - | 1.8 | 0.9 |
| Aermarche SpA | - | - | 2.3 | - |
| **Total** | **1.8** | **(0.2)** | **6.6** | **0.3** |

## 8.23 Net financial position

The net financial position and net borrowing of the Group are analysed below. Non-current financial assets have been included in the calculation of net borrowing in order to represent fairly the Group's overall exposure, considering that the principal component of non-current financial assets consists of time deposits for loans obtained.

| | Note | 31/12/2007 | 31/12/2006 |
|---|---|---|---|
| Current financial assets | 8.23.1 | 56.5 | 11.1 |
| Cash and cash equivalents | 8.23.2 | 186.5 | 184.5 |
| Banks and other financial payables | 8.23.3 | (276.2) | (295.7) |
| **Net financial position - short term** | | **(33.1)** | **(100.1)** |
| Medium/long-term financial payables | 8.23.5 | (309.2) | (402.7) |
| **Net financial position[1]** | | **(342.4)** | **(502.8)** |
| Other non-current financial assets | 8.23.4 | 11.2 | 79.3 |
| **Net financial indebtedness** | | **(331.1)** | **(423.6)** |

1. As defined in CONSOB Communication DEM/6064293 dated 28/07/2006, applying the CESR recommendations dated 10/02/2005.

### 8.23.1 Current financial assets

The increase in current financial assets reflects inclusion of the term deposit made to guarantee a bank syndicate in relation to the payment of the last tranche of the loan, 38.8 million Euro, to complete the purchase of GDAH. This reclassification has been made since the payment will be made during 2008; the amount was previously classified among the Non-current financial assets.

### 8.23.2 Cash and cash equivalents

Cash and cash equivalents include bank and postal deposits, as well as cheques and other cash on hand. The changes in liquidity during the year are analysed in the consolidated cash flow statement.

### 8.23.3 Banks and other financial payables

Banks and other financial payables mainly comprise amounts due within the current year.

This caption is analysed below.

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Short-term advances | 98.8 | 106.0 |
| Short-term advances against receivables | 89.9 | 91.3 |
| Other short-term bank borrowings | 2.0 | 11.4 |
| Liability from the measurement of derivative instruments | 6.2 | 8.2 |
| Current portion of bonds issued | 11.6 | 12.8 |
| Current portion of liability from the acquisition of GDAH | 36.5 | 41.4 |
| Current portion of MCC loan | 29.9 | 19.2 |
| Current portion of other medium/long-term loans | 1.5 | 5.4 |
| **Total** | **276.2** | **295.7** |

The amount due on the purchase of GDAH relates to the amount payable to General Electric, 36.5 million Euro, for sixth and final instalment to be paid in 2008.

The current portion of the bond solely comprises interest.

### 8.23.4 Other non-current financial assets

Other non-current financial assets are analysed as follows:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Term deposits | 5.1 | 72.1 |
| Asset from the measurement of derivative instruments | 6.1 | 7.0 |
| Other assets | - | 0.2 |
| **Total other non-current financial assets** | **11.2** | **79.3** |

In addition to the reclassification to Current financial assets of the term deposit made to guarantee the final payment on the purchase of GDAH, described in note 8.23.1, the reduction in restricted deposits was also due to a significant decrease in the deposits made to guarantee loans granted to a Group company.

Assets from the measurement of derivative instruments include the fair value adjustment of the non-current portion of derivative financial instruments, recorded in accordance with IAS 39. See note 9 for a more detailed analysis.

Other non-current financial assets are analysed by maturity in the following table.

| (million Euro) | Total long term | Due within 1 year | Due between 1 and 5 years | Due beyond 5 years |
|---|---|---|---|---|
| Term deposits | 5.1 | 5.1 | - | - |
| Asset from the measurement of derivative instruments | 6.1 | - | 6.1 | - |
| **Total other non-current financial assets** | **11.2** | **5.1** | **6.1** | **-** |

The deposit of 5.1 million Euro is classified as a non-current asset, even though it is recoverable within one year, since the Group may elect to renew it for an indefinite period.

### 8.23.5 Medium and long-term interest-bearing loans and borrowings

Medium and long-term interest-bearing loans and borrowings are analysed as follows:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Bonds | 227.0 | 243.4 |
| Due to banks | 41.2 | 93.9 |
| Due on the acquisition of GDAH | - | 38.3 |
| Other payables | 41.0 | 27.2 |
| **Total medium and long-term interest-bearing loans and borrowings** | **309.2** | **402.7** |

The bonds were subscribed for by institutional investors (US Private Placement) in September 2004. They are analysed in the following table.

| Description | Nominal value m$ | Nominal value m€ | Fair value m€ | Maturity | Rate | Type of hedge |
|---|---|---|---|---|---|---|
| Notes - Series A | 65.0 | | 43.1 | 17/09/2009 | Fixed | CCS |
| Notes - Series B | 70.0 | | 47.2 | 17/09/2011 | Fixed | CCS |
| Notes - Series C | 148.0 | | 101.7 | 17/09/2014 | Fixed | CCS |
| Notes - Series E | 25.0 | | 17.3 | 17/09/2016 | Fixed | CCS |
| **Total notes issued in Usd** | **308.0** | | **209.4** | | | |
| Notes - Series D | | 18.3 | 17.6 | 17/09/2014 | Fixed | IRS |
| **Total notes issued in Euro** | | **18.3** | **17.6** | | | |
| **Total fair value** | | | **227.0** | | | |

The interest and exchange rate risks relating to the above-mentioned US Private Placement have been hedged by a Cross Currency Swap which is described below in note 9 on Financial instruments.

The change in the fair value of the bonds, due to fluctuations in the exchange rate with the Dollar, should be considered together with the change in the fair value of the Cross Currency Swap, indicated further below.

The medium/long-term amounts due to banks mainly comprise Euro loans totalling 33.7 million Euro from MCC SpA to finance the factories in Russia and Poland, the final instalments on which fall due in 2013.

Other long-term financial payables are analysed as follows:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Lease payables | 1.3 | 1.7 |
| Liability from the measurement of derivatives | 38.8 | 23.9 |
| Other | 0.9 | 1.7 |
| **Total** | **41.0** | **27.2** |

The change in the liability arising from the measurement of derivatives mainly reflects the mark-to-market adjustment of the Cross Currency Swap arranged to hedge the bonds. This has moved from positive 11.5 million Euro to negative 21.9 million Euro, consistent with the change in the related underlying. Further information on this measurement is provided in note 9 Financial instruments and in the related detailed table.

The Group is obliged to comply with certain financial covenants in relation to the bonds, the loans from MCC SpA and the multicurrency syndicated line of credit. The financial covenants applying at the balance sheet date are set out below:

| Covenant | Covenant limit |
|---|---|
| EBITDA / Net financial expenses | ≥ 3.5 |
| Net borrowing / EBITDA | ≤ 3.0 |
| Equity | ≥ 320 million Euro |

In addition to the financial covenants, the bond and the committed lines of credit require Indesit

Company SpA and, in certain cases, a number of Group companies to comply with other affermative and negative covenants that reflect market standards for transactions of a similar nature, amount, maturity and risk profile.
Failure to comply with these financial covenants would, following the elapse of a given period of time available to correct such non-compliance, give the counterparty a right to the early repayment of the related borrowings.

The above covenants are monitored constantly by the Group and, as of 31 December 2007, all the convenants have been respected.

The medium and long-term financial payables falling due between one and five years amount to 176.4 million Euro, while those falling due beyond five years total 132.8 million Euro; these maturities are analysed in the following table.

| (million Euro) | Medium/long-term financial liabilities | Maturity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Bonds | 227.0 | 52.1 | 8.5 | 49.2 | 5.8 | 5.6 | 94.0 | 0.7 | 11.1 |
| Due to banks | 41.2 | 19.1 | 7.9 | 7.9 | 5.1 | 1.2 | | | |
| Other medium/long financial payables | 41.0 | 9.5 | 1.0 | 9.6 | 0.6 | 0.5 | 16.8 | 0.2 | 2.8 |
| **Total** | **309.2** | **80.7** | **17.4** | **66.7** | **11.6** | **7.2** | **110.8** | **0.8** | **13.9** |

Further information on the multicurrency syndicated line of credit, unused as of 31 December 2007, is provided in note 9 on Financial instruments.

## 8.24 Employee benefits

Employee benefits reflects the liability in relation to defined benefit plans established for employees, such as the employee severance indemnities of Italian Group companies and the pension funds operated by Indesit Company UK Ltd, deferred bonus plans and other pension funds. The situation is analysed in the following table.

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Employee severance indemnities | 50.6 | 59.2 |
| UK pension plans | 28.7 | 35.2 |
| Deferred bonus plans | 2.3 | 2.6 |
| Pension funds in other nations | 2.2 | 1.7 |
| **Total** | **83.8** | **98.7** |

With regard to the severance indemnities (TFR) of Italian companies, Indesit Company has recognised the accounting effects of the curtailment envisaged in para. 109 of IAS 19. This follows the changes made to the related regulations by Law 296 dated 27 December 2006 (2007 Finance Law), and by the subsequent decrees and regulations issued in early 2007 as part of the overall reform of supplementary pensions. The above reform of supplementary pensions envisages the transfer of the TFR accrued by employees to open-ended or sector pension funds or, otherwise, to Istituto Nazionale di Previdenza Sociale (the national social security institution). This has effectively changed the nature of TFR from a defined-benefit plan to a defined-contribution plan. As a consequence of this curtailment, the actuarial profits and losses accumulated as of 31 December 2006, but not recognised due to application of the corridor method, have been recorded in the income statement, together with the effect of redetermining the liability accrued at that date. The overall positive effect of 4.8 million Euro has been classified as non-recurring income.

The UK pension plans comprise two defined benefit plans, subscriptions to which were closed in 2006. A defined contribution plan has been started for new members.

The deferred bonus plans relate to Indesit Company UK Ltd and represent the liability for the retirement awards that will be incurred when employees reach a pre-determined length of service with the company. The pension funds in other nations relate to the companies operating in France and the Netherlands.

The following schedule reconciles the assets and liabilities recorded in the balance sheet and the charges made to the income statement, and presents the principal actuarial assumptions concerning the employee severance indemnities and the UK pension plans.

| (million Euro) | Employee severance indemnities | | UK pension plans | |
|---|---|---|---|---|
| | 31/12/2007 | 31/12/2006 | 31/12/2007 | 31/12/2006 |
| Present value of the defined benefit obligation (start of year) | 55.1 | 61.5 | 387.6 | 332.6 |
| Provision for benefits earned during the year | 0.9 | 5.4 | 8.7 | 7.5 |
| Financial charges | 2.4 | 2.4 | 19.0 | 15.8 |
| Contributions from plan participants | - | - | 4.5 | 5.4 |
| Actuarial (gains)/losses | - | (1.8) | (29.1) | 31.6 |
| Benefits paid by the plan/company | (7.0) | (12.4) | (10.5) | (11.8) |
| Curtailment of plan | (4.8) | - | (0.6) | - |
| Changes in exchange rates | - | - | (32.5) | 6.5 |
| **Present value of the defined benefit obligation (end of year)** | **46.5** | **55.1** | **347.2** | **387.6** |
| | | | | |
| Fair value of plan assets (start of year) | - | - | 347.2 | 292.5 |
| Expected yield from plan assets | - | - | 24.2 | 20.9 |
| Actuarial (gains)/losses | - | - | 2.1 | 25.6 |
| Employer's contributions | - | - | 7.1 | 8.9 |
| Employees' contributions | - | - | 4.5 | 5.4 |
| Benefits paid | 7.0 | 12.4 | (10.5) | (11.8) |
| Expenses | (7.0) | (12.4) | - | - |
| Change in exchange rates | - | - | (30.1) | 5.8 |
| **Fair value of plan assets (end of year)** | **-** | **-** | **344.4** | **347.2** |
| | | | | |
| Present value of defined benefit obligation under unfunded plans | - | - | 347.2 | 387.6 |
| Fair value of plan assets | - | - | (344.4) | (346.8) |
| **Deficit (surplus) of funded plans** | **-** | **-** | **2.8** | **40.9** |
| | | | | |
| Present value of defined benefit obligation under unfunded plans | 46.5 | 55.1 | - | - |
| Actuarial (gains)/losses not recognised | 4.1 | 4.1 | 25.9 | (5.6) |
| Pension (cost) of unrecognised prior service | - | | - | - |
| Unrecorded assets (limit described in para. 58b, IAS 19) | - | - | - | - |
| **Recorded net liability/(asset)** | **50.6** | **59.2** | **28.7** | **35.2** |
| | | | | |
| Pension cost of work performed during the year | 0.9 | 5.4 | 8.7 | 7.5 |
| **Total operating costs** | **0.9** | **5.4** | **8.7** | **7.5** |
| | | | | |
| Interest expense | 2.4 | 2.4 | 19.0 | 15.8 |
| Expected yield from plan assets | - | - | (24.2) | (20.9) |
| **Total financial charges** | **2.4** | **2.4** | **(5.1)** | **(5.2)** |
| | | | | |
| Profit/Loss of curtailment | (4.8) | - | (0.6) | - |
| **Total charge to the income statement** | **(1.6)** | **7.8** | **3.0** | **2.4** |
| | | | | |
| Assumptions used to determine defined benefit obligations | | | | |
| Discount rate | 5.50% | 4.50% | 5.65% | 4.98% |
| Rate of pay rises (range) | - | 2.00%-4.00% | 3.65% | 3.31% |
| Inflation rate | 2.00% | 2.00% | 3.15% | 2.77% |
| Assumptions used to determine pension cost | | | | |
| Discount rate | 4.50% | 4.00% | 5.00% | 4.73% |
| Expected yield from plan assets | - | - | 7.78% | 6.99% |
| Expected rate of pay rises (range) | 3.00% | 2.00%-4.00% | 3.30% | 3.02% |
| Inflation rate | 2.00% | 2.00% | 2.80% | 2.48% |

## 8.25 Provisions for risks and charges

The provisions for risks and charges cover estimated current and non-current liabilities the exact timing or extent of which cannot be determined. The content of this caption at the end of 2007 and 2006 and the changes during the year are analysed in the following tables.

| 2007 (million Euro) | Opening balance | Provisions | Utilisations | Closing balance | Current portion | Non-current portion |
|---|---|---|---|---|---|---|
| Provision for warranties | 56.1 | 16.8 | (11.3) | 61.6 | 21.7 | 39.9 |
| Provision for agents' termination indemnities | 1.4 | 0.2 | (0.3) | 1.3 | - | 1.3 |
| Provisions for restructuring | 2.3 | 0.1 | (1.0) | 1.4 | 1.4 | - |
| Provision for WEEE | 3.7 | 6.5 | - | 10.2 | - | 10.2 |
| Provision for onerous contracts | 4.3 | - | (0.8) | 3.5 | - | 3.5 |
| Provision for disputes | 10.8 | 8.4 | (5.2) | 14.0 | 1.9 | 12.2 |
| **Total** | **78.6** | **32.0** | **(18.6)** | **92.0** | **24.9** | **67.1** |

| 2006 (million Euro) | Opening balance | Provisions | Utilisations | Closing balance | Current portion | Non-current portion |
|---|---|---|---|---|---|---|
| Provision for warranties | 47.3 | 17.8 | (9.1) | 56.1 | 19.4 | 36.7 |
| Provision for agents' termination indemnities | 1.3 | 0.2 | (0.1) | 1.4 | - | 1.4 |
| Provisions for restructuring | 6.3 | 0.3 | (4.3) | 2.3 | 2.3 | - |
| Provision for WEEE | 0.8 | 2.8 | - | 3.7 | - | 3.7 |
| Provision for onerous contracts | 4.8 | - | (0.5) | 4.3 | - | 4.3 |
| Provision for disputes | 8.2 | 6.3 | (3.8) | 10.8 | 3.0 | 7.8 |
| **Total** | **68.8** | **27.5** | **(17.8)** | **78.6** | **24.7** | **53.9** |

The provision for product warranty represents the estimated costs to be incurred for work under warranty on products sold. The increase mainly reflects the rise in the volume of sales.

The provision for agents' termination indemnities represents the estimated liability for payments to agents should their mandates be terminated by Indesit Company SpA.

The provision for restructuring covers charges associated with the reorganisation plans being implemented by certain Group companies.

The provision for WEEE covers the charges deriving from application of the product disposal regulations, with sole reference to new waste, in those countries where local legislation adopting the EU Directive envisages the individual responsibility of manufacturers.

The provision for onerous contracts was recorded by Indesit Company UK Ltd, in relation to the discounted liability for instalments under an operating lease on a building that is no longer used.

The provision for disputes reflects the best possible estimate of the likely liability for disputes and contingencies based on the information available.

Except as described above, the estimates made in relation to outstanding liabilities have not changed at 31 December 2007 with respect to 31 December 2006.

### 8.26 Deferred tax liabilities

Deferred tax liabilities and the related changes during the year are analysed in the following table:

| (million Euro) | Opening balance 31/12/2006 | Credited/ charged to icome statement | Credited/ charged to equity | Exchange rate effect | Closing balance 31/12/2007 |
|---|---|---|---|---|---|
| Property, plant and equipment | 29.6 | (9.4) | - | (3.0) | 17.2 |
| Intangible assets | 55.9 | (3.5) | - | (4.5) | 47.9 |
| Inventories | (0.3) | 0.5 | - | (0.1) | 0.1 |
| Medium/long-term financial payables | 3.6 | 5.5 | - | - | 9.1 |
| Employee benefits | 2.6 | 0.7 | - | - | 3.3 |
| Government grants | 0.2 | (0.3) | - | 0.4 | 0.2 |
| Provisions for risks and charges | 0.1 | (0.1) | - | - | - |
| Other | 4.7 | 1.4 | - | (0.4) | 5.8 |
| Distributable retained earnings | 5.8 | 1.5 | - | - | 7.3 |
| **Total** | **102.1** | **(3.7)** | **-** | **(7.6)** | **90.9** |
| Amounts offset | (28.0) | (5.1) | - | 0.3 | (32.7) |
| **Total net** | **74.1** | **(8.8)** | **-** | **(7.3)** | **58.2** |

The amounts offset relate to the deferred tax liabilities that reduce deferred tax assets since they are due to the same tax authorities, are legally offsettable and relate to temporary differences that will reverse at the same time.

### 8.27 Other non-current liabilities

Other non-current liabilities solely relate to deferred government grants and other bodies. These grants are analysed by country below:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Italy | 9.1 | 11.1 |
| Poland | 31.8 | 12.2 |
| Other countries | 0.1 | 0.2 |
| **Other non-current liabilities** | **41.0** | **23.4** |

Deferred government grants from the State totalling 1.9 million Euro (4.2 million Euro) in Italy and 2.9 million Euro (2.9 million Euro) in Poland were credited to the income statement during the year.

The grants collected in Poland principally relate to tax credits for investment to build the factories in the Lodz and Radomsko special economic zones. Access to these grants is subject to certain restrictions that are currently respected. The accounting treatment of these tax credits has involved, in accordance with IAS 20, the recognition of non-current liabilities that will be released to the income statement to match the depreciation charged on the capital investment concerned.

### 8.28 Trade payables

Trade payables comprise all the amounts due for the purchase of goods and services from the Group's suppliers. Payables are stated at nominal value. All payables fall due within one year and, accordingly, no amounts have been discounted. The amounts due to suppliers reported among trade payables do not distinguish between the suppliers of raw materials and the suppliers of plant.

### 8.29 Tax payables

The amounts due to tax authorities comprise the liability for current taxes and other tax payables.

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Current taxes payable | 12.0 | 14.5 |
| Other taxes | 11.9 | 18.3 |
| **Total** | **23.9** | **32.9** |

The VAT payable, previously classified among Tax payables, is now included among Other payables; the 2006 comparative information has therefore been reclassified accordingly.

### 8.30 Other payables

Other payables are analysed as follows:

| (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Due to social security and pension institutions | 42.9 | 40.7 |
| Due to employees | 55.6 | 42.9 |
| VAT payable | 35.6 | 30.7 |
| Other payables | 7.2 | 12.4 |
| **Total** | **141.4** | **126.7** |

### 8.31 Share-based payments (stock options)

**Stock option plan for Group executives and managers**

The resolutions adopted at the extraordinary meetings held on 19 September 1998 and on 23 October 2001 authorised, pursuant to art. 2441.8 of the Italian Civil Code, two increases in share capital by up to 2,700,000 Euro each, via the issue of a total maximum of 6,000,000 ordinary shares, par value 0.90 Euro each, to service the stock option plan for the Group's executives and managers. The Board of Directors, in the person of the Chairman, determines the number of options to be granted each year and identifies - on the recommendation of the Chief Executive Officer - the beneficiaries of the options. The options granted on 24 July 2003 (last grant date) envisage a vesting period of three years for the first 50% and four years for the remaining 50%, while the options granted previously envisaged a vesting period of two years and three years respectively.

The options granted to the Chief Executive Officer, as an employee of Indesit Company SpA, under the stock option plan linked to the objectives established in the MTP (medium-term plan) for the period 2004-2006, have expired and the plan was revoked at the shareholders' meeting held on 3 May 2007.

**Stock option plan for directors with significant duties who are not employees**

The options granted to the Chairman under the stock option plan linked to the objectives established in the MTP (medium-term plan) for the period 2004-2006, approved at the shareholders' meeting held on 5 May 2004, have expired and the plan was revoked at the shareholders' meeting held on 3 May 2007.

No new plans were authorised during 2007 and no stock options were granted.

The parameters used to determine the fair value of stock options are set out in the following table.

| Parameters | |
|---|---|
| Strike price | 12.65 |
| Expected volatility | 31.39% |
| Grant date | 24/07/2003 |
| No. of options | 169,500 |
| Duration of options (years) | 3.50 |
| Expected dividends | 2.97% |
| Risk-free interest rate | 4.00% |
| Fair value of stock options (million Euro) | 0.1 |

The stock option plans are analysed in the following tables.

Table 1. Stock options granted to directors, statutory auditors, general managers and executives with strategic responsibilities as of 31/12/2007

| | | **Options held at start of year** | | | **Options granted during the year** | | |
|---|---|---|---|---|---|---|---|
| | **Position held** | **Number of options** | **Average exercise price** | **Average expiry** | **Number of options** | **Average exercise price** | **Average expiry** |
| Executives with strategic responsibility | | 97,500 | 8.877 | 2012 | - | - | - |
| | | **97,500** | | | | | |

Table 2. Stock option plan for Group executives and managers as of 31/12/2007

| | **2007** | | | **2006** | | | **2005** | | | **2004** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **No.** | **Average price** | **Market price** | **No.** | **Average price** | **Market price** | **No.** | **Average price** | **Market price** | **No.** | **Average price** | **Market price** |
| Options outstanding as of 1/1 | 561,750 | | 12.331 | 849,250 | | 8.787 | 1,036,250 | | 12.605 | 2,198,500 | | 14.858 |
| New options granted during the year | - | | | - | | | - | | 10.4558 | - | | 13.8343 |
| Details | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Options exercised during the year | 212,250 | | 14.524 | 222,500 | | 9.8601 | 152,000 | | 10.4558 | 987,250 | | 13.8343 |
| Details | 7,500 | 4.88 | | 175,000 | 4.8082 | | 28,750 | 4.8082 | | 145,000 | 4.6588 | |
| | 37,500 | 4.8082 | | 47,500 | 7.9258 | | 5,000 | 4.88 | | 152,250 | 4.488 | |
| | 89,250 | 7.9258 | | | | | 118,250 | 7.9258 | | 3,750 | 4.88 | |
| | 78,000 | 12.6479 | | | | | | | | 548,750 | 4.8082 | |
| | | | | | | | | | | 137,500 | 7.9258 | |
| Options expiring during the year | | | | | | | | | | | | |
| Options lapsing during the year | 17,500 | | 14.524 | 65,000 | 12.6479 | 9.8601 | 35,000 | | 10.4558 | 175,000 | | 13.8343 |
| Details | 5,000 | 7.9258 | | 65,000 | 12.6479 | | 5,000 | 7.9258 | | 2,500 | 4.488 | |
| | 12,500 | 12.6479 | | | | | 30,000 | 12.6479 | | 47,500 | 4.8282 | |
| | | | | | | | | | | 80,000 | 7.9258 | |
| | | | | | | | | | | 45,000 | 12.6479 | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Options outstanding at year end | 332,000 | | 10.578 | 561,750 | | 12.331 | 849,250 | | 8.787 | 1,036,250 | | 12.605 |
| inc. vested at year end | 332,000 | | | 426,750 | | | 519,250 | | | 495,000 | | |

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| | Options exercised during the year | | | Options expiring in the year | Options held at end of year | | |
|---|---|---|---|---|---|---|---|
| | Number of options | Average exercise price | Average market price on exercise | Number of options | Number of options | Average exercise price | Average expiry |
| | 35,000 | 6.865 | 16.294 | - | 62,500 | 10.004 | 2012 |
| | **35,000** | | | **-** | **62,500** | | |

| | 2003 | | | 2002 | | | 2001 | | | 2000 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | Average price | Market price | No. | Average price | Market price | No. | Average price | Market price | No. | Average price | Market price |
| | 2,460,250 | | 10.072 | 2,527,500 | | 5.824 | 1,372,500 | | 4.702 | 665,000 | 4.6588 | 4.138 |
| | 405,000 | 12.6479 | 12.1474 | 700,000 | 7.9258 | 9.5865 | 1,192,500 | 4.8082 | 4.7378 | 762,500 | | 4.8481 |
| | | | | | | | | | | 635,000 | 4.488 | |
| | | | | | | | | | | 127,500 | 4.88 | |
| | 466,750 | | 12.1474 | 682,250 | | 9.5865 | 5,000 | 4.6588 | 4.7378 | | | |
| | 40,000 | 4.6588 | | 420,000 | 4.6588 | | | | | | | |
| | 174,250 | 4.488 | | 38,750 | 4.88 | | | | | | | |
| | 42,500 | 4.88 | | 223,500 | 4.488 | | | | | | | |
| | 210,000 | 4.8082 | | | | | | | | | | |
| | | | | - | | | - | | | | | |
| | 200,000 | | 12.1474 | 85,000 | | 9.5865 | 32,500 | | 4.7378 | 55,000 | | 4.8481 |
| | 5,000 | 4.6588 | | 25,000 | 4.488 | | 12,500 | 4.6588 | | 37,500 | 4.6588 | |
| | 10,000 | 4.488 | | 10,000 | 4.88 | | 15,000 | 4.488 | | 12,500 | 4.488 | |
| | 5,000 | 4.88 | | 50,000 | 4.8082 | | 5,000 | 4.88 | | 5,000 | 4.88 | |
| | 60,000 | 4.8082 | | | | | | | | | | |
| | 115,000 | 7.9258 | | | | | | | | | | |
| | 5,000 | 12.6479 | | | | | | | | | | |
| | 2,198,500 | | 14.858 | 2,460,250 | | 10.072 | 2,527,500 | | 5.824 | | | 4.702 |
| | 607,250 | | | 242,750 | | | 332,500 | 4.6588 | | 1,372,500 | | |

## Cash flow statement

### 8.32 Total profit, Income taxes, Depreciation and amortization, Income taxes paid

Total profit, income taxes and depreciation, all non-monetary items, are reported directly on the face of the consolidated income statement, to which reference is made.
The provision for income taxes totalled 61.2 million Euro, while tax payments during 2007 amounted to 58.8 million Euro. These payments comprised the residual amount due for the prior year, together with tax advances determined with reference to current tax regulations in the various countries in which the Group operates.

### 8.33 Other non-monetary income and expenses, net

The other non-monetary income and expenses, net, comprise all non-monetary items recorded in the income statement, except for income taxes, depreciation and the accruals deducted directly from asset accounts (allowance for doubtful accounts and provisions for obsolescence). Accordingly, they include provisions for warranties, provisions for risks and charges, disposal gains and losses, unrealised exchange fluctuations, and accrued interest income and expense. Interest collected is reported separately from interest paid.

### 8.34 Change in trade receivables, inventories, trade payables

This caption reports the cash used or generated by the changes in net working capital, which comprises trade receivables, inventories and trade payables. The changes in trade payables relate solely to the supply of raw materials, goods and services, and exclude the changes in amounts due to suppliers of assets, which are reported in the section of the cash flow statement that reports the cash flows generated (absorbed) by investing activities.

### 8.35 Change in other assets and liabilities

This caption reports the change in all other current and non-current assets and liabilities, net of the effect on them of provisions for non-monetary charges and income. This represents the changes in the related balances with a direct effect on the absorption or generation of cash.

### 8.36 Payments for additions to property, plant and equipment and proceeds from their disposal

The cash flow from additions to property, plant and equipment reflects investment in the replacement of plant and in new plant, mainly by the companies operating in Italy, Poland and the CIS. In this context, there were also changes in payables, receivables and advances to suppliers of property, plant and equipment. The increase in disposal proceeds derives from the sale of non-strategic fixed assets.

### 8.37 Acquisition of intangible assets and proceeds from the disposal of intangible assets

The cash flow from investment in intangible assets relates to the purchase of licences and software, and the capitalisation of development costs which are analysed in note 8.13. The cash flows from use in investing activities include the amounts capitalised since these involve payments for the related internal costs incurred (mainly payroll). These payments essentially reflect the costs capitalised during the year.
The proceeds mainly derive from the sale of rights to use land in the Lodz area of Poland.

### 8.38 Proceeds from the sale of non-current financial assets and investment in financial and other fixed assets

Proceeds from the disposal of financial assets mainly derive from the sale by Indesit Company of its 30% interests in Haier Indesit (QuigDao) Electrical Appliance Co. Ltd and Haier Indesit (QuigDao) Washing Machines Co. Ltd.
The acquisition of financial assets and other investments essentially comprise the purchase from minority shareholders of their residual interests in Aermarche SpA and Argentron SA.

### 8.39 Proceeds from share capital increases and dividends paid

The increase in the share capital of Indesit Company SpA relates to the issue of new shares to service the exercise of stock options by the Group's executives and managers. The dividend payment made in 2007, 39.7 million Euro, was authorised with reference to the separate financial statements of the parent company as of 31 December 2006. These changes are analysed in note 8.21.

### 8.40 New medium/long-term financial payables

No new medium/long-term financial payables were arranged during 2007.
The medium/long-term financial payables arranged in 2006 related to a loan received from the Ministry of Industry.

### 8.41 Repayment of borrowing for acquisition of GDAH

This amount relates to the payment for a further 8% of the share capital of General Domestic Appliances Holdings Ltd (GDAH), involving the payment of 40.1 million Euro. Following the exercise of this option by General Electric, Indesit Company now owns 92% of this UK company, which is consolidated as a wholly-owned subsidiary in accordance with IFRS 3.

### 8.42 Change in current financial payables

The change in current financial payables includes the change in short-term financial payables since this represents a technical form of short-term borrowing.

# 9. Financial instruments

## Risk management policies

The Group is exposed to the following principal financial risks deriving from operations:
- liquidity risk;
- market risk (exchange rate risk, interest rate risk, commodity price risk);
- credit risk.

As required by IFRS 7, the following qualitative and quantitative information is provided about the impact of these risks on the Group. The quantitative data deriving from the sensitivity analysis has no value for forecasting purposes and, with regard to the various market risks, cannot reflect the complexity of the market reactions correlated with each change in the assumptions made.

### Liquidity risk

The Group defines liquidity risk as the risk that a Group company or the Group as a whole may be unable to meet its obligations on a timely basis. This risk has two main components:
- Funding Risk: the risk of not being able to meet financial obligations on the due dates and/or being unable, on a timely basis, to obtain the necessary liquidity on market terms, and
- Market Risk: the risk that a Group company or the Group as a whole is unable to realise financial investments on a timely basis and on market terms.

The management of liquidity risk is governed by the Group Treasury Policy approved by the Board of Directors.
The Central Treasury Department is responsible for the management of liquidity risk.
Liquidity risk is contained by:
- maintaining a balanced capital structure;
- diversifying the various sources of finance;
- spreading the maturities of financial payables over an extended time horizon;
- maintaining unused committed lines of credit;
- establishing limits for maturities and credit counterparts in the management of liquidity.

As of 31 December 2007, the Group has an unused multicurrency line of credit, arranged with a syndicate of leading domestic and international banks, for a maximum of 350 million Euro, together with current account and short-term deposits totalling 186.5 million Euro (184.5 million Euro).
The Group believes that the lines of credit and loans available as of 31 December 2007 are sufficient to cover the requirements arising from operations, capital expenditure and the repayment of borrowing upon maturity.

The following table analyses financial liabilities and trade payables by maturity.

| Financial liabilities (million Euro) | Carrying amount 31/12/2007 | Con-tractual financial flows | within 1 month | between 1 and 3 months | between 3 and 12 months | between 1 and 5 years | beyond 5 years |
|---|---|---|---|---|---|---|---|
| Trade payables | (854.5) | (854.5) | (245.2) | (341.0) | (268.3) | - | - |
| Loan banks | (71.1) | (78.0) | - | - | (38.3) | (38.5) | (1.2) |
| Bonds | (238.6) | (301.9) | - | (6.6) | (6.6) | (134.6) | (154.2) |
| Due to banks | (190.7) | (190.8) | (152.6) | (35.6) | (2.6) | - | - |
| Liabilities for finance lease | (1.7) | (1.9) | - | - | (0.5) | (1.4) | - |
| Other payables | (38.5) | (40.9) | (0.2) | (0.2) | (38.9) | (1.1) | (0.6) |
| **Total** | **(1,395.0)** | **(1,468.1)** | **(398.0)** | **(383.3)** | **(355.1)** | **(175.5)** | **(156.1)** |

| Derivative financial liabilities (million Euro) | | Carrying amount 31/12/2007 | Con-tractual financial flows | within 1 month | between 1 and 3 months | between 3 and 12 months | between 1 and 5 years | beyond 5 years |
|---|---|---|---|---|---|---|---|---|
| Cross currency swap on bonds | flows in | (40.7) | 276.8 | - | 6.1 | 6.1 | 130.7 | 134.0 |
| | flows out | | (330.8) | - | (7.1) | (7.1) | (154.1) | (162.6) |
| Forward on commodities | flows in | (2.2) | 24.4 | 2.1 | 4.8 | 17.5 | - | - |
| | flows out | | (26.5) | (2.5) | (5.1) | (18.8) | - | - |
| Forward contract on exchange rate | flows in | (2.0) | 157.5 | 157.5 | - | - | - | - |
| | flows out | | (159.5) | (159.5) | - | - | - | - |
| **Total** | | **(45.0)** | **(58.1)** | **(2.4)** | **(1.3)** | **(2.4)** | **(23.4)** | **(28.6)** |

| Financial liabilities (million Euro) | Carrying amount 31/12/2006 | Con-tractual financial flows | within 1 month | between 1 and 3 months | between 3 and 12 months | between 1 and 5 years | beyond 5 years |
|---|---|---|---|---|---|---|---|
| Trade payables | (886.1) | (886.1) | (248.1) | (345.6) | (292.4) | - | - |
| Loan banks | (113.1) | (122.5) | - | - | (50.4) | (65.5) | (6.6) |
| Bonds | (256.2) | (349.0) | - | (7.3) | (7.2) | (155.5) | (179.0) |
| Due to banks | (208.7) | (208.6) | (170.2) | (38.5) | - | - | - |
| Liabilities for finance lease | (2.1) | (2.3) | - | - | (0.5) | (1.9) | - |
| Other payables | (86.2) | (91.8) | 0.1 | (0.2) | (46.4) | (44.6) | (0.8) |
| **Total** | **(1,552.4)** | **(1,660.4)** | **(418.1)** | **(391.5)** | **(396.9)** | **(267.5)** | **(186.4)** |

| Derivative financial liabilities (million Euro) | | Carrying amount 31/12/2006 | Con-tractual financial flows | within 1 month | between 1 and 3 months | between 3 and 12 months | between 1 and 5 years | beyond 5 years |
|---|---|---|---|---|---|---|---|---|
| Cross currency swap on bonds | flows in | (23.7) | 322.9 | - | 6.8 | 6.7 | 151.7 | 157.7 |
| | flows out | | (336.2) | - | (5.5) | (6.1) | (156.7) | (167.9) |
| Interest rate swap | net flows | (0.3) | (0.3) | - | - | (0.2) | (0.1) | - |
| Basis swap | flows in | (0.7) | 2.6 | - | 0.4 | 1.3 | 0.9 | - |
| | flows out | | (3.3) | - | (0.6) | (1.7) | (1.0) | - |
| Options | flows in | (6.8) | 42.9 | - | - | 42.9 | - | - |
| | flows out | | (49.9) | - | - | (49.9) | - | - |
| Forward on commodities | flows in | - | 16.7 | 1.3 | - | 15.4 | - | - |
| | flows out | - | (16.6) | (1.3) | - | (15.3) | - | - |
| Forward contract on exchange rate | flows in | (0.6) | 97.7 | 31.4 | 66.4 | - | - | - |
| | flows out | | (98.7) | (31.7) | (67.0) | - | - | - |
| **Total** | | **(32.1)** | **(22.2)** | **(0.4)** | **0.4** | **(6.9)** | **(5.2)** | **(10.2)** |

## Market risks

IFRS 7 identifies three types of market risk: exchange rate risk, interest rate risk and commodity price risk.

## Exchange rate risk

Exchange rate risk relates to the adverse effects of changes in the exchange rates for foreign currencies on the financial position and results of the Group.
In particular, the Group identifies three types of exchange rate risk:

- economic risk: includes all the effects that a change in market rates might have on the current and future profitability of the company and which, therefore, might influence strategic decisions (about products, markets and investment) and the ability of the Group to compete in the medium term;
- transaction risk: the possibility that exchange rate fluctuations between the date when a financial commitment becomes highly probable or certain and the related transaction settlement date will give rise to a negative difference between the expected and actual cash flows;
- translation risk: relates to the exchange rate differences that may derive from changes in the carrying amount of the equity, including the profit/(loss) for the year, of foreign subsidiaries with non-Euro functional currencies. Such changes are not an immediate cause of differences between expected and actual cash flows, but have an accounting effect on the consolidated financial statements.

The exchange rates used to translate foreign currency amounts and financial statements captions are set out in the following table.

| Year 2007 | | | Year 2006 | | |
|---|---|---|---|---|---|
| Currency | Average exchange rate | Closing exchange rate | Currency | Average exchange rate | Closing exchange rate |
| Try | 1.778 | 1.717 | Try | 1.837 | 1.864 |
| Gbp | 0.685 | 0.733 | Gbp | 0.681 | 0.672 |
| Usd | 1.371 | 1.472 | Usd | 1.256 | 1.317 |
| Ars | 4.276 | 4.637 | Ars | 3.883 | 4.045 |
| Pln | 3.777 | 3.594 | Pln | 3.899 | 3.831 |
| Huf | 251.301 | 253.730 | Huf | 265.393 | 251.770 |
| Rub | 35.108 | 35.933 | Rub | 34.129 | 34.697 |
| Cny | 10.419 | 10.752 | Cny | 10.008 | 10.279 |
| Czk | 27.638 | 26.628 | Czk | 28.321 | 27.485 |
| Chf | 1.643 | 1.655 | Chf | 1.573 | 1.607 |

The management of exchange rate risk is governed by the Group Treasury Policy approved by the Board of Directors.
The Central Treasury Department is responsible for the management of this risk.
The Treasury Policy guidelines envisage:

- the hedging of transaction risk to a minimum extent of 40% of the net monetary exposure to functional currencies other that used by Group companies (i.e. the net asset-liability position in each currency);
- the hedging of economic risk in specific cases;
- no hedging of translation risk;
- a complete embargo on taking risk positions that are not closely related to the Group's operational activities.

Value at Risk (VaR) is the principal tool used to measure exchange rate risk.
The Group hedges transaction risk mainly by the use of forwards and currency options.
Appropriate segregation of duties ensures that foreign exchange transactions entered into by the Treasury Back Office, a department that is functionally and hierarchically separated from the Treas-

ury Front Office, are properly recorded for accounting purposes.

### Exchange rate risk: quantitative information

The principal currencies giving rise to exchange rate risk are: the British Pound, the Polish Zloty, the Russian Rouble and the Turkish Lira.
The total value of the commercial transactions exposed to this risk in 2007 represented between 15% and 20% of consolidated revenue (between 10% and 15% in 2006).
The following paragraphs discuss the effects on the fair value of the derivatives outstanding as of 31 December 2007, and on the net monetary position in unhedged currencies as of 31 December 2007, had the Euro appreciated/depreciated against the above currencies by the annual volatility percentages set out in the following table.

| Currency | Volatility |
|---|---|
| Eur Gbp | 5.830% |
| Eur Pln | 6.820% |
| Eur Rub | 3.770% |
| Eur Try | 17.280% |

Had the Euro appreciated against the above currencies, the effect on the fair value of the derivatives outstanding as of 31 December 2007 would have been positive by about 4.1 million Euro (positive by 4.7 million Euro), while the effect in the event of its depreciation would have been negative by about 4.7 million Euro (negative by 5.6 million Euro).
In the event of appreciation, the effect on the unhedged net monetary position as of 31 December 2007 would have been negative by about 0.2 million Euro (negative by 2.0 million Euro), while the effect in the event of depreciation would have been negative by about 0.2 million Euro (positive by 2.7 million Euro).
Again these effects have no value for forecasting purposes and, with regard to the various market risks, cannot reflect the complexity of the market reactions related to each change in the assumptions made.

The exchange rate changes have a balance sheet effect when applied to cash flow hedges and an income statement effect when applied to financial instruments measured at fair value.

### Commodity price risk

The Group is subject to the risk that fluctuations in the prices for the commodities used in the production process might have an adverse effect on the results for the year.
Commodity price risk is mainly managed by the Supply Chain Department, which regularly assesses exposure to the risk of changes in commodity prices and manages such risk in accordance with the Group's procurement policies.
The Treasury only takes action in this regard on a residual basis, and to the extent allowed by the Treasury Policy approved by the Board of Directors. This policy authorises the use of derivatives solely to hedge exposures not covered by the supply contracts and solely in accordance with established rules, such as the requirement for close correlation between the hedging instrument and the hedged commodity, and reference to the restricted list of commodities for which recourse to derivatives is permitted.
The hedging of commodity price risk falls within the scope of cash flow hedges attributable to highly probable forecast transactions.
Hedging via derivatives generally involves the use of forwards and currency options, as described further in the section on "Outstanding transactions".
Appropriate segregation of duties ensures that commodity derivative transactions entered into by the Treasury Back Office, a department that is functionally and hierarchically separated from the Treasury Front Office, are properly recorded for accounting purposes.

**Price risk: quantitative information**

There was only one commodity price derivative of modest notional value outstanding at the end of 2007; accordingly, the effect of any changes in the prices of the hedged commodities would not be significant.

**Interest rate risk**

The Group defines interest rate risk as the risk that adverse movements in the interest rate curve (both changes in slope and parallel shifts) might have a negative effect on the cost of liabilities or the yield from financial assets and, in the final analysis, on the Group's net financing costs.

The guidelines for the management of interest rate risk are set out in the Group Treasury Policy approved by the Board of Directors. The Group's Centralised Treasury Department has operational responsibility for the management of interest rate risk. In particular, it is Group policy:

- to maintain net borrowing at floating rates;
- to limit the conversion from floating rate to fixed rate within the notional limits defined by the policy and, for maturities beyond 12 months, to special market circumstances that are also defined by the policy.

In addition, the policy also covers the types of hedging instrument that can be used (typically interest rate swaps, FRAs, cross currency swaps, options); recourse to structured derivatives is not envisaged.

The Group uses derivatives designated as fair value hedges mainly to manage the interest rate risk associated with fixed rate loans and debt and those designated as cash flow hedges to manage floating rate loans.

Appropriate segregation of duties ensures that interest rate derivative transactions entered into by the Treasury Back Office, a department that is functionally and hierarchically separated from the Treasury Front Office, are properly recorded for accounting purposes.

**Interest rate risk: quantitative information**

As of 31 December 2007, an upward shift in the interest rate curve by 50 basis points would have had an overall negative effect on the income statement of 1.8 million Euro (negative by 2.0 million Euro as of 31 December 2006) and a positive effect on equity of 0.8 million Euro (positive by 0.1 million Euro); an equivalent downward shift would have had an overall positive effect on the income statement of 1.8 million Euro (positive by 1.4 million Euro) and a negative effect on equity of 0.8 million Euro (negative by 0.1 million Euro). With regard to the hedging of fixed rate loans, the effects on the income statement would have been offset by changes of opposite sign in the fair value of the underlying.

The above overall effects are analysed below:

- an increase of 0.1 million Euro per annum (no effect as of 31 December 2006) in the cost of the Group's net floating rate borrowing in the event of a rate rise, and a decrease of 0.1 million Euro per annum (no effect) in the cost of the Group's net floating rate borrowing in the event of a rate reduction;
- a negative effect of 4.9 million Euro (negative by 6.4 million Euro) on the fair value of the derivatives hedging fixed rate loans in the event of a rate rise, and a positive effect of 5.0 million Euro (positive by 5.9 million Euro) on the fair value of the derivatives hedging fixed rate loans in the event of a rate reduction; these effects would have been essentially offset by changes of opposite sign in the fair value of the underlying;
- a positive effect of 3.2 million Euro (positive by 4.4 million Euro) on the fair value of the IRS float to fix contracts, not recognised for hedge accounting purposes, in the event of a rate rise, and a negative effect of 3.3 million Euro (negative by 4.5 million Euro) on the fair value of the IRS float to fix contracts, not recognised for hedge accounting purposes, in the event of a rate reduction;
- a positive effect on equity of 0.8 million Euro gross of tax effect (positive by 0.1 million Euro) from the IRS float-to-fix contracts recognised as hedges for certain short-term loans in the event of a rate rise, and a negative effect on equity of 0.8 million Euro gross of tax effect (negative by 0.1 million Euro) in the event of a rate reduction.

These effects have no value for forecasting purposes and, with regard to the various market risks,

cannot reflect the complexity of the market reactions correlated with each change in the assumptions made.
As of 31 December 2007, fixed rate financial instruments include the USPP bonds denominated in Euro (18.3 million Euro) and US Dollars (308.0 million Dollars).
As of 31 December 2007, floating rate financial instruments including liquid funds, loans and hedging and trading derivatives.

**Credit risk**
Credit risk represents the Group's exposure to potential losses deriving from the failure of counterparts to meet their obligations.

In particular, the Group is exposed to credit risk deriving from:
- transactions with financial counterparts;
- transactions with commercial counterparts.

**Financial counterpart credit risk**
The Group invests its liquidity and enters into currency contracts and/or other derivative transactions with various financial institutions.
The guidelines for the management of counterpart risk in relation to financial commitments of funds are set out in the Group Treasury Policy approved by the Board of Directors.
The Group's Centralised Treasury Department has operational responsibility for the management of this risk.
In particular, Group policy covers:
- the maximum level of counterpart risk that the Group can accept, based on the risk profile (rating) of each counterpart;
- the rules that specify how risk positions must be modified following a change in rating;
- the rules and limits that apply in the case of exposure to counterparts without a rating.

Transactions involving the employment of liquidity and the use of hedging instruments are arranged with leading domestic and international banks.

**Commercial counterpart credit risk**
The management of trade receivables, which represent the Group's principal credit risk exposure, is the responsibility of the individual market credit controllers, who evaluate counterparts and assign them credit limits.
The credit risk associated with doubtful accounts subject to legal action for recovery or other overdue accounts is monitored on a daily basis and reviewed centrally each month, based on reports prepared by each Group company.
Credit risk is measured on a specific basis by allocating a risk rating to each customer, based on an assessment of creditworthiness that distinguishes between the various types of customer.
The risk rating is assigned by the credit manager, on examination of the application for credit, following an assessment of creditworthiness that takes account of both subjective and objective information.
The objective elements considered include:
- analysis of financial statements;
- competitive positioning of the company;
- information about the potential customer obtained from databases.

The subjective elements considered include:
- acquired experience;
- network of relations;
- assessment of the customer's growth prospects.

The credit rating of counterparts is reviewed periodically.
The credit risk deriving from commercial transactions is mitigated by the use of various instruments,

such as letters of credit, insurance policies and so on.
As stated in note 8.18, Group policy is to write off any trade receivables that are overdue by more than 180 days, if they are not backed by insurance cover, bank guarantees or other forms of security.

### Credit risk: quantitative information

The Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets recorded in the balance sheet.
With regard to trade receivables only, 19% (19%) of the Group's total gross performing receivables as of 31 December 2007 were due from the top ten customers, all of which are major commercial chains.
As required by IFRS 7, the ageing of trade receivables past due not impaired, is presented below.

| Receivables past due not impaired (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| Within 1 month | 13.2 | 15.8 |
| Between 1 and 3 months | 10.9 | 8.9 |
| Between 3 and 6 months | 5.6 | 12.9 |
| Beyond | - | 4.3 |
| **Total** | **29.6** | **42.0** |

### Hedge accounting

The Group carries out prospective and retrospective tests of the effectiveness of derivatives recognised for hedge accounting purposes.
The prospective effectiveness of a hedge is checked by stress testing, which involves comparing the changes in its fair value with those of the underlying hedged assets or liabilities. In particular, two distinct changes (positive and negative) in the market curves are simulated.
The retrospective effectiveness of a hedge is checked, commencing from the date when the instrument was designated as a hedge, by comparing the cumulative changes in its fair value with those of the underlying hedged assets or liabilities.
Effectiveness is assured if the relation between the change in the fair value of the hedging instrument and the change in the fair value of the hedged instrument falls in the range between 80% and 125%.
During 2007, the Group has arranged both fair value hedges and cash flow hedges; Indesit Company uses the latter to hedge the exposure to cash flow fluctuations deriving from specific risks associated with an identified asset or liability, as well as from forecast transactions that are highly likely to take place.
The hedging of forecast transactions is based on budgets for the purchase of commodities; as required for IAS 39 purposes, these purchases are deemed to be highly probable.
The ineffective cash flow hedges identified in 2007 amounted to 1.1 million Euro (0.3 million Euro in 2006). With regard to the fair value hedges, the changes in the fair value of derivatives and the related underlyings are summarised in the table of transactions outstanding at year end.

### Fair Value

The fair value of financial instruments is determined by a function that is independent of the Treasury Back Office, which is the function responsible for negotiating them.

The Group uses the valuation techniques applied in established market practice when determining the fair value of financial instruments for which there is no active market. These techniques establish the value that these instruments would have had at the valuation date in an arms'-length transaction between knowledgeable and willing parties.

The valuation methodologies applied solely refer to market factors, ignoring any factors specific to the Group, in order to make a reasonable estimate for the market value of the financial instruments.

The following market factors considered when determining fair value are identified at the valuation date: the exchange rates for foreign currencies, the yield curve for government securities, the prices for goods and the extent of future changes in the price of the financial instrument i.e. its volatility.

Work to determine the fair value of financial instruments include the use of software adopted at an international level by numerous institutions.

The market value obtained by applying these valuation techniques is periodically compared with the mark-to-market values provided by banking counterparts.

### Financial assets and liabilities measured at amortised cost

The following are measured at amortised cost: trade receivables and payables, term deposits, bank borrowing, loans, bonds and certain other assets and liabilities (e.g. receivables sold without recourse and finance lease liabilities).

Pursuant to IFRS 7, the fair value of these captions is reassessed by calculating the present value of the contractually-expected cash flows, principal and interest, based on the yield curve for government securities at the valuation date. In particular, the fair value of medium/long-term financial liabilities is determined using the risk-free curve, as adjusted to take account of the Group's credit rating.

Although the US Private Placement bonds fall into the category of financial liabilities measured at amortised cost, they are actually recorded at fair value. This is determined with reference solely to the hedged risk factors, using the accounting rules applicable to fair value hedges. The interest rate and exchange rate risks associated with these bonds have in fact been hedged by the Group using the specific derivative instruments described in the note on financial instruments.

The carrying value of trade receivables and payables is a reasonable approximation of their fair value.

### Financial assets and liabilities measured at fair value

The financial instruments arranged for hedging and trading purposes (operational hedges) are measured at fair value.

The fair value of interest rate swaps, basis swaps, cross currency swaps and forward contracts is calculated using the market data available at the valuation date, discounting the estimated future contractual cash flows using the yield curves for government securities. Determination of the fair value of options also takes account of the volatility of the underlyings.

## Categories of financial asset/liability

The following tables present, for each of the categories identified in IAS 39, the carrying amount and corresponding fair value of the financial assets and liabilities recorded in the balance sheet.

Financial assets (million Euro)

| 31/12/2007 | Loans and receivables | Financial assets measured at fair value on profit and loss | | Financial assets available for sale | Financial assets held to maturity | Hedging instruments | Carrying amount Total | Fair value Total |
|---|---|---|---|---|---|---|---|---|
| | | Financial assets measured at fair value upon initial measurement | Financial assets held for trading | | | | | |
| Non-current financial assets | 5.1 | - | - | - | - | 6.1 | 11.2 | 11.2 |
| Trade receivables | 522.7 | - | - | - | - | - | 522.7 | 522.7 |
| Current financial assets | 48.9 | - | - | - | - | 7.7 | 56.5 | 56.5 |
| Cash and cash equivalents | 186.5 | - | - | - | - | - | 186.5 | 186.5 |

| 31/12/2006 | Loans and receivables | Financial assets measured at fair value on profit and loss | | Financial assets available for sale | Financial assets held to maturity | Hedging instruments | Carrying amount Total | Fair value Total |
|---|---|---|---|---|---|---|---|---|
| | | Financial assets measured at fair value upon initial measurement | Financial assets held for trading | | | | | |
| Non-current financial assets | 72.3 | - | - | - | - | 7.0 | 79.3 | 79.3 |
| Trade receivables | 573.2 | - | - | - | - | - | 573.2 | 573.2 |
| Current financial assets | 8.1 | - | - | - | - | 3.0 | 11.1 | 11.1 |
| Cash and cash equivalents | 184.5 | - | - | - | - | - | 184.5 | 184.5 |

Gravity modules Hotpoint-Ariston, Concept Area, Eurocucina 2008

| Financial liabilities (million Euro) 31/12/2007 | Financial liabilities measured at fair value on profit and loss | | Other financial liabilities measured at amortised cost | Hedging instruments | Carrying amount total | Fair value total |
|---|---|---|---|---|---|---|
| | Financial liabilities measured at fair value upon initial measurement | Financial liabilities held for trading | | | | |
| Medium/long-term financial liabilities | - | - | 270.4 | 38.8 | 309.2 | 309.2 |
| Trade payables | - | - | 854.5 | - | 854.5 | 854.5 |
| Loan Banks and other medium/long-term financial liabilities | - | - | 270.0 | 6.2 | 276.2 | 276.2 |

| 31/12/2006 | Financial liabilities measured at fair value on profit and loss | | Other financial liabilities measured at amortised cost | Hedging instruments | Carrying amount total | Fair value total |
|---|---|---|---|---|---|---|
| | Financial liabilities measured at fair value upon initial measurement | Financial liabilities held for trading | | | | |
| Medium/long-term financial liabilities | - | - | 378.8 | 23.9 | 402.7 | 402.7 |
| Trade payables | - | - | 886.1 | - | 886.1 | 886.1 |
| Loan Banks and other medium/long-term financial liabilities | - | - | 287.5 | 8.2 | 295.7 | 295.7 |

## Transactions outstanding at year end

The transactions outstanding at 31 December 2007 and their fair values are reported in the table on the following page, which also indicates the change in the value of the underlyings (where applicable). This is followed by detailed information on the individual transactions.
The currency options previously acquired to hedge the risk of exchange fluctuations against Sterling and the US Dollar were closed out during 2007.
The floating-to-fixed interest rate swaps on loans were arranged to hedge two loans with a residual nominal value of 19.4 million Euro.
The float-to-fix interest rate swaps on certain short-term loans were arranged to hedge the interest rate exposure of the funding. The notional value hedged totals 320.0 million Euro.
The forwards, designated as cash flow hedges, were arranged to hedge the exchange rate and price risks associated with highly probable, future purchases of commodities and semi-finished products. The forwards hedging exchange rate risk comprise forward buy Usd/sell Eur with a total nominal value of 41.2 million Dollars, forward buy Usd/sell Gbp with a total nominal value of 5.4 million Dollars, and forward buy Usd/sell Pln with a total nominal value of 14.3 million Dollars. The forwards hedging price risk are represented by the forward purchasing of copper at a predetermined price, totalling 2.5 million Dollars.
The cross currency swap was arranged to hedge the interest-rate and exchange-rate risks deriving from commitments in relation to the US Private Placement of bonds with a nominal value of 308.0 million Dollars. This transaction converted the fixed-rate US Dollar bonds into floating-rate Euro.
The interest rate swap on the bonds relates to the Euro tranche of the US Private Placement, 18.3 million Euro, and was arranged to hedge the interest rate risk which was swapped from fixed to floating at the time the loan was arranged.
The forward transactions were arranged to hedge the exchange-rate risk associated with the exposures to the following main currencies: Rouble, Florint, Zloty, Dollar and Sterling with a total notional value of 246 million Euro.
The Collar, represented by a purchased option Call Usd/Put Eur (totalling 57.1 million Dollars and 51.9 million Euro) and a sold option Call Eur/Put Usd (totalling 57.1 million Dollars and 49.9 million Euro),

previously arranged to hedge the exchange-rate risk on the amount due for the purchase of GDAH, was closed out during 2007.
The basis swap was arranged to hedge the interest-rate risk on the deposit of 57.1 million Dollars made to guarantee payment of the final instalment on the amount due for the purchase of GDAH, and effectively transforms a flow of interest in Dollars into a flow of interest in Euro.
The interest rate swaps on bonds with a nominal value of 274.8 million Euro, representing 100% of the US Private Placement, were arranged ahead of expected rate rises to transform the floating-rate exposure into a fixed rate for the period 2007-2011.

| Financial instruments | Nature of risk hedged | Fair value of derivatives as of 31/12/2007 | Fair value of derivatives as of 31/12/2006 | Change in fair value of derivatives as of 31/12/2007 vs. 31/12/2006 | Change in fair value of underlying as of 31/12/2007 vs. inception date |
|---|---|---|---|---|---|
| **Cash flow hedges** | | | | | |
| Currency options | Currency | - | - | - | n.a. |
| IRS on loans | Interest rate | - | (0.3) | 0.3 | n.a. |
| IRS on securitization | Interest rate | - | - | - | n.a. |
| Forward | Price | (1.9) | - | (1.9) | n.a. |
| **Total** | | **(1.9)** | **(0.3)** | **(1.6)** | n.a. |
| | | | | | |
| **Fair value hedges** | | | | | |
| CCS on bonds | Currency/ Interest rate | (40.7) | (21.9) | (18.8) | 35.5 |
| IRS on bonds | Interest rate | 0.1 | 0.7 | (0.6) | (0.2) |
| **Total** | | **(40.7)** | **(21.2)** | **(19.5)** | **35.3** |
| | | | | | |
| **Other hedges** | | | | | |
| Forward | Currency | 1.2 | (0.6) | 1.8 | n.a. |
| Collar on GDAH acquisition | Currency | - | (6.8) | 6.8 | n.a. |
| Basis Swap on GDAH acquisition | Interest rate | 0.1 | (0.7) | 0.8 | n.a. |
| IRS on bonds | Interest rate | 10.1 | 7.5 | 2.7 | n.a. |
| **Total** | | **11.4** | **(0.7)** | **12.1** | **n.a.** |
| **Grand total** | | **(31.1)** | **(22.2)** | **(9.0)** | **35.3** |

| | Change in fair value of underlying as of 31/12/2006 vs. inception date | Change in fair value of underlying as of 31/12/2007 vs. 31/12/2006 | Other non-current financial assets | Current financial assets | Medium/ long-term financial payables | Banks and other financial payables | Total |
|---|---|---|---|---|---|---|---|
| | n.a. | n.a. | - | - | - | - | - |
| | n.a. | n.a. | - | - | - | - | - |
| | n.a. | n.a. | - | - | - | - | - |
| | n.a. | n.a. | - | 0.2 | - | (2.0) | (1.9) |
| | **n.a.** | **n.a.** | **-** | **0.2** | **-** | **(2.1)** | **(1.9)** |
| | | | | | | | |
| | | | | | | | |
| | 18.4 | 17.1 | - | - | (38.7) | (2.0) | (40.7) |
| | (0.7) | 0.5 | 0.1 | - | - | - | 0.1 |
| | **17.7** | **17.6** | **0.1** | **-** | **(38.7)** | **(2.0)** | **(40.7)** |
| | | | | | | | |
| | | | | | | | |
| | n.a. | n.a. | - | 3.2 | - | (2.0) | 1.2 |
| | n.a. | n.a. | - | - | - | - | - |
| | n.a. | n.a. | - | 0.1 | - | - | 0.1 |
| | n.a. | n.a. | 6.0 | 4.1 | - | - | 10.1 |
| | **n.a.** | **n.a.** | **6.0** | **7.5** | **-** | **(2.0)** | **11.4** |
| | **17.7** | **17.6** | **6.1** | **7.6** | **(38.8)** | **(6.2)** | **(31.1)** |

# 10. Information required by IAS 24 on the remuneration of management and on related parties

## 10.1 Remuneration of management

In addition to the executive and non-executive directors and the statutory auditors, the managers with strategic responsibility for operations, planning and control include the Marketing Manager, the Administration, Finance and Control Manager, the Industrial Technical Manager and the Supply Chain Manager.
The gross remuneration of the above persons, comprising all forms of compensation (gross pay, bonuses, fringe benefits, etc.) and bonuses accrued and not paid, subordinated to long-term target achievement, is shown in the following table.

| Remuneration of management at 31/12/2007 (million Euro) | Short-term benefits | Long-term benefits | Stock options |
|---|---|---|---|
| Directors | 4.7 | 3.6 | - |
| Statutory Auditors | 0.1 | - | - |
| Executives | 3.6 | 1.8 | 0.1 |
| **Total** | **8.5** | **5.4** | **0.1** |

| Remuneration of management at 31/12/2006 (million Euro) | Short-term benefits | Long-term benefits | Stock options |
|---|---|---|---|
| Directors | 5.5 | - | 0.9 |
| Statutory Auditors | 0.1 | - | - |
| Executives | 3.9 | 2.0 | 0.1 |
| **Total** | **9.5** | **2.0** | **0.9** |


Indesit Prime line oven, Triennale di Milano, 2008

## 10.2 List of related parties

The companies deemed to be related parties (other than subsidiaries), as defined in IAS 24, with which commercial and financial transactions have been carried out, are listed below. All commercial and financial transactions with these entities were arranged on arms'-length terms and in the interest of the Group.

| List of related parties | Type of relationship |
|---|---|
| Adria Lab Srl | Associate |
| Educom | Other related |
| Faber Factor SpA | Other related - Controlled by Fineldo SpA, Group parent of Indesit Company |
| Fines | Other related - Related to a member of the Merloni family |
| Fineldo SpA | Group parent belonging to Vittorio Merloni |
| LTT Life Tool Technologies SpA | Other related - Related to a member of the Merloni family |
| Marcegaglia SpA | Other related - Related to a Director of the Group |
| Marcegaglia Building SpA | Other related - Related to a Director of the Group |
| M&B Marchi e Brevetti Srl | Associate |
| MCP eventi Srl | Other related - Related to a member of the Merloni family |
| Merloni Maria Paola | Other related - Member of the Merloni family |
| Merloni Progetti SpA | Other related - Controlled by Fineldo SpA, Group parent of Indesit Company |
| MPE SpA | Other related - Controlled by Fineldo SpA, Group parent of Indesit Company |
| M P & S Srl | Other related - Related to a member of the Merloni family |
| Mita Srl | Other related - Related to a member of the Vigilance Committee |
| MPE Energia Srl | Other related - Controlled by Fineldo SpA, Group parent of Indesit Company |
| Protecno SpA | Other related - Related to a member of the Merloni family |
| Tradeplace BV | Associate |
| Indesit Company UK Ltd Group Personal Pension Plan | Pension fund |
| Merloni Ireland Pension Plan | Pension fund |

In addition to the above companies, the following natural persons are also deemed to be related parties: members of the Board of Directors and the Board of Statutory Auditors, managers with strategic responsibility for management, planning and control activities, and the close family members of these parties, as defined in IAS 24.

**Nature of relations with the principal related parties and associates**

***Indesit Company UK Ltd Group Personal Pension Plan and Merloni Ireland Pension Plan***

Indesit Company UK Ltd and the employees concerned contribute to The Indesit Company UK Ltd Group Personal Pension Plan and the Merloni Ireland Pension Plan under the pension rules applicable in the UK. The unfunded liability of these pension plans is recorded in the employee benefits caption. Further information is provided in note 8.24.

*M&B Marchi e Brevetti*

M&B Marchi e Brevetti SpA, 50% held, owns the Ariston brand name which is licensed to Indesit Company until 2060 for a fee that covers the brand management costs incurred by this related party. This company was demerged in 2008, resulting in the formation of Indesit IP Srl, which is wholly owned by the Group. As described earlier, this operation has enabled the Group to obtain full ownership of the Ariston brand in the product sectors in which it operates.

***The Merloni Progetti group***

The Merloni Progetti group (and, in particular, Merloni Progetti SpA and Protecno SA) obtains contracts for the construction of plant and leases property to Indesit Company.

### 10.3 Schedules summarising the transactions with related parties

The following tables summarise the balances and transactions with the related parties identified above, distinguishing between the transactions with the parent company, associates and other related parties. Furthermore, in accordance with CONSOB Resolution no. 15519 dated 27 July 2006 and CONSOB Communication no. DEM/6064293 dated 28 July 2006, Attachments 3 and 4 present the consolidated income statement and balance sheet showing the transactions with related parties separately and indicating their percentage incidence with respect to each account caption.

There have not been any significant, atypical and/or unusual transactions with related parties (except those with regard to the pension funds described above).

| Table summarizing the transactions with related parties (million Euro) | 2007 | 2006 |
|---|---|---|
| **Revenue** | | |
| Other related | 0.3 | - |
| Associates | - | 0.6 |
| Parent Company | 0.3 | - |
| **Total** | **0.7** | **0.6** |
| | | |
| **Cost of sales** | | |
| Associates | - | (4.7) |
| Other related | (29.7) | (10.4) |
| **Total** | **(29.7)** | **(15.2)** |
| | | |
| **Selling and distribution expenses** | | |
| Other related | (1.3) | (2.1) |
| Associates | (0.5) | (0.1) |
| **Total** | **(1.9)** | **(2.2)** |
| | | |
| **General and administrative expenses** | | |
| Associates | (0.8) | (1.7) |
| Other related | (0.1) | 0.1 |
| Parent Company | (0.2) | 0.3 |
| **Total** | **(1.1)** | **(1.2)** |
| | | |
| **Net financial expenses** | | |
| Other related | - | - |
| Parent Company | - | (0.3) |
| **Total** | **-** | **(0.3)** |
| | | |
| **Profits and losses from associates** | | |
| Parent Company | - | (0.4) |
| **Total** | **-** | **(0.4)** |


Open Space Oven
Hotpoint-Ariston,
Triennale di Milano
2008

| Table summarizing the transactions with related parties (million Euro) | 31/12/2007 | 31/12/2006 |
|---|---|---|
| **Intangible assets with a definite life** | | |
| Associates | 0.3 | 1.5 |
| **Total** | **0.3** | **1.5** |
| | | |
| **Property, plant and equipment** | | |
| Other related | - | 0.6 |
| Associates | 0.5 | - |
| **Total** | **0.5** | **0.6** |
| | | |
| **Current financial assets** | | |
| Other related | 0.3 | - |
| Parent Company | 0.1 | - |
| Associates | 0.4 | 0.2 |
| **Total** | **0.8** | **0.2** |
| | | |
| **Trade receivables** | | |
| Other related | - | 0.8 |
| Parent Company | 0.3 | 0.2 |
| Associates | - | - |
| **Total** | **0.3** | **1.0** |
| | | |
| **Trade payables** | | |
| Other related | (0.9) | (3.0) |
| Parent Company | (10.6) | (1.5) |
| Associates | - | (0.2) |
| **Total** | **(11.5)** | **(4.7)** |
| | | |
| **Other payables** | | |
| Parent Company | (0.1) | (3.1) |
| Other related | (0.2) | - |
| **Total** | **(0.4)** | **(3.1)** |

## 10.4 Further information on corporate transactions with related parties

Further information is provided below on the transactions to rationalise the Group structure carried out with related parties, the economic and financial effects of which are shown in the table on the next page. The following transactions were supported by independent appraisals since they took place with related parties.

In February 2007, Indesit Company SpA acquired the residual minority interest in Aermarche SpA from Fines SpA for 2.2 million Euro, thus obtaining complete control over the company.

Attachment 1. List of companies consolidated on a line-by-line basis

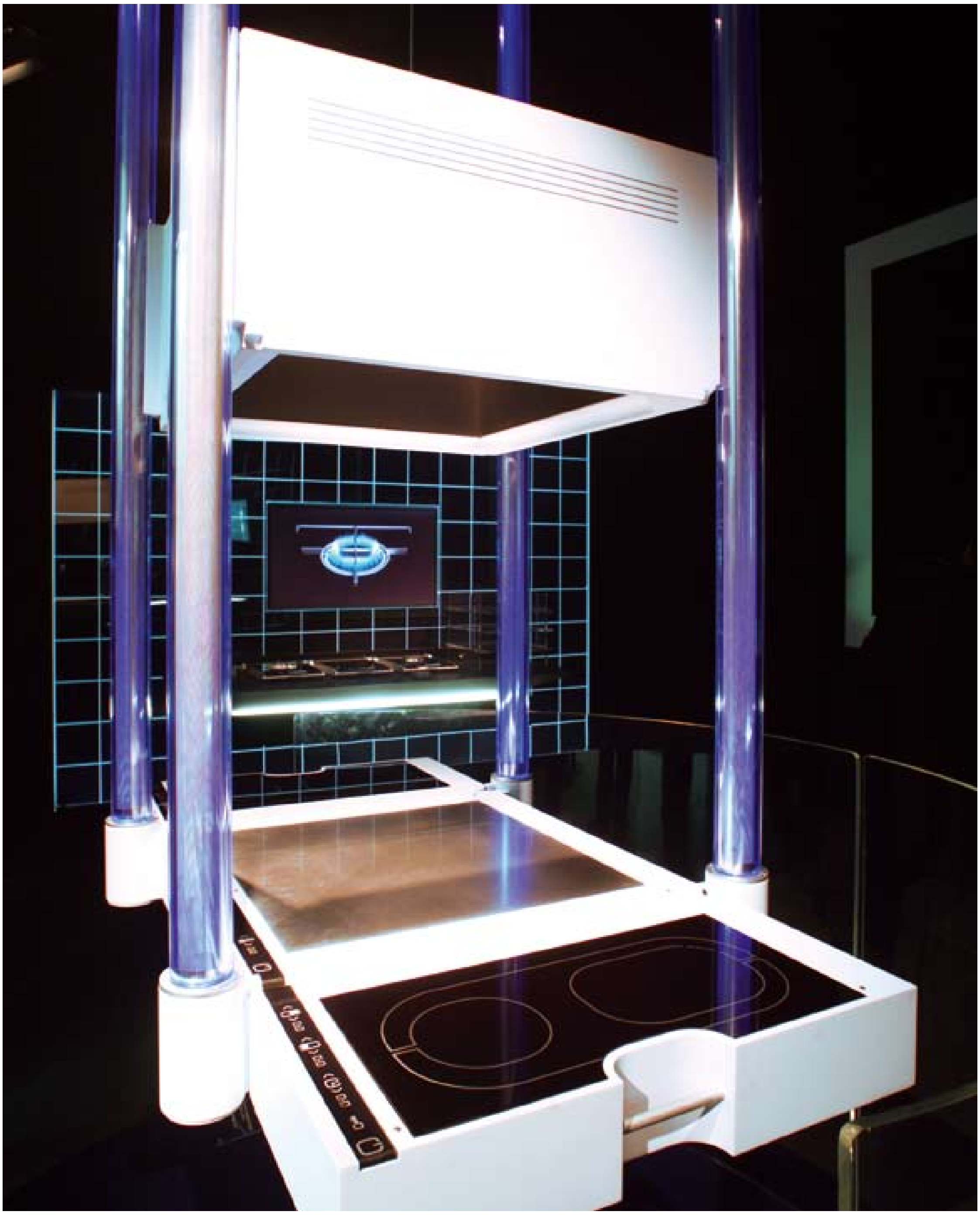
| Name | Location | Share capital | Group interest direct | Group interest indirect | Note |
|---|---|---|---|---|---|
| Indesit Company Luxembourg SA | Luxembourg | Eur 100,289,985 | 99.99 | - | |
| Indesit Electrodomésticos SA | Spain | Eur 3,500,000,00 | 78.95 | 21.05 | |
| Merloni Domestic Appliances Ltd | UK | Gbp 90,175,500 | 19.60 | 80.40 | |
| Indesit Company Portugal Electrodomésticos SA | Portugal | Eur 3,140,684 | - | 99.44 | |
| Indesit Company International BV | The Netherlands | Eur 272,270 | - | 100.00 | |
| Indesit Pts Ltd | UK | Gbp 1,000 | - | 100.00 | |
| Indesit Company France Sa | France | Eur 17,000,000 | - | 99.99 | |
| Fabrica Portugal SA | Portugal | Eur 11,250,000 | - | 96.40 | |
| Indesit Company Beyaz Esya Sanayi ve Ticaret AS | Turkey | Tul 12,300,000 | - | 100.00 | |
| Indesit Company Beyaz Esya Pazarlama AS | Turkey | Tul 69,744 | 100.00 | - | |
| Indesit Company Financial Services Luxembourg SA | Luxembourg | Eur 5,170,000 | 99.99 | 0.01 | |
| Indesit Company Deutschland GmbH | Germany | Eur 550,000 | - | 99.75 | |
| Indesit Company Ireland Reinsurance Ltd | Ireland | Usd 750,000 | - | 100.00 | |
| Closed Joint Stock Company Indesit International | Russia | Rub 1,664,165,000 | 100.00 | - | (1) |
| Indesit Company Polska Spzoo | Poland | Pln 540,876,500 | 100.00 | - | (1) |
| Argentron SA | Argentina | Ars 22,000,000 | - | 100.00 | (1) |
| Indesit Company Magyarország Kft | Hungary | Huf 2,116.390,034 | - | 100.00 | |
| Indesit Company Ceská Sro | Czech Republic | Czk 1,000,000 | 100.00 | - | |
| Indesit Company International Business SA | Switzerland | Chf 250,000 | - | 100.00 | |
| Indesit Company UK Finance Llp | UK | Eur 95,750,000 | 99.00 | 1.00 | |
| Indesit Company UK Holdings Ltd | UK | Eur 163,000,000 | - | 100.00 | |
| General Domestic Appliances Holdings Ltd | UK | Gbp 26,000,000 | - | 92.00 | (2) |
| Aermarche SpA | Italy | Eur 25,000,000 | 100.00 | - | |
| Airdum Ltd | UK | Gbp 15,000 | - | 92.00 | (2) |
| Cannon Industries Ltd | UK | Gbp 3,000.000 | - | 92.00 | (2) |
| Creda Domestic Appliances Service Ltd | UK | Gbp 1.000 | - | 92.00 | (2) |
| Creda Ltd | UK | Gbp 5,850,000 | - | 92.00 | (2) |
| Fixt Ltd | UK | Gbp 2 | - | 92.00 | (2) |
| General Domestic Appliances International Ltd | UK | Gbp 100,000 | - | 92.00 | (2) |
| Hotpoint Sales Ltd | UK | Gbp 775,000 | - | 92.00 | (2) |
| Hotpoint UK Ltd | UK | Gbp 50 | - | 92.00 | (2) |
| Jackson Appliances Ltd | UK | Gbp 750,000 | - | 92.00 | (2) |
| Indesit Company UK Ltd | UK | Gbp 76,195,645 | - | 92.00 | (2) |
| Xpelair Ltd | UK | Gbp 825.000 | - | 92.00 | (2) |
| Ariston Group Services Ltd | UK | Gbp 100 | - | 92.00 | (2) |
| RTC International Ltd | UK | Gbp 50.000 | - | 100.00 | |
| Wuxi Indesit Home Appliance Co. Ltd | China | Usd 13,600,000 | - | 70.00 | |
| Indesit Company South America SA | Luxembourg | Eur 800,000 | - | 100.00 | |
| Indesit Company Belgium SA | Belgium | Eur 150,000 | - | 100.00 | |

1. Includes the percentage held subject to a resale clause.

2. Companies consolidated 100% due to the Put and Call Agreement with the minority shareholders, whose residual interest is classified among the financial payables (see note 8.23.5).

Attachment 2. List of other investments in subsidiary and associated companies

| Name | Location | Share capital | Group interest | |
|---|---|---|---|---|
| | | | direct | indirect |
| Indesit Company Bulgaria Ltd | Bulgaria | Bgl 7,805.000 | 100.00 | - |
| Indesit Company Domestic Appliances Hellas Mepe | Greece | Eur 18,000 | - | 100.00 |
| Indesit Company Norge Ltd | Norway | Nok 100,000 | - | 100.00 |
| Indesit Company Österreich GmbH | Austria | Eur 11,250.000 | - | 100.00 |
| Indesit Company Singapore Pte. Ltd. | Singapore | Sgd 100,000 | - | 100.00 |
| M&B Marchi e Brevetti Srl | Italy | Eur 20,000 | 50.00 | - |
| Tradeplace BV | The Netherlands | Eur 30,000 | 20.00 | - |



Cooking Module
Kubik Scholtès,
Concept Area
Eurocucina 2008

| Attachment 3. Consolidated income statement for the year ended 31 December 2007, prepared in accordance with CONSOB Resolution no. 15519 dated 27 July 2006 and CONSOB Communication no. DEM/6064293 dated 28 July 2006 (milion Euro) | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Balances | of which non recurring | of which with related parties | Balances | of which non recurring | of which with related parties |
| Revenue | 3,437.8 | - | 0.7 | 3,248.6 | - | 0.6 |
| Cost of sales | (2,570.2) | (30.7) | (29.7) | (2,437.4) | (33.7) | (15.2) |
| Selling and distribution expenses | (547.3) | (2.9) | (1.9) | (512.1) | (2.0) | (2.2) |
| General and administrative expenses | (140.9) | (0.3) | (1.1) | (139.8) | - | (1.2) |
| Other income | 12.8 | 6.5 | - | 4.9 | - | - |
| Other expenses | - | | - | (4.0) | (3.3) | - |
| **Operating profit** | **192.2** | | | **160.2** | | |
| | | | | | | |
| Net financial expenses | (30.2) | - | - | (26.6) | - | (0.3) |
| Share of profit (losses) of associates | 4.3 | - | - | (2.0) | (0.4) | (0.4) |
| **Profit before tax** | **166.4** | | | **131.6** | | |
| | | | | | | |
| Income tax expenses[1] | (61.2) | 8.0 | n.a. | (54.9) | 12.3 | n.a. |
| | | | | | | |
| **Profit for the year** | **105.2** | | | **76.7** | | |

| Percentage weight over consolidated income Statements items | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Balances | of which non recurring | of which with related parties | Balances | of which non recurring | of which with related parties |
| Revenue | 100.0% | - | - | 100.0% | - | - |
| Cost of sales | 100.0% | 1.3% | 1.2% | 100.0% | 1.4% | 0.6% |
| Selling and distribution expenses | 100.0% | 0.5% | 0.3% | 100.0% | 0.4% | 0.4% |
| General and administrative expenses | 100.0% | 0.4% | 0.8% | 100.0% | - | 0.9% |
| Other income | 100.0% | 65.0% | - | 100.0% | - | - |
| Other expenses | 100.0% | - | - | 100.0% | 82.2% | - |
| **Operating profit** | **100.0%** | | | **100.0%** | | |
| | | | | | | |
| Net financial expenses | 100.0% | - | - | 100.0% | - | 1.0% |
| Share of profit (losses) of associates | - | | | 100.0% | 20.3% | 20.3% |
| **Profit before tax** | **100.0%** | | | **100.0%** | | |
| | | | | | | |
| Income tax expenses | 100.0% | (13.1%) | n.a. | 100.0% | (22.4%) | n.a. |
| | | | | | | |
| **Profit for the year** | **100.0%** | | | **100.0%** | | |

1. Tax effects calculated referring to tax rate of the countries in which the operations took place.

Attachment 4. Consolidated balance sheet as of 31 December 2007, prepared in accordance with CONSOB Resolution no. 15519 dated 27 July 2006 and CONSOB Communication no. DEM/6064293 dated 28 July 2006

| Million Euro and percentage weight over consolidated balance sheet items | 31/12/2007 Balances | 31/12/2007 of which with related parties | 31/12/2007 Weight % | 31/12/2006 Balances | 31/12/2006 of which with related parties | 31/12/2006 Weight % |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Property, plant and equipment | 763.0 | 0.3 | - | 751.2 | 1.5 | 0.2% |
| Goodwill and other intangible assets with an indefinite useful life | 297.5 | - | - | 325.5 | - | - |
| Other intangible assets with a finite life | 108.3 | 0.5 | 0.4% | 114.5 | 0.6 | 0.6% |
| Investments in associates | 0.5 | - | - | 12.5 | - | - |
| Other investments | 0.5 | - | - | 0.6 | - | - |
| Deferred tax assets | 37.8 | - | - | 47.8 | - | - |
| Other non-current financial assets | 11.2 | - | - | 79.3 | - | - |
| **Total non-current assets** | **1,218.9** | | | **1,331.4** | | |
| | | | | | | |
| Inventories | 334.2 | - | - | 353.4 | - | - |
| Trade receivables | 522.7 | 0.3 | 0.1% | 573.2 | 1.0 | 0.2% |
| Current financial assets | 56.5 | 0.8 | 1.4% | 11.1 | 0.2 | 1.4% |
| Tax receivables | 64.6 | - | - | 52.1 | - | - |
| Other receivables and current assets | 76.4 | - | - | 63.7 | - | - |
| Cash and cash equivalents | 186.5 | - | - | 184.5 | - | - |
| Assets held for sale | - | - | - | 1.8 | - | - |
| **Total current assets** | **1,240.9** | | | **1,239.8** | | |
| **Total assets** | **2,459.8** | | | **2,571.2** | | |
| | | | | | | |
| **Equity** | | | | | | |
| Share capital | 92.8 | - | - | 92.6 | - | - |
| Reserves | 340.8 | - | - | 316.2 | - | - |
| Retained earnings | 38.9 | - | - | 60.5 | - | - |
| Profit attributable to the Group | 105.4 | - | - | 76.4 | - | - |
| **Equity attributable to the Group** | **577.9** | **-** | **-** | **545.6** | **-** | **-** |
| Minority interests | 1.8 | - | - | 6.6 | - | - |
| **Total equity** | **579.6** | **-** | **-** | **552.2** | **-** | **-** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Medium and long-term interest-bearing loans and borrowings | 309.2 | - | - | 402.7 | - | - |
| Employee benefits | 83.8 | - | - | 98.7 | - | - |
| Provisions for risks and charges | 67.1 | - | - | 53.9 | - | - |
| Deferred tax liabilities | 58.2 | - | - | 74.1 | - | - |
| Other non-current liabilities | 41.0 | - | - | 23.4 | - | - |
| **Total non-current liabilities** | **559.4** | **-** | **-** | **652.8** | **-** | **-** |
| Banks and other financial payables | 276.2 | - | - | 295.7 | - | - |
| Provisions for risks and charges | 24.9 | - | - | 24.7 | - | - |
| Trade payables | 854.5 | 11.5 | 1.3% | 886.1 | 4.7 | 0.5% |
| Tax payables | 23.9 | - | - | 32.9 | - | - |
| Other payables | 141.4 | 0.4 | 0.3% | 126.7 | 3.1 | 3.3% |
| **Total current liabilities** | **1,320.8** | | | **1,366.1** | | |
| **Total liabilities** | **1,880.2** | | | **2,018.9** | | |
| | | | | | | |
| **Total equity and liabilities** | **2,459.8** | | | **2,571.2** | | |

Attachment 5. Summary of the fees charged by the auditing firm and members of its network for services provided to the Group during the year, prepared pursuant to art. 149-duodecies of Issuers' Regulation no. 11971 dated 14 May 1999 and subsequent amendments

| **Services** | **Service supplier** | **Addressee** | **Remuneration** (thousand Euro) |
|---|---|---|---|
| Audit | KPMG SpA | Head Group | 931 |
| | KPMG SpA[1] | Subsidiaries | 386 |
| | KPMG network | Subsidiaries | 666 |
| | | | |
| Tax consulting services | KPMG network | Subsidiaries | 21 |
| | | | |
| Other services | | | |
| - Agreed-upon procedures | KPMG SpA | Head Group | 55 |
| - Advisory services | KPMG network | Head Group | 330 |
| **Total** | | | **2,389** |

1. The audit has been carried out by KPMG SpA with the assistance of the KPMG network, present in the countries where subsidiaries work.

20 March 2008

for the Board of Directors

*The Chairman*
**Vittorio Merloni**

# Independent Auditors' Report

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(Translation from the Italian original which remains the definitive version)

## Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of
Indesit Company S.p.A.

1 We have audited the consolidated financial statements of the Indesit Company Group as at and for the year ended 31 December 2007, comprising the income statement, balance sheet, statement of changes in equity, cash flow statement and notes thereto. These financial statements are the responsibility of the parent'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 consolidated financial statements are free of material misstatement and are, as a whole, reliable. 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 directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 30 March 2007 for our opinion on the prior year consolidated financial statements, which included the prior year figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the Indesit Company Group as at and for the year ended 31 December 2007 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38 of 28 February 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of the Indesit Company Group as at 31 December 2007, the results of its operations, changes in its equity and its cash flows for the year then ended.

Ancona, 2 April 2008

KPMG S.p.A.

(Signed on the original)

Luca Ferranti
Director of Audit

# Certification of the manager charged with preparing the Company's financial reports

## Certification of the consolidated financial statements pursuant to article 81-ter of CONSOB Regulation no. 11971 of May 14, 1999 and subsequent integrations and updatings

The manager charged with preparing the Company's financial reports, Andrea Crenna, hereby certifies, having also taken into consideration the provision of article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of February 24 1998:

- the adequacy, with respect to the company structure, and
- the effective application,

of the administrative and accounting procedures for the preparation of the consolidated financial statements for the year 2007.

The manager also certifies that the consolidated financial statements as of Dece ber 31, 2007:

- correspond to the results documented in the books, accounting and other records;
- have been prepared in accordance with International Financial Reporting Standards adopted by the European Union, as well as with the provisions issued in implementation of article 9 of Italian Legislative Decree no. 38/2005;
- based on his knowledge, fairly and correctly present in the financial condition, results of operations and cash flows of the issuer and of the Group companies included in the scope of consolidation.

20 March 2008

The manager charged with preparing the Company's financial reports

Andrea Crenna

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20