Consolidated financial statements as of 31st December 2008

Indesit company

Report on Operations
and
Consolidated Financial Statements
as of 31 December 2008

Contents

INDESIT COMPANY S.p.A.
Registered Offices: Viale A. Merloni 47 - 60044 Fabriano
Secondary Offices: Via della Scrofa 64 – 00186 Rome
Share Capital: Euro 102,727,769.40 fully paid up
Tax Code/VAT No. 00693740425
Ancona Companies Register
No. 9677

Report on operations during the year ended 31 December 2008

Performance during the year

The international financial crisis struck hard in 2008, with a severe credit squeeze in all major markets that caused a generalised shortage of liquidity. This penalised demand and adversely affected industrial growth and investment. Cyclical sectors, including consumer durables and household appliances, were among the worst hit.
The spread of the financial crisis resulted in lower GDP, credit difficulties and a reduction in disposable household income in all markets where the Group is active.
These widespread economic difficulties were evidenced first in Western Europe, but then extended to every country in Eastern Europe as their impact deepened throughout the year.
Within the sector served by the Group, there was a significant and generalised reduction in the volume of household appliances purchased during the final months of 2008. The effect of poor demand in the UK and Russia was compounded by a major devaluation of their currencies. Indeed, the euro strengthened against many of the principal currencies during 2008: compared with 2007, the euro[1] rose by 16.4% against the British pound, 7.3% against the US dollar, 6.8% against the Turkish lira and 4.0% against the rouble, but fell by 7.1% against the zloty.
Retail prices did however increase in certain markets of Western Europe (especially the UK) and Eastern Europe (Russia).
Against this challenging background, Indesit has nevertheless continued to strengthen its competitive position, with a 0.1% increase in market share in volume terms over the year, to 14.8% at the end of December.
In addition, for the second consecutive year, the Group achieved an increase in average unit prices (+1.8%) which partially offset the lower volume of sales (-5.8%) caused by the general slowdown in demand. The decline in the volume of sales was less marked in the *freestanding* channel (which, in volume terms, contributes about 75% of the Group's sales of finished products) than in the *built in* channel.
In addition to the volume and price/mix effects already mentioned, annual revenue of 3,154.9 million euro was also lower by about 143.5 million euro due to unfavourable exchange rate movements. The amounts mentioned in this report at constant exchange rates with respect to 2007 were estimated by taking account of the transaction effects, and the effect of translating to euro (the Group's functional currency) the operations reported in foreign currency financial statements. At constant

[1] Determined with reference to the average monthly rates reported by the European Central Bank

exchange rates, 2008 revenue would have been 3,298.4 million euro (down by 3.2% rather than 7.4%).
The Group continued to focus on its principal brands during 2008: Indesit, Hotpoint-Ariston and Scholtès. In particular, brand sales by Indesit and Hotpoint-Ariston contributed almost 97% of Group revenue in 2008, compared with 94% in 2007.
The necessary support for Group brands was provided both by product innovation and by constant improvements in product quality.
Once again, Indesit Company launched another innovative range of products in 2008. Flexibility, design, environmental sustainability and ease of use were the guidelines followed when creating and developing the products presented during the year. Significant examples include the Quadrio refrigerator from Hotpoint-Ariston, which has been successfully established at the top end of the price range; the innovative Openspace oven again from Hotpoint-Ariston; Indesit's new washing machine with Eco-Time option, and the Multiplo cooking system from Scholtès.
Net investment during the year amounted to 139 million euro (154 million euro), of which 109 million euro (124 million euro) for property, plant and equipment and 30 million euro (30 million euro) for intangible assets.
Investment in property, plant and equipment was mainly concentrated at the new factories in the Radomsko area of Poland, and on the new Refrigeration platforms at the Manisa plant (Turkey).
The investment made in intangible assets facilitated development of the products mentioned above, together with the large number of new products and launches already scheduled for 2009. The development costs incurred in 2008 included renewal of the Aqualtis Tumble Dryer range produced at the Yate factory (UK), the creation of a new range of washing machines and dishwashers under the Indesit Eco-Time name, and the development of Big Cavity 60x60 in the *built-in* sector. The investment planned for 2009 will also follow the policy described, with a further reduction in expenditure that is not essential or strategic, in order to preserve the Group's financial strength and stability in the face of changing macroeconomic conditions.

Significant events during the year and subsequent to year end

Marchi e Brevetti Srl, owner of the Ariston brand, was spun off 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. The line of business relating to the Indesit Company Group was contributed to Indesit IP Srl, a newly-formed, wholly-owned subsidiary of Indesit Company SpA.

In May 2008, Indesit Company commenced consultations with the parties concerned about the closure of the Peterborough factory in the UK; these consultations were completed in August 2008. Production ceased at this factory in November.

Consistent with the provisions of the put-call option agreement with General Electric, the final 8% of the capital of General Domestic Appliances Holdings Ltd was acquired by Indesit Company UK Holdings Ltd in December 2008 for 57 million dollars. Payment was made via release of the guarantee deposit, for the same amount, made in 2003.

The merger of Indesit Company Financial Services SA into Indesit Company Luxembourg SA was completed in December 2008. This operation was carried out in order to simplify and rationalise the corporate structure of the Group.

Further significant events during 2008 included a provision for contingencies and expenses of 10.8 million euro in relation to a dispute with a distributor, against which the Group is preparing the necessary legal action; the recognition of 13.0 million euro in tax and social security relief following the 1997 earthquake, and the recognition of 4.4 million euro in insurance reimbursements, net of the related costs, following a factory fire. In addition, a number of temporary shut-down and lay-off plans were implemented on a rotating basis at the Group's factories during the fourth quarter, and a plan for the limited lay-off of clerical workers on a rotating basis was also activated in March 2009.

In February 2009, Indesit Company informed the parties concerned of its intention to close the factories at None, in Italy, and Kinmel Park, in the UK.

There were no other significant events or significant non-recurring events during 2008 or subsequent to year end.

Accounting policies

The consolidated financial statements of the Indesit Company Group have been prepared in accordance with the International Financial Reporting Standards - IFRS (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 endorsed by the European Union.

The consolidated financial statements as of 31 December 2008 have also been prepared in accordance with Consob's instructions regarding the format of financial statements, in application of art. 9 of Decree 38/2005 and the other regulations and Consob instructions concerning financial statements. They have been 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), and going concerns basis. Despite the difficult economic and financial conditions, the Group has determined that there are no significant uncertainties about its ability to continue as a going concerne. This confidence takes account of the actions identified and, in part, already implemented to adjust to the marked reduction in the level of demand and preserve the Group's financial strength and solidity.

Approach taken

All the amounts presented in this Report on operations and in the Consolidated Financial Statements and Explanatory Notes thereto are stated in millions of euro, and the comparisons made (in brackets) relate to information for the prior year. Percentages (margins and changes) are determined with reference to amounts stated in thousands of euro. The Group reporting to Indesit Company S.p.A. is hereafter referred to “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 main financial indicators are reported in the following table.

	31 December 2008		31 December 2007		Change	
	Euro milion	%	Euro milion	%	Euro milion	%
Revenue	3.154,9	100,0%	3.407,7	100,0%	(252,9)	(7,4%)
Gross operating profit before non recurring items	286,2	9,1%	360,8	10,6%	(74,6)	(20,7%)
Gross operating profit	270,5	8,6%	333,4	9,8%	(62,9)	(18,9%)
Operating profit before non recurring items	160,0	5,1%	219,7	6,4%	(59,7)	(27,2%)
Operating profit	140,6	4,5%	192,2	5,6%	(51,7)	(26,9%)
Profit before taxation	94,9	3,0%	166,4	4,9%	(71,5)	(43,0%)
Profit for period	56,0	1,8%	105,2	3,1%	(49,2)	(46,8%)
Profit attributable to the Group	55,5	1,8%	105,4	3,1%	(49,9)	(47,4%)

Group revenue for the year was 3,154.9 million euro (3,407.7 million euro), down 7.4%. Sales performance was mainly a consequence of the following phenomena:

- contraction in volume by about 5.8% due to the general slowdown in demand mentioned earlier;
- adverse exchange rate movements of about 143.5 million euro with respect to the average rates for 2007;
- positive price/mix effect of about 1.8%;
- revenue from services down by 1,7% (up by 8.4% at constant exchange rates).

At constant exchange rates, 2008 revenue would have been 3,298.4 million euro (down by 3.2% rather than 7.4%).
As described further in the explanatory notes to the consolidated financial statements, commencing from 1 January 2008, Revenue are stated net of certain promotional expenses that, in essence, represent commercial discounts (previously classified as selling and distribution expenses), and net of service centre charges for the spare parts under for warranty repairs (previously classified as part of the cost of sales). The comparative information for 2007 has also been reclassified, resulting overall in a reduction in the operating costs (cost of sales and selling and distribution expenses) and revenue reported for the year ended 31 December 2007 by 30.1 million euro. These reclassifications did not affect operating profit (EBIT).

Gross operating profit (EBITDA[2]) was 270.5 million euro (333.4 million euro), representing 8.6% (9.8%) of revenue.
The net non-recurring charges incurred during 2008 amounted to 19.4 million euro (27.4 million euro). Net non-recurring charges mainly comprise restructuring costs associated with the business plan and provisions for disputes, net of non-recurring

[2] EBITDA: operating profit reported in the consolidated income statement, stated gross of depreciation, amortisation and impairment losses.

income deriving from the relief of social security contributions in earthquake-hit areas: further information is provided in the explanatory notes to the consolidated financial statements.
EBITDA before non-recurring income and charges was 286.2 million euro (360.8 million euro), representing 9.1% (10.6%) of revenue.

Operating profit (EBIT[3]) was 140.6 million euro (192.2 million euro), representing 4.5% (5.6%) of revenue. EBIT gross of non-recurring income and charges was 160.0 million euro (219.7 million euro), representing 5.1% (6.4%) of revenue.
The incidence of depreciation and amortisation was essentially stable at 4.1% (4.1%) of revenue.

The decline in profitability was due to the prevalence of adverse factors with respect to those that were favourable.

Positive factors included:

- an improvement in product quality;
- a reduction in manufacturing costs;
- a reduction in general expenses;
- an improvement in the price mix;
- lower non-recurring charges.

Adverse factors included:

- unfavourable exchange rate movements, principally with respect to the British pound and the Russian rouble;
- the lower volume of sales;
- the higher cost of purchases due to the overall rise in prices for raw materials (especially steel).

At constant exchange rates, EBIT for 2008 would have been 227.8 million euro (up 35.6 million euro with respect to 2007), representing 6,9% of revenue.

Net financial expenses amounted to 45.7 million euro (30.2 million euro). The change was essentially due to the adverse exchange rate fluctuations, especially during the fourth quarter of 2008, deriving from the sudden and significant depreciation of the British pound and the Russian rouble; part of the rise was also due to the recognition of higher interest charges, as a consequence of both increased borrowing and increased borrowing costs.

Profit before taxation (PBT) was 94.9 million euro (166.4 million euro), representing 3.0% (4.9%) of revenue.

Group net profit was 55.5 million euro (105.4 million euro). The tax charge was 38.9 million euro (61.2 million euro), with an effective tax rate of 41.0% (36.8%).

[3] EBIT: operating profit reported in the consolidated income statement.

Results by geographical segment

	Revenue			Segment result (*)			% sales		
	31 Dec 2008	**31 Dec 2007**	**Change %**	**31 Dec 2008**	**31 Dec 2007**	**Change %**	**31 Dec 2008**	**31 Dec 2007**	**Change**
Western Europe	1.843,5	2.048,3	-10,0%	90,9	140,9	-35,5%	4,9%	6,9%	(1,9 p.p.)
Eastern Europe	1.044,4	1.115,1	-6,3%	192,1	215,4	-10,8%	18,4%	19,3%	(0,9 p.p.)
Other Countries	267,0	244,3	9,3%	15,5	23,2	-33,4%	5,8%	9,5%	(3,7 p.p.)
Total	**3.154,9**	**3.407,7**	**-7,4%**	**298,5**	**379,5**	**-21,3%**	**9,5%**	**11,1%**	**(1,7 p.p.)**

Sales performance in the various areas reflected the general weakness of demand, with a marked downturn that began during the third quarter following the deepening of the international financial crisis. The decline in sales in **Eastern Europe** during the fourth quarter exceeded that in **Western Europe** where, however, the reduction was greater over the year as a whole. The reduction in market demand (sell out) during the last two months of 2008 was 7.2% in **Western Europe** (-3.1% over the year), 21.8% in the CIS (-2.8% over the year) and 6.2% in the other countries of **Eastern Europe** (+0.2% over the year).

With regard to **Western Europe**, performance in France was particularly good in the circumstances, with revenue essentially in line with 2007 due, above all, to the notable progress made in the Refrigeration sector.

In Italy, sales of finished products were about 2.5% lower overall with respect to 2007, with a slightly greater fall in the built-in channel. Italian revenue from the Washing sector was good, with poorer results from the Cooking and Refrigeration sectors.

In the UK, in addition to the deterioration caused by the macroeconomic situation, Group revenue was also adversely affected by the change in the exchange rate. Nevertheless, the Group's share of the UK market reached an historical high at 29.2% in volume terms.

Significant declines in revenue were also experienced in Spain, due to the crisis in the housing market there, and in Germany, following the Group's decision to rationalise the portfolio of customers in that country.

Turning to **Eastern Europe**, there was - as mentioned - a marked deterioration in the principal markets in that area.

In Russia, the downward trend in revenue was partly due to the effects of the credit crunch; the decline over the year in revenue from the sale of finished products was however contained to about 5.6% with respect to 2007, with reductions in the Cooking and Washing sectors partially offset by an increase in the Refrigeration sector. Conditions were similar both in Poland, where revenue eased slightly with respect to 2007 given good performance from the Cooling sector and adverse results from the Cooking and Washing sectors, and in Romania.

More significant reductions were experienced in the Ukraine and Hungary, while revenue in the Czech Republic and Belarus were essentially stable or only slightly lower.

Performance in the **Other countries** over the year was good, especially in Turkey, despite a slowdown in the fourth quarter.

Summary of the consolidated financial position[4]

	31 December 2008	31 December 2007
Trade receivables	459,0	522,7
Inventories	374,1	334,2
Trade payables	(767,9)	(854,5)
Net working capital	**65,1**	**2,4**
Non-current operating assets	1.113,5	1.233,8
Other current assets and liabilities and non-current liabilities	(282,2)	(325,4)
Net invested capital	**896,4**	**910,8**
Net financial indebtedness	473,8	331,1
Equity attributable to the Group	420,0	577,9
Minority interests	2,5	1,8
Equity and financial liabilities	**896,4**	**910,8**
Cash flows from (used in) operating activities	**46,4**	**272,7**
Net working capital / Sales (12 months)	**2,1%**	**0,1%**
Net financial indebtedness / equity	**1,1**	**0,6**

The cash flow from operating activities during 2008 totalled 46.4 million euro (272.7 million euro).
This reduction with respect to 2007 was principally due to the decline in EBITDA, the increase in **net working capital** to 65.1 million euro (2.4 million euro), the payment of greater interest charges and the increase in redundancy payments.
The increase in net working capital was mainly due to the rise in inventories, caused by the significant contraction in demand, and to the reduction in trade payables as a consequence of a country mix that favours low-cost countries. In addition to the lower volume of sales, trade receivables also fell due to the sale without recourse of trade receivables totalling 19.5 million euro.
Free Cash Flow[5] was negative by 142.7 million euro (positive by 92.4 million euro), resulting in an increase in net financial indebtedness borrowing by the same amount.
As of 31 December 2008, the Group complies with the financial covenants associated with its outstanding loans.
Equity was adversely affected by the significant change in the translation adjustment due to the unfavourable exchange-rate movements; further information is provided in the statement of changes in consolidated equity.

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

In accordance with Consob regulations,[6] equity and profit for the year of the parent company are reconciled below with the related consolidated amounts.

[4] Trade receivables and payables, inventories and equity reported in the above reclassified balance sheet are the same as the amounts reported in the consolidated balance sheet. Net financial indebtedness is analysed in note 8.15. “Non-current assets” and “Other current assets and liabilities and non-current liabilities” comprise the captions of the consolidated balance sheet that are not mentioned above or included as part of net financial indebtedness.
[5] *Free Cash Flow*: the cash flow from/used in by operating and investing activities, net of dividend payments and share capital increases
[6] Consob Communication no. DEM/6064293 dated 28 July 2006

(million Euro)	31 December 2008		31 December 2007	
	Profit (Loss)	Equity	Profit (Loss)	Equity
Financial statements of parent company	**62,6**	**428,7**	**55,8**	**427,9**
Consolidation adjustments				
Difference between carrying amount and equity of group companies	123,0	(4,4)	196,4	156,1
Dividends received from subsidiaries	(132,7)	-	(141,0)	-
Effect of aligning separate financial statements with group accounting policies	2,7	2,4	(0,3)	(0,3)
Elimination of intercompany profits	(1,2)	(13,3)	(6,7)	(11,2)
Measurement of companies using the equity method	0,0	0,2	1,1	0,2
Tax effect of adjustments	1,0	6,2	(0,3)	5,1
Other minority effects	0,1	0,2	0,4	0,1
Total consolidation adjustments	**(7,0)**	**(8,7)**	**49,6**	**149,9**
Consolidated financial statements	**55,5**	**420,0**	**105,4**	**577,9**

Intercompany and related-party transactions, and significant, non-recurring atypical 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. This note also contains the detailed information required by Consob regulations and IAS 24. In accordance with Consob regulations,[7] 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 incidence 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-atypical transactions during 2008.

Further information on the procedures adopted by the Group with regard to significant and related-party transactions can be found in the Corporate Governance report of Indesit Company S.p.A. (posted on the Group's website www.indesitcompany.com).

Information on directors and officers

The directors and officers are listed below:

[7] Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication no. DEM/6064293 dated 28 July 2006

Corporate bodies

Board of Directors	
Chairman	Vittorio Merloni
Vice Chairman	Andrea Merloni
Chief Executive Officer	Marco Milani
Directors	Bruno Busacca
	Innocenzo Cipolletta
	Adriano De Maio
	Luca Garavoglia
	Mario Greco
	Hugh Malim
	Emma Marcegaglia
	Antonella Merloni
	Maria Paola Merloni
	Paolo Monferino
Board of Statutory Auditors	
Chairman	Angelo Casò
Auditors	Andrea Amaduzzi
	Luigi Biscozzi
Alternate Auditors	Francesco Nobili
	Serenella Rossano
Human Resources Committee	
	Mario Greco (Chairman)
	Maria Paola Merloni
	Paolo Monferino
Audit Committee	
	Hugh Malim (Chairman)
	Innocenzo Cipolletta
	Antonella Merloni
Innovation and Technology Committee	
Members who are directors	Adriano De Maio (Chairman)
	Andrea Merloni
	Marco Milani
	Luca Garavoglia
	Paolo Monferino
Members who are not directors	Francesco Trovato
	Adriano Mencarini
	Massimo Rosini
Representative of the savings shareholders	
	Adriano Gandola
Indipendent Auditor	
	KPMG S.p.A.
Manager charged with preparing the company's financial reports	
	Andrea Crenna

The Shareholders' Meeting held on 3 May 2007 authorised total remuneration of 920,000 euro for the Board of Directors of Indesit Company S.p.A. (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 committee and Human Resources committees receive annual remuneration of 20 thousand euro, while the committee chairmen each receive 25 thousand euro. Each director receives 5 thousand euro for attending each meeting of the Innovation and Technology Committee.
The Chairman, the Deputy Chairman and the Chief Executive Officer also benefit from remuneration for their 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 stending auditors.
Further information is available in the Attachments to the Consolidated Financial Statements and in Corporate Governance report.

Stock option plans

No new plans were authorised during 2008 and no stock options were granted. The stock option plans are described in the explanatory notes to the consolidated financial statements, which discuss 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 (hereafter, the "Code") and with international best practice. On 26 March 2009, the Board of Directors approved the Corporate Governance report, which describes the governance model adopted by the Company and reports on the implementation of the Code.
Indesit Company S.p.A. has adopted the ordinary model of administration and control envisaged under Italian law, with the presence of a Board of Directors, a Board of Statutory Auditors and a firm of 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 on both the Board and Board 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, including details of the ownership structure, is available in the Corporate Governance report.

Information about significant non-EU companies

Indesit Company SpA has taken note of the change made to Consob's market regulations, adopted by decision no. 16191 dated 29 October 2007 and subsequent amendments, in relation to the listing of non-EU parent companies.
In this regard, given that Indesit Company SpA controls, directly or indirectly, 4 companies formed and governed by the laws of countries that are not members of the European Union ("Significant non-EU Companies"), changes have been planned and implemented in order to comply in full with the above regulations.
In particular, it is confirmed that:

- all significant non-EU companies already prepare accounts for the purpose of preparing the consolidated financial statements; the balance sheet and income statement of such companies are available to the shareholders of Indesit Company SpA on the basis and with the timing envisaged in the related regulations;
- Indesit has obtained the articles of association and information about the membership and powers of the governing bodies of the significant non-EU companies;
- the significant non-EU companies:
    1. provide the parent company's auditing firm with the information needed in order to audit the annual and interim financial statements of the parent company;
    2. apply an administrative-accounting system capable of providing the regular economic and financial information needed by Indesit's management and independent auditors in order to prepare the consolidated financial statements.

In order to comply with its obligations under current regulations, the Board of Directors Indesit Company SpA has checked that these administrative-accounting systems are capable of providing the regular economic and financial information needed by management and the independent auditors of Indesit Company SpA for preparation of the consolidated financial statements, and that such information flows do actually occur, by meetings both with that company's auditors and with the management and local auditors of the significant non-EU companies.

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 Company supports actions and projects that respect the environment and meet the requirements of stakeholders. Respect for and compliance with environmental regulations are monitored and evaluated 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 end Electronic Equipment*) 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 S.p.A. 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 the explanatory notes to the separate financial statements.

Principal risks and uncertainties faced by the Group

The operations of the Indesit Group are exposed to a series of operating and financial risks. The principal among these are described below.

Operating risks

1. **Demand:** Indesit monitors constantly the demand for household appliances, in part by reference to the market analyses and forecasts prepared by leading research institutions. The deterioration of the macroeconomic situation following the development of the international financial crisis has, commencing from the third quarter of 2008, resulted in significantly lower demand in the Group's principal markets. Contraction in demand often lowers the level of plant saturation which, at least in the short term, may have an adverse effect on profitability. The forecast for operations, presented later, contains further information on the general risks seen for 2009 and the related measures being taken by Indesit Company.
2. **Price competition:** in the markets in which the Group competes, the household appliances sector may, at particular moments in the economic cycle (e.g. when raw material prices rise sharply or when demand is weak), be affected by strong price competition designed, in the short term, to boost the volume of sales and therefore production, in order to absorb high fixed costs. For many years, the Indesit Group has tackled pricing pressures by significant investment in both its products and its brands.
3. **Exposure to raw material and component prices:** the Group is exposed directly and indirectly (via the purchase of components) to the risk of increases in the price of raw materials: principally steel, plastics, copper, nickel and aluminium. The high level of competition and fragmentation within the sector frequently makes it difficult to pass on in full, in the form of higher selling prices, sudden and/or significant increases in the cost of raw materials. In 2008, the Group's costs for the consumption of raw materials, components and consumables totalled 1,878 million euro, including 270 million euro for steel, 250 million euro for plastics, 1,245 million euro for components and outsourced production and 113 million euro for other materials. With regard to the purchase of steel, Group policy is to sign annual contracts at fixed prices for the materials requirement envisaged in the budget. The contracts covering 2009 have been

signed, including those for copper, nickel and aluminium. With reference to plastics, the cost of which is correlated with the oil price, the Group signs fixed-price contracts for about 50% of its requirement, while prices for the remaining 50% are indexed to sector parameters.

4. **Other operating risks:** these are the risks typically faced by the durable goods sector: the risk of product obsolescence, the risks associated with the warranties given on products sold, the risks associated with the disposal of waste electrical and electronic products; these risks are managed and measured by the Group and their coverage is reflected in the consolidated balance sheet captions relating to inventories (provisions for obsolescence) and the provisions for risks and charges (provisions for product warranties and for the disposal of waste products). See the explanatory notes to the consolidated financial statements for further information about the provisions and write-downs recorded in 2008. The deterioration of the general economic situation has heightened the impact of a number of these risks (e.g. product obsolescence). Accordingly, commencing from the fourth quarter of 2008 and continuing into early 2009, the Group has taken the necessary steps to reduce and optimise production capacity, while further enhancing the quality of its products.

Financial risks

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. Except for credit risk, financial risks are managed in accordance with the Treasury Policy approved by the Board of Directors.

1. **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. The containment of this risk is pursued via action to guarantee a balanced capital structure, diversification of the sources of finance, the spreading of debt maturities over a broad time horizon, and the maintenance of undrawn committed lines of credit; establishing limits for maturities and credit counterparts in the management of liquidity. Despite the difficult general economic conditions, the Group believes that the lines of credit and investments available as of 31 December 2008 are sufficient to cover the requirements arising from operations, capital expenditure and the repayment of borrowing upon maturity.
2. **Currency risk:** the Group's economic and financial results and equity are influenced by changes in the rates of exchange for foreign currencies (especially the British pound, the Russian rouble, the Polish zloty and the Turkish lira); in this regard, the Group identifies three types of risk: economic risk, transaction risk and translation risk; currency risk is managed in accordance with the guidelines established in the Treasury policy which forbids, inter alia, the acceptance of risk positions that are not strictly correlated with the Group's operating activities;
3. **Interest rate risk:** the risk that adverse movements in the interest rate curve might have an adverse effect on the cost of borrowing; this risk is managed in accordance with the guidelines established in the Treasury policy. As a policy, the Group prefers to borrow at floating rates, limiting the conversion from floating rate to fixed rate within the notional, maturity and market limits defined in the policy.

4. **Credit risk:** this represents the Group's exposure to potential losses deriving from the failure of financial and commercial counterparts to meet their obligations; the guidelines for the management of counterpart risk in relation to financial applications of funds are set out in the Treasury policy; in addition to the assessments made and limits imposed by the credit controllers, the credit risk regarding commercial counterparties is also mitigated by the use of such instruments as letters of credit and insurance policies. Additionally, it is Group policy to write off all receivables that are past due by more than 180 days.

Further details about the management of financial risks are provided in note 9 to the consolidated financial statements.

Forecast for operations

GDP is expected to contract significantly in the principal economies in which the Group operates[8]: UK -2.8%; Euro area -2.0%; Russia -0.7%.

With regard to the Group's business sector, the particularly poor performance of sales to retailers (*sell in*) during the last quarter of 2008 - as confirmed by initial data in 2009 - suggests, unfortunately, that demand in cyclical sectors such as consumer durables, which includes household appliances, is set to fall further.

There are three principal factors of concern to the Indesit Group:

a) The performance of the rouble, the Russian market and, in general, the CIS. The lower cost of oil and the credit crunch together suggest that sales volumes in the markets of the former Soviet Union could contract by around 30%. At this time, no preliminary market data is available for early 2009, but the Group's sales performance in this geographical area does confirm this forecast. Although defended by the Central Bank, the rate for the rouble against the euro should edge closer to 50, based on the assessments included in our business plans, representing a devaluation of about 24% with respect to the average for 2008 (despite fluctuating around 45-46 in the early part of 2009). In these circumstances, Indesit believes that the contribution to overall profitability made by this market, which has been the Group's main market for the past several years, could fall;
b) Demand in other markets. For the reasons already given, the Group expects a sharp contraction in sales volumes in virtually all its markets during 2009. Although not as significant as in Russia, volumes could decline by up to and more than 10% in many markets.
c) The performance of the British pound. The UK generates almost one quarter of Indesit's sales. The exposure to currency risk (both translation and transaction risk) in relation to the British pound is significant. As a consequence of the accelerating process of production reallocation, the Group has arranged to hedge the currency (transaction) risk on a large part of the expected exposure. However certain operational currency rate risks remain unhedged, along with risks associated with the translation of profits reported in sterling (translation effect). The Group's forecasts for 2009 predict the euro at 0.92 and, despite some extreme volatility, the average rate in the early months of 2009 seems to confirm this estimate.

The trend in raw material prices has been a source of concern for some time now. Following an inversion in trend during the last part of 2008, the Group now believes

[8] International Monetary Fund Forecasts *World Economic Outlook Update* dated 28 January 2009.

that the average cost of purchasing raw materials and components may be lower in 2009 than it was in 2008.

Consistent with the declarations already made by other leading international groups, Indesit will give priority in 2009 to the safeguarding of its financial position, while also defending the Group's long-term strategies which cannot be abandoned, even in a year as difficult as the one expected. In order to safeguard profitability and financial position, financial strength and shareholders' equity, the Group has already taken steps in early 2009 to:

1. implement the actions envisaged in the business plan for the None and Kinmel Park factories that are expected to lower costs in the coming years, despite incurring higher non-recurring charges in 2009;
2. rationalise investment spending over the year by reducing or eliminating expenditure that is not strategic and/or essential;
3. implement a plan to reduce all operating costs significantly, including such special measures as recourse to the government-assisted lay-off of blue collar and clerical workers, and the reduction of executive benefits;
4. scale back significantly the planned budget for promotional and advertising expenditure;
5. realign the level of net working capital, partly via the contraction of production and therefore of inventories, thus inverting the trend in 2008 which caused a significant rise in the level of borrowing.

Despite this, uncertainties about conditions in the Group's markets, about exchange rate movements and about the impact of current restructuring measures make it very difficult to predict at this time, with an acceptable margin of error, the results expected for 2009.

The deterioration in market conditions seen in the last quarter of 2008 has been confirmed in the early months of 2009. In particular, as already announced by the Group in March 2009, preliminary sales data for the first two months of 2009 reflects a decline of about 20% with respect to 2008. This is consistent with the estimates made by management when preparing the budget for 2009 and with the long-term plan approved by the directors.

The Group believes that difficult market conditions will persist throughout 2009, although the comparative indicators of sales and profitability with respect to the prior year will improve over the coming months, given the effect of the progressive deterioration in the economic situation experienced during the second half of 2008.

Milan, 26 March 2009

for the Board of Directors

The Chairman

Vittorio Merloni

Consolidated Financial Statements

INDESIT COMPANY
Consolidated income statement for the year ended 31 December 2008[1]
(million euro)

	Note	31 December 2008	31 December 2007
Revenue	8.1	3.154,9	3.407,7
Cost of sales	8.2	(2.397,3)	(2.570,2)
Selling and distribution expenses	8.3	(502,9)	(514,6)
General and administrative expenses	8.4	(114,1)	(130,6)
Operating profit	8.5	**140,6**	**192,2**
Net financial expenses	8.6	(45,7)	(30,2)
Share of profit (losses) of associates		-	4,3
Profit before tax		**94,9**	**166,4**
Income tax expenses	8.7	(38,9)	(61,2)
Profit for period		**56,0**	**105,2**
of which:			
Attributable to minority interests	8.8	(0,5)	0,2
Attributable to the group		55,5	105,4
Basic earnings per share	8.19	0,54	1,02
Diluted earnings per share	8.19	0,54	1,02

[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 10.3 and 8.5, respectively.

INDESIT COMPANY
Consolidated balance sheet as of 31 December 2008[2]
(million euro)

	Note	31 December 2008	31 December 2007
Assets			
Property, plant and equipment	8.9	692,8	763,0
Goodwill and other intangible assets with an indefinite useful life	8.10	207,7	297,5
Other intangible assets with a finite life	8.11	123,9	108,3
Investments in associates	8.12	0,5	0,5
Other non-current assets	8.13	33,9	26,6
Deferred tax assets	8.14	54,6	37,8
Other non-current financial assets	8.21	9,3	11,2
Total non-current assets		**1.122,8**	**1.245,0**
Inventories	8.15	374,1	334,2
Trade receivables	8.16	459,0	522,7
Current financial assets	8.21	43,8	56,5
Tax receivables	8.17	44,1	38,5
Other receivables and current assets	8.18	63,6	76,4
Cash and cash equivalents	8.21	193,2	186,5
Total current assets		**1.177,7**	**1.214,9**
Total assets		**2.300,5**	**2.459,8**
Equity	8.19		
Share capital		92,8	92,8
Reserves		176,0	336,8
Retained earnings		95,8	42,9
Profit attributable to the group		55,5	105,4
Equity attributable to the group		**420,0**	**577,9**
Minority interests	8.20	2,5	1,8
Total equity		**422,6**	**579,6**
Liabilities			
Medium and long-term interest-bearing loans and borrowings	8.21	451,9	309,2
Employee benefits	8.22	66,3	83,8
Provisions for risks and charges	8.23	43,3	67,1
Deferred tax liabilities	8.24	46,0	58,2
Other non-current liabilities	8.25	42,3	41,0
Total non-current liabilities		**649,8**	**559,4**
Banks and other financial payables	8.21	268,2	276,2
Provisions for risks and charges	8.23	51,9	24,9
Trade payables	8.26	767,9	854,5
Tax payables	8.27	34,6	23,9
Other payables	8.28	105,5	141,4
Total current liabilities		**1.228,1**	**1.320,8**
Total liabilities		**1.878,0**	**1.880,2**
Total equity and liabilities		**2.300,5**	**2.459,8**

[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 10.3. The effects of non-recurring transactions on the balance sheet and financial position are described in note 8.5.

INDESIT COMPANY
Consolidated Cash Flow Statement for the year ended 31 December 2008[3]
(million euro)

	Note	31 Dec 2008	31 Dec 2007
Total profit	8.30	56,0	105,2
Income taxes	8.30	38,9	61,2
Depreciation and amortisation	8.30	129,9	141,1
Other non-monetary income and expenses, net	8.31	30,7	43,4
Change in trade receivables	8.32	63,7	50,5
Change in inventories	8.32	(39,9)	19,2
Change in trade payables	8.32	(86,0)	(25,5)
Change in other assets and liabilities	8.33	(65,8)	(36,9)
Income taxes	8.30	(50,9)	(58,8)
Interest paid	8.31	(42,1)	(37,9)
Interest received	8.31	11,7	11,2
Cash flows from operating activities		**46,4**	**272,7**
Acquisition of property, plant and equipment	8.34	(114,4)	(142,9)
Proceeds from sale of property, plant and equipment	8.34	7,6	13,8
Acquisition of intangible assets	8.35	(30,6)	(30,4)
Proceeds from sale of non-current intangible assets	8.35	0,0	5,7
Proceeds from sale of non-current financial assets	8.36	0,7	16,2
Acquisition of non-current financial assets and other investments	8.36	0,0	(4,8)
Cash flows from (used in) investing activities		**(136,6)**	**(142,5)**
Proceeds from share capital increases	8.37	0,0	1,9
Dividends paid	8.37	(52,5)	(39,7)
New medium/long-term financial payables	8.38	200,2	-
Repayment of borrowing for acquisition of GDAH	8.39	(40,9)	(40,1)
Other repayments of medium/long-term financial payables	8.40	(30,0)	-
Change in current financial payables	8.41	20,0	(50,2)
Cash flows from (used in) financing activities		**96,8**	**(128,1)**
Net cash flows		**6,6**	**2,1**
Cash and cash equivalents, start of year	8.21.2	186,5	184,5
Cash and cash equivalents, end of year	8.21.2	193,2	186,5
Total change in cash and cash equivalents		**6,6**	**2,1**

(3) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the financial effects of non-recurring transactions are reported in note 8.5.

Note 8.19	**Opening balances**	Measurement of derivatives	Measurement of stock options	Translation of foreign currency financial statements	***Total direct effects on equity***	Profit for the year	**Income (expense) recognised directly in equity**	Dividends paid	Exercise of stock options	Allocation of profit of the year	Changes in scope of consolidation and acquisition of minority interests	**Total effects of transactions with share-holders**	**Closing balances**
Statement of changes in consolidated equity ended 31 December 2008 (million euro)													
Share capital	**92,8**	-	-	-	-	-	-	-	-	-	-	-	**92,8**
Share premium reserve	**35,8**	-	-	-	-	-	-	-	-	-	-	-	**35,8**
Legal reserve	**22,7**	-	-	-	-	-	-	-	-	-	-	-	**22,7**
Translation reserve	**19,8**	-	-	(159,6)	***(159,6)***	-	***(159,6)***	-	-	-	-	-	**(139,8)**
Other reserves	**258,5**	(1,3)	-	-	***(1,3)***	-	***(1,3)***	-	-	-	-	-	**257,2**
Retained earnings	**42,9**	-	-	-	-	-	-	(52,5)	-	105,4	-	***52,9***	**95,8**
Profit attributable to the group	**105,4**	-	-	-	-	55,5	***55,5***	-	-	(105,4)	-	***(105,4)***	**55,5**
Equity attributable to the group	**577,9**	**(1,3)**	**-**	**(159,6)**	**(160,9)**	**55,5**	**(105,4)**	**(52,5)**	**-**	**-**	**-**	**(52,5)**	**420,0**
Minority interests	**1,8**	-	-	0,3	***0,3***	0,5	***0,8***	-	-	-	-	-	**2,5**
Total equity	**579,6**	**(1,3)**	**-**	**(159,3)**	**(160,6)**	**56,0**	***(104,7)***	**(52,5)**	**-**	**-**	**-**	**(52,5)**	**422,6**
Statement of changes in consolidated equity ended 31 December 2007 (million euro)													
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	-	***2,7***	**22,7**
Translation reserve	**53,0**	-	-	(33,2)	***(33,2)***	-	***(33,2)***	-	-	-	-	-	**19,8**
Other reserves	**209,2**	(2,3)	0,1	-	***(2,2)***	-	***(2,2)***	-	-	51,6	-	***51,6***	**258,5**
Retained earnings	**60,5**	-	-	-	-	-	-	(39,7)	-	22,1	-	***(17,6)***	**42,9**
Profit attributable to the group	**76,4**	-	-	-	-	105,4	***105,4***	-	-	(76,4)	-	***(76,4)***	**105,4**
Equity attributable to the group	**545,6**	**(2,3)**	**0,1**	**(33,2)**	**(35,4)**	**105,4**	***70,0***	**(39,7)**	**1,9**	**-**	**-**	**(37,8)**	**577,9**
Minority interests	**6,6**	-	-	0,2	***0,2***	(0,2)	***0,0***	-	-	-	(4,9)	***(4,9)***	**1,8**
Total equity	**552,2**	**(2,3)**	**0,1**	**(33,0)**	**(35,2)**	**105,2**	***70,0***	**(39,7)**	**1,9**	**-**	**(4,9)**	**(42,6)**	**579,6**

Explanatory Notes to the consolidated financial statements as of 31 December 2008

1. Group structure and activities

Indesit Company is a Group led by Indesit Company S.p.A., an Italian company based in Fabriano, 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), and 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 Countries) and by the cooking, refrigeration, washing and services segment. In particular, the CIS is included in Eastern Europe and Turkey is included in Other Countries.
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 consolidated financial statements as of 31 December 2008

The consolidated financial statements as of 31 December 2008 were approved by the Board of Directors on 26 March 2009; they are subject to audit and will be presented to the Annual Shareholders' Meeting.

3. Significant events subsequent to year end

In February 2009, Indesit Company informed the parties concerned of its intention to close the factories at None, in Italy, and Kinmel Park, in the UK.
A number of temporary shut-down and lay-off plans were implemented on a rotating basis at the Group's factories during the fourth quarter of 2008. This action was followed in March 2009 by the limited lay-off of clerical workers on a rotating basis.

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 - IFRS (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 endorsed by the European Union.
The consolidated financial statements as of 31 December 2008 have also been prepared in accordance with Consob's instructions regarding the format of financial statements, in application of art. 9 of Decree 38/2005 and other Consob regulations and instructions concerning financial statements.
The consolidated financial statements as of 31 December 2008 are presented on a comparative basis and comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in consolidated 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 instructions[9], Indesit Company S.p.A. prepares the income statement in the format which classifies expenditure by nature. This format is 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 equity 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, and going concern basis. Despite the difficult economic and financial conditions, the Group has determined that there are no significant uncertainties about its ability to continue as a going concerne. This confidence takes account of the actions already identified and, in part, already implemented to adjust to the marked reduction in the level of demand and preserve the Group's financial strength and solidity.
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 2008 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 the value of assets and liabilities and the related disclosure, as well as the value of 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 amortisation and the impairment losses on 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.
In this context, the difficult general economic situation caused by the deterioration of the international financial crisis, has heightened the uncertainties inherent in the assumptions about future performance used to make certain estimates. The financial statement captions most affected by these uncertainties are the provisions for doubtful

[9] Resolution no. 15519 dated 27 July 2006

accounts, the provisions for obsolescence and the recoverable amount of non-current assets. With regard to these captions, the prolonging and possible deterioration of the current economic and financial crisis could worsen the financial condition of debtors, or increase the risk of product obsolescence linked to high inventory levels, or reduce the forecast cash flows used for testing non-current assets for impairment, with respect to the deterioration already contemplated when making the estimates included in these consolidated financial statements.
Estimates and assumptions are reviewed regularly and, if later estimates differ from those made initially, the effects - which obviously cannot be estimated or forecast at this time - 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 S.p.A. 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 equity and profit or loss 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 initial 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 material effect on the financial position and 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 to the consolidated financial statements.

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 associates.
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 associates 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 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 primary economic 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 operated in hyper-inflationary economies, are translated as follows:
a) assets and liabilities, including the goodwill and fair-value adjustments deriving from the consolidation process, are translated at closing rates;
b) revenues and costs are translated using the average exchange rate for the period (weighted with reference to sales), 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 a recognised asset or liability (the underlyings), the gain or loss from subsequent fair-value adjustments to the hedging instrument is recognised in the income statement together with the gain or loss deriving from the measurement of the related underlyings.

Cash Flow Hedges
If a derivative financial instrument is designated to hedge 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 in 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, on the other hand, the hedged transaction 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 measurement of fair value are recognised directly in equity, to the extent that the hedge is deemed to be effective, while the ineffective portion (if any) is recognised in the income statement.

Financial instruments not covered by hedge accounting
If financial instruments do not meet the requirements for the application of hedge accounting, they are stated at fair value and the related effects are recognised 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.

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 amortisation, 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 losses. Intangible assets with an indefinite useful life, comprising certain brand names and goodwill, are not amortised but their recoverability is tested for impairment at least one each year. 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.

Goodwill

Goodwill is an intangible asset with an indefinite life, deriving from a business combination recognised using the purchase method of accounting (adopted for all acquisitions made subsequent to 31 December 2002), and is recorded to reflect the positive difference between purchase cost and the value of the Group's equity investment 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.
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 loss is deducted first from the value of 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 on 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, is 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, is 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 5 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 they are 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 5 years for Creda, to be 10 years for Cannon and between 5 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 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 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 or net 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 liquidated in the very-short term (three months) and are not subject to significant fluctuations in value.

Impairment losses

At each balance sheet date, the carrying amounts of the Group's intangible assets with an indefinite life, goodwill and intangible assets in progress 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 recognised assets or a cash-generating unit (CGU) have suffered an impairment loss, their recoverable value is estimated and the excess carrying amount is charged to the income statement. The impairment loss of a CGU is allocated first against the related goodwill, if any, and then against the carrying amount of 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 or their value in use, determined by discounting estimated future cash flows using market rate.
Any impairment losses on securities held to maturity and receivables measure 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 impairment 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 buy-back of own shares, stated at cost including related charges, is recognised as a change in equity; the nominal value of own shares is classified as a reduction of share capital, while the difference between cost and nominal value is deducted from the equity reserves. Dividends to shareholders are recognised as a liability in the year 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 liability to employees under defined benefit plans, principally represented by severance indemnities in Italy and pension funds in the UK, is recognised 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 recognised 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 and the fair value of the assets servicing these plans (corridor method) at the end of the prior year.
As a result of the reform of supplementary pensions, the severance indemnities of Italian companies accrued from 1 January 2007 are treated as a defined contribution plan, while those accrued up to 31 December 2006 continue to be treated as a defined benefit plan.
In the event of business restructuring, the defined benefit plans are remeasured and any excess amounts identified are reflected in the income statement.

Stock options

The remuneration paid 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, 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.

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, making 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. Certain EU countries among which France and Germany do not acknowledge the principle of individual responsibility. Therefore manufactures support the costs of disposal in proportion to their market share; other countries among which Italy have established a period during which the Directive will not be applied. The Group will make the necessary provisions when the Directive actually comes into force in those countries.
Provisions are therefore recognised to cover the charges deriving from the application of the WEEE regulations in relation to new waste arising in the countries 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 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 8 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 countries in which the Directive applies, responsible for the disposal of the waste products.

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 year 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, returns and expenses incurred on promotional actions that, in substance, represent commercial discounts. This caption does not include the proceeds from the disposal of raw materials and scrap. Revenue from services is recognised 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, paid 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 becomes 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.

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 commercialise products and provide services (except for the expenses incurred on promotional actions that, in substance, represent commercial discounts and are deducted from Revenue), 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.

Leases and rentals
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 discounted 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 expense accrued on any loan, 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 currency risks.

Share of profit (losses) of associates
Profit and losses of 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 the related effect 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 will be paid, by multiplying the taxable income of each Group company by the tax rate in force on the balance sheet date in each of the nations concerned.
Deferred tax is provided using the liability method, considering all the temporary differences that emerge between the tax value of assets and liabilities and their carrying amounts 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 tax assets and liabilities are recognised using the tax rates expected to be in force in the countries 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 tax liabilities are 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 or 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 or loss of the Group and the weighted average number of shares in Indesit Company S.p.A. outstanding during the year. Treasury own shares are excluded from this calculation. Diluted earnings per share is 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.

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 2007.

During 2008, the Group completed a review of its models and systems of control and reporting ahead of the adoption of IFRS 8 from 1 January 2009. This standard requires the disclosure of segment information based on the data used by management to analyse performance and make operating decisions. As part of the process of revising the Group's reporting systems and convergence with IFRS 8, certain data has already been reclassified with effect from 1 January 2008 in order to reflect more fairly the economic substance of certain transactions. In particular, from 1 January 2008, Revenue from the sale of finished products is now stated net of certain promotional expenses, essentially comprising trade discounts, that were previously classified as selling and distribution expenses. Similarly, from 1 January 2008, Revenue from services are now stated net of the charges received from service centres for the cost of spare parts used for warranty work; these costs were previously classified within the Cost of sales. The comparative information for 2007 has also been reclassified. These reclassifications did not affect the Group's operating profit (EBIT), profit for the year or equity.
In addition, again as part of work to revise the models and systems used for control and reporting purposes, and to review the way accounts are classified within the income statement, commencing from 1 January 2008 all operating costs are classified solely within Cost of sales, Selling and distribution expenses, and General and administrative expenses, while the Other income and Other expense captions have

been eliminated. The comparative information for 2007 has been reclassified as a consequence, allocating the amounts previously reported as Other income and Other expense to the relevant income statement captions.

The effects of these reclassifications, which did not alter the Group's operating profit (EBIT), profit for the year or equity, on the comparative information for 2007 are summarised in the following table.

(million Euro)	**December 2007 - Published in 2007**	Promotion reclassification	Spare Parts recharge reclassification	Other income/reclassification	**December 2007 - Restated in 2008**
Revenue	3.437,8	(10,4)	(19,7)	-	3.407,7
Cost of sales	(2.570,2)	-	(2,6)	9,6	(2.570,2)
Selling and distribution expenses	(547,3)	10,4	22,3	-	(514,6)
General and administrative expenses	(140,9)	-	-	3,2	(130,6)
Other income	12,8	-	-	(12,8)	-
Other expenses	(0,0)	-	-	0,0	-
Operating profit	**192,2**	**-**	**-**	**(0,0)**	**192,2**

With regard to intangible assets, the Cannon name has been reclassified to the Trademarks with a finite life caption, following the adoption of new assumptions in the business plan. Previously considered a Trademark with an indefinite useful life, this brand's residual useful life is now estimated to be 10 years.

In November 2006, the IASB issued IFRS 8 *Operating segments* which replaces IAS 14 – *Segment reporting* with effect from 1 January 2009. The new accounting standard requires companies to base their segment disclosures on the management information used to make operating decisions. Accordingly, the standard requires the identification of operating segments with reference to internal reporting that are reviewed regularly by management for the purpose of allocating resources to such segments and analysing their performance. The adoption of this standard will have no effect on the measurement of financial statements captions, but will merely involve a revision of the way segment disclosure is presented.

In July 2007, IFRIC issued IFRIC 14 on IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* which took effect on a retrospective basis 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. The adoption of this interpretation has not had any significant accounting effect on these consolidated financial statements.

On 13 October 2008, the IASB issued amendments to IAS 39 - *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosures* which allows, in specific circumstances, the reclassification of certain financial assets other than derivatives out of the "measured at fair value through profit or loss" category. The amendment also allows the transfer of loans and receivables from the "available for sale" category to the "held to maturity" category, if the company intends to hold such instruments for a specified future period and is able to do so. The amendment took effect from 1 July 2008, however its adoption has not had any effect on these consolidated financial statements since the Group has not made any of the reclassifications allowed therein.

IFRIC 12 – *Service Concession Arrangements* (which came into force on 1 January 2008, but which has not yet been endorsed by the European Union) governs circumstances and situations not relevant to the Group.

In March 2007, the IASB issued a revised version of IAS 23 – *Borrowing costs*, which came into force on 1 January 2009. The new version of this standard prevents the immediate expensing of borrowing costs 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 borrowing costs incurred in relation to assets capitalised from 1 January 2009 onwards.

In September 2007, the IASB issued a revised version of IAS 1 – *Presentation of Financial Statements* which came into effect on 1 January 2009. The new version of the standard requires all changes generated by transactions with shareholders to be reported in a statement of changes in equity. 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. The adoption of this standard will have no effect on the measurement of financial statements captions.

In January 2008, the IASB issued an updated version of IFRS 3 – *Business Combinations*, and amended IAS 27 – *Consolidated and Separate Financial Statements*. The principal modifications made to IFRS 3 relate to the elimination of the obligation to measure the individual assets and liabilities of a subsidiary at fair value in each subsequent acquisition, in the case of an acquisition in stages. Goodwill in this case will be determined as the difference between the carrying amount of the investment immediately prior to the acquisition, the consideration for the transaction and the carrying amount of the net assets acquired. In addition, if the company does not acquire 100% of the investment, the minority interests in equity may be measured either at fair value or using the methodology already envisaged in the previous version of IFRS 3. The revised version of the standard also requires that all costs associated with the business combination be charged to the income statement, as well as recognition at the acquisition date of the liability for contingent consideration.
In the amendment to IAS 27, the IASB established that changes in investments not involving the loss of control must have a balancing entry in equity. In addition, when a parent company relinquishes control over an investment but contains to retain an interest in that company, such investment must be remeasured at fair value in the balance sheet and any profits or losses deriving from the loss of control must be recognised in the income statement. Lastly, the amendment to IAS 27 requires that all losses attributable to the minority shareholders be allocated to minority interests, even if they exceed their interest in the equity of the subsidiary concerned. The new rules must be applied on a prospective basis from 1 January 2010. At the date of preparing these consolidated financial statements, the competent EU bodies have not yet completed the endorsement process necessary for the adoption of the standard and the amendment.

In January 2008, the IASB issued an amendment to IFRS 2 – *Vesting Conditions and Cancellations* whereby, for the purposes of measuring share-based payment tools, only service and performance conditions are valid vesting conditions for plans. The amendment also clarifies, in the event of plan cancellation by the company or the counterparty, that the accounting treatment must be the same. The amendment will be applied by the Group on a retrospective basis from 1 January 2009. The Group believes that no significant effects will be recognised on the adoption of this amendment.

In May 2008, the IASB issued a number of improvements to the IFRS. The following are mentioned since they were described by the IASB as requiring changes in the presentation, recognition or measurement of financial statements captions, while those merely involving changes in terminology or editorial corrections, with minimal effect in accounting terms, and those relating to matters not relevant to the Group have been ignored:

- IFRS 5 – *Non-current assets held for sale and discontinued operations*: this amendment, which must be adopted on a prospective basis from 1 January 2010, states that if a company is committed to a sale involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary must be reclassified as held for sale, even if the company will retain a non-controlling interest in its former subsidiary after the sale.
- IAS 1 – *Presentation of Financial Statements (revised in 2007):* this amendment, which must be adopted on a prospective basis from 1 January 2009, requires that the assets and liabilities deriving from derivative financial instruments not held for trading be classified in the financial statements in a manner that distinguishes between current and non-current assets and liabilities. The adoption of this amendment will have no effect on the measurement of financial statements captions.
- IAS 19 – *Employee Benefits*: this amendment must be applied on a prospective basis from 1 January 2009 to the changes in benefits arising subsequent to that date. It clarifies the definition of cost/income relating to past service and establishes, in the event of a plan curtailment, that the effect to be recognised immediately in the income statement must comprise solely the reduction in benefits relating to future periods, while the effect deriving from any reductions associated with past service must be treated as a negative cost in relation to such past service. The IASB also redefined the meaning of short-term and long-term benefits and modified the definition of return on plan assets, establishing that this caption must be stated net of any plan administration charges not already included in the amount of the obligation.
- IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*: this amendment, which must be adopted on a prospective basis from 1 January 2009, states that the benefits deriving from government loans granted at a below-market rate of interest must be treated as government grants and follow the recognition rules established in IAS 20.
- IAS 23 – *Borrowing costs*: this amendment, which must be adopted from 1 January 2009, has revised the definition of borrowing costs.
- IAS 28 – *Investments in Associates*: this amendment, which must be adopted (also prospectively if desired) from 1 January 2009, states that any impairment loss on an investment recognised using the equity method must not be allocated to the individual assets (especially goodwill, if any) comprising the carrying amount of such investment, but rather to the

investment as a whole. Accordingly, if the conditions exist in future for a reversal of impairment loss, such reversal must be recognised in full.

- IAS 36 – *Impairment of Assets:* this amendment, which must be adopted from 1 January 2009, requires additional disclosures if the company measures the recoverable value of its cash generating units using the DCF method.
- IAS 38 – *Intangible Assets:* this amendment must be adopted on a retrospective basis from 1 January 2009 and requires that promotional and advertising costs be charged to the income statement. In addition, the amendment states that if the company incurs charges that generate future economic benefits without recognising an intangible asset, such charges must be debited to the income statement when the company obtains the right to use the asset, in the case of an asset purchase, or when the service is rendered, if services are purchased. The standard was also amended to allow companies to adopt the units-produced method for the amortisation of intangible assets with a finite useful life. At the time of publishing these consolidated financial statements, the Group is evaluating the effects deriving from the adoption of this amendment.
- IAS 39 – *Financial Instruments: Recognition and Measurement:* this amendment, which must be applied on a retrospective basis from 1 January 2009, clarifies how to calculate the revised effective interest rate on a financial instrument when a fair value hedge ceases; it also clarifies that the ban on reclassification to the category of financial instruments at fair value through profit or loss does not apply to derivative financial instruments that can no longer be treated as hedges or that, conversely, become hedges. Lastly, to avoid conflicts with the new IFRS 8 – *Operating Segments*, this amendment eliminates references to the designation of an instrument as a segment hedge. At the date of these consolidated financial statements, the Group is evaluating the effects deriving from the adoption of this amendment.

In July 2008, IFRIC issued IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation* which eliminated the adoption of hedge accounting for transactions to hedge the exchange differences arising between the functional currency of a foreign operation and the reporting currency adopted for the consolidated financial statements. This interpretation also clarifies that, with regard to transactions hedging an investment in a foreign operation, the hedging instrument may be held by any company within the Group and that, if the investment is sold, IAS 21 – *The Effects of Changes in Foreign Exchange Rates* must be applied to determine the amount to be reclassified from equity to the income statement. This interpretation must be applied from 1 January 2009. At the date of preparing these consolidated financial statements, the competent EU bodies have not yet completed the endorsement process necessary for the adoption of this interpretation.
On 31 July 2008, the IASB issued an amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* which must be applied on a retrospective basis from 1 January 2010. The amendment clarifies how to apply the standard when defining the underlying that is hedged in particular situations. At the date of preparing these consolidated financial statements, the competent EU bodies have not yet completed the endorsement process necessary for the adoption of this amendment.

In February 2008, the IASB issued an amendment to IAS 32 – *Financial Instruments*: *Presentation* and IAS 1 – *Presentation of Financial Statements – Puttable instruments and obligations arising on liquidation*. The amendment requires puttable instruments and financial instruments that require the company to deliver an equity interest in the company's activities to third parties, to be classified as equity instruments. This amendment must be applied on a prospective basis from 1 January 2009.

6. Changes in the scope of consolidation

Indesit IP S.r.l. was formed in February 2008 as a wholly-owned subsidiary of Indesit Company S.p.A. The new company, which owns the right to use the Ariston brand in the household appliances sector, has been consolidated on a line-by-line basis.

Commencing from these consolidated financial statements, Indesit Company Österreich Ges.m.b.H. has also been consolidated on a line-by-line basis following a change in the nature of its operations. In particular, this company sells products directly in the Austrian market from April 2008, while previously it operated solely as an agent.

The merger of Indesit Company Financial Services Luxembourg SA by Indesit Company Luxembourg SA was completed in December 2008. This operation was carried out in order to simplify and rationalise the corporate structure of the Group.

These changes in the scope of consolidation have not resulted in significant changes affecting the comparability of amounts with respect to prior periods.

7. Segment information

7.1 Information by geographical area (primary segment)

The primary segment comprises the geographical areas in which the Group is active. The geographical areas, unchanged with respect to the prior year, are classified as follows:

1) **Western Europe,** which comprises Italy, France, Belgium, the Netherlands, Great Britain, Germany, Spain, Portugal and other smaller countries;

2) **Eastern Europe,** which comprises the CIS, Poland, Romania, Bulgaria, Hungary, Czech Republic, Slovak Republic and other smaller countries;

3) **Other Countries,** which comprise 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 Group's information analysed by geographical area based on the final destination of the products.

Analysis by Geographical Area as of 31 December 2008
(million Euro)

	Western Europe	Eastern Europe	Other Countries	Eliminations	Consolidated
Third-party revenue	1.843,5	1.044,4	267,0	-	3.154,9
Intersegment revenue	179,5	421,9	179,2	(780,7)	-
Total Sales	**2.023,0**	**1.466,4**	**446,2**	**(780,7)**	**3.154,9**
Segment results	90,9	192,1	15,5	-	298,5
Unallocated income and expenses					(157,9)
Operating profit					**140,6**
Net financial expenses					(45,7)
Share of profit (losses) of associates					-
Income tax expense					(38,9)
Profit attributable to minority interests					(0,5)
Profit attributable to the group					**55,5**

Analysis by Geographical Area as of 31 December 2008
(million Euro)

Other information					
Segment non-current assets	459,0	218,5	44,0		721,5
Segment current assets	469,0	242,7	121,9		833,5
Tax assets					98,8
Financial assets					246,3
Other unallocated consolidated assets					400,4
Total assets					**2.300,5**
Equity					422,6
Segment non-current liabilities	91,0	43,7	10,3		145,0
Segment current liabilities	448,2	229,9	68,8		746,9
Tax liabilities					80,6
Financial liabilities					720,1
Other unallocated consolidated liabilities					185,4
Total equity and liabilities					**2.300,5**
Capital investment	78,2	50,5	12,9	-	141,6
Unallocated capital investment					2,8
Total capital investment					**144,4**
Depreciation and amortization	(61,9)	(34,3)	(8,0)		(104,2)
Unallocated depreciation and amortization					(25,8)
Total depreciation and amortization					**(129,9)**
Other non-monetary income and expenses	(4,6)	(3,2)	(0,7)		(8,5)
Other unallocated non-monetary income and expenses					(13,3)
Total non-monetary income and expenses	**(4,6)**	**(3,2)**	**(0,7)**		**(21,8)**

Analysis by Geographical Area as of 31 December 2007

(million Euro)

	Western Europe	Eastern Europe	Other Countries	Eliminations	Consolidated
Third-party revenue	2.048,3	1.115,1	244,3	-	3.407,7
Intersegment revenue	349,4	382,0	67,5	(798,9)	-
Total Sales	**2.397,7**	**1.497,1**	**311,8**	**(798,9)**	**3.407,7**
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**

Analysis by Geographical Area as of 31 December 2007

(million Euro)

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)**

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

Business Segment by geographical location
as of 31/12/2008
(million Euro)

	Western Europe	Eastern Europe	Other Countries	Eliminations	Consolidated
Non-current assets	621,9	353,3	49,3	-	1.024,5
Current assets	1.256,4	340,8	177,6	(941,3)	833,5
Tax assets					98,8
Financial assets					246,3
Other consolidated assets					97,5
Total assets	**1.878,3**	**694,1**	**226,9**	**(941,3)**	**2.300,5**
Capital investment	**69,2**	**61,1**	**14,1**	**-**	**144,4**

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**

7.2 Information by business segment (secondary segment)

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

1) the **Cooking** segment comprises cookers, ovens, microwave ovens, extractors and hobs;
2) the **Cooling** segment comprises refrigerators and freezers;
3) the **Washing** segment 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
at 31.12.2008
(million Euro)

	Cooking	Cooling	Washing	Services	Consolidated
Revenues	700,6	944,6	1.296,6	212,9	3.154,9
Other information					
Segment Non-current assets	131,9	271,4	312,1	6,1	721,5
Segment Current assets	181,8	237,2	351,9	46,8	817,7
Tax assets					98,8
Financial assets					246,3
Other consolidated assets					416,3
Total assets	**313,7**	**508,7**	**664,0**	**52,9**	**2.300,5**
Capital investment	42,0	49,5	50,1	-	141,6
Unallocated capital investment					2,8
Total Capital investment	**42,0**	**49,5**	**50,1**	**-**	**144,4**

Segment Reporting - Secondary Segment
at 31.12.2007
(million Euro)

	Cooking	Cooling	Washing	Services	Consolidated
Revenues	775,7	959,7	1.455,9	216,5	3.407,7
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**

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)

	31 Dec 2008	31 Dec 2007
Revenue from sale of finished products	2.942,0	3.191,2
Revenue from provision of services	212,9	216,5
Total Revenue	**3.154,9**	**3.407,7**

The reduction in revenue with respect to the prior year was principally due to the contraction in sales volume by about 5.8%. This was caused by both the general slowdown in demand and unfavourable exchange rate movements, which were only partially offset by a positive price/mix effect of about 1.8%.

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

(million Euro)

	31 Dec 2008	31 Dec 2007
Indesit	1.438,6	1.490,3
Hotpoint Ariston	1.403,3	1.513,1
Scholtes	53,0	64,4
Other brands	47,1	123,4
Total	**2.942,0**	**3.191,2**

Revenue from the provision of services relates 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)

	31 Dec 2008	31 Dec 2007
Change in the inventories of finished products	62,5	(6,9)
Purchase of raw materials, components, materials and change	(1.863,0)	(1.893,8)
Services	(160,0)	(180,6)
Payroll costs	(329,9)	(373,0)
Depreciation and amortization	(105,1)	(111,5)
Other expenses	(38,1)	(47,8)
Other revenue	36,4	43,4
Total	**(2.397,3)**	**(2.570,2)**

The reduction in the principal components of cost of sales is consistent with the lower volume of production.

The most significant change within the cost of sales caption is the rise in inventories of finished products. This was mainly due to the lower volume of sales, which was not immediately offset by a reduction in output volume.

The net non-recurring charges included in cost of sales (classified by nature in the Other expenses and Other revenue captions) totalled 10.1 million euro (30.7 million euro). Further information is provided in note 8.5.
Research costs totalling 8.3 million euro (8.3 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. The following table analyses the nature of selling and distribution expenses. Selling and distribution expenses are analysed by type in the following table.

(million Euro)

	31 Dec 2008	31 Dec 2007
Purchase of raw materials, components, materials and change	(14,8)	(9,5)
Services	(343,1)	(348,0)
Payroll costs	(102,0)	(104,8)
Depreciation and amortization	(8,6)	(7,6)
Other expenses	(48,1)	(66,8)
Other revenue	13,7	22,2
Total	**(502,9)**	**(514,6)**

The principal services consisted of distribution expenses of 186.8 million euro (179.1 million euro) and advertising and promotion expenses of 83.1 million euro (93.0 million euro). The 4.3% increase in distribution expenses was mainly due to the longer average distances transported and the rise in transport costs following the renewal of certain contracts, as well as to a change in product mix that has resulted in higher logistics costs.
Other expenses and revenue mainly comprise provisions, the impairment losses on receivables and taxes other than income taxes.

The net non-recurring charges included in selling and distribution expenses (within other expenses and revenue in the classification by type of expenditure) totalled 10.6 million euro (2.9 million euro). Further information is provided in note 8.5.

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.

(million Euro)

	31 Dec 2008	31 Dec 2007
Purchase of raw materials, components, materials and change	(0,7)	(1,0)
Services	(61,1)	(68,2)
Payroll costs	(45,2)	(46,6)
Depreciation and amortization	(16,2)	(22,0)
Other expenses	(11,6)	(23,8)
Other revenue	20,6	31,0
Total	**(114,1)**	**(130,6)**

The net non-recurring income included in general and administrative expenses totalled 1.3 million euro (charges of 0.3 million euro). Further information is provided in note 8.5.

8.5. Operating profit

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

(million Euro)

	31 Dec 2008	31 Dec 2007
Revenue	3.154,9	3.407,7
Change in the inventories of finish products	62,5	(6,9)
Purchase of raw materials, components, materials and change in inventories	(1.878,4)	(1.904,3)
Services	(564,3)	(596,8)
Payroll costs	(477,1)	(524,4)
Depreciation and amortization	(129,9)	(141,1)
Other income and expenses	(27,1)	(41,9)
Operating profit	**140,6**	**192,2**

The reduction in profitability accelerated during the fourth quarter, due to both the marked deterioration of general economic conditions in the countries in which the Group operates, and adverse exchange-rate movements; these effects were partially offset by the containment of manufacturing costs and general expenses. Further information is presented in the Report on operations, to which reference is made.

The purchasing costs reflected in the purchase of raw materials, components and consumables caption include 270 million euro (260 million euro) for steel, 250 million euro (269 million euro) for plastics, 1,245 million euro (1,256 million euro) for components and outsourced production, and 113 million euro (119 million euro) for other materials.

The change in inventories is analysed by nature below:

(million Euro)

	31 Dec 2008	31 Dec 2007
Raw materials, components and semi-finished products	12,4	(2,5)
Finished Products	62,5	(6,9)
Total	**74,9**	**(9,3)**

The continued redistribution of industrial activities has lowered payroll costs to 15.1% of revenue (15.4%) with, in particular, increases in Poland and Russia and a reduction in the UK.

The number of employees is 17,339 (17,418 people). Employment is analysed as follows:

	31 Dec 2008	31 Dec 2007
Executives	128	123
Clerical staff	5.257	5.513
Factory workers	11.954	11.782
Total	**17.339**	**17.418**

Pursuant to Consob instructions[10], significant, non-recurring income and expenses are detailed in the following tables. They mainly comprise restructuring charges.

[10] Consob Communication DEM/6064293 dated 28 July 2006

(million Euro)

	31 Dec 2008	31 Dec 2007
Redundancies	(16,7)	(26,0)
Charges for Disposal of industrial assets in industrial areas involved in restructuring plans	(7,1)	(7,9)
Start up charges in new industrial areas	(1,0)	(4,7)
Curtailment severance indemnities	-	4,8
Gain on disposal of assets	1,7	8,0
Tax and social security relief earthquake	13,0	-
Provisions for dispute with a distributor	(10,8)	-
Other	1,5	(1,6)
Total	**(19,4)**	**(27,4)**

Redundancies mainly comprise charges incurred on the restructuring of the Peterborough factories in the UK.
The cost of disposal of activities in certain industrial areas mainly reflects the impairment losses on property, plant and equipment and other costs associated with closing the UK factories.
The relief of tax and social security contributions applicable to the areas hit by the 1997 earthquake reflects the recognition of income following reversal of the related payables (the payment of which was suspended) as a result of regulations issued by the Italian government during the year (Law 103/2008).
The provisions for disputes with a distributor relate to the termination, in prior years, of the Group's relationship with a retailer.

The non-recurring income and expenses included in cost of sales, selling and distribution expenses, and general and administrative expenses are detailed below.

(million Euro)

	Cost of sales	Selling and distribution expenses	General and administrative expenses	31 Dec 2008
Redundancies	(13,2)	(1,7)	(1,8)	(16,7)
Charges for Disposal of industrial assets in industrial areas involved in restructuring plans	(7,3)	0,4	(0,2)	(7,1)
Start up charges in new industrial areas	(1,0)			(1,0)
Gain on disposal of assets			1,7	1,7
Tax and social security relief earthquake	9,9	1,5	1,6	13,0
Provisions for dispute with a distributor		(10,8)		(10,8)
Other	1,5			1,5
Total	**(10,1)**	**(10,6)**	**1,3**	**(19,4)**

Attachment 3 (Consolidated income statement for the year ended 31 December 2008, 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 charges on the consolidated income statement. Non-recurring charges have an immediate cash flow effect, except for the redundancy costs recognised in accordance with IAS 37 which, on average, are incurred over the twelve months following accounting recognition, and for the provisions for risks, for which it is often not possible to determine when they will crystallize. Total payables and provisions for non-recurring transactions as of 31 December 2008 amount to 16.0 million euro (3.9 million euro) and the cash flow used by them was 25.1 million euro.

8.6. Net financial expenses

(million euro)

	31 Dec 2008	31 Dec 2007
Interest income	5,9	10,2
Interest income on UK pension scheme	6,7	5,1
Mark to market derivatives	(0,1)	0,8
Interest income	**12,5**	**16,1**
Interest expenses	(41,2)	(35,0)
Interest expenses on severance indemnities	(2,5)	(2,4)
Mark to market derivatives realeted to loans	2,2	1,4
Interest expense	**(41,5)**	**(35,9)**
Exchange rate fluctuations	**(14,3)**	**(6,5)**
Commissions	**(2,9)**	**(3,9)**
Other	**0,6**	**0,0**
Total net financial expenses	**(45,7)**	**(30,2)**

Interest income from pension funds reflects the net yield expected from the assets that service the Group's defined benefit pension plans.

Interest expense comprises:

(million Euro)

	31 Dec 2008	31 Dec 2007
Bond interest	(13,5)	(11,2)
Interest on medium/long-term bank loans	(2,0)	(2,2)
Interest on liability for GDAH acquisition	(2,5)	(4,0)
Interest on short-term borrowing	(20,1)	(16,1)
Other interest expense	(3,2)	(1,5)
Mark-to-market derivatives related to loans	2,2	1,4
Interest expense on pension funds and severance indemnities	(2,5)	(2,4)
Total	**(41,5)**	**(35,9)**

The change in the mark-to-market adjustment of derivatives related to loans reflects the increase in the fair value of the floating-to-fixed IRS during the year. As described further in note 9, commencing from 1 July 2008 this instrument is recognised on a hedge accounting basis.

Exchange rate fluctuations are analysed as follows:

(million Euro)

	31 Dec 2008	31 Dec 2007
Realised exchange rate fluctuations, net	19,9	(17,2)
Unrealised exchange rate fluctuations, net	(34,2)	10,7
Total	**(14,3)**	**(6,5)**

The net unrealised exchange rate losses have mainly been recorded to adjust exposures not denominated in the functional currency using the closing rates of exchange. The amount concerned principally reflects the sudden, significant depreciation of the sterling and the rouble during the last part of the year.

8.7. Income tax

(million Euro)

	31 Dec 2008	31 Dec 2007
Current taxes	(57,3)	(61,0)
Change in deferred tax assets/liabilities, net	18,4	(0,2)
Total	**(38,9)**	**(61,2)**

Current income taxes include IRAP of 5.1 million euro (7.2 million euro).

Taxation represents 41.0% (36.8%) of profit before taxation. The increase in the effective tax rate was largely due to the incidence of IRAP and the withholding tax on dividends from certain foreign subsidiaries, which fell by a lesser extent with respect to the reduction in profit before taxation.

The deferred tax assets recognised in relation to prior-year tax losses amount to 5.6 million euro (12.2 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.

(million Euro)

	31 Dec 2008	31 Dec 2007
Profit before tax	94,9	166,4
Tax Rate	27,5%	33,0%
Theoretical tax charge	(26,1)	(54,9)
Actual tax charge	(38,9)	(61,2)
Difference	**(12,8)**	**(6,3)**
Effects relating to the parent company and companies based in Italy		
IRAP	(5,1)	(7,2)
Taxation of dividends to be distributed by subsidiaries	(5,8)	(8,0)
Prior year items and undeductible expenses	(2,7)	(2,5)
Effect of untaxed gains on disposal of investments	-	(3,5)
Effect of italian tax rate reduction on defered taxes	-	(0,6)
Other effects	(1,0)	(0,2)
Total effects relating to the Parent Company and companies based in Italy	**(14,6)**	**(22,0)**
Effects relating to companies operating in other countries and tax differentials with respect to companies based in Italy	**1,7**	**15,7**
Total differences	**(12,8)**	**(6,3)**

8.8. Profit/loss of the year attributable to minority interests

The profit/loss attributable to minority interests relate to Indesit Portugal Sa and Wuxi Indesit Home Appliance Co.

CONSOLIDATED BALANCE SHEET

8.9. Property, plant and equipment

The principal capital investment during the year related to the start-up of production at the two new plants in the Radomsko area of Poland. Their total capacity at the end of 2008 was about 2.0 million appliances, comprising washing machines and dishwashers. Investment was also directed to the new platform for 70 cm refrigerators installed at the Manisa factory (Turkey), as well as to equipment and dies for all product lines.

The depreciation charge for the year was 99.5 million euro (109.5 million euro).

The net carrying amount of land and buildings, plant and machinery, and industrial and commercial equipment includes 8.4 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 through use of the carrying amount of these assets, no basis was found for reversing the adjustments already made or for recording further adjustments.

Outstanding orders placed for the supply of property, plant and equipment amount to 40.2 million euro (18.0 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 6.6 million euro (1.7 million euro).

Net disposals and retirements, 4.9 million euro (12.6 million euro), mainly relate to the elimination of non-strategic non current assets and the closure of the Peterborough factory in the UK.

Asset under construction, 41.4 million euro (85.9 million euro), mainly relates to work on the expansion of the two new factories in the Radomsko area of Poland and the Manisa factory in Turkey.

The ownership of property is not restricted by liens and charges.

(million Euro)

	31 Dec 2008	31 Dec 2007
Land and buildings	270,8	271,9
Plant and machinery	261,9	284,8
Industrial and commercial equipment	86,2	79,5
Assets under construction	41,4	85,9
Other assets	32,4	41,0
Total property, plant and equipment	**692,8**	**763,0**

The changes in historical cost are presented below:

(million euro)	31 Dec 2007	Additions	Decreases	Exchange rate differences	Reclassifications	31 Dec 2008
Land and buildings	398,2	5,2	(3,0)	(44,3)	42,5	398,7
Plant and machinery	779,5	17,9	(23,1)	(78,3)	26,9	722,9
Industrial and commercial	406,2	15,9	(5,3)	(27,5)	33,9	423,2
Assets under construction	85,9	72,6	(0,1)	(9,1)	(108,1)	41,4
Other assets	164,7	2,2	(13,8)	(13,3)	(17,8)	122,0
Total	**1.834,6**	**113,8**	**(45,3)**	**(172,5)**	**(22,5)**	**1.708,3**

(million Euro)	31 Dec 2006	Additions	Decreases	Exchange rate differences	Reclassifications	31 Dec 2007
Land and buildings	414,6	16,2	(30,2)	(4,9)	2,5	398,2
Plant and machinery	777,3	43,3	(31,1)	(10,0)	-	779,5
Industrial and commercial	413,7	26,1	(26,4)	(7,3)	-	406,2
Assets under construction	41,5	43,8	-	0,6	-	85,9
Other assets	174,6	7,3	(12,1)	(5,0)	-	164,7
Total	**1.821,8**	**136,7**	**(99,8)**	**(26,6)**	**2,5**	**1.834,6**

The change in accumulated depreciation is presented below:

(million Euro)	31 Dec 2007	Depreciation and impairment losses	Decreases	Exchange rate differences	Reclassifications	31 Dec 2008
Land and buildings	(126,3)	(13,5)	0,1	16,8	(4,9)	(127,9)
Plant and machinery	(494,7)	(47,3)	22,1	46,3	12,6	(461,0)
Industrial and commercial	(326,7)	(30,7)	4,9	18,3	(2,8)	(337,0)
Other assets	(123,8)	(8,0)	13,3	12,1	16,7	(89,6)
Total	**(1.071,6)**	**(99,5)**	**40,4**	**93,5**	**21,7**	**(1.015,5)**

(million Euro)	31 Dec 2006	Depreciation and impairment losses	Decreases	Exchange rate differences	Reclassifications	31 Dec 2007
Land and buildings	(133,8)	(14,9)	18,9	3,4	-	(126,4)
Plant and machinery	(482,0)	(50,9)	30,4	7,7	-	(494,7)
Industrial and commercial	(327,4)	(31,1)	26,2	5,7	-	(326,7)
Other assets	(127,5)	(12,6)	11,8	4,5	-	(123,8)
Total	**(1.070,6)**	**(109,5)**	**87,2**	**21,3**	**-**	**(1.071,6)**

The change in carrying amount is presented below:

(million Euro)	31 Dec 2007	Additions	Depreciation and impairment	Decreases	Exchange rate differences	Reclassifications	31 Dec 2008
Land and buildings	271,9	5,2	(13,5)	(2,9)	(27,5)	37,6	270,8
Plant and machinery	284,8	17,9	(47,3)	(1,1)	(31,9)	39,5	261,9
Industrial and commercial	79,5	15,9	(30,7)	(0,4)	(9,1)	31,1	86,2
Assets under construction	85,9	72,6	-	(0,1)	(9,1)	(108,1)	41,4
Other assets	41,0	2,2	(8,0)	(0,5)	(1,3)	(1,1)	32,4
Total	**763,0**	**113,8**	**(99,5)**	**(4,9)**	**(78,9)**	**(0,9)**	**692,8**

(million Euro)	31 Dec 2006	Additions	Depreciation and impairment	Decreases	Exchange rate differences	Reclassifications	31 Dec 2007
Land and buildings	280,9	16,2	(14,9)	(11,3)	(1,5)	2,5	271,9
Plant and machinery	295,3	43,3	(50,9)	(0,7)	(2,3)	-	284,8
Industrial and commercial	86,4	26,1	(31,1)	(0,2)	(1,6)	-	79,5
Assets under construction	41,5	43,8	-	-	0,6	-	85,9
Other assets	47,1	7,3	(12,6)	(0,3)	(0,5)	-	41,0
Total	**751,2**	**136,7**	**(109,5)**	**(12,6)**	**(5,3)**	**2,5**	**763,0**

Finance leases

The carrying amount of assets held under finance leases amounts to 2.3 million euro and principally relates to Industrial and commercial buildings, 0.6 million euro, and Land, 0.6 million euro.

The finance lease of Industrial and commercial buildings and Land relates to the building in Croissy (France) and the associated land. This contract has a term of 15 years and expires in 2011. The Group expects to make the agreed end-of-lease purchase payment. The building is mortgaged for the value of the outstanding finance lease liability.

The minimum future payments are analysed by maturity band below:

(million Euro)	31 Dec 2008	31 Dec 2007
Within 1 year	0,5	0,6
Between 1 and 5 years	0,9	1,7
Beyond 5 years	-	-
Total Minimun Lease Payments	**1,4**	**2,2**

Non-cancellable operating leases

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

(million Euro)	31 Dec 2008	31 Dec 2007
Within 1 year	9,0	12,6
Between 1 and 5 years	26,0	32,2
Beyond 5 years	38,4	20,0
Total Minimun Lease Payments	**73,4**	**64,8**

The principal assets held under non-cancellable operating leases mainly comprise the factory at Blythe Bridge and the warehouse at Raunds in the UK. The first involves minimum future payments of 28.8 million euro over 51 years ending in 2059. The contract envisages adjustments to the annual rental charge every 25 years. The next adjustment will take place in 2010. The contract does not envisage renewal or the purchase of the assets concerned. The second involves minimum future payments of 17.3 million euro. The contract expires in 2020/2021, and envisages adjustments to the annual rental charge every five years. The contract does not envisage renewal or the purchase of the assets concerned.

The income statement reflects rental charges incurred under operating leases of 2.8 million euro (11.0 million euro).

8.10. Goodwill and other intangible assets with an indefinite useful life

(million Euro)	31 Dec. 08	31 Dec. 07
Goodwill	116,4	151,1
Brands with an indefinite useful life	91,4	146,4
Total goodwill and other intangible assets with an indefinite useful life	**207,7**	**297,5**

The change in carrying amount is presented below:

(million Euro)	31 Dec 2007	Exchange rate differences	Reclassifications	31 Dec 2008
Goodwill	151,1	(34,7)	-	116,4
'Brands with an indefinite useful life	146,4	(33,7)	(21,3)	91,4
Totale	**297,5**	**(68,4)**	**(21,3)**	**207,7**

(million Euro)	31 Dec 2006	Exchange rate differences	Reclassifications	31 Dec 2007
Goodwill	165,6	(14,6)	-	151,1
'Brands with an indefinite useful	159,9	(13,5)	-	146,4
Total	***325,5***	***(28,1)***	***-***	***297,5***

The brand name with an indefinite useful 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, 87.0 million pounds was attributed to brands with an indefinite useful life and 110.5 million pounds to goodwill. These amounts, denominated in pounds sterling, are subject to exchange rate fluctuations arising on the translation to euro.

Although considered strategic for the entire Group, the brand name with an indefinite useful life, Hotpoint, is allocated to the UK CGU since it is the UK's leading brand of household appliances. This name is used together with Ariston (Hotpoint-Ariston) on the Group's mid and high-end products sold in markets outside of the UK.

(million Euro)	31 Dec 2008	31 Dec 2007
CGU UK Goodwill	28,5	37,0
Other CGU Goodwill	87,9	114,1
Hotpoint Brand	91,4	118,7
Total	**207,7**	**269,7**

The carrying amount of intangible assets with an indefinite useful life is subjected to impairment testing at least once every year. The tests performed as of 31 December 2008 and 31 December 2007 did not recognised 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, 28.5 million euro, was attributed to the cash-generating unit (CGU) represented by the UK market (UK CGU) and part, 87.9 million euro, was attributed to the other Group CGUs taken together (Group CGUs) that have benefited and are expected to benefit further from the synergies released as a result of the acquisition.
The recoverable amount of the CGUs is based on their value in use determined by applying DCF techniques over a three-year period, considering the business plan forecasts prepared by management and approved by the directors.
The principal assumptions underpinning the plans of the Group CGU are set out below:

- The euro/sterling exchange rate was forecast at 0.92, euro/rouble at 50 and euro/zloty at 4.2;
- the volume of sales with respect to the prior year was forecast to considerable decline in 2009, but to slightly increase in following years.
- average unit prices denominated in euro were forecast to slightly decrease in 2009, increase slightly in 2010 and remain stable in 2011.
- capital investment was forecast to fall by more than 50% in 2009 and then increase by 20% per annum from 2010;
- net working capital was forecast to deteriorate slightly over the three-year period, rising from 2.1% of revenue in 2008 to 2.5% in 2011;
- the prices for raw materials and components were forecast to remain stable at 2009 levels;
- product costs incorporate the manufacturing efficiencies that will be achieved as a result of the actions already taken at the present time;

The operating profit deriving from the above assumptions is expected to be significantly lower in 2009 with respect to the prior year, but will increase strongly in 2010 and 2011, when it will still be lower than that reported in 2007 (a record year for the Group).

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

- the euro/sterling exchange rate was forecast to remain constant at 0.92;
- the volume of sales was forecast to significantly decline in 2009 and slightly reduce in 2010, the volume of sales was forecast to increase slightly only in 2011;
- average unit prices denominated in local currency were forecast to considerably increase in 2009 and slightly increase in 2010, but ease in 2011; these variations reflect the differences between the average price levels for the years concerned; part of the price increases envisaged for 2009 were made during the

fourth quarter of 2008, while a further increase was implemented during the first quarter of 2009;
- to the extent applicable to the UK CGU and taking account of the currency effects, all the other assumptions reflect those already made at Group level for the principal balance sheet and income statement captions.

Forecast cash flows have been discounted using the weighted-average cost of capital (WACC) of 8.61% (8.40%) for the Group CGU and 8.92% (8.46%) for the UK CGU. The terminal value of the CGUs was determined by assuming a long-term normalised cash flow based on that generated in the final year of the explicit plan (2011), and using a prudential nominal long-term growth factor (g) of 0%, representing negative real growth assuming there will be positive average inflation in the countries where the Group operates, including the UK.
The impairment tests on the UK CGU and the Group CGU were carried out with the assistance of an independent expert.

Lastly, it is noted that both the carrying amount of the Group's assets and their recoverable amount, as determined by the impairmenvfct tests carried out as of 31 December 2008, exceed the stock exchange capitalisation of Indesit Company S.p.A. at the time of preparing these consolidated financial statements. In this regard, the Group expects to continue generating cash into the future and this conviction, plus consideration of the historical trend for the market capitalisation, causes the directors to believe that the economic capital of the Group, as determined via the impairment tests performed, is in excess of the current stock exchange capitalisation.

8.11. 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 Dec 2008	31 Dec 2007
Development expenses	37,7	44,6
Licences and software	42,0	45,5
Brands with a finite life	26,5	10,4
Intangible assets under construction	12,4	-
Other	5,3	7,8
Total	**123,9**	**108,3**

Up to 31 December 2007, intangible assets under construction were recognised and reported within the individual asset categories; commencing from 2008, following a review of the Group's models and accounting and reporting systems, intangible assets under construction are now recognised and reported in a separate category.

The changes in historical cost are presented below:

(million Euro)	31 Dec 2007	Increases	Decreases	Exchange rate differences	Reclassifications	31 Dec 2008
Development expenses	86,6	10,2	(12,2)	(3,1)	0,4	81,8
Licences and software	111,7	11,4	(41,1)	(3,9)	(2,0)	76,1
Brands with a finite life	18,8	0,0	(14,9)	(6,9)	21,3	18,3
Intangible assets under construction	-	8,8	-	(0,6)	4,1	12,3
Other	8,9	0,2	(0,1)	(1,6)	(3,4)	4,1
Total	**225,9**	**30,6**	**(68,3)**	**(16,1)**	**20,5**	**192,6**

(million Euro)	31 Dec 2006	Increases	Decreases	Exchange rate differences	Reclassifications	31 Dec 2007
Development expenses	71,2	16,7	-	(1,2)	-	86,6
Licences and software	103,6	9,5	-	(1,3)	-	111,7
Brands with a finite life	21,4	-	-	(2,5)	-	18,8
Intangible assets under construction	-	-	-	-	-	-
Other	7,2	4,4	(0,2)	(0,1)	(2,5)	8,9
Total	**203,4**	**30,5**	**(0,2)**	**(5,3)**	**(2,5)**	**225,9**

The change in accumulated amortisation is presented below:

(million Euro)	31 Dec 2007	Amortization and impairment losses	Decreases	Exchange rate differences	Reclassifications	31 Dec 2008
Development expenses	(42,0)	(15,0)	12,2	2,1	(1,3)	(44,1)
Licences and software	(66,2)	(11,3)	41,0	2,6	(0,1)	(34,0)
Brands with a finite life	(8,5)	(3,6)	14,9	5,4	0,0	8,2
Other	(1,0)	(0,6)	0,1	0,3	2,4	1,2
Total	**(117,7)**	**(30,5)**	**68,2**	**10,3**	**1,0**	**(68,7)**

(million Euro)	31 Dec 2006	Amortization and impairment losses	Decreases	Exchange rate differences	Reclassifications	31 Dec 2007
Development expenses	(23,6)	(19,0)		0,7		(42,0)
Licences and software	(58,2)	(8,8)		0,8		(66,2)
Brands with a finite life	(6,1)	(3,5)		1,1		(8,5)
Other	(0,9)	(0,3)		0,2		(1,0)
Total	**(88,8)**	**(31,6)**	**-**	**2,7**	**-**	**(117,7)**

The change in net carrying amount is presented below:

(million Euro)	31 Dec 2007	Increases	Amortization and impairment losses	Decreases	Exchange rate differences	Other changes	31 Dec 2008
Development expenses	44,6	10,2	(15,0)	(0,0)	(1,1)	(0,9)	37,7
Licences and software	45,5	11,4	(11,3)	(0,1)	(1,4)	(2,1)	42,0
Brands with a finite life	10,4	0,0	(3,6)	-	(1,5)	21,3	26,6
Intangible assets under construction	-	8,8	-	-	(0,6)	4,1	12,3
Other	8,0	0,2	(0,6)	(0,0)	(1,2)	(1,0)	5,1
Total	**108,3**	**30,6**	**(30,5)**	**(0,1)**	**(5,8)**	**21,5**	**123,7**

(million Euro)	31 Dec 2006	Increases	Amortization and impairment losses	Decreases	Exchange rate differences	Other changes	31 Dec 2007
Development expenses	47,5	16,7	(19,0)	-	(0,6)	-	44,6
Licences and software	45,4	9,5	(8,8)	-	(0,5)	-	45,5
Brands with a finite life	15,3	-	(3,5)	-	(1,5)	-	10,4
Intangible assets under construction	-	-	-	-	-	-	-
Other	6,2	4,4	(0,3)	(0,2)	0,0	(2,5)	7,8
Total	**114,5**	**30,6**	**(31,6)**	**(0,2)**	**(2,6)**	**(2,5)**	**108,3**

Development expenses benefiting future years totalling 10.2 million euro (16.7 million euro) were capitalised in 2008.

The Licences and software caption 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 3 years.

The Brands with a finite life caption includes Creda, recorded on the acquisition of GDAH, and Cannon which was reclassified to this caption, from Brands with an indefinite useful life, during the fourth quarter of 2008. Consistent with the development plan for the Group's brands, which focuses on the principal names, the useful life of the Creda brand was revised down to 5 years in 2006 and, consequently, the brand name has been amortised from that time. Similarly, in 2008, the useful life of the Cannon brand was determined to be 10 years and the brand name is now subject to annual amortisation. The 2008 amortisation charge relating to the Creda brand name was 3.0 million euro, while that relating to the Cannon brand was 0.6 million euro.

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

8.12. Investments in associates

Investments in associates are analysed below:

(million Euro)	31 Dec 2008	31 Dec 2007
Associated Investments	0,5	0,5
Total Investments related parties	**0,5**	**0,5**

8.13. Other non-current assets

In order to improve the presentation of financial information, commencing from these consolidated financial statements the Other non-current assets caption contains the non-current portion of the tax assets relating to the Polish Special Economic Zone, 32.9 million euro (26.1 million euro), determined with reference to estimated future taxable income. The comparative information for 2007 has been reclassified as a consequence. These assets have a balancing entry under other non-current liabilities (government grants), which are discussed in note 8.25.
This caption also includes the carrying amount, 0.5 million euro (0.5 million euro), of the investments in other companies in which, in general, the Group holds less than 20% of the share capital or voting rights. The equity 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.

8.14. Deferred tax assets

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

(million Euro)

Deferred tax assets	Opening balance 31.12.2007	Credited / charged to Income Statement	Credited / charged to Equity	Exchange rate effect	Other movements	Closing balance 31.12.2008
Property, plant and equipment	0,7	0,7	-	0,4	(1,2)	0,7
Intangible assets	3,1	(1,2)	-	(0,0)	(0,1)	1,9
Inventories	2,6	1,2	-	(0,0)	0,8	4,5
Financial payables	9,4	-	-	-	(9,4)	(0,0)
Deferred payroll	9,3	(1,9)	-	(1,8)	0,0	5,6
Provisions for risks	13,3	3,2	-	(0,8)	(0,4)	15,2
Other	19,9	19,0	3,0	(2,3)	4,1	43,8
Tax losses carried forward	12,2	(6,6)	-	(0,3)	0,2	5,6
Total	**70,6**	**14,4**	**3,0**	**(4,8)**	**(5,9)**	**77,3**
Amounts offset	(32,8)	4,2	-	-	5,8	(22,7)
Total net	**37,8**	**18,6**	**3,0**	**(4,8)**	**(0,1)**	**54,6**

The amounts offset relate to the deferred tax liabilities that reduce these 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 increase in the Other caption principally relates to the deferred tax assets recognised on adjusting the financial assets and liabilities not denominated in the functional currency using the closing rates.

The deferred tax assets recognised in relation to prior-year tax losses amount to 5.6 million euro (12.2 million euro), while those unrecognised amount to 44.2 million euro (40.3 million euro). The situation is analysed in the following table:

Society	Tax losses	Duration of recoverability	Tax Rate	Deferred tax assets recognised	Deffered tax assets not recognised	Total
Indesit Company France Sa	4,7	3 years	33,33%	1,6	-	1,6
Indesit company Luxembourg s.a.	119,9	illimited	22,88%	3,6	23,8	27,4
Indesit company South America s.a.	0,1	illimited	22,88%		0,0	0,0
Indesit Electrodomesticos SA	37,0	15 years	30,00%	-	11,1	11,1
Indesit Company Portugal Electrodomésticos, AS	27,3	6 years	26,50%	-	7,2	7,2
Fabriaca Portugal AS	7,6	6 years	26,50%	-	2,0	2,0
Indesit Company Beyaz Esya San.ve Tic.A.S.	2,4	5 years	20,00%	0,5		0,5
Total	**198,9**			**5,6**	**44,2**	**49,8**

8.15. Inventories

Inventories are analysed as follows:

(million Euro)	31 Dec 2008	31 Dec 2007
Raw materials, compontents and semi-finished products	114,5	113,2
Obsolescence provisions	(2,2)	(3,2)
Total	**112,2**	**110,0**
Finished products ,compontents and semi-finished products	246,0	195,9
Obsolescence provisions	(11,3)	(4,7)
Total	**234,7**	**191,2**
Spare parts	28,8	39,0
Obsolescence provisions	(1,7)	(5,9)
Total	**27,1**	**33,0**
Grand total	**374,1**	**334,2**

The increase in inventories was principally due to the reduction in sales volume experienced during the fourth quarter of 2008.

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. With regard to finished products, this classification takes account of sales forecasts; accordingly, the provision for obsolete finished products has been increased as a result of the above-mentioned decline in demand.

8.16. 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 49.5 million euro (41.4 million euro).
The provisions for doubtful accounts and the losses on receivables recognised during the year amounted to 19.5 million euro (9.9 million euro).
Advances to suppliers as of 31 December 2008 amount to 3.8 million euro (5.8 million euro).

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

In addition to the lower volume of sales, trade receivables also fell due to the sale without recourse of trade receivables totalling 19.5 million euro.

The programme of securitising trade receivables in place as of 31 December 2007 is currently being run down. In accordance with IAS 39, the residual receivables sold under the securitisation programme, amounting to 8.1 million euro (103.4 million euro), continue to be reported as trade receivables in the balance sheet and securities issued amounting to 10.1 million euro (32.7 million euro) have been reclassified to this caption from financial payables.

8.17. Tax receivables

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

(million Euro)	31 Dec 2008	31 Dec 2007
Advance taxation	37,5	34,5
IRPEF on advance of severance indemnities	-	1,4
Tax credit for Special Economic Zone	6,6	2,6
Total	**44,1**	**38,5**

The VAT receivables previously classified among Tax receivables is now included among Other receivables; the 2007 comparative information has been reclassified accordingly. The increase in the Special Economic Zone tax credits relates to the tax incentives to be obtained by the Group in relation to its ongoing investment in Poland. This caption reflects solely the current portion of such tax credits. These credits, together with the non-current portion, are matched by deferred grants from the government, classified as other non-current liabilities, which are discussed in note 8.25.

8.18. Other receivables and current assets

Other receivables and current assets are analysed as follows:

(million Euro)	31 Dec 2008	31 Dec 2007
Due from employees	2,2	2,6
Due from social security and pension institutions	3,0	2,3
Grants due from public bodies	5,6	10,6
Insurance reimbursements	0,2	0,4
VAT receivable	46,3	47,7
Other receivables	6,3	12,9
Total other receivables and other current assets	**63,6**	**76,4**

8.19. 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 Dec 2008		31 Dec 2007	
	Number	Euro	Number	Euro
Ordinary shares	113.630.684	102.267.616	113.630.684	102.267.616
Savings shares	511.282	460.154	511.282	460.154
Total	**114.141.966**	**102.727.770**	**114.141.966**	**102.727.770**

No stock options were exercised during the year and no new stock options were granted.

Dividend payments during 2008 totalled 52.5 million euro (39.7 million euro), comprising 52.2 million euro on the ordinary shares (39.5 million euro) and 0.3 million euro (0.2 million euro) on the savings 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 S.p.A., 11,039,750, there are 102,590,934 ordinary shares outstanding.

The treasury shares classified as a reduction of equity, more specifically as a deduction from share capital and share premium, amount to 33.0 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 S.p.A. In addition to the right to participate in the distribution of profits and the return of capital, 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 an allocation 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 share 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 2008, indicating the outstanding stock options and the treasury shares held (amounts in Euro). The above include both ordinary and savings shares.

	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 plans for Directors authorised on 23 October 2001	1.260.000	1.400.000	1.260.000	1.400.000
2st Stock option plans 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: 322,000 granted, 2,950,000 not granted.

The description of, changes in and restrictions applying to the principal equity reserves are described below. The detailed analysis of these changes is presented in a separate schedule.

Reserves
a) The share premium reserve amounts to 35.8 million euro.

b) Legal reserve: this reserve, 22.7 million euro, reflects allocation of 5% of the parent company's profit for each year. No increase was recorded in 2008 since this reserve already exceeds the legal threshold represented by one-fifth of share capital.

c) Translation reserve: this reserve has a negative balance of 139.8 million euro and reflects the effect of translating the financial statements of Group companies denominated in foreign currencies. The adverse change during the year, 159.6 million euro, was principally due to the depreciation of the British pound, 97.6 million euro, the depreciation of the Polish zloty, 26.2 million euro, the depreciation of the Russian rouble, 27.3 million euro, the depreciation of the Turkish lira, 11.9 million euro, and the appreciation of other currencies, 3.4 million euro.

d) Other reserves, 257.2 million euro. The caption includes the extraordinary reserve, the reserve for capital grants, the derivatives measurement reserve, the stock options measurement reserve and other reserves. The derivatives measurement reserve has decreased by 1.3 million euro in relation to the valuation of derivative financial instruments deemed to represent cash flow hedges.

e) Retained earnings: these amount to 95.8 million euro; they have decreased by 52.5 million euro on the payment of dividends and increased by 105.4 million euro on the allocation of the parent company's profit for 2007.

As indicated above with regard to the changes in reserves, the dividends paid in 2008 amounted to 52.5 million euro (39.7 million euro) representing 0.459 euro per ordinary share and 0.587 euro per savings share.

The Board of Directors' meeting held on 26 March 2009 approved these consolidated financial statements and recommended to the shareholders' meeting that an ordinary dividend should not be distributed. In accordance with the articles of association, the Board did however recommend the payment of a dividend of 0.045 euro per savings share.

The calculations for the basic earnings per share and the diluted earnings per share reported in the consolidated income statement are set out in the following table.

Basic EPS	**31 Dec 2008**	**31 Dec 2007**
Basic attributable earnings (million Euro)	55,5	105,4
Basic average number of ordinary shares (thousand)	102.590,9	102.520,4
Ordinary EPS (without savings shares effect)	**0,54**	**1,02**
Unit earnings attributed to savings shares (Euro)	0,54	1,028
Number of savings shares (thousand)	511,3	511,3
Earnings attributed to savings shares (million Euro)	(0,28)	(0,53)
Basic attributable earnings (million Euro)	**55,2**	**104,9**
Basic average number of ordinary shares (thousands)	102.590,9	102.520,4
Basic EPS (Euro)	**0,54**	**1,02**
Diluted EPS		
Basic attributable earnings (Euro million)	55,2	104,9
Basic average number of ordinary shares (thousands)	102.590,9	102.520,4
Average number of shares granted to Directors without payment	-	-
Average number of shares granted to employees without payment	21,9	150,7
Total	102.612,8	102.671,1
Diluted EPS (Euro)	**0,54**	**1,02**

8.20. Minority interests

Minority interests have increased by 0.7 million euro due to the increase in minority interests in WUXI (China), 70% held, due to the appreciation of the Chinese renminbi, 0.3 million euro, and the profit for the year, 0.5 million euro.

Minority interests are analysed in the following table.

(million Euro)

	31 December 2008		31 December 2007	
	Equity	**Results for the year**	**Equity**	**Results for the year**
Wuxi Indesit Home Appliances Co. Ltd	2,7	0,5	2,0	(0,2)
Fabrica Portugal S.A.	(0,2)	-	(0,2)	-
Total	**2,5**	**0,5**	**1,8**	**(0,2)**

8.21. 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 components of non-current financial assets consist of deposits restricted to guarantee loans obtained and the fair value of the derivatives that hedge loans.

(million Euro)

		31 Dec 2008	31 Dec 2007
Current financial assets	8.21.1	43,8	56,5
Cash and cash equivalents	8.21.2	193,2	186,5
Banks and other financial payables	8.21.3	(268,2)	(276,2)
Net financial position - short term		**(31,2)**	**(33,1)**
Medium/long-term financial payables	8.21.5	(451,9)	(309,2)
Net financial position (1)		**(483,1)**	**(342,4)**
Other non-current financial assets	8.21.4	9,3	11,2
Total		**(473,8)**	**(331,1)**

1) As defined in Consob Communication DEM/6064293 dated 28.07.06, applying the CESR recommendations dated 10.02.05

The increase in net financial position was due to the reduction in cash flow with respect to 2007, mainly due to the decrease in EBITDA, the increase in net working capital and the payment of higher interest and redundancy charges.
Free Cash Flow[11] was therefore negative by 142.7 million euro (positive by 92.4 million euro), resulting in an increase in net borrowing by the same amount.

[11] Free Cash Flow: the cash flow from/used in operating and investing activities, net of dividend payments and share capital increases

8.21.1 Current financial assets

Current financial assets include the fair value measurement of derivative financial instruments, 33.0 million euro, and other current financial receivables, 10.8 million euro.
The reduction in current financial assets reflects the payment made, via release of the cash collateral, to complete the acquisition of GDAH.

8.21.2 Cash and cash equivalents

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

8.21.3 Banks and other financial payables

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

This caption is analysed below.

(million Euro)

	31 Dec 2008	**31 Dec 2007**
Short- term advances	152,5	98,8
Short-term advances against receivables	3,8	89,9
Other short-term bank borrowings	19,9	2,0
Liability from the measurement of derivative instruments	18,4	6,2
Current portion of bonds issued	58,5	11,6
Current portion of liability from the acquisition of GDAH	-	36,5
Current portion of MCC loan	14,3	29,9
Current portion of other medium/long-term loans	0,8	1,5
Total	**268,2**	**276,2**

Short-term advances principally comprise hot money.
Other short-term bank borrowings comprise bank overdrafts and the current portion of the revolving lines of credit drawn down.
The increase in the above captions is offset by the reduction in advances received on the sale of receivables following the closure of the securitisation operation.

8.21.4 Other non-current financial assets

Other non-current financial assets are analysed as follows:

(million Euro)

	31 Dec 2008	**31 Dec 2007**
Term deposits	5,1	5,1
Assets for the measurement of derivative instruments	4,2	6,1
Total other non-current financial assets	**9,3**	**11,2**

Assets for the measurement of derivative instruments include the fair value measurement of the non-current portion of derivative financial instruments, recognised 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	within 1 year	Between 1 and 5 years	Beyond 5 years
Term deposits	5,1	5,1		
Assets for the measurement of derivative instruments	4,2	-	4,1	0,1
Total	**9,3**	**5,1**	**4,1**	**0,1**

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

8.21.5 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 Dec 2008	31 Dec 2007
Bonds	212,0	227,0
Due to banks	227,3	41,2
Other payables	12,6	41,0
Total	**451,9**	**309,2**

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

Description	Nominal Value	Nominal Value	Fair value	Maturity	Rate	Type of hedge
	Million Usd	million Euro	million Euro			
Notes - Series A	65,0		-	17/09/2009	Fixed	CCS
Notes - Series B	70,0		52,6	17/09/2011	Fixed	CCS
Notes - Series C	148,0		119,4	17/09/2014	Fixed	CCS
Notes - Series E	25,0		21,1	17/09/2016	Fixed	CCS
Total Notes issued in USD	**308,0**		**193,1**			
Notes - Series D		18,3	18,9	17/09/2014	Fixed	IRS
Total Notes issued in Euro		**18,3**	**18,9**			
Total fair value			**212,0**			

The interest and currency risks relating to the above-mentioned U.S. 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 the partial draw down of 200.0 million euro against a revolving line of credit for 350.0 million euro that expires in 2012, as well as Euro loans from MCC S.p.A. totalling 22.1 million euro to finance the factories in Russia and Poland, the last instalments of which fall due in 2013.

Other medium long-term financial payables are analysed as follows:

(million Euro)

	31 Dec 2008	31 Dec 2007
Lease payables	0,9	1,3
Liability from the measurement of derivatives	11,1	38,8
Other	0,6	0,9
Total	**12,6**	**41,0**

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 negative 38.7 million euro to negative 8.9 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 S.p.A. and the multicurrency syndicated revolving line of credit. The financial covenants applying at the December 31 and June 30 are verified and set out below:

Covenants		**Covenant limit 31.12.2008**		**Covenant limit 30.06.2008**
EBITDA / Net financial expenses	≥	3,5	≥	3,5
Net borrowing / EBITDA	≤	3,0	≤	3,5
Equity	≥	320 million Euro	≥	320 million Euro

In addition to the financial covenants, the bond and the committed lines of credit require Indesit Company S.p.A. and, in certain cases, a number of group companies to comply with other undertakings (*affirmative and negative covenants*) that reflect market standards for transactions of a similar nature, amount, maturity and risk profile.
Failure to comply with these 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 2008, all the covenants have been respected. As described earlier, the Group is taking a number of steps to ensure compliance with the covenants that relate to its financial strength, even though the results for 2009 are forecast to be worse due to the deterioration in the general economic situation.

The medium and long-term financial payables falling due between 1 and 5 years amount to 311.4 million euro, while those falling due beyond 5 years total 140.5 million euro; these maturities are analysed in the following table.

	Medium/long-term financial liabilities	**Maturity**						
		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Bonds	212,0	9,6	57,5	6,9	6,7	115,5	0,8	15,0
Due to banks	227,3	13,0	18,3	194,9	1,2	0,0	0,0	0,0
Other medium/long financial payables	12,6	2,4	0,9	0,1	0,2	8,3 -	0,0	0,9
TOTAL	**451,9**	**24,9**	**76,6**	**201,9**	**8,0**	**123,8**	**0,8**	**15,9**

8.22. Employee benefits

Employee benefits reflect the provisions recorded for severance indemnities and pension plans. The situation is analysed in the following table.

(million Euro)

	31 Dec 2008	31 Dec 2007
Defined benefit plans	66,3	83,8
Total	**66,3**	**83,8**

This caption solely comprises the liability for defined benefit plans. More specifically, it includes the UK pension plans, 15.7 million euro, and the employee severance indemnities of the Group's Italian companies, 46.6 million euro, as well as smaller pension plans in other countries (France and the Netherlands) and defined benefit plans the (retirements awards, which are treated as defined benefit plans) totalling 4.0 million euro.

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

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

As envisaged by IAS 19, the Group applies the corridor method. The unrecognised actuarial losses of the UK pension plans amount to 17.3 million euro (gains of 25.9 million euro). This change was mainly due to the performance of the financial markets and the reduction in the fair value of plan assets. The plan deficit, inclusive of actuarial gains and losses, is 33.0 million euro (2.8 million euro); the actuarial losses have not been recognised since they do not exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets.

	Employee severance indemnities		UK pension plans	
	31 Dec 2008	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
Present value of the defined benefit obligation (start of year)	46,5	55,1	347,2	387,6
Provision for benefits earned during the year	-	0,9	5,8	8,7
Financial charges	2,5	2,4	17,7	19,0
Contributions from plan participants	-	-	3,3	4,5
Actuarial (gains)/losses	0,9	-	(70,0)	(29,1)
Benefits paid by the plan/company	(6,5)	(7,0)	(14,7)	(10,5)
Curtailment of plan	-	(4,8)	(1,8)	(0,6)
Changes in exchange rates	-	-	(67,2)	(32,5)
Present value of the defined benefit obligation (end of year)	**43,4**	**46,5**	**220,3**	**347,2**
Fair value of plan assets (start of year)	-	-	344,4	347,2
Expected yield from plan assets	-	-	24,4	24,2
Actuarial (gains)/losses	-	-	(114,2)	2,1
Employer's contributions	-	-	5,2	7,1
Employees' contributions	-	-	3,3	4,5
Benefits paid	6,5	7,0	(14,7)	(10,5)
Expenses	(6,5)	(7,0)	-	-
Change in exchange rates	-	-	(61,2)	(30,1)
Fair value of plan assets (end of year)	**-**	**-**	**187,2**	**344,4**
Present value of defined benefit obligation under funded plans	-	-	220,3	347,2
Fair value of plan assets	-	-	(187,2)	(344,4)
Deficit (surplus) of funded plans	**-**	**-**	**33,0**	**2,8**
Present value of defined benefit obligation under unfunded plans	43,4	46,5	-	-
Actuarial (gains)/losses not recognised	3,2	4,1	(17,3)	25,9
Pension (cost) of unrecognised prior service	-	-	-	-
Unrecorded assets (limit described in para. 58b, IAS 19)	-	-	-	-
Recorded net liability/(asset)	**46,6**	**50,6**	**15,7**	**28,7**
Pension cost of work performed during the year	-	0,9	5,8	8,7
Total operating costs	**-**	**0,9**	**5,8**	**8,7**
Interest expense	2,5	2,4	17,7	19,0
Expected yield from plan assets	-	-	(24,4)	(24,2)
Total financial charges	**2,5**	**2,4 -**	**(6,7)**	**(5,1)**
Profit/Loss of *curtailment*	-	(4,8)	(1,8)	(0,6)
Total charge to the income statement	**2,5**	**(1,6) -**	**(2,8)**	**3,0**
Assumptions used to determine defined benefit obligations				
Discount rate	5,75%	5,50%	6,55%	5,65%
Rate of pay rises (range)	0,00%	0,00%	3,30%	3,65%
Inflation rate	2,00%	2,00%	2,80%	3,15%
Assumptions used to determine pension cost				
Discount rate	5,50%	4,50%	5,65%	5,00%
Expected yield from plan assets	0,00%	0,00%	7,90%	7,78%
Expected rate of pay rises (range)	0,00%	3,00%	3,65%	3,30%
Inflation rate	2,00%	2,00%	2,80%	2,80%

8.23. 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 are uncertain. The content of this caption at the end of 2008 and 2007 and the changes during the year are analysed in the following tables.

2008	Opening balance 01/01/2008	Provisions	Utilisations	Other movements	Closing balance 31/12/2008	Current portion	Non current portion
Provision for warranties	61,6	9,2	(10,4)	(3,2)	**57,2**	27,7	29,5
Provision for agents' termination indemnity	1,3	0,2	(0,1)	0,0	**1,4**	0,0	1,4
Provisions for restructuring	1,4	0,2	(1,3)	-	**0,3**	0,0	0,3
Provision for WEEE	10,2	1,9	(3,7)	(0,4)	**8,0**	0,1	7,9
Provision for onerous contracts	3,5	2,7	-	(1,3)	**5,0**	5,0	0,0
Provision for disputes	14,0	13,2	(3,8)	(0,1)	**23,3**	19,1	4,2
Total	**92,0**	**27,5**	**(19,3)**	**(4,9)**	**95,2**	**51,9**	**43,3**

2007	Opening balance 01/01/2007	Provisions	Utilisations	Other movements	Closing balance 31/12/2007	Current portion	Non current portion
Provision for warranties	56,1	16,8	(11,0)	(0,3)	**61,6**	21,7	39,9
Provision for agents' termination indemnity	1,4	0,2	(0,1)	(0,2)	**1,3**	-	1,3
Provisions for restructuring	2,3	0,1	(0,6)	(0,4)	**1,4**	1,4	-
Provision for WEEE	3,7	6,5	-	(0,0)	**10,2**	-	10,2
Provision for onerous contracts	4,3	-	(0,4)	(0,4)	**3,5**	-	3,5
Provision for disputes	10,8	8,4	(5,6)	0,4	**14,0**	1,9	12,2
Total	**78,6**	**32,0**	**(17,6)**	**(1,0)**	**92,0**	**24,9**	**67,1**

The provision for warranties represents the costs to be incurred for warranty work on products sold, estimated with reference to the call rate and the unit cost of such work. The reduction mainly reflects the lower volume of sales and the improvement in product quality.

The provision for agents' termination indemnity represents the estimated liability for payments to agents should their mandates be terminated by Indesit Company S.p.A.

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 as of 31 December 2008 with respect to the situation as of 31 December 2007.

The Other movements column principally comprises the exchange effect deriving from the translation of financial statements not denominated in euro, which is the Group's presentation currency. The information for 2007 has been suitably recalculated with regard to the exchange effect relating to the year.

8.24. Deferred tax liabilities

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

(million Euro)

Deferred tax liabilities	Opening balance 31/12/2007	Credited / charged to Income Statement	Credited / charged to Equity	Exchange rate effect	other movements	Closing balance 31/12/2008
Property, plant and equipment	17,2	(3,9)	-	(2,0)	2,9	14,2
Intangible assets	47,9	(1,4)	-	(9,9)	2,7	39,3
Inventories	0,1	0,9	-	-	(0,1)	0,9
Medium/long-term financial payables	9,1	6,5	(2,2)	(1,1)	(7,5)	4,8
Employee benefits	3,3	(0,1)	-	-	0,0	3,2
Government grants	0,2	(0,1)	-	-	(0,1)	0,0
Provisions for risks and charges	0,0	0,0	(0,0)	(0,0)	0,5	0,6
Other	5,8	(0,9)	(0,5)	(0,1)	(4,3)	(0,0)
Distributable retained earnings	7,3	(1,5)	-	-	(0,0)	5,7
Total	**90,9**	**(0,5)**	**(2,7)**	**(13,0)**	**(6,0)**	**68,7**
Amounts offset	(32,7)	4,1	-	-	5,9	(22,8)
Total net	**58,2**	**3,6**	**(2,7)**	**(13,0)**	**(0,1)**	**46,0**

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.

8.25. Other non-current liabilities

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

(million Euro)

	31 Dec 2008	31 Dec 2007
Italy	7,6	9,1
Poland	34,7	31,8
Other countries	-	0,1
Other non-current liabilities	**42,3**	**41,0**

The increase reflects the recognition of deferred grants relating to the Polish Special Economic Zone, obtained in connection with the investments made in the Radomsko area.
Deferred grants from the government totalling 1.5 million euro in Italy (1.9 million euro) and 4.0 million euro (2.9 million euro) in Poland were taken 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.

8.26. 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 recognised among trade payables do not distinguish between the suppliers of raw materials, components and the suppliers of plant.

8.27. Tax payables

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

(million Euro)

	31 Dec 2008	31 Dec 2007
Current taxes payable	14,4	(15,0)
Taxes withheld from employees and freelance workers	20,1	20,8
Other taxes	0,1	18,1
Total	**34,6**	**23,9**

The VAT payable, previously classified among Tax payables, is now included among Other payables; the 2007 comparative information has been reclassified accordingly.

8.28. Other payables

Other payables are analysed as follows:

(million Euro)

	31 Dec 2008	31 Dec 2007
Due to social security and pension institutions	24,5	42,9
Due to employees	48,0	55,6
VAT payable	27,0	35,6
Other payables	6,0	7,2
Total	**105,5**	**141,4**

8.29. Share-based payments (stock options)

The resolutions adopted at the extraordinary meetings held on 19 September 1998 and on 23 October 2001 authorised, pursuant to art. 2441 of the Italian Civil Code, two increases in share capital by up to 2,700,000 euro each, via the issue of a combined maximum of 6,000,000 ordinary shares, par value Euro 0.90, 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. The options granted on 24 July 2003 (last grant date) envisage a vesting period of 3 years for the first 50% and 4 years for the remaining 50%, while the options granted previously envisaged a vesting period of 2 years and 3 years respectively.

No new plans were authorised during 2008 and no stock options were granted.

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

Parameters	
Strike price	12,65
Expected volatility	31,39%
Grant date	07/24/2003
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 attachments to these consolidated financial statements.

CASH FLOW STATEMENT

8.30. Profit for the year, Income taxes, Depreciation and amortization, Taxes paid

Profit for the year, income taxes, depreciation and amortization, all non-monetary items, are reported in note 8.5 to which reference is made.
The provision for income taxes totalled 38.9 million euro, while tax payments during 2008 amounted to 50.9 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.

8.31. Other non-monetary income and expenses, net

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

8.32. Change in trade receivables, inventories, trade payables

This caption reports the cash used in 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 fixed assets, which are reported in the section of the cash flow statement that reports the cash flows generated (used in) by investing activities.

8.33. 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 costs and income. This represents the changes in the related balances with a direct effect on the absorption or generation of cash.

8.34. Acquisition of property, plant and equipment and proceeds from their disposal

The cash flow from the acquisition of to property, plant and equipment reflects investment to the replacement of plant and in new plant, mainly by the companies operating in Turkey, Poland and the CIS. The amount reported also includes the change in payables relating to capital investment.

8.35. Acquisition of intangible assets and proceeds from their disposal

The cash flow from investment in other intangible assets relates to the purchase of licences and software, and the capitalisation of development costs which are analysed in note 8.11. The cash flows generated (used in) by 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.

8.36. Proceeds from the sale of non-current financial assets and acquisition of non current financial assets and other investments

The proceeds from the sale of non-current financial assets comprise the financial income received as a price adjustment (representing profits earned) following the sale of equity investments in 2007.

8.37. Proceeds from share capital increases and dividends paid

The dividend payment made in 2008, 52.5 million euro, was authorised with reference to the separate financial statements of the parent company as of 31 December 2007. This change is analysed in note 8.19.

8.38. New medium/long-term financial payables

The draw down as of 31 December 2008 against the revolving line of credit that expires in 2011 is described in note 8.21.

8.39. Repayment of borrowing for acquisition of GDAH

This amount relates to payment for the final 8% of the share capital of General Domestic Appliances Holdings Ltd (GDAH), amounting to 40.9 million euro. Following the exercise of this option by General Electric, Indesit Company now owns 100% of this UK company, which was already consolidated in accordance with IFRS 3.

8.40. Other repayments of medium/long-term financial payables

The repayments of other medium/long-term financial payables relate to loans from banks and other providers of finance.

8.41. Change in current financial payables

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

9. Management of financial risks

The Group is exposed to the following principal financial risks deriving from operations:

- liquidity risk;
- market risk (currency 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 liquidity and market risks are managed by the Central Treasury Department in accordance with the Group Treasury policy approved by the Board of Directors.

The quantitative data deriving from the sensitivity analyses 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;
- *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.

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 2008, the Group has committed lines of credit, arranged with leading domestic and international banks, for a maximum of 459 million euro, of which 219 million euro has been drawn down. These committed lines of credit comprise a syndicated multicurrency line totalling 350 million euro (200 million euro drawn down), a zloty line of credit amounting to 19 million euro (19 million euro drawn down) and two euro lines of credit totalling 90 million euro (unused). The Group also has significant unused, uncommitted lines of credit available.
As of 31 December 2008, the Group hold liquidity on current account and short-term deposits totalling 193.2 million euro (186.5 million euro).

Considering the expected situation in the financial markets during 2009, the Group has taken a series of steps to safeguard its liquidity, including:

- meetings with all the main partner banks in order to agree the expected scenario and the Group's funding requirements;
- the conversion of uncommitted lines of credit from certain banks into committed lines over 12/18 months;
- the proposal not to pay a dividend;
- the project, currently being analysed, to refinance the securitisation programme in relation to trade receivables and/or the sale without recourse of part of the receivables portfolio.

The Group believes that the lines of credit available as of 31 December 2008 are sufficient to cover the requirements arising from operations, capital expenditure and the repayment of borrowing upon maturity.
None of the lines of credit available as of 31 December 2008 have been revoked.

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

FINANCIAL LIABILITIES (million euro)		CARRYING AMOUNT 31.12.2008	Contractual 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		**(767,9)**	(767,9)	(273,0)	(296,5)	(198,4)		
Loan banks		**(41,4)**	(44,0)	0,0	0,0	(20,4)	(23,5)	0,0
Bonds		**(270,4)**	(304,1)	0,0	(6,9)	(53,6)	(90,2)	(153,4)
Due to banks		**(372,7)**	(373,5)	(129,1)	(25,2)	(19,3)	(200,0)	0,0
Liabilites for financial lease		**(1,3)**	(1,4)	0,0	0,0	(0,5)	(0,9)	0,0
Other payabales		**(4,7)**	(4,8)	(3,4)	(0,3)	(0,4)	(0,4)	(0,3)
Total		**(1.458,5)**	**(1.495,8)**	**(405,5)**	**(328,9)**	**(292,5)**	**(315,1)**	**(153,7)**
DERIVATIVE FINANCIAL LIABILITIES (million euro)		**CARRYING AMOUNT 31.12.2008**	**Contractual 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	**(14,5)**	193,7	0,0	6,4	53,1		134,14
	flows out		(219,3)	0,0	(7,6)	(57,9)		- 153,88
IRS on bonds		**(0,0)**	(0,1)	0,0	(0,1)			
IRS on loans		**(2,6)**	(3,8)	0,0		(1,5)	- 2,34	-
Forward on commodities	flows in	**(3,1)**	10,7	0,2	0,4	10,1	-	-
	flows out		(13,7)	(0,3)	(0,6)	(12,7)	-	-
Forward contract on exchange rate	flows in	**(9,3)**	122,6	68,3	10,1	44,2	-	-
	flows out		(128,5)	(69,7)	(11,1)	(47,8)	-	-
TOTAL		**(29,5)**	**(38,4)**	**(1,5)**	**(2,4)**	**(12,5)**	**(2,3)**	**(19,7)**

FINANCIAL LIABILITIES (million euro)		CARRYING AMOUNT 31.12.2007	Contractual 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)	0,0	0,0	(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)	0,0	0,0
Liabilites for financial lease		**(1,7)**	(1,9)	-	-	(0,5)	(1,4)	-
Other payabales		**(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**	**Contractual 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	0,0	6,1	6,1	130,7	134,0
	flows out		(330,8)	0,0	(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)**

As envisaged by IFRS 7, the value of contractual cash flows has not been discounted.

Market risks

IFRS 7 identifies three types of market risk: currency 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 results and equity position of the Group.
In particular, the Group identifies three types of currency 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 an adverse 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 or 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 are set out in the following table.

Year 2008			Year 2007		
Currency	Average Exchange rate	Closing Exchange rate	Currency	Average Exchange rate	Closing Exchange rate
TRY	1,909	2,149	TRY	1,778	1,717
GBP	0,797	0,953	GBP	0,685	0,733
USD	1,471	1,392	USD	1,371	1,472
ARS	4,662	4,804	ARS	4,276	4,637
PLN	3,518	4,154	PLN	3,777	3,594
HUF	251,017	266,700	HUF	251,301	253,730
RUR	36,384	41,283	RUR	35,108	35,933
CNY	10,225	9,496	CNY	10,419	10,752
CZK	24,916	26,875	CZK	27,638	26,628
CHF	1,587	1,485	CHF	1,643	1,655

The Treasury Policy guidelines relating to the currency risk envisage:

- the hedging of transaction risk to a minimum extent of 50% of the net monetary exposure to functional currencies other than 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 correlated with the Group's operational activities.

Value at Risk (VaR) is the principal tool used to measure currency risk.
The Group hedges transaction and economic risks 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 separate from the Treasury Front Office, are properly recorded for accounting purposes.

Currency risk: quantitative information

The principal currencies giving rise to currency risk are: the British pound, the Polish zloty, the Russian rouble, the Turkish lira, the Chinese Renminbi and the Hungarian forint.

The total value of the commercial transactions exposed to this risk in 2008 represented between 20% and 25% of consolidated revenue (between 15% and 20% in 2007).
The following paragraphs discuss the effects on the fair value of the derivatives outstanding as of 31 December 2008, and on the net monetary position in unhedged currencies as of 31 December 2008, had the euro appreciated/depreciated against the above currencies by the annual volatility percentages set out in the following table. Due to the somewhat erratic changes in exchange rates during the year, the volatilities used are significantly greater than those used in 2007.

Currency	Volatility 31 12 08	Volatility 31 12 07
EUR GBP	11,96%	5,83%
EUR PLN	12,85%	6,82%
EUR RUR	8,82%	3,77%
EUR TRY	22,34%	17,28%
EUR CNY	6,20%	N/A
EUR HUF	14,18%	N/A
GBP PLN	15,74%	N/A

Had the euro appreciated against the above currencies and had sterling appreciated against the zloty, the changes in the fair value of the derivative instruments outstanding as of 31 December 2008 would have had a positive effect on the income statement of 19.1 million euro (positive by 4.1 million euro), and a positive effect on shareholders' equity of 1.2 million euro (no effect), as indicated below.

31 12 2008		
Currency	P&L Variation	Equity Variation
EUR GBP	(0,1)	9,4
EUR PLN	12,3	(1,8)
GBP PLN	0,0	(3,8)
EUR TRY	5,9	(1,7)
EUR CNY	0,1	(0,9)
EUR HUF	0,8	0,0
EUR RUR	-	-
TOTAL	**19,1**	**1,2**

31 12 2007		
Currency	P&L Variation	Equity Variation
EUR GBP	0,8	-
EUR PLN	(4,6)	-
GBP PLN		-
EUR TRY	-	-
EUR CNY	-	-
EUR HUF	-	-
EUR RUR	(0,2)	-
TOTAL	**(4,1)**	**-**

Had the euro depreciated against the above currencies and had sterling depreciated against the zloty, the changes in the fair value of the derivative instruments outstanding as of 31 December 2008 would have had a negative effect on the income statement of 26.5 million euro (negative by 4.7 million euro), and a positive effect on shareholders' equity of 14.6 million euro (no effect), as indicated below.

31 12 2008		
Currency	P&L Variation	Equity Variation
EUR GBP	(0,1)	(14,7)
EUR PLN	(15,9)	6,1
GBP PLN	0,0	13,8
EUR TRY	(9,3)	7,2
EUR CNY	(0,1)	2,2
EUR HUF	(1,0)	0,0
EUR RUR	-	-
TOTAL	**(26,5)**	**14,6**

31 12 2007		
Currency	P&L Variation	Equity Variation
EUR GBP	0,8	-
EUR PLN	(5,3)	-
GBP PLN		-
EUR TRY	-	-
EUR CNY	-	-
EUR HUF	-	-
EUR RUR	(0,2)	-
TOTAL	**(4,7)**	**-**

Sensitivity analysis on the options sold that are not recognised as cash flow hedges did not identify any significant effects.
With regard to the currency options, the measurement model assumes that market volatility at year end will remain unchanged, and determined the effect on equity via the measurement of intrinsic value.

In the event of appreciation of Euro against the above currencies, the effect on the unhedged net monetary position as of 31 December 2008 would have been negative by about 0.6 million euro (negative by 0.2 million euro), while the effect in the event of depreciation would have been positive by about 0.6 million euro (negative by about 0.2 million euro).
Once again that 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.

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 profit or loss 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.
In 2008, the Group's costs for the consumption of raw materials, components and consumables totalled 1,878 million euro, including 270 million euro for steel, 250 million euro for plastics, 1,245 million euro for components and outsourced production and 113 million euro for other materials. With regard to the purchase of steel, Group policy is to sign annual contracts at fixed prices for the materials requirement envisaged in the budget. The contracts covering 2009 have been signed, including those for copper, nickel and aluminium. With reference to plastics, the cost of which is correlated with the oil price, the Group signs fixed-price contracts for about 50% of its requirement, while prices for the remaining 50% are indexed to sector parameters.
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 forward 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 separate from the Treasury Front Office, are properly recorded for accounting purposes.

Price risk: quantitative information

With reference to the commodity price derivatives, had the price of commodities increased, the change in the fair value of the derivative instruments outstanding as of 31 December 2008 would have been positive by 1.4 million euro with a corresponding increase in equity by 1.4 million euro.
Had the price of commodities decreased, the change in the fair value would have been negative by 1.4 million euro with a corresponding decrease in equity by 1.4 million euro.

Interest rate risk

The Group defines interest rate risk as the risk that adverse movements in the interest rate curve 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 expenses.
Group policy is to:

- to maintain net financial expenses at floating rates;
- limit the conversion from floating rate to fixed rate within the notional, maturity and market limits 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 separate from the Treasury Front Office, are properly recorded for accounting purposes.

Interest rate risk: quantitative information

As of 31 December 2008, an upward/downward shift in the interest rate curve by 100 basis points (50 basis points as of 31 December 2007) would have had the following effects.

31 December 2008	Variation + 100 bps		Variation - 100 bps	
	P&L effect	Equity effect	P&L effect	Equity effect
Net indebtedness of variable rate	(3,6)	-	3,6	-
Derivative instrument hedging of fixed rate loans	(9,5)	-	10,2	
Derivative instrument hedging of variable rate loans	4,4	4,9	(4,6)	(4,7)
Total	**(8,7)**	**4,9**	**9,2**	**(4,7)**

31 December 2007	Variation + 50 bps		Variation - 50 bps	
	P&L Effect	Equity effect	P&L effect	Equity effect
Net indebtedness of variable rate	(0,1)	-	0,1	-
Derivative instrument hedging of fixed rate loans	(4,9)	-	5,0	-
Derivative instrument hedging of variable rate loans	3,2	0,8	(3,3)	(0,8)
Total	**(1,8)**	**0,8**	**1,8**	**(0,8)**

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. 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 2008, 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 2008, 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 applications 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:

- accumulated 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.
Unless backed by insurance cover, bank guarantees or other forms of security, Group policy is to impair receivables overdue by more than 60 days by 50% and those overdue by more than 120 days by 75%, while those overdue by more than 180 days are written off.

Credit risk: quantitative information

The Group's maximum theoretical exposure to credit risk is represented by the carrying amount of recognised financial assets.
Just with regard to trade receivables, 18% (19%) of the Group's total gross performing receivables as of 31 December 2008 were due from the top ten customers, all of which are major commercial chains.
As required by IFRS 7, the ageing of gross trade receivables is presented below.

(million Euro)

Receivables past due not impaired	**31 Dec 2008**	**31 Dec 2007**
Within 1 month	14,3	13,2
Between 1 and 3 months	23,0	10,9
Between 3 and 6 months	5,5	5,6
Beyond	-	-
Total	**42,8**	**29,6**

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 2008, the Group 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.
Ineffective cash flow hedges identified in 2008 resulted in the recognition of costs totalling 3.7 million euro (income of 1.1 million euro in 2007). 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 includes 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 flows of 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 currency 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 amount 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 recognised financial assets and liabilities.

31.12.2008	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	-	-	-	-	4,2	**9,3**	**9,3**
Trade receivables	459,0	-	-	-	-	-	**459,0**	**459,0**
Current financial assets	10,8	-	-	-	-	33,0	**43,8**	**43,8**
Cash and cash equivalents	193,2	-	-	-	-	-	**193,2**	**193,2**

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**

31.12.2008	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 liability held for trading				
Medium/long term financial liabilities			440,8	11,1	**451,9**	**451,9**
Trade payables	-	-	767,9	-	**767,9**	**767,9**
Loan Banks and other medium/long term financial liabilities	-	-	249,8	18,4	**268,2**	**268,2**

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 liability 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**

Transactions outstanding at year end

The transactions outstanding at 31 December 2008 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 presented in the table.

(a) The currency options were purchased principally to hedge the risk of an appreciation of the euro against sterling and of the zloty against the euro with a total notional of 301,3 million euro.

(b) The Interest Rate Swap is an IRS float to fix arranged to hedge a loan with a residual notional of 3.9 million euro.

(c) From 1 July 2008, the float to fix Interest Rate Swaps with a nominal value of 274.8 million euro, initially arranged to transform the exposure to the U.S. Private Placement from floating rate euro to fixed rate euro during the period March 2007 – March 2011 and not recognised as a hedge, have been designated as cash flow hedges of the interest rate risk on part of the short-term loans, the use of which is expected to be equivalent to such Interest Rate Swaps in terms of their nominal value and maturities. The necessary effectiveness tests for the adoption of hedge accounting have been performed for this hedging relationship.

(d) The forwards, designated as cash flow hedges, were arranged to hedge the currency risk on future, highly likely intercompany transactions, and the price risk on future, highly likely purchases of commodities and semi-finished products. The forwards hedging currency risk are drawn up with a total nominal value of 106,6 million euro; the main transaction comprises forward buy PLN / sell EUR with a total nominal value of 46,0 million euro. The forwards hedging price risk are represented by the forward buy of copper and aluminium for a total of 7.8 million euro.

(e) 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.

(f) 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.

(g) The currency options not recognised as cash flow hedges were acquired for a notional of 176.9 million euro.

(h) The forwards hedging exchange rate risk not recognised as cash flow hedges are drawn up with a total nominal value of 236,1 million euro; the main operation are represented by forward buy EUR / sell PLN with a nominal value of 111.1 million euro, forward buy EUR / sell TRY with a nominal value of 36.7 million euro.

	Nature of risk hedged	Fair value of derivatives as of 12/31/2008	Fair value of derivatives as of 12/31/2007	Change in fair value of derivatives as of 12/31/2008 vs. 12/31/2007	Change in fair value of underlying as of 12/31/2008 vs. inception date	Change in fair value of underlying as of 12/31/2007 vs. inception date	Change in fair value of underlyings as of 12/31/2008 vs. 12/31/2007	31 December 2008				
								Other non-current financial assets	Current financial assets	Medium/long-term financial payables	Banks and other financial payables	Total
Cash flow hedges												
Currency options	Currency	19,2	-	19,2	na	na	na	-	19,2	-	-	19,2
IRS on loans	Interest rate	0,0	0,0	(0,0)	na	na	na	-	0,0	-	-	0,0
Irs on Securitization	Interest rate	(1,0)	(0,0)	(1,0)	na	na	na	-	1,6	(2,3)	(0,4)	(1,0)
Forward	Price	(6,3)	(1,9)	(4,4)	na	na	na	-	5,4	-	(11,6)	(6,3)
Total		**11,9**	**(1,9)**	**13,8**	**na**	**na**	**na**	**-**	**26,1**	**(2,3)**	**(12,0)**	**11,9**
Fair value hedges												
CCS on bonds	Currency/ Interest rate	(11,3)	(40,7)	29,4	4,9	35,5	(30,5)	3,2	-	(8,9)	(5,6)	(11,3)
IRS on bonds	Interest rate	1,2	0,1	1,1	(1,4)	(0,2)	(1,3)	1,0	0,2	-	(0,0)	1,2
Total		**(10,1)**	**(40,7)**	**30,6**	**3,5**	**35,3**	**(31,8)**	**4,2**	**0,2**	**(8,9)**	**(5,7)**	**(10,1)**
Other hedges												
Options on currency	Currency	0,1	-	0,1	na	na	na	-	0,1	-	-	0,1
Forward	Currency	5,8	1,2	4,7	na	na	na	-	6,6	-	(0,8)	5,8
Collar on GDAH acquisition	Currency	-	-	-	na	na	na	-	-	-	-	-
Basis Swap on GDAH acquisition	Interest rate	-	0,1	(0,1)	na	na	na	-	-	-	-	-
IRS on bonds	Interest rate	-	10,1	(10,1)	na	na	na	-	-	-	-	-
Total		**5,9**	**11,4**	**(5,5)**	**na**	**na**	**na**	**-**	**6,7**	**-**	**(0,8)**	**5,9**
Grand total		**7,7**	**(31,1)**	**38,8**	**3,5**	**35,3**	**(31,8)**	**4,2**	**33,0**	**(11,1)**	**(18,4)**	**7,7**

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 annual remuneration of the above persons, comprising all forms of compensation (gross pay, bonuses, fringe benefits, etc.), and the bonuses provided but not yet paid, since subject to the achievement of long-term objectives, is shown in the following table.

Remuneration for Management at 31/12/2008
(million Euro)

	Short-term benefits	Long-term benefits	Stock Options
Directors	4,0	1,7	-
Statutory Auditors	0,1	-	-
Executives	3,0	2,1	-
Total	**7,1**	**3,8**	**-**

Remuneration for 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**

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 interests of the Group.

List of related parties	Type of relationship
Faber Factor Spa	Other related - Controlled by Fineldo S.p.A., 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 Spa	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 S.p.A., Group parent of Indesit company
MPE Spa	Other related - Controlled by Fineldo S.p.A., 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 S.p.A., Group parent of Indesit company
Protecno Sa	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

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 8.22.

M&B Marchi e Brevetti

M&B Marchi e Brevetti S.p.A., 50% held, owned the Ariston brand name which was licensed to Indesit Company until 2060 for a fee covering the brand management costs incurred. This company was split in 2008, resulting in the formation of Indesit IP S.r.l., 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 S.p.A. 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 table on the next page summarises 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 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). The increase in the cost of purchasing from related parties reported in Cost of sales is due to the classification in that caption, from 2008, of the cost of purchasing raw materials from the Marcegaglia Group, which is considered a related party following the appointment of Emma Marcegaglia as a director of Indesit Company. Purchases for similar amounts were also made in 2007.

Tables summarizing the transactions with related parties
(million Euro)

	31 Dec 2008	31 Dec 2007
Revenue		
Other related	0,1	0,3
Associates	-	-
Parent Company	0,5	0,3
Total	**0,6**	**0,7**
Cost of sales		
Associates	-	-
Other related	(28,3)	(29,7)
Total	**(28,3)**	**(29,7)**
Selling and distribution expenses		
Other related	(0,7)	(1,3)
Associates	-	(0,5)
Total	**(0,7)**	**(1,9)**
General and administrative expenses		
Associates	(0,3)	(0,8)
Other related	(0,1)	(0,1)
Parent Company	-	(0,2)
Total	**(0,4)**	**(1,1)**
Net financial expenses		
Other related	-	-
Parent Company	(0,1)	-
Total	**(0,1)**	**-**

The amounts for other related parties within Cost of sales mainly relate to the Marcegaglia Group, 16.7 million euro, for the purchase of raw materials and to Merloni Progetti Energia, 9.6 million euro, for the purchase of electricity.

Tables summarizing the transactions with related parties

(million Euro)

	31 Dec 2008	31 Dec 2007
Intangible assets with a finite life		
Associates	-	0,3
Other related	3,7	-
Total	**3,7**	**0,3**
Property, plant and equipment		
Other related	-	-
Associates	-	0,5
Total	**-**	**0,5**
Current financial assets		
Other related	-	0,3
Parent Company	-	0,1
Associates	-	0,4
Total	**-**	**0,8**
Trade receivables		
Associates	-	-
Other related	0,2	0,3
Parent Company	0,2	-
Total	**0,4**	**0,3**
Trade payables		
Associates	-	(0,9)
Other related	(12,8)	(10,6)
Parent Company	0,0	-
Total	**(12,8)**	**(11,5)**
Other payables		
Parent Company	(0,0)	(0,1)
Other related	0,0	(0,2)
Total	**(0,0)**	**(0,4)**

The amounts for other related parties within Trade payables mainly relate to the Marcegaglia Group, 7.2 million euro, and to Merloni Progetti Energia, 3.6 million euro.

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

Name	Location	Share capital	Group interest		Notes
			direct	indirect	
Indesit Company Luxembourg Sa	Luxembourg	EUR 117.977.728,65	100,00	-	
Indesit Electrodomesticos Sa	Spain	EUR 1.000.000	78,95	21,05	
Merloni Domestic Appliances Ltd	Uk	GBP 90.175.500	19,60	80,40	
Indesit Company Portugal Electrodomésticos Sa	Portugal	EUR 3.129.450	-	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 Sas	France	EUR 17.000.000	-	99,99	
Fabrica Portugal Sa	Portugal	EUR 11.250.000	-	96,40	
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	Turkey	TUL 53.870.580	-	100,00	
Indesit Company Beyaz Esya Pazarlama A.S.	Turkey	TUL 69.744	100,00	-	
Indesit Company Deutschland GmbH	Luxembourg	EUR 550.000	-	99,75	
Indesit Company Ireland Reinsurance Ltd	Germany	USD 750.000	-	100,00	
Closed Joint Stock Company Indesit International	Ireland	RBL 1.664.165.000	100,00	-	
Indesit Company Polska Sp.z o.o.	Poland	PLN 540.876.500	100,00	-	(1)
Argentron Sa	Argentina	ARS 22.000.000	-	100,00	
Indesit Company Magyarország Kft	Hungary	HUF 2.116.400.000	-	100,00	
Indesit Company Ceská s.r.o	Cech Republic	CZK 1.000.000	100,00	-	
Indesit Company International Business Sa	Switzerland	SFR 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	-	100,00	
Indesit IP Srl	Italy	EUR 10.000	100,00	-	
Aermarche SpA	Italy	EUR 25.000.000	100,00	-	
Airdum Ltd	Uk	GBP 15.000	-	100,00	
Cannon Industries Ltd	Uk	GBP 3.000.000	-	100,00	
Creda Domestic Appliances Service Ltd	Uk	GBP 1.000	-	100,00	
Creda Ltd	Uk	GBP 5.850.000	-	100,00	
Fixt Ltd	Uk	GBP 2	-	100,00	
General Domestic Appliances International Ltd	Uk	GBP 100.000	-	100,00	
Hotpoint Sales Ltd	Uk	GBP 775.000	-	100,00	
Hotpoint UK Ltd	Uk	GBP 50	-	100,00	
Jackson Appliances Ltd	Uk	GBP 750.000	-	100,00	
Indesit Company UK Ltd	Uk	GBP 76.195.645	-	100,00	
Xpelair Ltd	Uk	GBP 825.000	-	100,00	
Ariston Group Services Ltd	Uk	GBP 100	-	100,00	
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 Österreich Ges. m.b.h.	Austria	EUR 18.168,21	-	100,00	
Indesit Company Belgium SA	Belgium	EUR 150.000	-	100,00	

(1): Includes the investment percentage held subject to a repurchase clause.

Attachment 2
List of other investments in subsidiaries and associates

List of other investments in subsidiaries and associates				
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 Ireland ltd	Ireland	EUR 10.000	-	100,00
Indesit Company Norge Ltd	Norway	NOK 100.000	-	100,00
Indesit Company Singapore Pte. Ltd.	Singapore	SGD 100.000	-	100,00
Indesit Middle East FZE	UAE	AED 1.000.000	100,00	-
Tradeplace B.V.	The Netherlands	EUR 30.000	20,00	-

Attachment 3

Consolidated income statement for the year ended 31 December 2008, prepared in accordance with Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication no. DEM/6064293 dated 28 July 2006

(million Euro)	**31 Dec 2008**			**31 Dec 2007**		
	Balances	of which non recurring	of which with related parties	Balances	of which non recurring	of which with related parties
Revenue	3.154,9	-	0,6	3.407,7		0,7
Cost of sales	(2.397,3)	(10,1)	(28,3)	(2.570,2)	-	(29,7)
Selling and distribution expenses	(502,9)	(10,6)	(0,7)	(514,6)	-	(1,9)
General and administrative expenses	(114,1)	1,2	(0,4)	(130,6)	-	(1,1)
Operating margin	**140,6**	**-**		**192,1**		
Net financial expenses	(45,7)	-	(0,1)	(30,2)	-	-
Share of profit (losses) of associates	-	-	0,0	4,3	-	-
Profit before tax	**94,9**			**166,2**		
Income tax (1)	(38,9)	8,0	na	(61,2)	8,0	na
Profit for the year	**56,0**			**105,2**		

Percentage weight over Consolidated Income Statements items	**31-dic-08**			**31-dic-07**		
	Balances	of which non recurring	of which with related parties	Balances	of which non recurring	of which with related parties
Revenue	100,0%	-	0,0%	100,0%	-	0,0%
Cost of sales	100,0%	0,4%	0,0%	100,0%	-	1,2%
Selling and distribution expenses	100,0%	2,1%	0,0%	100,0%	-	0,4%
General and administrative expenses	100,0%	(1,0%)	0,0%	100,0%	-	0,8%
Operating margin	100,0%			100,0%		
Net financial expenses	100,0%	-	0,0%	100,0%	-	-
Share of profit (losses) of associates	-			-		
Profit before tax	100,0%			100,0%		
Income tax	100,0%	(20,5%)	na	100,0%	(13,1%)	na
Profit for the year	100,0%			100,0%		

(1) Tax effects calculated referring to the tax rate of the countries in which the transaction took place

Attachment 4

Consolidated balance sheet as of 31 December 2008, prepared in accordance with Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication no. DEM/6064293 dated 28 July 2006

	31 Dec 2008			**31 Dec 2007**		
Million Euro and percentage weight over Consolidated Balance Sheet items	Balances	of which with related parties	Weight %	Balances	of which with related parties	Weight %
Assets						
Property, plant and equipment	692,8	3,7	0,5%	763,0	0,3	0,0%
Goodwill and other intangible assets with an indefinite useful life	207,7	-	-	297,5	-	-
Other intangible assets with a finite life	123,9	-	-	108,3	0,5	0,5%
Investments in associates	0,5	-	-	0,5	-	-
Other non-current assets	33,9	-	-	26,6	-	-
Deferred tax assets	54,6	-	-	37,8	-	-
Other non-current financial assets	9,3	-	-	11,2	-	-
Total non-current assets	**1.122,8**		**-**	**1.245,0**		
Inventories	374,1	-	-	334,2	-	-
Trade receivables	459,0	0,4	0,1%	522,7	0,3	0,1%
Current financial assets	43,8	-	0,0%	56,5	0,8	1,4%
Tax receivables	44,1	-	-	38,5	-	-
Other receivables and current assets	63,6	-	-	76,4	-	-
Cash and cash equivalents	193,2	-	-	186,5	-	-
Assets held for sale	-	-	-	-	-	-
Total current assets	**1.177,7**			**1.214,9**		
Total assets	**2.300,5**			**2.459,8**		
Equity						
Share capital	92,8	-	-	92,8	-	-
Reserves	176,0	-	-	336,8	-	-
Retained earnings	95,8	-	-	42,9	-	-
Profit attributable to the group	55,5	-	-	105,4	-	-
Equity attributable to the group	**420,0**	**-**	**-**	**577,9**	**-**	**-**
	-			-		
Minority interests	2,5	-	-	1,8	-	-
	-			-		
Total equity	**422,6**	**-**	**-**	**579,6**	**-**	**-**
Liabilities						
Medium and long-term interest-bearing loans and borrowings	451,9	-	-	309,2	-	-
Employee benefits	66,3	-	-	83,8	-	-
Provisions for risks and charges	43,3	-	-	67,1	-	-
Deferred tax liabilities	46,0	-	-	58,2	-	-
Other non-current liabilities	42,3	-	-	41,0	-	-
Total non-current liabilities	**649,8**	**-**	**-**	**559,4**	**-**	**-**
Banks and other financial payables	268,2	-	-	276,2	-	-
Provisions for risks and charges	51,9	-	-	24,9	-	-
Trade payables	767,9	12,8	1,7%	854,5	11,5	1,3%
Tax payables	34,6	-	-	23,9	-	-
Other payables	105,5	0,0	0,0%	141,4	0,4	0,3%
Total current liabilities	**1.228,1**			**1.320,8**		
Total liabilities	**1.878,0**			**1.880,2**		
	-			-		
Total equity and liabilities	**2.300,5**			**2.459,8**		

Attachment 5

Investments held by directors, statutory auditors, general managers and managers with strategic responsibilities as of 31 December 2008

Name and Surname	Company held	Nature of holding (1)	Number of shares held at the end of the prior year	Number of shares acquired	Number of shares sold	Number of shares held at the end of the current year
Vittorio Merloni	Indesit Company SpA - ordinary shares	direct	1.338.300	0	0	1.338.300
		indirect via Fines Spa	44.302.029	250.000	0	44.552.029
		indirect via Merloni Progetti Spa	97.061	0	0	97.061
		indirect via Merloni Progetti Int.Sa	934.995	0	0	934.995
		indirect via Indesit Company S.p.A., treasury shares without voting rights at general meetings	11.039.750	0	0	11.039.750
		via Franca Carloni, wife	254.840	0	0	254.840
Marco Milani	Indesit Company SpA - ordinary shares	direct	100.000			100.000
	Indesit Company Beyaz Esya ve Ticaret AS	direct	2			2
Ester Merloni	Indesit Company SpA - ordinary shares	indirect via Fines Spa	7.415.190			7.415.190
		diretto	5.042.400			5.042.400
Andrea Merloni	Indesit Company SpA - ordinary shares	indirect via Alpha 67 Srl One-man Company	254.840			254.840
Antonella Merloni	Indesit Company SpA - ordinary shares	direct	264.780	11.250		276.030
Maria Paola Merloni	Indesit Company SpA - ordinary shares	direct	231.400			231.400
Adriano De Maio	Indesit Company SpA - ordinary shares	direct	1.000			1.000
Managers with strategic responsibilities	Indesit Company SpA - ordinary shares	direct	2.000			2.000 (1)
	Indesit Company SpA Beyaz Esya ve Ticaret AS	direct	7			7

(1) Including shares held through wives or husbands not legally divorced and through underage sons

Attachment 6

Remuneration paid to directors, statutory auditors, general managers and managers with strategic responsibilities as of 31 December 2008

(A) Name and Surname	(B) Position	(C) Period in office during the year	(D) Duration of mandate	(E) Remunerations for position in company preparing the financial statements	(F) Non-cash benefits	(G) Bonuses and other incetives	(H) Other remunaration	Note
Vittorio Merloni	Chairman of the Board	01/01/2008 - 31/12/2008	2009 financial statements	1.865.000		360.000		
Marco Milani	Chief of executive officier	01/01/2008 - 31/12/2008	2009 financial statements	465.000	13.408	1.873.000	978.831	(1) (3)
Bruno Busacca	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	50.000				
Innocenzo Cipolletta	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	50.000			857	
Adriano de Maio	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	65.000				
Luca Garavoglia	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	45.000				
Mario Greco	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	65.000				
Hugh Charles Blagden Malim	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	75.000				
Emma Marcegaglia	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	20.000				
Andrea Merloni	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	371.667		162.000		
Antonella Merloni	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	70.000				
Ester Merloni	Board Director	01/01/2008 - 29/07/2008	29/07/2008	10.000				
Maria Paola Merloni	Board Director	30/07/2008-31/12/2008	2009 financial statements	28.333				
Paolo Monferino	Board Director	01/01/2008 - 31/12/2008	2009 financial statements	65.000				
Angelo Casò	Chairman of the Board of Sta	01/01/2008 - 31/12/2008	2010 financial statements	64.076			1.611	(4)
Demetrio Minuto	Auditor	01/01/2008 - 30/04/2008	2007 financial statements	13.866			1.438	(4)
Paolo Omodeo Salè	Auditor	01/01/2008 - 30/04/2008	2007 financial statements	16.802			2.800	(4)
Andrea Amaduzzi	Auditor	30/04/2008-31/12/2008	2010 financial statements	27.956			231	(4)
Luigi Biscozzi	Auditor	30/04/2008-31/12/2008	2010 financial statements	28.257			503	(4)
Managers with strategic responsability		01/01/2007 - 31/12/2007	indefinite		48.386	2.120.260	986.271	(2) (3)

Notes:

(1) "Other remuneration" includes remuneration as managers of Indesit Company

(2) Managers with strategic responsability in Indesit Company are four. Remunerations are indicated at aggregate level.

(3) "Bonus and other incentives" include bonuses accrued and not paid, subordinated to long-term target achievement.

(4) Remuneration includes travellling expenses.

Attachment 7

Stock options granted to directors, statutory auditors, general managers and managers with strategic responsibilities as of 31 December 2008

		Options held at start of year			Options granted during the year			Options exercised during the year			Options expiring in the year	Options held at end of year		
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11) =1+4-7-10	(12)	(13)
Name and Surname	Position held	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average market price on exercise	Number of options	Number of options	Average exercise price	Average expiry
Managers with strategic responsability		62.500	10,004	2013	0	-	-	0	-	-	5.000	57.500	10,184	2013
		62.500						**0**			**5.000**	**57.500**		

Attachment 8

Stock options granted to Group managers with strategic responsibilities and managers as of 31 December 2008

	2008			2007			2006			2005			2004		
	No.	Average price	Market price	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	332.000		10,578	561.750		12,331	849.250		8,787	1.036.250		12,605	2.198.500		14,858
New options granted during the year	0			0			0			0		10,4558	0		13,8343
Details															
Options exercised during the year	0		7,36	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	10.000		7,36	17.500		14,524	65.000	12,6479	9,8601	35.000		10,4558	175.000		13,8343
Details	*10.000*	*12,6479*		*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	322.000		4,29	332.000		10,578	561.750		12,331	849.250		8,787	1.036.250		12,605
inc. vested at year end	322.000			332.000			426.750			519.250			495.000		

Attachment 9

Summary of the fees paid to the independent auditors and members of their network for services provided to the Group during the year, prepared pursuant to art. 149-duodecies of Issuer Regulation no. 11971 dated 14 May 1999 and subsequent amendments

Services	ServiceSupplier	Addressee	Remuneration (million euro)
Audit	KPMG S.p.A.	Head Group	1.041
	KPMG S.p.A. (1)	Subsidiaries	362
	Network KPMG	Subsidiaries	660
Other services			
- Agreed-upon procedures	KPMG S.p.A.	Head Group	72
- Agreed-upon procedures	Network KPMG	Subsidiaries	18
- Advisory services	Network KPMG	Head Group	45
- Advisory services	Network KPMG	Subsidiaries	106
Total			**2.304**

(1) The audit has been carried out by KPMG S.p.A. with the assistance of the KPMG network, present in the Countries where Subsidiaries work.

Milan, 26 March 2009

for the Board of Directors

The Chairman

Vittorio Merloni

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C.F. / P. IVA IT00693740425

Attestation in respect of Consolidated Financial Statements as of 31 December 2008 under Article 154-bis of Legislative Decree 58/98

The Chief Executive Officer Marco Milani and the Manager charged with preparing the Company's financial reports, Andrea Crenna, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest to:

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

of the administrative and accounting procedures applied in the preparation of the Consolidated Financial Statements as of 31 December 2008.

The undersigned moreover attest that the Consolidated Financial Statements:

- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;
- correspond to the results documented in the books, accounting and other records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries as of 31 december 2008.

The Report on Operations and Consolidated Financial Statements as of 31 December 2008 includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

26 March 2009

The Chief Executive Officer
Marco Milani

The manager charged with preparing the company's financial reports
Andrea Crenna

KPMG S.p.A.
Revisione e organizzazione contabile
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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 2008, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and explanatory notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. 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 2 April 2008 for our opinion on the prior year consolidated financial statements, which included the corresponding 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 2008 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. 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 2008, the results of its operations, changes in its equity and its cash flows for the year then ended.

4 The directors of Indesit Company S.p.A. are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility

is to express an opinion on the consistency of the report on operations with the financial statements to which it refers, as required by article 156.4-bis.d of Legislative decree no. 58/98. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations is consistent with the consolidated financial statements of the Indesit Company Group as at and for the year ended 31 December 2008.

Ancona, 7 April 2009

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director of Audit

www.indesitcompany.com