Annual Report 2011

INDESIT company

Contents

Indesit Company S.p.A.

Registered Offices: Viale A. Merloni, 47 – 60044 Fabriano (Italy)
Secondary Offices: Via della Scrofa, 64 – 00186 Roma (Italy)
Share capital: euro 102,759,269.40 fully paid-up
Tax Code/VAT No. 00693740425
Ancona Companies Register No. 9677

Approach taken

The Group headed by Indesit Company S.p.A. is hereafter referred to as Indesit Company or Indesit or simply the Group. When the commentary relates to the Parent or individual subsidiaries, their registered names are stated in full. This report on operations contains information about both the Indesit Group as a whole and the Parent, Indesit Company S.p.A.

All the amounts presented in this report on operations and in the consolidated and separate financial statements and notes are stated in millions of euro; 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 intermediate indicators of profitability, EBIT [1] and EBITDA [2] utilised in this report are not identified as accounting measures in the IFRS endorsed by the European Union and their quantitative determination might not be unequivocal. These indicators represent a measure used by management to monitor and assess operating performance. Management believes that these indicators are important parameters for the measurement of operating performance, since they are not influenced by the effects of differing criteria for the determination of taxable income, or the amount and characteristics of capital invested. The criteria applied by the Group and the Parent for determining these indicators might not be consistent with those adopted, for example, in the contractual definitions of the financial covenants for borrowing, or with those adopted by other groups or companies and, accordingly, their values might not be comparable with those determined by such other groups or companies.

Starting from 1 January 2011, certain data has been reclassified in order to provide improved economic information, by reflecting better the substance of certain transactions involving commercial discounts, promotions, sponsorships, amounts recharged for spare parts and the provision for WEEE. Further details are provided in note 6 to the consolidated financial statements.

1. EBIT: operating profit reported in the income statement.
2. EBITDA: gross operating profit reported in the income statement, stated before depreciation, amortization and impairment losses.

Financial highlights

(million euro)	2011	2010	2009
Revenue	2,825.3	2,877.3	2,613.0
Gross operating profit (EBITDA)	262.7	309.8	259.5
Operating profit (EBIT)	150.3	183.8	118.6
Profit for the year of the Group	58.8	89.7	34.5
Operating profit (EBIT)/Revenue	5.3%	6.4%	4.5%

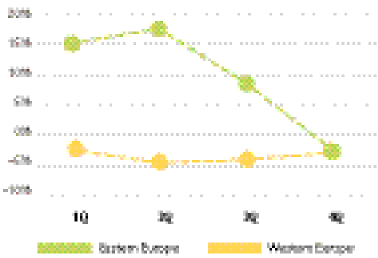
(million euro)	31.12.2011	31.12.2010	31.12.2009
Net working capital	(25.0)	7.0	13.0
Non-current assets	1,067.0	1,081.1	1,073.8
Non-current liabilities	413.6	398.1	492.2
Equity attributable to the owners of the Parent	554.1	572.9	466.6
Number of shares (ordinary and savings)	114,176,966	114,176,966	114,176,966
Equity per shares	4.9	5.0	4.1
Net financial indebtedness	218.2	178.9	290.2
Net financial indebtedness/Equity	39.4%	31.2%	62.2%

(million euro)	2011	2010	2009
Operating cash flow	115.6	201.6	258.6
Depreciation and amortisation	112.4	126.0	140.9
Cash flows from investing activities	(124.0)	(74.7)	(75.1)
Basic average number of ordinary shares	102,625,934	102,625,934	102,590,934
Average number of ordinary shares for calculating diluted earni	102,625,934	102,625,934	102,590,934
Basic earnings per share (euro)	0.57	0.87	0.3
Diluited earnings per share (euro)	0.57	0.87	0.3
Number of employees	16,112	16,060	16,294

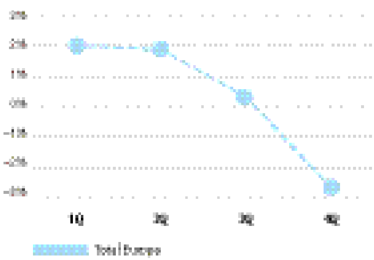
Report on operations at 31 December 2011

Market trends

Change in industry shipment by segment 2011/2010



Change in industry shipment 2011/2010



The European market for household appliances (industry shipment) grew slightly (+0.2%) as a whole in 2011 compared with the prior year, but an analysis shows two distinct trends: Western Europe declined at an essentially steady rate of 3.5% throughout the year, while Eastern Europe averaged growth of 8.2%, with a strong first half was followed by a steady slowdown.

Retail prices in the European markets served by the Group fell overall by 1.5%, with a 1.0% decline in Western Europe and a 0.2% reduction in Eastern Europe.

Currency movements

On average,[1] in 2011 the Euro appreciated by 1.1% against the British pound, 1.5% against the Russian ruble, 3.1% against the Polish zloty and 17.0% against the Turkish lira.

Exchange rates vs euro		31.12.2011	31.12.2010	change %	Effect on revenue	Effect on profitability
GBP	Year	0.868	0.858	1.1%	negative	negative
	Closing	0.835	0.861	(3.0%)		
RUR	Year	40.881	40.263	1.5%	negative	negative
	Closing	41.765	40.820	2.3%		
PLN	Year	4.120	3.995	3.1%	negative	positive
	Closing	4.458	3.975	12.2%		
TRY	Year	2.338	1.997	17.0%	negative	negative
	Closing	2.443	2.069	18.1%		

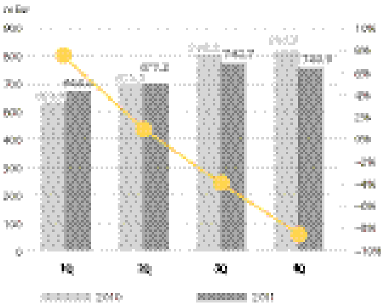
1. Determined with reference to the average monthly rates reported by the European Central Bank.

Consolidated results

Revenue

Group revenue amounted to 2,825.3 million euro in 2011 (2,877.3), down 1.8% compared with 2010. This reduction was due to a 2.4% decline in the sales of finished products, as partially offset by 5.6% growth in the revenue from services.

Total revenue – % change 2011/2010



The data for the quarters 2010 were reclassified as described in "Methodological Notes".

Given the dynamics of the market in which Indesit operates, revenue with respect to the prior year started well in the first quarter (+7.2%) before a steady inversion in the trend led to a significant shortfall in the fourth (–8.6%).

Product cost

At constant exchange rates, product cost was 4.1% higher than in 2010 due to a 4.5% rise in the cost of purchasing raw materials and finished products from third parties. This was only partially offset (0.4%) by the optimisation of production processes to achieve improved efficiency, despite a decline in capacity utilisation caused by the reduction in sales volume.

	1Q 2011	2Q 2011	3Q 2011	4Q 2011	2011
Sourcing cost	4.5%	5.0%	4.8%	3.8%	4.5%
Manufactoring cost	(2.0%)	(0.1%)	(0.2%)	0.3%	(0.4%)
Total product cost	**2.5%**	**4.9%**	**4.6%**	**4.1%**	**4.1%**

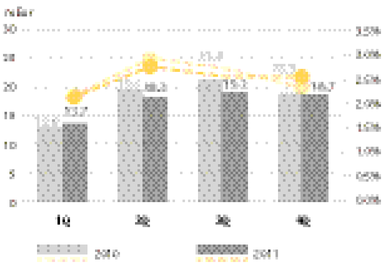
Other operating costs

At current exchange rates, advertising expenses amounted to 69.9 million euro (72.8) and absorbed about 2.5% of revenue, broadly in line with the prior year.

At constant exchange rates, these expenses were 1.4 million euro lower.

At current exchange rates, distribution costs totalled 242.1 million euro (247.4).

Advertising and promo incidence on revenue



At constant exchange rates and including customs duties, these costs fell due to the lower volume of shipments and a reduction in customs duty expense. The saving amounted to 3.3 million euro.

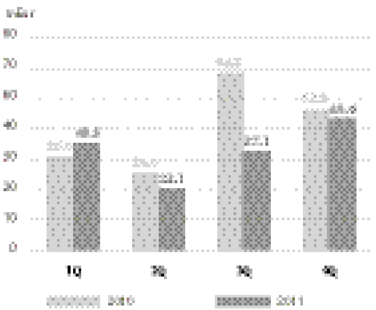
At current exchange rates, Service operations generated a loss of 7.0 million euro (–14.4).

At constant exchange rates, 8.0 million euro was saved on Service operations compared with the prior year, essentially due to the steady improvement in quality.

Operating profitability

Gross operating profit (EBITDA) was 262.7 million euro (309.8), representing 9.3% (10.8%) of revenue, and 253.7 million euro (344.4) before non-recurring items, representing 9.0% of revenue (12.0%).

Operating profit

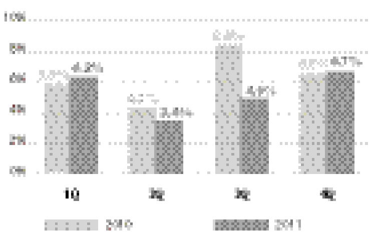


Operating profit (EBIT) was 150.3 million euro (183.8), representing 5.3% (6.4%) of revenue, and 141.6 million euro (227.8) before non-recurring items, representing 5.0% of revenue (7.9%).

The incidence of depreciation and amortization was 4.0% (4.4%).

Compared with 2010, the largest changes in the components of operating profit (EBIT) are indicated below:

Operating margin %



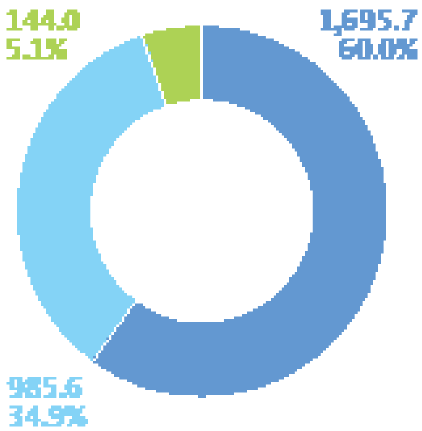
Operating income key drivers

(million euro)		2011
Positive (at constant exchange rates)	Non recurring items	53
	Manufacturing cost	9
	Service cost	8
	G&A	7
	Distribution cost	3
Negative (at constant exchange rates)	Sourcing cost (net)	(77)
	Price/Mix	(24)
	Exchange rate	(13)
	Sales volume	(6)

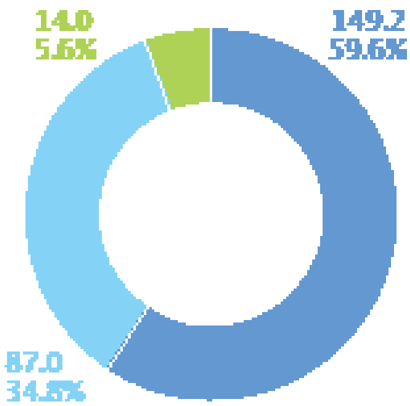
Results by geographical segment

Year 2011 (million euro)	Western Europe	Eastern Europe	International	Costs not allocated	Total
Total revenue	1,695.7	985.6	144.0	–	2,825.3
Operating costs	(1,546.5)	(898.6)	(130.0)	(99.9)	(2,675.0)
Operating profit	**149.2**	**87.0**	**14.0**	**(99.9)**	**150.3**

Revenue by segment 2011 and % on total



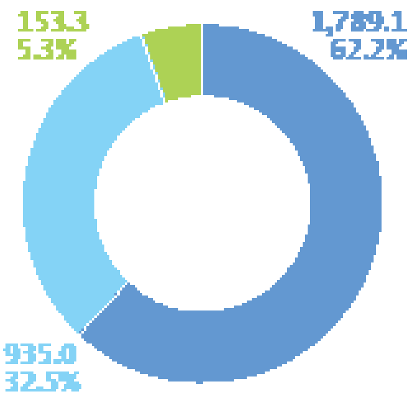
Operating profit * by segment 2011 and % on total



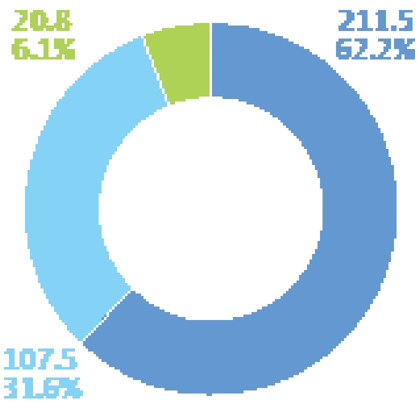
* Before not allocated costs

Year 2010 (million euro)	Western Europe	Eastern Europe	International	Costs not allocated	Total
Total revenue	1,789.1	935.0	153.3	–	2,877.3
Operating costs	(1,577.6)	(827.5)	(132.5)	(155.9)	(2,693.5)
Operating profit	**211.5**	**107.5**	**20.8**	**(155.9)**	**183.8**

Operating profit * by segment 2011 and % on total



Operating profit * by segment 2010 and % on total

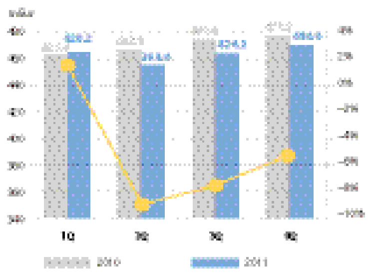


* Before not allocated costs

The costs not allocated to the various segments principally comprise corporate costs and net restructuring charges, essentially of an industrial nature.

Western Europe

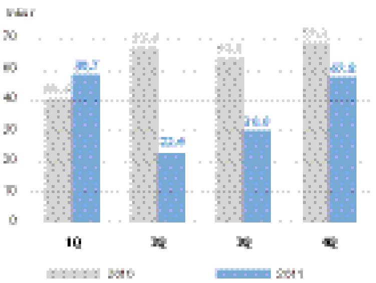
Change % 2011/2010 - Revenue



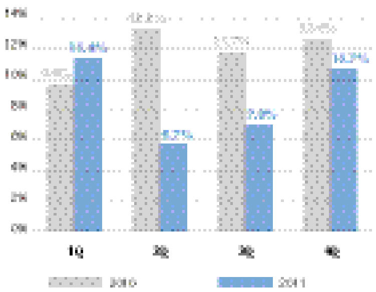
The data for the quarters 2010 were reclassified as described in "Approach taken"

(million euro)	2011	2010	Change	Change %
Revenue	1,695.7	1,789.1	(93.4)	(5.2)
Operating profit	149.2	211.5	(62.3)	(29.5)
Operating margin %	8.8%	11.8%	–3.0 p.p.	–

Operating profit



Operating margin %



Revenue

Revenue declined overall by 5.2% due to a 6.5% fall in the revenue from finished products, as partially offset by an improvement in the contribution from Service operations. The decline in revenue from the sales of household appliances was due to lower volume and, to a lesser extent, to the deterioration of the price/mix. The depreciation of the British pound also had an adverse effect on revenue, although this was much less significant than the other factors mentioned.

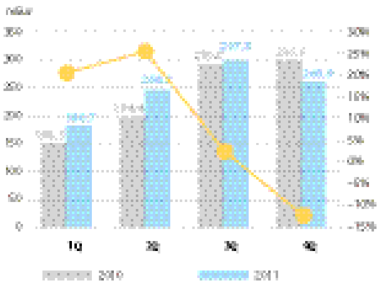
Revenue from the **Western Europe** was affected by reductions in almost every country, with particularly marked declines in **Italy** and the **Iberian Peninsula**. Revenue also fell in the **UK**, although in this case the lower revenue from finished products was substantially offset by growth in the revenue from extended warranties and the home delivery. **France, Germany** and **Belgium** were the exceptions in this segment, achieving higher sales than in 2010.

Profitability

The segment profitability in 2011 was lower than in the prior year due to the increase in product costs and, to a lesser extent, to the price/mix effect and the reduction in volume. These adverse effects were only partially offset by the excellent results from Service operations and by lower distribution costs.

Eastern Europe

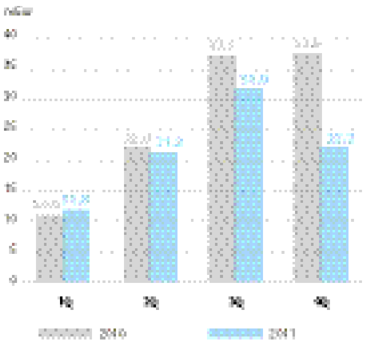
Change % 2011/2010 – Revenue



The data for the quarters 2010 were reclassified as described in "Approach taken"

(million euro)	2011	2010	Change	Change %
Revenue	985.6	935.0	50.6	5.4
Operating profit	87.0	107.5	(20.4)	(19.0)
Operating margin %	8.8%	11.5%	–2.7 p.p.	

Operating profit



Operating margin %

Revenue

Revenue was 5.4% higher than in 2010. The growth achieved in the first semester (+23.1%) was significantly eroded by performance in the second half of the year (–5.0%), which was affected by unfavourable market conditions.

Considering 2011 as a whole, the improvement was principally attributable to the sales of finished products, with a substantial contribution from higher volumes and a smaller, but positive, price/mix effect. The 42.3% rise in sales of finished products generated by these effects was partly offset by adverse exchange rate movements.

Higher volumes were achieved principally in **Russia** and, to a lesser extent, in **Turkey**, **Poland** and the **Baltics**. Within this segment, Group sales and volumes fell most noticeably in **Ukraine** and the **smaller countries of Eastern Europe** (such as Hungary, Romania and Bulgaria).

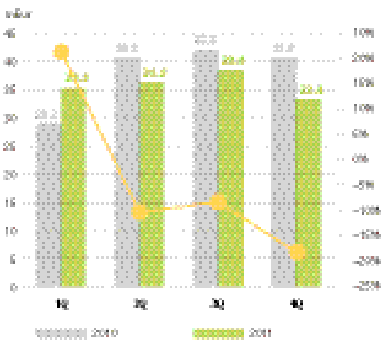
Revenue from Service operations makes a limited contribution to this segment, but nevertheless rose compared with the prior year.

Profitability

The segment operating profit was lower than in 2010, largely due to performance in the final quarter. This decline was caused by higher product costs and adverse exchange rate movements, as partially offset by the benefit obtained from increased volumes during the first nine months of the year and the positive price/mix effect.

International

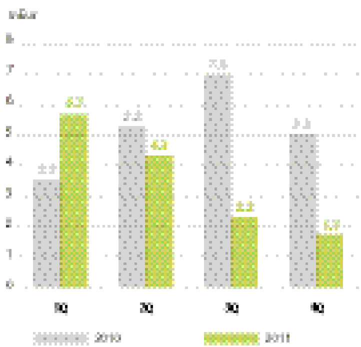
Change % 2011/2010 - Revenue



The data for the quarters 2010 were reclassified as described in “Approach taken”

(million euro)	2011	2010	Change	Change %
Revenue	144.0	153.3	(9.3)	(6.1)
Operating profit	14.0	20.8	(6.8)	(32.8)
Operating margin %	9.7%	13.6%	–3.9 p.p.	

Operating profit



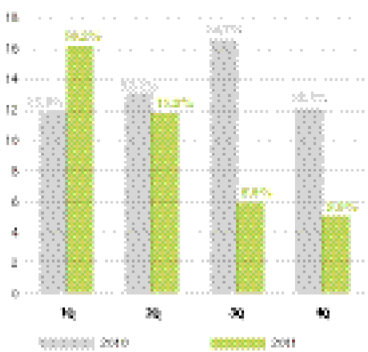
Revenue

The segment revenue declined by 6.1% during 2011, mainly due to the adverse price/mix effect. Currency movements were also unfavourable, although the effect was smaller, while volumes were essentially stable. Segment revenues were hit by a 48.9% reduction in sales in **Argentina**. This was due to the tightening of import procedures, which gradually blocked the supply of products to the local subsidiary responsible for sales and marketing there. Revenue growth was particularly healthy in the rest of **South America** and in **Africa**.

Profitability

Profitability fell heavily in percentage and absolute terms from the second quarter of 2011, largely due to a progressive decline in the contribution made by **Argentina**. In particular, the operating profit generated by that country was 5.9 million euro lower than in 2010 (85.3% of the total decrease).

Operating margin %



Non-recurring items

Net non-recurring income amounted to 8.8 million euro in 2011, compared with net non-recurring charges of 44.0 million euro in 2010.

The consequent beneficial effect on the Group's operating results was principally due to:

- lower provisions for restructuring;
- the positive effect of a change in Pension Fund rules at Indesit Company UK Ltd., following the application of new UK regulations governing the inflation adjustment of index-linked pensions related to measurement of the deferred pension liabilities [2];
- the effect of further changes to the Pension Fund rules agreed between Indesit Company UK Ltd and the trade unions.

Profit for the year

Net **financial charges** amounted to 38.1 million euro (34.5). The increase was due to greater exchange losses, principally incurred during the final quarter following a reduction in the time value element when measuring currency options at year end. This adverse effect was partially offset by a reduction in interest charges following the Mark–to–Market adjustment of hedging derivatives and the decline in pension fund interest.

Profits from investments in associates and other companies amounted to 0.9 million euro.

The **income tax** charge for 2011 was 54.2 million euro (59.7), with an effective tax rate of 47.9% (39.9%). This increase in the rate of taxation on profits before taxation was essentially due to:

- the tax liability of 8.4 million euro recognised following objections made to Indesit Company S.p.A. by the Marche Tax Authorities. These related to transfer pricing and the interest charged on the deferred payment terms allowed to Group companies;
- the increased incidence of taxes that are not directly correlated with profit (e.g. IRAP).

Profit for the year attributable to owners of the Parent was 58.8 million euro (89.7) in 2011, representing 2.1% (3.1%) of revenue.

2. No longer Group employees, but not yet retired.

Cash flows [3]

(million euro)	31.12.2011	31.12.2010
EBITDA	262.7	309.8
Change in NWC	32.0	16.4
Other operating flow	(176.8)	(90.9)
Operating cash flow	**117.9**	**235.3**
Net CapEx	(126.3)	(108.4)
Cash flow before financial activities	**(8.4)**	**126.8**
Dividends paid and financial operations	(31.0)	(15.5)
Free cash flow	**(39.3)**	**111.4**

The reduction in operating cash flow with respect to 2010 was mainly due to higher absorption by the change in other assets and liabilities and, in particular, to the reduction in amounts due to employees, in the liability for pensions and, in general, in the provisions for risks and charges recorded in 2010 to cover the related payments made in 2011.

Cash flow from used in investing activities was influenced by the reclassification of property, plant and equipment totalling 11.8 million euro as assets held for sale. These are reflected in the other operating cash flow caption.

The **Free cash flow** [4] was negative for 39.3 million euro (positive for 111.4), resulting in a corresponding increase in net financial indebtedness since 31 December 2010.

3. The change in net working capital reported in the above cash flow statement includes an increase in trade payables incurred for investment purposes, 2.3 million euro (33.7 million euro), which is classified as part of Cash flows from investing activities in the consolidated cash flow statement. This latter statement therefore reports different amounts for the cash flows from operating activities and from investing activities.
   The prior year amounts for the change in net working capital and other operating flow have been reclassified in the manner described in the note on methodology.
4. Free cash flow: the cash flow from/used in operating and investing activities, net of dividend payments and capital increases.

Summary of the consolidated financial position [5]

(million euro)	31.12.2011	31.12.2010
Trade receivables	440.5	498.1
Inventories	323.2	326.0
Trade payables	(788.8)	(817.1)
Net working capital	**(25.0)**	**7.0**
Non-current assets	1,065.5	1,079.1
Other current assets and liabilities and non-current liabilities	(268.1)	(334.4)
Net invested capital	**772.4**	**751.7**
Net financial indebtedness	218.2	178.9
Equity attributable to owners of the Parent	554.1	572.9
Non-controlling interests	–	(0.2)
Equity and financial liabilities	**772.4**	**751.7**

Net working capital has decreased by 32.0 million euro since the end of 2010.

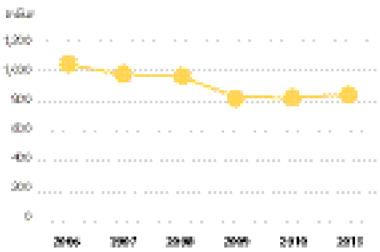
The decline in trade receivables reflects the lower volume of sales and the effect of the transfers without recourse made by Indesit Company UK Ltd during the fourth quarter of 2011. Amounts sold but not collected at 31 December 2011 total 23.4 million euro.

Inventories are essentially unchanged since the end of 2010, while trade payables have fallen due to the lower volume of production.

Net invested capital amounts to 772.4 million euro (751.7) at 31 December 2011. This increase reflects the reduction in other non-current assets and liabilities, which more than offset the containment of net working capital and non-current assets despite higher investment. Despite a 1.8% reduction in revenue and a 15.2% decline in operating profit, the Group's capital invested turnover [6] rate and return on investment (ROI before taxes) still exceeded the average for the past 5 years.

5. The trade receivables and payables, inventories and equity reported in the above restated statement of financial position are the same as those reported in the consolidated statement of financial position. Net financial indebtedness is analysed in note 9.21. "Non-current assets" and "Other current assets and liabilities and non-current liabilities" are captions of the consolidated statement of financial position not mentioned above or included as part of net financial indebtedness.
The prior year amounts for trade payables and other current assets and liabilities and non-current liabilities have been reclassified in the manner rate described in the note on approach taken.
6. The capital invested turnover is calculated as the ratio of total revenue to net capital invested.

Net invested capital



	Average 2006-2010	2011
ROI %	18.7%	19.5%
Asset turnover	3.6	3.7

Equity attributable to owners of the Parent has decreased by 18.8 million euro since 31 December 2010. This reduction reflects dividends totalling 31.0 million euro paid to the shareholders, a reduction in the hedging reserve by 8.3 million euro and a drop of 38.3 million euro in the translation reserve due, in the main, to the depreciation of the main currencies in which the Group operates.

These adverse effects were partially offset by the consolidated profit for the year of 58.8 million euro.

Net financial indebtedness has increased by 22.0% since 31 December 2010 to 218.2 million euro.

(million euro)	**31.12.2011**	**31.12.2010**
Current financial assets	20.9	17.2
Cash and cash equivalents	234.4	222.7
Banks and other financial payables	(228.7)	(246.2)
Net financial indebtedness position – short-term	**26.6**	**(6.3)**
Medium/long-term financial payables	(246.3)	(174.6)
Net financial position *	**(219.7)**	**(180.9)**
Other non-current financial assets	1.5	2.0
Net financial indebtedness	**(218.2)**	**(178.9)**

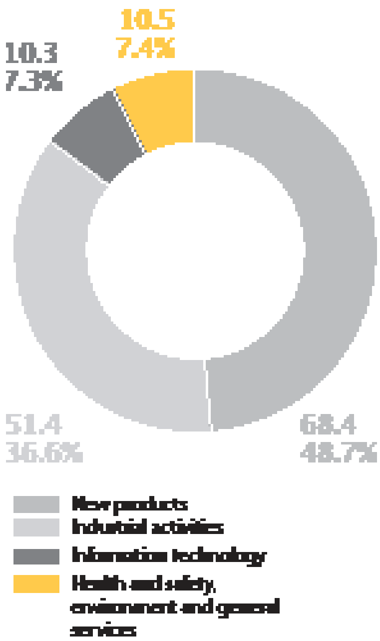
* As defined in Consob Communication DEM /6064293 dated 28 July 2006, applying the CESR recommendations dated 10 February 2005.

Investment

Net investment during the year amounted to 128.5 million euro, or 4.5% of revenue (85.2 million euro, 3.8% of revenue), of which 98.4 million euro (83.4) for property, plant and equipment and 30.2 million euro (25.1) for intangible assets.

Net investment is stated after disposals totalling 12.0 million euro (1.8), of which 11.8 million euro represents non-current assets reclassified as other assets held for sale.

Gross investment 2011 by destination



Gross investment therefore amounted to 140.5 million euro (110.3).

The 68.4 million euro invested in new products is analysed below [7]:

- 49% in the washing sector (33 million euro). The principal projects comprise the development of a new dryer platform at the Yate factory (UK) and the expansion of the washing machine range at the Lipetzk factory (Russia);
- 20% in the cooking sector (14 million euro), where the principal project was to develop a new range of "Luce" hobs for Hotpoint;
- 31% in the cooling sector (21 million euro). The principal projects comprise the development of a new 70 cm platform, to be industrialised at the Manisa factory (Turkey), and a new built-in fridge platform that will be produced at Carinaro (Italy).

Production of the new products will commence during 2012.

The 51.4 million euro allocated to industrial activities relates to actions taken to expand, rationalize, maintain and increase the efficiency of the Group's plant. The principal investments related to:

- an increase in the productive capacity of the Russian factories (washing and cooling sectors), 9 million euro;
- the opening of a new factory for the production of hoods in Poland, 10 million euro (production is expected to start during the second half of 2012);
- rationalisation of the Italian factories pursuant to the business plan discussed with and approved by the various social partners, 5 million euro;
- improvements and adaption to the concept of "lean production" at all Group factories, 2 million euro.

Other investments, totalling 20.8 million euro, mainly related to:

- Health and Safety work at the Italian and Polish factories (4 million euro), with particular emphasis on the improvement of working conditions and the reduction of noise in production departments, as well as the improvement of fire-fighting equipment and workplace conditions at all other Group companies (2 million euro);
- action to minimize the environmental impact of the Group's industrial infrastructure (including 3 million euro invested to complete the elimination of asbestos at the majority of locations);

7. The above amounts invested have been rounded to millions of euro.

- improvement of the Information Technology infrastructure and services (including 6.3 million euro spent on licenses and software);
- other activities of a general nature.

Research and development activities

Innovation is a priority for the Group in order to create value and achieve sustainable growth. The ability to innovate and develop leading-edge solutions addresses the primary need to guarantee consumers the best quality lifestyle. Accordingly, Indesit's household appliances are designed with a focus on the environment, ease of use, ergonomics, flexibility and appearance.

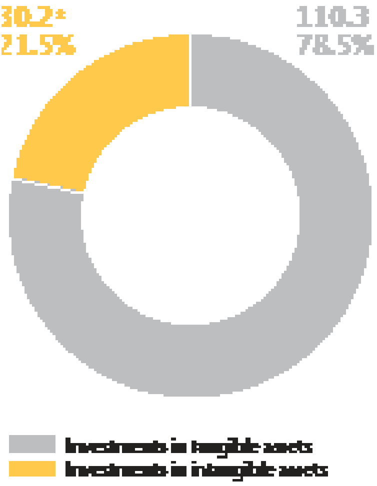
The process of innovation takes two separate paths that subsequently join together.

On the one hand:
- analysis of consumers;
- observation of their habits and the challenges faced each day when using appliances (identifying the directions in which innovation may offer business potential).

On the other:
- studies, research and development of new technologies that might respond to consumer needs and create new opportunities for appliance-related business and operations.

A substantial percentage of total annual investment is dedicated to research and the development of new products. The number of patents filed as a consequence is growing at an average rate of 30% per annum. These innovations are made possible by the efforts of more than 600 employees active in this area, many of whom work in Italy.

Gross investment 2011



* Of which 21 million euro related to R&D activities, prototypes and new product samples.

Financial position of Indesit Company S.p.A.

The schedules presented and discussed below are based on the Parent's separate financial statements at 31 December 2011, to which reference is made. They have been prepared under the IFRS issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and in accordance with the enabling regulations for art. 9 of Decree no. 38/2005.

Summary of the Parent's performance

Indesit Company S.p.A. acts as an investment holding company and as an operating company in Italy, while also supplying goods and services to other Group companies.

The Parent's income statement for 2011 reports a profit for the year of 10.4 million euro (55.9), down 45.5 million euro.

The principal economic indicators are summarized below:

(million euro)	2011	2010	2009
Revenue	1,108.1	1,238.2	1,306.1
Gross operating profit (EBITDA)	55.7	34.8	72.8
Operating profit(loss) (EBIT)	(3.5)	(34.8)	5.4
Profit for the year of the Parent	10.4	55.9	37.4
Operating profit (loss) (EBIT)/Revenue	(0.3%)	(2.8%)	0.4%

(million euro)	31.12.2011	31.12.2010	31.12.2009
Net working capital	113.5	95.2	222.1
Non-current assets	790.5	786.6	738.2
Non-current liabilities	320.7	278.3	413.3
Equity	487.7	512.5	469.0
Net financial indebtedness	232.9	149.4	288.3
Net financial indebtedness/Equity	47.8%	29.2%	61.5%

(million euro)	2011	2010	2009
Operating cash flow	(25.5)	203.2	236.9
Depreciation and amortisation	59.3	69.6	67.4
Cash flows for investing activities	(51.5)	(86.5)	41.9
Number of employees	4,618	4,856	4,981

- **Revenue** was 10.5% lower in 2011 following an 11.5% decrease in revenue from third parties and a 9.7% reduction in intercompany revenue.

- **Gross operating profit** (EBITDA) amounted to 55.7 million euro (34.8) in 2011, representing 5.0% (2.8%) of revenue. The rise in EBITDA was essentially due to lower net non-recurring expenses, which amounted to 3.4 million euro in 2011 (36.5). The reduction largely reflects a decline in reorganisation and restructuring costs. Before non-recurring items, EBITDA was 59.1 million euro (71.3). As a percentage of revenue: 5.3% (5.8%).

- The **operating profit** (EBIT) was 3.5 million euro (34.8), representing -0.3% of revenue (–2.8%).

- **Net financial items** was 30.7 million euro (92.9). The change was principally due to a reduction in dividends received to 51.0 million euro (119.6) and the effect of closing out in 2011 the interest rate swap that hedged short-term borrowing. This caption also includes net exchange rate losses of 0.4 million euro (0.2). Impairment losses on investments in subsidiaries amounted to 0.9 million euro (1.5).

- **Profit before tax** (PBT) was 27.2 million euro (58.1), representing 2.5% (4.7%) of revenue. The tax charge was 16.7 million euro (2.2) and, accordingly, **profit for the year** amounted to 10.4 million euro (55.9). The increase in taxation largely reflects recognition of an extraordinary tax liability, 8.4 million euro, in relation to transfer pricing issues raised by the Tax Authorities.

Cash flows [8]

(million euro)	2011	2010
EBITDA	55.7	34.8
Change in NWC	(18.2)	126.8
Other operating flow	(53.3)	72.4
Operating cash flow	**(15.8)**	**234.1**
Investment net of proceeds from the disposal of property, plant and equipment and intangible assets	(58.5)	(66.1)
Cash flow before financial activities	**(74.3)**	**168.1**
Investment net of proceeds from the disposal of financial assets	(2.8)	(51.3)
Dividend received/paid and share capital increases	(6.5)	22.2
Free cash flow	**(83.6)**	**138.9**

8. The change in NWC reported in the above cash flow statement includes the decrease in trade payables incurred for investment purposes, 9.7 million euro (30.9), which is classified as part of the cash flows from investing activities in the separate cash flow statement. This latter statement therefore reports different amounts for the cash flows from operating activities and for other operational flows.

Operating cash flow was negative of 15.8 million euro in 2011 (positive of 234.1).

Dividend received/paid and share capital increases reflect dividend received net of those paid, together with changes in the hedging reserve.

Free cash flow [9] was negative of 83.6 million euro (positive of 138.9).

Summary of the financial position of the Parent

The financial position of the Parent is summarised in the following table:

(million euro)	31.12.2011	31.12.2010
Trade receivables	406.0	465.5
Inventories	107.6	106.7
Trade payables	(400.2)	(477.0)
Net working capital	**113.5**	**95.2**
Non-current operating assets	740.5	736.5
Other current assets and liabilities and non-current liabilities	(133.4)	(169.9)
Net invested capital	**720.6**	**661.9**
Net financial indebtedness	232.9	149.4
Equity	487.7	512.5
Equity and financial liabilities	**720.6**	**661.9**

Net financial indebtedness amounts to 232.9 million euro (149.4).

Equity amounts to 487.7 million euro (512.5), down 24.9 million euro. This reduction, principally due to the payment of dividends totalling 31.0 million euro and a reduction in the hedging reserve by 4.3 million euro, was partially offset by the profit for the year of 10.4 million euro.

9. Free cash flow: cash flow from operating activities and investing activities, net of dividend received/paid, the hedging reserve and capital increases.

Reconciliation with the equity and profit for the year of the Parent

In accordance with Consob regulation [10] the equity and profit for the year of the Parent are reconciled below with the related consolidated amounts:

	31.12.2011		31.12.2010	
(million euro)	**Profit (Loss)**	**Equity**	**Profit (Loss)**	**Equity**
Financial statements of the Parent company	**10.4**	**487.7**	**55.9**	**512.5**
Consolidation adjustments				
Difference between carrying amount and equity of Group companies	171.4	76.4	248.0	72.7
Dividends received from subsidiaries	(123.0)	–	(207.5)	–
Effect of aligning separate financial statements with Group	(0.2)	4.1	0.9	2.7
Elimination of intercompany profits	0.4	(14.2)	(5.4)	(15.2)
Tax and other effects	(0.2)	0.2	(2.2)	0.2
Total consolidation adjustments	**48.4**	**66.5**	**33.9**	**60.4**
Consolidated financial statements	**58.8**	**554.1**	**89.7**	**572.9**

Corporate governance and ownership structure

The system of Corporate Governance adopted by Indesit Company S.p.A. is essentially consistent with the principles established in the Code of Conduct for Listed Companies (the Code) and with international best practice. On 21 March 2012, the Board of Directors approved the 2011 Annual report on corporate governance and the ownership structure, prepared pursuant to art. 123-*bis* of the consolidated law on financial intermediation (TUIF).

This report is published on the Company's website in the "Company" section, sub-section "Corporate Governance" [11]. Reference is made to this report for the disclosures required by law.

Indesit Company S.p.A. has adopted the ordinary model of administration and control (envisaged under Italian law), with the presence of a Shareholders' Meeting, a Board of Directors, a Board of Statutory Auditors and Independent Auditors. The directors and company bodies 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, Internal Audit Committee, Strategic Development Committee and Related-party transactions Committee), ensures that the interests of all shareholders are appropriately balanced and guarantees a high level of discussion at Board of Directors.

10. Consob Communication DEM/6064293 dated 28 July 2006.
11. At the address www.indesitcompany.com/inst/en/vision/corporate_governance/cGHome.action.

During the meetings held in February 2012, the Board of Directors acted on a recommendation from the Compensation Committee and approved a Compensation Policy. This was consistent with the provisions of the Code and the regulations issued by Consob. Pursuant to current legislation, the Compensation Policy is the first section in the Compensation Report and will be presented for examination at the Shareholders' Meeting called to approve the 2011 financial statements. In addition, with support from the relevant committees, the Board of Directors analysed the principles and criteria revised or updated in the latest edition of the Code, having regard for the way they are implemented by the Group.

Intercompany and related party transactions, and significant, non-recurring, atypical or unusual transactions

Transactions between Group companies are settled on ordinary market conditions, having regard for the quality of the goods and services provided. Note 11 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 [12], Attachments 3 and 4 to the consolidated financial statements and Attachments 2 and 3 to the separate financial statements present an income statement with separate indication of non-recurring items and transactions with related parties, and the related percentage incidence, as well as a statement of financial position with separate indication of transactions with related parties and the related percentage incidence.

The Group's intercompany transfer prices are determined using the cost-plus method, which envisages applying a mark-up to production cost. The fairness of such transfer prices is checked using the Transactional Net Margin Method (TNMM), as required by the regulations, normal practice in Italy and the OECD Guidelines (or Directives).

Transactions with related parties are not significant to the financial position of the Group. There were no atypical or unusual transactions during 2011.

Further information on the procedures adopted by the Group with regard to significant and related party transactions can be found in the 2011 Annual report on corporate governance and the ownership structure, prepared pursuant to art. 123-*bis* of the TUIF and approved on 21 March 2012.

Information on the investments held by directors, statutory auditors, general managers and executives with strategic responsibilities, and on the remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities, is presented in the Compensation Report.

12. Consob Resolution 15519 dated 27 July 2006 and Consob Communication DEM/6064293 dated 28 July 2006.

Information on Company bodies

The members of the company bodies are listed below:

Board of Directors	
Chairman	Andrea Merloni
Chief Executive Officer	Marco Milani
Directors	Valerio Battista
	Francesco Caio
	Innocenzo Cipolletta
	Paolo De Cesare
	Mario Greco
	Antonella Merloni
	Aristide Merloni
	Maria Paola Merloni
	Paolo Monferino
Honorary Chairman	
	Vittorio Merloni
Board of Statutory Auditors	
Chairman	Marco Reboa
Auditors	Andrea Amaduzzi
	Luigi Biscozzi
Alternate Auditors	Michele Casò
	Francesco Nobili
Human Resources and Remuneration Committee	
	Mario Greco (Chairman)
	Maria Paola Merloni
	Paolo Monferino
Internal Audit Committee	
	Innocenzo Cipolletta (Chairman)
	Francesco Caio
	Antonella Merloni
Related-party transactions Committee	
	Paolo Monferino (Chairman)
	Valerio Battista
	Paolo De Cesare
Strategic Development Committee	
	Andrea Merloni (Chairman)
	Francesco Caio
	Marco Milani
	Paolo Monferino
Representative of the savings shareholders	
	Adriano Gandola
Indipendent Auditors	
	KPMG S.p.A.
Manager charged with preparing the Company's financial reports	
	Stefano Cavacini

Stock option plans

No new plans were authorised during 2011 and no stock options were granted, while 17,500 stock options expired. The stock options plans are described in the notes to the consolidated financial statements, which discuss the plans and provide the information required by law and the relevant Consob communications.

Treasury shares and shares of the Parent

Indesit Company S.p.A. did not purchase or sell any treasury shares or shares of the Parent during the year, whether directly or through a third party. Information on the treasury shares held by the Parent is provided in the notes to the separate financial statements.

Information about significant non-EU companies

Indesit Company S.p.A. controls, directly or indirectly, 5 companies established under and governed by the laws of countries that are not members of the European Union ("Significant non-EU Companies", as defined by Consob regulations [13]).

With regard to these companies:

- all significant non-EU companies prepare accounts for the purpose of preparing the consolidated financial statements. Their statements of financial position and income statements are made available to the shareholders of Indesit Company S.p.A. on the basis and with the timing envisaged in the related regulations;
- Indesit has obtained the articles of association of significant non-EU companies and information about the membership and powers of their governing bodies;
- the significant non-EU companies:
    - provide the Parent's audit company with the information needed in order to audit the annual and interim financial statements of the Parent;
    - apply an administrative-accounting system capable of regularly providing the 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 control body of Indesit Company S.p.A. has checked that these administrative-accounting systems are capable of regularly providing the economic and financial information needed by management and the independent auditors of Indesit Company S.p.A. for preparation of the consolidated financial statements, and that such information flows do actually occur. This was done by holding meetings with the Parent's independent auditors and with the management and local auditors of the significant non-EU companies.

13. Resolution no. 16191 dated 29 October 2007 and subsequent amendments, in relation to the listing of parent companies with non-EU subsidiaries. These companies are Closed Joint Stock Company Indesit International, Indesit Company International Business S.A., Indesit Rus Llc, Indesit Company Beyaz Esya Pazarlama A.S. and Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.

Information about employees

Composition of the work force

The number of employees at 31 December 2011, 16,112, is 52 greater than at the end of last year. Employment is analysed as follows: 67% factory workers, 32% office workers and 1% executives. In geographical terms, 28% of employees are based in Italy, 28% in the Russian Federation, 19% in Poland, 14% in the UK and Ireland, 6.5% in Turkey and the remaining 4.5% in other Group locations.

In organisational terms, 24% are employed in Marketing and Sales; 4% in Support Functions and 72% in the Industrial area.

34% of employees are female.

Training, organisation and remuneration policies

Training for recruits and the development of personnel (In Indesit, Induction, In Tune, In Spire, In Vision, Mini Masters and Executive Briefing) involved a total of 673 participants during 2011. The catalogue of training at Group level addresses areas for improvement identified from performance assessments. Such training involved 1,892 office workers who took a total of 177 courses. A further 1,112 persons attended training in support of the Group's medium-term development plans. 9,551 workers attended technical courses, training on safety, quality etc. A total of 13,228 individuals benefited from training in 2011.

Remuneration policies are designed to support the organisational development of the Group. In all areas, the pay rises granted during 2011 reflected conditions in the reference job markets, inflation trends and any applicable local agreements. Further information is provided in the Compensation Report.

Safety

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. An international standard for managing the health and safety of workers has been adopted in order to guarantee the attainment of these objectives (OHSAS – Occupational Health and Safety Assessment Series). Almost every Group location and the related employees obtained certification under OHSAS 18001 during 2010. As a consequence, exceptional results were achieved in 2011 in terms of reducing the number and seriousness of accidents. Effective involvement at each level of the organisation has increased the number of near-miss situations that have been identified, thus boosting prevention-related activities. A programme has been implemented to improve the ergonomics of workstations, with special reference to repetitive movements and the manual handling of loads. Particular attention has also been given to improving the comfort of the working environment, with a series of projects relating to heating and humidity, lighting and noise.

Privacy

The "Data Protection Document" required by Legislative Decree 196 dated 30 June 2003 (Privacy Code) has been updated at the date of this report.

Performance of subsidiaries

All subsidiaries of Indesit Company S.p.A. operate in the production and sale of household appliances or, in any case, carry out related activities. Indesit Company manages its companies (listed in Attachments 1 and 2 of the notes to the consolidated financial statements) with reference to the geographical area of their activities. Consequently, reference is made to the information on operating segments contained in the notes to the consolidated financial statements for further details about these geographical areas and, in general, to the information provided in the consolidated financial statements on operating segments and about the principal events involving subsidiaries.

Management and coordination activities

Indesit Company S.p.A. is not subject to management or coordination by other companies or bodies, and determines its general and operational strategic guidelines on a fully autonomous basis. Pursuant to art. 2497 bis of the Italian Civil Code, the Italian subsidiaries under direct or indirect control have, with specific exceptions, identified Indesit Company S.p.A. as the party that manages and coordinates their activities. This activity consists in communicating the Group's general and operational strategic guidelines and involves determining and improving the system of internal control, the model of corporate governance and the corporate structure, issuing a Code of Conduct adopted at Group level, and preparing general policies for the management of human and financial resources, the procurement of factors of production, marketing and communications. Although subsidiaries maintain their operational and managerial autonomy, the above contribution enables them to achieve economies of scale through recourse to professional skills and specialist services of ever-increasing quality, so that they can concentrate their resources on the management of their core business.

Principal risks and uncertainties faced by the Group and the Parent

The Indesit Group is exposed to a series of risks, which can be grouped in the following three macro-categories:

- strategic and operational;
- financial;
- legal and non compliance.

Indesit Company S.p.A., as the Parent, is essentially exposed – directly or indirectly – to the same risks and uncertainties as those described below in relation to the Group. The risk factors most directly affecting activities in 2011 are discussed in the section entitled "Outlook".

Strategic and operational risks

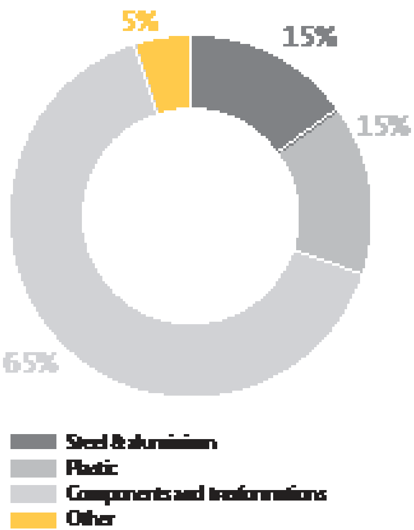
1. **Demand trends**: the household appliances sector is part of the broader category of Consumer durables and business is cyclical. Contractions in the property market, in Consumer confidence, in the availability of consumer credit and, more generally, in the GDP growth rate have a rapid effect on the level of market demand and may result in lower sales and, consequently, in lower profits. Depending on the availability of data, Indesit monitors each month or each quarter the trends in industry shipment, retail sales (sell out), retail prices, market share in volume/value terms, and other relevant parameters, making reference to data for the Group's largest markets supplied by the principal independent research institutions. Analysis of this information allows the Group to react to current or expected changes within the shortest possible period of time.
   In addition to the lower sales and profits already mentioned, significant unexpected

contractions in demand often lower the level of plant saturation which, at least in the short-term, may have further adverse effects on profitability, the level of finished product inventories and borrowing.

2. **Predictability of demand**: Indesit mainly distributes its products through chain retailers, wholesalers and the manufacturers of fitted kitchens. The order backlog is typically one month. The visibility of demand beyond a one/three month planning horizon is therefore somewhat limited, and is largely based on statistical analysis. Conversely, industrial planning requires the adoption of a medium-term time horizon, especially when significant changes in production are required. In addition to the actions described in the previous point, Indesit minimises this risk by managing the level of finished product inventories in order to maintain a predetermined safety margin, compatible with the requirements of prudent financial management. Work has also commenced on a number of projects designed to further refine the mathematical models used to generate sales forecasts and the related production plans.

3. **Price competition**: the household appliances sector, still highly fragmented in Europe, may be affected at particular moments in the economic cycle by strong price competition designed to capture market share or, in the short-term, to boost the volume of sales and therefore production. Price pressures result in lower profit margins. At the same time, excessive fragmentation, structural excess capacity and the high elasticity of volume in response to changes in price, make it both difficult and risky to fully pass on sudden and/or significant increases in the cost of raw materials in the form of higher selling prices. Indesit mitigates this risk by ensuring a constant flow of new products that help to offset the deflationary pressures, while also guaranteeing a cost base that is among the most competitive in the sector.

Exposure to the prices of raw materials and components



4. **Exposure to the prices of raw materials and components**: the Group is directly or indirectly (through the purchase of components) exposed to the risk of increases in the prices of raw materials: principally steel, plastics, copper, nickel and aluminium. In 2011, the Group's costs for the consumption of raw materials, components and consumables totalled 1,604.1 million euro, including 236.7 million euro for steel and aluminium, 244.2 million euro for plastics, 1,037.5 million euro for components and outsourced processing, and 85.7 million euro for other materials.
Normally, with regard to the purchase of steel, the Group's objective is to sign annual contracts at fixed prices for the materials requirement estimated when preparing the budget for the following year. These contracts are signed before the end of the fourth quarter each year. The generalised change in contracting procedures adopted by the principal suppliers of raw materials has, however, partially limited this possibility (especially in Russia and Turkey). In the context of these supply contracts, at the end of 2011 it was possible to fix steel prices at Group level for the first six months of the coming year, but only for the first quarter in relation to steel supplies in Russia. With regard to the prices for purchases during that part of the year not covered, the contracts do however cap the level of possible price increases and decreases.
Supply contracts for non-ferrous metals (nickel, copper and aluminium) have a duration of less than one year.

Lastly with regard to plastics, the Group normally signs fixed price contracts for about 50% of its requirement, while the prices for the remaining 50% are indexed to sector parameters. These supply contracts have a duration of less than one year.

5. **Country risk**: a significant and growing part of the Group's production and sales activities takes place outside of the OECD. The Group is exposed to the risks associated with operating in countries that may not be as politically and economically stable as those in the OECD area. Such risks might include:
   a) restrictive policies on the import of components and/or the export of finished products;
   b) limitations on investment/divestments by non-resident parties;
   c) the convertibility and/or transferability of the local currency;
   d) the introduction of restrictive laws and/or regulations, including the risks of nationalisation or expropriation.

6. **Other operational risks**: this category comprises the risks typically faced by the durable goods sector: risk of product obsolescence, risks associated with the warranties given on products sold, 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 captions of the consolidated financial statements 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 notes to the consolidated financial statements for further information about the provisions and impairment losses recognised in 2011.

Financial risks

The principal financial risks faced by the Group are: liquidity risk, market risk (exchange rate risk, interest rate risk, commodity price risk) and credit risk. Financial risks are managed in accordance with the Treasury Policy approved by the Board of Directors, except for the credit risk in relation to commercial counterparts.

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 through action to guarantee a balanced capital structure, diversification of the sources of finance, the spreading of debt maturities over a broad time horizon, the maintenance of undrawn committed lines of credit, and defined limits for maturity and counterpart credit in the management of liquidity. The Group believes that the lines of credit and investments available at 31 December 2011 are sufficient to cover the requirements arising from operations, capital expenditure and the repayment of borrowing upon maturity.

2. **Exchange rate 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 ruble, the Polish zloty and the Turkish lira). The Group identifies three types of risk: competitive risk, economic risk and translation risk. The 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. In particular, the Group prefers to borrow at variable rates, limiting the conversion from variable 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 financial counterpart risk are set out in the Treasury policy.

Further details about the management of financial risk are provided in note 10 to the consolidated financial statements.

Legal and non compliance risks

The Group defines compliance risk as the possibility of incurring court and/or administrative penalties, financial losses or loss of reputation as a consequence of failure to comply with compulsory rules (laws or regulations), or self-imposed rules (articles of association, codes of conduct and codes of self regulation). The principal risks of this type may be grouped into the categories described below.

1. **General risks associated with changes in the regulatory environment**: the Group is subject to numerous national and international laws and regulations, including tax rules, in the various countries of operation. This represents a complex reference framework that is constantly evolving.
   The Group monitors changes in the applicable regulations and their proper application through its own legal and tax professionals, working within the principal Group companies, and by recourse to leading external consultants of international standing. The control bodies described in the Report on corporate governance and the ownership structure also contribute to this process.
   Despite this, there is no certainty that the Group will not become involved in future disputes and face possibly significant liabilities, given the large number of jurisdictions involved, the range of topics addressed, the rapidity of change, and the often subjective nature of matters open to interpretation.

2. **Risks relating to compliance with environmental regulations:** the products and activities of the Indesit Group are subject to many environmental rules and regulations. This regulatory framework is subject to restrictive revision in the countries where the Group operates, often as a consequence of new directives issued by supranational entities, including the European Union. The regulations may relate to products, with more severe rules for the disposal of waste and energy consumption, or to factories, with rules about atmospheric emissions, the disposal of waste materials and water, and the cleaning up of land.
   The principal regulations of this type, specific to the sector, include the WEEE (Waste Electrical and Electronic Equipment) Directive that makes manufacturers responsible at a European level for the recovery and disposal of waste products. In Italy, a Directive approved during 2010 finally established how to implement the above individual responsibility in practice, by allowing manufacturers to comply with their WEEE obligations by registering with a collective system.

New European regulations for the energy labelling of refrigerators, washing machines and dishwashers came into force at the end of 2011. These reward innovations in the field of energy efficiency and establish three additional classes beyond A (A+, A++, A+++). For these categories, the labelling of Group products placed on the European market has complied with the new regulations from the time they came into effect (20 November 2011 for refrigerators and 20 December 2011 for the others). Future incentives provided by the European Union will make reference to the new classification. In terms of environmental policy, Indesit Company supports actions and projects that respect the environment and meet the requirements of stakeholder. Respect for and compliance with environmental regulations are monitored and evaluated periodically, considering also the principles of the Group's own environmental policy based on sustainable development and respect for the environment as strategic success factors in the competitive on market. After completing the ISO 14001 certification of the environment management systems at all Group production sites in 2010, work began in 2011 on the ISO 14011 certification of all non-manufacturing locations within the Group. Certification was obtained for the Group's principal location in Fabriano (Italy) during 2011, and this program will be completed at other sites during 2012-2013.
There was an improvement in the environmental key performance indicators (KPI) during 2011: energy consumption is now 0.115 GJ [14] per unit, down 8% from 2010, while water consumption is 12% lower, down from 150 litres per unit in 2010 to 136 litres per unit in 2011.
With regard to environmental matters, a number of suitable surfaces (roofs and car parks) at the Carinaro factory in Italy were made available to a third party during 2011 for the production of clean energy using solar panels (installed power of 4.6 MWp).
Despite the multiple activities in progress and the results achieved by the Group in this context, compliance with changing environmental regulations may give rise to significant future investment and/or to costs that cannot be foreseen at this time.

The two categories of risk described above, whether real or considered probable at 31 December 2011, have been assessed appropriately and their impact has been reflected in the accounts. See the notes to the consolidated financial statements (9.23) and to the separate financial statements (6.31) for further information.

Significant events during the year and subsequent to year end

In March 2011, the Group announced its intention to open a consultation period (lasting 90 days) with the Trust of the UK pension fund regarding future pension benefits and the related contributions. The agreement between Indesit Company UK, the Group's subsidiary, and representatives of Trustees of Indesit UK Limited Pension Scheme was signed. This agreement modified the rules of the Pension Fund with the effect of final termination for provisions according to the defined benefit scheme (DB Scheme).

14. The Joule (J) is a unit of measure of energy, work and heat. One gigajoule (GJ) represents 1 billion joules.

The closure of the fund affected all active members who were employed prior to March 2006, when the DB Scheme was closed to new members.

Starting from 1 January 2012, the launch of the model to defined contribution (DC Scheme).

In accordance with the agreement reached with the trade unions, the implementation of Piano Italia to relaunch the competitiveness of Italian factories resulted, as planned, in the final shutdown of the production facilities at Brembate on 31 March 2011 and at Refrontolo in April 2011.

Placement programs for persons affected by the restructuring process are currently being implemented and are proceeding according to plan. In particular, a preliminary agreement was signed on 8 July 2011 for the reindustrialisation of the Brembate site. This agreement envisages the sale of the property and recruitment by the purchaser of between 50 and 80 Group employees who previously worked at the Brembate factory. The agreement also included an option for either party to withdraw without penalty by 30 September 2011. Neither party exercised this option by that date and, accordingly, this agreement is expected to be finalised in early 2012.

On 19 July 2011, the agreement was reached with the trade unions regarding the proposed renewal of the Complementary Labour Agreement for the Group's Italian employees covering the period 2011-2012. This agreement makes substantial changes to the assessment of production parameters and the determination of profitability objectives used to calculate the variable component of income.

The second tranche of the USPP Notes, Series B, was repaid on 19 September 2011, involving an outflow of 70 million USD (51.3 million euro).

A targeted inspection by the audit office of the Marche regional tax authority commenced on 19 September 2011 in relation to transfer pricing related to 2008, 2009 and 2010.
On 15 September 2011, the Parent also received a questionnaire from the same office concerning the transfer prices applied in 2006.

For each of the above tax years, the Parent has presented a so-called "Master File", pursuant and consequent to para. 2-*ter* of art. 1 of Legislative Decree 471 dated 18 December 1997 [15], and Italian documentation [16] (prepared pursuant to the requirements of the Tax Inspector issued on 29 September 2010) showing that the transfer prices applied were consistent with the fair value of the items sold.

15. In accordance with the Code of Conduct approved by the member States of the European Union, this set of documents was prepared in order to describe properly the transactions concerned, so that comparisons can be made between fair value and the transfer prices applied. Preparation of these documents means that no penalties would apply should the tax authorities issue an assessment following an audit of transfer pricing matters.
16. See note 9.

On 14 October 2011, the Group decided to adopt a new organization model from 2012. The new organization is based on three divisions: Food Treatment, which will manage the business and products related to the processing of foods; Home Care, which will manage the business and products related to the care of the home; Services & Consumer Care, which will develop the Group's presence in services, enhancing the skills acquired in the management of processes of technical assistance.

In the new organization Andrea Crenna, Chief Financial Officer up to 31 December 2011, assumed the role of Chief Division Officer for Food Treatment and Stefano Cavacini, previously Group Planning & Control Director, assumed the role of Chief Financial Officer and Executive in charge for preparing the financial reports under L. 262/2005.

On 27 October 2011, Indesit Company Polska Sp.zo.o. has obtained the third permission from the Special Economic Zone in the region of Lodz (Poland) on the investment for the construction of a plant for the production of hoods and plastic semi-finished. The permission will expire on 30 November 2020 and the subsidiary Indesit Company Polska will obtain a reduction of taxable income of the company (if positive) for 50% of the planned investment (25.9 million euro).

In November the process of investigation relative to the Report on Findings (PVC) sent by the Italian Revenue Agency – the Marche Regional Tax – to Indesit Company S.p.A. on 19 October 2010 and containing calculations referring to the 2007 tax year, ended with adhesion.

In December the Italian Revenue Agency – the Marche Regional Tax – sent to Indesit Company S.p.A. a PVC containing calculations emerged after inspection started on 19 September 2011 and relating to tax periods 2008, 2009 and 2010. The complaints expressed concern the transfer pricing for the sale of finished products to foreign subsidiaries and these are in line with the agreement reached with reference to 2007. The Company will proceed to join the PVC after receiving the invitation to contradictory that the Office should forward in the next months and submit a request to use the tax losses by consolidated.

On 3 January 2012 Indesit Company S.p.A. also received a tax audit for the tax year 2006 with which the correct charge amount of interest on commercial extensions to Group companies was notified, and also its calculation. Relief is in line with those for the tax year 2007. On 13 January 2012 the Company has submitted a request to use the tax losses by consolidated to offset the full amount of the relief.

On 9 February 2012 was made official with the social partners a draft agreement about the decision to open a process of voluntary unemployment that will affect 100 employees of the plant of Carinaro.

In addition to the previously reported, there are no further significant events or relevant operations for the fourth quarter 2011 or subsequent to period end.

Outlook

The Group expects demand from distributors (Industry Shipment) to be slightly lower overall in Greater Europe during 2012.

In particular, estimates suggest contractions in Italy, the UK and the other large countries in Western Europe, excluding Germany. Declines are also forecast in the smaller countries of Eastern Europe, while demand is expected to grow in Russia, Turkey and the Ukraine.

Retail prices are also expected to contract slightly overall.

Faced with the somewhat challenging macroeconomic conditions, in 2012 the Group will continue to implement the actions envisaged in its long-term strategic plans. These are designed to maintain financial solidity and profitability over the medium and long-term.

In particular, in line with the annual budget, a number of factors should benefit the results for 2012:

- the expected drop in demand for household appliances from end consumers might not be fully reflected in Industry shipments, since distributors should cease the inventory rundowns practiced during 2011. Volume should also benefit from the performance of the Russian and Ukrainian markets, where the Group has a leadership position;
- despite the constant pressure on prices, there should be an improvement in the price/mix following the launch, starting from the second half of 2011, of a considerable number of new Hotpoint products. The full effect of this action on sale will be felt in 2012;
- after a marked increase in production costs during 2011, due to rising raw material prices, there should now be a slight reduction following improvements in purchasing conditions and, to a lesser extent, in industrial efficiency due to the optimisation of processes;
- in accordance with Group strategy – heavily focused on innovation and renewal of the ranges – gross capital expenditure will be in line with 2011 levels, much of which will be allocated to the development of new products;
- sales of small household appliances under the Hotpoint brand will commence at the end of 2012, although this will not have a significant effect on results for the coming year.

Significant risks and uncertainties in 2012

Having considered the factors suggesting improvements, it is also appropriate to highlight a number of specific risks and uncertainties that are discussed in more detail in the relevant section of this report. These might have a significant adverse impact on the Group's economic and financial results for 2012. In particular:

- the depreciation of the British pound and/or the Russian ruble, or the appreciation of the Polish zloty against the euro, if this exceeds the averages recorded during the final quarter of 2011 and built into the budget for 2012, would have a negative effect on revenue and operating profit;
- unexpected changes in the prices of raw materials might reduce the current forecast decrease in production costs, or even cause them to rise;
- the effect of expected lower demand in Western Europe might not be sufficiently offset by growth in Russia, Turkey and the Ukraine, which should contribute in large measure to the recovery of lost volume;
- increased competitive pressure, fuelled by excess capacity in a highly fragmented European market, could put greater downward pressure than expected on prices, with an adverse impact on the price/mix.

Proposed allocation of profit for the year

Shareholders,

The Parent's separate financial statements at 31 December 2011 report a profit for the year of 10,436,186 euro.

The Board of Directors therefore proposes the declaration of a dividend of 0.2079 euro per ordinary share outstanding and 0.2259 euro per savings share outstanding, used for this purpose, the operating profit of the year and the Extraordinary Reserve up to a maximum of 13,352,536.76 euro.

At the date of this report, there are 114,176,966 shares outstanding. This number might increase prior to the shareholders' meeting, pursuant to the stock options plan, due to the possible exercise of 252,000 options granted to Group executives and managers, with the resulting issue of the same number of ordinary shares.

The Parent holds 11,039,750 ordinary shares (representing 9.71% of the ordinary share capital), the voting rights of which are therefore suspended. Pursuant to para. 2 of art. 2357-*ter* of the Italian Civil Code, the rights of these shares to receive dividends are attributed proportionally to the other shares while they remain held by the Parent. Accordingly, the directors propose that the dividend attributable to these treasury shares be divided between the ordinary shares, the non-convertible savings shares outstanding and the maximum number of options that may be exercised and, consequently, to increase the dividend per ordinary share and per non-convertible savings share outstanding at the dividend payment date by 0.0221 euro.

The Board therefore recommends that a total dividend of 0.23 per ordinary share outstanding (excluding the treasury shares) and 0.248 euro per non-convertible savings share outstanding be declared.

The dividends will be payable from 24 May 2012 with detachment of the related coupons on 21 May 2012.

The Parent is not required to allocate any profit for the year to the legal reserve since such reserve already exceeds 1/5 of share capital.

The text of the proposed resolution is set out in the "Report on operations on agenda point 1 for the ordinary session", prepared by the Board of Directors for the Shareholders' Meeting (first calling, 3 May 2012 – second calling, 4 May 2012), to which reference is made.

Milan, March 21 2012

For the Board of Directors

The Chairman
(signed on the original)
Andrea Merloni

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Consolidated income statement for the year ended 31 December 2011 [1]

(million euro)	Note	Year 2011	Year 2010
Revenue	9.1	2,825.3	2,877.3
Cost of sales	9.2	(2,093.7)	(2,081.0)
Selling and distribution expenses	9.3	(465.1)	(487.4)
General and administrative expenses	9.4	(116.1)	(125.1)
Operating profit	**9.5**	**150.3**	**183.8**
Interest expenses	9.6	(19.6)	(25.5)
Interest income	9.6	1.9	1.7
Exchange rate dif ferences and other net f inancial expenses	9.6	(20.4)	(10.7)
Share of prof it (losses) of associates and others	9.6	0.9	0.1
Profit before tax		**113.2**	**149.4**
Income taxes	9.7	(54.2)	(59.7)
Profit for the year		**59.0**	**89.7**
Attributable to non-controlling interests	**9.8**	**0.2**	**–**
Attributable to owners of the Parent		**58.8**	**89.7**
Basic earnings per share (euro)	9.19	0.57	0.87
Diluted earnings per share (euro)	9.19	0.57	0.87

Consolidated statement of comprehensive income for the year ended 31 December 2011

(million euro)	Note	31.12.2011	31.12.2010
Profit (loss) for the year (A)		**59.0**	**89.7**
Cash flow hedges	9.19	(8.3)	3.1
Exchange rate differences on translating foreign operations	9.19	(38.3)	27.1
Total other comprehensive income/(loss), net of tax (B)		**(46.6)**	**30.2**
Total comprehensive income/(loss) (A + B)		**12.3**	**120.0**
Attributable to non-controlling interests		**(0.2)**	**1.7**
Attributable to owners of the Parent		**12.2**	**121.6**

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 11.3 and 9.5, respectively.

Consolidated statement of financial position at 31 December 2011 [2]

(million euro)	Note	31.12.2011	31.12.2010
Assets			
Property, plant and equipment	9.9	623.2	637.2
Goodwill and other intangible assets with an indefinite useful life	9.10	236.5	229.7
Other intangible assets with a finite useful life	9.11	100.1	101.9
Investments in associates	9.12	0.5	0.5
Other non-current assets	9.13	41.0	36.2
Deferred tax assets	9.14	64.3	73.5
Other non-current financial assets	9.21.4	1.5	2.0
Total non-current assets		**1,067.0**	**1,081.1**
Inventories	9.15	323.2	326.0
Trade receivables	9.16	440.5	498.1
Current financial assets	9.21.1	20.9	17.2
Tax receivables	9.17	12.9	20.6
Other receivables and current assets	9.18	67.8	66.4
Cash and cash equivalents	9.21.2	234.4	222.7
Assets held for sale	9.29	11.8	–
Total current assets		**1,111.4**	**1,151.0**
Total assets		**2,178.5**	**2,232.1**
Equity			
Share capital	9.19	92.8	92.8
Reserves	9.19	(67.2)	(20.5)
Retained earnings	9.19	469.7	410.9
Profit attributable to owners of the Parent	9.19	58.8	89.7
Equity attributable to owners of the Parent		**554.1**	**572.9**
Non-controlling interests	9.20	(0,0)	(0.2)
Total equity		**554.2**	**572.8**
Liabilities			
Medium and long-term interest-bearing loans and borrowings	9.21.5	246.3	174.6
Employee benefits	9.22	45.4	58.8
Provisions for risks and charges	9.23	48.6	79.9
Deferred tax liabilities	9.24	38.4	38.6
Other non-current liabilities	9.25	34.9	46.2
Total non-current liabilities		**413.6**	**398.1**
Banks and other loans and borrowings	9.21.3	228.7	246.2
Provisions for risks and charges	9.23	58.6	55.2
Trade payables	9.26	788.7	817.1
Tax payables	9.27	27.6	28.3
Other payables	9.28	107.2	114.5
Total current liabilities		**1,210.7**	**1,261.3**
Total liabilities		**1,624.3**	**1,659.3**
Total equity and liabilities		**2,178.5**	**2,232.1**

2. Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of related party transactions on the consolidated statement of financial position are reported in Attachment 4 and in note 11.3. In addition, the financial effects of non-recurring transactions are described in note 9.23.

Consolidated cash flow statement for the year ended 31 December 2011 [3]

(million euro)	Note	31.12.2011	31.12.2010
Profit for the year	9.31	59.0	89.7
Income taxes	9.7	54.2	59.7
Depreciation and amortisation	9.5	112.4	126.0
Other non-monetary income and expenses, net	9.32	(6.3)	37.1
Change in trade receivables	9.33	57.6	(106.6)
Change in inventories	9.33	2.8	(44.6)
Change in trade payables	9.33	(30.7)	133.9
Change in other assets and liabilities	9.34	(61.7)	(21.3)
Taxes paid	9.31	(56.7)	(57.3)
Interest paid	9.32	(29.8)	(29.4)
Interest received	9.32	14.8	14.4
Cash flows from operating activities		**115.6**	**201.6**
Acquisition of property, plant and equipment	9.35	(108.0)	(51.5)
Proceeds from sale of property, plant and equipment	9.35	14.2	1.7
Acquisition of intangible assets	9.36	(30.2)	(25.1)
Proceeds from sale of intangible assets	9.36	–	0.2
Cash flows from (used in) investing activities		**(124.0)**	**(74.7)**
Increase in share capital		–	–
Dividends paid	9.37	(31.0)	(15.5)
New medium/long-term financial payables	9.38	193.0	–
Repayments of medium/long-term financial liabilities and bond issue	9.38	(195.6)	(8.1)
Change in short, medium and long-term financial liabilities	9.39	53.7	(71.6)
Cash flows from (used in) financing activities		**20.2**	**(95.2)**
Net cash flows		**11.8**	**31.7**
Cash and cash equivalents, start of year	9.21.2	222.7	191.0
Cash and cash equivalents, end of year	9.21.2	234.4	222.7
Total change in cash and cash equivalents		**11.8**	**31.7**

3. Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the financial effects of related party transactions are reported in note 11.3. In addition, the financial effects of non-recurring transactions are described in note 9.23.

Statement of changes in consolidated equity ended for year ended 31 December 2011 and 2010

(million euro) Note 9.19	Opening balances	Other profit/losses, net of taxation	Profit for the year	Income (expenses) recognized directly in equity	Dividends paid	Exercise of stock option rights	Allocation of profit for the year	Total effects of transactions with owners of the Parent	Closing balances
Statement of changes in consolidated equity at 31 December 2011									
Share capital	92.8	–	–	–	–	–	–	–	92.8
Share premium reserve	35.9	–	–	–	–	–	–	–	35.9
Legal reserve	22.7	–	–	–	–	–	–	–	22.7
Translation reserve	(96.8)	(38.3)	–	(38.3)	–	–	–	–	(135.1)
Other reserves	17.7	(8.3)	–	(8.3)	–	–	–	–	9.3
Retained earnings	410.9	–	–	–	(31.0)	–	89.7	58.8	469.7
Profit attributable to owners of the Parent	89.7	–	58.8	58.8	–	–	(89.7)	(89.7)	58.8
Equity attributable to owners of the Parent	**572.9**	**(46.6)**	**58.8**	**12.2**	**(31.0)**	**–**	**–**	**(31.0)**	**554.1**
Non-controlling interests	(0.2)	–	0.2	0.2	–	–	–	–	0.0
Total equity	**572.8**	**(46.6)**	**59.0**	**12.3**	**(31.0)**	**–**	**–**	**(31.0)**	**554.2**
Statement of changes in consolidated equity at 31 December 2010									
Share capital	92.8	–	–	–	–	0.0	–	0.0	92.8
Share premium reserve	35.8	–	–	–	–	0.1	–	0.1	35.9
Legal reserve	22.7	–	–	–	–	–	–	–	22.7
Translation reserve	(125.6)	28.8	–	28.8	–	–	–	–	(96.8)
Other reserves	14.5	3.1	–	3.1	–	–	–	–	17.7
Retained earnings	391.9	–	–	–	(15.5)	–	34.5	19.0	410.9
Profit attributable to owners of the Parent	34.5	–	89.7	89.7	–	–	(34.5)	(34.5)	89.7
Equity attributable to owners of the Parent	**466.6**	**31.9**	**89.7**	**121.6**	**(15.5)**	**0.2**	**–**	**(15.3)**	**572.9**
Non-controlling interests	1.5	(1.6)	(0.0)	(1.7)	–	–	–	–	(0.2)
Total equity	**468.1**	**30.2**	**89.7**	**120.0**	**(15.5)**	**0.2**	**–**	**(15.3)**	**572.8**

Consolidated financial statements at 31 December 2011
Notes

1. Group structure and activities

Indesit Company is a Group led by Indesit Company S.p.A., an Italian company based in Fabriano (near Ancona), which is active in the production and sale of white goods, namely household appliances for the cooking sector (cookers, ovens and hobs), the cooling sector (refrigerators and freezers), the washing sector (washing machines, dryers, combined washer-dryers and dishwashers).

The Group operates mainly in Europe with 14 factories.

The Group's operating segments, as defined in IFRS 8, comprise the geographical areas which generate revenues and costs that are periodically reviewed by the most chief operating decision makers in order to evaluate performance and decide on the allocation of resources, and for which separate financial information is available.

Segment information is provided in note 8.

The household appliances sector is highly seasonal, which affects all the main economic and financial parameters.

2. Approval of the consolidated financial statements at 31 December 2011

The consolidated financial statements at 31 December 2011 were approved by the Board of Directors on 21 March 2012. They have been audited and will be presented to the Annual Shareholders' Meeting.

3. Significant subsequent events

On 3 January 2012 Indesit Company S.p.A. also received a tax audit for the tax year 2006 with which the correct charge amount of interest on commercial extensions to Group companies was notified, and also its calculation. Relief is in line with those for the tax year 2007 and the financial impact has been appropriately reflected in the financial statements at 31 December 2011. On 13 January 2012 the Company has submitted a request to use the tax losses by consolidated to offset the full amount of the relief.

On 9 February 2012 was made official with the social partners a draft agreement about the decision to open a process of voluntary unemployment that will affect 100 employees of the plant of Carinaro.

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

4. Statement of compliance with IFRS and basis of presentation

The consolidated financial statements of Indesit Company 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 at 31 December 2011 have also been prepared in accordance with Consob's instructions regarding the format of financial statements, in application of art. 9 of Legislative Decree 38/2005 and other Consob regulations and instructions concerning financial statements.

The consolidated financial statements at 31 December 2011 are presented on a comparative basis and comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the statement of changes in consolidated equity and these notes.

The income statement format adopted by the Group classifies costs by function. This 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 consolidated statement of comprehensive income comprises the various components forming the results for the year, together with income and charges not deriving from transactions with owners that were recognised directly in equity. The transactions carried out with owners are presented in the statement of changes in equity, together with the comprehensive income.

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.

In compliance with Consob requirements [4], the separate income statement prepared by Indesit Company S.p.A. reports expenditure by nature. This format is deemed to be appropriate given the dual role of the Parent, both as an operating company that supplies goods and services to other Group companies, and as the company holding for the equity investments of the group. In order to ensure consistency for the users of the financial statements, an attachment to the separate financial statements of the Parent classifies its income statement by function, in the format and using the criteria adopted for the preparation of the consolidated income statement.

4. Consob Resolution no. 15519 dated 27 July 2006.

5. Accounting policies

5.1 Basis of preparation and accounting policies adopted

Basis of preparation

The currency of presentation of the consolidated financial statements is the euro and financial statement balances are stated in millions of euro (except where stated otherwise). The consolidated financial statements are prepared on an historical cost basis, as applicable to going concerns, except for derivative financial instruments, financial assets held for sale and financial instruments and assets classified as available for sale, which are stated at their fair value.

The accounting policies are applied on a consistent basis by all Group companies. There are no financial assets held to maturity. Financial transactions are recorded with reference to the trade date.

The accounting policies adopted for the preparation of the consolidated financial statements at 31 December 2011 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 disclosures, 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 allowance for doubtful accounts, provision for inventory obsolescence, depreciation and amortization and the impairment losses on assets, employee benefits, taxation and other provisions for risks and charges. The estimates and underlying assumptions are based on historical experience and various other factors believed reasonable at the time of making them.

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 estimates relate to both the current and future periods, their effects are reflected in the income statements for the periods concerned.

The principal measurement processes and the key assumptions used by management in applying the accounting policies in relation to the future are summarised below. These processes and assumptions may have a significant effect on the amounts reported in the consolidated financial statements, or may give rise to the risk of significant adjustments to the carrying amount of assets and liabilities in the next accounting year.

Provision for doubtful accounts
The provision for doubtful accounts reflects management's estimate of the losses that may be incurred on trade receivables. Accruals for doubtful accounts are determined with reference to the ageing of receivables, taking account of specific circumstances if this is more prudent, and any available warranties.

Provision for inventory obsolescence
The provision for inventory obsolescence reflects management's estimate of the losses to be incurred on finished products, semi-finished and raw materials, determined with reference to the lifecycle of each product and stock rotation statistics that take account of both past and forecast consumption.

Recoverable amount of non-current assets

Non-current assets comprise property, plant and equipment, intangible assets and other financial assets. Management reviews the carrying amounts of non-current assets held and used, and of any assets due to be disposed of. This work is performed whenever events and circumstances require such review, and at least each year for intangible assets with an indefinite life. The review makes reference to the results of independent appraisals and/or to the cash flows expected from the use or sale of the assets concerned, applying suitable discount rates for the determination of their present value. When the carrying amount of a non-current asset is impaired, the Group recognises an impairment loss for the difference between its carrying amount and the lower amount recoverable from its use or sale, as determined by reference to the most recent business plans.

Defined benefit plans

The Group maintains defined benefit plans for certain employees of some Group companies. Management, assisted by actuaries and technical experts, uses various statistical and other assumptions to calculate the charges and the present value of the liabilities and assets relating to such plans. The assumptions made relate to the discount rate, the expected yield on plan assets, the rate of future pay increases, demographic trends, the inflation rate and the forecast cost of medical care. In addition, the Group's consulting actuaries consider such subjective factors as mortality and termination rates.

Realisability of deferred tax assets

The Group recognises deferred tax assets and the theoretical tax benefit of carried-forward tax losses. Management records deferred tax assets to the extent that their recoverability is considered probable. Their measurement takes account of current budget and forecasts for future years.

Contingent liabilities

The Group is exposed to the risk of having to meet obligations deriving from legal and other disputes, without being able to predict with certainty the extent of the related outflows. This inability is often associated with the diversity, complexity, uncertainty of interpretation and variety of the jurisdictions and laws concerned, which may be subject to uncertain interpretations, as well as with the varying levels of predictability surrounding the facts and circumstances relating to each dispute. The Group makes reference to economists, consultants and legal experts in order to monitor appropriately the related risks, and tackle and assess the contingencies concerned. If, as a consequence, a financial outflow is deemed probable and the amount can reasonably be estimated, the Group records a related provision for risks and charges. If a financial outflow is considered possible or, in extremely rare circumstances, probable without being able to determine the amount, the situation is reported in the notes.

Basis of consolidation

Subsidiaries

Subsidiaries are companies over which Indesit Company S.p.A. exercises control by virtue of the power to determine, directly or indirectly, their financial and operating policies and to obtain benefits from their activities. In general, companies in which Indesit Company S.p.A. holds more than 50% of the voting rights, considering also 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 profits and losses on transactions with subsidiaries are also eliminated in full. The equity and results attributable to non-controlling interests are determined with reference to their actual 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 to the assets, liabilities and contingent liabilities concerned; any residual amounts are classified as goodwill. The reporting 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, cash flows or the results of operations of the Group.

This list of companies consolidated on a line-by-line basis is presented in Attachment 1 to the notes to the consolidated financial statements.

Associates

Associates are those entities over which Indesit Company S.p.A. exercises significant influence, but does not control their operations or have the power to determine their financial and operating policies or obtain benefits from their activities. In general, companies in which Indesit Company S.p.A. 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 over their operations commences until the date on which such influence ceases. If the Group's interest in the losses of associate exceeds the carrying amount of the related investment, such amount is fully impaired and the additional losses are covered by a specific provision, to the extent that Indesit Company S.p.A. is obliged to cover the losses of such company or, in any case, to fulfill obligations on its behalf. Unrealised profits and losses on transactions with associates are eliminated in proportion to the equity 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 profit or loss. 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 applying at the time they take place. Monetary assets and liabilities (defined as assets and liabilities to be received or paid, whose amount is fixed or determinable – IAS 21) are translated using the exchange rates applying at the reporting date and any exchange rate differences are recognised in profit or loss. 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 applying at the time that their fair value was determined.

Translation of financial statements

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

a) assets and liabilities, including the goodwill and fair value adjustments deriving from the consolidation process, are translated at the closing rates;
b) income and expenses are translated using the average exchange rate for the year (weighted with reference to sales), which is deemed to approximate the rates applying on the dates when the individual transactions took place;
c) exchange rate differences are recognised in a specific equity reserve.

On the disposal of an economic entity, the related cumulative translation differences (if any) are reclassified from equity to profit or loss. 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 rate 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 profit or loss upon settlement (repayment/disposal) of the net investment.

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 Hedge (hedge 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 profit or loss from subsequent fair value adjustments to the hedging instrument is recognised in the income statement together with the profit or loss deriving from the measurement of the related underlyings.

Cash Flow Hedge
If a derivative financial instrument is designated as a hedge of the risk of variability in the cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective part of profits or losses on such financial instrument is recognised in the hedging reserve within equity, while the ineffective portion (if any) is taken to profit or loss. If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the hedging reserve is removed from equity and included in the initial cost of such non-financial asset or liability. If the hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, the hedging reserve is released to profit or loss in the period when the asset acquired or recognised liability has an effect on profit or loss. In other cases, the hedging reserve is released to profit or loss 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

hedging reserve is released immediately to profit or loss. 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 profits or losses deriving from the related measurement at 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 methodology, 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.

Any borrowing costs incurred on the acquisition or construction of capitalised assets that normally require time before they become available for use or for sale, are also capitalised and amortized over the useful life of the asset class concerned. All other borrowing costs are charged to the income statement for the year to which they relate.

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 leasing or, if lower, at the present value of the minimum lease payments. They are depreciated over their estimated useful lives and adjusted for any impairment losses determined on the basis described below. The liability to the lessor is classified among financial liabilities in the statement of financial position.

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.

The carrying amount is tested based on 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. Such impairment losses are reversed if the reasons for recording them 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 life
Buildings and temporary constructions	from 10 to 50 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 amortized and stated net of both the related accumulated amortization, provided on a straight-line basis over their estimated useful lives, having regard for the period during which they are expected to generate economic benefits, and any impairment losses. Intangible assets with an indefinite useful life, comprising the Hotpoint trademark and goodwill, are not amortized but their recoverability is tested for impairment test at least once 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.

Any borrowing costs incurred on the acquisition or construction of capitalised assets that normally require time before they become available for use or for sale, are also capitalised and amortized over the useful life of the asset class concerned. All other borrowing costs are charged to the income statement for the year to which they relate.

Goodwill

Goodwill is an intangible asset with an indefinite life, deriving from a business combination recognised using the acquisition method of accounting (adopted for all acquisitions made subsequent to 31 December 2002). It is recorded to reflect the positive difference between acquisition cost and the Group's equity interest at the time of acquisition, after having recognised 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 (CGUs) 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 is recognised if the recoverable amount of the CGU, represented by the discounted cash flows, is less than the related carrying amount. Such impairment is deducted first from goodwill.

The gains and losses arising on the disposal of businesses, or lines of business, that were acquired with the payment of goodwill are determined having regard for the residual value 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 to acquire 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/or 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 used) 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 amortized over the expected period of economic benefit, which is generally taken to be 5 years. Adjustments are recorded to reflect any impairment losses arising subsequent to initial recognition.

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

Other intangible assets
Other intangible assets expected to generate measurable economic benefits are deemed to have a finite life and are recorded at cost. They are amortized on a straight-line basis over the period of expected economic benefit. This period is deemed to be 10 years for the Cannon trademark and between 5 and 10 years for the other assets. Adjustments are recorded to reflect any impairment losses arising subsequent to initial recognition.

Trade receivables

When first recorded, trade receivables are stated at the fair value of the initial consideration, as increased by the related transaction costs. Receivables normally fall due within one year and arise in the context of market interest rates that are not particularly high. Accordingly, if the receivables were generated as a result of the sales invoicing process, the invoiced amount is generally deemed to represent fair value. In the case of advances, fair value is represented by the amount of the cash movement or equivalent transaction.

Subsequent to initial recognition, receivables are measured at amortized cost, being their initially recognised amount, net of any payments or services received and any impairment losses. Impairment losses are estimated by determining the allowance for doubtful accounts, as described in the accounting policies adopted for the preparation of the consolidated financial statements.

If the above criterion (nominal value) is not used at the time of initial recognition, amortized cost also takes account of the amortization accumulated using the effective interest method.

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 amortized cost that would have been reported had the loss not been recognised.

Trade receivables sold with or without recourse, for which all the conditions established in IAS 39 for the derecognition of financial assets do not apply, continue to be reported in the statement of financial position, 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, as increased by the transaction costs incurred to acquire them. Subsequently, they are measured at amortized cost using the effective interest method, net of any impairment losses.

Financial assets held for trading are classified as current assets and measured at fair value, with the recognition of any profits or losses in the income statement.

Securities and other financial assets classified as available for sale are stated at their fair value. Profits and losses deriving from fair value measurement are recognised directly in equity, except for impairment and exchange rate losses which are charged to the income statement. The deferred profits and losses recognised in equity are released to the income statement at the time of sale.

Receivables maturing beyond 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 credited 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 reporting 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 with reference to their lifecycles and stock rotation statistics that take account of both past and forecast consumption.

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.

Impairment of assets

At each reporting date, the carrying amounts of the Group's intangible assets with an indefinite life, goodwill and intangible assets in progress are tested for impairment test, 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 test if events suggest that they may have incurred an impairment loss. If the test shows that the assets recognized, or a cash generating unit (CGU) have suffered an impairment, their recoverable amount is estimated and any excess carrying amount is charged to the income statement. The loss on a CGU is allocated first against the related goodwill, if any, and then against the impairment other assets.

The recoverable amount of CGUs to which goodwill and intangible assets with an indefinite useful life have been allocated is verified by determining their value in use, being the value of expected cash flows discounted using a rate that reflects the specific risks of the individual CGUs at the measurement date. In applying this method, management uses many assumptions, including estimates for the change in sales, gross profit, operating costs, the growth rate for terminal values, capital investment, the changes in operating capital and the weighted-average cost of capital (discount rate), which contribute to the preparation of a medium-term plan specifically for the purpose of carrying out impairment tests. This plan is updated annually and approved by the Parent's Board of Directors.

The recoverable amount of investments in securities held to maturity and receivables recorded at amortized 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 a market rate.

Any impairment losses on securities held to maturity and receivables stated at amortized cost are reversed if any subsequent increases in their recoverable amount can be determined on an objective basis.

If the impairment loss associated with an individual asset cannot be determined, the Group identifies the impairment loss in amount of the CGU to which it belongs.

Share capital

Share capital, including the portion represented by savings shares, is stated at nominal value. The repurchase of treasury shares, stated at cost including related charges, is recorded as a change in equity; the nominal value of treasury shares is 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 amortized cost using the effective interest method. The difference between amortized cost and repayment value is recognised 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 hedge accounting.

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 measured at amortized 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 employee pensions and other benefits deemed to represent defined contribution plans are charged to the income statement on an accruals basis. The net liability to employees under defined benefit plans, principally represented by post-employment benefits (TFR) in Italy and pension funds in the UK, is recorded to reflect 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 profits and losses arising subsequent to 1 January 2004, the IFRS transition date, are recorded in the income statement on a straight-line basis over the residual working lives of employees, to the extent that their cumulative net value exceeds by more than 10% the greater of: the total liability arising under defined benefit plans or the fair value of the assets servicing these plans (corridor method) at the end of the prior year.

As a result of the reform of supplementary pensions, the post-employment benefits (TFR) accrued by Italian Group companies 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 option

The remuneration recognised to employees and directors by the granting of stock option is charged to the income statement with a balancing 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 recorded to cover 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 the related obligations will crystallise 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 expenses.

The main liabilities covered by provisions are described below.

Warranties

Provisions for legally-required and voluntary warranty costs are recorded at the time the related products are sold. The provision is determined with reference to the call rate for the products still under warranty, the period of time between the sale of the finished products to distributors and the start of the warranty period (sell in – sell out) and the average unit cost of the work performed.

Restructuring

Provisions for restructuring are recognised at the time that a constructive obligation arises, such as when the Group informs interested parties about the restructuring plan or makes sufficiently specific announcements that 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 recorded in the year in which the related losses become known and measurable.

Product disposal (WEEE)

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

At the start, the Directive established different levels of responsibility, for products put on the market up to 13 August 2005 (old waste) and for those put on the market subsequently (new waste).

For the first (old waste), manufacturers were required to incur the related disposal costs on a collective basis. Compliance with this obligation involved:

- the creation of consortiums dedicated to the collection and disposal of waste products;
- the reallocation of the related consortium costs in proportion to the market share of each manufacturer in the year in which such costs were incurred;
- and the possibility of financing disposal activities, for a transitional period of 8 years (from 2005), by uplifting the selling prices of products by a so-called visible fee.

For the second (new waste), the principle of individual responsibility was applied, making each manufacturer responsible for the cost of disposing of the products that it put on the market.

On implementing the WEEE Directive, the regulations governing the treatment of new waste in numerous EU countries maintained the principle of individual responsibility established in the Directive, but allowed compliance through a system of collective disposal using a mechanism that is essentially consistent with that applied for the disposal of old waste. Accordingly, manufacturers have been allowed to delegate the collection and disposal of new waste to consortiums that allocate their costs using criteria in line with those mentioned above in relation to old waste. Italian legislation imposes individual responsibility for the collection and disposal of new waste, allowing manufacturers to comply with their obligations by registering with a collective system. The Parent has taken advantage of this opportunity by electing to manage its collection and disposal activities through the collective system operated by the ECODOM consortium.

With regard to new waste, certain Group companies operating within the EU do not follow the general practice described above, since local regulations governing their individual responsibility only allow compliance on an individual basis with the requirement to collect and dispose of waste. Manufacturers operating in the countries concerned therefore make a specific annual provision for the estimated future cost of collecting and disposing of the products sold by them. With regard to such countries, the Group estimates the required provision by reference to the visible fee charged for each category of products, as reduced to reflect a steady improvement in the efficiency of the product disposal process and a rise in the proportion of materials recovered from this process. The provision recorded is discounted over a period of time equal to the lifecycles of the products concerned.

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 are transferred to the buyer. Revenue from the sale of goods is generally recognised when they are handed over to transport firms since, under the terms of current contracts, this 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 proceeds from the disposal of raw materials and scrap. Revenue from services is recorded in the income statement based on their stage of completion of services at the reporting date, determined with reference to the work performed or, alternatively, to the percentage of completion with respect to the total services.

Dividends

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

Grants

Grants from the Government or other bodies, recognised in the form of direct payments or tax benefits, are recognised as deferred income in the statement of financial position, 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 (capital grants).

Income-related grants 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 since, under the terms of current contracts, this 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 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.

Leasing and rentals

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

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

These financial expenses are spread over the term of the leasing in order to apply a constant interest rate to the remaining balance of the liability.

Interest expense, interest income, exchange rate differences and other net financial expenses

These captions include the interest payable on all forms of borrowing, cash discounts allowed to customers for early payments with respect to the agreed terms of sale, financial income from cash and cash equivalents, and exchange 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 or loss of associates

The share of profit or loss of associates include the effects deriving from application of the equity method and the profits and losses arising on disposal of equity interests in these companies.

Income tax

Income tax is recognised in the income statement, except for that relating to transactions recognised directly in equity, the related effect of which is also recognised in equity. Income tax includes current taxes and deferred tax assets and liabilities. Current taxes are based on an estimate of the amount that Indesit Company expects to pay, determined by multiplying the taxable income of each Group company by the tax rate in force at the reporting date in each of the countries concerned.

Deferred tax assets and liabilities are recognised using the liability method, considering all the temporary differences that emerge between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are 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 reporting 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 or expire.

Deferred tax assets are recognised to the extent it is probable that sufficient future taxable income will be available to recover them.

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 offsetting right 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 for share

Basic earnings per share are calculated with reference to the profit for the year of the Group and the weighted average number of shares of Indesit Company S.p.A. outstanding during the year. Treasury shares are excluded from this calculation. Diluted earnings per share are determined by adjusting the basic earnings for 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. The Group's stock option plans represent a category of potential instruments with a diluting effect.

5.2 Amendments and revised accounting standards applied for the first time by the Group

In amending IAS 24 – Related Party Disclosures, the IASB has simplified the information that must be supplied about related parties when the latter are public bodies. A new definition has also been provided, under which all direct relationships bound by controlling or significant influences or by joint-control, and the presence of controlling influences or joint-control in even just one part of the relationship, represent transactions between related parties regardless of their legal nature.

The IASB amendments issued in May 2010 were enacted by European Commission Regulation 149/2011. The accounting standards concerned and the related amendments are listed below.

IAS 1 – *Presentation of Financial Statements*:

- the amendment further clarifies how to prepare the statement of changes in equity, introducing in particular the obligation to include the reconciliation of changes in each component of equity, along with an analysis of the other items reported in the statement of comprehensive income, in the notes or on the face of the financial statements.

IAS 34 – *Interim Financial Reporting*:

- the improvement clarifies, using examples, the events and transactions for which disclosure must be provided, if they are believed to be significant. It is now necessary to clarify those changes in the period that influenced the fair value of financial instruments, transfers between levels of fair value in the hierarchies used to measure financial instruments, and changes in the classification of financial instruments as a result of changes in how and why they are used. The obligation to provide information about any changes in contingent assets or liabilities subsequent to year end has been eliminated.

IFRS 7 – *Financial Instruments, Disclosures*:

- the improvement introduces the obligation to include qualitative information together with the quantitative disclosures that allow users of the financial statements to correlate information and obtain an overview of the nature and extent of the risks arising from financial instruments; the disclosures must also now describe the interaction between the qualitative and quantitative information regarding the nature and extent of the risks arising from financial instruments;
- the obligation to provide disclosures about overdue financial assets that have been renegotiated or impaired has been eliminated.

5.3 Amendments and interpretations applicable from 1 January 2011 but not relevant to the Group

The accounting standards and related amendments are listed below.

IFRS 1 – *First-time Adoption of International Financial Reporting Standards*:

- the amendment exempts businesses adopting international financial reporting standards for the first time from the obligation to disclose changes in their accounting policies in the year of adoption;
- clarification is also provided on how to use fair value instead of historical cost.

IFRS 3 – *Business combinations*:
The improvement clarifies that the measurement of non-controlling interests at fair value, or in proportion to their interest in the net identifiable assets of the acquired entity, is limited solely to instruments giving them current rights equivalent to those of ordinary shares including, in particular, the right to obtain a proportionate share of its net assets on liquidation. All other components of non-controlling interests (for example, preference shares or warrants issued to non-controlling interests by the acquiree) must be measured at fair value, unless stated otherwise in the IFRS.

The improvement also provides accounting guidance on how to replace the acquiree's share-based incentive plans with those of the acquirer.

In addition, the updated version of IFRS 3 introduces changes regarding:

- the rules for the step acquisition of subsidiaries;
- the possibility of measuring at fair value any non-controlling interests purchased in a partial acquisition;
- the charge to the income statement of all transaction costs associated with the business combination;
- the recognition at the acquisition date of the liability for contingent considerations.

IFRIC 13 – *Customer Loyalty Programmes*:

- fair value measurement for reward points is introduced.

IAS 32 – *Financial instruments, Presentation*:

- the amendment requires, under certain circumstances, that foreign currency rights be classified in equity regardless of the currency in which the exercise price is denominated.

IFRIC 19 – Extinguishing financial liabilities with equity instruments
The amendment establishes that:

- the equity instruments issued must be commensurate with the price paid;
- equity instruments are measured at fair value on the extinguishment date. Where fair value cannot be measured reliably, measurement should reflect the fair value of the liability extinguished;

- any difference between the consideration paid and the carrying amount of the financial liability extinguished must be recognised in the income statement;
- the standard does not apply to operations under joint control or to transactions between shareholders and creditors;
- with regard to partial re-issues, the consideration paid must be allocated between the extinguished liabilities and those remaining. A 10% check must be made to verify the substantial modification of the liability and transaction costs can only be deferred if the changes made were not substantial.

5.4 New accounting standards and amendments not applicable in 2011 and not adopted early

The accounting standards and related amendments are listed below.

IAS 27 – *Consolidated and separate financial statements*:
- the standard was amended in light of the introduction of IFRS 10. The amendment establishes that separate financial statements are no longer required; however, if they are produced, they fall within the scope of this standard. The amendment concerns: the accounting treatment of investments in subsidiaries, associates and joint venture, to be recorded at cost or as specified in IFRS 9; the recognition of dividends; Group reorganisations and related disclosure requirements.

IFRS 10 – *Consolidated Financial Statements* and IFRS 12 – *Disclosure of Interests in Other Entities*
The Board has:
- revised the definition of control and the related guidelines so that all entities apply the same control model; and
- improved the disclosures made about consolidated and non-consolidated entities.

The Board has provided full guidelines for establishing when to consolidate a vehicle company or an entity in which a controlling or potential controlling interest is not held.

In short, control exists when it can be demonstrated that the investor has the power to decide the operations of the business in which it has invested (investee), is exposed to fluctuations in the returns from the business and can use its own power to influence such returns.

On 12 May 2011, the IASB published IFRS 10 – *Consolidated Financial Statements* and IFRS 12 – *Disclosure of Interests in Other Entities*.

IFRS 11 – Joint Arrangements
The Board has improved:
- the accounting treatment of Joint Venture agreements, defining a principle-based approach under which the entity recognises in its financial statements the contractual rights and obligations deriving from the agreement;
- the quality of the disclosure provided, to give investors a better understanding of the nature and financial effects of the transaction completed.

The IASB has identified three categories of joint arrangements: joint operations, joint assets and joint ventures. To establish the category of a joint arrangement, the substance of the agreement must be taken into consideration, and not just the form. By contract, participants in joint operations and joint assets acquire rights over a specific asset (or part of an asset) and/or assume a given liability (or part of a liability), whereas in joint ventures, participants acquire rights over part of the results generated by the group of assets and liabilities jointly controlled by all venturers. The contracting party in a joint operation or joint asset recognises in its financial statements the assets (or share of assets) acquired and the liabilities (or share of liabilities) it assumes as a result of the agreement, along with the related costs and income (or share of costs and income); the contracting party in a joint venture, on the other hand, recognises in its consolidated financial statements the equity interest held in the joint venture, as measured using the equity method. Hence the proportional consolidation of joint venture is no longer permitted. It is assumed that a business subject to joint control is a joint venture, unless circumstances (i.e. contractual rights and obligations) prove the opposite.

On 12 May 2011, the IASB published IFRS 11 – *Joint Arrangements* to replace IAS 31 – *Interests in Joint Ventures*.

IFRS 13 – Fair Value Measurement
On 12 May 2011, the IASB published IFRS 13 – *Fair Value Measurement*, in which the Board:
- clarifies the definition of fair value;
- establishes a single framework for the measurement of fair value;
- provides clarification and operating guidelines for the determination of fair value (including in illiquid or inactive market situations).

The entity must therefore provide disclosures that allow the users of financial statements to understand the measurement techniques and input used to measure the fair value of an asset or liability.

IFRS 9 – Financial Instruments
This standard, applicable from 1 January 2015 on a retrospective basis, represents the first step in a process to replace IAS 39 in its entirety and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, in relation to financial assets, the new standard adopts just one method, based on the way financial instruments are managed and on the characteristics of the contractual cash flows deriving from the financial assets concerned, to determine the applicable measurement criteria. This replaces the various rules envisaged in IAS 39. The main modification in relation to financial liabilities, on the other hand, relates to the accounting treatment of changes in their fair value through profit or loss, if such changes are caused by variations in the creditworthiness of the liability concerned. Under the new standard, such changes must be recognised in Other comprehensive income and no longer recognised in the income statement.

IAS 19 – Employee Benefits
This standard was amended with the issue of a new version in June 2011. The new standard, not yet endorsed by the European Union and applicable on a retrospective basis from the financial year beginning on 1 January 2013, eliminates the option to defer the recognition of actuarial gains and losses by using the corridor method. The statement of financial position will have to disclose the fund deficit or surplus in its entirety, with separate recognition in the income statement of payroll-related costs and the net financial expenses, and recognition as part of the Other comprehensive income of the actuarial gains and losses deriving from the annual re-measurement of assets and liabilities. In addition, the asset yield included among the net financial expenses will have to be calculated using the discount rate applied to the liabilities, rather than the expected yield. Lastly, the amendment introduces new disclosures to be made in the notes to the financial statements.

6. Reclassifications

Starting from 1 January 2011, certain data has been reclassified in order to provide improved economic information, by reflecting better the substance of certain transactions involving commercial discounts, promotions, sponsorships and amounts recharged for spare parts.

Overall, these reclassifications (analysed below) have not had any effect on the Group's operating profit (EBIT), profit for the year or consolidated equity. The comparative income statement data for the year ended 31 December 2010 analyzed by function has also been reclassified.

(million euro)	31.12. 2010 Published on 2010	Commercial discount	Promotion	Sponsorship	Spare part redebt	31.12.2010 Restated on 2011
Revenue	2,879.2	0.4	1.1	–	(3.4)	2,877.3
Cost of sales	(2,084.4)	–	–	–	3.4	(2,081.0)
Selling and distribution expenses	(486.3)	(0.4)	(1.1)	0.4	–	(487.4)
General and administrative expenses	(124.6)	–	–	(0.4)	–	(125.1)
Operating profit	**183.8**	**–**	**–**	**–**	**–**	**183.8**

Starting from 1 January 2011, the liability of the Spanish subsidiary, Indesit Electrodomesticos S.A., for costs deriving from application of the WEEE – Waste Electrical and Electronic Equipment Directive, has been reclassified from trade payables to the provisions for risks and charges. The comparative data reported in the 2010 statement of financial position has therefore been restated, with a reduction in trade payables of 12.1 million euro, and increases in current and non-current provisions for risks and charges of 1.1 million euro and 11.0 million euro respectively.

(million euro)	31.12.2010 Published on 2010	Reclassification WEEE Spain	31.12.2010 Published on 2011
Trade payables	829.2	(12.1)	817.1
Provisions for risks and charges (current)	54.1	1.1	55.2
Provisions for risks and charges (non-current)	68.9	11.0	79.9
Total	**952.2**	**–**	**952.2**

7. Changes in the scope of consolidation

Starting from these consolidated financial statements, Indesit Ukraine LLC, a marketing company, is consolidated on a line-by-line basis while Indesit Company Ireland Reinsurance Ltd has been deconsolidated.

These changes in the scope of consolidation have not significantly altered the comparability of amounts with respect to prior periods.

8. Operating segments

The following geographical segments have been identified as representative of the Group's operating segments:

- **Western Europe** [5];
- **Eastern Europe** [6];
- **International** [7].

Segment revenue is calculated based on the final destination of the products and segment results take account of all expenses that can be directly allocated to the geographical segments concerned. The costs not allocated to geographical segments include non-recurring charges and corporate costs. Similarly, financial income and expenses and taxation are not allocated to the various geographical segments.

Except for trade receivables, assets, liabilities and investments are not allocated to geographical segments and are examined by top management at Group level.

The trade receivables allocated to geographical segments and reviewed by the most chief operating decision makers comprise those deriving from the sale of finished products. They do not include receivables deriving from the provision of services, advances to suppliers and the effects of any disposals of receivables.

The following tables present the Group's performance analysed by geographical segments based on the final destination of the products.

2011

(million euro)	Western Europe	Eastern Europe	International	Costs not allocated	Total
Total revenue	**1,695.7**	**985.6**	**144.0**	**0.0**	**2,825.3**
Cost of sales	(1,232.7)	(743.8)	(109.5)	(7.7)	(2,093.7)
Selling and distribution expenses	(281.7)	(135.9)	(18.8)	(28.6)	(465.1)
General and administrative expenses	(32.1)	(18.8)	(1.7)	(63.6)	(116.1)
Operative costs	**(1,546.5)**	**(898.6)**	**(130.0)**	**(99.9)**	**(2,675.0)**
Operating profit	**149.2**	**87.0**	**14.0**	**(99.9)**	**150.3**
Interest expenses					(19.6)
Interest income					1.9
Exchange rate differences and other net financial expenses					(20.4)
Share of profit (losses) of associates					0.9
Income taxes					(54.2)
Profit attributable to owners of the Company					**59.0**

5. Including: Italy, the UK and Ireland, France, Spain, Portugal, Germany, Austria, Switzerland, Benelux and Scandinavia.
6. Including: Russia and the Asian Republics, Belarus, Kazakhstan, Poland, Ukraine, Moldova, Czech Republic, Hungary, Romania, Greece, the Baltics, Caucasian Republic, Slovak Republic, Turkey, Bulgaria and the Balkans.
7. Includes all other non-European markets.

2010

(million euro)	Western Europe	Eastern Europe	International	Costs not allocated	Total
Total revenue	**1,789.1**	**935.0**	**153.3**	**0.0**	**2,877.3**
Cost of sales	(1,253.4)	(672.0)	(106.7)	(48.9)	(2,081.0)
Selling and distribution expenses	(290.3)	(136.6)	(24.0)	(36.5)	(487.4)
General and administrative expenses	(33.9)	(18.9)	(1.8)	(70.5)	(125.1)
Operative costs	**(1,577.6)**	**(827.5)**	**(132.5)**	**(155.9)**	**(2,693.5)**
Operating profit	**211.5**	**107.5**	**20.8**	**(155.9)**	**183.8**
Interest expenses					(25.5)
Interest income					1.7
Exchange rate differences and other net financial expenses					(10.7)
Share of profit (losses) of associates					0.1
Income taxes					(59.7)
Profit attribuable to owners of the Company					**89.7**

Trade receivables analysed by operating segment

(million euro)	2011	% of rolling sales	2010	% of rolling sales
Western Europe	220.6	7.8%	240.7	8.4%
Eastern Europe	153.6	5.4%	165.9	5.8%
International	20.6	0.7%	25.8	0.9%
Not allocated trade receivables	45.8	–	65.7	–
Total	**440.5**	**15.6%**	**498.1**	**17.3%**

9. Notes to the consolidated financial statements

CONSOLIDATED INCOME STATEMENT

9.1 Revenue

Revenue is analysed as follows [8]:

(million euro)	2011	2010
Appliances	2,615.7	2,678.8
Service operations	209.6	198.5
Total revenue	**2,825.3**	**2,877.3**

The 2.4% reduction in revenue from sales of finished products comprises the effect of adverse exchange rate movements, (1.6%), lower volumes, (0.7%), and a slight deterioration in the price/mix, (0.1%).

Revenue from the provision of services relates to technical services provided to end consumers (after-sales support), the sale of extended warranties beyond the legal minimum period, and home delivery and installation services. The increase was mainly due to additional sales of extended warranties and, to a lesser extent, to growth of the home delivery service provided in the UK.

In addition to the analysis of revenue by geographical segment presented in note 8 on the Group's operating segments, revenue from the sale of finished products is analysed below by product line:

(million euro)	2011	2010
Cooking	565.9	587.5
Cooling	870.7	868.0
Washing	1,179.1	1,223.4
Total revenue from finished products	**2,615.7**	**2,678.8**

9.2 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.

8. The revenue reported for 2010 has been restated in the manner reported in note 6 above.

Cost of sales is analysed by nature in the following table:

(million euro)	2011	2010
Change in the inventories of finished products	(8.0)	23.6
Purchase of raw materials. components, materials and change in inventories	(1,597.0)	(1,559.9)
Services	(139.6)	(140.3)
Payroll costs	(274.6)	(285.5)
Depreciation and amortization	(90.8)	(103.5)
Other expenses	(15.9)	(43.7)
Other revenue	32.2	28.2
Cost of sales	**(2,093.7)**	**(2,081.0)**

The cost of sales absorbed 74.1% of revenue, compared with 72.3% in 2010.

This increased absorption was due to the greater weighting of raw materials, components and consumables as a result of the generalised increase in their cost.

Other expenses fell by 27.8 million euro, largely because of the reduction in restructuring charges.

The rise in Other revenue reflects the increased capitalisation of R&D costs, 1.7 million euro, and the capital gains realised on the disposal of property, plant and equipment in the UK, 2.2 million euro.

Research costs totalling 8.3 million euro (7.5 million euro) were charged to the income statement.

The net non-recurring income included in cost of sales totals 4.8 million euro (net expenses of 40.0 million euro). Further information is provided in note 9.5.

9.3 Selling and distribution expenses

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

(million euro)	2011	2010
Change in the inventories of finished products	(0.6)	(1.4)
Purchase of raw materials. components, materials and change in inventories	(6.7)	(8.1)
Services	(338.7)	(346.5)
Payroll costs	(96.0)	(102.1)
Depreciation and amortization	(7.1)	(7.6)
Other expenses	(21.2)	(29.5)
Other revenue	5.2	8.0
Selling and distribution expenses	**(465.1)**	**(487.4)**

The principal services consisted of distribution and storage expenses of about 214.6 million euro (216.5 million euro).

The reduction in distribution expenses was mainly due to a decrease in the volumes transported and a decline in the customs duties incurred in Argentina and Russia.

The reduction in selling expenses reflects a decline in advertising costs, 2.4 million euro, and lower overheads, 0.9 million euro, as offset by higher promotional expenses, 1.3 million euro.

Other expenses mainly comprise provisions, the impairment losses on receivables and taxes other than income taxes. The decrease in this caption principally reflects a reduction in the Parent's restructuring charges compared with the prior year.

The net non-recurring income included in selling and distribution expenses totals 4.8 million euro (net expenses of 3.0 million euro). Further information is provided in note 9.5.

9.4 General and administrative expenses

General and administrative expenses include administrative costs and 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)	**2011**	**2010**
Purchase of raw materials. components, materials and change in inventories	(0.3)	(0.1)
Services	(54.6)	(49.0)
Payroll costs	(55.9)	(61.4)
Depreciation and amortization	(14.5)	(14.8)
Other expenses	(10.4)	(17.8)
Other revenue	19.7	18.1
General and administrative expenses	**(116.1)**	**(125.1)**

The net non-recurring expenses included in general and administrative expenses total 0.9 million euro (1.0 million euro). Further information is provided in note 9.5.

The increase in service costs mainly reflects higher rental, lease and consultancy expenses.

The reduction in other expenses reflects the lower restructuring charges recorded by the Parent with respect to the prior year.

The reduction in payroll costs is discussed in the following note.

9.5 Operating profit

As required by IAS 1, operating profit is analysed by nature in the following table:

(million euro)	2011	2010
Revenue	2,825.3	2,877.3
Change in the inventories of finished products	(8.7)	22.2
Purchase of raw materials. components, materials and change in inventories	(1,604.1)	(1,568.1)
Services	(532.9)	(535.8)
Payroll costs	(426.5)	(449.1)
Depreciation and amortization	(112.4)	(126.0)
Other income and expenses	9.6	(36.7)
Operating profit	**150.3**	**183.8**

The Purchase of raw materials, components, materials and change in inventories include 236.7 million euro (207.9 million euro) for steel and aluminium, 244.2 million euro (205.5 million euro) for plastics, 1,037.5 million euro (1,056.3 million euro) for components and outsourced production, and 85.7 million euro (98.5 million euro) for other materials.

The change in inventories is analysed by type below:

(million euro)	2011	2010
Raw materials and semi–finished products	15.9	15.6
Finished products	(8.7)	22.2
Total change in inventories	**7.2**	**37.7**

Compared with the prior year, the greatest effect on the income statement is represented by the change in finished products due to a reduction in inventory levels. This reflects the attention paid to this area, especially during the final quarter of 2011.

Payroll costs were 5.0% lower than in the prior year. This reduction was mainly due to positive effects arising from changes to the Pension Fund of Indesit Company UK Ltd as discussed in note 9.22, to exchange rate movements affecting the currencies of the principal countries in which the Group's factories are located (Russia, Poland and Turkey), as well as to the result of containment and control efforts made during the year, combined with a decline in the variable component of remuneration.

The number of employees is 16,112 (16,060). Employment is analysed as follows:

	2011	2010
Executives	136	138
Office workers	5,123	5,115
Factory workers	10,853	10,807
Total	**16,112**	**16,060**

In geographical terms, 28% of employees are based in Italy, 28% in the Russian Federation, 19% in Poland, 14% in the UK and Ireland, 6.5% in Turkey and the remaining 4.5% in other Group locations.

As required by Consob [9], non-recurring income and expenses are detailed in the following tables. They mainly comprise restructuring charges.

(million euro)	**2011**	**2010**
Redundancies	(1.0)	(20.5)
Charges for disposal of assets in industrial areas involved in restructuring plans	(7.4)	(21.0)
Start up charges in new industrial areas	(0.5)	–
Gain/loss on disposal of non-strategic assets	2.2	(0.1)
Gains on pension fund	15.0	–
Provisions for legal disputes	0.3	(2.6)
Other non-recurring income and expenses	0.1	0.1
Total non-recurring income and expenses	**8.8**	**(44.0)**

The non-recurring income relating to the pension fund, 15.0 million euro, reflects the positive effect of a change in Pension Fund rules at Indesit Company UK Ltd, following the application of new UK regulations governing the inflation adjustment of pensions to the measurement of the deferred pension liability to fund members [10]. It also reflects the effect of further changes in the Pension Fund rules agreed between Indesit Company UK Ltd and the trade unions.

Redundancies mainly comprise the expenses of containment and control work carried out by the Group.

The Charges for disposal of assets in industrial areas is mainly reflected in impairment losses on property, plant and equipment and other costs associated with factory closures.

Provision for legal disputes relate to litigation in progress.

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**	**2011**
Restructuring expenses	1.8	(1.3)	(1.5)	(1.0)
Other non-recurring income and expenses	3.0	6.2	0.6	9.7
Total non-recurring income and expenses	**4.8**	**4.8**	**(0.9)**	**8.8**

(million euro)	**Cost of sales**	**Selling and distribution expenses**	**General and administrative expenses**	**2010**
Restructuring expenses	(18.0)	(2.4)	(0.8)	(21.2)
Other non-recurring income and expenses	(22.0)	(0.6)	(0.2)	(22.8)
Total non-recurring income and expenses	**(40.0)**	**(3.0)**	**(1.0)**	**(44.0)**

9. Consob Communication DEM/6064293 dated 28 July 2006.
10. No longer Group employees, but not yet retired.

Attachment 3 (Consolidated income statement for the year ended 31 December 2011, prepared pursuant to Consob resolution 15519 dated 27 July 2006 and Consob Communication DEM/6064293 dated 28 July 2006) summarises the overall effect of non-recurring income and expenses on the consolidated income statement.

Non-recurring income and expenses do not have an immediate cash flow effect with regard to the redundancies costs recorded in accordance with IAS 37 (incurred on average over the twelve months following recognition); the provisions for risks (often not possible to determine the date of accordance); impairment losses on property, plant and equipment (no cash flow effect), and changes in the pension fund liability as a result of non-recurring events.

9.6 Interest income, interest expense, exchange rate differences and other net financial expenses

Interest income is analysed below:

(million euro)	2011	2010
Interest income on deposits	1.5	1.7
Interest income on UK pension scheme	0.3	0.0
Interest income	**1.9**	**1.7**

Interest expenses comprises:

(million euro)	2011	2010
Bond interests	(4.7)	(4.4)
Interest on medium/long–term bank, loan and borrowings	(0.9)	(0.4)
Interest on short–term bank, loan and borrowings	(6.2)	(8.9)
Other interest expenses	(4.9)	(3.9)
Mark–to–Market derivatives related to loans	(0.9)	(4.2)
Interest expenses on pension funds and post-employment benefits UK	(2.0)	(3.8)
Interest expenses	**(19.6)**	**(25.5)**

Bond interest includes higher expenses on the derivative instrument arranged to hedge the notional, as partially offset by the reduction in expense following repayment of the second tranche. Further details are provided in note 9.21.5.

The overall reduction in interest expenses was largely due to the lower cost of marking the derivative to Mark–to–Market, as well as to the lower cost of borrowing.

Exchange rate differences and other net financial expenses are analysed below:

(million euro)	2011	2010
Realised exchange rate differences, net	(7.6)	(12.0)
Unrealised exchange rate differences, net	(8.8)	4.7
Commissions	(4.0)	(3.4)
Exchange rate differences and other financial expenses	**(20.4)**	**(10.7)**

The Group has benefited from lower net realised exchange rate differences due to favourable movements in the exchange rates of currencies other than the functional currency including, in particular, the Polish zloty. This effect was partially offset by the related hedging derivatives.

The deterioration in net unrealised exchange rate differences was due to adverse movements in the exchange rates of currencies other than the functional currency, as partially offset by the effect of measuring the derivatives arranged to hedge transaction risk, as well as to the effect of the Time Value of options hedging pre-transaction risk.

Income from Other Investment primarily includes the dividends received from ETS Meurice, a company in which the Group holds a 10% interest.

(million euro)	**2011**	**2010**
Other investments	0.9	0.1
Share of profit (loss) of associates and other	**0.9**	**0.1**

9.7 Income tax

(million euro)	**2011**	**2010**
Current taxes	(57.4)	(63.6)
Change in deferred tax assets/liabilities, net	3.2	3.9
Total	**(54.2)**	**(59.7)**

Current taxes include IRAP of 5.6 million euro (5.7 million euro).

Taxation represents 47.9% (39.9%) of profit before tax.

The increase in the effective tax rate primarily reflects recognition of an 8.4 million euro tax liability deriving, in the main, from the transfer pricing objections made to Indesit Company S.p.A. by the Marche Tax Authorities, as well as the higher incidence of taxes that are not directly correlated with income (e.g. IRAP).

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)	**2011**	**2010**
Profit before tax	113.2	149.4
Tax rate	27.5%	27.5%
Theoretical tax change	(31.1)	(41.1)
Effective tax change	(54.2)	(59.7)
Difference	**(23.1)**	**(18.6)**
Effects relating to the Parent and companies based in Italy		
IRAP	(5.6)	(5.7)
Taxation of dividends to be distributed by subsidiaries	(2.9)	(2.6)
Other effects	(14.4)	(9.8)
Total effects relating to the Parent and companies based in Italy	**(23.0)**	**(18.2)**
Effects relating to companies operating in other countries and tax differentials with respect to companies based in Italy	**(0.1)**	**(0.4)**
Total differences	**(23.1)**	**(18.6)**

9.8 Profit for the year attributable to non-controlling interests

The profit for the year attributable to non-controlling interests relates to Fabrica Portugal S.A.

CONSOLIDATED BALANCE SHEET

9.9 Property, plant and equipment

Investment during 2011 amounted to 110.3 million euro (85.2 million euro).

The net carrying amount of industrial buildings includes 0.9 million euro (at historical exchange rates) deriving from recognition of their fair value on the acquisition of GDAH in 2002.

The depreciation charge and impairment losses for the year were 80.3 million euro (92.5 million euro). No impairment loss was recognised during the year (9.0 million euro).

Unfulfilled orders placed with the suppliers of property, plant and equipment total 4.9 million euro (6.7 million euro). They relate to the completion of lines as part of new projects at the Teverola, Carinaro and Comunanza factories in Italy.

Advances to the suppliers of property, plant and equipment not yet delivered or constructed amount to 0.2 million euro (0.3 million euro).

Net disposals and retirements, 12.0 million euro (1.9 million euro), mainly reflect the reclassification of certain property, plant and equipment as assets available for sale (see note 9.29 for further details).

Asset under construction, 45.7 million euro (53.8 million euro), mainly relate to investment in Italy, Russia and Poland for the launch of new products.

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

(million euro)	31.12.2011	31.12.2010
Land and buildings	248.8	271.9
Plant and machinery	227.6	221.3
Industrial and commercial equipment	80.3	68.5
Assets under construction	45.7	53.8
Other assets	20.7	21.7
Total property, plant and equipment	**623.2**	**637.2**

The changes in historical cost are presented below:

(million euro)	31.12.2010	Additions	Depreciation and impairment losses	Decreases	Exchange rate differences	Reclassifi-cations	31.12.2011
Land and buildings	417.1	3.7	–	(15.6)	(13.5)	5.4	397.0
Plant and machinery	721.1	30.8	–	(72.2)	(26.2)	27.6	681.2
Industrial and commercial equipment	409.9	24.6	–	(46.9)	(8.8)	17.6	396.4
Assets under construction	53.8	50.1	–	(5.0)	(1.9)	(51.3)	45.7
Other assets	92.8	1.2	–	(4.2)	(1.6)	0.8	89.0
Total	**1,694.7**	**110.3**	**–**	**(143.8)**	**(52.0)**	**0.0**	**1,609.2**

(million euro)	31.12.2009	Additions	Depreciation and impairment losses	Decreases	Exchange rate differences	Reclassifi-cations	31.12.2010
Land and buildings	404.7	8.3	(11.7)	(10.2)	10.7	15.2	417.1
Plant and machinery	705.7	23.5	(0.0)	(10.5)	6.5	(4.2)	721.1
Industrial and commercial equipment	406.2	8.5	–	(14.0)	1.7	7.6	409.9
Assets under construction	27.1	43.6	–	(0.1)	2.2	(18.9)	53.8
Other assets	112.6	1.3	(0.0)	(21.9)	1.2	(0.4)	92.8
Total	**1,656.3**	**85.2**	**(11.7)**	**(56.8)**	**22.3**	**(0.7)**	**1,694.7**

The change in accumulated depreciation is presented below:

(million euro)	31.12.2010	Additions	Depreciation and impairment losses	Decreases	Exchange rate differences	Reclassifi-cations	31.12.2011
Land and buildings	(145.2)	–	(13.6)	10.2	1.5	(1.1)	(148.2)
Plant and machinery	(499.8)	–	(38.0)	70.9	12.2	1.1	(453.5)
Industrial and commercial equipment	(341.4)	–	(24.9)	46.1	4.1	0.0	(316.1)
Other assets	(71.1)	–	(3.9)	4.7	2.1	(0.0)	(68.2)
Total	**(1,057.5)**	**–**	**(80.3)**	**131.9**	**19.9**	**(0.0)**	**(986.0)**

(million euro)	31.12.2009	Additions	Depreciation and impairment losses	Decreases	Exchange rate differences	Reclassifi-cations	31.12.2010
Land and buildings	(140.2)	–	(9.8)	9.2	(4.6)	0.3	(145.2)
Plant and machinery	(469.0)	–	(40.7)	10.3	(2.2)	1.9	(499.8)
Industrial and commercial equipment	(329.0)	–	(25.8)	13.6	2.1	(2.2)	(341.4)
Other assets	(87.7)	–	(4.4)	21.7	(1.0)	0.3	(71.1)
Total	**(1,026.0)**	**–**	**(80.8)**	**54.8**	**(5.8)**	**0.2**	**(1,057.5)**

The change in net carrying amount is presented below:

(million euro)	31.12.2010	Additions	Depreciation and impairment losses	Decreases	Exchange rate differences	Reclassifi-cations	31.12.2011
Land and buildings	271.9	3.7	(13.6)	(5.4)	(12.0)	4.2	248.8
Plant and machinery	221.3	30.8	(38.0)	(1.3)	(13.9)	28.8	227.6
Industrial and commercial equipment	68.5	24.6	(24.9)	(0.9)	(4.7)	17.6	80.3
Assets under construction	53.8	50.1	–	(5.0)	(1.9)	(51.3)	45.7
Other assets	21.7	1.2	(3.9)	0.5	0.5	0.7	20.7
Total	**637.2**	**110.3**	**(80.3)**	**(12.0)**	**(32.1)**	**0.0**	**623.2**

(million euro)	31.12.2009	Additions	Depreciation and impairment losses	Decreases	Exchange rate differences	Reclassifi-cations	31.12.2010
Land and buildings	264.5	8.3	(21.5)	(1.0)	6.0	15.5	271.9
Plant and machinery	236.7	23.5	(40.7)	(0.2)	4.3	(2.3)	221.3
Industrial and commercial equipment	77.3	8.5	(25.8)	(0.4)	3.7	5.3	68.5
Assets under construction	27.1	43.6	–	(0.1)	2.2	(18.9)	53.8
Other assets	24.9	1.3	(4.4)	(0.2)	0.2	(0.1)	21.7
Total	**630.4**	**85.2**	**(92.5)**	**(1.9)**	**16.5**	**(0.4)**	**637.2**

Finance leases

The Group was not party to any significant finance leases during 2011.

The minimum future payments are analysed by maturity as follows:

(million euro)	31.12.2011	31.12.2010
Within 1 year	0.0	0.2
Between 1 and 5 years	0.0	0.2
Beyond 5 years	–	0.1
Total minimun lease payments	**0.0**	**0.5**

Non-cancellable operating leases

The minimum future payments for non-cancellable operating leases are analysed by maturity as follows:

(million euro)	31.12.2011	31.12.2010
Within 1 year	14.0	9.2
Between 1 and 5 years	33.2	28.1
Beyond 5 years	23.8	25.4
Total minimun lease payments	**71.0**	**62.7**

The principal non-cancellable operating leases relate to the Radomsko warehouse in Poland and the Uxbridge office in the UK. These contracts expire in April 2024 and July 2013, respectively. Neither contract envisages the possibility of renewal or purchase of the assets concerned.

The income statement reports rental expenses incurred under operating leases on an accruals basis, 17.8 million euro (13.2 million euro).

9.10 Goodwill and other intangible assets with an indefinite useful life

(million euro)	31.12.2011	31.12.2010
Goodwill	132.3	128.6
Brands with an indefinite useful life	104.2	101.1
Total goodwill and other intangible assets with an indefinite useful life	**236.5**	**229.7**

The change in net carrying amount is presented below:

(million euro)	31.12.2010	Impairment losses	Exchange rate differences	31.12.2011
Goodwill	128.6	(0.2)	3.9	132.3
Brands with an indefinite useful life	101.1	–	3.1	104.2
Total	**229.7**	**(0.2)**	**7.0**	**236.5**

(million euro)	31.12.2009	Impairment losses	Exchange rate differences	31.12.2010
Goodwill	124.5	–	4.1	128.6
Brands with an indefinite useful life	98.0	–	3.1	101.1
Total	**222.5**	**–**	**7.2**	**229.7**

Following the impairment loss on goodwill recognised in 2011 in relation to a minor subsidiary, 0.2 million euro, at 31 December 2011 this caption comprises solely the amounts recognised on the acquisition of General Domestic Appliances Holding Ltd. (GDAH), a UK company, in 2002.

On allocating the Purchase Price Allocation of GDAH, 87.0 million pounds was attributed to brands with an indefinite life and 110.5 million pounds to goodwill. These amounts, denominated in British pounds, are subject to exchange rate fluctuations arising on the translation to euro.

The Hotpoint brand with an indefinite life is allocated to the UK CGU, since it is the leader of the UK market for household appliances.

The goodwill recognised at the time of acquisition using current exchange rates was allocated both to the UK CGU representing the UK market, 32.5 million euro, and to the Group as a whole (Group CGU), 99.8 million euro, in view of the synergies deriving from the acquisition and attributable, in general, to economies of scale in purchasing, production, brand management and relations with large retail chains that could not be allocated to specific CGUs.

(in milioni di euro)	31.12.2011	31.12.2010
CGU UK goodwill	32.5	31.5
Other Group CGU goodwill	99.8	97.1
GU goodwill	104.2	101.1
Total intangible assets with an indefinite useful life	**236.5**	**229.7**

Intangible assets with an indefinite useful life are subjected to impairment testing at least once a year (impairment test). The tests performed at 31 December 2011 and 31 December 2010 did not identify any need to impair the carrying amount of these assets.

The recoverable amount of the CGUs is based on their value in use, determined by applying DCF (Discounted Cash Flows) techniques over a five-year period (2012-2016), and on their terminal value, considering the forecasts prepared by management and approved by the directors at the board meeting held on 21 March 2012.

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

- the volume of sales over the plan period is forecast to rise at a compound average growth rate (CAGR) of 5.9%;
- average unit revenue in euro is expected to rise at a CAGR of 0.3%;
- product costs are forecast to increase at a CAGR of 0.4%;
- advertising and promotional expenses are expected to rise during the plan period at a rate of 5.9%;
- investment is forecast to remain stable at 2012 budget levels;
- exchange rates are forecast to remain stable over the plan period at the following levels: GBP/Euro at 0.87, RUB/Euro at 42.00, PLN/Euro at 4.15, TRY/Euro at 2.40;
- net working capital is expected to fall during the plan period;
- other current assets and liabilities are forecast to absorb cash during the plan period.

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

- the volume of sales over the three years of the plan is forecast to rise at a compound average growth rate (CAGR) of 0.7%;
- average unit prices are forecast to fall by 0.6% per annum;
- product costs are forecast to increase by 0.8% during the plan period;
- exchange rates are forecast to remain stable over the plan period at the following levels: GBP/Euro at 0.87, RUB/Euro at 42.00, PLN/Euro at 4.15, TRY/Euro at 2.40;
- net working capital is forecast to increase during the period 2012-2016;
- investment will represent 31% of the Group total;
- other current assets and liabilities are forecast to generate cash during the plan period.

Forecast cash flows have been discounted using a weighted average cost of capital (WACC) of 9.29% (9.60%) for the Group CGU and of 7.41% (8.53%) 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 (2016), and by prudently using a nominal long-term growth factor (g) of 0% (unchanged with respect to the prior year).

The higher WACC used by the Group CGU with respect to that of the UK CGU reflects the additional country risk, compared with the UK, associated with certain geographical segments of Group operation.

A sensitivity analysis has been performed to simulate the value of the Group CGU and the UK CGU following changes in certain key parameters of the valuation model: the weighted average cost of capital (WACC), the nominal long-term growth factor (g), the volume of sales and selling prices. The results of this analysis highlighted a remote impairment risk, limited to combinations of values for the selected parameters the propability of which, at present, is considered low.

The impairment test on the UK CGU and the Group CGU was carried out internally and approved by the directors on 21 March 2012. An independent, third-party expert has issued a report on the fairness of the valuation methods and parameters used in the impairment test process.

Lastly, despite the market capitalisation being lower than reported equity, the Group still expects to continue generating cash in the future. This belief, plus consideration of the historical trend of the market capitalisation, causes the directors to believe that the economic capital of the Group, as determined through the impairment test performed, is in excess of the current market capitalisation. This belief is supported by analyses published by the financial intermediaries that track Indesit's stock, which indicate a target price in excess of current levels.

9.11 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)	31.12.2011	31.12.2010
Development expenses	39.5	29.5
Licences and software	29.6	33.0
Brands with a finite life	16.4	18.3
Intangible assets under construction	10.4	16.6
Other intangible assets with finite life	4.1	4.5
Total	**100.1**	**101.9**

The changes in historical cost are presented below:

(million euro)	31.12.2010	Increases	Amortization and impairment losses	Decreases	Exchange rate differences	Reclassifi-cation	31.12.2011
Development expenses	82.1	14.9	–	(7.3)	(0.3)	2.3	91.6
Licences and software	78.6	6.2	–	(0.1)	(1.2)	(0.8)	82.7
Brands with a finite life	20.9	–	–	–	1.5	–	22.5
Intangible assets under construction	16.6	8.8	–	–	0.8	(15.9)	10.4
Other intangible assets	8.1	0.3	–	(0.0)	(0.4)	(0.0)	8.0
Total	**206.4**	**30.2**	**–**	**(7.5)**	**0.5**	**(14.4)**	**215.2**

(million euro)	31.12.2009	Increases	Amortization and Impairment losses	Decreases	Exchange rate differences	Reclassifi-cation	31.12.2010
Development expenses	91.1	4.8	–	(4.4)	0.5	(9.9)	82.1
Licences and software	70.8	6.4	–	(0.1)	(0.4)	2.0	78.6
Brands with a finite life	19.4	–	–	–	1.6	–	20.9
Intangible assets under construction	7.9	13.8	–	–	0.4	(5.4)	16.6
Other intangible assets	9.8	0.1	–	(0.0)	0.3	(1.9)	8.1
Total	**198.9**	**25.1**	**–**	**(4.6)**	**2.3**	**(15.3)**	**206.4**

The change in accumulated amortization is presented below:

(million euro)	31.12.2010	Increases	Amortization and Impairment losses	Decreases	Exchange rate differences	Reclassifi-cation	31.12.2011
Development expenses	(52.6)	–	(17.6)	7.3	0.1	10.6	(52.1)
Licences and software	(45.6)	–	(11.6)	0.1	0.2	3.8	(53.1)
Brands with a finite life	(2.6)	–	(2.3)	–	(1.1)	(0.0)	(6.1)
Other intangible assets	(3.6)	–	(0.3)	0.0	0.1	0.0	(3.8)
Total	**(104.5)**	**–**	**(31.8)**	**7.5**	**(0.7)**	**14.4**	**(115.1)**

(million euro)	31.12.2009	Increases	Amortization and Impairment losses	Decreases	Exchange rate differences	Reclassifi-cation	31.12.2010
Development expenses	(50.7)	–	(18.4)	4.3	(0.3)	12.5	(52.6)
Licences and software	(35.2)	–	(12.4)	0.1	0.2	1.8	(45.6)
Brands with a finite life	0.7	–	(2.4)	–	(0.9)	–	(2.6)
Other intangible assets	(4.7)	–	(0.3)	0.0	(0.1)	1.4	(3.6)
Total	**(89.9)**	**–**	**(33.5)**	**4.4**	**(1.2)**	**15.7**	**(104.5)**

The change in net carrying amount is presented below:

(million euro)	31.12.2010	Increases	Amortization and Impairment losses	Decreases	Exchange rate differences	Reclassifi-cation	31.12.2011
Development expenses	29.5	14.9	(17.6)	–	(0.2)	12.9	39.5
Licences and software	33.0	6.2	(11.6)	–	(1.0)	3.0	29.6
Brands with a finite life	18.3	–	(2.3)	–	0.5	(0.0)	16.4
Assets under construction	16.6	8.8	–	–	0.8	(15.9)	10.4
Other intangible assets	4.5	0.3	(0.3)	(0.0)	(0.4)	0.0	4.1
Total	**101.9**	**30.2**	**(31.8)**	**(0.0)**	**(0.2)**	**0.0**	**100.1**

(million euro)	31.12.2009	Increases	Amortization and Impairment losses	Decreases	Exchange rate differences	Reclassifi-cation	31.12.2010
Development expenses	40.4	4.8	(18.4)	(0.1)	0.1	2.6	29.5
Licences and software	35.6	6.4	(12.4)	(0.1)	(0.2)	3.7	33.0
Brands with a finite life	20.0	–	(2.4)	–	0.6	–	18.3
Assets under construction	7.9	13.8	–	–	0.4	(5.4)	16.6
Other intangible assets	5.1	0.1	(0.3)	(0.0)	0.2	(0.5)	4.5
Total	**109.0**	**25.1**	**(33.5)**	**(0.2)**	**1.1**	**0.4**	**101.9**

Development expenses benefiting future years totalling 14.9 million euro (4.8 million euro) were capitalised in 2011. They principally relate to the development of new projects. Further information is provided in the report on operations.

The Licences and software comprises the capitalised internal and external cost of IT projects carried out by the Group, and the cost of licences to use software that will benefit future years. The average residual life of these intangible assets is 3 years.

Brands with a finite life include Cannon, recognised on the acquisition of GDAH. The 2011 amortization charge relating to the above brand was 2.3 million euro.

Other intangible assets principally comprise industrial patents with an average residual life of 5 years.

9.12 Investments in associates

Investments in associates mainly comprise the Group's interest in TradePlace BV amounting to 0.5 million euro (0.5 million euro).

9.13 Other non-current assets

Other non-current assets are analysed below:

(million euro)	31.12.2011	31.12.2010
Other investments	0.6	0.4
Non-current Special Economic Zone	28.7	35.8
Portion of tax receivables relating to the Pension fund surplus	11.7	–
Other non-current assets	**41.0**	**36.2**

The non-current portion of the tax receivables relating to the Polish Special Economic Zone (incentives for the construction of factories) amounts to 28.7 million euro (35.8 million euro). This reduction reflects the estimate of taxable income to be earned through 2017 (when the related tax benefits expire). These receivables are matched by deferred grants from the Government, classified as other non-current liabilities, which are discussed in note 9.25.

This caption also includes the carrying amount, 0.6 million euro (0.4 million euro), of investments in other companies in which, in general, the Group holds less than 20% of the equity capital or voting rights.

The pension fund surplus, 11.5 million euro, relates to the pension fund operated by Indesit Company UK Ltd. It primarily reflects the effect of the actuarial gains and losses (74.5 million euro) not recognised due to application of the corridor method. This net amount exceeds the unfunded pension fund liability (62.9 million euro) [11]. The residual element relates to Indesit Company International BV, 0.2 million euro.

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.

11. Further details are provided in note 9.22.

9.14 Deferred tax assets

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

(million euro)	31.12.2010	Taken to income statement	Taken to equity	Exchange rate effect	Other movements	31.12.2011
Property, plant and equipment	(0.2)	(0.8)	–	(0.1)	–	(1.1)
Intangible assets	(0.3)	(0.2)	–	(0.1)	–	(0.6)
Inventories	1.3	(1.2)	–	0.2	–	0.4
Financial liabilities	(0.0)	–	0.9	0.0		0.9
Deferred payroll	6.4	(4.1)	(0.3)	(0.1)	0.0	1.9
Provisions for risks	26.4	0.5	–	(0.4)	–	26.5
Tax consolidation and other non-deductible expenses	32.7	4.9	–	(1.7)	(10.3)	25.6
Tax losses carried forward	16.2	5.6	0.9	(0.2)	(0.7)	21.8
Total	**82.4**	**4.7**	**1.6**	**(2.3)**	**(11.0)**	**75.4**
Amounts offset	(9.0)	(2.1)	–	–	–	(11.1)
Total net	**73.5**	**2.6**	**1.6**	**(2.3)**	**(11.0)**	**64.3**

The deferred tax assets recorded in relation to tax losses carried forward have increased by 5.6 million euro, primarily recognised by the Parent. This amount is stated net of utilisations by Indesit Company International Business S.A. and General Domestic Appliances Holdings Ltd., and after the exchange rate effect.

Other movements include a reduction in deferred tax assets of 10.3 million euro relating to Indesit Company UK Holding Ltd. This follows utilisation of the related tax losses by other UK Group companies taking part in the tax consolidation.

The amounts offset relating to deferred tax liabilities that were netted against 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.

At 31 December 2011, the Group has deferred tax assets and theoretical tax benefits from the tax losses carried forward totalling 70.3 million euro (70.6 million euro).

The deferred tax assets recognised in relation to prior-year tax losses amount to 21.8 million euro (16.2 million euro), while those not recognised amount to 48.6 million euro (55.5 million euro). The details are analysed in the following table:

Company	Tax losses	Recoverability	Tax Rate	Deferred tax assets recognised	Deffered tax assets not recognised	Total
Indesit Company S.p.A.	69.1	unlimited	27.5%	17.3	1.7	19.0
Indesit Company Electrodomesticos S.A.	40.3	15 years	30.0%	–	12.1	12.1
Indesit Company Luxembourg SA	145.1	unlimited	21.8%	1.1	30.4	31.5
Indesit Company Polska Sp.zo.o.	17.7	5 years	19.0%	3.4	–	3.4
Indesit Company Portugal Electrodomésticos S.A.	16.7	4-6 years	26.5%	–	4.4	4.4
Total	**288.8**			**21.8**	**48.6**	**70.3**

9.15 Inventories

Inventories are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Raw materials	123.4	113.9
Obsolescence provision	(2.2)	(2.7)
Total raw materials	**121.2**	**111.2**
Finished products and semi–finished products	185.0	195.7
Obsolescence provision	(11.2)	(8.7)
Total finished products and semi–finished products	**173.9**	**187.0**
Spare parts	30.4	30.0
Obsolescence provision	(2.2)	(2.2)
Total spare parts	**28.1**	**27.8**
Total inventories	**323.2**	**326.0**

Inventory levels are essentially unchanged, since an increase in raw materials is offset by a reduction in semi-finished and finished products. The increase in the obsolescence provision for semi-finished and finished products mainly relates to the writedown of residual inventories that do not comply with the new directive on energy labelling [12].

9.16 Trade receivables

Trade receivables comprise amounts due from customers as a result of commercial transactions and the provision of services, net of the allowance for doubtful accounts of 33.6 million euro (40.3 million euro).

The allowance for doubtful accounts and the losses on receivables recorded during the year amounted to 7.1 million euro (16.7 million euro).

Advances to suppliers at 31 December 2011 amount to 10.9 million euro (8.9 million euro).

Trade receivables are analysed below:

(million euro)	31.12.2011	31.12.2010
Trade receivables	474.2	538.4
Allowance for doubtful accounts	(33.6)	(40.3)
Net trade receivables	**440.5**	**498.1**
% allowance on trade receivables	*7.1%*	*7.5%*

The provisions for doubtful accounts is determined by impairing receivables based both on their ageing and with reference to specific disputed amounts. All receivables overdue by more than 180 days are impaired in full, net of any collateral obtained. Detailed information on the Group's credit management policies is provided in note 10.

As part of the diversification of sources of finance, during the year the Group sold trade receivables in the UK and maintained the securitization program.

12. Further details about these regulations are provided in the Report on operations.

The securitization involves the without recourse sale of trade receivables, on a revolving basis, by the Parent and by Indesit Company France Sas. The receivables are acquired by vehicle companies financed by the issue of securities, whose repayment is guaranteed by the cash flows generated by the portfolio of receivables sold (asset-backed securities). There are two classes of asset-backed securities: senior securities placed in the market and subscribed by institutional investors; junior securities subordinated to the senior securities that are taken up by the Group. In accordance with SIC 12: Consolidation – Special purpose entities ("SPE"), the Group consolidates vehicle companies on a line-by-line basis, even though it has no equity interest in them and does not exercise any form of control over their administrative bodies.

The net financial liabilities to third parties of the consolidated vehicle companies amount to 89.7 million euro at 31 December 2011, comprising senior securities issued on the ABS market, 109.8 million euro, net of cash held by vehicle companies, 20.1 million euro.

At the same date, the liability of Group operating companies to vehicle companies for receivables sold but not yet collected amounts to 134 million euro, while their financial receivables represented by junior securities total 41.4 million euro.

The without-recourse sale of UK receivables has reduced trade receivables by 23.4 million euro, being the amount sold but not collected at 31 December 2011.

The concentration risk associated with the 10 largest customers is 21.3% (22.0% in 2010) of total gross performing receivables.

Trade receivables are analysed by maturity below:

(million euro)	**31.12.2011**	**31.12.2010**
Trade receivables not overdue	**419.0**	**479.5**
Within 1 month	10.3	8.0
Between 1 and 3 months	9.6	8.2
Between 3 and 6 months	1.7	2.4
Total receivables overdue not impaired	**21.5**	**18.6**
Trade receivables impaired	**33.6**	**40.3**
Total receivables	**474.2**	**538.4**

9.17 Tax receivables

Tax receivables comprise amounts due from the tax authorities in the countries in which the Group operates, principally in relation to advance taxation. These amounts are analysed below:

(million euro)	**31.12.2011**	**31.12.2010**
Tax advances paid	9.2	16.4
Current portion of tax receivables relating to the Special Economic Zone	3.8	4.1
Total tax receivables	**12.9**	**20.6**

The reduction in the current portion of the Special Economic Zone of tax receivables relating to the investment in Poland, principally reflects an overall reduction in the tax receivables relating to the following an estimate of the taxable income realisable through 2017 (when the tax benefits expire), as already discussed in note 9.13. These tax receivables, together with the non-current portion, are matched by deferred grants from the Goverment, classified as other non-current liabilities, which are discussed in note 9.25.

9.18 Other receivables and current assets

Other receivables and current assets are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Due from employees	1.9	1.8
Due from social security and pension institutions	4.5	3.3
Grants due from public bodies	3.6	4.7
VAT receivables	44.6	47.3
Other receivables	13.0	9.4
Total other receivables and current assets	**67.8**	**66.4**

9.19 Equity attributable to the owners of the Parent

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

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

	31.12.2011		31.12.2010	
Description	**Number**	**Euro**	**Number**	**Euro**
Ordinary shares	113,665,684	102,299,116	113,665,684	102,299,116
Savings shares	511,282	460,154	511,282	460,154
Total	**114,176,966**	**102,759,270**	**114,176,966**	**102,759,270**

17,500 options granted in 2001, at 4.8082 euro each, expired during the year. No new stock option were granted during the year.

The number of shares reported 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 102,625,934 ordinary shares outstanding.

The treasury shares classified as a reduction of equity, more specifically as a deduction from share capital and the share premium reserve, amount to 33.0 million euro.

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

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:

- the right to an allocation of profit for the year (after allocating 5% to the legal reserve) up to 5% of the nominal value of the savings shares;

- the right, if a dividend of less than 5% of nominal value was paid in a given year, to collect this shortfall in the preference dividend in the following two years;
- the right, if a dividend is declared at the shareholders' meeting, to receive a total dividend that is higher than that paid on the ordinary shares by 2% of the nominal value of the savings shares.

In addition, in the event of a capital reduction to cover losses, the nominal value of the savings shares is only reduced by the amount of the losses that exceed the total nominal value of the other shares.

The reduced 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 at 31 December 2011, indicating the outstanding stock option and the treasury shares held. The above include both ordinary and savings shares.

(in euro)	Authorised share capital	Authorised no. of shares	Issued and fully paid-up share capital	No. of shares issued and fully paid-up
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	2,486,700	2,763,000
1st stock option plans for Directors authorised on 23 October 2001	1,260,000	1,400,000	1,260,000	1,400,000
2nd stock option plans for Directors authorised on 6 May 2002	180,000	200,000	180,000	200,000
	105,672,569	**117,413,966**	**102,759,270**	**114,176,966**

With regard to the 1st and 2nd employee stock option plans, the residual 3,237,000 options authorised are analysed as follows: 252,000 granted, 3,002,500 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: 35.9 million euro;
b) Legal reserve: 22.7 million euro, following allocation of 5% of the Parent's net profit each year. No increase was recorded in 2011 since this reserve already exceeds the legal threshold represented by one-fifth of share capital;
c) Translation reserve adjustment: negative by 135.1 million euro, reflecting exchange rate differences arising on the translation of foreign currency financial statements. The increase in this negative reserve of 38.3 million euro during the year reflects the depreciation of the Russian ruble, 6.7 million euro; the Turkish lira, 20.2 million euro; the Polish zloty, 26 million euro; and other currencies, 0.7 million euro. These effects were offset by the effect of the appreciation of the British pound, 15.3 million euro;
d) Other reserves, 9.3 million euro, comprising the stock option reserve, 0.4 million euro; the hedging reserve arising on the measurement of derivatives, negative by 10.3 million euro; the capital grants reserves (art. 14 Law 64/86, Law 488/92, Law 308/82, Law 218/78, Law 219/81), 17.9 million euro; and the merger surplus reserve, 1.4 million euro;

e) Retained earnings: 469.7 million euro, following an increase of 89.7 million euro on allocation of the results for 2010, and a decrease of 31.0 million euro paid as dividends to the shareholders of the Parent.

The Board of Directors on 21 March 2012 approved these consolidated financial statements and recommended to the shareholders' meeting, in accordance with the articles of association, that a dividend of 0.23 euro for ordinary share outstanding (excluding treasury shares) and 0.248 euro for savings share be declared.

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

	31.12.2011	31.12.2010
Basic attributable earnings (million euro)	58.8	89.7
Basic average number of ordinary shares (thousands)	102,625.9	102,619.3
Ordinary EPS (without savings shares effect)	**0.57**	**0.87**
Unit earnings attributed to savings shares (euro)	0.57	0.87
Number of savings shares (thousand)	511.3	511.3
Earnings attributed to savings shares (million euro)	(0.29)	(0.45)
Basic attributable earnings (million euro)	58.5	89.3
Basic average number of ordinary shares (thousands)	102,625.9	102,619.3
Basic EPS (euro)	**0.57**	**0.87**
Basic attributable earnings (million euro)	58.5	89.3
Basic average number of ordinary shares (thousands)	102,625.9	102,619.3
Average number of shares granted to Directors without payment (thousands)	–	–
Average number of shares granted to employees without payment (thousands)	–	27.4
Total	102,625.9	102,646.7
Diluted EPS (euro)	**0.57**	**0.87**

9.20 Non-controlling interests

Non-controlling interests have increased by 0.2 million euro.

9.21 Net financial position

The net financial position and net financial indebtedness of the Group are analysed below. Non-current financial assets have been included in the calculation of net financial indebtedness in order to present fairly the Group's overall exposure, considering that they principally comprise deposits restricted to guarantee loans obtained and the fair value of the derivatives that hedge loans.

(million euro)	Note	31.12.2011	31.12.2010
Current financial assets	9.21.1	20.9	17.2
Cash and cash equivalents	9.21.2	234.4	222.7
Banks and other loans and borrowings	9.21.3	(228.7)	(246.2)
Net financial indebtedness position – short-term		**26.6**	**(6.3)**
Medium/long–term financial payables	9.21.5	(246.3)	(174.6)
Net financial position *		**(219.7)**	**(180.9)**
Other non–current financial assets	9.21.4	1.5	2.0
Total net financial indebtedness		**(218.2)**	**(178.9)**

* As defined in Consob Communication DEM /6064293 dated 28.07.2006, applying the CESR recommendations dated 10.02.2005.

The main components of Free cash flow [13] representing the absorption of 39.3 million euro and, therefore, the corresponding increase in net financial indebtedness, are reflected in the cash flow statement and discussed in the report on operations.

9.21.1 Current financial assets

Current financial assets include the fair value measurement of derivative financial instruments, 12.0 million euro (9.6 million euro), and other current financial receivables, 8.9 million euro (7.7 million euro).

The increase in current financial assets mainly reflects the measurement of hedging instruments by 2.5 million euro.

9.21.2 Cash and cash equivalents

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

This caption includes liquidity of 20.1 million euro held by the vehicle companies for the securitization that will principally be used to settle the financial payables arising under the program, which are classified as current financial liabilities.

9.21.3 Current financial liabilities

Current financial liabilities comprise amounts due within 12 months of the reporting date.

This caption is analysed below:

(million euro)	**31.12.2011**	**31.12.2010**
Current portion of bank, loans and borrowings	83.9	69.8
Short–term advances for securitization	109.8	99.1
Liability from the measurement of derivative instruments	16.2	5.8
Current portion of bond	8.1	62.8
Current portion of medium/long–term bank, loans and borrowings	10.2	7.9
Current portion of other medium/long–term bank, loans and borrowings	0.4	0.8
Total	**228.7**	**246.2**

Current portion of bank, loans and borrowings comprise bank overdrafts, the current portion of the revolving lines of credit drawn down, bad debts already credited and other short-term advances.

The decrease in current financial liabilities mainly reflects the reduction in the current portion of the bond (described in detail in note 9.21.5). The second tranche of this bond, 51.3 million euro, was repaid in September 2011.

The increase in short-term advances reflects a rise in the amount financed through the securitization of the trade receivables of Indesit Company S.p.A. and Indesit Company France S.a.s. (described in note 9.16).

13. Free Cash Flow: cash flow from operating activities and investing activities, net of dividends collected/paid and capital increases.

9.21.4 Other non-current financial assets

Other non-current financial assets are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Bind deposits	0.3	0.3
Assets for the measurement of derivative instruments	1.2	1.7
Total other non–current financial assets	**1.5**	**2.0**

Assets deriving from the measurement of derivative instruments include the fair value measurement of the non-current portion of derivative financial instruments. See note 10 for a more detailed analysis.

Other non-current financial assets are analyzed by maturity in the following table:

(million euro)	Total long-term	Within 1 year	Between 1 and 5 years	Beyond 5 years
Bind deposits	0.3	–	0.3	0.0
Assets for the measurement of derivative instruments	1.2	–	1.2	–
Total	**1.5**	**0.0**	**1.5**	**0.0**

9.21.5 Non-current financial liabilities

Non-current financial liabilities are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Bonds	161.0	161.0
Due to banks and other financial backers	85.3	13.6
Total	**246.3**	**174.6**

The increase of 71.7 million euro mainly relates to use of the amortizing line of credit made available by the European Investment Bank (EIB).

Non-current financial liabilities are analysed by maturity in the following tables:

(million euro)	Medium/long-term financial payables	Between 1 and 5 years	Beyond 5 years
Bonds	161.0	161.0	–
Due to banks and other financial backers	85.3	59.9	25.5
Total	**246.3**	**220.8**	**25.5**

(million euro)	Medium/long-term financial payables	Maturity						
		2013	2014	2015	2016	2017	2018	Total
Bonds	161.0	7.6	134.1	1.0	18.3	–	–	161.0
Due to banks and other financial payables	85.3	12.4	21.5	12.2	13.7	12.7	12.7	85.3
Total	**246.3**	**20.1**	**155.5**	**13.2**	**32.0**	**12.7**	**12.7**	**246.3**

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

	Nominal value (million USD)	Nominal value (million euro)	Fair value (million euro)	Maturity	Rate	Type of hedge
Notes – Series C	148.0	–	120.3	17.09.2014	Fixed	CCS
Notes – Series E	25.0	–	21.5	17.09.2016	Fixed	CCS
Total notes issued in USD	**173.0**		**141.7**			
Total notes issued in euro	–	18.3	19.2	17.09.2014	Fixed	IRS
Total notes issued in euro		**18.3**	**19.2**			
Total fair value			**161.0**			

The interest rate and currency risks associated with the U.S. Private Placement have been hedged by a Cross Currency Swap, as described further in note 10 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.

The medium and long-term payables due to banks principally comprise the amortizing line of credit, 75.0 million euro, made available by the EIB and repayable by 2018; a loan from MCC S.p.A., 1.2 million euro (6.3 million euro), to finance the factory in Russia that is repayable by 2013; and the COENV loan (see note 6.3 to the separate financial statements for further details), 1.4 million euro, which is repayable by 2018, together with the effect of measuring the hedges of interest rate risk and currency risk.

The principal non-current financial liabilities are subject to certain financial covenants and other obligations. The parameters for these covenants, which are checked at 30 June and 31 December each year, are set out below:

USPP	Covenant limit at 31 December	Covenant limit at 30 June
Net financial indebtedness/EBITDA	≤ 3.0	≤ 3.5
EBITDA/Net financial expenses	≥ 3.5	≥ 3.5
Equity	≥ 320 million euro	≥ 320 million euro

Revolving Facility	Covenant limit at 31 December	Covenant limit at 30 June
Net financial indebtedness/EBITDA	≤ 3.0	≤ 4.0
EBITDA/Net financial expenses	≥ 3.5	–

BEI	Covenant limit at 31 December	Covenant limit at 30 June
Net financial indebtedness/EBITDA	≤ 3.0	n.a.
EBITDA/Net financial expenses	≥ 3.5	≥ 3.5
Equity	≥ 320 million euro	≥ 320 million euro

Securitization	Covenant limit at 31 December	Covenant limit at 30 June
Net financial indebtedness/EBITDA	≤ 3.0	≤ 3.5

In addition to the financial covenants, all medium and long-term loans, including the securitization, require Indesit Company S.p.A. and, in certain cases, a number of Group companies to comply with other negative covenants and pledge that are consistent with market standards for transactions of a similar nature, amount, maturity and risk profile.

Failure to comply with the financial covenants and negative covenants and pledges would, following the elapse of a given period of time available to correct such non-compliance, give the counterpart a right to early repayment of the related borrowings.

The above covenants are monitored constantly by the Group and, at 31 December 2011, all the covenants have been respected.

9.22 Employee benefits

Liabilities for employee benefits reflect the provisions recognised for post-employment benefits including pension funds. The situation is analysed in the following table.

(million euro)	31.12.2011	31.12.2010
Italian post-employment benefits (TFR)	38.1	40.9
UK and Irish pension plans	1.6	12.5
Other countries pension plans and deferred benefit	5.6	5.4
Total employee benefits	**45.4**	**58.8**

The UK and Irish pension plans consist of two defined benefit plans. Both plans have been closed (no further accruals) and all active members have been transferred to a new defined contribution plan. The closure process involved a consultation period between 1 March 2011 and 30 June 2011, which led to the decision to close the funds at 31 December 2011 and start a new defined contribution fund at 1 January 2012. The new defined contribution fund envisages the payment of employees' and employers' contributions totalling 6% and 7%, respectively of pensionable salary. The contributions payable by the Group will increase by 0.5% per annum over the next few years, up to a maximum of 10%. In addition, the Group's UK company will continue to pay the costs of the defined benefit fund and has already made a special payment to the new defined contribution fund representing 5% of pensionable salary.

The changeover from the defined benefit fund to the defined contribution fund resulted in a curtailment gain of 3.1 million euro, which has been recognised in the income statement for 2011.

As envisaged by IAS 19, the Group applies the corridor method.

The unfunded liability of the UK and Irish pension plans, including unrecorded actuarial profits and losses, amounts to 67.7 million euro (65.1 million euro), of which unrecorded actuarial losses total 77.8 million euro (52.6 million euro). Overall, there have not been any significant changes in fund assets and liabilities; however, total fund liabilities decreased by 15.3 million euro in 2011 as a result of a change in the rules of the pension fund operated by Indesit Company UK Ltd. This reflected a change in the inflation parameters used under UK legislation (from the Retail Price Index to the Consumer Price Index) to measure the deferred liability to members. This change in the inflation parameters altered the constructive obligation deriving from the communications made to members and, accordingly, the change in the past service benefit was credited to the income statement.

The unrecognised actuarial losses (77.8 million euro) exceed the greater of 10% of the present value of the defined benefits obligation or 10% of the fair value of the assets servicing the plans. In accordance with IAS 19, the difference of 43.0 million euro (19.3 million euro) is allocated to the income statement – commencing from the year following that of recognition – over the average remaining working lives of the employees that are members of the fund.

The effect on the 2011 income statement was 1.3 million euro (2.7 million euro).

As mentioned in the related note on assets with regard to the pension fund of Indesit Company UK Ltd, the non-current assets reported in the statement of financial position include 11.5 million euro deriving from the excess of the actuarial profits and losses not recognised in the financial statements under the corridor method (74.5 million euro), over the unfunded pension fund liability (62.9 million euro). The amount exceeding the limit envisaged by the corridor method is recovered through the amortization process mentioned above.

The following schedule reconciles the assets and liabilities recorded in the statement of financial position and the expenses made to the income statement, and presents the principal actuarial assumptions concerning the post-employment benefits and the UK pension plans.

	Employee severance indemnities		UK pension plans	
(million euro)	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**
Present value of the defined benefit obligation (start of year)	41.1	41.5	332.8	302.8
Current service cost	–	–	3.6	3.5
Financial expenses	1.8	2.0	17.6	18.1
Contributions from plan participants		–	1.7	1.8
Actuarial (gains)/losses	(0.4)	1.5	12.2	(2.5)
Benefits paid by the plan/company	(5.0)	(4.1)	(10.7)	(11.8)
Curtailment of plan	0.5	0.1	(3.6)	–
Past service benefit		–	(15.3)	–
Changes in exchange rates	–	–	9.9	20.9
Present value of the defined benefit obligation (end of year)	**37.9**	**41.1**	**348.3**	**332.8**
Fair value of plan assets (start of year)	–	–	267.7	220.5
Expected return on plan assets	–	–	17.9	16.3
Actuarial (gains)/losses	–	–	(12.5)	14.8
Employer's contributions	5.0	4.1	8.4	10.6
Employees' contributions	–	–	1.7	1.8
Benefits paid	(5.0)	(4.1)	(10.7)	(11.8)
Expenses	–	–	–	–
Change in exchange rates	–	–	8.1	15.5
Fair value of plan assets (end of year)	**–**	**–**	**280.6**	**267.7**
Present value of defined benefit obligation under funded plans	–	–	348.3	332.8
Fair value of plan assets	–	–	(280.6)	(267.7)
Deficit (surplus) of funded plans	**–**	**–**	**67.7**	**65.1**
Present value of defined benefit obligation under unfunded plans	37.9	41.1	–	–
Actuarial gains/(losses) not recognised	0.3	(0.1)	(77.8)	(52.6)
Pension (cost) of unrecognised post service	–	–	–	–
Unrecognised assets (limit described in IAS 19.58b)	–	–	–	–
Net liability/(asset) recognised	**38.1**	**40.9**	**(10.1)**	**12.5**
Amortisation of surplus corridor	–	–	1.3	2.7
Current service cost	–	–	3.6	3.5
Past service benefit			(15.3)	–
Total operating costs	**–**	**–**	**(10.3)**	**6.2**
Interest expense	1.8	2.0	17.6	18.1
Expected return on plan assets	–	–	(17.9)	(16.3)
Total financial charges	**1.8**	**2.0**	**(0.3)**	**1.8**

	Employee severance indemnities		UK pension plans	
(million euro)	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**
Curtailment gains (losses)	0.5	0.1	(3.1)	–
Total charge to the income statement	**2.3**	**2.1**	**(13.7)**	**8.0**
Assumptions used to determine defined benefit obligations				
Discount rate	4.60%	4.75%	4.90%	5.40%
Salary increases	n.a.	0.00%	3.10%	3.90%
Inflation rate	2.00%	2.00%	3.10%	3.40%
Pension increase rate	n.a.	n.a.	3.10%	n.a.
Assumptions used to determine pension cost				
Discount rate	4.75%	5.20%	5.40%	5.70%
Expected return on plan assets	0.00%	n.a.	6.75%	6.75%
Expected salary increase	0.00%	0.00%	3.90%	3.95%
Inflation rate	2.00%	2.00%	3.40%	3.45%
Pension increase rate	n.a.	n.a.	3.40%	n.a.

The principal demographic assumptions made by the funds in order to determine the actuarial liability are presented below:

Male 65 years old in 2011	**year**
Male 65 years old in 2011	20.3
Female 65 years old in 2011	22.9
Male 65 years old in 2031	22.2
Female 65 years old in 2031	24.8

The assets servicing the UK pension plans are invested as follows:

In %	**31.12.2011**	**31.12.2010**
Bonds	44.8%	41.3%
Equities	–	–
Multi-assets funds	55.2%	58.7%

The diversified growth assets are managed by leading international financial institutions. They invest in a range of heterogeneous financial assets designed to hedge the exposure to risk, partly by seeking low correlation between the various classes of asset.

At 31 December 2011, the investment portfolio of the diversified growth assets comprise:

- equities: 37%;
- bonds: 29%;
- other assets (commodities, property funds etc.): 27%;
- monetary: 7%.

9.23 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 2011 and 2010 and the changes during the year are analysed in the following tables.

2011 (million euro)	**Opening balance 01.01.2011**	**Provision**	**Utilisations**	**Other movements**	**Closing balance 31.12.2011**	**Current portion**	**Non-current portion**
Provision for warranties	54.9	4.4	(10.8)	(1.3)	47.2	27.0	20.1
Provision for agents' termination indemnity	1.5	0.2	(0.2)	–	1.5	(0.0)	1.5
Provision for restructuring	30.3	2.7	(9.4)	0.1	23.8	20.4	3.4
Provision for WEEE	18.0	–	(3.6)	(0.1)	14.3	1.4	12.9
Provision for onerous contracts	2.3	0.1	(0.6)	0.1	1.8	0.6	1.2
Provision for disputes and other risks	28.1	6.4	(16.0)	0.0	18.6	9.1	9.5
Total	**135.1**	**13.9**	**(40.6)**	**(1.2)**	**107.2**	**58.6**	**48.6**

2010 (million euro)	**Opening balance 01.01.2010**	**Provision**	**Utilisations**	**Other movements**	**Closing balance 31.12.2010**	**Current portion**	**Non-current portion**
Provision for warranties	58.6	5.8	(10.3)	0.7	54.9	29.5	25.3
Provision for agents' termination indemnity	1.5	0.2	(0.2)	–	1.5	–	1.5
Provision for restructuring	18.9	18.9	(7.0)	(0.3)	30.3	10.2	20.2
Provision for WEEE	21.1	0.9	(4.0)	–	18.0	1.1	16.9
Provision for onerous contracts	14.3	2.5	(15.0)	0.5	2.3	0.6	1.7
Provision for disputes and other risks	25.4	19.3	(16.7)	0.1	28.1	13.8	14.3
Total	**139.8**	**47.5**	**(53.2)**	**1.0**	**135.1**	**55.2**	**79.9**

The provision for agents' termination indemnities, determined with reference to the commissions earned in accordance with art. 1751 of the Italian Civil Code and collective agreements, represents the estimated liability for payments to agents should their mandates be terminated (for reasons not attributable to them) by Indesit Company S.p.A.

The provision for restructuring associated with the industrial reorganisation plans being implemented at certain of the Group's factories. Utilisations of the provision mainly related to the restructuring activities commenced in the prior year.

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

The provisions for onerous contracts relating to rentals, hire agreements and operating leases for which, due to terminating use of the related assets as a result of business restructuring, required recognition a discounted liability for future instalments. The amount of 1.8 million euro relates to the buildings in Uxbridge and in Dublin.

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

At 31 December 2011, this caption comprises the provisions for outstanding disputes, 6.5 million euro (11.1 million euro), the provision for environmental risks, 7.2 million euro (8.3 million euro), the provision for product liability, 4.2 million euro (2.4 million euro), and the provisions for other risks, 0,7 million euro (2.2 million euro).

A significant portion of the utilisations relating to the provision for outstanding disputes concerned the tax provisions recorded in 2010. In particular, an "agreed assessment" process, relating to Official tax audit report (PVC) covering tax issues regarding the 2007 tax year, was completed on 24 November 2011. This Official tax audit report (PVC) was notified to Indesit Company S.p.A. on 19 October 2010. The tax authorities abandoned claims concerning both the transfer prices applied by the Parent to the purchase of finished products, and the royalties charged on intangible assets made available to other Group companies. They also reduced their claims concerning the transfer prices for finished products sold to foreign affiliates by the Parent, as well as those relating to the interest charged on the deferred payment terms allowed to Group companies.

On 12 December 2011, the Marche Tax Authorities sent Indesit Company S.p.A. a Official tax audit report (PVC) covering the tax issues identified during the inspection that started on 19 September 2011 in relation to the 2008, 2009 and 2010 tax years. The matters raised relate to the transfer prices applied to finished products sold to foreign affiliates, and are consistent with the agreement reached in relation to the 2007 tax year. The Parent will agree with the contents of this Official tax audit report (PVC) following an invitation from the tax authorities to discuss the matter, which should be received within the next few months. An application will be made to offset the related assessment against the Group's tax losses.

On 3 January 2012, the Parent also received an assessment in relation to the 2006 tax year. This disputes the timing of the accounting recognition of interest charged on the deferred payment terms allowed to Group companies, as well as the related calculations. The matters mentioned are consistent with those raised in relation to the 2007 tax year. On 13 January 2012, the Parent applied to offset the related assessment against the Group's tax losses.

For each of the above tax years (2006-2010), the Parent has presented a so-called "Master File", pursuant and consequent to para. 2-*ter* of art. 1 of Decree 471 dated 18 December 1997, and Italian documentation (prepared pursuant to the requirements of the Tax Inspector issued on 29 September 2010) showing that the transfer prices applied were consistent with the fair value of the items sold. The tax authorities consider the documentation presented in relation to the 2006 and 2007 tax years to be appropriate. It is believed that the documentation relating to the 2008, 2009 and 2010 tax years will also be deemed appropriate and, accordingly, that no penalties will be applicable in relation to transfer pricing matters.

The total liability for the 2006-2010 tax years in relation to transfer pricing matters and the incorrect accounting recognition of deferred interest on commercial transactions totals about 16.7 million euro, comprising taxation of 15.2 million euro, penalties of 0.3 million euro and deferred interest of 1.2 million euro.

The total amount of 16.7 million euro net about of 4.1 million euro of IRES taxable income against the carried forward tax losses for which deferred tax assets have not been recognized and make use of the provisions for disputes and other risks (about 0.9 million euro), was entered in the tax liabilities for 11.7 million euro.

The balance of IRES and IRAP taxation, about 8.6 million euro, has been charged to the income statement as income taxes, with a matching entry to tax payables in the statement of financial position.

The Other changes column of the table reporting the movements in the provisions for risks and charges principally comprises the exchange-rate effect deriving from the translation of financial statements not denominated in euro, which is the Group's reporting currency.

Total payables and provisions for non-recurring transactions at 31 December 2011 amount to 41.9 million euro (39.1 million euro) and the cash flow effect was 5.8 million euro (absorption of 45.4 million euro).

9.24 Deferred tax liabilities

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

(million euro)	31.12.2010	Credited/ charged to income statement	Credited/ charged to equity	Exchange rate effect	Other movements	31.12.2011
Property, plant and equipment	8.5	(2.9)	–	(0.2)	–	5.4
Intangible assets	29.2	(0.3)	–	1.0	–	29.9
Inventories	1.0	0.0	–	–	–	1.1
Non-current financial liabilities	0.2	0.2	(0.4)	(0.0)	–	0.0
Employee benefits	2.5	1.8	(0.1)	0.1	–	4.3
Government grants	0.1	–	–	–	–	0.1
Provisions for risks and charges	0.1	–	–	(0.0)	–	0.1
Other	–	(0.2)	–	(0.1)	(0.0)	(0.3)
Distributable retained earnings and other	6.0	2.9	–	–	–	8.9
Total	**47.6**	**1.6**	**(0.4)**	**0.8**	**(0.0)**	**49.5**
Amounts offset	(9.0)	(2.1)	–	–	–	(11.1)
Total net	**38.6**	**(0.6)**	**(0.4)**	**0.8**	**(0.0)**	**38.4**

The amounts offset relating to deferred tax liabilities that were netted against 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.

9.25 Other non-current liabilities

Other non-current liabilities comprise deferred grants from the Government and other bodies, as well as non-current amounts due to employees and social security institutions in relation to the Group's long-term incentive plans. These are discussed below:

(millioni euro)	31.12.2011	31.12.2010
Deferred grants for Special Economic Zone in Poland	19.0	27.8
Italy and other countries deferred grants	3.6	4.9
Non–current liabilities for employee benefits	9.5	11.0
Non–current liabilities for other social security institutions	2.7	2.6
Other non–current liabilities	**34.9**	**46.2**

The grants collected in Poland principally relate to tax receivables for investment at the factories in the Lodz and Radomsko Special Economic Zone. 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. The reduction in this caption is consistent with the discussion presented in note 9.13.

Deferred grants from the Government totalling –3.8 million euro in Italy (1.3 million euro) and 4.1 million euro (4.7 million euro) in Poland were credited to the income statement during the year.

9.26 Trade payables

Trade payables relate to the purchase of goods and services from the Group's suppliers. Payables are stated at their nominal value. All payables fall due within one year and, accordingly, they have not been discounted. The amounts due to suppliers reported among trade payables comprise without distinction the amounts due to both suppliers of raw materials and suppliers of property, plant and equipment, as shown below:

(million euro)	31.12.2011	31.12.201
Trade payables for investments	51.6	49.2
Trade payables for purchases	737.2	767.9
Trade payables	**788.7**	**817.1**

The reduction in trade payables reflects the lower volume of production.

9.27 Tax payables

The amounts due to tax authorities reflect the provision for current taxes and other tax payables:

(million euro)	31.12.2011	31.12.2010
Current taxes payables	14.8	18.6
Taxes withheld from employees and freelance workers	12.8	9.7
Total tax payables	**27.6**	**28.3**

Current taxes payable includes the liability of about 11.7 million euro relating to tax risks detailed in note 9.23.

9.28 Other payables

Other payables are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Due to social security and pension institutions	27.0	28.2
Due to employees	42.5	48.4
VAT payable	31.7	29.1
Other payables	6.0	8.8
Total other payables	**107.2**	**114.5**

9.29 Assets held for sale

Assets held for sale, 11.8 million euro, include 4.7 million euro relating to investment in new factories owned by Indesit Company Polska Sp.zo.o., which will be used under an operating lease contract to be arranged in early 2012, and 7.1 million euro relating to a property in Italy owned by Indesit Company S.p.A.

9.30 Share-based payments (stock options)

The resolutions adopted at the extraordinary meetings held on 19 September 1998 and 23 October 2001 authorised, pursuant to art. 2441 of the Italian Civil Code, two increases in share capital of up to 2,700,000 euro each, through 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) envisaged a vesting period of 3 years for the first 50% and 4 years for the remaining 50%, while the options granted previously envisaged vesting period of 2 years and 3 years, respectively.

17,500 stock option expired during the year, but no new options were granted.

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

Parameters	
Exercise price	12.65
Expected volatility	31.39%
Grant date	24.07.2003
Number of options	169,500.00
Option term (years)	3.50
Expected dividends	2.97%
Risk-free interest rate	4.00%
Fair value stock option (million euro)	0.1

Further details about the stock option plans are presented in the Compensation Report.

CASH FLOW STATEMENT

9.31 Profit for the year, Income tax, depreciation and amortisation, tax paid

Profit for the year, income taxes and depreciation and amortisation, all non-monetary items, are reported in notes 9.5 and 9.7 to which reference is made.

The provision for income taxes totalled 54.2 million euro, while tax payments during 2011 amounted to 56.7 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.

9.32 Other non-monetary income and expenses, net, interest paid and received

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

9.33 Change in trade receivables, inventories, trade payables

This caption reports the cash absorbed 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 property, plant and equipment, which are reported in the section of the cash flow statement relating to the cash flows from (used in) investing activities.

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

9.35 Acquisition of additions to property, plant and equipment and proceeds from their sale

The cash flow from additions to property, plant and equipment and from their disposal reflects both the routine replacement of plant and new capital investment. The amount reported includes the change in payables relating to capital investment.

9.36 Acquisition and sale of other intangible assets

The cash flow for investment in other intangible assets and from their sale relates to the acquisition and sale of licences and software, and the capitalisation of development costs which are analysed in note 9.11. The cash flows from (used in) investing activities include the amounts capitalised since these involve payments for the related internal costs incurred (mainly payroll). These payments essentially reflect the costs capitalised during the year.

9.37 Dividends paid

The dividends paid on ordinary shares in 2011 amounted to 31.0 million euro (15.5 million euro). The dividends paid on savings shares in accordance with the articles of association were not significant.

9.38 Arrangement and repayment of medium/long-term, loans and borrowings and the bond

The arrangement and repayment of other medium/long-term, loans and borrowings and the bond relate to the principal on loans from banks and other financial backers.

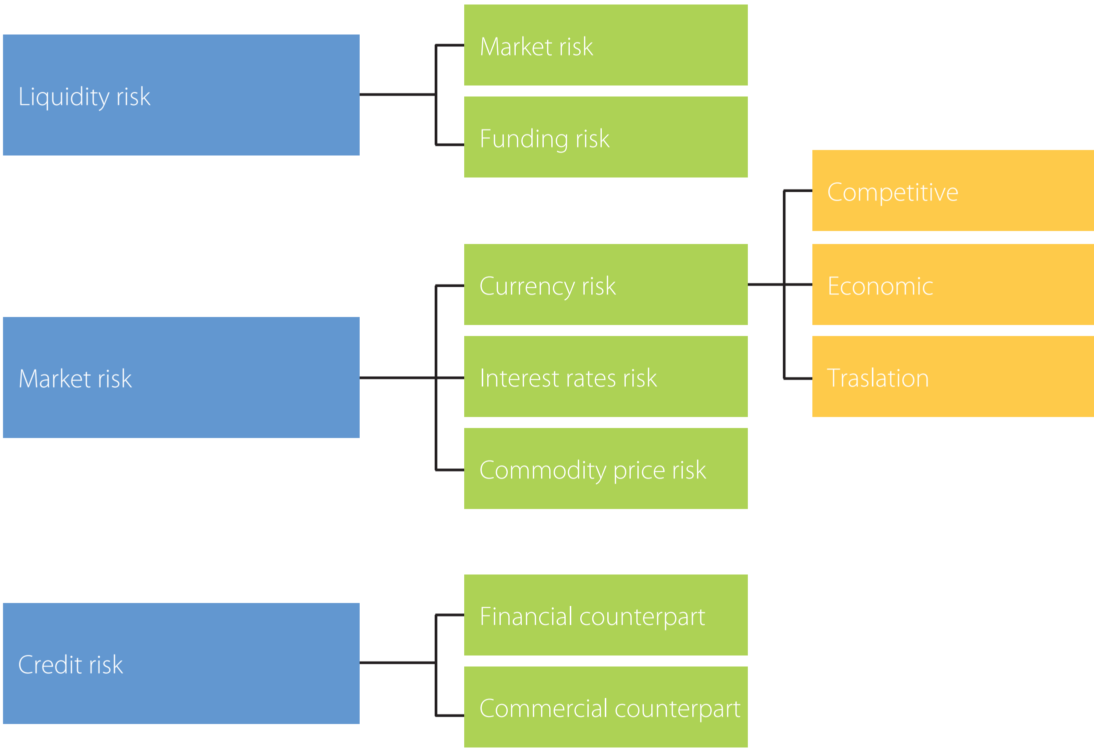
9.39 Change in short, medium and long-term loans and borrowings

The change in short, medium and long-term loans and borrowings includes the change in short-term bank borrowings since this represents a technical form of short, medium and long-term loans and borrowings.

10. Financial instruments

10.1 Management of financial risks

The Group is exposed to the following principal financial risks deriving from operations:
- liquidity risk (availability and access to financial resources);
- market risk (exchange rates, interest rates, commodity prices);
- credit risk (with commercial and financial counterparts).



Liquidity, market and financial counterpart credit risks are managed by the Central Treasury Department in accordance with the Group Treasury Policy approved by the Board of Directors. Group strategy is to minimize the exposure to risk and, accordingly, it is forbidden to take positions that might generate risks that are not strictly correlated with core business activities (e.g. transactions in currencies other than the functional currencies).

In this context and in order to appropriately segregate duties, the Group has allocated skills and responsibilities between the Treasury Front Office and the Treasury Back Office, which is functionally and hierarchically separated from the Front Office.

The Front Office is mainly responsible for managing liquidity, identifying exposures to risk and negotiating hedges with financial counterparts.

The Back Office checks compliance with Treasury Policy and is responsible for the accounting measurement and recognition of hedging instruments.

Management of the credit risk with commercial counterparts is entrusted to the individual Country Manager working with the market Credit Controller, who apply procedures for the evaluation and granting of credit limits that are specific to each geographical area or country in which the Group operates.

As required by IFRS 7, the following qualitative and quantitative information is provided about the impact of these risks on the Group.

With regard to the various market risks, the quantitative data from sensitivity analysis has no value for forecasting purposes and cannot reflect the complexity of the market reactions correlated with each change in the assumptions made.

10.1.1 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. This risk has two 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 of not being able to realise financial investments on a timely basis and/or on market terms.

Liquidity risk is contained by:

- a capital structure that is balanced between own funds and financial indebtedness;
- diversifying the various sources of finance;
- spreading the maturities of financial payables over an extended time horizon;
- establishing limits for maturity and credit counterparts in the management of liquidity;
- maintaining unused committed and uncommitted lines of credit.

Available, undrawn committed lines of credit at 31 December 2011 amount to 400.0 million euro, comprising a syndicated line from banks arranged in July 2011 and expiring in 2016. At 31 December 2010, the unused, committed lines of credit totalled 425.0 million euro.

At 31 December 2011, the Group has drawn down the amortising line of credit for 75.0 million euro made available by the EIB and repayable by 2018, as well as the revolving line of credit from Bank Pekao S.A. for 80.0 million zloty, expiring in 2012.

In addition, the Group also has significant unused uncommitted lines of credit available at 31 December 2011.

During 2011, the Group maintained the securitization program arranged in 2010 as part of its sources of funds. This program envisages the sale without recourse of portfolios of trade receivables by the Parent and Indesit Company France S.a.s.

As required by IAS 39, the receivables sold through the securitization program are not derecognised and remain reported as trade receivables, while the related financial payables are reported as liabilities.

No significant available lines of credit were revoked during the year.

The following table analyses by maturity the undiscounted contractual cash flows relating to financial liabilities, including trade payables and the derivative financial instruments with a negative fair value at 31 December 2011. Loans have been included with reference to the first date on which repayment may be requested and those that may be revoked at any time have been treated as repayable upon demand.

Financial liabilities (million euro)	Carrying amount 31.12.2011	Contractual cash flows not discounted	Within 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Beyond 5 years
Trade payables	(788.7)	(788.7)	(278.7)	(291.0)	(219.1)	0.0	0.0
Bonds	(169.1)	(179.8)	0.0	(4.6)	(4.5)	(170.7)	0.0
Due to banks	(276.8)	(289.7)	(116.0)	(67.3)	(24.1)	(56.5)	(25.8)
Other financial payables	(3.5)	(3.6)	(0.0)	(1.1)	(0.4)	(1.5)	(0.5)
Derivative instruments	(25.6)	(17.3)	(2.4)	(1.4)	(5.8)	(7.7)	0.0
Total	**(1,263.8)**	**(1,279.1)**	**(397.0)**	**(365.3)**	**(254.0)**	**(236.4)**	**(26.3)**

10.1.2 Market risk

As defined in IFRS 7, the Group identifies as market risk the probability of fluctuations in the value of recognised assets or liabilities or its economic results, or in the fair value of a financial instrument, as a result of changes in:

- currency exchange rates (currency risk);
- interest rates (interest rate risk);
- commodity prices (commodity price risk).

Currency risk

The Group identifies three types of exchange-rate risk:

Competitive

Changes in exchange rates may influence the strategic decisions and competitive positioning of the Group in its reference markets.

Economic

Changes in exchange rates between the date when a financial commitment between counterparts, in a currency other than the functional currency, is deemed to be highly probable and the actual settlement date of the commitment generate a difference between the expected cash flows and those that actually occur. The Group further analyses economic risk between:

- pre-transaction risk, represented by the risk of differences between the exchange rate used for forecasts and that applying when the financial commitment is recognised in the financial statements;
- transaction risk, represented by the risk of differences between the exchange rate applying when the financial risk is recognised in the financial statements and that applying on the settlement date of the commitment.

Translation

Changes in the exchange rates alter the carrying amounts of assets and liabilities not denominated in euro, following their consolidation for reporting purposes and their translation into the functional currency of the Parent. These changes do not give rise to an immediate difference between expected and actual cash flows, but merely have an accounting effect on the Group's consolidated equity. The effect on cash flows only arises in the event of equity transactions involving Group companies that prepare foreign currency financial statements (e.g. capital reductions, payment of dividends, corporate liquidations etc.).

The Group is exposed to the following main currencies at 31 December 2011: the British pound, the Polish zloty, the Russian ruble, the Turkish lira, the US dollar and the Ukrainian grivna.

The currency risk is managed by the Central Treasury Department, which systematically identifies outstanding exposures and those deriving from highly probable future transactions, and arranges the related hedges in compliance with the Treasury Policy.

The principal Policy guidelines envisage:
- the hedging of the economic risk in accordance with the guidelines approved each year by the Board of Directors;
- the hedging of translation risk only if there is a material risk of failure to comply with financial covenants and, in any case, subject to approval by the Chief Executive Officer;
- identification of the derivative financial instruments that may be used.

The instruments allowed by the Treasury Policy comprise foreign currency loans and investments, as well as forwards, options and collars traded over the counter or in regulated markets.

Derivatives hedging pre-transaction risk are arranged with a time horizon of not more than one year and are managed using the rules applying to cash flow hedges. The year-end value of the hedging reserve relating to such derivatives is therefore released in full to the income statement in the following year.

Derivatives hedging transaction risk generally do not have a duration of more than one month and are systematically renewed consistent with the level of the underlying exposure. In general, these financial instruments provide a natural hedge and are not managed using hedge accounting rules; accordingly, pursuant to IAS 39, any changes in fair value are recognised directly in the income statement.

The Group manages and measures the exposure to currency risk using valuation methodologies (VaR, scenario analysis, stress tests etc.) that make reference to historical volatility parameters for the currencies concerned, as well as those observable in the market on the measurement date. These parameters are verified and updated at least every quarter, in accordance with the Group's budgeting cycles.

Sensitivity of the value of derivatives

With regard to the derivative contracts outstanding at 31 December 2011, the effects on the Group's income statement of hypothetical, 10% negative changes in the exchange rates of the principal currencies used by the Group have been estimated.

Currency	Variation %	P&L variation 2011	P&L variation 2010
EUR/GBP	(10%)	11.6	8.3
EUR/PLN	(10%)	(8.5)	(3.9)
EUR/TRY	(10%)	(1.0)	1.1
EUR/USD	(10%)	0.0	(1.4)
EUR/RUR	(10%)	(0.5)	0.0
Total		**1.6**	**4.0**

Sensitivity of operating profit

Considering the principal currencies to which the Group is exposed, a 10% increase (decrease) in each currency, with respect to their average exchange rates during 2011, would have had a positive effect on the Group's operating profit (ignoring the tax effect) of about 74.6 million euro (negative effect of about 61 million euro), assuming no changes in other factors.

The model assumes the same distribution of revenue and costs as in 2011. The simulation does not include:

- any external effects (e.g. market or competitive dynamics) or internal effects (behaviour and actions taken by the Group) as a result of such changes in exchange rates;
- the effects of hedging through the use of derivatives.

Positive variation effect of 10% of currency on operating profit

(million euro)	GBP	RUB	TRY	PLN	USD	Total
Operating profit	**56.9**	**31.1**	**6.2**	**(12.0)**	**(7.5)**	**74.6**
% effect on total	*76.2%*	*41.7%*	*8.3%*	*(16.1%)*	*(10.1%)*	*100.0%*

Negative variation effect of 10% of currency on operating profit

(million euro)	GBP	RUB	TRY	PLN	USD	Total
Operating profit	**(46.5)**	**(25.4)**	**(5.1)**	**9.8**	**6.2**	**(61.0)**
% effect on total	*76.2%*	*41.7%*	*8.3%*	*(16.1%)*	*(10.1%)*	*100.0%*

Exposure to commercial cash flows

The following table reports the exposure to economic risk deriving from expected commercial flows and the related hedges of pre-transaction risk at 31 December 2011.

The 2012 hedges on the exposure to economic risk deriving from expected commercial flows *

Currency	GBP	PLN	RUB	USD	TRY	UAH
Long/short exposure	399	(132)	175	(58)	52	44
Hedges	(317)	155	–	28	–	–
Residual exposure	**82**	**23**	**175**	**(30)**	**52**	**44**

* The amounts are in million euro equivalents.

At the end of 2011, no hedges have a duration of more than 12 months.

The estimated exposures and expected flows used and shown in the above table are subject to possibly significant changes due to changes in demand, the different allocation of factors of production, the revision of forecast sales and purchases, changes in collection and payment terms and, more generally, to the operational and financial risks highlighted in the report on operations.

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 profit for the year.

Interest rate risk is managed centrally by the Group's Treasury Department, in compliance with the Treasury Policy.

In particular, it is Group policy to:
- maintain financial indebtedness at floating rates;
- limit the conversion from floating rate to fixed rate within the notional, maturity (maximum rolling maturity of 5 years) and market limits defined by the policy.

In addition, the policy also covers the types of hedging instrument that can be used (interest rate swap, forward rate agreement, cross currency swap, cap, floor, collar). Recourse to structured derivatives is not envisaged, unless expressly authorised by the CFO.

Interest rate risk: sensitivity

A hypothetical upward shift in the interest-rate curve of 100 basis points or downward shift of 20 basis points (in parallel along the entire curve) would have the effects indicated below.

The simulation is representative of the effects that would be generated in 2012 if the exposures to risk remained the same as those at 31 December 2011, or the same as the normalised average exposures in the limited cases in which the situation at year end was not representative of that applying throughout the year.

A hypothetical upward shift in the interest-rate curve of 100 basis points or downward shift of 20 basis points (in parallel along the entire curve) would have the effects indicated below.

The simulation is representative of the effects deriving from the exposures to risk at 31 December 2011, or from the normalised average exposures in the limited cases in which the situation at year end was not representative of that applying throughout the year.

31 December 2011 (million euro)	**Variation +100bps**		**Variation –20bps**	
	P&L effect	**Equity effect**	**P&L effect**	**Equity effect**
Net indebtedness of floating rate	(3.0)	–	0.6	–
Derivative instrument hedging of fixed rate loans	(1.3)	–	0.3	–
Derivative instrument hedging of floating rate loans	0.0	5.9	0.0	(1.2)
Total	**(4.3)**	**5.9**	**0.9**	**(1.2)**

31 December 2010 (million euro)	**Variation +100bps**		**Variation –20bps**	
	P&L effect	**Equity effect**	**P&L effect**	**Equity effect**
Net indebtedness of floating rate	(2.0)	–	0.4	–
Derivative instrument hedging of fixed rate loans	(1.6)	–	0.3	–
Derivative instrument hedging of floating rate loans	0.0	5.6	0.0	(1.2)
Total	**(3.6)**	**5.6**	**0.7**	**(1.2)**

Commodity price risk

The Group is subject to the risk that fluctuations in the prices for the commodities used in the production process might have an adverse effect on the results for the year.

This risk is mainly managed in accordance with the Group's procurement policies by the Supply Chain IT Officer Department, which regularly assesses current and future exposures. Action involves the management of supply contracts and, occasionally, for amounts that are not significant, the use of derivative instruments.

The following table indicates the costs incurred by the Group in 2011 for the consumption of raw materials, components and other materials.

(million euro)	**31.12.2011**	**31.12.2010**
Steel	236.7	207.9
Plastic	244.2	205.5
Components and transformations	1,037.5	1,056.3
Other material	85.7	98.5
Total	**1,604.1**	**1,568.1**

With regard to the purchase of steel, the Group's objective is to sign, usually before the end of the fourth quarter, annual contracts at fixed prices for the materials requirement estimated when preparing the budget. Achievement of this objective for 2012 has been partially hampered by current macroeconomic conditions in the market for raw materials and, in particular, by the generalised change in contracting procedures adopted by the principal suppliers of raw materials. In the context of annual supply contracts, it has not been possible to fix steel prices for more than the first six months, although maximum changes in the prices for the second half of the year have also been contractually agreed.

By contrast, the supply contracts for non-ferrous metals (nickel, copper and aluminium) have a duration of less than one year.

Lastly with regard to plastics, the Group enters into fixed price contracts for about 50% of its requirement, while the prices for the remaining 50% are indexed to sector parameters. These supply contracts have a duration of less than one year.

Price risk: quantitative information
The derivatives outstanding at 31 December 2011 hedge the prices of aluminium and copper.

A hypothetical 10% decrease in the prices of the above commodities would reduce the fair value of the derivatives by 1.1 million euro, while a hypothetical 10% increase in the prices of these commodities would raise the fair value of the derivatives by 1.1 million euro.

These increases/decreases would be reflected in full in the hedging reserve.

Hierarchy of levels in the measurement of fair value
With regard to financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires such values to be classified using a hierarchy of levels that reflect the meaningfulness of the input used for the determination of fair value. The following levels are identified:

- Level 1 – prices quoted in an active market for the asset or liability to be measured;
- Level 2 – input other than the quoted prices referred to above, which is directly (prices) or indirectly (derived from the prices) observable in the market;
- Level 3 – input that is not based on observable market data.

With regard to the derivative instruments outstanding at 31 December 2011:

- all the financial instruments measured at fair value are represented by Level 2 derivatives (same as in 2010);
- there were no transfers from Level 1 to Level 2, or vice versa, during 2011;
- there were also no transfers from Level 3 to other levels, or vice versa, during 2011.

10.1.3 Credit risk

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

Financial counterpart credit risk
The Group invests its liquidity and enters into currency contracts and/or other derivative transactions with various financial institutions, which may give rise to credit risks.

Group Treasury Policy establishes guidelines and limits to be followed by the Treasury Front Office in the management of financial applications of funds, in order to limit the credit risk in relation to financial counterparts.

The Treasury Back Office checks compliance with these rules.

In particular, Group policy covers:
- minimum rating requirements for counterparts;
- 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 Country Manager working together with the market Credit Controller, who evaluate counterparts and assign them credit limits.

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.

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 other forms of personal or real guarantee.

Group policy is to write down 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 in full, unless backed by insurance cover, bank guarantees or other forms of collateral.

The credit risk associated with any doubtful or overdue positions is also monitored centrally with reference to the monthly reports received.

Credit risk: quantitative information
The Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets recorded in the statement of financial position, 697.3 million euro (740.0 million euro).

Solely with regard to trade receivables at 31 December 2011, the concentration of the ten largest customers (all large retail chains) is 21.3% (22.0%) of total gross performing receivables.

10.2 Hedge Accounting and categories of financial asset/ liability

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 underlying falls in the range between 80% and 125%.

The Group arranged both fair value hedge and cash flow hedge during 2011. With regard to the latter, Indesit Company hedges its exposure to changes in cash flows attributable to a specific risk associated with a recognised asset or liability, as well as a planned transaction that is highly likely to take place.

The Group regularly checks that hedged future transactions continue to be considered highly likely. No significant effects were recorded in 2011 due to hedges with notionals in excess of the underlying flows (overhedge).

The ineffective cash flow hedge identified in 2011 resulted in the recognition of costs totalling 2.4 million euro (5.1 million euro in 2010). With regard to the fair value hedge, 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 Group uses the measurement techniques applied in established market practice and internationally-recognised software to determine the fair value of derivatives for which there is no active market. These techniques establish the value that these instruments would have had at the measurement date in an arms' length transaction between knowledgeable and willing parties.

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

When determining fair value, the following market factors are considered and identified at the measurement date: the exchange rates for foreign currencies, the yield curves of government securities, the prices of goods and their volatility.

The market value obtained by applying these measurement techniques is periodically compared with the Mark–to–Market values provided by banking counterparts.

In particular, the Fair Value of each instrument is calculated as follows:

- the fair value of currency forward is calculated considering the exchange rate and the interest rates in the two currencies at the reporting date;
- the fair value of currency option is calculated using the Black-Scholes model and market parameters at the reporting date (exchange rates, interest rates and volatilities of the currencies);
- the fair value of interest-rate swap and forward-rate agreement is calculated considering the interest rates at the reporting date and using DCF techniques;
- the fair value of cross currency swap is calculated considering the exchange rate and the interest rates at the reporting date and using DCF techniques;
- the fair value of commodity forward is determined considering the forward price for the commodity and the interest rates at the reporting date (and the exchange rate at the reporting date, if the hedge includes the exchange rate).

Categories of financial asset/liability

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

31.12.2011 (million euro)	Loans and receivables	Financial assets measured at fair value through profit or loss: Financial assets measured at fair value upon initial measurement	Financial assets measured at fair value through profit or loss: Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Hedging instruments	Total carrying amount	Total fair value
Non-current financial assets	0.3	–	–	–	–	1.2	1.5	1.5
Trade receivables	440.5	–	–	–	–	–	440.5	440.5
Current financial assets	8.9	–	–	–	–	12.0	20.9	20.9
Cash and cash equivalents	234.4	–	–	–	–	–	234.4	234.4
Total							**697.3**	**697.3**

31.12.2010 (million euro)	Loans and receivables	Financial assets measured at fair value through profit or loss: Financial assets measured at fair value upon initial measurement	Financial assets measured at fair value through profit or loss: Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Hedging instruments	Total carrying amount	Total fair value
Non-current financial assets	0.3	–	–	–	–	1.7	2.0	2.0
Trade receivables	498.1	–	–	–	–	–	498.1	498.1
Current financial assets	7.7	–	–	–	–	9.6	17.2	17.2
Cash and cash equivalents	222.7	–	–	–	–	–	222.7	222.7
Total							**740.0**	**740.0**

31.12.2011 (million euro)	Financial liabilities measured at fair value through profit or loss					
	Financial liabilities measured at fair value upon initial measurement	Financial liabilities held for trading	Other financial liabilities measured at amortised cost	Hedging instruments	Total carrying amount	Total fair value
Medium/long-term financial liabilities	–	–	236.9	9.5	246.3	246.3
Trade payables	–	–	788.7	–	788.7	788.7
Banks and other medium/long-term financial liabilities	–	–	212.5	16.2	228.7	228.7
Total					**1,263.8**	**1,263.8**

31.12.2010 (million euro)	Financial liabilities measured at fair value through profit or loss					
	Financial liabilities measured at fair value upon initial measurement	Financial liabilities held for trading	Other financial liabilities measured at amortised cost	Hedging instruments	Total carrying amount	Total fair value
Medium/long-term financial liabilities	–	–	169.4	5.2	174.6	174.6
Trade payables	–	–	817.1	–	817.1	817.1
Banks and other medium/long-term financial liabilities	–	–	240.4	5.8	246.2	246.2
Total					**1,237.9**	**1,237.9**

Financial assets and liabilities measured at amortized cost
Trade receivables and payables, restricted deposits, bank borrowing, loans, bonds and other assets and liabilities measured at amortized cost (e.g. receivables sold 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 measurement date. In particular, the fair value of 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 amortized cost, they are actually recognised at fair value. This is determined with reference solely to the hedged risk factors, using the accounting rules applicable to fair value hedge. 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. Information about the determination of fair value is provided in the section on "Derivative financial instruments outstanding at year end".

10.3 Derivative financial instruments outstanding at year end

The transactions outstanding at 31 December 2011 and their fair value are reported in the following table, which also indicates the change in the value of the underlyings (where applicable).

			Notional amount		Fair value of derivates	
(million euro)		**Nature of risk hedged**	**31.12.2011**	**31.12.2010**	**31.12.2011**	**31.12.2010**
	Cash flow hedges					
a)	Currency options	Currency	254.4	254.5	(2.7)	3.3
b)	IRS on loans short-term	Interest rate	350.0	570.9	(11.6)	(6.1)
c)	Forward	Price/currency	112.9	69.2	(4.1)	2.2
	Total		**717.3**	**894.5**	**(18.4)**	**(0.5)**
	Fair value hedges					
d)	CCS on bonds	Currency/Interest rate	144.5	202.7	3.5	0.2
e)	IRS on bonds	Interest rate	18.3	18.3	1.7	1.8
	Total		**162.8**	**221.0**	**5.2**	**2.0**
	Other hedges					
f)	Forward	Currency	278.0	(33.6)	0.7	(1.1)
	Total		**278.0**	**(33.6)**	**0.7**	**(1.1)**
	Grand total		**1,158.1**	**1,082.0**	**(12.5)**	**0.3**

(a) The currency options recognised as cash flow hedge were purchased principally to hedge the risk of an appreciation of the euro against the British pound, the Polish zloty against the British pound, and the US dollar against the euro. The hedged currency risks mainly relate to highly probable future transactions expected to take place within one year, with the consequent release of the hedging reserve to profit or loss.

(b) The float to fix Interest Rate Swap have been designated as cash flow hedge 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 Swap in terms of their nominal value and maturities.
The interest rate hedges outstanding at 31 December 2011 comprise IRS with a total notional of 350.0 million euro. This hedges the interest rate risk on an average of about 200 million euro of underlying payables (short-term) with the following maturities:

- 150 million euro from 17 March 2012 to 17 March 2014;

Change in fair value of derivatives at 31.12.2011 vs 31.12.2010	Change in fair value of underlyings at 31.12.2011 vs 31.12.2010	Change in fair value of underlyings at 31.12.2011 vs inception date	Change in fair value of derivatives at 31.12.2011 vs inception date	31 December 2011				
				Other non-current financial assets	Current financial assets	Medium/ long-term financial payables	Banks and other financial payables	Total
(6.0)	n.a.	n.a.	n.a.	–	4.6	–	(7.3)	(2.7)
(5.5)	n.a.	n.a.	n.a.	–	–	(8.4)	(3.2)	(11.6)
(6.3)	n.a.	n.a.	n.a.	–	1.1	–	(5.2)	(4.1)
(17.8)				**–**	**5.7**	**(8.4)**	**(15.7)**	**(18.4)**
3.4	(3.4)	(5.5)	3.7	–	4.6	(1.1)	–	3.5
(0.1)	(0.0)	(1.8)	1.6	1.2	0.5	–	–	1.7
3.3	**(3.4)**	**(7.2)**	**5.2**	**1.2**	**5.1**	**(1.1)**	**–**	**5.2**
1.8	n.a.	n.a.	n.a.	–	1.1	–	(0.4)	0.7
1.8	**–**	**–**	**–**	**–**	**1.1**	**–**	**(0.4)**	**0.7**
(12.7)	**(3.4)**	**(7.2)**	**5.2**	**1.2**	**12.0**	**(9.5)**	**(16.2)**	**(12.5)**

- 150 million euro from 17 March 2014 to 17 March 2015;
- 50 million euro from 17 March 2012 to 17 March 2015.

(c) The Forward, designated as cash flow hedging, were arranged to hedge the currency risk on highly probable future transactions, and the price risk on highly probable future purchases of commodities and semi-finished products.

(d) The Cross Currency Swap was arranged to hedge the interest-rate and currency risks deriving from commitments in relation to the US Private Placement of bonds. This transaction converted the fixed rate US dollar bonds into floating rate euro.

(e) The Interest rate swap relates to the euro tranche of the US Private Placement, and was arranged to hedge the interest rate risk that was swapped from fixed to floating at the time the loan was arranged.

(f) The Forward not recognised as cash flow hedge were arranged to hedge currency risk.

11. Information on the remuneration of management and on related parties

11.1 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, the Supply Chain IT Officer Manager, the IT Officer and the Sales Manager.

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

Salaries and annual fees for the year 2011 due to directors, statutory auditors and executives with strategic responsabilities

(million euro)	Short-term benefits	Long-term benefits	Stock option
Directors	4.0	1.3	–
Statutory Auditors	0.2	–	–
Executives with strategic responsabilities	3.1	1.9	–
Total	**7.2**	**3.3**	**–**

Salaries and annual fees for the year 2010 due to directors, statutory auditors and executives with strategic responsabilities

(million euro)	Short-term benefits	Long-term benefits	Stock option
Directors	5.3	1.7	–
Statutory Auditors	0.1	–	–
Executives with strategic responsabilities	3.4	2.9	–
Total	**8.8**	**4.7**	**–**

11.2 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
Cine District Entertainment S.r.l.	Other related – Related to a member of the Merloni family
Faber Factor S.r.l. in liquidation	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit Company
Fineldo S.p.A.	Group Parent – Belonging to Vittorio Merloni
Immobiliare Fineldo S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit
Merloni Progetti S.p.A.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit
M P & S S.r.l.	Other related – Related to a member of the Merloni family
Protecno S.A. in liquidation	Other related – Related to a member of the Merloni family
Solar COOL S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit
Solar STOCK S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit
Solar WASH S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit
Tecnosolare Carinaro S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit
Tradeplace B.V.	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 physical 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

The Merloni Progetti Group

The Merloni Progetti Group (and, in particular, Merloni Progetti S.p.A. and Protecno S.A. in liquidation) has leased property to Indesit Company and in turn receives the recharge of general services.

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

Indesit Company UK Ltd and the employees concerned have contributed to the Indesit Company UK Ltd Group Personal Pension Plan and the Merloni Ireland Pension Plan under the pension rules applicable in the UK. Further information about the pension plans is provided in note 9.22.

11.3 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, associates and other related parties. Furthermore, in accordance with Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication DEM/6064293 dated 28 July 2006, Attachments 3 and 4 present the consolidated income statement and statement of financial position showing the transactions with related parties separately and indicating their percentage incidence with respect to each financial statement caption.

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

Table summarizing the transactions with related parties – Income statement

(million euro)	31.12.2011	31.12.2010
Revenue		
Other related	0.4	0.0
Associates	–	–
Parent	0.3	0.3
Total	**0.8**	**0.4**
Cost of sales		
Associates	–	–
Other related	(0.5)	(14.6)
Total	**(0.5)**	**(14.6)**
Selling and distribution expenses		
Other related	–	–
Associates	–	–
Total	**0.0**	**0.0**
General and administrative expenses		
Associates	–	–
Other related	(11.2)	(13.6)
Parent	–	(0.0)
Total	**(11.2)**	**(13.6)**
Net financial expenses		
Other related	–	–
Parent	–	–
Total	**–**	**–**
Share of profits and (losses) of associates		
Other related	–	–
Total	**0.0**	**0.0**

The increase in revenue reflects the recharge of general services by the Group to Merloni Progetti S.p.A.

The fall in the cost of sales was due to changes in the list of related parties with regard to the companies in the Marcegaglia Group.

Table summarizing the transactions with related parties – Statement of financial position

(million euro)	31.12.2011	31.12.2010
Property, plant and equipment		
Associates	–	–
Other related	–	0.0
Total	**–**	**0.0**
Intangible assets with a finite life		
Associates	–	–
Other related	–	–
Total	**–**	**–**
Current financial assets		
Other related	–	–
Parent	–	–
Associates	–	–
Total	**–**	**–**
Trade receivables		
Associates	–	–
Other related	2.4	2.2
Parent	0.2	0.2
Total	**2.6**	**2.4**
Trade payables		
Associates	–	–
Other related	0.1	3.2
Parent	0.0	0.0
Total	**0.1**	**3.2**
Other payables		
Parent	–	–
Other related	0.0	0.0
Total	**0.0**	**0.0**

The amount due from Other related parties within Trade receivables mainly comprises 2.0 million euro, due under a contract with Tecnosolare Carinaro S.r.l. that transferred land usage rights for the installation of solar panels at Carinaro and Teverola, and 0.4 million euro due from Merloni Progetti S.p.A.

The cash flow absorbed by transactions with related parties was 0.5 million euro (8.1 million euro).

Attachments

Attachment 1

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

Name	Registered office	Share capital	Group interest	
			Direct	Indirect
Indesit Argentina S.A.	Argentina	ARS 24,070,220	3.00	97.00
Indesit Company Österreich Ges. mbH	Österreich	EUR 18,168.21	–	100.00
Indesit Company Belgium S.A.	Belgium	EUR 150,000	–	100.00
Wuxi Indesit Domestic Appliance Technology Co. Ltd.	China	EUR 900,000	–	100.00
Indesit Company France S.a.s.	France	EUR 17,000,000	–	100.00
FCT Cirano	France	–	–	–
Indesit Company Deutschland GmbH	Germany	EUR 550,000	–	100.00
Merloni Domestic Appliances Ltd.	UK	GBP 90,175,500	19.60	80.40
Indesit Pts Ltd.	UK	GBP 1,000	–	100.00
Indesit Company UK Holdings Ltd.	UK	EUR 163,000,000		100.00
General Domestic Appliances Holdings Ltd.	UK	GBP 26,000,000	–	100.00
Airdum Ltd.	UK	GBP 15,000	–	100.00
Cannon Industries Ltd.	UK	GBP 1.5	–	100.00
Creda Domestic Appliances Service Ltd.	UK	GBP 1,000	–	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 3.096026	–	100.00
Hotpoint UK Ltd.	UK	GBP 50	–	100.00
Jackson Appliances Ltd.	UK	GBP 7.5	–	100.00
Indesit Company UK Ltd.	UK	GBP 76,195,645	–	100.00
Xpelair Ltd.	UK	GBP 8.25	–	100.00
Ariston Group Services Ltd.	UK	GBP 100	–	100.00
RTC International Ltd.	UK	GBP 50,000	–	100.00
Indesit Ireland Ltd.	Ireland	EUR 100,000	–	100.00
Indesit IP S.r.l.	Italy	EUR 10,000	100.00	
Aeradriatica S.p.A.	Italy	EUR 23,068,545	100.00	–
Olympia Finance S.r.l. – Società Unipersonale	Italy	EUR 12,000	–	–
Indesit Company Luxembourg S.A.	Luxembourg	EUR 117,977,729	100.00	–
Indesit Company International B.V.	The Netherlands	EUR 272,270	–	100.00
Indesit Company Polska Sp.zo.o.	Poland	PLN 540,876,500	100.00	–
Indesit Company Portugal Electrodomésticos S.A.	Portugal	EUR 1,144,100	–	99.44
Fabrica Portugal S.A.	Portugal	EUR 11,250,000	–	96.40
Indesit Company Ceská S.r.o.	Chech Republic	CZK 1,000,000	100.00	–
Closed Joint Stock Company Indesit International	Russia Fed.	RUB 1,664,165,000	100.00	–
Indesit Rus LLC	Russia Fed.	RUB 4,340,000	100.00	–
Indesit Electrodomesticos S.A.	Spain	EUR 1,000,000	78.95	21.05
Indesit Company International Business S.A.	Switzerland	SFR 250,000	–	100.00
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	Turkey	TRY 102,341,573	47.36	52.64
Indesit Company Beyaz Esya Pazarlama A.S.	Turkey	TRY 5,167,994	99.99	–
Indesit Middle East FZE	UAE	AED 1,000,000	–	100.00
Indesit Ukraine LLC	Ukraine	UAH 585,570	100.00	–
Indesit Company Magyarország Kft	Hungary	HUF 25,000,000	–	100.00

Attachment 2

List of other investments in subsidiaries and associates

			Group interest	
Name	**Registered office**	**Share capital**	**Direct**	**Indirect**
Indesit Company Bulgaria S.r.l.	Bulgary	BGL 7,805,000	100.00	–
Indesit Company Domestic Appliances Hellas Mepe	Greece	EUR 18,000	–	100.00
Indesit Company Norge Ltd.	Norway	NOK 100,000	–	100.00
TradePlace B.V.	The Netherlands	EUR 30,000	20.00	–
Indesit Company Singapore Pte. Ltd.	Singapore	SGD 100,000	–	100.00

Attachment 3

Consolidated income statement for the year ended 31 December 2011, prepared in accordance with Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication no. DEM/6064293 dated 28 July 2006

	31.12.2011			31.12.2010		
(million euro)	**Balances**	**Of which non recurring**	**Of which with related parties**	**Balances**	**Of which non recurring**	**Of which with related parties**
Revenue	2,825.3	–	0.8	2,877.3	–	0.4
Cost of sales	(2,093.7)	(7.4)	(0.5)	(2,081.0)	–	(14.6)
Selling and distribution expenses	(465.1)	(21.0)	0.0	(487.4)	–	–
General and administrative expenses	(116.1)	–	(11.2)	(125.1)	–	(13.6)
Operating profit	**150.3**			**183.8**		
Interest expenses	(19.6)	–	–	(25.5)	–	–
Interest income	1.9	–	–	1.7	–	–
Exchange rate differences and other net financial expenses	(20.4)	–	–	(10.7)	–	–
Share of profit (losses) of associates	0.9	–	–	0.1	–	–
Profit before tax	**113.2**			**149.4**		
Income tax *	(54.2)	–	n.a.	(59.7)	–	n.a.
Profit for the year	**59.0**			**89.7**		

	31.12.2011			31.12.2010		
Percentage weight over consolidated income statements items	**Balances**	**Of which non recurring**	**Of which with related parties**	**Balances**	**Of which non recurring**	**Of which with related parties**
Revenue	100%	0.0%	0.0%	100%	0.0%	0.0%
Cost of sales	100%	0.4%	0.0%	100%	0.0%	0.7%
Selling and distribution expenses	100%	4.5%	0.0%	100%	0.0%	0.0%
General and administrative expenses	100%	0.0%	9.7%	100%	0.1%	10.9%
Operating profit	**100%**			**100%**		
Interest expenses	100%	0.0%	0.0%	100%	0.0%	0.0%
Interest income	100%	0.0%	0.0%	100%	0.0%	0.0%
Exchange rate differences and other net financial expenses	100%	0.0%	0.0%	100%	0.0%	0.0%
Share of profit (losses) of associates	100%	0.0%	0.0%	100%	0.0%	0.0%
Profit before tax	**100%**			**100%**		
Income tax *	100%	0.0%	n.a.	100%	0.0%	n.a.
Profit for the year	**100%**			**100%**		

* Tax effects calculated referring to the tax rate of the countries in which the transaction took place.

Attachment 4

Consolidated statement of financial position at 31 December 2011, prepared in accordance with Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication no. DEM/6064293 dated 28 July 2006

	31.12.2011			31.12.2010		
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	623.2	–	–	637.2	0.0	0.0%
Goodwill and other intangible assets with an indefinite useful life	236.5	–	–	229.7	–	–
Other intangible assets with a finite life	100.1	–	–	101.9	–	–
Investments in associates	0.5	–	–	0.5	–	–
Other non-current assets	41.0	–	–	36.2	–	–
Deferred tax assets	64.3	–	–	73.5	–	–
Other non-current financial assets	1.5	–	–	2.0	–	–
Total non-current assets	**1,067.0**		**–**	**1,081.1**		**–**
Inventories	323.2	–	–	326.0	–	–
Trade receivables	440.5	2.6	0.6%	498.1	2.4	0.5%
Current financial assets	20.9	–	–	17.2	–	–
Tax receivables	12.9	–	–	20.6	–	–
Other receivables and current assets	67.8	–	–	66.4	–	–
Cash and cash equivalents	234.4			222.7	–	–
Assets held for sale	11.8	–	–	–	–	–
Total current assets	**1,111.4**			**1,151.0**		
Total assets	**2,178.5**			**2,232.1**		

Million euro and percentage weight over consolidated balance sheet items	31.12.2011 Balances	Of which with related parties	Weight %	31.12.2010 Balances	Of which with related parties	Weight %
Equity						
Share capital	92.8	–	–	92.8	–	–
Reserves	(67.2)	–	–	(20.5)	–	–
Retained earnings	469.7	–	–	410.9	–	–
Profit attributable to owners of the Parent	58.8	–	–	89.7	–	–
Equity attributable to owners of the Parent	**554.1**		**–**	**572.9**		**–**
Non-controlling interests	0.0	–	–	(0.2)	–	–
Total equity	**554.2**		**–**	**572.8**		**–**
Liabilities						
Non-current loans and borrowings	246.3	–	–	174.6	–	–
Employee benefits	45.4	–	–	58.8	–	–
Provisions for risks and charges	48.6	–	–	79.9	–	–
Deferred tax liabilities	38.4	–	–	38.6	–	–
Other non-current liabilities	34.9	–	–	46.2	–	–
Total non-current liabilities	**413.6**		**–**	**398.1**		**–**
Banks and other loans and borrowings	228.7	–	–	246.2	–	–
Provisions for risks and charges	58.6	–	–	55.2	–	–
Trade payables	788.7	0.1	0.0%	817.1	3.2	0.4%
Tax payables	27.6	–	–	28.3	–	–
Other payables	107.2	–	–	114.5	–	–
Total current liabilities	**1,210.7**			**1,261.3**		
Total liabilities	**1,624.3**			**1,659.3**		
Total equity and liabilities	**2,178.5**			**2,232.1**		

Attachment 5

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

Services	Service Supplier	Beneficiary	Fees (thousand euro)
Audit	KPMG S.p.A.	Parent	1,129
	KPMG S.p.A. *	Subsidiaries	360
	KPMG network	Subsidiaries	889
Other services			
– Agreed-upon procedures	KPMG S.p.A.	Parent	78
– Agreed-upon procedures	KPMG S.p.A.	Subsidiaries	9
– Agreed-upon procedures	KPMG network	Subsidiaries	14
– Tax and advisory services	KPMG network	Subsidiaries	84
Total			**2,563**

* The audit has been carried out by KPMG S.p.A. with the assistance of the KPMG network, present in the countries where the subsidiaries operate.

Milan, 21 March 2012

For the Board of Directors

The Chairman
(signed on the original)

Andrea Merloni

Statement of compliance of the Consolidated financial statements at 31 December 2011 pursuant to art. 81-*ter* of Consob Regulation no. 11971 dated 14 May 1999 and subsequent amendments and additions

The Chief Executive Officer Marco Milani and the Manager in charge of financial reporting, Stefano Cavacini, pursuant to paras. 3 and 4 of art. 154-*bis* of Decree no. 58 dated 24 February 1998, hereby confirm:

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

throughout 2011 of the administrative and accounting procedures applied for the preparation of the Consolidated financial statements.

The undersigned also confirm that the 2011 consolidated financial statements:

- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
- agree with the company books and accounting records;
- are suitable for the purpose of providing a true and fair view of the economic and financial position and results of operations of the issuer and the Group as a whole.

The report on operations includes a reliable analysis of the performance, results of operations and financial position of the Company and the Group as a whole, as well as a description of the principal risks and uncertainties to which they are exposed.

21 March 2012

The Chief Executive Officer
(signed on the original)

Marco Milani

The Manager in charge of financial reporting
(signed on the original)

Stefano Cavacini

Report of the independent auditor

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 articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

1 We have audited the consolidated financial statements of Indesit Company Group as at and for the year ended 31 December 2011, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and 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 30 March 2011 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 Indesit Company Group as at and for the year ended 31 December 2011 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 Indesit Company Group as at 31 December 2011, the results of its operations 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 and a report on corporate governance and ownership structure, published in the "Company" section, subsection "Governance" of Indesit Company S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98

disclosed in the report on corporate governance and ownership structure with the financial statements to which they refer, as required by the law. 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 and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Indesit Company Group as at and for the year ended 31 December 2011.

Ancona, 28 March 2012

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

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Indesit Company S.p.A.

Separate income statement for the year ended 31 December 2011 [1]

(million euro)	Note	31.12.2011	31.12.2010
Revenue from sales and services	6.1	1,108.1	1,238.2
Change in work in progress, semi-finished and finished products	6.2	0.8	(2.9)
Other income and expenses	6.3	91.1	86.5
Purchase of raw materials, services and costs for utilization of third party assets	6.4	(921.3)	(1,014.8)
Payroll costs	6.5	(212.7)	(223.0)
Depreciation, amortization and impairment losses	6.6	(59.3)	(69.6)
Change in raw materials, auxiliary and components	6.7	0.2	(3.1)
Provisions and other operating expenses	6.8	(10.4)	(46.3)
Operating profit	**6.9**	**(3.5)**	**(34.8)**
Dividends from subsidiaries and associates and others	6.10	51.0	119.6
Interest income from subsidiaries and associates	6.11	2.8	3.3
Interest income from third parties	6.12	0.0	–
Interest expenses from subsidiaries and associates	6.13	(8.6)	(17.9)
Interest expenses from third parties and Parent company	6.14	(13.2)	(10.4)
Exchange rate losses	6.15	(0.4)	(0.2)
Reversal of impairment losses on investments	6.16	–	–
Impairment losses on investments	6.17	(0.9)	(1.5)
Net financial income and expenses		**30.7**	**92.9**
Profit before tax		**27.2**	**58.1**
Income tax expenses	6.18	(16.7)	(2.2)
Profit for the year		**10.4**	**55.9**

1. Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of related-party and non-recurring transactions on the separate income statement are reported in Attachment 2 and in note 6.9.

Separate statement of comprehensive income for the year ended 31 December 2011

(million euro)	Note	31.12.2011	31.12.2010
Profit (loss) for the year (A)		**10.4**	**55.9**
Gains/(Losses) on cash flow hedges, net of tax	6.28	(4.3)	2.9
Total other comprehensive income/(losses), net of tax (B)		**(4.3)**	**2.9**
Total comprehensive income/(losses) (A + B)		**6.1**	**58.8**

Separate statement of financial position at 31 December 2011 [2]

(million euro)	Note	31.12.2011	31.12.2010
Assets			
Property, plant and equipment	6.19	190.7	190.3
Goodwill and other intangible assets with an indefinite useful life		–	–
Other intangible assets with a finite life	6.20	69.8	71.0
Investments in associates	6.21	0.5	0.5
Investment in subsidiaries and other investments	6.22	455.6	454.3
Deferred tax assets	6.23	24.0	20.5
Other non-current financial assets	6.29.4	50.0	50.1
Total non-current assets		**790.5**	**786.6**
Inventories	6.24	107.6	106.7
Trade receivables	6.25	406.0	465.5
Current financial assets	6.29.1	137.5	230.8
Tax receivables	6.26	1.4	8.4
Other receivables and current assets	6.27	26.2	21.3
Cash and cash equivalents	6.29.2	9.1	8.5
Assets held for sale	6.49	7.1	–
Total current assets		**695.0**	**841.1**
Total assets		**1,485.6**	**1,627.7**
Equity			
Share capital		92.8	92.8
Reserves		46.7	51.0
Retained earnings		337.7	312.8
Profit for the year		10.4	55.9
Total equity	**6.28**	**487.7**	**512.5**
Liabilities			
Medium and long-term interest-bearing loans and borrowings	6.29.5	248.1	175.4
Employee benefits	6.30	38.1	40.9
Provisions for risks and charges	6.31	18.7	43.5
Deferred tax liabilities	6.32	–	–
Other non-current liabilities	6.33	15.8	18.5
Total non-current liabilities		**320.7**	**278.3**
Banks and other loans and borrowings	6.29.3	181.4	263.3
Provisions for risks and charges	6.31	36.2	33.0
Trade payables	6.34	400.2	477.0
Tax payables	6.35	12.5	8.1
Other payables	6.36	46.9	55.4
Total current liabilities		**677.2**	**836.9**
Total liabilities		**997.9**	**1,115.2**
Total equity and liabilities		**1,485.6**	**1,627.7**

2. Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of related party transactions on the separate statement of financial position are reported in Attachment 3 and in note 8.3. In addition, the financial effects of non-recurring transactions are described in note 6.9.

Separate cash flow statement for the year ended 31 December 2011 [3]

(million euro)	Note	31.12.2011	31.12.2010
Total profit for the year	6.38	10.4	55.9
Income taxes	6.38	16.7	2.2
Impairment losses on investments and other financial assets	6.38	0.9	1.5
Depreciation and amortisation	6.38	59.3	69.6
Other non-monetary income and expenses, net	6.39	(16.1)	(17.5)
Change in inventories	6.40	(0.9)	5.9
Change in trade receivables	6.40	59.4	77.2
Change in trade payables	6.40	(86.4)	12.8
Change in other assets and liabilities	6.41	(47.4)	16.8
Income taxes	6.38	(9.3)	(4.2)
Interest paid	6.39	(14.8)	(17.3)
Interest received	6.39	2.6	0.4
Cash flows from (used in) operating activities		**(25.5)**	**203.2**
Acquisition of property, plant and equipment	6.42	(32.0)	(13.1)
Proceeds from sale of property, plant and equipment	6.42	7.6	0.8
Acquisition of intangible assets	6.43	(25.4)	(23.3)
Proceeds from sale of intangible assets	6.43	0.9	0.3
Acquisition of non-current financial assets	6.44	(2.8)	(51.3)
Proceeds from sale of non-current financial assets	6.44	–	–
Cash flows from (used in) investing activities		**(51.5)**	**(86.5)**
Proceeds from capital increases	6.46	–	0.2
Payments for capital reduction		–	–
Other changes in equity		–	–
Cash flow hedging reserve on derivatives	6.45	(4.3)	2.9
Allocation of gains / losses from extraordinary transactions	6.46	–	–
Dividends paid	6.45	(31.0)	(15.5)
Dividends received	6.46	28.8	34.6
New medium/long-term financial payables	6.47	75.0	–
Repayments of medium/long-term financial liabilities and bond issue	6.47	(2.3)	(157.3)
Change in short, medium and long-term financial liabilities	6.48	11.5	18.6
Cash flows from (used in) financing activities		**77.6**	**(116.6)**
Net cash flows		**0.6**	**0.2**
Cash and cash equivalents, start of year	6.29	8.5	8.3
Cash and cash equivalents, end of year	6.29	9.1	8.5
Total change in cash and cash equivalents		**0.6**	**0.2**

3. Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the financial effects of related-party transactions are reported in note 8.3. In addition, the financial effects of non-recurring transactions are described in note 6.31.

Statement of changes in separate equity for year ended 31 December 2011 and 2010

(million euro)	Opening balances	Other Profit/(Losses), net of taxation	Profit for the year	Total comprehensive income	Dividends paid	Exercise of stock option rights	Allocation of profit for the year	Total effects of transactions with owners of Parent	Closing balances
Statement of changes in separate equity at 31 December 2011									
Share capital	92.8	–	–	–	–	–	–	–	92.8
Share premium reserve	35.9	–	–	–	–	–	–	–	35.9
Legal reserve	22.7	–	–	–	–	–	–	–	22.7
Other reserves	(7.6)	(4.3)	0.0	(4.3)	–	–	–	–	(11.9)
Retained earnings	312.8	–	0.0	–	(31.0)	–	55.9	24.9	337.7
Profit for the year	55.9	–	10.4	10.4	–	–	(55.9)	(55.9)	10.4
Total equity	**512.5**	**(4.3)**	**10.4**	**6.1**	**(31.0)**	**–**	**–**	**(31.0)**	**487.7**
Statement of changes in separate equity at 31 December 2010									
Share capital	92.8	–	–	–	–	0.0	–	0.0	92.8
Share premium reserve	35.8	–	–	–	–	0.1	–	0.1	35.9
Legal reserve	22.7	–	–	–	–	–	–	–	22.7
Other reserves	(10.5)	2.9	–	2.9	–	–	–	–	(7.6)
Retained earnings	290.9	–	–	–	(15.5)	–	37.4	21.9	312.8
Profit for the year	37.4	–	55.9	55.9	–	–	(37.4)	(37.4)	55.9
Total equity	**469.0**	**2.9**	**55.9**	**58.8**	**(15.5)**	**0.2**	**–**	**(15.3)**	**512.5**

Separate financial statements
Notes

1. Company structure and activities

Indesit Company S.p.A., Parent of the Indesit Company Group, is an Italian company based in Fabriano (near Ancona) that is active in the production and sale of white goods, namely household appliances for the cooking sector (cookers, ovens and hobs), the cooling sector (refrigerators and freezers) and the washing sector (washing machines, dryers, combined washer-dryers and dishwashers). Indesit Company S.p.A. carries out the following functions:
- commercialization of household appliances (produced in Italy and elsewhere) and supply of ancillary services to the Italian market and other minor markets abroad;
- supply of goods produced at Italian factories or purchased in Italy and, to a lesser extent, of related services to other Group companies;
- normal holding company functions for the benefit of Group companies.

The household appliances sector is highly seasonal, which affects all the main economic and financial parameters. The segment information required by IFRS 8 is provided in the consolidated financial statements published together with these separate financial statements for Indesit Company S.p.A.

2. Approval of the separate financial statements at 31 December 2011

The separate financial statements at 31 December 2011 were approved by the Board of Directors on 21 March 2012 and have been audited. The Shareholders' Meeting called to approve the separate financial statements has the right to make changes to them.

The Board of Directors also approved the consolidated financial statements of the Indesit Company Group on the same date.

3. Significant events subsequent to year end

On 3 January 2012 Indesit Company S.p.A. also received a tax audit for the tax year 2006 with which the correct charge amount of interest on commercial extensions to Group companies was notified, and also its calculation. Relief is in line with those for the tax year 2007. On 13 January 2012 the Company has submitted a request to use the tax losses by consolidated to offset the full amount of the relief.

On 9 February 2012 was made official with the social partners a draft agreement about the decision to open a process of voluntary unemployment that will affect 100 employees of the plant of Carinaro.

No further significant events or transactions have taken place subsequent to year end.

4. Statement of compliance with IFRS and basis of presentation

The separate financial statements of Indesit Company S.p.A. have been prepared in accordance with the International Financial Reporting Standards (hereafter referred to as IFRS or IAS) issued by the International Accounting Standards Board (IASB) as interpreted by the International Financial Reporting Interpretation Committee (IFRIC) and endorsed by the European Union.

The separate financial statements at 31 December 2011 have also been prepared in accordance with Consob's instructions regarding the format of financial statements, in application of art. 9 of Legislative Decree 38/2005 and other Consob regulations and instructions concerning financial statements.

The separate financial statements at 31 December 2011 are presented on a comparative basis and comprise the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and these notes. The income statement format adopted by the Company classified costs by nature, while the statement of financial position distinguishes between current and non-current assets and liabilities. The cash flow statement is presented using the indirect method.

In addition, for consistency with the income statement format adopted for the consolidated financial statements (classification by function), the separate income statement reclassified by function is also attached to these financial statements.

The report on operations during 2011, prepared on a combined basis, provides information about the results of both the Group and the Parent.

5. Principal accounting policies

5.1 Basis of preparation and accounting policies adopted

Basis of preparation

The currency of presentation of the separate financial statements is the euro, and the financial statement balances are stated in million euro (except where stated otherwise). The separate financial statements are prepared on an historical cost basis, except with regard to derivative financial instruments, financial assets held for sale and financial instruments classified as available for sale, which are stated at their fair value. The financial statements are also prepared on a going-concern basis.

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 separate financial statements at 31 December 2011 have also been applied on a consistent basis to all the comparative financial information.

Reclassifications

In order to improve the presentation of financial information, from 1 January 2011 the cost of additional payments to leavers and personnel not performing operational work has been reclassified from "other expenses, payroll costs" to "provisions and other operating costs". As a consequence, the comparative information has also been reclassified.

Accounting estimates

The preparation of separate financial statements involves making assumptions and estimates that affect the value of assets and liabilities and the related explanatory information, 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 allowances for doubtful accounts and provisions for inventory obsolescence, depreciation and amortization 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 believed reasonable at the time of making them.

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.

The principal measurement processes and the key assumptions used by management in applying the accounting policies in relation to the future are summarized below. These processes and assumptions may have a significant effect on the amounts reported in the separate financial statements, or may give rise to the risk of significant adjustments in the next accounting period to the carrying amount of assets and liabilities.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's estimate of the losses that may be incurred on trade receivables. Accruals to the allowance for doubtful accounts by the Company are determined with reference to the ageing of receivables, taking account of specific circumstances if this is more prudent, and available guarantees.

Provision for inventory obsolescence

The provision for inventory obsolescence reflects management's estimate of the losses to be incurred on raw materials, semi-finished and finished products, determined with reference to the lifecycle of each product and stock rotation statistics that take account of both past and forecast consumption.

Recoverable amount of non-current assets

Non-current assets comprise property, plant and equipment, intangible assets and other financial assets. Management reviews the carrying amounts of the non-current assets held and used, and of any assets due to be retired. This work is performed whenever events and circumstances require such review, and at least each year for intangible assets with an indefinite life. The review makes reference to the results of independent appraisals and/or to the cash flows expected from the use or sale of the assets concerned, applying suitable discount rates for the determination of their present value. When the carrying amount of a non-current asset is impaired, the Company recognises an impairment loss for the difference between its carrying amount and the lower amount recoverable from its use or sale, as determined by reference to the most recent business plans.

Defined benefit plans

The Company maintains defined benefit plans for certain employees. Management uses various statistical assumptions and measurement factors to anticipate future events and calculate the related charges, as well as the present value of liabilities. The assumptions made relate to the discount rate, the rate of future pay increases, demographic trends, the inflation rate and the forecast cost of medical care. In addition, the Company's consulting actuaries consider such subjective factors as mortality and termination rates.

Realisability of deferred tax assets

The Company recognises deferred tax assets and the theoretical tax benefit of carried-forward tax losses. Management records deferred tax assets to the extent that their recoverability is considered probable. Their measurement takes account of current budget and forecasts for future years.

Contingent liabilities

The Company is exposed to the risk of having to meet obligations deriving from legal and other disputes, without being able to predict with certainty the extent of the related outflows. This inability is often associated with the variety, proliferation and complexity of the jurisdictions and laws concerned, which may be subject to uncertain interpretations, as well as with the varying levels of predictability surrounding the facts and circumstances relating to each dispute. The Company makes reference to economists, consultants and legal experts in order to monitor appropriately the related risks, and tackle and assess the contingencies concerned. If, as a consequence, a financial outflow is deemed probable and the amount can reasonably be estimated, the Company records a related provision for risks and charges. If a financial outflow is considered possible or, in extremely rare circumstances, probable without being able to determine the amount, the situation is reported in the notes.

Treatment of foreign currency transactions

Foreign currency transactions

All transactions are recorded in euro. Transactions not carried out in euro are translated using the exchange rates applying at the time of the related transactions. Monetary assets and liabilities (defined as assets and liabilities held for collection or payment, whose amount is fixed or determinable – IAS 21) are translated using the exchange rates applying at the reporting date and any exchange rate differences are recognised in the income statement. Non-monetary assets and liabilities recorded at historical cost in currencies other than the euro are translated using the historical rates applying at the time of the related transactions. Non-monetary assets and liabilities measured at fair value in currencies other than the euro are translated using the exchange rates ruling at the time that their fair value was determined.

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 Hedge

If a derivative financial instrument is designated as a hedge of the risk of variability in the cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective part of gains or losses on such financial instrument is recognised in the hedging reserve within equity, while the ineffective portion (if any) is taken to the income statement. If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the hedging reserve is removed from equity and included in the initial cost of such non-financial asset or liability. If the hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, the 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 is released to the income statement in a manner consistent with the hedged transaction i.e. when its economic effects are recognised. If a hedging instrument expires, is sold or is terminated early with respect to the timing of the hedged transaction and the latter is no longer expected to take place, the related 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 at 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.

Any borrowing costs incurred on the acquisition or construction of capitalised assets that normally require time before they become available for use or for sale, are also capitalised and amortized over the useful life of the asset class concerned. All other borrowing costs are charged to the income statement for the year to which they relate.

Finance leases

Property, plant and equipment held under finance leasing, in relation to which Indesit Company S.p.A. 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 leasing payments. They are depreciated over their estimated useful lives and adjusted for any impairment losses determined on the basis described below. The liability to the lessor is classified among financial liabilities in the statement of financial position.

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.

The carrying amount is tested based on 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. Such impairment losses are reversed if the reasons for recording them 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 7 to 20 years
Industrial and commercial equipment	from 4 to 20 years
Other assets:	
– vehicles and internal transport	from 4 to 5 years
– furniture, IT and office machines	from 5 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 amortized and stated net of both the related accumulated amortization, provided on a straight-line basis over their estimated useful lives, having regard for the period during which they are expected to generate economic benefits, and any impairment in their value. Intangible assets with an indefinite useful life, comprising certain brand names and goodwill, are not amortized but their recoverability is tested for impairment at least once 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.

Any borrowing costs incurred on the acquisition or construction of capitalised assets that normally require time before they become available for use or for sale, are also capitalised and amortized over the useful life of the asset class concerned. All other borrowing costs are charged to the income statement for the year to which they relate.

Goodwill

Goodwill is an intangible asset with an indefinite life, deriving from a business combination recognised using the purchase method of accounting, and is recorded to reflect the positive difference between purchase cost and the carrying amount of the Company's equity interest at the time of acquisition, after having recorded all assets, liabilities and identifiable contingent liabilities attributable to both the Company and third parties at their full fair value. This method of accounting applies to all acquisitions made subsequent to 31 December 2002. The value of goodwill deriving from earlier acquisitions was determined by using the amount recorded in accordance with Italian GAAP.

The value of goodwill is verified with reference to the cash generating units (CGUs) 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 is recognised if the recoverable amount of the CGU, represented by the discounted cash flows, is less than the related carrying amount. Such impairment 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 having regard for the residual value 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 to acquire 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/or 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 used) 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 amortized over the expected period of economic benefit, which is generally taken to be 5 years. Adjustments are recorded to reflect any impairment losses arising subsequent to initial recognition.

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

Other intangible assets
Other intangible assets expected to generate measurable economic benefits are deemed to have a finite life and are recorded at cost. They are amortized on a straight-line basis over the period of expected economic benefit. This period is between 5 and 10 years. Adjustments are recorded to reflect any impairment losses arising subsequent to initial recognition.

Equity investments
Investments in subsidiaries, associates and other companies that are not classified as held for sale are stated at cost, as adjusted for any impairment losses, and translated into euro using the historical exchange rates in the case of investments in foreign companies whose financial statements are prepared in currencies other than the euro.

The positive differences between the purchase price of equity investments and the corresponding interest in their equity are retained as part of the carrying amount of the investments concerned. Amounts relating to the purchase or disposal of equity investments, lines of business joint, control entities are recorded at their historical values, without recognising any gains or losses.

If there is evidence that equity investments may have suffered an impairment loss, they are subjected to impairment test and, if necessary, impaired. Impairment is only recognised in the income statement if there is objective evidence that events have taken place which will affect the estimated future cash flows of the investments concerned. In the presence of a legal or constructive obligation to cover any losses that exceed the carrying amounts of equity investments, the related liability is recognised by recording a provision for risks and charges.

The carrying amount is reinstated in subsequent years if the reasons for such impairment cease to apply.

Dividends are recognised as financial income from investments when the right to collect them is established, which generally coincides with the shareholders' resolution.

Subsidiaries
Subsidiaries are companies over which Indesit Company S.p.A. exercises control by virtue of the power to determine, directly or indirectly, their financial and operating policies and to obtain benefits from their activities. In general, companies in which Indesit Company S.p.A. 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.

Associates
Associates are those entities over which Indesit Company S.p.A. exercises significant influence, but does not control their operations or have the power to determine their financial and operating policies or obtain benefits from their activities. In general, companies in which Indesit Company S.p.A. 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.

Trade receivables

When first recorded, trade receivables are stated at the fair value of the initial consideration, as increased by the related transaction costs. Receivables normally fall due within one year and arise in the context of market interest rates that are not particularly high. Accordingly, if the receivables were generated as a result of the sales invoicing process, the invoiced amount is generally deemed to represent fair value. In the case of advances, fair value is represented by the amount of the cash movement or equivalent transaction.

Subsequent to initial recognition, receivables are measured at amortized cost, being their initially-recognised amount, net of any payments or services received and any impairment losses. Impairment losses are estimated by determining the allowance for doubtful accounts, as described in the accounting policies adopted for the preparation of the separate financial statements.

If the above criterion (nominal value) is not used at the time of initial recognition, amortized cost also takes account of the amortization accumulated using the effective interest method.

If the impairment loss decreases in a later period, the loss previously recorded is partly or fully reversed and the amount of the receivable is restored to an amount that does not exceed the amortized cost that would have been reported had the loss not been recognised.

Trade receivables sold with or without recourse, for which all the conditions established in IAS 39 for the derecognition of financial assets do not apply, continue to be reported in the statement of financial position, 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, as increased by the transaction costs incurred to acquire them. Subsequently, they are measured at amortized cost using the effective interest method, net of any impairment losses.

Financial assets held for trading are classified as current assets and measured at fair value, with the 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 maturing beyond 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 credited 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 reporting 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 with reference to their lifecycles and stock rotation statistics that take account of both past and forecast consumption.

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.

Impairment of assets

At each reporting date, the carrying amounts of the Company's 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 recorded assets of a Cash Generating Unit (CGU) have suffered an impairment loss, their recoverable amount is estimated and any excess 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 other assets.

The recoverable value of CGUs to which goodwill and intangible assets with an indefinite useful life have been allocated is verified by determining their value in use, being the value of expected cash flows discounted using a rate that reflects the specific risks of the individual CGUs at the measurement date. In applying this method, management uses many assumptions, including estimates for the changes in sales, gross profit, operating costs, the growth rate for terminal values, capital investment, the changes in operating capital and the weighted-average cost of capital (discount rate), which contribute to the preparation of a medium-term plan specifically for the purpose of carrying out impairment test. This plan is updated annually and approved by the Parent's Board of Directors.

The recoverable amount of investments in securities held to maturity and receivables recorded at amortized 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 a market rate.

Impairment losses on goodwill are not reversed. Any impairment losses on securities held to maturity and receivables stated at amortized cost are reversed if any subsequent increases in their recoverable amount can be determined on an objective basis.

If the impairment loss associated with an individual asset cannot be determined, the Group identifies the impairment losses of the CGU to which it belongs.

With reference to the Group, the value of intangible assets with an indefinite life is subjected to impairment test at least once every year. The tests performed as of 31 December 2011 and 31 December 2010 did not identify any need to adjust the carrying amount.

The recoverable amount of the CGUs deemed significant for impairment test purposes is based on their value in use, determined by applying DCF (Discounted Cash Flows) techniques over a three-year period considering the forecasts prepared by management and approved by the directors. The principal assumptions made in relation to the CGUs deemed significant for impairment test purposes are set out in note 9.10 to the consolidated financial statements, to which reference is made.

The impairment test on the UK CGU and the Group CGU were carried out internally and approved by the directors. An independent, third-party expert has issued a report on the fairness of the valuation methods and parameters used in the impairment test process. The impairment test carried out are also deemed to be significant for the purpose of verifying the recoverability of the Company's own non-current assets and equity investments.

Share capital

Share capital, including the portion represented by savings shares, is stated at nominal value. The repurchase of treasury shares, stated at cost including related charges, is recorded as a change in equity; the nominal value of treasury shares is 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 amortized cost using the effective interest method. The difference between amortized cost and repayment value is recognised 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.

If Indesit Company S.p.A. agrees to reimburse a third party on the insolvency of a specified debtor, this guarantee is initially recorded at the fair value of the consideration received and, subsequently, at the amount determined in accordance with IAS 37 or, if greater, at the amount initially recognised less the amount released on a pro-rata temporis basis to the income statement in accordance with IAS 18, where applicable.

Guarantees given without charge to subsidiaries are measured at fair value and added to the carrying amount of the equity investment.

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 measured at amortized 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 employee pensions and other benefits deemed to represent defined contribution plans are charged to the income statement on an accruals basis. The net liability to employees under defined benefit plans, principally represented by post-employment benefits in Italy, is recorded at the expected future value of the benefits to be received by employees and accrued by them in the current and prior years. These benefits are discounted and the resulting obligation is stated net of the fair value of any pension plan assets. The net obligation is determined separately for each plan using actuarial assumptions and is calculated at least each year, or more frequently, with the support of an independent actuary using the projected unit credit method. The benefits are discounted using the rate for a bond with an AA rating and a maturity date that is consistent with the timing of the related payments to employees. The actuarial gains and losses arising subsequent to 1 January 2004, the IFRS transition date, are recorded in the income statement on a straight-line basis over the residual working lives of employees, to the extent that their cumulative net value exceeds by more than 10% the greater of: the total liability arising under defined benefit plans 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 post-employment benefits 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.

Stock option

The remuneration paid to employees and directors by the granting of stock option 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 option, 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 recorded to cover 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 the related obligations will crystallise 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 expense.

The principal liabilities covered by provisions are described below.

Warranties
Provisions for legally-required and voluntary warranty costs are recorded at the time the related products are sold. The provision is determined with reference to the call rate for the products still under warranty (call rate), the period of time between the sale of the finished products to distributors and the start of the warranty period (sell in - sell out), and the average unit cost of the work performed.

Restructuring
The costs of a restructuring plan are recorded at the time a constructive obligation arises, such as when the Company informs interested parties about the restructuring plan or makes sufficiently specific announcements which induce interested parties to believe that the related obligations will be met.

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

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

At the start, the Directive established different levels of responsibility, for products put on the market up to 13 August 2005 (old waste) and for those put on the market subsequently (new waste).

For the first (old waste), manufacturers were required to incur the related disposal costs on a collective basis. Compliance with this obligation involved:
- the creation of consortiums dedicated to the collection and disposal of waste products;
- the reallocation of the related consortium costs in proportion to the market share of each manufacturer in the year in which such costs were incurred;
- and the possibility of financing disposal activities, for a transitional period of 8 years (from 2005), by uplifting the selling prices of products by a so-called visible fee.

For the second (new waste), the principle of individual responsibility was applied, making each manufacturer responsible for the cost of disposing of the products that it put on the market.

On implementing the WEEE Directive, the regulations governing the treatment of new waste in numerous EU countries maintained the principle of individual responsibility established in the Directive, but allowed compliance through a system of collective disposal using a mechanism that is essentially consistent with that applied for the disposal of old waste. Accordingly, manufacturers have been allowed to delegate the collection and disposal of new waste to consortiums that allocate their costs using criteria in line with those mentioned above in relation to old waste. Italian legislation imposes individual responsibility for the collection and disposal of new waste, allowing manufacturers to comply with their obligations by registering with a collective system.

The Company has taken advantage of this opportunity by electing to manage its collection and disposal activities through the collective system operated by the ECODOM consortium.

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 are 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 proceeds from the disposal of raw materials and scrap. Revenue from services is recorded in the income statement based on their stage of completion at the reporting date, determined with reference to the work performed or, alternatively, to the percentage of completion with respect to the total.

Dividends

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

Grants

Grants from the Government or other bodies, recognised in the form of direct payments or tax benefits, are recognised as deferred income in the statement of financial position, among other liabilities, at the time their collection become reasonably certain and when compliance with all the requirements to obtain them is assured. They are recognised as revenue in the income statement on a systematic basis in order to match the accounting recognition of the costs for which such grants were made (capital grants).

Operating grants are taken to the income statement at the time the requirements for their recognition are met, and when it becomes certain that they will be recognised in order to offset the eligible costs.

Other revenue and income

Other income includes all forms of non-financial revenue not covered above and is recognised on the basis described in relation to revenue from goods sold and services rendered. This includes the capitalisation of internal development costs, where appropriate, and any internal construction 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.

Materials, services, leases and rentals

This caption comprises the cost of purchasing raw materials, components, outsourced direct and indirect processing, and production, commercial, distribution and administrative services.

Payroll costs
Payroll costs comprise remuneration, social security expenses, expenses in relation to defined benefit and/or defined contribution plans - principally represented by the post-employment benefits, and the cost of leaving and redundancy incentives.

Depreciation, amortisation and impairment losses
This caption comprises the expenses for the depreciation and amortization of property, plant and equipment and intangible assets over their useful lives, and the related impairment losses determined on the basis described in the Impairment of assets paragraph.

Provisions and other operating expenses
This caption comprises the provisions for specific risks and allowance for doubtful accounts, as well as such other expenses as indirect taxation, general expenses, losses of the disposal of property, plant and equipment and donations.

Financial income
Financial income includes the interest income earned on all forms of loan, cash discounts allowed by suppliers for early payment with respect to the agreed terms of purchasing, financial income from cash and cash equivalents, exchange rate gains and the economic effects recorded in the income statement of measuring the transactions that hedge interest rate and currency risks.

Financial expenses
Financial expenses include the interest charged on all forms of borrowing, cash discounts allowed to customers for early payment with respect to the agreed terms of sale, exchange rate losses and the economic effects recorded in the income statement of measuring the transactions that hedge interest rate and currency risks.

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 taxes and the changes in deferred tax assets and liabilities. Current taxes are based on an estimate of the amount that Indesit Company S.p.A. expects will be paid, determined by applying the tax rate in force on reporting date.

Deferred tax assets and liabilities are recognised 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 Company's separate financial statements. Deferred tax assets and liabilities are 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 reporting 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 tax periods when the related temporary differences are forecast to reverse or expire.

Deferred tax assets are recognised to the extent it is probable that sufficient future taxable income will be available to recover them. 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 to offset exists.

Deferred taxation is recorded in relation to the distributable retained earnings 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 recorded 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 statement of financial position at the time of disposal, or when they meet the conditions for classification as assets held for sale.

Earnings per share

Earnings per share is calculated and presented at Group level. See note 9.19 to the consolidated financial statements.

5.2 Amendments and revised accounting standards applied for the first time by the Group

In amending IAS 24 – Related Party Disclosures, the IASB has simplified the information that must be supplied about related parties when the latter are public bodies. A new definition has also been provided, under which all direct relationships bound by controlling or significant influences or by joint-control, and the presence of controlling influences or joint-control in even just one part of the relationship, represent transactions between related parties regardless of their legal nature.

The IASB amendments issued in May 2010 were enacted by European Commission Regulation 149/2011. The accounting standards concerned and the related amendments are listed below.

IAS 1 – *Presentation of Financial Statements:*
- the amendment further clarifies how to prepare the statement of changes in equity, introducing in particular the obligation to include the reconciliation of changes in each component of equity, along with an analysis of the other items reported in the statement of comprehensive income, in the notes or on the face of the financial statements.

IAS 34 – *Interim Financial Reporting:*
- the improvement clarifies, using examples, the events and transactions for which disclosure must be provided, if they are believed to be significant. It is now necessary to clarify those changes in the period that influenced the fair value of financial instruments, transfers between levels of fair value in the hierarchies used to measure financial instruments, and changes in the classification of financial instruments as a result of changes in how and why they are used. The obligation to provide information about any changes in contingent assets or liabilities subsequent to year end has been eliminated.

IFRS 7 – *Financial Instruments, Disclosures:*
- the improvement introduces the obligation to include qualitative information together with the quantitative disclosures that allow users of the financial statements to correlate information and obtain an overview of the nature and extent of the risks arising from financial instruments; the disclosures must also now describe the interaction between the qualitative and quantitative information regarding the nature and extent of the risks arising from financial instruments;
- the obligation to provide disclosures about overdue financial assets that have been renegotiated or impaired has been eliminated.

5.3 Amendments and interpretations applicable from 1 January 2011 but not relevant to the Group

The accounting standards and related amendments are listed below.

IFRS 1 – *First-time Adoption of International Financial Reporting Standards:*
- the amendment exempts businesses adopting international financial reporting standards for the first time from the obligation to disclose changes in their accounting policies in the year of adoption;
- clarification is also provided on how to use fair value instead of historical cost.

IFRS 3 – *Business Combinations:*
The improvement clarifies that the measurement of non-controlling interests at fair value, or in proportion to their interest in the net identifiable assets of the acquired entity, is limited solely to instruments giving them current rights equivalent to those of ordinary shares including, in particular, the right to obtain a proportionate share of its net assets on liquidation. All other components of non-controlling interests (for example, preference shares or warrants issued to non-controlling interests by the acquiree) must be measured at fair value, unless stated otherwise in the IFRS.

The improvement also provides accounting guidance on how to replace the acquiree's share-based incentive plans with those of the acquirer.

In addition, the updated version of IFRS 3 introduces changes regarding:
- the rules for the step acquisition of subsidiaries;
- the possibility of measuring at fair value any non-controlling interests purchased in a partial acquisition;
- the charge to the income statement of all transaction costs associated with the business combination;
- the recognition at the acquisition date of the liability for contingent considerations.

IFRIC 13 – *Customer Loyalty Programmes:*
- fair value measurement for reward points is introduced.

IAS 32 – *Financial instruments, Presentation:*
- the amendment requires, under certain circumstances, that foreign currency rights be classified in equity regardless of the currency in which the exercise price is denominated.

IFRIC 19 – *Extinguishing financial liabilities with equity instruments*
The amendment establishes that:
- the equity instruments issued must be commensurate with the price paid;
- equity instruments are measured at fair value on the extinguishment date. Where fair value cannot be measured reliably, measurement should reflect the fair value of the liability extinguished;
- any difference between the consideration paid and the carrying amount of the financial liability extinguished must be recognised in the income statement;
- the standard does not apply to operations under joint control or to transactions between shareholders and creditors;
- with regard to partial re-issues, the consideration paid must be allocated between the extinguished liabilities and those remaining. A 10% check must be made to verify the substantial modification of the liability and transaction costs can only be deferred if the changes made were not substantial.

5.4 New accounting standards and amendments not applicable in 2011 and not adopted early

The accounting standards and related amendments are listed below.

IAS 27 – *Consolidated and separate financial statements:*
- the standard was amended in light of the introduction of IFRS 10. The amendment establishes that separate financial statements are no longer required; however, if they are produced, they fall within the scope of this standard. The amendment concerns: the accounting treatment of investments in subsidiaries, associates and joint venture, to be recorded at cost or as specified in IFRS 9; the recognition of dividends; Group reorganisations and related disclosure requirements.

IFRS 10 – *Consolidated Financial Statements* and IFRS 12 – *Disclosure of Interests in Other Entities*
The Board has:
- revised the definition of control and the related guidelines so that all entities apply the same control model; and
- improved the disclosures made about consolidated and non-consolidated entities.

The Board has provided full guidelines for establishing when to consolidate a vehicle company or an entity in which a controlling or potential controlling interest is not held.

In short, control exists when it can be demonstrated that the investor has the power to decide the operations of the business in which it has invested (investee), is exposed to fluctuations in the returns from the business and can use its own power to influence such returns.

On 12 May 2011, the IASB published IFRS 10 – *Consolidated Financial Statements* and IFRS 12 – *Disclosure of Interests in Other Entities*.

IFRS 11 – Joint Arrangements
The Board has improved:
- the accounting treatment of Joint Venture agreements, defining a principle-based approach under which the entity recognises in its financial statements the contractual rights and obligations deriving from the agreement;
- the quality of the disclosure provided, to give investors a better understanding of the nature and financial effects of the transaction completed.

The IASB has identified three categories of joint arrangements: joint operations, joint assets and joint ventures. To establish the category of a joint arrangement, the substance of the agreement must be taken into consideration, and not just the form. By contract, participants in joint operations and joint assets acquire rights over a specific asset (or part of an asset) and/or assume a given liability (or part of a liability), whereas in joint ventures, participants acquire rights over part of the results generated by the group of assets and liabilities jointly controlled by all venturers. The contracting party in a joint operation or joint asset recognises in its financial statements the assets (or share of assets) acquired and the liabilities (or share of liabilities) it assumes as a result of the agreement, along with the related costs and income (or share of costs and income); the contracting party in a joint venture, on the other hand, recognises in its consolidated financial statements the equity interest held in the joint venture, as measured using the equity method. Hence the proportional consolidation of joint venture is no longer permitted. It is assumed that a business subject to joint control is a joint venture, unless circumstances (i.e. contractual rights and obligations) prove the opposite.

On 12 May 2011, the IASB published IFRS 11 – *Joint Arrangements* to replace IAS 31 – *Interests in Joint Ventures*.

IFRS 13 – Fair Value Measurement

On 12 May 2011, the IASB published IFRS 13 – *Fair Value Measurement*, in which the Board:

- clarifies the definition of fair value;
- establishes a single framework for the measurement of fair value;
- provides clarification and operating guidelines for the determination of fair value (including in illiquid or inactive market situations).

The entity must therefore provide disclosures that allow the users of financial statements to understand the measurement techniques and input used to measure the fair value of an asset or liability.

IFRS 9 – Financial Instruments

This standard, applicable from 1 January 2015 on a retrospective basis, represents the first step in a process to replace IAS 39 in its entirety and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, in relation to financial assets, the new standard adopts just one method, based on the way financial instruments are managed and on the characteristics of the contractual cash flows deriving from the financial assets concerned, to determine the applicable measurement criteria. This replaces the various rules envisaged in IAS 39. The main modification in relation to financial liabilities, on the other hand, relates to the accounting treatment of changes in their fair value through profit or loss, if such changes are caused by variations in the creditworthiness of the liability concerned. Under the new standard, such changes must be recognised in Other comprehensive income and no longer recognised in the income statement.

IAS 19 – Employee Benefits

This standard was amended with the issue of a new version in June 2011. The new standard, not yet endorsed by the European Union and applicable on a retrospective basis from the financial year beginning on 1 January 2013, eliminates the option to defer the recognition of actuarial gains and losses by using the corridor method. The statement of financial position will have to disclose the fund deficit or surplus in its entirety, with separate recognition in the income statement of payroll-related costs and the net financial expenses, and recognition as part of the Other comprehensive income of the actuarial gains and losses deriving from the annual re-measurement of assets and liabilities. In addition, the asset yield included among the net financial expenses will have to be calculated using the discount rate applied to the liabilities, rather than the expected yield. Lastly, the amendment introduces new disclosures to be made in the notes to the financial statements.

6. Notes to the income statement, statement of financial position and cash flow statement

INCOME STATEMENT

6.1 Revenue from sales and services

Revenue from the sale of goods and the provision of services is analysed as follows:

(million euro)	31.12.2011	31.12.2010
Revenue from sale of finished products and spare parts	1,087.2	1,216.7
Revenue from provision of services	20.9	21.5
Total	**1,108.1**	**1,238.2**
of which		
– intercompany	620.8	687.8
– third parts	487.3	550.4

Revenue from Italian customers was 420.7 million euro (467.9 million euro), while revenue from foreign customers was 687.5 million euro (770.3 million euro), of which 620.8 million euro (687.8 million euro) was from subsidiaries.

Sales revenues from subsidiaries is analysed as follows:

(million euro)	31.12.2011	31.12.2010
Sales revenues from subsidiaries		
Indesit Company Portugal Electrodomésticos S.A.	12.4	17.5
Indesit Electrodomesticos S.A.	15.3	20.2
Indesit Company France S.A.	125.9	137.1
Indesit Company Deutschland GmbH	10.1	9.7
Indesit Company International B.V.	23.2	23.5
Indesit Company Polska Sp.zo.o.	45.6	46.4
Indesit Company International Business S.A.	82.7	103.5
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	27.9	31.2
Indesit Company Magyarország Kft	11.4	21.6
Indesit Company UK Ltd.	170.5	170.9
Indesit Argentina S.A.	2.1	9.1
Closed Joint Stock Company Indesit International	–	7.1
Indesit Österreich Ges. mbH	19.5	19.4
Indesit Company Rus Ltd.	74.2	70.6
Total subsidiaries	**620.8**	**687.8**

As in prior years, the Group's transfer prices were determined using the cost-plus method, which envisages the application of an uplift with respect to production cost. The fairness of such transfer prices was checked by applying the Transactional Net Margin Method (TNMM), as required by the regulations, normal practice in Italy and the OECD Guidelines (or Directives).

Invoicing to Group companies is denominated in euro.

The volume of Group sales to third parties of household appliances produced in Italian factories fell by 11.7% in 2011, compared with an overall reduction of 0.7%. The weighting of production at

Italian locations with respect to the total sales of finished products fell from 39.5% in 2010 to 35.1% in 2011.

This reduction was mainly due to lower sales in the markets served by Italian production, above all Italy where the weighting of Italian manufactured products was stable at about 73%, while Industry Shipment dropped sharply (down 10.3%).

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.

6.2 Change in work in progress, semi-finished and finished products

The change in inventories of semi-finished and finished products and spare parts is summarised below:

(million euro)	**31.12.2011**	**31.12.2010**
Semi-finished products	0.1	(0.1)
Finished products and spare parts	0.7	(2.7)
Total	**0.8**	**(2.9)**

The change in inventories of raw materials, semi-finished and finished products, and spare parts is reported net of the change in the provision for obsolescence, which was negative for 2.1 million euro (positive for 1.1 million euro).

6.3 Other revenue and income

Other revenue and income are analysed as follows:

(million euro)	**31.12.2011**	**31.12.2010**
Increase in intangible assets for internal work	15.8	14.2
Insurance reimbursement	0.1	0.1
Recharge of services and royalties	64.1	60.8
Capital gains	0.1	0.6
Operating grants	4.1	4.3
Capital grants	1.1	1.3
Steel grants for export	0.7	1.1
Other income	5.1	4.2
Total	**91.1**	**86.5**

The increase in intangible assets for internal work principally relates to the capitalisation of development costs.

The operating grants caption reflects grants received from European organisations and other entities [4].

4. Including, in the prior year, participation as part of the CO–ENV consortium in the research project entitled "CO–ENV: Environments and innovative instruments for the collaborative design and development of configurable manufacturing products" authorised by concession decree no. 01396 dated 28.10.2008, project no. D05/0572/00/X08, Law no. 46/82 – TIF – Strategic Business Processes. The project commenced on 03.05.2007 and was completed on 02.05.2010.

The recharge of services and royalties relates to the reallocation of the cost of IT, commercial and logistical services incurred by the Company on behalf of Group companies (cost sharing), as well as to income deriving from the concession of rights to use the Hotpoint and Indesit brands to manufacturing subsidiaries (royalties).

The Recharge of services and royalties caption is analysed by company in the following table.

(million euro)	31.12.2011	31.12.2010
Recharge of services and royalties to subsidiaries		
Indesit Company Portugal Electrodomésticos S.A.	0.7	0.8
Indesit Electrodomesticos S.A.	0.9	1.0
Indesit Company France S.A.	5.4	4.8
Indesit Company Deutschland GmbH	0.4	0.3
Indesit Company International B.V.	0.5	0.5
Indesit Company Polska Sp.zo.o.	20.6	20.3
Indesit Company International Business S.A.	2.6	3.4
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	9.9	9.6
Indesit Company Magyarország Kft	1.2	1.2
Indesit Company UK Ltd.	12.4	11.2
Closed Joint Stock Company Indesit International	9.4	7.6
Indesit Ukraine LLC	0.2	–
Total subsidiaries	**64.1**	**60.8**

The increase with respect to the prior year primarily reflects recharges made to Indesit Company UK Ltd., 1.2 million euro, and to Closed Joint Stock Company Indesit International, 1.8 million euro. The effect on the latter was due to an increase in production for the Indesit and Hotpoint brands.

6.4 Materials, services, leases and rentals

This caption comprises:

(million euro)	31.12.2011	31.12.2010
Purchase of raw materials, components and goods	(775.7)	(858.3)
Maintenance	(9.5)	(10.3)
Distribution expenses	(67.6)	(72.5)
Advertising	(31.3)	(31.1)
Technical assistance	(7.4)	(10.5)
Services	(21.4)	(22.5)
Remuneration paid to statutory auditors	(0.2)	(0.1)
Utilities	(9.9)	(9.6)
Use of third parties	(8.7)	(9.5)
Insurance	(2.3)	(1.6)
Other expenses	(37.5)	(39.5)
Revenue from the sale of raw material	38.9	37.7
Revenue from the recharge of expenses	11.2	12.9
Total	**(921.3)**	**(1,014.8)**

The caption Costs for raw materials and commodities, services and leases includes the cost of purchasing finished products and, to a lesser extent, raw materials and services from subsidiaries, as analysed below.

Below the composition of purchase of finished products, raw materials and services to subsidiaries:

(million euro)	**31.12.2011**	**31.12.2010**
Purchase of finished products, raw materials and services to subsidiaries		
Indesit Company Appliances Hellas Mepe	(1.9)	(1.9)
Indesit Österreich Ges. mbH	(1.6)	(1.8)
Indesit Company Bulgaria Ltd.	(1.2)	(1.2)
Indesit Company Norge Ltd.	(2.1)	(0.9)
Indesit Company International Business S.A.	(0.8)	(0.9)
Indesit Company UK Ltd.	(22.7)	(15.2)
Indesit Company Portugal Electrodomésticos S.A.	(0.9)	(0.9)
Indesit Electrodomesticos S.A.	(0.2)	(0.1)
Indesit Company IP S.r.l.	(0.1)	(0.1)
Indesit Company France S.A.	(1.4)	(1.1)
Indesit Company Deutschland GmbH	(0.8)	(0.7)
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	(0.7)	(0.6)
Indesit Company Beyaz Esya Pazarlama A.S.	(28.3)	(40.5)
Indesit Company Polska Sp.zo.o.	(101.5)	(114.8)
Closed Joint Stock Company Indesit International	(0.2)	(0.2)
Aeradriatica S.p.A.	(2.3)	(2.6)
Indesit Company International BV	(0.1)	(0.1)
Indesit Company Magyarország Kft	–	(0.2)
Wuxi Indesit Domestic Appliance Technology Co. Ltd.	(1.1)	(0.4)
Indesit Company Rus Ltd.	(0.3)	(0.0)
Indesit Company International BV - rep. office	(0.0)	(0.0)
Total subsidiaries	**(168.3)**	**(184.1)**

The decline in total costs mainly reflects the lower volume of production and sales. This has resulted in reduced purchasing costs for raw materials, components and goods, which were only partially offset by the rise in prices. The reduction in transportation volumes also resulted in a fall in distribution expenses.

This caption includes the cost of purchasing finished products and, to a lesser extent, raw materials and services from subsidiaries, as analysed below.

These are analysed by Group company in the following table.

(million euro)	31.12.2011	31.12.2010
Revenue from the sale of raw materials to subsidiaries		
Indesit Company Polska Sp.zo.o.	3.7	3.6
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	0.1	0.1
Indesit Company UK Ltd.	0.0	–
Closed Joint Stock Company Indesit International	0.2	0.2
Indesit Company Beyaz Esya Pazarlama A.S.	–	–
Indesit Company Magyarország Kft	–	0.0
Indesit Company France S.A.	–	–
Indesit Company Rus Ltd.	0.0	–
Indesit Company Portugal Electrodomésticos S.A.	–	0.0
Total subsidiaries	**4.0**	**3.8**

The Revenue from the recharge of expenses caption relates to amounts, other than cost sharing and royalties, recharged to Group companies and to the Parent.

This caption is essentially unchanged with respect to the prior year.

These are analysed by subsidiary and Parent in the following table.

(million euro)	31.12.2011	31.12.2010
Revenue from the recharge of expenses to subsidiaries		
Indesit Company Portugal Electrodomésticos S.A.	0.3	0.3
Indesit Electrodomesticos S.A.	0.4	0.4
Indesit Company France S.A.	1.1	1.3
Indesit Company Deutschland GmbH	0.1	0.1
Indesit Company International BV	0.2	0.3
Indesit Company Polska Sp.zo.o.	0.7	0.7
Indesit Company International Business S.A.	0.6	2.0
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	0.1	0.3
Indesit Company Magyarország Kft	1.8	2.0
Indesit Company Ceská S.r.o.	0.0	0.0
Indesit Company UK Ltd.	1.4	1.0
Indesit Osterreich Ges. mbH	0.0	0.1
Closed Joint Stock Company Indesit International	1.6	2.8
Aeradriatica S.p.A.	0.1	0.1
Indesit Company Rus Ltd.	2.3	1.6
Indesit Company IP S.r.l.	0.0	0.0
Indesit Company Belgium S.A.	–	–
Indesit Company Beyaz Esya Pazarlama A.S.	0.3	0.0
Indesit Company International BV – rep. office	0.0	0.0
Total subsidiaries	**11.1**	**12.9**
Parent		
Revenue vs Fineldo	0.0	0.1
Total Parent	**0.0**	**0.1**
Total subsidiaries and Parent	**11.2**	**12.9**

6.5 Payroll costs

Payroll costs are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Wages and salaries	(149.8)	(161.5)
Social security and pension contributions	(45.3)	(47.8)
Post-employment benefits	(10.5)	(10.0)
Other expenses	(7.1)	(3.7)
Total	**(212.7)**	**(223.0)**

The decrease in payroll costs mainly reflects a reduction in wages and salaries by 11.7 million euro. In particular, cost control measures resulted in a reduction in employment and there was a decrease in the variable element of remuneration.

The Social security and pension contributions caption principally comprises pension contributions amounting to 45.3 million euro (47.8 million euro).

The Other expenses caption comprises employee insurance, 1.3 million euro (1.3 million euro), temporary workers, 4.7 million euro (1.5 million euro), accident and illness costs, 1.0 million euro (1.1 million euro), other payroll costs, 2.6 million euro (2.5 million euro) and amounts recharged to Group companies, 2.5 million euro (2.7 million euro).

Subordinate are analysed by category below:

	Subordinate 31.12.2011		Subordinate 31.12.2010		Monthly
Qualification	**Permanent**	**Temporary**	**Permanent**	**Temporary**	**average 2011**
Executives	115	–	103	–	112
Managerial staff	274	–	270	–	280
Clerical staff	979	70	1,007	62	1,049
Factory workers	3,177	3	3,405	9	3,267
Total	**4,545**	**73**	**4,785**	**71**	**4,708**

6.6 Depreciation, amortisation and impairment losses

(million euro)	31.12.2011	31.12.2010
Depreciation of property, plant and equipment	(33.6)	(43.5)
Depreciation, amortisation of intangible assets	(25.6)	(26.1)
Total	**(59.3)**	**(69.6)**

Depreciation and amortization tangible assets has decreased due to a reduction in impairment losses on buildings recognised as a consequence of implementing the restructuring plans.

6.7 Change in raw materials, auxiliary and components

The change in inventories of raw materials is reported net of the change in the provision for obsolescence, which reflects the net utilisations of 0.5 million euro (0.2 million euro).

6.8 Provisions and other operating expenses

Provisions and other operating expenses are analysed in the following table.

(million euro)	31.12.2011	31.12.2010
Provision for doubtful accounts	(2.7)	(4.6)
Liberal disbursement	(0.6)	(0.8)
ICI (local property tax)	(0.7)	(0.8)
Associative contribution	(1.0)	(1.1)
Expenses for licences and brands	(4.9)	(4.7)
Provisions and other operating expenses	(0.4)	(34.4)
Total	**(10.4)**	**(46.3)**

The caption Expenses for licences and brands comprises the related filing expenses, as well as the expenses of purchasing materials and carrying out studies and tests as part of research projects.

The caption Provisions and other operating expenses includes provisions to and utilisations of the provisions for risks, as well as all residual income and expenses.

The reduction in Provisions and other operating expenses by 34.0 million euro was principally due to lower accruals to the provision for restructuring, down 18.5 million euro and to the provisions for disputes, down 5.9 million euro, for environmental costs, down 5.0 million euro, and for fiscal risks and other provisions, down 3.9 million euro.

6.9 Operating profit and non–recurring items

As required by Consob Communication DEM/6064293 dated 28 July 2006, the significant non-recurring income and expenses described above are detailed in the following table.

(million euro)	31.12.2011	31.12.2010
Redundancies charges	(0.9)	(1.7)
Restructuring charges	(2.7)	(25.5)
Benefits for earthquake grants Law no. 103/2008	–	–
Environmental clean up	(0.2)	(8.2)
Other non recurring income (expenses)	0.5	(1.1)
Total	**(3.4)**	**(36.5)**

The reduction in net non-recurring expenses was mainly due to lower business reorganisation expenses associated with the closure of the factories at Brembate and Refrontolo in Italy, and to a significant decrease in the provisions for environmental costs linked to the replacement of asbestos roofing at the Italian factories.

The non-recurring expenses and income included in the various income statement captions are detailed below:

	31.12.2011					
(million euro)	Balances	Redundancies	Restructuring charges	Other non–recurring income (expenses)	Enviromental clean up	Total non–recuring items
Revenue from sales and services	1,108.1	–	–	–	–	–
Change in work in progress, semi-finished and finished products	0.8	–	–	–	–	–
Other income and expenses	91.1	–	–	0.3	–	0.3
Purchase of raw materials, services and costs for utilization of third party assets	(921.3)	–	(1.9)	(0.0)	(0.2)	(2.1)
Payroll costs	(212.7)	–	(2.8)	–	–	(2.8)
Depreciation, amortization and impairment losses	(59.3)	–	–	–	–	–
Change in raw materials, auxiliary and components	0.2	–	–	–	–	–
Provisions and other operating charges	(10.4)	(0.9)	2.0	0.3	–	1.3
Operating profit	**(3.5)**	**(0.9)**	**(2.7)**	**0.5**	**(0.2)**	**(3.4)**

Isolating the effect of recognising non-recurring items, the operating profit from continuing activities is indicated below:

(million euro)	31.12.2011	31.12.2010
Revenue	1,108.1	1,238.2
Operating profit (loss)	(3.5)	(34.8)
Operating margin %	**(0.3%)**	**(2.8%)**
Non recurring items	(3.4)	(36.5)
Operating profit of recurring activities	(0.2)	1.7
Operating margin of recurring activities %	**0.0%**	**0.1%**

The operating profit/loss (EBIT) was negative for 3.5 million euro (negative for 34.8 million euro), representing –0.3% of revenue (–2.8%).

Net non-recurring items was negative for 3.4 million euro (negative for 36.5 million euro).

Before non-recurring items, the operating profit was negative for 0.2 million euro (positive for 1.7 million euro).

The change in operating profit is analysed in the Report on operations.

Attachment 2 (Income statement for the year ended 31 December 2011, prepared pursuant to Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication DEM/6064293 dated 28 July 2006) to these notes summarises the overall effect of non-recurring items on the income statement.

Non-recurring items have an immediate cash flow effect, except for redundancies and restructuring costs whose cash flow effect is spread over a number of years consistent with the release of the related provisions in accordance with the matching principle and accruals basis of accounting.

6.10 Dividends from subsidiaries, associates and others

The dividends collected by the Company are detailed in the following table:

(million euro)	31.12.2011	31.12.2010
Subsidiaries		
Closed Joint Stock Company Indesit International	–	34.5
Indesit Company Rus Ltd.	30.2	–
Indesit Company Ceská S.r.o.	0.7	–
Indesit Company UK Finance Llp	–	–
Indesit Company Luxembourg S.A.	20.0	85.0
Indesit Argentina S.A.	0.1	0.0
Total subsidiaries	**51.0**	**119.6**

In 2011, Indesit Company S.p.A. received dividends from subsidiaries totalling 51.0 million euro (119.6 million euro).

6.11 Other financial income from subsidiaries

The other financial income deriving from subsidiaries is detailed in the following table.

(million euro)	31.12.2011	31.12.2010
Subsidiaries		
Indesit Company International Business S.A.	0.6	0.5
Indesit Company France S.A.	1.0	1.0
Indesit Company Portugal Electrodomésticos S.A.	0.0	0.0
Indesit Company UK Ltd.	0.1	0.0
Indesit Company Beyaz Esya Pazarlama A.S.	0.0	0.0
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	0.7	0.3
Indesit Company Magyarország Kft	0.0	0.1
Indesit Company Polska Sp.zo.o.	0.2	1.2
Indesit Company Luxembourg S.A.	0.1	0.0
Indesit Company International B.V.	0.0	0.0
Indesit Company Deutschland GmbH	0.0	0.0
Indesit Electrodomesticos S.A.	0.0	–
General Domestic Appliances Holdings Ltd.	0.1	0.0
Indesit Ukraine LLC	0.0	–
Other financial income from subsidiaries	–	–
Total subsidiaries	**2.8**	**3.3**

This caption Other financial income from subsidiaries is essentially unchanged.

6.12 Financial income from third parties

There was no financial income from third parties in 2011 or 2010.

6.13 Financial expenses from subsidiaries and associates

The financial expenses from subsidiaries and associates are detailed in the following table.

(million euro)	31.12.2011	31.12.2010
Subsidiaries		
Indesit Company International Business S.A.	(1.9)	(12.2)
Indesit Company Luxembourg S.A.	(6.5)	(5.5)
Indesit Company UK Ltd.	(0.1)	(0.1)
Indesit Company Portugal Electrodomésticos S.A.	(0.0)	(0.0)
Indesit Company Beyaz Esya Pazarlama A.S.	(0.1)	(0.1)
Indesit Company Magyarország Kft	(0.0)	(0.0)
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	(0.0)	(0.0)
Indesit Electrodomesticos S.A.	(0.0)	–
Indesit Company France S.A.	–	–
Indesit Company Polska Sp.zo.o.	–	–
Other subsidiaries		
Total subsidiaries	**(8.6)**	**(17.9)**

Financial expenses from Indesit Company International Business Sa have declined considerably, principally due to the closeout during 2011 of the interest rate swap that hedged short-term borrowing.

6.14 Financial expenses from third parties and the Parent

The interest expense incurred in relation to the various sources of finance is analysed in the following table.

(million euro)	31.12.2011	31.12.2010
Interest on medium/long–term bank loans and borrowings	(0.9)	(0.4)
Interest on short-term borrowing	(2.9)	(1.6)
Other interest and expenses	(9.4)	(8.4)
Total	**(13.2)**	**(10.4)**

Interest on short-term borrowing includes the cost of hot money, 2.9 million euro (1.6 million euro).

Other interest and expenses include expenses relating to the securitization program, 3.5 million euro (2.6 million euro); implicit financial expenses associated with the discounting of post-employment benefits, 1.8 million euro (2.0 million euro) and the effect of discounting other non-current provisions, 1.3 million euro (1.5 million euro); other interest and commission charges, 1.7 million euro (2.2 million euro); expenses linked to the revolving line of credit, 0.5 million euro (0.6 million euro); and current account interest expense, 0.6 million euro (0.2 million euro).

6.15 Exchange rate gains and losses

The following table analyses exchange rate fluctuations, identifying both realised and unrealised profits and losses.

(million euro)	31.12.2011	31.12.2010
Realised exchange rate fluctuations, net	(0.3)	(0.1)
Unrealised exchange rate fluctuations, net	(0.0)	(0.1)
Total	**(0.4)**	**(0.2)**

The level of exchange rate gains and losses is essentially stable.

6.16 Reversed of impairment losses on equity investments

No impairment losses on equity investments were reversed in 2011 or 2010.

6.17 Impairment losses on equity investments

The impairment losses on equity investments relate to the investments in Indesit Electrodomesticos S.A., 0.7 million euro, and in Aeradriatica, 0.2 million euro. Further information is provided in note 6.22.

6.18 Income tax

The taxation charged to the income statement is analysed below.

(million euro)	31.12.2011	31.12.2010
IRES	(3.0)	(2.0)
IRAP	(5.6)	(5.6)
Deferred tax assets, net	1.9	3.7
Prior year taxes	(8.7)	1.8
Other income taxes	(1.3)	(0.1)
Total	**(16.7)**	**(2.2)**

The following table reconciles the theoretical tax charge, determined using the reference tax rate, with the reported tax charge.

(million euro)	31.12.2011	31.12.2010
Profit before tax	27.2	58.1
Theoretical tax charge	(7.5)	(16.0)
Actual tax charge	(16.7)	(2.2)
Total difference	**(9.3)**	**13.8**
Reconciliation		
IRAP (current and deferred)	(5.6)	(5.7)
Dividends	9.3	28.2
Other effects	(12.9)	(8.7)
Total difference	**(9.3)**	**13.8**

Tax represents 61.6% (3.8%) of profit before tax (PBT).

The significant increase in the effective tax rate during the year was mostly due to the recognition of an extraordinary tax liability, 8.6 million euro, in relation to transfer pricing issues raised with Indesit Company by the Marche Tax Authorities.

The reduction in dividends collected in 2011 with respect to 2010 lowered by 18.9 million euro the positive effect of this source of income on the effective tax rate.

STATEMENT OF FINANCIAL POSITION

6.19 Property, plant and equipment

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

The change in property, plant and equipment reflects additions of 41.7 million euro to extend and renew the range of products, and disposals, net of the related accumulated depreciation, of 7.6 million euro.

The depreciation charge for the year was 33.6 million euro (35.1 million euro), but no impairment losses were recorded (8.5 million euro).

Unfulfilled orders placed for the supply of property, plant and equipment amount to 4.9 million euro.

The ownership of property is not restricted by liens and expenses and there are no significant finance leasing commitments.

The changes in historical cost are presented below:

(million euro)	31.12.2010	Additions	Depreciation and impairment losses	Decreases	Reclassifi-cations	Other movements	31.12.2011
Land and buildings	135.8	1.9	–	(14.2)	3.0	(0.0)	126.6
Plant and machinery	338.7	13.9	–	(19.6)	10.9	0.0	344.0
Industrial and commercial equipment	280.5	11.5	–	(26.0)	14.0	(0.0)	280.0
Assets under construction	29.0	13.7	–	–	(28.1)	0.0	14.6
Other assets	38.7	0.6	–	(1.4)	0.2	(0.0)	38.2
Total	**822.8**	**41.7**	**–**	**(61.1)**	**(0.0)**	**(0.0)**	**803.3**

(million euro)	31.12.2009	Additions	Depreciation and impairment losses	Decreases	Reclassifi-cations	Other movements	31.12.2010
Land and buildings	142.4	4.7	(11.7)	(0.5)	1.0	(0.0)	135.8
Plant and machinery	330.8	6.4	–	(1.3)	2.8	(0.0)	338.7
Industrial and commercial equipment	284.4	3.5	–	(8.9)	1.4	(0.0)	280.5
Assets under construction	5.6	28.7	–	–	(5.2)	0.0	29.0
Other assets	40.7	0.7	–	(2.8)	0.1	(0.0)	38.7
Total	**804.0**	**44.0**	**(11.7)**	**(13.5)**	**0.0**	**(0.0)**	**822.8**

The change in accumulated depreciation is presented below:

(million euro)	31.12.2010	Additions	Depreciation and impairment losses	Decreases	Reclassifi-cations	Other movements	31.12.2011
Land and buildings	(55.2)	–	(3.7)	7.0	–	(0.0)	(52.0)
Plant and machinery	(284.0)	–	(13.9)	19.4	–	(0.0)	(278.5)
Industrial and commercial equipment	(257.4)	–	(14.8)	25.6	–	(0.0)	(246.6)
Other assets	(35.8)	–	(1.2)	1.3	–	(0.0)	(35.7)
Total	**(632.5)**	**–**	**(33.6)**	**53.4**	**–**	**(0.0)**	**(612.7)**

(million euro)	31.12.2009	Additions	Depreciation and impairment losses	Decreases	Reclassifi-cations	Other movements	31.12.2010
Land and buildings	(54.9)	–	(0.3)	0.0	–	(0.0)	(55.2)
Plant and machinery	(270.4)	–	(14.9)	1.3	–	(0.0)	(284.0)
Industrial and commercial equipment	(251.1)	–	(15.1)	8.8	–	(0.0)	(257.4)
Other assets	(36.9)	–	(1.5)	2.6	–	(0.0)	(35.8)
Total	**(613.3)**	**–**	**(31.8)**	**12.7**	**–**	**(0.0)**	**(632.5)**

The change in net carrying amount is presented below:

(million euro)	31.12.2010	Additions	Depreciation and impairment losses	Decreases	Reclassifi-cations	Other movements	31.12.2011
Land and buildings	80.5	1.9	(3.7)	(7.1)	3.0	(0.0)	74.6
Plant and machinery	54.7	13.9	(13.9)	(0.1)	10.9	(0.0)	65.5
Industrial and commercial equipment	23.1	11.5	(14.8)	(0.4)	14.0	(0.0)	33.5
Assets under construction	29.0	13.7	–	–	(28.1)	0.0	14.6
Other assets	2.9	0.6	(1.2)	(0.0)	0.2	(0.0)	2.5
Total	**190.3**	**41.7**	**(33.6)**	**(7.6)**	**(0.0)**	**(0.0)**	**190.7**

(million euro)	31.12.2009	Additions	Depreciation and impairment losses	Decreases	Reclassifi-cations	Other movements	31.12.2010
Land and buildings	87.4	4.7	(12.0)	(0.5)	1.0	(0.0)	80.5
Plant and machinery	60.4	6.4	(14.9)	(0.0)	2.8	(0.0)	54.7
Industrial and commercial equipment	33.3	3.5	(15.1)	(0.1)	1.4	(0.0)	23.1
Assets under construction	5.6	28.7	–	–	(5.2)	0.0	29.0
Other assets	3.9	0.7	(1.5)	(0.2)	0.1	(0.0)	2.9
Total	**190.6**	**44.0**	**(43.5)**	**(0.8)**	**0.0**	**(0.0)**	**190.3**

Assets held for sale are related to a property in Italy owned by Indesit Company S.p.A.

6.20 Other intangible assets with a finite life

The changes in historical cost are presented below:

(million euro)	31.12.2010	Increases	Amortization and impairment losses	Decreases	Reclassification	Other movements	31.12.2011
Development costs	65.7	11.8	–	(0.1)	12.5	(10.6)	79.3
Licences and software	62.8	5.9	–	(0.9)	2.4	(3.8)	66.3
Brands with a finite life	0.1	–	–	–	–	–	0.1
Intangible assets under construction	15.6	7.6	–	–	(14.8)	(0.0)	8.3
Other intangible assets	0.1	0.1	–	–	–	(0.0)	0.2
Total	**144.3**	**25.4**	**–**	**(0.9)**	**0.0**	**(14.4)**	**154.3**

(million euro)	31.12.2009	Increases	Amortization and impairment losses	Decreases	Reclassification	Other movements	31.12.2010
Development costs	73.2	4.0	–	–	1.6	(13.1)	65.7
Licences and software	55.4	6.2	–	(0.3)	3.4	(1.8)	62.8
Brands with a finite life	0.1	–	–	–	–	–	0.1
Intangible assets under construction	7.4	13.1	–	–	(4.9)	(0.0)	15.6
Other intangible assets	0.1	–	–	–	–	–	0.1
Total	**136.2**	**23.3**	**–**	**(0.3)**	**0.0**	**(14.8)**	**144.3**

The change in accumulated amortization is presented below:

(million euro)	31.12.2010	Increases	Amortization and impairment losses	Decreases	Reclassification	Other movements	31.12.2011
Development costs	(40.3)	–	(15.4)	–	–	10.6	(45.1)
Licences and software	(32.8)	–	(10.2)	–	–	3.8	(39.2)
Brands with a finite life	(0.1)	–	–	–	–	(0.0)	(0.1)
Other intangible assets	(0.1)	–	(0.0)	–	–	0.0	(0.1)
Total	**(73.3)**	**–**	**(25.6)**	**–**	**–**	**14.4**	**(84.5)**

(million euro)	31.12.2009	Increases	Amortization and impairment losses	Decreases	Reclassification	Other movements	31.12.2010
Development costs	(37.9)	–	(15.5)	–	–	13.1	(40.3)
Licences and software	(24.0)	–	(10.6)	–	–	1.8	(32.8)
Brands with a finite life	(0.1)	–	(0.0)	–	–	–	(0.1)
Other intangible assets	(0.1)	–	(0.0)	–	–	(0.0)	(0.1)
Total	**(62.1)**	**–**	**(26.1)**	**–**	**–**	**14.8**	**(73.3)**

The change in net carrying amount is presented below:

(million euro)	31.12.2010	Increases	Amortization and impairment losses	Decreases	Reclassifi-cation	Other movements	31.12.2011
Development costs	25.4	11.8	(15.4)	(0.1)	12.5	(0.0)	34.2
Licences and software	30.0	5.9	(10.2)	(0.9)	2.4	(0.0)	27.1
Brands with a finite life	–	–	–	–	–	0.0	–
Intangible assets under construction	15.6	7.6	–	–	(14.8)	(0.0)	8.3
Other intangible assets	–	0.1	(0.0)	–	–	–	0.1
Total	**71.0**	**25.4**	**(25.6)**	**(0.9)**	**0.0**	**(0.0)**	**69.8**

(million euro)	31.12.2009	Increases	Amortization and impairment losses	Decreases	Reclassifi-cation	Other movements	31.12.2010
Development costs	35.3	4.0	(15.5)	–	1.6	(0.0)	25.4
Licences and software	31.4	6.2	(10.6)	(0.3)	3.4	0.0	30.0
Brands with a finite life	0.0	–	(0.0)	–	–	(0.0)	0.0
Intangible assets under construction	7.4	13.1	–	–	(4.9)	(0.0)	15.6
Other intangible assets	0.0	–	(0.0)	–	–	(0.0)	0.0
Total	**74.1**	**23.3**	**(26.1)**	**(0.3)**	**0.0**	**(0.0)**	**71.0**

Development costs capitalised, 11.8 million euro (4.0 million euro), mainly related to the new dryer platform at the Yate factory (UK), expansion of the range of washing machines at the Lipetzk factory (Russian Federation), development of the new range of Hotpoint "Luce" hobs at the Fabriano factory (Italy), the new EGE platform for double door refrigerators and combined fridge-freezers at the Manisa factory (Turkey), and the new built-in combined fridge-freezer platform to be developed at the Caserta factory (Italy).

The elimination of historical values resulted in the derecognition of historical costs totalling 10.6 million euro (13.1 million euro).

The amortization charge for the year was 15.4 million euro (15.5 million euro).

The increases in the Licences and software caption were, for software, 5.2 million euro (5.5 million euro), reflect the costs incurred to develop and enhance software programs and 0.7 million euro (0.6 million euro) in relation to software licences (SAP, Microsoft, etc.).

The elimination of the historical values resulting from the write-off of fully amortized assets was 2.7 million euro (1.8 million euro) for software and 1.1 million euro (0.0 million euro) for licences.

The amortization charge was 8.9 million euro (8.9 million euro) for the software and 1.4 million euro (1.7 million euro) for licences.

The Group's principal brands, Hotpoint and Indesit, are not recognised in the financial statements. The right to use the Hotpoint name in the UK and Ireland is owned by Indesit Company UK Ltd., while the right to use it in all other countries where the Group owns the name is held by Indesit Company Luxembourg S.A. The Hotpoint brand is used under licence by Indesit Company S.p.A.

Although the right to use the Indesit name is owned by Indesit Company S.p.A., it was derecognised from the financial statements in 2005, on the transition to IFRS, since it had already been fully amortized. The only brand recognised is therefore the Star brand, acquired on the merger of that company in 2003. The historical cost recognised, 0.1 million euro, has been fully amortized.

The licences capitalised, with an historical cost of 12.3 million euro, mainly relate to the right to use the Ariston brand, 6.8 million euro (accumulated amortization at 31 December 2011 of 3.8 million euro), as well as to the rights to use software, 5.5 million euro.

Other intangible assets relate to leasehold improvements. This caption increased by 0.1 million euro in 2011.

Intangible assets under construction principally comprise development costs of 5.0 million euro (12.9 million euro) and software and licences amounting to 3.3 million euro (2.7 million euro).

6.21 Investments in associates

Investments in associates are analysed below:

Company name (million euro)	**%**	**31.12.2011**	**31.12.2010**
TradePlace B.V.	20.00	0.5	0.5
Total associates		**0.5**	**0.5**

6.22 Investments in subsidiaries and other investments

Investments in subsidiaries and other investments comprise investments in subsidiaries, investments in companies which generally represent less than 20% of their equity capital or voting rights, and other non-current financial assets.

Investments in directly and indirect subsidiaries and other companies are analysed in the table below, which indicates the direct interest held.

Company name (million euro)	%	31.12.2011	31.12.2010
Subsidiaries			
Aeradriatica S.p.A.	100.00	20.3	20.5
Indesit Argentina S.A.	3.00	0.2	0.2
Indesit Company Luxembourg S.A.	100.00	68.1	68.1
Merloni Domestic Appliances Ltd.	19.60	13.6	13.6
Indesit Company Portugal Electrodomésticos S.A.	–	0.0	0.0
Indesit Electrodomesticos S.A.	78.95	–	–
Indesit Company Beyaz Esya Pazarlama A.S.	99.99	3.8	3.8
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	47.36	22.1	22.2
Indesit Company Ceská S.r.o.	100.00	0.0	0.0
Indesit Company Bulgaria Ltd.	100.00	0.0	0.0
Indesit Company Polska Sp.zo.o.	100.00	182.7	182.3
Indesit Company Rus Ltd.	100.00	0.1	0.1
Closed Joint Stock Company Indesit International	100.00	143.2	143.2
Indesit Company IP S.r.l.	100.00	0.0	0.0
Indesit Ukraine LLC	100.00	1.1	0.1
Total subsidiaries		**455.2**	**454.1**
Other companies			
Consorzio CONAI	0.07	0.0	0.0
Partecipation to Consorzio ECODOM	5.00	0.0	0.0
Consorzio delle Dennie – Investment	14.28	0.0	0.0
Distretto elettrodomestico S.c.a.r.l.	6.45	0.0	0.0
Emittente titoli S.p.A. – C/Investment	1.10	0.1	0.1
Unifabriano S.c.a.r.l. – Investment	10.41	0.0	0.0
Consorzio Calef – C/Investment	ND	0.0	0.0
Consorzio CO–ENV C/Investment	8.30	0.0	0.0
E&A Soc. Serv. Energ. Ambiente S.r.l. C/Investment	7.13	0.0	0.0
SPES S.p.A. C/Investment	ND	0.2	–
PROPLAST C/Investment	ND	0.0	–
Total other companies		**0.3**	**0.1**
Total investments in subsidiaries and other investments		**455.6**	**454.3**

The companies listed as subsidiaries despite being less than 50% owned are, through other subsidiaries, subject to the indirect control of the majority of their voting rights.

Further information about the overall control percentages is provided in Attachment 1 (List of companies consolidated on a line-by-line basis) to the consolidated financial statements.

The investments held by Indesit Company S.p.A. in other companies relates to unlisted companies whose 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. The cost of the securities held is analysed below.

The composition of and changes in equity investments are analysed below:

(million euro)	**31.12.2010**	**Increases**	**Impairment losses**	**Decreases**	**Reclassifi-cation**	**Other movements**	**31.12.2011**
Indesit Argentina S.A.	0.2	–	–	–	–	–	0.2
Indesit Company Bulgaria Ltd.	0.0	–	–	–	–	–	0.0
Indesit Company Ceská S.r.o.	0.0	–	–	–	–	–	0.0
Indesit Electrodomesticos S.A.	–	1.6	(0.7)	–	(0.9)	–	–
Merloni Domestic Appliances Ltd.	13.6	–	–	–	–	–	13.6
Indesit Company IP S.r.l.	0.0	–	–	–	–	–	0.0
Aeradriatica S.p.A.	20.5	–	(0.2)	–	–	(0.0)	20.3
Indesit Company Luxembourg S.A.	68.1	–	–	–	–	–	68.1
Indesit Company Polska Sp.zo.o.	182.3	–	–	–	–	0.4	182.7
Indesit Company Portugal Electrodomésticos S.A.	0.0	–	–	–	–	–	0.0
Indesit Company Rus Ltd.	0.1	–	–	–	–	–	0.1
Closed Joint Stock Company Indesit International	143.2	–	–	–	–	(0.0)	143.2
Indesit Company Beyaz Esya Pazarlama A.S.	3.8	–	–	–	–	–	3.8
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	22.2	–	–	–	–	(0.0)	22.1
Indesit Ukraine LLC	0.1	1.0	–	–	–	–	1.1

The increase in investments reflects payments on capital account made to Indesit Electrodomesticos S.A., 1.6 million euro, and to Indesit Ukraine LLC, 1.0 million euro.

Indesit Electrodomesticos S.A., a subsidiary, was impaired by 1.6 million euro as a result of losses incurred, of which 0.9 million euro was covered by a provision for risk recognised recorded previously and 0.7 million euro was expensed in 2011.

Aeradriatica, a subsidiary, was impaired by 0.2 million euro as a result of applying the equity method.

In relation to Indesit Company Polska Sp.zo.o., other changes reflect an increase of 0.4 million euro following the issue of a financial warranty for the borrowings of that company.

The cumulative impairment losses recorded are analysed in the following table.

Company name (million euro)	31.12.2011	31.12.2010
Indesit Company Beyaz Esya Pazarlama A.S.	4.3	4.3
Merloni Domestic Appliances Ltd.	10.6	10.6
Indesit Electrodomesticos S.A.	45.0	43.4
Aeradriatica S.p.A.	0.2	–
Radio A Korasidis AE	0.7	0.7
Total	**60.8**	**59.0**

There is no basis for the reversal of these impairment losses at the reporting date.

The carrying amount of investments is compared with their equity value in Attachment 5. The negative differences identified by that comparison essentially relate to Indesit Company Luxembourg S.A. which, operating as a sub holding company, holds control over, among others, the principal companies operating in the UK market. Their recoverable amount has been verified by impairment testing of the UK CGU, as discussed in the analyses of intangible assets with an indefinite useful life and of goodwill, presented in note 9.10 to the consolidated financial statements. Taking account of the results of these analyses, the difference between the carrying amount of the investment in Indesit Company Luxembourg Sa and its measurement using the equity method is deemed recoverable.

Similar negative differences with respect to their carrying amounts apply to Merloni Domestic Appliances, 3.8 million euro, Indesit Company Polska, 7.1 million euro, and Indesit Ukraine LLC, 0.8 million euro. With regard to Merloni Domestic Appliances, the recoverable amount of the entities of the UK CGU active in the UK market is tested for impairment annually. The impairment losses on Indesit Company Polska and Indesit Ukraine LLC are not deemed to be permanent, having regard for the related business plan.

6.23 Deferred tax assets

Deferred tax assets at 31 December 2011 amount to 24.0 million euro (20.5 million euro).

The analysis of deferred taxation and information about the deferred tax assets offset against deferred tax liabilities are provided in note 6.32.

6.24 Inventories

Inventories are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Raw materials	35.4	35.7
Obsolescence provision	(0.8)	(1.3)
Total raw materials	**34.6**	**34.4**
Finished and semi-finished products	64.2	62.2
Obsolescence provision	(4.8)	(3.0)
Total finished and semi-finished products	**59.4**	**59.2**
Spare parts	14.8	14.0
Obsolescence provision	(1.1)	(0.9)
Total spare parts	**13.7**	**13.1**
Total inventories	**107.6**	**106.7**

The obsolescence provision amounted to 6.7 million euro (5.2 million euro) and the net increase during the year was 1.6 million euro (1.3 million euro).

6.25 Trade receivables

Trade receivables comprise amounts due from customers as a result of commercial transactions and the provision of services, 406.0 million euro (465.5 million euro), stated net of the allowance for doubtful accounts of 17.3 million euro (16.3 million euro).

As part of its policy to diversify the sources of finance, the Indesit Group has devised a securitization program for the Parent and Indesit Company France S.a.s.

The securitization involves the without recourse sale of trade receivables, on a revolving basis, by the Parent and by Indesit Company France S.a.s. The receivables are acquired by vehicle companies financed by the issue of securities, whose repayment is guaranteed by the cash flows generated by the portfolio of receivables sold (asset-backed securities). There are two classes of asset-backed securities: senior securities that are placed in the market and subscribed for by financial investors; junior securities subordinated to the senior securities, that are taken up by Indesit Company International Business S.A., a subsidiary.

Control over the receivables is not transferred in full to the vehicle companies (the vehicle company that acquires the receivables of Indesit Company S.p.A. is Olympia Finance S.r.l.), since their use of them is restricted by the fact that they represent collateral for the redemption of the asset-backed securities issued to finance the securitization program. Accordingly, the trade receivables sold are not derecognised as an asset and, at 31 December 2011, they total 76.9 million euro (67.5 million euro).

Other financial liabilities include the liability to Olympia Finance S.r.l., 102.9 million euro (101.0 million euro). The financial liability at 31 December 2011 exceeds the amount of receivables sold but not derecognised, since it includes about 26.0 million euro (33.5 million euro) received almost entirely from customers of Indesit Company S.p.A. but not yet paid over to Olympia Finance S.r.l. This amount was paid to Olympia Finance S.r.l. in early 2012.

Advances to suppliers at 31 December 2011 amount to 1.7 million euro (2.1 million euro).

The movements in the allowance for doubtful accounts are analysed in the following table:

(million euro)	**31.12.2011**	**31.12.2010**
Opening balance	**16.3**	**15.5**
Provision	2.7	4.6
Utilisation	(1.8)	(3.8)
Closing balance	**17.3**	**16.3**

Amounts due from subsidiaries are detailed below:

(million euro)	31.12.2011	31.12.2010
Trade receivables from subsidiaries		
Fabrica Portugal S.A.	0.4	0.4
Indesit Company UK Ltd.	67.1	52.9
Indesit Company Portugal Electrodomésticos S.A.	5.2	7.4
Indesit Electrodomesticos S.A.	6.9	8.2
Indesit Company France S.A.	35.4	73.5
Indesit Company Deutschland GmbH	2.1	1.9
Indesit Company International B.V.	6.6	6.4
Indesit Company International B.V. - rep. office	0.1	0.8
Indesit Company Bulgaria Ltd.	0.0	0.0
Indesit Company International Business S.A.	33.1	36.8
Indesit Company Ceská S.r.o.	0.0	0.0
Indesit Company Magyarország Kft	4.7	8.5
Indesit Company Polska Sp.zo.o.	35.3	52.9
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	40.7	39.0
Indesit Company Beyaz Esya Pazarlama A.S.	1.1	0.4
Indesit Company Norge Ltd.	0.2	0.2
Indesit Company Appliances Hellas Mepe	0.1	0.1
Indesit Argentina S.A.	0.4	1.4
Closed Joint Stock Company Indesit International	6.1	5.6
General Domestic Appliances Holdings Ltd.	0.1	0.0
Indesit Osterreich Ges.mbH	4.6	5.6
Indesit Company Rus Ltd.	11.0	17.2
Indesit Company Belgium S.A.	–	0.0
Indesit Company IP S.r.l.	–	0.0
Aeradriatica S.p.A.	0.1	0.0
Wuxi Indesit Domestic Appliance Technology Co. Ltd.	0.0	–
Indesit Ukraine LLC	0.2	–
Indesit Company Luxembourg S.A.	0.3	–
Other receivables from subsidiaries	–	–
Total subsidiaries	**261.8**	**319.5**

With regard to the analysis by geographical area, the receivables from non-Group counterparts in Italy and abroad (including the portfolio of notes not yet collected, net of the allowance for doubtful accounts and credit notes to be issued) total 140.1 million euro (126.8 million euro) and 4.0 million euro (19.0 million euro), respectively.

6.26 Tax receivables

Tax receivables are due from the tax authorities in relation to advance taxation. These amounts are analysed below.

(million euro)	31.12.2011	31.12.2010
IRES	–	6.3
IRAP	0.2	0.6
IRPEF on advances of post-employment benefits	0.2	0.7
Advance taxation	1.0	0.9
Total	**1.4**	**8.4**

6.27 Other receivables and current assets

Other receivables and current assets are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Due from employees	0.8	0.8
Grants due from public bodies	3.6	4.7
Due from social security and pension institutions	4.3	2.5
Other VAT credit receivables	9.5	8.0
Operating grants	7.3	4.3
Other receivables	0.8	0.9
Total	**26.2**	**21.3**

Grants due from public bodies include 1.3 million euro in reimbursements for steel exports (2.0 million euro) and 2.3 million euro in start-up grants to be collected (2.8 million euro).

The operating grants were received for the application of innovative technology to new products and products that are already on sale.

6.28 Equity

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

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

	31.12.2011		31.12.2010	
Description	Number	Euro	Number	Euro
Ordinary shares	113,665,684.0	102,299,115.6	113,665,684.0	102,299,115.6
Savings shares	511,282.0	460,153.8	511,282.0	460,153.8
Total	**114,176,966.0**	**102,759,269.4**	**114,176,966.0**	**102,759,269.4**

17,500 stock option expired during the year, but no new options were granted.

The number of shares reported 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 102,625,934 ordinary shares outstanding.

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 division 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:
- 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;
- the right, if a dividend of less than 5% of nominal value was paid in a given year, to collect this shortfall in the preference dividend in the following two years;
- the right, if a dividend is declared at the shareholders' meeting, to receive a total dividend that is higher than that paid on the ordinary shares by 2% of the nominal value of the savings shares.

In addition, in the event of a capital reduction to cover losses, the nominal value of the savings shares is only reduced by the amount of the losses that exceed the total nominal value of the other shares.

The lesser administrative rights with respect to the ordinary shares consist of the absence of voting rights at ordinary and extraordinary shareholders' meetings.

The following table analyses the share capital structure, including the treasury shares, and indicates the stock options that have been authorised.

(in euro)	**Authorised share capital**	**Autorished no. of shares**	**Issued and fully paid-up (share capital)**	**No. of shares issued and fully paid-up**
Share capital	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 on 23 October 2001	5,400,000	6,000,000	2,486,700	2,763,000
1st Stock option plan for Directors authorised on 23 October 2001	1,260,000	1,400,000	1,260,000	1,400,000
2nd Stock option plan for Directors authorised on 6 May 2002	180,000	200,000	180,000	200,000
Total	**105,672,569**	**117,413,966**	**102,759,269**	**114,176,966**

With regard to the 1st and 2nd employee stock option plans, the residual 3,237,000 stock options authorised are analysed as follows: 252,500 granted, 3,002,500 not granted.

Considering the amounts reported in the statement of comprehensive income, the decrease in cash flow hedge of 4.3 million euro during 2011 relates entirely to transactions that are still outstanding at 31 December 2011.

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.

Retained earnings have increased by 24.9 million euro following the allocation of 55.9 million euro from 2010 net profit, net of the distribution of dividends totalling 31.0 million euro.

Reserves

- The share premium reserve amounts to 35.9 million euro;
- Legal reserve: this reserve, 22.7 million euro, reflects allocation of 5% of the profit earned each year. The reserve has exceeded the legal threshold of one fifth of the nominal value of share capital;
- Other negative reserves, 11.9 million euro. Other reserves are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Hedging reserve – derivatives	(8.4)	(4.1)
Retained earnings	1.4	1.4
Stock option reserve	0.4	0.4
Grants Law n.488/92	11.2	11.2
Reserve par. 21 Law no. 219 of 14/5/81	4.0	4.0
Reserve under par. 14 Law no. 64/86	2.2	2.2
Adjustment to plant costs (CASMEZ)	0.7	0.7
Grants Law 29/05/82 no. 308	0.1	0.1
Grants Law no. 19/84	0.0	0.0
Reserve par. 13 Law no. 124/96 C. 6	0.0	0.0
Grants under regional Law no. 29/1982	0.0	0.0
Other reserves	(23.5)	(23.5)
Total	**(11.9)**	**(7.6)**

The hedging reserve for derivative financial instruments recognised as cash flow hedge reflects the change in fair value of these instruments. This negative reserve amounts to 8.4 million euro.

The merger surplus reserve, 1.4 million euro, was formed on the merger of Merloni Brembate S.p.A. in 2003 and Wrap S.p.A. in 2007.

The reserve established in relation to investment required at the Comunanza factory, under the terms of a territorial agreement, includes 5.3 million euro that is restricted. A further 13.0 million euro has also been restricted in order to obtain industrial investment grants for the Albacina site pursuant to Law 488/92. This reserve amounts to 11.2 million euro.

The reserve pursuant to art. 21 of Law no. 219/81, 4.0 million euro, represents the (tax-free) capital grants received for investment to repair and make functional improvements to the factories situated in Southern Italy that were damaged in the 1980 earthquake.

The reserve pursuant to art. 14 of Law no. 64/86 reflects grants from the Ministry for Industry following the final acceptance testing of investment in the Comunanza factory. This reserve, 2.2 million euro, is unchanged.

The reserve pursuant to Law 218/78 (Casmez) relates to capital grants collected for investment in the Comunanza and Acerra factories. This reserve, 0.7 million euro, is unchanged.

The grants under Regional Law 308/82 relate to investment in energy saving and recycling. This reserve, 0.1 million euro, is unchanged.

The dividends paid on the ordinary shares in 2011 amounted to 31.0 million euro (15.5 million euro), and a dividend of 0.2 euro per savings share was paid in accordance with the articles of association (0.1 million euro).

The Board of Directors' meeting held on 21 March 2012 approved these separate financial statements and recommended to the shareholders' meeting the declaration of a dividend of 0.23 euro per ordinary share and 0.248 euro per savings share.

The way the reserves can be utilised is analysed in Attachment 6.

6.29 Net financial position

The net financial position and net financial indebtedness of the Company are analysed below.

Non-current financial assets have been included in the calculation of net financial indebtedness in order to represent fairly the overall exposure.

(million euro)	**Note**	**31.12.2011**	**31.12.2010**
Current financial assets	6.29.1	137.5	230.8
Cash and cash equivalents	6.29.2	9.1	8.5
Banks and other loans and borrowings	6.29.3	(181.4)	(263.3)
Net financial indebtedness – short-term		**(34.9)**	**(24.1)**
Medium/long-term financial payables	6.29.5	(248.1)	(175.4)
Net financial position *		**(282.9)**	**(199.4)**
Other non-current financial assets	6.29.4	50.0	50.1
Net financial indebtedness		**(232.9)**	**(149.4)**

* As defined in Consob Communication DEM/6064293 dated 28.07.2006, applying the CESR recommendations dated 10.02.2005.

The decrease in net financial indebtedness was mainly due to the reduction in net working capital, largely following the decrease in trade receivables.

The changes in liquidity during the year are analysed in the separate cash flow statement.

6.29.1 Current financial assets

Current financial assets include the dividends resolved by and receivable from Indesit Company Luxembourg S.A., 105.0 million euro (85.0 million euro), the intercompany current account with Indesit Company International Business S.A., 24.3 million euro (138.9 million euro), amounts due from factoring companies, 6.8 million euro (5.8 million euro), and other receivables, 1.4 million euro (0.8 million euro).

6.29.2 Cash and cash equivalents

Cash and cash equivalents, 9.1 million euro (8.5 million euro) comprise bank and postal deposits, and cash and cash equivalents.

6.29.3 Current financial payables

Current financial payables comprise amounts due within one year.

(million euro)	31.12.2011	31.12.2010
Short-term advances from banks	6.3	67.9
Short-term advances for factoring of receivables	102.9	101.0
Current portion of loans MCC	10.2	7.9
Current portion of other medium/long-term loans	0.8	0.3
Liability from the measurement of derivative instruments	3.2	2.3
Financial payables due to Indesit Company International Business S.A.	0.0	0.0
Financial payables due to Indesit Company Luxembourg S.A.	58.0	83.8
Total	**181.4**	**263.3**

The reduction in short-term advances from banks reflects expiry of both the committed line of credit used in the prior year and the uncommitted line of credit.

Short-term advances for factoring of receivables reflect the payable arising in relation to the securitization program. Further information about the securitization program is provided in note 6.25 on Trade receivables.

The reduction in payables to Indesit Company Luxembourg S.A. mainly reflects payment of the interest charged on loans.

6.29.4 Other non-current financial assets

Other non-current financial assets include 50.0 million euro (50.1 million euro) due from Indesit Company Luxembourg S.A. following the subscription for profit-participating bonds.

6.29.5 Medium and long-term loans and borrowings

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

(million euro)	31.12.2011	31.12.2010
Loans and borrowings from Indesit Company Luxembourg S.A.	162.2	162.2
Due to banks	74.8	6.3
Due to other financial payables	2.8	3.1
Liability from the measurement of derivative instruments	8.4	3.8
Total	**248.1**	**175.4**

Amounts due to banks have increased due to the drawdown of the amortizing line of credit, 75.0 million euro, made available by the European Investment Bank, which is repayable by 2018. This caption also includes a loan from MCC S.p.A., 1.2 million euro (6.3 million euro), to finance the factory in Russia, which is repayable by 2013.

Indesit Company S.p.A. has an unused, syndicated revolving line of credit for 268.0 million euro that expires in 2016.

The principal medium and long-term loans and borrowings are subject to certain financial covenant and other obligations linked to the consolidated financial statements. The parameters for these covenants, which are checked at 30 June and 31 December each year, are set out below:

Revolving facility	Covenant limit at 31 December	Covenant limit at 30 June
Net financial indebtedness/EBITDA	≤ 3.0	≤ 4.0
EBITDA/Net financial expenses	≥ 3.5	–

BEI	Covenant limit at 31 December	Covenant limit at 30 June
Net financial indebtedness/EBITDA	≤ 3.0	n.a.
EBITDA/Net financial expenses	≥ 3.5	≥ 3.5
Equity	≥ 320 million euro	≥ 320 million euro

Securitization	Covenant limit at 31 December	Covenant limit at 30 June
Net financial indebtedness/EBITDA	≤ 3.0	≤ 3.5

In addition to the financial covenants, the above lines of credit require Indesit Company S.p.A. and, in certain cases, a number of Group companies to comply with other affirmative and negative covenants that are consistent with market standard for transactions of a similar nature, amount, maturity and risk profile.

Failure to comply with these financial covenants would, following the elapse of a given period of time available to correct such non-compliance, give the counterpart a right to the early repayment of the related borrowings.

The above covenants are monitored constantly by the Group. All covenants are met at 31 December 2011.

Medium and long-term liabilities are analysed by maturity in the following table.

(million euro)	Medium/ long-term financial liabilities	Due between 1 and 5 years	Due beyond 5 years
Loans and borrowings from Indesit Company Luxembourg S.A.	162.2	162.2	–
Due to banks	74.8	49.8	25.0
Due to other financial payables	2.8	1.7	1.1
Liability from the measurement of derivative instruments	8.4	8.4	–
Total	**248.1**	**222.0**	**26.0**

(million euro)	Medium/ long-term financial liabilities	Maturity						
		2013	2014	2015	2016	2017	2018	Total
Loans and borrowings from Indesit Company Luxembourg S.A.	162.2	–	141.4	–	20.8	–	–	162.2
Due to banks and other financial payables	85.9	17.9	16.1	13.1	12.7	12.8	13.2	85.9
Total	**248.1**	**17.9**	**157.5**	**13.1**	**33.4**	**12.8**	**13.2**	**248.1**

6.30 Employee benefits

The liability for employee benefits totals 38.1 million euro (40.9 million euro) and comprises the provision for severance indemnities.

The following schedule reconciles the assets and liabilities recorded in relation to defined benefit plans and the charges made to the income statement, and presents the principal actuarial assumptions.

	Post-employment benefits	
(million euro)	**31.12.2011**	**31.12.2010**
Present value of the defined benefit obligation (start of year)	41.1	41.5
Current service cost	–	–
Financial expenses	1.8	2.0
Contributions from plan participants	–	–
Actuarial (gains)/losses	(0.4)	1.5
Benefits paid by the plan/company	(5.0)	(4.1)
Curtailment of plan	0.5	0.1
Changes in exchange rates	–	–
Present value of the defined benefit obligation (end of year)	**37.9**	**41.1**
Fair value of plan assets (start of year)	–	–
Expected return on plan assets	–	–
Actuarial (gains)/losses	–	–
Employer's contributions	5.0	4.1
Employees' contributions	–	–
Benefits paid	(5.0)	(4.1)
Expenses	–	–
Change in exchange rates	–	–
Fair value of plan assets (end of year)	**–**	**–**
Present value of defined benefit obligation under funded plans	–	–
Fair value of plan assets	–	–
Deficit (surplus) of funded plans	**–**	**–**
Present value of defined benefit obligation under unfunded plans	37.9	41.1
Actuarial (gains)/losses not recognised	0.3	(0.1)
Unrecognised post service cost	–	–
Unrecognised assets (limit described in IAS 19 par. 58b)	–	–
Recognised net liabilities/(assets)	**38.1**	**40.9**
Current service cost	–	–
Total operating costs	**–**	**–**
Interest expense	1.8	2.0
Expected return on plan assets	–	–
Total financial expenses	**1.8**	**2.0**
Profit/Loss on curtailment	0.5	0.1
Total charge to profit or loss	**2.3**	**2.1**

(million euro)	Post-employment benefits 31.12.2011	31.12.2010
Assumptions used to determine defined benefit obligations		
Discount rate	4.60%	4.75%
Salary increases	0.00%	0.00%
Inflation rate	2.00%	2.00%
Assumptions used to determine pension cost		
Discount rate	4.75%	5.20%
Expected return on plan assets	n.a.	n.a.
Expected salary increases	n.a.	n.a.
Inflation rate	2.00%	2.00%

6.31 Provisions for risks and charges

The provisions for risks and charges cover estimated current and non-current liabilities the exact timing and/or extent of which are uncertain.

This caption is analysed as follows:

2011 (million euro)	Opening balance	Provisions	Utilisations	Closing balance	Current portion	Non-current portion
Provision for warranties	24.4	3.7	(6.9)	21.2	10.6	10.6
Provision for agents' termination indemnity	1.5	0.2	(0.2)	1.5	–	1.5
Provision for restructuring	30.3	0.9	(9.8)	21.4	18.1	3.4
Provision for WEEE	7.7	–	(0.9)	6.8	4.2	2.6
Provision for disputes and other risks	12.7	1.2	(9.9)	4.0	3.4	0.6
Other risk provisions	–	–	–	–	–	–
Total	**76.5**	**6.0**	**(27.7)**	**54.9**	**36.2**	**18.7**

2010 (million euro)	Opening balance	Provisions	Utilisations	Closing balance	Current portion	Non-current portion
Provision for warranties	27.4	4.2	(7.3)	24.4	10.8	13.5
Provision for agents' termination indemnity	1.5	0.2	(0.2)	1.5	–	1.5
Provision for restructuring	17.3	18.9	(5.9)	30.3	10.1	20.1
Provision for WEEE	2.6	5.0	–	7.7	5.0	2.6
Provision for disputes and other risks	19.8	8.0	(15.1)	12.7	7.0	5.6
Other risk provisions	–	–	–	–	–	–
Total	**68.7**	**36.3**	**(28.5)**	**76.5**	**33.0**	**43.5**

The provision for warranties represents the estimated costs to be incurred for work under warranty on products sold. The reduction reflects the steady improvement in the quality of products and, therefore, the lower expected volume of under warranty.

The provision for agents' termination indemnities, determined with reference to the commissions earned in accordance with art. 1751 of the Italian Civil Code and collective agreements, represents the estimated liability for payments to agents should their mandates be terminated (for reasons not attributable to them) by Indesit Company S.p.A.

The provision for restructuring covers the estimated costs to be incurred on the reorganisation of the None factory in Italy, and for the closure of the Brembate and Refrontolo factories in Italy.

The provision for WEEE covers plant exposed to environmental risks including, in particular, the replacement of asbestos roofing at the Italian factories.

The provision for disputes and other risks reflects the best possible estimate of the probable liability based on the information available.

At 31 December 2011 this caption principally comprises provisions for disputes relating to industrial relations, 1.3 million euro, for disputes relating to the territorial agreement, 0.8 million euro, disputes relating to Law 488/92, 0.8 million euro, and other disputes, 0.7 million euro.

A significant portion of the utilisations relating to the provision for disputes concerned the tax provisions recorded in 2010. In particular, an "agreed assessment" process, relating to official tax audit report (PVC) covering tax issues regarding the 2007 tax year, was completed on 24 November 2011. This official tax audit report was notified to Indesit Company S.p.A. on 19 October 2010. The Tax Authorities abandoned claims concerning both the transfer prices applied by the Parent to the purchase of finished products, and the royalties charged on intangible assets made available to other Group companies. It also reduced its claims concerning the transfer prices for finished products sold to foreign affiliates by the Company, as well as those relating to the interest charged on the deferred payment terms allowed to Group companies.

On 12 December 2011, the Marche tax authorities sent Indesit Company S.p.A. a official tax audit report covering the tax issues identified during the inspection that started on 19 September 2011 in relation to the 2008, 2009 and 2010 tax years. The matters raised relate to the transfer prices applied to finished products sold to foreign affiliates, and are consistent with the agreement reached in relation to the 2007 tax year. The Company will agree with the contents of this official tax audit report following an invitation from the tax authorities to discuss the matter, which should be received within the next few months. An application will be made to offset the related assessment against the Group's tax losses.

On 3 January 2012, the Company also received an assessment in relation to the 2006 tax year. This disputes the timing of the accounting recognition of interest charged on the deferred payment terms allowed to Group companies, as well as the related calculations. The matters mentioned are consistent with those raised in relation to the 2007 tax year. On 13 January 2012, the Company applied to offset the related assessment against the Group's tax losses.

For each of the above tax years (2006-2010), the Company has presented a so-called "Master File", pursuant and consequent to para. 2-*ter* of art. 1 of Decree 471 dated 18 December 1997, and Italian documentation (prepared pursuant to the requirements of the Tax Inspector issued on 29 September 2010) showing that the transfer prices applied were consistent with the fair value of the items sold. The tax authorities consider the documentation presented in relation to the 2006 and 2007 tax years to be appropriate. It is believed that the documentation relating to the 2008, 2009 and 2010 tax years will also be deemed appropriate and, accordingly, that no penalties will be application in relation to transfer pricing matters.

The total liability for the 2006-2010 tax years in relation to transfer pricing matters and the incorrect accounting recognition of deferred interest on commercial transactions totals about 16.7 million euro, comprising taxation of 15.2 million euro, penalties of 0.3 million euro and deferred interest of 1.2 million euro.

The total amount arising from the findings, approximately 16.7 million euro, net of about 4.1 million euro of tax losses carried forward can be used to offset corporate income tax and deducted about 0.9 million euro of taxes already paid in December 2011, is been entered in the tax liabilities for 11.7 million euro.

The overall impact on the income statement for 2011 was 8.6 million euro, as it has been fully utilized the fund set aside the previous fiscal risks.

The Company will offset the additional IRES taxable income against tax losses carried forward for which no deferred tax assets have been recognised (about 4.1 million euro), and use about 4.0 million euro from the provisions for legal disputes and other risks. The remainder, comprising IRES and IRAP of about 8.6 million euro, was charged to the income tax expenses caption of the income statement, with a balancing entry to tax payables in the statement of financial position.

Total payables and provisions for non-recurring transactions at 31 December 2011 amount to 27.2 million euro (38.6 million euro) and the cash flow absorbed by them was negative for 8.0 million euro (negative for 23.1 million euro).

6.32 Deferred tax liabilities

Deferred tax liabilities (IRES rate 27.5%, average IRAP rate 4.275%) are analysed in the following table. They are stated net of the deferred tax assets, as mentioned in note 6.23.

Deferred taxes (million euro)	2010 IRES	2010 IRAP	Changes IRES	Changes IRAP	2011 IRES	2011 IRAP
Deferred tax liabilities						
Reversal of impairment losses on intangible assets	–	–	–	–	–	–
Accelerated depreciation current year	(0.2)	(0.2)	0.2	0.2	–	–
Dividends	(9.2)	–	(2.9)	–	(12.1)	–
Building site	(1.9)	(0.3)	0.0	0.0	(1.9)	(0.3)
Leased goods	(0.6)	(0.1)	0.2	0.1	(0.4)	(0.0)
Changes in severance indemnities	(2.4)	–	0.2	–	(2.2)	–
Other	0.0	–	(0.0)	–	0.0	–
Total	**(14.3)**	**(0.5)**	**(2.4)**	**0.2**	**(16.7)**	**(0.3)**
Effect of reducing IRES and IRAP rates	**0**	**0**	**–**	**–**	**0**	**0**
Deferred tax assets						
Entertainment expenses	0.1	0.0	(0.1)	(0.0)	–	–
Remuneration to directors and employees	1.0	–	(0.1)	–	0.9	–
Impairment losses on receivables	3.0	–	0.2	–	3.2	–
Other provisions for risks	15.8	0.9	(3.0)	(0.1)	12.8	0.8
Provisions for warranties	2.1	0.3	(0.4)	(0.0)	1.7	0.3
Amortisation of intangible assets	0.7	0.1	(0.4)	(0.1)	0.3	0.0
Tangible assets depreciation	0.0	0.0	0.5	(0.1)	0.5	(0.1)
Tax losses carried forward	9.7	–	7.6	–	17.3	–
Other	–	–	–	–	–	–
Cash flow hedging reserve	1.5	–	1.6	–	3.2	–
Total	**34.1**	**1.3**	**5.9**	**(0.3)**	**40.0**	**1.0**
Effect of reducing IRES and IRAP rates	**–**	**–**	**–**	**–**	**0**	**0**
Deferred tax assets and liabilities	**19.8**	**0.8**	**3.5**	**(0.0)**	**23.3**	**0.7**
Balance	**–**	**20.5**	**–**	**3.5**	**–**	**24.0**

The change in deferred tax assets is reflected as income in the income statement, 1.9 million euro, and in equity reserves, 1.6 million euro, in relation to changes in the cash flow hedge.

The net deferred tax assets relating to IRES amount to about 23.3 million euro at 31 December 2011, following a net change of 3.5 million euro with respect to the prior year. This balance mainly reflects the deferred taxes calculated on temporary differences arising in relation to the provisions for risks and charges and the hedging reserve.

The positive increase of 7.6 million euro in the IRES deferred tax assets relating to tax losses carried forward includes 9.3 million euro calculated on the tax losses for 2011, net of an adjustment to deferred tax assets of 1.8 million euro in relation to prior year losses.

The net deferred tax assets relating to IRAP amount to about 1.0 million euro. This balance mainly reflects the deferred taxes calculated on temporary differences arising in relation to the provisions for risks and charges.

Deferred tax assets and liabilities have been recognised in relation to all significant temporary differences.

6.33 Other non–current liabilities

Other non-current liabilities comprise deferred grants from the government and other bodies of 3.5 million euro (4.9 million euro) and the deferred bonuses of directors and employees amounting to 9.5 million euro (13.6 million euro), together with the related social security contributions and charges, 2.7 million euro.

Deferred grants from the government and other bodies comprise grants for the planned investment by "Distretto dell'Elettrodomestico Società Consortile a r.l." and for the Albacina factory (Law 488/92).

These grants are subject to restrictions that are currently respected.

6.34 Trade payables

Trade payables comprise all the amounts due for the purchase of goods and services from the Company's suppliers. All payables fall due within one year. No amounts have been discounted. The amounts due to suppliers recognised among trade payables comprise without distinction the amounts due to both suppliers of raw materials and suppliers of property, plant and equipment.

Trade payables amount to 400.2 million euro (477.0 million euro).

Certain payables are due to subsidiaries, as shown in the following table.

(million euro)	31.12.2011	31.12.2010
Trade payables due to subsidiaries		
Indesit Company Polska Sp.zo.o.	36.4	38.8
Indesit Company International Business S.A.	0.7	1.7
Indesit Company UK Ltd.	10.8	10.5
Indesit Company International B.V.	0.1	0.1
Indesit Company Portugal Electrodomésticos S.A.	0.4	0.5
Indesit Electrodomesticos S.A.	0.1	0.2
Indesit Company France S.A.	0.8	2.2
Indesit Company Beyaz Esya Pazarlama A.S.	10.3	17.8
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	0.2	0.5
Indesit Company Deutschland GmbH	0.8	0.7
Indesit Company Appliances Hellas Mepe	0.4	0.6
Indesit Company Bulgaria Ltd.	0.3	0.4
Indesit Company Norge Ltd.	0.5	0.3
Indesit Österreich Ges. mbH	1.7	1.7
Indesit IP S.r.l.	(0.0)	0.1
Aeradriatica S.p.A.	0.7	0.8
Wuxi Indesit Domestic Appliance Technology Co. Ltd.	–	0.2
Indesit Company Luxembourg S.A.	0.2	0.5
Indesit Company Magyarország Kft	0.0	0.3
Closed Joint Stock Company Indesit International	0.0	0.0
Indesit Rus Ltd.	0.1	0.0
Total subsidiaries	**64.7**	**78.0**

With reference to the analysis by geographical area, trade payables (excluding the above amounts due to subsidiaries) include 154.1 million euro (158.6 million euro) due to Italian suppliers and 34.3 million euro (35.8 million euro) due to foreign suppliers. The remainder comprises invoices and credit notes to be received totalling 147.2 million euro (208.7 million euro).

6.35 Tax payables

The amounts due to tax authorities comprise the liability for current taxes and other tax payables. The situation is analysed in the following table.

(million euro)	31.12.2011	31.12.2010
Withholding taxes on employees	7.8	7.7
Withholding taxes on consultants	0.3	0.3
Other taxes	4.4	0.1
Total	**12.5**	**8.1**

The caption shows the net liability of 4.4. million euro consisting of 11.7 million euro relating to the relief of the Tax Authorities, under note 6.31, and tax credits used for about 7.3 million euro.

The other taxes caption includes the reclassification following utilisation of the provision for disputes recorded in 2010, as discussed in note 6.31.

6.36 Other payables

Other payables are analysed as follows:

(million euro)	31.12.2011	31.12.2010
Due to social security and pension institutions	19.1	20.9
Due to employees	24.7	29.9
Due to Pension funds	1.8	1.8
VAT payable	0.5	0.5
Other payables	1.0	2.3
Total	**46.9**	**55.4**

6.37 Share-based payments (stock options)

Stock option plan for Group executives and managers

The resolutions adopted at the extraordinary meetings held on 19 September 1998 and 23 October 2001 authorised, pursuant to art. 2441 of the Italian Civil Code, two increases in share capital of up to 2,700,000 euro each, through the issue of a combined maximum of 6,000,000 ordinary shares, par value 0.90 euro, 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 vesting periods of 2 years and 3 years, respectively.

17,500 stock options expired during 2011. No new plans were authorised during the year 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	
Exercise price	12.65
Expected volatility	31.39%
Grant date	24.07.2003
Number options	169,500
Duration of options (years)	3.50
Expected dividends	2.97%
Risk–free interest rate	4.00%
Fair value stock option (million euro)	0.1

CASH FLOW STATEMENT

Profit for the year, income taxes, impairment losses on investments and financial assets and depreciation and amortisation, all non-monetary items, are recognised directly on the face of the income statement, to which reference is made.

6.38 Profit for the year, income taxes, impairment losses on investments and financial assets, depreciation and amortization, Tax expense

With regard to the provision for income taxes recorded in 2011, 16.7 million euro (2.2 million euro), tax payments of 9.3 million euro (4.2 million euro) have been made.

6.39 Other non–monetary income and expenses, net, interest paid and received

The other non-monetary income and expenses, net, comprise all non-monetary items recognised in profit or loss, except for income taxes, depreciation and amortisation and the provisions deducted directly from asset accounts (allowance for doubtful accounts and provisions for obsolescence). The interest received and paid, recognised separately, was essentially the same as the amounts recognised in profit or loss.

This caption also includes dividends from equity investments.

6.40 Change in trade receivables, inventories, trade payables

This caption reports the cash absorbed 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 property, plant and equipment (decrease of 9.7 million euro), which are classified in the section of the cash flow statement that reports the cash flows from (used in) investing activities.

6.41 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 expenses and income. This represents the changes with a direct effect on the absorption or generation of cash.

6.42 Acquisition of property, plant and equipment and proceeds from their disposal

The cash flow from acquisition of property, plant and equipment reflects the routine replacement of assets, as analysed in note 6.19. It also includes the change in amounts due to the suppliers of such assets.

6.43 Acquisition of intangible assets and proceeds from their disposal

The cash flow from investment in intangible assets relates both to the purchase of licences and software, and to development costs, which are analysed in note 6.20.

The cash flows from (used in) investing activities include the amounts capitalised since these involve payments for the related internal costs incurred (mainly payroll). These payments essentially reflect the costs capitalised during the year.

6.44 Proceeds from the sale of non–current financial assets and losses on investment in non-current financial assets

The investment in non-current financial assets mainly relates to the payments on capital account made to Indesit Electrodomesticos S.A. and Indesit Company Ukraine LLC.

6.45 Change in the hedging reserve and Payment of dividends paid

The change in the hedging reserve reflects the effect of remeasuring the derivatives recognised on a hedge accounting basis. Dividend payments amounted to 31.0 million euro in 2011 (see note 6.28).

6.46 Dividends received

The dividends received were collected from subsidiaries during 2011, as analysed in note 6.10.

6.47 Arrangement and repayment of short, medium and long-term loans and borrowings

The arrangement and repayment of medium/long-term loans and borrowings relates to the repayment in 2011 of intercompany loans granted to subsidiaries.

6.48 Change in current financial payables/ receivables

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

7. Financial instruments

7.1 Management of financial risks

Indesit Company S.p.A. manages its principal financial risks in accordance with the guidelines set out in the Treasury Policy approved by the Board of Directors.

A detailed analysis of the policies and practices adopted for the management of financial risks is presented in the notes to the consolidated financial statements, together with the other information required by IFRS 7.

The following information is presented with regard to Indesit Company S.p.A.: information on the transactions outstanding at 31 December 2011, the carrying amount of the financial assets and liabilities recognised in the statement of financial position, for each of the categories identified in IAS 39, the analysis of financial payables by maturity, and certain quantitative (sensitivity) information about interest rate risk.

With regard to currency risk, there are no significant exposures in currencies other than the euro.

Interest rate risk: sensitivity

A hypothetical upward shift in the interest rate curve by 100 basis points or downward shift by 20 basis points (in parallel along the entire curve) would have the effects indicated below.

The simulation is representative of the effects deriving from the exposures to risk at 31 December 2011, or from the normalised average exposures in the limited cases in which the situation at year end was not representative of that applying throughout the year.

31 December 2011 (million euro)	Variation +100bps		Variation -20bps	
	P&L effect	Equity effect	P&L effect	Equity effect
Net indebtedness at floating rate	(3.7)	0.1	0.7	(0.0)
Derivative instruments hedging fixed rate loans	–	–	–	–
Derivative instruments hedging floating rate loans	–	5.9	–	(1.2)
Total	**(3.7)**	**6.0**	**0.7**	**(1.2)**

31 December 2010 (million euro)	Variation +100bps		Variation -20bps	
	P&L effect	Equity effect	P&L effect	Equity effect
Net indebtedness at floating rate	(4.6)	–	0.9	–
Derivative instruments hedging fixed rate loans	–	–	–	–
Derivative instruments hedging floating rate loans	–	5.6	–	(1.2)
Total	**(4.6)**	**5.6**	**0.9**	**(1.2)**

Hierarchy of levels in the measurement of fair value

With regard to financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires such values to be classified using a hierarchy of levels that reflect the materiality of the input used for the determination of fair value. The following levels are identified:

- Level 1 – prices quoted in an active market for the assets or liabilities to be measured;
- Level 2 – input other than the quoted prices referred to above, which is directly (prices) or indirectly (derived from the prices) observable in the market;
- Level 3 – input that is not based on observable market data.

With regard to the derivative instruments outstanding at 31 December 2011:

- all the financial instruments measured at fair value are represented by Level 2 derivatives (same as in 2010);
- there were no transfers from Level 1 to Level 2, or vice versa, during 2011;
- there were also no transfers from Level 3 to other levels, or vice versa, during 2011.

7.2 Categories of financial assets/liabilities

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

		Financial assets measured at fair value through profit or loss						
31.12.2011 (million euro)	**Loans and receivables**	**Financial assets measured at fair value upon initial recognition**	**Financial assets held for trading**	**Financial assets available for sale**	**Financial assets held to maturity**	**Hedging instruments**	**Total carrying amount**	**Total fair value**
Non-current financial assets	50.0	–	–	–	–	–	50.0	50.0
Trade receivables	406.0	–	–	–	–	–	406.0	406.0
Current financial assets	137.5	–	–	–	–	–	137.5	137.5
Cash and cash equivalents	9.1	–	–	–	–	–	9.1	9.1

		Financial assets measured at fair value through profit or loss						
31.12.2010 (million euro)	**Loans and receivables**	**Financial assets measured at fair value upon initial recognition**	**Financial assets held for trading**	**Financial assets available for sale**	**Financial assets held to maturity**	**Hedging instruments**	**Total carrying amount**	**Total fair value**
Non-current financial assets	50.0	–	–	–	–	0.1	50.1	50.1
Trade receivables	465.5	–	–	–	–	–	465.5	465.5
Current financial assets	230.8	–	–	–	–	–	230.8	230.8
Cash and cash equivalents	8.5	–	–	–	–	–	8.5	8.5

31.12.2011 (million euro)	Financial liabilities measured at fair value through profit or loss: Financial liabilities measured at fair value upon initial recognition	Financial liabilities measured at fair value through profit or loss: Financial liability held for trading	Other financial liabilities held to maturity	Hedging instruments	Total carrying amount	Total fair value
Medium/long-term financial liabilities	–	–	239.7	8.4	248.1	248.1
Trade payables	–	–	400.2	–	400.2	400.2
Banks and other short-term financial liabilities	–	–	178.2	3.2	181.4	181.4

31.12.2010 (million euro)	Financial liabilities measured at fair value through profit or loss: Financial liabilities measured at fair value upon initial recognition	Financial liabilities measured at fair value through profit or loss: Financial liability held for trading	Other financial liabilities held to maturity	Hedging instruments	Total carrying amount	Total fair value
Medium/long-term financial liabilities	–	–	171.6	3.8	175.4	175.4
Trade payables	–	–	477.0	–	477.0	477.0
Banks and other short-term financial liabilities	–	–	261.0	2.3	263.3	263.3

Analysis of financial liabilities by maturity

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

Financial liabilities (million euro)	Carrying amount 31.12.2011	Contractual cash flows	Within 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Beyond 5 years
Trade payables	(400.2)	(400.2)	(87.6)	(155.0)	(157.7)	–	–
Due to banks	(194.2)	(172.7)	(75.3)	(9.0)	(6.2)	(56.5)	(25.8)
Other financial payables	(223.7)	(238.7)	–	(59.6)	(3.6)	(174.4)	(1.1)
Derivatives	(11.6)	(11.7)	–	–	(3.2)	(8.5)	–
Total	**(829.7)**	**(823.4)**	**(162.8)**	**(223.6)**	**(170.7)**	**(239.5)**	**(26.8)**

Financial liabilities (million euro)	Carrying amount 31.12.2010	Contractual cash flows	Within 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Beyond 5 years
Trade payables	(477.0)	(477.0)	(88.9)	(240.3)	(147.8)	–	–
Due to banks	(183.1)	(151.4)	(76.4)	(20.2)	(48.3)	(6.5)	–
Other financial payables	(249.4)	(275.1)	–	(39.2)	(49.8)	(163.1)	(23.1)
Derivatives	(6.2)	(6.3)	–	(2.4)	–	(3.9)	–
Total	**(915.7)**	**(909.7)**	**(165.3)**	**(302.0)**	**(245.9)**	**(173.4)**	**(23.1)**

7.3 Derivative financial instruments outstanding at year end

The derivatives outstanding at 31 December 2011 comprise an IRS with a total notional of 350.0 million euro. This hedges the interest-rate risk on an average of about 200 million euro of underlying payables (short-term) with the following maturities:

- 50 million euro due from 17 March 2012 to 17 March 2014;
- 150 million euro due from 17 March 2014 to 17 March 2015;
- 50 million euro due from 17 March 2012 to 17 March 2015.

(million euro)	Nature of risk hedged	Notional amount 31.12.2011	Notional amount 31.12.2010	Fair value of derivatives 31.12.2011	Fair value of derivatives 31.12.2010
Cash Flow Hedges					
IRS on short-term borrowings	Interest rate	350.0	570.9	(11.6)	(6.1)
Total		**350.0**	**570.9**	**(11.6)**	**(6.1)**

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

8.1 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, the Supply Chain IT Officer Manager and the Sales Manager.

The gross remuneration of the above persons, comprising all forms of compensation (gross pay, bonuses, fringe benefits, etc.), is shown in the following table.

Remuneration and annual fees for the year 2011 due to directors, statutory auditors and executives

(million euro)	Short-term benefits	Long-term benefits	Stock options
Directors	4.0	1.3	–
Statutory Auditors	0.2	–	–
Executives	3.1	1.9	–
Total	**7.2**	**3.3**	**–**

Remuneration and annual fees for the year 2010 due to directors, statutory auditors and executives

(million euro)	Short-term benefits	Long-term benefits	Stock options
Directors	5.3	1.7	–
Statutory Auditors	0.1	–	–
Executives	3.4	2.9	–
Total	**8.8**	**4.7**	**–**

Change in fair value of derivatives at 31.12.2011 vs 31.12.2010	Change in fair value of underlyings at 31.12.2011 vs 31.12.2010	Change in fair value of underlyings at 31.12.2011 vs inception date	Change in fair value of derivatives at 31.12.2011 vs inception date	31 December 2011 Other non-current financial assets	Current financial assets	Medium/ long-term loans and borrowings	Banks and other loans and borrowings	Total
(5.5)	n.a.	n.a.	n.a.	–	–	(8.4)	(3.2)	–11.6
(5.5)	**n.a.**	**n.a.**	**n.a.**	**–**	**–**	**(8.4)**	**(3.2)**	**–11.6**

8.2 List of related parties

The list of companies (other than subsidiaries) deemed to be related parties pursuant to IAS 24 is presented below. All commercial and financial transactions with these entities were arranged on arms' length terms and in the interests of the Company.

List of related parties	Type of relationship
Cine District Entertainment S.r.l.	Other related – Related to a member of the Merloni family
Faber Factor S.r.l. in liquidation	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit company
Fineldo S.p.A.	Group Parent belonging to Vittorio Merloni
Immobiliare Fineldo S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit company
Merloni Progetti S.p.A.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit company
M P & S S.r.l.	Other related – Related to a member of the Merloni family
Protecno S.A. in liquidation	Other related – Related to a member of the Merloni family
Solar COOL S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit company
Solar STOCK S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit company
Solar WASH S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit company
Tecnosolare Carinaro S.r.l.	Other related – Controlled by Fineldo S.p.A., Group Parent of Indesit company
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, certain physical 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 one these parties, as defined in IAS 24. Their names are not listed.

Information about subsidiaries is provided in note 6.22 and in the attachments to the financial statements.

Nature of relations with the principal related parties

The Merloni Progetti Group

The Merloni Progetti Group (and, in particular, Merloni Progetti S.p.A. and Protecno S.A. in liquidation) has leased property to Indesit Company and in turn receives the recharge of general services.

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

Indesit Company UK Ltd., a subsidiary, 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. Further information about the pension plans is provided in note 9.22 to the consolidated financial statements.

8.3 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 subsidiaries, the Parent, associates and other related parties.

Furthermore, in accordance with Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication DEM/6064293 dated 28 July 2006, Attachments 2 and 3 present the income statement and statement of financial position showing the transactions with related parties separately and indicating their percentage incidence with respect to each financial statement caption.

There have not been any atypical and/or unusual transactions with related parties.

(million euro)	**31.12.2011**	**31.12.2010**
Revenue from sales and services		
Subsidiaries	620.8	687.8
Total	**620.8**	**687.8**
Other income and expenses		
Subsidiaries	64.1	60.8
Total	**64.1**	**60.8**
Purchase of raw materials, services and costs for utilization of third party assets		
Subsidiaries	(153.6)	(167.9)
Other related	(0.6)	(9.6)
Parent	–	0.1
Total	**(154.2)**	**(177.5)**
Payroll costs		
Subsidiaries	2.1	2.4
Other related	(10.5)	(13.5)
Parent	0.3	0.3
Total	**(8.0)**	**(10.8)**
Provisions and other expenses		
Other related	(0.3)	(0.2)
Total	**(0.3)**	**(0.2)**
Financial income and expenses		
Subsidiaries	45.2	104.9
Parent	–	–
Total	**45.2**	**104.9**

(million euro)	31.12.2011	31.12.2010
Porperty, plant and machinery		
Other related	–	–
Total	**–**	**–**
Non-current assets		
Subsidiaries	50.0	50.1
Total	**50.0**	**50.1**
Trade receivables		
Subsidiaries	261.8	319.5
Parent	0.2	0.2
Other related	2.4	2.4
Total	**264.4**	**322.1**
Current financial assets		
Subsidiaries	129.3	224.1
Total	**129.3**	**224.1**
Medium and long-term interest-bearing loans and borrowings		
Subsidiaries	170.5	166.0
Total	**170.5**	**166.0**
Banks and other loans and borrowings		
Subsidiaries	61.2	86.2
Total	**61.2**	**86.2**
Trade payables		
Subsidiaries	64.7	78.0
Associated	–	–
Other related	0.1	0.1
Total	**64.8**	**78.1**

The cash flow generated by related-party transactions totalled 522.6 million euro (538.4 million euro) and mainly arose from sales made to subsidiaries.

Attachments

Attachment 1

List of direct and indirect companies

Name	Location	Share capital	Group interest		Note
			Direct	Indirect	
Indesit Argentina S.A.	Argentina	ARS 24,070,220	3.00	97.00	
Indesit Company Österreich Ges. mbH	Austria	EUR 18,168.21	–	100.00	
Indesit Company Belgium S.A.	Belgium	EUR 150,000	–	100.00	
Wuxi Indesit Domestic Appliance Technology Co. Ltd.	China	EUR 900,000	–	100.00	
Indesit Company France S.a.s.	France	EUR 17,000,000	–	100.00	
FCT Cirano	France	–	–	–	
Indesit Company Deutschland GmbH	Germany	EUR 550,000	–	100.00	
Merloni Domestic Appliances Ltd.	UK	GBP 90,175,500	19.60	80.40	
Indesit Pts Ltd.	UK	GBP 1,000	–	100.00	
Indesit Company Uk Holdings Ltd.	UK	EUR 163,000,000		100.00	
General Domestic Appliances Holdings Ltd.	UK	GBP 26,000,000	–	100.00	
Airdum Ltd.	UK	GBP 15,000	–	100.00	
Cannon Industries Ltd.	UK	GBP 1.5	–	100.00	
Creda Domestic Appliances Service Ltd.	UK	GBP 1,000	–	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 3.096026	–	100.00	
Hotpoint UK Ltd.	UK	GBP 50	–	100.00	
Jackson Appliances Ltd.	UK	GBP 7.5	–	100.00	
Indesit Company UK Ltd.	UK	GBP 76,195,645	–	100.00	
Xpelair Ltd.	UK	GBP 8.25	–	100.00	
Ariston Group Services Ltd.	UK	GBP 100	–	100.00	
RTC International Ltd.	UK	GBP 50,000	–	100.00	
Indesit Ireland Ltd.	Ireland	EUR 100,000	–	100.00	
Indesit IP S.r.l.	Italy	EUR 10,000	100.00		
Aeradriatica S.p.A.	Italy	EUR 23,068,545	100.00	–	
Olympia Finance S.r.l. – Società Unipersonale	Italy	EUR 12,000	–	–	
Indesit Company Luxembourg S.A.	Luxembourg	EUR 117,977,729	100.00	–	
Indesit Company International B.V.	The Netherlands	EUR 272,270	–	100.00	
Indesit Company Polska Sp.zo.o.	Poland	PLN 540,876,500	100.00	–	
Indesit Company Portugal Electrodomésticos S.A.	Portugal	EUR 1,144,100	–	99.44	
Fabrica Portugal S.A.	Portugal	EUR 11,250,000	–	96.40	
Indesit Company Ceská S.r.o.	Czech Republic	CZK 1,000,000	100.00	–	
Closed Joint Stock Company Indesit International	Russian Fed.	RUB 1,664,165,000	100.00	–	
Indesit Rus Llc	Russian Fed.	RUB 4,340,000	100.00	–	
Indesit Electrodomesticos S.A.	Spain	EUR 1,000,000	78.95	21.05	
Indesit Company International Business S.A.	Switzerland	SFR 250,000	–	100.00	
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	Turkey	TRY 102,341,573	47.36	52.64	
Indesit Company Beyaz Esya Pazarlama A.S.	Turkey	TRY 5,167,994	99.99	–	
Indesit Middle East FZE	UAE	AED 1,000,000	–	100.00	
Indesit Ukraine LLC	Ukraine	UAH 585,570	100.00	–	
Indesit Company Magyarország Kft	Hungary	HUF 25,000,000	–	100.00	

Attachment 2

Separate income statement the year ended 31 December 2011, prepared in accordance with Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication no. DEM/6064293 dated 28 July 2006

	31.12.2011			31.12.2010		
(million euro)	**Balances**	**Of which non-recurring**	**Of which with related parties**	**Balances**	**Of which non-recurring**	**Of which with related parties**
Revenue from sales and services	1,108.1	–	620.8	1,238.2	–	687.8
Change in work in progress, semi-finished and finished products	0.8	–	–	(2.9)	–	–
Other income and expenses	91.1	0.3	64.1	86.5	–	60.8
Purchase of raw materials, services and costs for utilization of third party assets	(921.3)	(2.1)	(154.2)	(1,014.8)	(3.1)	(177.5)
Payroll costs	(212.7)	(2.8)	(8.0)	(223.0)	(1.9)	(10.8)
Depreciation, amortization and impairment losses	(59.3)	–	–	(69.6)	(9.2)	–
Change in raw materials, auxiliary and components	0.2	–	–	(3.1)	–	–
Provisions and other operating expenses	(10.4)	1.3	(0.3)	(46.3)	(22.3)	(0.2)
Operating profit	**(3.5)**	**(3.4)**	**522.4**	**(34.8)**	**(36.5)**	**560.1**
Dividends from subsidiaries, associates and others	51.0	–	51.0	119.6	–	119.6
Interest income from subsidiaries and associates	2.8	–	2.8	3.3	–	3.3
Interest income from third parties	–	–	–	–	–	–
Interest expenses from subsidiaries and associates	(8.6)	–	(8.6)	(17.9)	–	(17.9)
Interest expenses from third parties and Parent	(13.2)	–	–	(10.4)	–	–
Exchange rate gains (losses)	(0.4)	–	–	(0.2)	–	–
Reversal of impairment losses on investments	–	–	–	–	–	–
Impairment losses on investments	(0.9)	–	–	(1.5)	–	–
Net financial income and expenses	**30.7**	**–**	**45.2**	**92.9**	**–**	**104.9**
Profit before tax	**27.2**	**(3.4)**	**567.6**	**58.1**	**(36.5)**	**665.0**
Income tax expenses	(16.7)	1.0	–	(2.2)	11.5	–
Profit for the year	**10.4**	**(2.4)**	**567.6**	**55.9**	**(25.0)**	**665.0**

(percentage weight over income statement items)	31.12.2011 Balances	Of which non-recurring	Of which with related parties	31.12.2010 Balances	Of which non-recurring	Of which with related parties
Revenue from sales and services	100%	–	56.0%	100%	–	55.5%
Change in work in progress, semi-finished and finished products	100%	–	–	100%	–	–
Other income and expenses	100%	0.3%	70.4%	100%		70.2%
Purchase of raw materials, services and costs for utilization of third party assets	100%	0.2%	16.7%	100%	0.3%	17.5%
Payroll costs	100%	1.3%	3.8%	100%	0.8%	4.9%
Depreciation, amortization and impairment losses	100%	–	–	100%	0.13%	–
Change in raw materials, auxiliary and components	100%	–	–	100%	–	–
Provisions and other operating expenses	100%	(12.4%)	2.5%	100%	48.2%	0.4%
Operating profit	**100%**			**100%**		
Dividends from subsidiaries, associates and others	100%	–	100.0%	100%	–	100.0%
Interest income from subsidiaries and associates	100%	–	100.0%	100%	–	100.0%
Interest income from third parties	100%			100%		
Interest expenses from subsidiaries and associates	100%	–	100.0%	100%	–	100.0%
Interest expenses from third parties and Parent	100%	–	–	100%	–	–
Exchange rate gains (losses)	100%	–	–	100%	–	–
Reversal of impairment losses on investments	100%			100%		
Impairment losses on investments	100%	–	–	100%	–	–
Net financial income and expenses	**100%**			**100%**		
Profit before tax	100%	(12.4%)		**100%**	**(62.8%)**	
Income tax expenses	**100%**	**(5.7%)**		100%	(522.8%)	
Profit for the year	**100%**			**100%**		

Attachment 3

Separate statement of financial position at 31 December 2011, prepared in accordance with Consob Resolution no. 15519 dated 27 July 2006 and Consob Communication no. DEM/6064293 dated 28 July 2006

	31.12.2011			31.12.2010		
(million euro)	**Balances**	**Of which with related parties**	**Weight %**	**Balances**	**Of which with related parties**	**Weight %**
Assets						
Property, plant and equipment	190.7	–	–	190.3	–	–
Goodwill and other intangible assets with an indefinite useful life	–	–		–	–	
Other intangible assets with a finite life	69.8	–	–	71.0	–	–
Investments in associates	0.5	–	–	0.5	–	–
Investments in subsidiaries and other investments	455.6	–	–	454.3	–	–
Deferred tax assets	24.0	–	–	20.5	–	–
Other non-current financial assets	50.0	50.0	100.0%	50.1	50.1	100.0%
Total non-current assets	**790.5**	**50.0**	**6.3%**	**786.6**	**50.1**	**6.4%**
Inventories	107.6	–	–	106.7	–	–
Trade receivables	406.0	264.4	65.1%	465.5	322.1	69.2%
Current financial assets	137.5	129.3	94.1%	230.8	224.1	97.1%
Tax receivables	1.4	–	–	8.4	–	–
Other receivables and current assets	26.2	–	–	21.3	–	–
Cash and cash equivalents	9.1	–	–	8.5	–	–
Assets held for sale	7.1	–	–	–		
Total current assets	**695.0**	**393.7**	**56.7%**	**841.1**	**546.2**	**64.9%**
Total assets	**1,485.6**	**443.7**	**29.9%**	**1,627.7**	**596.3**	**36.6%**

(million euro)	31.12.2011 Balances	31.12.2011 Of which with related parties	31.12.2011 Weight %	31.12.2010 Balances	31.12.2010 Of which with related parties	31.12.2010 Weight %
Equity						
Share capital	92.8	–	–	92.8	–	–
Reserves	46.7	–	–	51.0	–	–
Retained earnings	337.7	–	–	312.8	–	–
Profit for the year	10.4	–	–	55.9	–	–
Total equity	**487.7**	**–**	**–**	**512.5**		**–**
Liabilities						
Medium and long-term loans and borrowings	248.1	170.5	68.7%	175.4	166.0	94.6%
Employee benefits	38.1	–	–	40.9	–	–
Provisions for risks and charges	18.7	–	–	43.5	–	–
Deferred tax liabilities	–	–		–	–	
Other non-current liabilities	15.8	–	–	18.5	–	–
Total non-current liabilities	**320.7**	**170.5**	**53%**	**278.3**	**166.0**	**60%**
Banks and other loans and borrowings	181.4	61.2	33.7%	263.3	86.2	32.7%
Provisions for risks and charges	36.2	–		33.0	–	–
Trade payables	400.2	64.8	16.2%	477.0	78.1	16.4%
Tax payables	12.5	–	–	8.1	–	–
Other payables	46.9	–	–	55.4	–	–
Total current liabilities	**677.2**	**126.0**	**18.6%**	**836.9**	**164.3**	**19.6%**
Total liabilities	**997.9**	**296.5**	**29.7%**	**1,115.2**	**330.2**	**29.6%**
Total equity and liabilities	**1,485.6**			**1,627.7**		

Attachment 4

Separate income statement for the year ended 31 December 2011 classified by function

(million euro)	31.12.2011	31.12.2010
Revenue	1,108.1	1,238.2
Cost of sales	(956.2)	(1,099.7)
Selling and distribution expenses	(147.7)	(158.5)
General and administrative expenses	(7.8)	(14.8)
Operating profit	**(3.5)**	**(34.8)**
Net financial expenses	30.7	92.9
Profit before tax	**27.2**	**58.1**
Income tax expenses	(16.7)	(2.2)
Profit for the year	**10.4**	**55.9**

Attachment 5

List of investments in subsidiaries and associates

2011 (million euro)	Location	Share capital	Equity	Of which profit (losses)
Investments in subsidiaries				
Indesit Company Luxembourg S.A.	Luxembourg	118.0	184.5	(4.1)
Indesit Rus Ltd.	Lipetzk (CSI)	0.1	22.3	34.0
Merloni Domestic Appliances Ltd.	Peterborough	108.0	49.8	0.3
Indesit Electrodomesticos S.A.	Alcobendas	1.0	0.5	(0.3)
Indesit Company Bulgaria Ltd.	Sofia	–	0.2	–
Indesit Company Polska Sp.zo.o.	Warsaw	121.3	174.9	(13.0)
Indesit Company Portugal Electrodomésticos S.A.	Lisbon	1.1	6.4	(7.6)
Indesit Company Beyaz Esya Pazarlama A.S.	Istanbul	4.6	9.6	0.1
Indesit Company Beyaz Esya Sanayi ve Ticaret A.S.	Manisa	123.3	78.0	(8.9)
Indesit Company Ceská S.r.o.	Prague	–	0.2	0.1
Closed Joint Stock Company Indesit International	Lipetzk (CSI)	51.4	243.8	20.0
Aeradriatica S.p.A.	Fabriano (Italy)	23.1	20.5	(0.6)
Indesit Argentina S.A.	Argentina	4.6	7.9	0.1
Indesit Ukraine LLC	Ukraine	1.1	0.1	(0.9)
Indesit IP S.r.l.	Fabriano (Italy)	–	–	–
Investments in associates				
TradePlace B.V. *	Amsterdam (The Netherlands)	–	(0.1)	0.2

* The information relating to TradePlace B.V. relates to 2010.

Share investment %	Portion of equity in balance sheet (A)	Carrying amount (B)	Measurement using the equity method adjustment (C)	(C – B)
100.00	184.5	68.1	4.9	(63.2)
100.00	22.3	0.1	19.7	19.6
19.60	9.8	13.6	9.8	(3.8)
78.95	0.4	–	0.4	0.4
100.00	0.2	–	–	(0.0)
100.00	174.9	182.7	175.6	(7.1)
0.01	–	–	–	–
99.99	9.6	3.8	9.6	5.8
47.36	36.9	22.1	36.9	14.8
100.00	0.2	–	0.2	0.2
100.00	243.8	143.2	243.7	100.4
100.00	20.5	20.3	20.3	(0.2)
3.00	0.2	0.2	0.2	–
100.00	0.1	1.1	0.1	(0.9)
100.00	–	–	–	–
	703.5	**455.2**	**521.4**	**66.0**
20.0	–	0.5	–	(0.5)

Attachment 6

Summary of the availability of reserves

Nature/Description (million euro)	Amount	Possibility to use	Available portion	Of which undistributable portion	Summary of utilisations over three years (2007-2005) To cover losses	For other purposes
Share capital						
Share capital	102.8	B	–	–	–	–
Nominal amount of treasury shares [3]	(9.9)		–	(9.9)	–	–
Equity related reserves:						
Share premium reserve [1]	35.9	A, B	35.9	–	–	–
Share premium owner reserve [3]	(23.0)		–	(23.0)	–	–
Revalutation reserve	–	A, B	–	–	–	–
Reserve for grants [2]	18.1	A, B, C	18.1	18.1	–	–
Surplus fusion reserve	1.4	A, B	1.4	–	–	–
Profit reserve:						
Legal reserve	22.7	B	22.7	–	–	–
Statutary reserves	–		–	–	–	–
Stock options reserve	0.4	A, B	–	–	–	–
Cash flow hedge reserve	(8.4)	A, B	(8.4)	–	–	–
Retained earnings [5]	337.3	A, B, C	337.0	0.2	–	–
Total share capital and reserve	**477.2**		**406.8**	**(14.6)**	**–**	**–**
Profit/Losses for the year	10.4					
Total equity	**487.7**					
Restriction pursuant to art. 2426 paragraph 5 [4]			**(34.2)**	**(34.2)**		
Restriction on unrealized gains on exchange rate fluctuations			**–**	**–**		
Net total			**372.6**	**(48.8)**		

Legend:
A: increase in share capital
B: cover to losses
C: profit distribution

Notes:
1. Pursuant to article. 2431 C.C., such reserves can be distributed only on condition that the legal reserve reached the limit established by article 2430 C.C. In any case the reserve is restricted to the distribution for 16.401 thousand euro in connection:
2. Part of the reserves is not distributable because restricted to government grants to be received; Part of the reserves is not available , nor distributable pursuant to article 7, Legislative drecree 38/2005.
3. It represents the not distributable portion destined to cover the value of treasury shares.
4. It represents the not distributable portion destined to cover dei long -terms costs not yet ammortised.
5. It includes the extraordinary reserve.

Attachment 7

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

Services	Service supplier	Beneficiary	Fees (thousand euro)
Audit	KPMG S.p.A.	Parent	1,129
	KPMG S.p.A. [1]	Subsidiaries	360
Other services			
– Agreed-upon procedures	KPMG S.p.A.	Parent	78
– Agreed-upon procedures	KPMG network	Subsidiaries	9
Total			**1,576**

1. The audit has been carried out by KPMG S.p.A. with the assistance of the KPMG network, present in the countries where the subsidiaries operate.

Milan, 21 March 2012

For the Board of Directors

The Chairman
(signed on the original)

Andrea Merloni

Statement in respect of the Separate financial statements at 31 December 2011 pursuant to art. 154-*bis* of Legislative Decree 58/1998

The Chief Executive Officer Marco Milani and the Manager in charge of financial reporting, Stefano Cavacini, pursuant to paras. 3 and 4 of art. 154-*bis* of Legislative Decree no. 58/1998, hereby confirm:
– the adequacy with respect to the Company's structure, and
– the effective application

throughout 2011 of the administrative and accounting procedures applied for the preparation of the Separate financial statements.

The undersigned also confirm that the 2011 separate financial statements:
– have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;
– agree with the underlying accounting records and accounting entries;
– are suitable for the purpose of providing a true and fair view of the economic and financial position and results of operations of the Company.

The report on operations includes a reliable analysis of the performance, results and financial position of the Company, as well as a description of the principal risks and uncertainties to which it is exposed.

21 March 2012

The Chief Executive Officer
(signed on the original)

Marco Milani

The Manager in charge of financial reporting
(signed on the original)

Stefano Cavacini

Report of the independent auditor

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 articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

1 We have audited the separate financial statements of Indesit Company S.p.A. as at and for the year ended 31 December 2011, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and notes thereto. The company'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 statments 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 separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 30 March 2011 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Indesit Company S.p.A. as at and for the year ended 31 December 2011 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 Indesit Company S.p.A. as at 31 December 2011, the results of its operations 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 and a report on corporate governance and ownership structure, published in the "Company" section, subsection "Governance" of Indesit Company S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98

disclosed in the report on corporate governance and ownership structure with the financial statements to which they refer, as required by the law. 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 and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structure are consistent with the separate financial statements of Indesit Company S.p.A. as at and for the year ended 31 December 2011.

Ancona, 28 March 2012

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

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www.indesitcompany.com