our **power**, your **passion**

Annual report 2011

These financial statements were approved by the Board of Directors on 15 March 2012.

This report is available on the Internet at the address www.emak.it

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Letter to the shareholders

Dear shareholders,

The financial period just ended was a year of big changes: management focused on the further development of your Group, starting from the trend in consolidated results, but with an approach marked by realism and prudence, given the uncertainty of the macro-economic context.

Although the scenario is still uncertain, we intend to look towards the future with optimism, and in this context last year represented undoubtedly a very important period in the life of the Company, in which, considering the difficulty of growing without important strategic and organisational innovations, we laid the foundations for facing the future with an improved competitive capacity.

With the main objective of continuing to generate value for Stakeholders, in 2011 the Emak Group completed a number of extraordinary acquisitions, also thanks to the increase in share capital, which significantly increased the dimension of the Group and its international outlook.

These acquisitions will allow us to operate in sectors associated with, and complementary to, our core business with an appropriate financial and organisational structure. This will, moreover, enable us to operate in new markets and to apply synergies arising from the new scale of activities.

The enlargement of the Group has required a huge effort on the part of our company, both in financial and organisational terms. We're well aware, however, that it is an essential step, part of a longer project aimed at achieving more ambitious objectives both for your Group and for all the other Stakeholders.

We have therefore updated Emak's mission, which now states:

"Innovative solutions with the best value for the customer"

"In the sector involving the production and distribution of machines, components and accessories for gardening, agriculture, forestry and industry, we intend to be one of the leading players at a world level in the offer of technological solutions and state of the art service in order to make the work of our professional customers and consumers both more efficient and pleasant, while guaranteeing them the best possible value."

We would like to thank all the shareholders, and in particular those who have chosen to contribute to the increase in Share Capital despite the less than easy economic and social context, not only for companies, but also for single investors.

Supported by all those who work in, and provide their services to, the Emak Group with enthusiasm and professionalism (and to whom I would like to express my sincere gratitude), I willingly and responsibly take up the challenge of seizing the opportunities implicit in the new global dimension of our business.

The Chairman

Fausto Bellamico

Corporate Officers

On 15 April 2010 the Ordinary General Meeting of the Shareholders of the Parent Company, Emak S.p.A., resolved to appoint the Board of Directors for the financial years 2010-2012; in the same meeting the Board of Auditors was appointed for the same duration.

Board of Directors	
Chairman and Chief Executive Officer	Fausto Bellamico
Deputy Chairman	Aimone Burani
General manager	Stefano Slanzi
Independent Directors	Ivano Accorsi
	Andrea Barilli
	Gian Luigi Basini
Directors	Carlo Baldi
	Luigi Bartoli
	Paola Becchi
	Giuliano Ferrari
	Giacomo Ferretti
	Vilmo Spaggiari
	Guerrino Zambelli

Audit Committee and Remuneration Committee	
Chairman	Andrea Barilli
Members	Ivano Accorsi
	Gian Luigi Basini
Board of Statutory Auditors	
Chairman	Marco Montanari
Acting auditors	Paolo Caselli
	Martino Masini
Alternate auditors	Mario Venezia
	Eugenio Poletti
Independent Auditors	Fidital Revisione S.r.l.
Financial Reporting Officer	Aimone Burani
Supervisory Body as per Legislative Decree 231/01	
Chairman	Francesca Baldi
Acting members	Roberto Bertuzzi
	Guido Ghinazzi

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Group Structure

Emak S.p.A. (from now on the "Company" or the "Parent Company") is one of the top European operators in the manufacture and distribution of outdoor power equipment for gardening, forestry, agriculture and industry, such as chainsaws, brush cutters, lawnmowers, garden tractors, motor hoes and power cutters. Emak operates on the global market with the brands Oleo-Mac; Efco; Bertolini; Nibbi and Staub – commercialized only on the French market – offering a full range of product made of 23 families and more than 240 models.

Emak directly manages distribution in the Italian market, while it commercializes its products through its commercial subsidiaries in France, Germany, UK, Spain, Benelux, Poland, Ukraine, United States and China. Where there isn't a direct presence, the Group makes use of a network of more than 20,000 dealers that covers more than 80 countries in the five continents.

The Group's production structure is composed of 4 units:

(i) the historical Bagnolo in Piano (Reggio Emilia) site, the centre for the production and assembly of portable products for the premium segment, motor cultivators, hedge cutters, and transporters;

(ii) Comag S.r.l., situated in Pozzilli (Isernia), specialized in the production of mowers and hoeing machines for both hobby and professional use;

(iii) Jiangmen Emak Outdoor Power Equipment Co. Ltd., situated in Jiangmen City, in the Chinese People's Republic, specialised in the production of machines for gardening and for the forestry sector, aimed at price sensitive markets;

(iv) Tailong (Zhuhai) Machinery, situated in Zhuhai, in the Chinese People's Republic, specialised in the production of nickel-plated cylinders for combustion engines, a strategic component for the Group's products.

With the aim of extending its distribution network and the range of products offered, in 2011 the Parent Company, Emak S.p.A., completed the acquisition of 61% of the share capital in the Ukrainian company Epicenter LLC.

On 22 December 2011 it acquired 100% of the Comet Group, the Tecomec Group, Sabart S.r.l. and Raico S.r.l., subsequently referred to as the "Greenfield Operation" (for further information reference should be made to note 7 of the Notes to the Accounts).

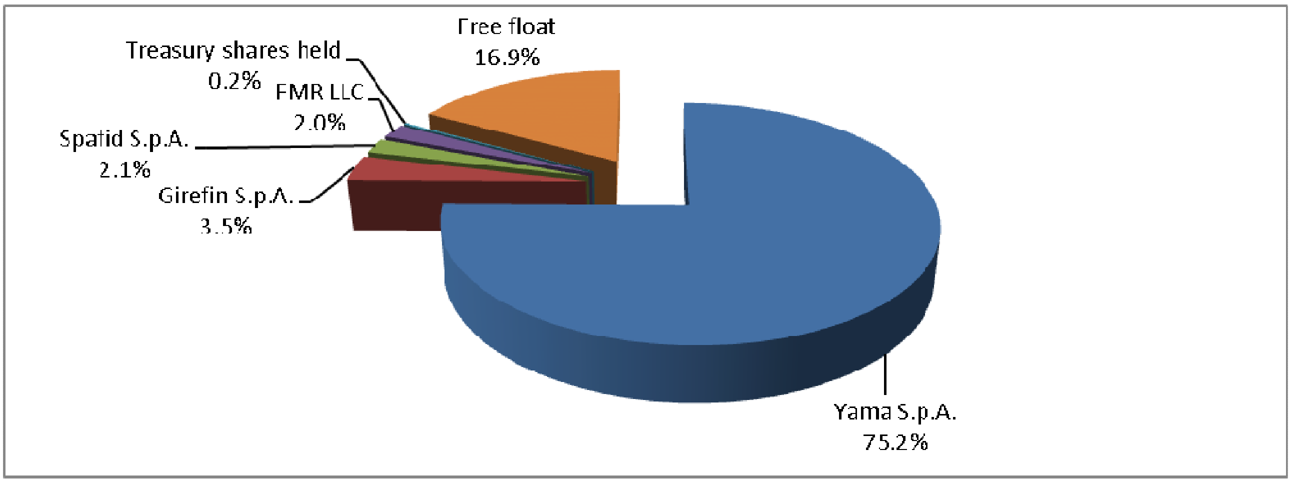
The equity positions of all the companies belonging to the Group at 31 December 2011 have been fully consolidated, while the effects of an economic nature have been consolidated from 1 October 2011 for Epicenter LLC., acquired 30 September 2011, and from 1 January 2012 for the companies acquired 22 December as part of the Greenfield Operation.

- EMAK S.p.A.
  - EMAK SUMINISTROS ESPANA SA (E) 90%
  - EMAK U.K. Ltd. (UK) 100%
  - EMAK BENELUX N.V. (B) 99,8%
  - EMAK DEUTSCHLAND GmbH (D) 100%
  - EMAK FRANCE SAS (F) 100%
  - VICTUS-EMAK Sp. Z.o.o. (PL) 100%
  - EMAK USA Inc. (U.S.A.) 100%
  - EPICENTER LLC (UA) 61%
  - COMAG S.r.l. (I) 99,4%
  - JIANGMEN EMAK OUTDOOR POWER EQUIPMENT Co. Ltd. (CHINA) 100%
  - TAILONG (ZHUHAI) MACHINERY MANUFACTURING EQUIPMENT Ltd. (CHINA) 100%
  - TECOMEC S.r.l. (I) 100%
    - SPEED FRANCE SAS (F) 100%
      - SPEED North America Inc. (U.S.A.) 100%
      - SPEED LINE South Africa (Pty) Ltd. (ZA) 51%
    - NINGBO TECOMEC MANUFACTURING Co. Ltd. (CHINA) 100%
  - COMET S.p.a (I) 100%
    - COMET U.S.A. Inc. (U.S.A.) 100%
    - COMET France SAS (F) 100%
    - PTC S.r.l. (I) 98%
  - SABART S.r.l. (I) 100%
  - RAICO S.r.l. (I) 100%

Main shareholders of Emak S.p.A.

During 2011 Emak S.p.A. has finalized a capital increase with the emission of 136,281,335 new shares with nominal value of € 0.26 (for further details about the operation please refer to note 7 of the directors' report). Therefore, at 31 December 2011 the capital of Emak S.p.A. is composed of 163,934,835 shares, with nominal value of € 0.26. The company is listed on the Milan Stock Exchange since June 25 1998. Starting from September 2001 the company's stock has become part of the High Requirement Securities Segment (STAR).

The following summarizes the composition of the company at December 31 2011. Please note that on February 16 2012 the company Spafid S.p.A. has communicated that its share has decreased below the relevant threshold of 2%.



Main economic and financial figures for the Group

The figures shown relating to equity and of a financial nature take account of all the acquisitions made during the financial year. The same applies to the numbers of employees.
The results of an economic nature do not include the costs and revenues of companies acquired as part of the Greenfield Operation, while Epicenter LLC's Income Statement has been consolidated from 1 October 2011.

Income statement (€/000)

	2011	2010
Net sales	204,359	206,785
EBITDA (1)	17,517	23,509
EBIT	10,400	16,131
Net profit	5,767	11,619

Investment and free cash flow (€/000)

	2011	2010
Investment in property, plant and equipment (5)	3,967	2,832
Investment in intangible assets (5)	1,058	1,297
Free cash flow from operations (2)	12,884	18,997

Balance sheet (€/000)

	31.12.2011	31.12.2010
Net capital employed	237,439	141,425
Net debt	(97,298)	(27,395)
Total equity	140,141	114,030

Other statistics

	2011	2010
EBITDA / Net sales (%)	8.6%	11.4%
EBIT/ Net sales (%)	5.1%	7.8%
Net profit / Net sales (%)	2.8%	5.6%
EBIT / Net capital employed (%)	4.4%	11.4%
Debt / Equity	0.69	0.24
Number of employees at period end	1,576	916

Share information and prices

	2011	2010 (*)	2010
Earnings per share (€)	0.035	0.071	0.424
Equity per share (€) (3)	0.85	0.694	4.180
Official price (€)	0.49	1.442	4.410
Maximum share price in period (€)	1.49	1.475	4.540
Minimum share price in period (€)	0.46	1.150	3.540
Stockmarket capitalization (€/million)	80	122.000	122.000
Average number of oustanding shares	163,537,602	163,537,602	27,256,267
Number of shares comprising share capital	163,934,835	163,934,835	27,653,500
Cash flow per share: net profit + amortization/depreciation (€) (4)	0.08	0.116	0.700
Dividend per share (€)	0.025	0.027	0.160

(1) "Ebit" plus "Amortization, depreciation and impairment losses"
(2) "Net Profit" plus "Amortization, depreciation and impairment losses"
(3) "Group Equity" divided by "Number of outstanding shares at period end"
(4) "Group Net Profit + Amortization/depreciation " divided by "Average number of outstanding shares"
(5) The figure doesn't include investments of the companies acquired during the year

* The data in this section have been adjusted for a more accurate representation.

Directors' report

1. Economic situation

World GDP grew of 3.8% in 2011. Developing countries have recorded a combined growth of +6.2%. In particular, the Chinese and Indian economy have recorded the best performances, respectively, with a +9.2% and a +7.4%. A good result was also obtained from Russia and Brazil, which recorded a growth rate of, respectively, +4.1% and +2.9%. Excellent was also the growth of Turkey (+6.6%). The advanced economies have recorded a more modest growth (+1.6%), supported by the results of the German economy (+3.0%), American (+1.8%) and French (+1.6%). Modest growth in Spain (+0.7%) and Italy (+0.4%). To note the mild recession of the Japanese economy (-0.9%), strongly impacted by the earthquake that hit the nation in March 2011.

2. Industry performance

Please note that the information contained in this paragraph does not refer to the companies acquired as part of Operation Greenfield, as not included in the results of economic nature for the year 2011.

It is estimated that in 2011 the global demand for products of reference for Emak has decreased of about 2% compared to 2010, reaching a value around €12 billion euros.
At the product level, in 2011 there was a positive performance for the chain saws while the demand for machines related to gardening (brush cutters, lawn mowers and garden tractors) has dropped slightly.
In terms of geographical area, the ones that suffered the most are North America (-6% approximately), Europe (-4% approximately), while in the rest of the world, especially the Far East and South America, the demand has recorded a positive trend .
Generally, the demand for Group products is influenced not only by climate, but also by economic cycle, the availability of income per capita and by culture for the green.
In industrialized countries the demand is mainly for replacement and is concentrated for about 75% in North America and Europe. In the rest of the world, the most significant areas are represented by Far East and South America.
Approximately 90% of global demand is divided between Modern Distribution and Traditional Retailers. The latter channel represents a value of about 60% of the market. The remaining 10% of the market is represented by alternative channels, among which stand out the ironmongers (Mediterranean Europe, South America, Middle East) and, typical of Western Europe only, garden centers, agricultural cooperatives and buying groups.

3. Strategy

Emak Group's strategy has always been aimed at the offer of technological solutions and state-of-the-art services characterised by high standards of reliability and innovation. Exploiting its points of strength, Emak Group has consolidated its position in Europe and in the rest of the world through a constant search for quality improvement and the extension of its range of products and services offered to its clientele.
Specifically, Emak Group's strategy has been marked by a strongly international outlook, which it has developed through the presence of 9 distribution subsidiaries in markets considered to be of high strategic interest and which today account for around 60% of global demand.

With the acquisition of the Tecomec Group, the Comet Group, Sabart and Raico, Emak has created an industrial group which integrates important businesses operating in the same sectors of gardening, forestry, agriculture and a number of industrial sectors. Emak has set itself the goal of developing the global offer of all the Group's companies, thanks to the improved integration, focalisation and exploitation of important technological, productive and managerial resources currently existing in the acquired companies, as well as of their recognised leadership in certain specific market niches.

This group strategic direction is based on the following five main lines of development:
(a) significant increase in the size of the Emak Group, key success factor for competing in international markets;

(b) expansion of the range of products / services in the field of machines, accessories and components for gardening, forestry, agriculture and industry;
(c) significant benefits arising from cross-selling opportunities on the network and on customers;
(d) integration of technological, production and management resources;
(e) higher financial flexibility at group level to support growth plans both organically and through external lines characterized by high profitability and business attractiveness.

Development objectives have to be combined with Social Responsibility, a commitment that Emak expressed the desire to measure, manage and integrate the environmental, social and economic impact of the activities of the company, in the belief that the responsible choices are those that ensure the business and the community a sustainable growth over time.

Aware of its role in the social and economic context, Emak S.p.A. pursues its development through the creation of value for the benefit of the firm and all stakeholders, combining:

- **economic sustainability**, i.e. the commitment to invest in the growth of the company and the Group, ensuring the continuity over time, through a strategic plan articulated on the fundamental critical success factors;
- **social sustainability**, meant as the willingness to bear the legitimate expectations of stakeholders and to redistribute the value created in respect of the common interest;
- **environmental sustainability**, through the identification, regulation, control and progressive reduction of environmental impacts derived directly and indirectly from the activities of the company.

Coherently with its principles, Emak S.p.A. has embarked on this path by formalizing the integrated policy for quality, ethics and the environment and implementing a management system integrated to the three main international standards ISO 9001:2000, ISO 14000:2004 and SA 8000:2001 and progressively updated.

4. Research and development

Please note that the information contained in this paragraph does not refer to the companies acquired as part of Operation Greenfield, as not included in the results of economic nature for the year 2011.

Emak considers research and development as a key factor for success. The Group's activity is focused on product innovation, considered not only as the development of new technologies aimed at improving the performance of machines in terms of lower consumption and gas emissions, but also as the improvement of the ergonomic quality of products in terms of comfort and lower vibration. With the aim of keeping up to date and, where possible, anticipating future solutions, for a number of years the Group has been actively collaborating with the academic world, with the aim of developing new technologies to be applied to its products.

In 2011 Research and Development continued in line with the Business Plan which sees product innovation as the main driving factor for the Group's growth.
In the period in question Research and Development related to all the main product families.
Among the new products launched on the market in 2011, the most important was a small garden tractor intended for customers particularly interested in comfort and versatility solutions.

Signals from the market confirm interest in the launch of new products with particular reference to their competiveness and innovation (in terms of lower consumption, lower emissions, and better ergonomic design).

Research costs directly charged to the income statement amount to € 4,654 thousand, plus a further € 251 thousand which, in view of their nature, have been capitalised as development costs

6. Human resources

The breakdown of employees by country at 31.12.2011 is shown in the following table:

Employees at the end of the period	31.12.2011 Emak Group	31.12.2011 under the same scope of consolidation	31.12.2010
Italy	841	489	487
France	119	41	37
Belgium	4	4	4
UK	10	10	12
Spain	21	21	20
Germany	24	24	20
Poland	48	48	49
China	396	290	279
Usa	72	8	8
Ukraine	37	-	-
South Africa	4	-	-
Totale	**1,576**	**935**	**916**

The number of employees at December 31 2011 is 1,576, compared to 916 at December 31 2010. The increase in personnel is mainly due to enlargement of the scope of consolidation, that with the acquisition on September 30 2011 of Epicenter LLC. (37 units) and on December 22 of Comet group (202 units), Tecomec group (309 units), Sabart S.r.l. (56 units) and Raico S.r.l. (37 units) contributed with a total of 641 units.
In the context of Emak S.p.A. during 2011 were carried out 3,957 hours between specialized training and training activities involving a total of 240 people.

7. Significant events in the year and balances or transactions arising from atypical and unusual, significant and non recurring operations.

The following significant events occurred during the financial year:

7.1 Capital increase Emak S.p.A.

On December 20, 2011 was concluded the increase in share capital of the Parent Company Emak S.p.A., with the purpose of financing the Operation Greenfield, for a total amount of Euro 57,919,567.37 inclusive of share premium, approved by the Board of Directors meetings of September 27 2011 and November 17 2011, enforcing the powers granted by the Extraordinary Meeting of September 20 2011.

The increase in share capital of Emak S.p.A. has related to the emission of n. 136,281,335 shares with nominal value of € 0.26 each, with the same characteristics as those outstanding at the date of issuance and payout January 1, 2011. The total value of issue including the premium amounted to € 0.425 per share.

Please note that Yama S.p.A., controlling shareholder of Emak S.p.A., under the commitment made on August 5, 2011, has exercised all option rights arising from the Capital Increase and upon it, in relation to all actions Emak S.p.A. it held for a total of € 43,652,812.50.

7.2 Operation “Greenfield"

On 22 December 2011, the Parent Company Emak S.p.A. completed the acquisition from the Yama Group of the 100% of Tecomec group, Comet group, Sabart and Raico, for a total price of € 82.7 millions; the price will be subjected only to downward adjustment regarding the results of the consolidated net financial position at December 31 2011 of all companies acquired.

Please note that the transaction is of greater importance as operation with related parties, carried out with all precautions required by the rules and procedures of self-discipline, based on independent assessments and assumed with the decisive vote in favor of the independent directors. For major details please refer to paragraphs 7.2 and 37 of the notes to the consolidated financial statements.

The transaction is part of the growth strategy of the Emak Group, giving rise to a major industrial center that integrates the leading companies in the sectors of machinery, accessories and components for gardening, forestry, agriculture and industry.

The acquisition was funded mainly with the capital increase described in the preceding paragraph.

The remainder of the price was financed through new debt for € 24.7 million, of which € 15 million represented by the deferred payment of the price at no charge provided by the sellers, divided as follows:
- € 2,500 thousand on January 15 2013;
- € 2,500 thousand on July 1 2013;
- € 10,000 thousand on December 16 2013.

The capital and financial effects of the companies acquired are consolidated on December 31 2011, while the economic effects have not been consolidated

Below is a brief description of the acquired companies:

Tecomec S.r.l., based in Reggio Emilia, manufactures components and accessories for machinery destined to the sectors of forestry, gardening, weeding and spraying (Geoline brand), cleaning (Mecline brand). Tecomec also holds the entire share of Speed France - in turn controlling of 100% of Speed North America and 51% of Speed South Africa - manufacturer and distributor of nylon line for trimmers, and of Tecomec Ningbo, a Chinese manufacturing company.

Comet S.p.A., based in Reggio Emilia, is a historical leading company in the production of high-pressure pumps for agriculture and industry, professional and hobby pressure washers at Comet brand.
Comet distributes its products worldwide through distributors and its subsidiaries in the U.S. and France. Comet also controls 98% of the company PTC S.r.l. and holds a share of 30% in S.I.Agro Mexico.

Sabart S.r.l., based in Reggio Emilia, specializes in the selling on the Italian market of spare parts and accessories for the forestry, agricultural and gardening sectors.

Raico S.r.l., based in Reggio Emilia, is specialized in the distribution on the Italian market of spare parts and accessories for agricultural tractors, industrial and earth moving machinery, of the most popular brands.

7.3 Acquisition of Epicenter LLC. participation

On September 30 2011, following the agreement signed on April 29 2011 and approval by the antitrust authorities of Ukraine, the Parent Company Emak S.p.A. has completed the acquisition of 61% of the capital of Epicenter LLC., for a consideration of U.S. $ 1,823 thousand, representing a value of € 1,350 thousand, paid in full on the date of acquisition.

The loss of Epicenter LLC. was included in the consolidated balance sheet as of October 1, 2011.

The operation follows the guidelines of the Group's development through external markets with high growth potential. With this acquisition, Emak aims to achieve a greater penetration in a market with great prospects such as the Ukrainian one, where it already holds a significant presence.

The contract also includes a call option in favor of Emak to purchase an additional share of 14% to be exercised by 2013, therefore with the possibility of bringing its share to 75%.

For more details on the data sheets of the acquired company please consult notes 7.2 and 7.3 of the notes of the consolidated financial statements.

8. Emak Group – Overview of results

Please note that the results do not include economic costs and revenues of the companies acquired as part of Operation Greenfield, while the income statement of Epicenter LLC. is consolidated with effect from October 1 2011.

Summary of economic results

€/000	FY 2011	%	FY 2010	%	% Change
Net sales	204,359	100	206,785	100	(1.2)
EBITDA adjusted(*)	19,586	9.6	21,294	10.3	(0.6)
EBITDA reported	17,517	8.6	23,509	11.4	(25.5)
UBIT	10,400	5.1	16,131	7.8	(35.5)
Profit before taxes	9,044	4.4	16,558	8.0	(45.4)
Net profit	5,767	2.8	11,619	5.6	(50.4)

(*) Normalized Ebitda was calculated purging it of the costs which are both significant and non-recurring items related to costs of consulting for the operations of M & A amounting to € 2,069 thousand for 2011, and to the property capital gain amounting to € 2,215 thousand for 2010.

Analysis of sale trends

The table below shows sales in 2011, broken down by product line, compared with the previous financial year:

€/000	31.12.2011	%	31.12.2010	%	% Change
Agriculture & Forestry	64,320	31.5%	65,886	31.9%	(2.4%)
Construction & Industry	9,178	4.5%	10,405	5.0%	(11.8%)
Lawn & Garden	95,608	46.8%	98,586	47.7%	(3.0%)
Spare parts & Accessories	35,253	17.2%	31,908	15.4%	10.5%
Total	**204,359**	**100%**	**206,785**	**100%**	**(1.2%)**

Sales of all the product lines have declined over the previous year, with the exception of *Parts and Accessories*, as related to the use of machines, independent from the economic cycle.
Positive, within the segment *Agriculture and Forestry*, the sales of products related to tillage.

The table below gives a breakdown of sales by geographic area recorded during the year 2011 compared with those of the previous year:

€/000	31.12.2011	%	31.12.2010	%	% Change
Italy	36,816	18.0%	39,802	19.2%	(7.5%)
Europe	118,777	58.1%	125,685	60.8%	(5.5%)
Rest of world	48,766	23.9%	41,298	20.0%	18.1%
Total	**204,359**	**100%**	**206,785**	**100%**	**(1.2%)**

The sales performance in Italy has substantially followed that of the market. In Europe there was a negative trend determined by the drop in demand in Western Europe markets (except Germany) and the contraction recorded in most countries of Eastern Europe. In the rest of the world, the significant increase in sales was achieved thanks to the good performance achieved in key Asian markets and in some countries of South America.

Profit analysis

EBITDA

EBITDA for 2011 amounts to € 17,517 thousand, against € 23,509 thousand of last year, with a decrease of 25.5% (down 7.6% excluding significant and nonrecurring operations and under the same scope of consolidation).
EBITDA as a percentage of revenues rose from 11.4% at December 31 2010 to 8.6% at 31 December 2011 (under the same area and excluding significant and nonrecurring operations it would have moved from 10.3% of 2010 to 9.7%).

The following factors had positive effects on the result for the period:
- the better product mix;
- the increase in sales prices;
- the reduction of transport costs.

Instead, the following factors had a negative impact:
- the decrease in sales volumes
- the rising cost of raw materials;
- the incurrence of costs related to M &A;
- extraordinary provisions for risks;
- the overall trend of foreign currencies.

The personnel cost is substantially stable. With reference to the consolidation of the companies whose securities are included in the consolidated income statement, the average number of employees in the workforce, including temporary workers, amounted to 1,080 units (inclusive of the 37 units from October 1, 2011 of the company Epicenter LLC.) against 1,057 of the previous year.

Operating profit

The operating profit for the year amounted to € 10,400 thousand, against € 16,131 thousand in 2010, with a decrease of 35.5% (down 9.8% excluding non-recurring transactions and under the same area).

Operating profit as a percentage of revenues rose from 7.8% in 2010 to 5.1% in 2011 (under the same area and excluding significant and non-recurring operations it would have moved from 6.7% in 2010 to 6.2%).

The ratio of operating profit on capital employed increased from 11.4% in 2010 to 4.4% in 2011 (under the same area and excluding non-recurring operations it would have moved from 9.8% of 2010 to 8.2%).

The costs for depreciation amount to € 7,117 thousand, against € 7,378 thousand in the same period in 2010.

Net profit

Net profit for the year was € 5,767 thousand compared to € 11,619 thousand in 2010, a decrease of 50.4% (a decrease of 28.3% excluding non-recurring operations and under the same scope of consolidation).

The financial result has deteriorated mainly because of currency management.

The tax rate of the year is 36.2% compared to 29.8% of last year due to the different distribution of taxable income among Group companies and greater incidence of the Regional Tax on Production Activities (IRAP).

Earnings per share at December 31, 2011 amounted to € 0.035 Euro against € 0.071 in the previous year (recalculated uniformly to the number of shares outstanding at December 31, 2011).

Highlights from the consolidated balance sheet

€/000	31.12.2011	31.12.2010
Net non-current assets	79,939	57,678
Net working capital	157,500	83,747
Total net capital employed	**237,439**	**141,425**
Equity attributable to the group	138,408	113,475
Equity attributable to minority interests	1,733	555
Net debt	(97,298)	(27,395)

Net non-current assets

The net non-current assets on December 31, 2011 amounted € 79,939 thousand compared to the € 57,678 thousand on December 31, 2010. As shown in the notes to which you may refer, the increase in the figure is mainly due to changes in the scope of consolidation and particularly to the Operation Greenfield which involved an increase in "tangible and intangible assets" of € 16,036 thousand.
The acquisition of Epicenter LLC. contributes to the variation of area of € 57 thousand in relation the "tangible and intangible assets".

During 2011 Emak Group (not considering the companies acquired as part of Operation Greenfield) has invested € 5,025 thousand in tangible and intangible assets, as detailed below:

- Product innovation for € 2,307 thousand;
- Upgrading of the production capacity and process innovation for € 905 thousand;
- Strengthening of information systems for € 1,175 thousand;
- Completion works and renovation of industrial buildings totaling € 517 thousand;
- Other in operating management totaling € 121 thousand;

Investment by region are as follows:
- Italy for € 3,924 thousand;
- Europe for € 242 thousand;
- Rest of the World for € 859 thousand.

Net working capital

The net working capital, compared to December 31, 2010, increased of € 73,753 thousand, passing from €83,747 thousand to €157,500 thousand, mainly due to the change in the scope of consolidation.

The following table reports the change in net working capital in 2011 compared with the previous year:

€/000	FY 2011	FY 2010
Net working capital at 01 January	**83,747**	**82,881**
increase/(decrease) in inventories	(565)	1,276
increase/(decreases) in trade receivables	7,662	386
(increase)/decreases in trade payables	4,029	(490)
change in scope of consolidation	61,880	-
other changes	747	(306)
Net working capital at 31 December	**157,500**	**83,747**

The increase in trade receivables is due to the worsening of the macroeconomic framework, while the decrease in trade payables is due to lower purchases in the last year period.

The trend of working capital and its components reflects the business cycle of the business and its increase is significantly influenced by changes in the consolidation area that has influenced for or the following values:

-increase in inventories	€ 55,655 thousand;
-increase in trade receivables and other receivables	€ 39,813 thousand;
- (increase) in trade payables and other payables	€ (33,367) thousand;
-other changes	€ (221) thousand
TOTAL	**€ 61,880 thousand.**

Equity

Total equity at December 31, 2011 amounted to € 140,141 thousand, compared to € 114,030 thousand at December 31, 2010.

Below we provide the changes in net equity:

Net equity at 31.12.2010	**114,030**
Share capital increase	57,937
Subscription charges, net of tax	(1,097)
Dividend distribution for 2010 net income	(4,396)
Third parties equity movement	1,169
Offset of shareholdings acquired in 2011	(82,805)
Goodwill accounted in continuity of values as for OPI 1	10,390
Net equity of acquired companies an Groups	38,797
Change in translation reserve	349
Net profit of the period	5,767
Net equity at 31.12.2011	**140,141**

Net financial position

€/000	**31.12.2011**	**31.12.2010**
Cash and banks	10,901	7,339
Securities and derivative financial instruments	174	639
Other financial assets	1	-
Financial liabilities	(65,866)	(12,330)
Derivative financial instruments	(1,156)	(302)
Short-term net debt	**(55,946)**	**(4,654)**
Other financial assets	136	-
Financial liabilities	(41,398)	(22,741)
Derivative financial instruments	(90)	-
Long-term net debt	**(41,352)**	**(22,741)**
Cash and banks	10,901	7,339
Securities and derivative financial instruments	174	639
Other financial assets	137	-
Financial liabilities	(107,264)	(35,071)
Derivative financial instruments	(1,246)	(302)
Total net debt	**(97,298)**	**(27,395)**

The net financial position stood at € 97,298 thousand at December 3,1 2011 against € 27,395 thousand at December 31, 2010.

Long-term financial payables include not only the non-current portion of loan principal repayments but also the portion of finance leases falling due after more than 12 months.

Among the short-term debt are mainly included:
- Bank overdrafts;
- The mortgage repayments due by December 31, 2012;
- Debts to other financial institutions due by 31 December 2012.

At December 31 2011 the net financial position includes the actualized debt to the parent Yama S.p.A., for an amount of € 11,016 thousand, to the related company Sabart S.p.A., for an amount of € 2,754 thousand and other financial debts for € 29 thousand to other related parties.

The following table shows the reconciliation of the change in the net financial position:

€/000	31.12.2011	31.12.2010
Opening net financial position	**(27,395)**	**(37,950)**
Cash flow from operations, excl. changes in operating assets and liabilities	14,952	16,786
Changes in operating assets and liabilities	(15,381)	(529)
Cash flow from operations	**(429)**	**16,257**
Cash flow from investments and disinvestments excl. acquisitions	**(4,976)**	**(3,482)**
Other equity changes	**(3,257)**	**(2,220)**
Adjusted net financial position (excl. Greenfield)	**(36,057)**	**(27,395)**
Extraordinary M&A costs	**(2,069)**	**-**
Capital increase	**56,840**	**-**
Net debt deriving from acquired companies	**(34,557)**	**-**
Cash flow for acquisitions	**(67,700)**	**-**
Discounted Greenfiled deferred payment	**(13,755)**	**-**
Closing net financial position	**(97,298)**	**(27,395)**

9. Performance of Group subsidiaries

At 31 December 2011 the Emak Group is organised in a structure at the top of which stands Emak S.p.A., which has a direct and indirect controlling shareholding in 22 companies operating in the four product lines (agriculture and forestry, construction and industry, gardening and spare parts and accessories).

The figures shown below are taken from the financial statements of the subsidiaries drawn up in accordance with international IAS/IFRS standards:

Company	Head office	Net sales	Net profit	Net sales	Net profit	
Parent company						
Emak S.p.A.	Bagnolo in Piano (Italia)	155,794	5,247	158,951	6,308	
Fully consolidated companies						
Emak France Sas	Rixheim (Francia)	28,420	406	30,351	405	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (Cina)	33,075	630	32,210	2,786	
Victus Emak Sp. Z o.o.	Poznam (Polonia)	15,181	832	15,437	916	
Comag Srl	Pozzilli, Isernia (Italia)	12,561	(609)	14,750	73	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germania)	14,796	225	13,999	(66)	
Emak Suministros Espana SA	Madrid (Spagna)	6,362	395	7,292	499	
Emak U.K. LTD	Lichfield (UK)	3,439	25	3,244	(119)	
Emak Benelux N.V.	Meer (Benelux)	2,125	2	2,263	2	
Emak USA Inc.	Wooster-Ohio (USA)	3,027	(153)	2,965	(196)	
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (Cina)	6,004	796	5,554	786	
Epicenter LLC	Kiev (Ucraina)	5,869	184	5,143	547	(1)
Consolidated companies 2011 (equity and financial position only)						
Tecomec Group	Reggio Emilia (Italia)	71,442	2,649	66,604	1,212	(2)
Comet Group	Reggio Emilia (Italia)	56,945	2,607	51,754	1,917	(2)
Raico Srl	Reggio Emilia (Italia)	11,271	546	9,958	544	
Sabart Srl	Reggio Emilia (Italia)	22,175	1,733	22,179	1,586	(3)

(1) on 30 September 2011 the parent Company Emak S.p.A. completed the acquisition of 61% of the share capital of Epicenter LLC.; as a result, the income statement of this company formed part of the scope of consolidation as from 1 October 2011.
For a better understanding of the figures, the table shows the economic values for the twelve months of 2011 compared to the previous year. The revenues and losses of the company consolidated in the last quarter are respectively € 990 thousand and € 60 thousand.
(2) The Tecomec Group and The Comet Group have not prepared their own consolidated accounts, since they were controlled at 31 December 2010 by Yama S.p.A. and at 31 December 2011 by Emak S.p.A. which have respectively prepared consolidated accounts in accordance with the law. The income statement figures shown in the table have been taken from the annual accounts of the respective companies at 31 December 2010 and at 31 December 2011; the heading "net revenues" and "net profit" shown in the table derive from a pro-forma income statement that takes account of the pro-forma adjustments carried out for consolidation and for compliance with the international accounting standards adopted by the Parent Company Emak S.p.A;
(3) Sabart S.r.l. is a newly incorporated limited liability company, founded 23 September 2011 through the assignment of a company branch of Sabart S.p.A. which transferred all the assets representing the core business, with the exception of real estate assets and shareholdings in other companies. The above table shows income statement figures taken from the financial statements of Sabart S.p.A. for the year ended 31 December 2010 and of Sabart S.r.l for the year ended 2011. The income statement figures of Sabart s.r.l. refer to the period from the date of assignment to 31 December 2011. For the purpose of allowing for comparability of the figures, however, the table shows "net revenues" and "net profit" realigned to the twelve months of the assigned and acquired branch, taking account of the pro-forma adjustments carried out in order to allow compliance with the international accounting standards adopted by the parent Company Emak S.p.A.
From 23 September 201, date of assignment, Sabart S.r.l. achieved net revenues of € 3,956 thousand and a net profit of € 289 thousand.

The following comments regarding performance are provided with exclusive reference to the newly-acquired companies and sub-groups (considering that the consolidated income statement does not include economic effects relating to the acquisition of shareholdings of 22 December 2011):

Performance of Parent Company Emak S.p.A.

The Parent Company generated net revenues of € 155,794 thousand, compared with € 158,951 thousand in 2010, down 2%.

EBITDA for the year amounted to € 9,449 thousand, compared to € 14,378 thousand of the previous year, a decrease of 34.3% (down 5.3% excluding, for both years, significant and non-recurring operations).

Operating profit for the year amounted to € 5,429 thousand, compared to € 10,214 thousand in 2010, a decrease of 46.8% (down 6.3% excluding, for both years, significant and non-recurring transactions).

The net profit closes at € 5,247 thousand, compared to € 6,308 thousand in 2010. The result for the period was positively impacted by higher dividends from subsidiaries.

The net financial position moved from € 15,388 thousand at December 31 2010 to € 54,495 thousand Euros, the variation is mainly due to extraordinary transactions concluded during the year, as well as to the increase in working capital.

Performance of fully consolidated subsidiaries

The weakness of market demand in European countries affected the performance of commercial subsidiaries, with the exception of Emak Deutschland and Emak UK, which recorded growth in terms of turnover and net results further to the reorganisation measures implemented in previous years.

The lower net result achieved by the Chinese production company Emak Jiangmen was mainly due to the unfavourable trend in the renminbi currency against the Euro.

The Tailong subsidiary is involved in the production of cylinders and in the marketing of finished products of the Group in the Chinese market. In 2011 it achieved an increase both in sales of cylinders, as a result of higher production volumes, and of finished products, thanks to the development of its operations in the local market.

The weak trend in Emak Usa's increase in turnover didn't allow the company to make a profit, with growth expectations in the United States market requiring a longer time period than what was forecasted in the development plan.

The results of the Italian producer subsidiary Comag S.r.l. were affected by the fall in production volumes and by allocations of future risk provisions.

Performance of subsidiaries consolidated from 2011 (equity and financial situation only)

Raico S.r.l.

In 2011 turnover increased by 13.2% compared to the previous year. The increase related to all spare part lines. Export turnover, representing around 10% of total sales, was stable compared to the same period in the previous year.

Sabart S.r.l.

Pro-forma 2011 turnover is in line with 2010. There was a significant increase in the Oregon trademark line of products (bars and chain for chainsaws, accessories and various spare parts). The Forestalgarden line of product, which accounts for around 60% of turnover, does not show any significant variation compared to the previous year. The line of products linked to agriculture decreased slightly.

Comet Group

The turnover of the Comet Group grew by around 10% compared to 2010, driven by the performances achieved in Asia and Oceania. The turnover in Europe was 10%. In this scenario the Italian market suffered the most and decreased by 2%.
With regards to the performance of the three divisions, agriculture continued its decidedly positive performance achieved in 2010, with an overall growth of 15% compared to the previous year. The performance of the industrial pumps division was also very positive, driven by the HPP lines, which was up by 16% compared to 2010.
During 2011, Comet completed the acquisition of the company PTC S.r.l., with registered office in Genoa, specialised in the production and sale of high pressure systems for industrial cleaning. This acquisition confirms the company strategy of extension towards market niches with a high professional content and allowed it to introduce a new line of very high performance high pressure water jet machines into its product range.

Tecomec Group

The 7.3% increase in turnover compared to 2010 is due to the excellent performance achieved by the Forestry and Gardening sectors, which include accessories and components for chainsaws and hedge trimmers (also wire for hedge trimmers), and by the Agriculture sector, which includes accessories for agricultural, irrigation and weeding machines. The Cleaning sector, on the other hand, recorded a slight downturn, due to the negative trend in this sector's main market, the North American market, which was also penalised by unfavourable weather conditions.
In terms of geographical area, besides the decrease in the North American market, the Group substantially confirmed sales volumes in the Italian market and a strong increase in all the other markets in which it operates (Europe, Asia, South America and Africa).

Pro-forma consolidated income statement for the Group (including all the companies in the area of consolidation at 31 December 2011)

The following consolidated figures have been drawn up in order to provide shareholders, other stakeholders and the financial market with a better understanding of the significant income scale of the new Emak Group, with its new structure after the acquisition of the share capital of Tecomec S.r.l., Comet S.p.A., Sabart S.r.l. and Raico S.r.l. on 22 December 2011. For this purpose, and exclusively with the aim of providing fuller information, consolidated economic figures of Emak Group have been prepared to represent the economic situation of the New Emak Group by effect of the acquisition operation as if the Emak Group and the companies forming part of the Greenfield perimeter had operated as a unique group controlled by Emak SpA since 1 January 2011. It needs to be pointed out, however, that had the income statements of the companies acquired been included as part of the Emak Group consolidation area throughout this period, they wouldn't necessarily have had the same results as those shown below.

€/000	Year 2011	Year 2010
Sales	356,975	348,889
Other operating income	1,921	4,244
Change in inventories	2,784	4,866
Raw and consumable materials and finished goods	(197,131)	(192,391)
Salaries and employee benefits	(57,392)	(55,275)
Other operating costs	(71,407)	(70,728)
Ebitda	**35,750**	**39,605**
Amortization, depreciation and impairment losses	(12,046)	(11,915)
Ebit	**23,704**	**27,690**
Financial income	877	780
Financial expenses	(3,559)	(4,409)
Exchange gains and losses	(353)	1,991
EBT	**20,669**	**26,052**
Income taxes	(7,638)	(7,877)
Net profit	**13,031**	**18,175**
(Profit)/loss attributable to minority interests	(74)	(89)
Net profit attributable to the group	**12,957**	**18,086**
Basic earnings per share	**0.079**	**0.110**
Diluted earnings per share	**0.079**	**0.110**
Ebitda %	**10.0%**	**11.4%**
Ebitda adjusted (1)	**37,819**	**37,390**
Ebitda adjusted % (1)	**10.6%**	**10.7%**
Net profit adjusted (1)	**14,532**	**16,400**

(1) Adjusted EBITDA was calculated without considering the operations of significant and non-recurring nature, which refer to consultancy costs for M & A amounting to € 2,069 thousand for 2011 and to the property capital gain amounting to € 2,215 thousand for 2010.

10. Transactions with related parties

With regard to relationships with related parties, see Note 37 of the consolidated financial statements and Note 35 of the separate financial statements.

11. Plan to purchase Emak S.p.A. shares

At December 31 2010 the Company held number 397,233 treasury shares in portfolio for a value of € 2.029 thousand.

On April 22 2011, the Shareholders' Meeting renewed the authorization to the purchasing and disposal of treasury shares for the purposes set out therein. During 2011 there were no movements neither in purchase nor in sale of shares without affecting the balances at the beginning of year.

During the months of January and February 2012 Emak S.p.A. has not purchased or sold shares, so that the inventory and value are unchanged from December 31 2011.

12. Corporate governance and other information required by Issuers Regulations

Emak S.p.A. complies with the Self-disciplinary Code, approved by the Committee set up by *Borsa Italiana S.p.a.*. Its governance is in line with the provisions of the Code, as approved in March 2006 and integrated in March 2010.
Details of Emak's compliance with the Code's provisions are set out in the special report on corporate governance as per arts. 123-bis of Legislative Decree 58/1998 and 89-bis of the Issuers Regulations (approved through *Consob* resolution no. 11971/1999).
The report describes the fundamental aspects of ownership structures, as well as the structure, dynamics and functioning of company management, especially regarding the attribution of management delegations, the treatment of inside information and the regulation of dealings with related parties.

The report also illustrates the general guidelines for the structure and development of internal controls, their aims, the procedures through which they are applied and subjected to the control of the Board of Directors. The specific roles of internal control bodies are also listed in the review:
- The Board of Directors
- The Director responsible for the internal control system
- The Internal Control Committee
- the Committee of independent directors, set up pursuant to *Consob* regulation no. 17221 or 12 March 2010, for the regulation of dealings with related parties;
- The Internal Control system and audit staff
- The manager responsible for the preparation of the company's accounting documents
- The officers co-responsible for the control system within their respective departments
- The Board of Auditors
- The Supervisory Committee as per Legislative Decree 231/01

It should be noted that the Organisation, Management and Control Model, provided for by art. 6 of Legislative Decree 231/01 has been in force since 2008 and is periodically updated, in modular form, in line with the extension of company liability to new offences, most recently those of an environmental nature (further to the coming into force of Leg. Dec. 121 of 7/7/11). The model is completed with the Supervisory Committee, furnished with autonomous powers of action and control. This body's task is to monitor the proper functioning of, and compliance with, the Organisational Model.

Emak has implemented an Ethical Code, in which the company's chosen ethical principles are set out and which the Directors, Auditors, Employees, Consultants and Partners of the parent company, as well as of its subsidiary companies, are required to follow.

In the terms established, and that is, within the current 2012 financial year, Emak will comply with the provisions of the reformulated Self-Disciplinary Code, as issued by the Committee set up by *Borsa Italiana s.p.a.*, further to its updating, completed in December 2011.

The report on corporate governance as per arts. 123-bis of Legislative Decree 58/1998 and the remuneration report as per Art. 123-*te*r of Leg. Dec 58/98 are available to the public in the prescribed terms at the company's registered office, at the offices of *Borsa Italiana S.p.A.* and on the website: www.emak.it under the section "Investor Relations" and subsequently "*Documentazione societaria*". The Ethical Code and the model as per Art. 6 of Leg. Dec 231/01 are also available for consultation in the same section.

* * * * * *

The information previously prescribed by arts. 78, first paragraph, and 79 of the Issuers Regulations, with regards, respectively, to remunerations paid, also by subsidiary companies, to Directors and Auditors, as well as to the Managing Director of Emak S.p.A., and the amounts and movements of Emak securities held by Directors, Auditors and the Managing Director, is now set out in the Remuneration Report, drawn up in accordance with art. 123-*ter*, Leg. Dec. 58/98.

The aforementioned report is available to the public in the prescribed terms at the company's registered office, at the offices of *Borsa Italiana S.p.A.* and on the website: www.emak.it under the section "Investor Relations": "*Documentazione societaria*".

13. Pending litigation

There are no pending litigation that could give rise to liabilities to be budgeted with the exception of those already commented in note 35 of the consolidated financial statements.

14. Other information

With regard to the provisions of Articles 36 and 39 of the Market Regulation - Consob Resolution No. 16191 - Emak S.p.A. currently reports to have control over two companies of significant size, established and regulated by the law of a state outside the European Union, both governed by the laws in force in the Republic of China:

- Jiangmen Emak Outdoor Power Equipment Co. Ltd.;
- Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.

For both companies Emak S.p.A. has aligned with the regulatory provisions referred.

On June 14 2010, Emak S.p.A. has exercised the option, in conjunction with Comag Ltd, for the group IRES (tax on the income of societies) taxation ("consolidated taxation"), pursuant to articles. 117 et seq., DPR 917/86, with effect on the tax periods 2010-2012.

15. Business outlook, principle risks and elements of uncertainty

The process of integrating the companies acquired at the end of 2011 (Greenfield Operation) into the Group is going ahead very satisfactorily and in line with the Group's plans.
The extension of the product range and the synergies deriving from the opportunities of cross-selling in the network and to the clientele will reinforce the Group's distribution coverage.
The macroeconomic scenario is still quite gloomy with few positive notes. A stable recovery is only expected to start from next year.
Following its recent acquisitions, the Group will have an improved redistribution of business in the various sectors in which it operates (gardening, agriculture, forestry and industry), with a consequent reduction in the risks associated with the impact of the economic crisis.

16. Subsequent events

Acquisition of LEMA S.r.l.

On January 27 2012 the controlled Raico S.r.l. signed the act of acquisition of the business (business unit) of LE.MA S.r.l., based in the province of Siena, in the business of spare parts and accessories of machines for agriculture. The company in 2011 generated sales for € 623 thousand.
The transaction has been established in € 207 thousand. The transaction is part of the growth strategy of Emak Group, as this acquisition will enable Raico to increase its direct presence in the territory.

Acquisition of Valley Industries LLP

On February 3, 2012 Comet USA, American subsidiary of Comet S.p.A., in turn controlled by Emak S.p.A., has signed an agreement to acquire a 90% share in Valley Industries LLP. The transaction was completed on February 7, 2012.

Founded in 2003 and based in Minnesota (USA), Valley Industries distributes a wide range of products, components and accessories for Industry and Agriculture sectors, including membrane pumps Comet, with a sales network throughout North America. Valley Industries has ended the year 2011 with a turnover of $ 19.4 million, an EBITDA of $ 2.9 million and a net debt of $ 1.9 million.

The transaction is part of the growth strategy of the Emak Group, as this acquisition will accelerate the development of business in the North American market due to the realization of operational and trade synergies not only with regard to Comet, but also for other Emak product lines marketed by the Group as a whole.

The value of Valley Industries has been contractually agreed on $ 16.6 million. Therefore, the price of 90% of the target company is about $ 15 million. The remaining 10%, regulated by a put and call option, remains in possession of the General Director and co-founder of the company. At the closing was made a payment equal to 95% of the price as defined above, while the remainder will be adjusted based on the balance sheet at December 31, 2011.
The acquisition by Comet USA was funded through the use of credit lines of which the Comet Group has availability .

17. Reconciliation of the equity and result of the Parent Company, Emak S.p.A., with the consolidated equity and result.

€/000	Equity at 31.12.2011	Result for the year ending 31.12.2011	Equity at 31.12.2010	Result for the year ending 31.12.2010
Equity and result of Emak S.p.A.	143,319	5,248	85,592	6,308
Equity and result of consolidated subsidiaries	117,362	2,490	53,460	5,088
Total	**260,681**	**7,738**	**139,052**	**11,396**
Effect of the elimination of the accounting value of shareholdings	(116,954)	277	(21,650)	398
Elimination of dividends		(2,033)	-	(279)
Elimination of other intergroup items and profits	(3,586)	(215)	(3,372)	104
Total consolidated amount	**140,141**	**5,767**	**114,030**	**11,619**
Minority interest	**(1,733)**	**(12)**	**(555)**	**(49)**
Equity and result attributable to the Group	**138,408**	**5,755**	**113,475**	**11,570**

Since the acquisition values of the shareholdings in the Greenfield Operation are greater than the equity values of the acquired companies at 31 December 2011, the excess of € 33,618 thousand (see note no. 7.2 of the Notes to the Accounts) has been eliminated by adjusting down the equity of Emak S.p.A.
Specifically, the company has chosen to account for the difference arising from the greater price paid for the acquisition of the stakes of the Tecomec Group and of the Comet Group only at the values already recognised in the consolidated accounts of the controlling company Yama at the time of the respective acquisitions.
In compliance with the requirements of reference accounting standards, the acquisition operations carried out between parties with a common controlling company (and not therefore regulated by IFRS 3), are accounted for taking account of the provisions of IAS 8, that is, the concept of a reliable and faithful representation of the operation, and of the provisions of OPI 1 (*Assirevi* (Association of Italian Auditors) preliminary guidelines regarding IFRS), relating to the "accounting treatment of the business combination of entities under common control in the separate and consolidated financial statements". As more fully specified in the aforementioned accounting standards, the choice of the accounting standard for the operations in question must make reference to the above-described elements, which imply the application of the criterion of the continuity of the values of the net assets transferred. The principle of the continuity of values gives rise to the recognition in the financial statements of the acquiring company of values equal to those that would have been shown if the net assets subject to aggregation had always been aggregated. The net assets must therefore be recognised at the book values shown in the accounts of the acquired companies before the operation or, if available, at the values shown in the consolidated accounts of the common controlling company.

18. Proposed allocation of the net profit for the year

Shareholders,
We submit for your approval the financial statements at December 31 2011, which shows a profit of €5,247,441. We also propose you to distribute a dividend of € 0.025 for each share outstanding. We invite you to take this resolution:

<<The AGM of Shareholders of Emak S.p.A.

resolution

a. to approve the financial statements at December 31 2011, closed with a profit of € 5,247,441;
b. to allocate the net profit of € 5,247,441 as follows:
- to the legal reserve for € 262,372;
- to shareholders as dividends, for € 0.025 per share, before tax, excluding treasury shares held by the company, ex-dividend date June 4 2012 and payment June 7 2012;
- retained earnings reserve for the entire remaining amount.

Bagnolo in Piano (RE), March 15 2012

p. The Board of Directors
The President
Fausto Bellamico

Emak Group – Consolidated Financial Statements at December 31 2011

Consolidated Financial Statements

Consolidated Income Statement

€/000	Notes	Year 2011	of which related parties	Year 2010	of which related parties
Sales	10	204,359	3,260	206,785	2,627
Other operating income	10	1,485		3,765	73
Change in inventories		(1,230)		227	
Raw and consumable materials and finished goods	11	(116,257)	(7,277)	(117,926)	(6,006)
Salaries and employee benefits	12	(32,288)		(32,467)	
Other operating costs	13	(38,552)	(73)	(36,875)	(6)
Amortization, depreciation and impairment losses	14	(7,117)		(7,378)	
Ebit		**10,400**		**16,131**	
Financial income	15	791		535	
Financial expenses	15	(1,777)	(15)	(1,756)	
Exchange gains and losses	15	(370)		1,648	
EBT		**9,044**		**16,558**	
Income taxes	16	(3,277)		(4,939)	
Net profit	**7**	**5,767**		**11,619**	
(Profit)/loss attributable to minority interests		**(12)**		**(49)**	
Net profit attributable to the group		**5,755**		**11,570**	
Basic earnings per share	17	**0.035**		**0.071**	
Diluted earnings per share	17	**0.035**		**0.071**	

Comprehensive income statement

Figures in thousands of euros	Notes	Year 2011	Year 2010
Net profit (A)		**5,767**	**11,619**
Profits/(losses) deriving from the conversion of foreign company accounts		**349**	**1,898**
Total other components to be included in the comprehensive income statement (B):		**349**	**1,898**
Comprehensive net profit (A)+(B)		**6,116**	**13,517**
Comprehensive net profit attributable to minority interests		**(44)**	**(49)**
Comprehensive net profit attributable to the group		**6,072**	**13,468**

(A) The presented do not include the economic effects related to the acquisition of shareholdings of December 22 2011. For more details, see Note 2.

Schedule showing consolidated assets-liabilities-financial situation

ASSETS

€/000	Notes	31.12.2011	of which related parties	31.12.2010	of which related parties
Non-current assets					
Property, plant and equipment	18	62,526		50,019	
Intangible assets other than goodwill	19	5,108		3,363	
Goodwill	20	20,492	4,639	10,573	4,451
Equity investments	21	231		224	
Equity investments in related company	21	18		-	
Deferred tax assets	29	7,151		3,137	
Other non current financial assets		136		-	
Other receivables	23	907		906	
Total		**96,569**	**4,639**	**68,222**	**4,451**
Current assets					
Inventories	24	125,474		70,665	
Trade and other receivables	23	103,521	1,734	58,210	1,619
Current tax assets	29	4,140		1,918	
Other financial assets		1		-	
Derivative financial instruments	22	174		639	
Cash and cash equivalents	25	10,901		7,339	
Total		**244,211**	**1,734**	**138,771**	**1,619**
TOTAL ASSETS		**340,780**	**6,373**	**206,993**	**6,070**

EQUITY AND LIABILITIES

€/000		31.12.2011	of which related parties	31.12.2010	of which related parties
Capital and reserves					
Total Group	26	138,408		113,475	
Non-controlling interest		1,733		555	
Total equity		**140,141**		**114,030**	
Non-current liabilities					
Loans and borrowings	28	41,398	13,770	22,741	
Deferred tax liabilities	29	4,514		3,445	
Provisions for employee benefits	30	8,856		4,902	
Provisions	31	1,836		682	
Derivative financial instruments	22	90		-	
Other non-current liabilities	32	1,288		1,516	
Total		**57,982**	**13,770**	**33,286**	
Current liabilities					
Trade and other payables	27	70,780	2,169	44,269	1,753
Current tax liabilities	29	2,845		2,055	
Loans and borrowings	28	65,866	29	12,330	
Derivative financial instruments	22	1,156		302	
Provisions	31	2,010		721	
Total		**142,657**	**2,198**	**59,677**	**1,753**
TOTAL EQUITY AND LIABILITIES		**340,780**	**15,968**	**206,993**	**1,753**

(1) The balances at December 31 2011 include the effects of the acquisition of shareholdings finalized on December 22 2011. Please refer to Note 2 for more details

Statement of changes in consolidated equity for the Emak Group

€/000	Share capital	Share premium	OTHER RESERVES				RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2009	**5,161**	**21,047**	**1,438**	**1,138**	**(296)**	**27,733**	**38,489**	**9,383**	**104,093**	**538**	**104,631**
Change in treasury shares									**0**		**0**
Payment of dividends							5,295	(9,383)	**(4,088)**	(31)	**(4,119)**
Other changes							2		**2**	(1)	**1**
Net profit for 2009					1,898			11,570	**13,468**	49	**13,517**
Balance at 31.12.2010	**5,161**	**21,047**	**1,438**	**1,138**	**1,602**	**27,733**	**43,786**	**11,570**	**113,475**	**555**	**114,030**
Share capital increase (note 26)	35,433	22,504							**57,937**		**57,937**
Charges for capital increase		(1,097)							**(1,097)**		**(1,097)**
Change in treasury shares									**0**		**0**
Profit reclassification							7,209	(11,570)	**(4,361)**	(35)	**(4,396)**
Other changes									**0**	1,169	**1,169**
Change in scope of consolidation as for Opi 1 (note 20)							(33,618)		**(33,618)**		**(33,618)**
Net profit for the period					317			5,755	**6,072**	44	**6,116**
Balance at 31.12.2011	**40,594**	**42,454**	**1,438**	**1,138**	**1,919**	**27,733**	**17,377**	**5,755**	**138,408**	**1,733**	**140,141**

*the share capital at 31.12.11 of € 42,623 is shown net of treasury shares of a value of € 2,029

Consolidated cash flow statement

€/000	Notes	2011	2010
Cash flow from operations			
Net profit for period		**5,767**	**11,619**
Amortization, depreciation and impairment losses	14	7,117	7,378
Capital (gains)/losses on disposal of property, plant and equipment		10	(2,213)
Decreases/(increases) in trade and other receivables		(7,812)	615
Decreases/(increases) in inventories		846	(1,276)
(Decreases)/increases in trade and other payables		(7,675)	(250)
Change in provision for employee benefits	30	(168)	-
Decreases/increases in provision for liabilities	31	1,284	388
Decreases/increases in derivate financial instruments		706	(433)
Net cash generated by operations		**75**	**15,828**
Cash flow from investment activities			
Increases in property, plant and equipment and intangible assets		(4,756)	(6,060)
(Increases) and decreases in financial assets		122	2
Proceeds from disposal of property, plant and equipment		(10)	2,576
Change in scope of consolidation	7.2 / 7.3	(64,752)	-
Net cash absorbed by investment activities		**(69,396)**	**(3,482)**
Cash flow from financial activities			
Change in equity		-	1
Share capital increase		56,840	-
Change in short and long-term loans and borrowings		7,086	(8,168)
Change in finance leases		(492)	(483)
Dividends paid		(4,396)	(4,119)
Change in translation reserve		349	1,898
Net cash absorbed by financial activities		**59,387**	**(10,871)**
Net increase in cash and cash equivalents		**(9,934)**	**1,475**
Opening cash and cash equivalents		**6,061**	**4,586**
Closing cash and cash equivalents		**(3,873)**	**6,061**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2011	2010
Reconciliation of cash and cash equivalents			
Opening cash and cash equivalents, detailed as follows:	25	**6,061**	**4,586**
Cash and cash equivalents		7,339	7,331
Overdrafts		(1,278)	(2,745)
Closing cash and cash equivalents, detailed as follows:	25	**(3,874)**	**6,061**
Cash and cash equivalents		10,901	7,339
Overdrafts		(14,775)	(1,278)
Other information:			
Tax paid		(5,089)	(2,995)
Interest income		550	179
Interest paid		(1,197)	(1,353)
Change in trade receivables and others toward related parties		(115)	(622)
Change in trade payables and others toward related parties		416	(452)
Change in trade receivables and others for fiscal assets		(2,326)	1,115
Change in trade payables and others for fiscal liabilities		(538)	766

Explanatory notes to the consolidated financial statements of Emak Group

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1. General information

The Board of Directors of Emak S.p.A. on March 15, 2012 approved the Financial Report to 31 December 2011, and ordered his immediate notification under Art. 154-ter, paragraph 1-ter TUF, to the Board of Auditors and to the Auditors firm in order for them to carry out their relative duties. In connection with this communication, the company issued an appropriate press release with the key figures of the financial statements and the dividend proposal made to the Assembly.

Emak S.p.A. (hereinafter "Emak" or the "Parent Company") is a public company, listed on the STAR segment of the Italian stock market, with registered offices in Via Fermi, 4 to Bagnolo in Piano (RE). It is one of the leading manufacturers in the European outdoor power equipment, small-scale farming and forestry activities, such as chainsaws, lawnmowers, hedge trimmers, tillers, power cutters and a vast assortment of accessories.

Emak S.p.A. is controlled by Yama S.p.A., an industrial holding company, which firmly holds the majority of its capital and designate, in accordance with law and statute, the majority of the members of its governing bodies. The group of companies headed by Yama operates primarily in the allied sectors of production and marketing of small machines for agriculture, gardening, construction and industry, and forestry. Emak S.p.A., nonetheless, is not subject to management or coordination on the part of Yama, and its Board of Directors makes its own strategic and operating choices in complete autonomy.

In accordance with legal requirements, EMAK S.p.A. has set up specific procedures for regulating decisions that place certain Directors in positions of conflict of interest and for the carrying out of related party transactions. These procedures are aimed at an improved safeguarding of the company and of its assets. Reference is also made to them in paragraph 37 below.

Usual transactions entertained with related parties, improved at market conditions and falling within ordinary course of business, are governed by the framework resolutions, that identify and define their nature and terms of conduct. These operations are referred in the subsequent § 37.

Values shown in these notes are in thousands of Euros, unless otherwise stated.

The financial statements and consolidated financial statements, approved by the Board of Directors of Emak S.p.A. at its meeting of March 15 2012, are subject to statutory audit by Fidital Revisione S.r.l.

Main events of 2011

As described in the Directors' report, the year ended December 31, 2011 was marked by extraordinary transactions that led to the acquisition by Emak S.p.A. of some significant shareholdings, transactions that ended December 22, 2011 with the transfer of ownership of shares and shares of Tecomec S.r.l., Comet S.p.A., Sabart S.r.l. and Raico S.r.l.. In detail, the extraordinary operations completed during the year are indicated below.

On December 20, 2011 was concluded the increase in share capital of the Parent Company Emak S.p.A. for a total amount of € 57,919,567.37 inclusive of share premium, approved by the Board of Directors in the meeting of September 27, 2011 and November 17, 2011, to enforce the powers granted by the Extraordinary Shareholders' Assembly of September 20, 2011. The capital increase of Emak S.p.A. has related to the emission of n. 136,281,335 shares with par value of € 0.26 each, with the same characteristics as those already in circulation at the date of issuance and payout January 1, 2011. The total value of issuance, including the premium, amounted to 0.425 per share.

On December 22 2011, the Parent Company Emak S.p.A. has completed the acquisition transaction from Yama Group of 100% of Comet Group, referring to Comet S.p.A., Tecomec Group controlled by Tecomec S.r.l., Sabart S.r.l. and Raico S.r.l., for a total price of € 82.7 million (hereinafter "Operation Greenfield"). The purchase price is subject to adjustment only in decreasing in order to the results of the consolidated net financial position of all companies acquired, calculated with methods described in the contract. The transaction is part of the growth strategy of Emak Group, giving rise to a major industrial center that integrates the leading companies in the fields of machinery, accessories and components for gardening, forestry, agriculture and industry sectors (for more details on the operation please refer to note 7 of the Directors' report).

The operation of capital increase and acquisition of shares by the Parent Company Yama S.p.A. and the related company Sabart S.p.A., as a related party transaction, was conducted in full compliance with the procedures prescribed by law, regulations and rules of conduct. On it the company referred repeatedly to the market during the proceedings, in particular, through the briefing paper released August 8, 2011, with the prospectus published on November 18, 2011, as well as with the numerous press releases that have accompanied the development of the different stages of the acquisition.
In particular, the Prospectus also contains the information required by Article 71 and Annex 3B, Scheme no. 3, of the Issuers Regulation, approved with Consob resolution n. 11971 of May 14 1999, as subsequently amended and supplemented, relating to acquisitions that exceed the parameters of significance.

2. Summary of principal accounting policies

Introduction – Accounting aspects of the acquisition of shareholdings

In considering the accounting treatment for the aggregation that has led to the acquisition of the entire share capital of Tecomec S.r.l. and its relative subsidiaries, of Comet S.p.A. and its relative subsidiaries, of Sabart S.r.l. and Raico S.r.l., occurring on 22 December 2011, the elements characterising business combinations do not apply and therefore international accounting standard IFRS 3, which regulates business combination operations, has been deemed as not applicable. Specifically, the acquisitions were carried out with the ultimate controlling company and with an enterprise subject to common control. Operation Greenfield was accounted for taking account of the provisions of IAS 8, that is, the concept of a reliable and faithful representation of the operation, and of the provisions of OPI 1 (*Assirevi* (Association of Italian Auditors) Preliminary Guidelines regarding IFRS), relating to the "accounting treatment of the "*Business combination of entities under common control*" in the separate and consolidated financial statements". As more fully specified in the aforementioned accounting standards, in establishing the accounting principle for the Greenfield Operation the company has opted to apply the criterion of the continuity of the values of the net assets transferred. The principle of the continuity of values gives rise to the recognition in the financial statements of Emak of values equal to those that would have been shown if the net assets subject to aggregation had always been aggregated. The net assets have therefore been recognised at the book values shown in the accounts of the acquired companies at the reference date of acquisition, nominally established as 31 December 2011. With regards to the values of goodwill, the difference arising from the greater price paid for the acquisition of the Shareholdings has been allocated to goodwill only at the values already recognised in the consolidated financial statements of the controlling company Yama at the date of acquisition.

In comparing the economic figures shown in the schedules in the consolidated financial statements at 31 December 2011 and 2010, it should be noted that they refer exclusively to the structure of the Emak Group before the acquisition made on 22 December 2011, and do not include the contribution of the acquired shareholdings.

With the exception of the above, the accounting principles used in the preparation of these consolidated accounts have been adopted in a uniform manner for all the financial periods shown.

2.1 General methods of preparation

The consolidated financial statements of the Emak Group (hereinafter "the Group") have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and adopted by the European Union at the date of preparing this report. The term IFRS also refers to all revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared under the historical cost method, except for those financial assets and liabilities (including derivative instruments) measured at fair value.

On the basis of information available and of the current and foreseeable income and financial situation, the directors have drawn up the financial statements according to the going concern assumption.
On the basis of factors known to us, that is, the current situation and future forecasts of key economic, balance sheet and financial figures for the Group, and of an analysis of the Group's risks, there are no significant uncertainties that may compromise the Group's status as a going concern.

In accordance with the provisions of IAS 1, the consolidated balance sheet is constituted by the following reports and documents:

- Balance Sheet: based on the distinction between current and non-current assets and current and non-current liabilities;
- Income Statement: based on a classification of items of income and expense according to their nature;
- Cash flow Statement: based on a presentation of cash flows using the indirect method.
- Statement of Changes in Equity
- Notes to the consolidated financial statements.

The preparation of financial statements under IFRS requires management to make use of accounting estimates. The matters involving a high degree of judgement or complexity and the areas in which the assumptions and estimates could have a significant impact on the consolidated financial statements are discussed in note 5.

With reference to *Consob* Resolution no. 15519 of 27 July 2006 regarding the presentation of financial statements, it should be noted that the income statement and the balance sheet show dealings with related parties.

2.2 Methods of consolidation

Subsidiaries
The consolidated financial statements of the Emak Group include the financial statements of Emak S.p.A. and the Italian and foreign companies over which Emak exercises direct or indirect control by governing their financial and operating policies and receiving the related benefits, according to the criteria established by IAS 27 - Consolidated and separate financial statements.

The acquisition of subsidiaries is accounted for using the purchase method, except for those acquired in 2011 from Yama Group for which you can refer in the introduction of the present paragraph. The cost of acquisition initially corresponds to the fair value of the assets acquired, the financial instruments issued and the liabilities at the date of acquisition, as increased for any directly attributable acquisition costs, and ignoring any minority interests. The excess of the cost of acquisition over the group's share of the fair value of the net assets acquired is recognized as goodwill. If the cost of acquisition is lower, the difference is directly expensed to income (see note 2.7).
The financial statements of subsidiaries are included in the consolidated accounts starting from the date of taking control to when such control ceases to exist. Minority interests and the amount of profit or loss for the period attributable to minorities are shown separately in the consolidated balance sheet and income statement.
The subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. has been consolidated as a wholly-owned subsidiary in view of the commitment to buy back the 49% interest held by Simest S.p.A.. Subsidiaries are consolidated line-by-line from the date that the Group obtains control.

Associated companies
Associated companies are companies in which the Group exercises significant influence, as defined by IAS 28 - *Investments in Associates,* but not control lover financial and operating policies. Investments in associated companies are accounted for with the equity method starting from the date the significant influence begins, up to when such influence ceases to exist.

The scope of consolidation at December 31 2011 following the acquisitions already mentioned above includes the following companies:

Name	Head office	Share capital	Currency	% consolidated	Held by
Emak S.p.A.	Bagnolo in Piano - RE (I)	42,623,057	€		
Emak Suministros Espana SA	Getafe-Madrid (E)	270,459	€	90.000	Emak S.p.A.
Comag S.r.l.	Pozzilli - IS (I)	1,850,000	€	99.442	Emak S.p.A.
Emak U.K. Ltd	Lichfield (UK)	342,090	GBP	100.000	Emak S.p.A.
Emak Deutschland Gmbh	Fellbach-Oeffingen (D)	553,218	€	100.000	Emak S.p.A.
Emak Benelux NV	Meer (B)	130,000	€	99.999	Emak S.p.A.
					Comag S.r.l.
Emak France SAS	Rixheim (F)	2,000,000	€	100.000	Emak S.p.A.
Jiangmen Emak Outdoor Power Equipment Co.Ltd (*)	Jiangmen (RPC)	25,532,493	RMB	100.000	Emak S.p.A.
Victus-Emak Sp. Z o.o.	Poznan (PL)	10,168,000	PLN	100.000	Emak S.p.A.
Emak USA Inc.	Wooster-Ohio (USA)	50,000	USD	100.000	Emak S.p.A.
Tai Long (Zhuhai) Machinery Manufacturing Ltd.	Zhuhai (RPC)	16,353,001	RMB	100.000	Emak S.p.A.
Epicenter LLC	Kiev (UA)	19,026,200	UAH	61.000	Emak S.p.A.
Raico S.r.l.	Reggio Emilia (I)	20,000	€	100.000	Emak S.p.A.
Sabart S.r.l.	Reggio Emilia (I)	1,900,000	€	100.000	Emak S.p.A.
Tecomec S.r.l.	Reggio Emilia (I)	1,580,000	€	100.000	Emak S.p.A.
Speed France SAS	Arnax (F)	300,000	€	100.000	Tecomec S.r.l.
Speed North America Inc.	Wooster-Ohio (USA)	10	USD	100.000	Speed France SAS
Speed Line South Africa Ltd	Pietermaritzbury (ZA)	100	ZAR	51.000	Speed France SAS
Ningbo Tecomec Manufacturing Co. Ltd	Ningbo City (PRC)	8,029,494	RMB	100.000	Tecomec S.r.l.
Comet S.p.A.	Reggio Emilia (I)	2,600,000	€	100.000	Emak S.p.A.
Comet France SAS	Wolfisheim (F)	320,000	€	100.000	Comet S.p.A.
Comet Usa Inc	Burnsville-Minnesota (USA)	181,090	USD	100.000	Comet S.p.A.
Ptc S.r.l.	Genova (I)	50,000	€	98.000	Comet S.p.A.

(*) The share in Jiangmen Emak Outdoor Power Equipment Co. Ltd. for the Group's holding comprises Simest S.p.A., equal to 49%. Under the contract signed in December 2004 and subsequent amendments, the interest owned by Simest S.p.A. is subject to mandatory repurchase by Emak S.p.A. as of June 30, 2013.

Infragroup transactions
Transactions, balance and non-realised profits from operations between Group companies are eliminated. Non-realised losses are eliminated in the same way, unless the operation gives rise to a loss in the value of the transferred asset. The financial statements of enterprises included in the consolidation area are appropriately adjusted, where necessary, to put them in line with the accounting principles adopted by the Group.

2.3 Segmental reporting criteria

IFRS 8 provides for information to be given for certain items in the financial statements on the basis of the operational segments of the company.

An operating segment is a component of a company:

(a) that carries on business activities generating costs and revenues;
(b) whose operating results are reviewed on a periodic basis at the highest executive levels for the purpose of taking decisions about resources to be allocated to the sector and for the evaluation of results;
(c) for which separate reporting information is available.

IFRS 8 is based on the so-called “management approach”, which defines sectors exclusively on the basis of the internal organisational and reporting structure used to assess performance and allocate resources.

On the basis of the new criteria for the definition of the operating segments introduced by IFRS 8, the Group identified, following the "management approach" a single segment of activity: production and distribution of agriculture, forestry and gardening machinery.

2.4 Translation differences

(a) Functional currency and presentation currency
Transactions included in the financial statements of each group company are recorded using the currency of the primary economic environment in which the company operates (functional currency). The consolidated financial statements are presented in euro, the functional and presentation currency of the Parent Company.

b) Transactions and balances
Transactions in foreign currencies are translated using the exchange rates at the dates of the transactions. Gains and losses arising from foreign exchange receipts and payments in foreign currency and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income. Gains and losses realized on cash flow hedges whose hedged items are still unrealized are deferred in equity.

(c) Group companies
The financial statements of all group companies whose functional currency differs to the presentation currency of the consolidated financial statements are translated as follows:
(i) assets and liabilities are translated at the closing rate on the balance sheet date;
(ii) income and expenses are translated at the average rate for the period;
(iii) all translation differences are recognized as a separate reserve under equity ("cumulative translation adjustment").

The main exchange rates used to translate in Euro these financial statements are as follows:

Amount of currency corresponding to €1	Avg. 2011	31.12.2011	Avg. 2010	31.12.2010
Punds sterling (UK)	0.87	0.84	0.86	0.86
Renminbi (China)	9.00	8.16	8.97	8.81
Zloty (Poland)	4.12	4.46	3.99	3.98
Zar (South Africa)	-	10.48	-	-
Uah (Ukraine)	10,78 (*)	10.37	-	-
Dollars (Usa)	1.39	1.29	1.33	1.34

(*) The figure refers to the last quarter of 2011.

2.5 Property, plant and equipment

Land and buildings largely comprise production facilities, warehouses and offices; they are stated at historical cost, plus any revaluations carried out by law in years prior to the first-time adoption of IAS/IFRS, less the accumulated depreciation of the buildings. Other assets are recorded at historical cost, less accumulated depreciation and impairment.
Historical cost includes all the directly attributable costs of purchasing the assets.

Subsequent expenditure is added to the carrying amount of the asset only when it is probable that this expenditure will generate future economic benefits and these costs can be measured reliably. Expenditure on other repairs and maintenance is expensed to income in the period incurred. Land is not depreciated. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- buildings, 10-33 years;
- plant and machinery, 7-10 years;
- other, 4-8 years.

The residual value and useful life of assets is reviewed and amended, if necessary, at the end of each year.

If the carrying amount of any asset is higher than the estimated recoverable amount, it is immediately reduced to realizable value.

Leases for which the group has substantially all the risks plus the right of redemption are classified as finance leases. The related assets are recognized under property, plant and equipment at the value of the future lease payments.
The principal element of repayments to be made is recorded as financial liabilities. The interest element is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases for which the lessor retains a significant portion of the risks and rewards incident to ownership are classified as operating leases, whose payments are recognized as an expense in the income statement over the lease term on a straight-line basis.

Government grants obtained for investments in buildings and machinery are treated as deferred income, which is recognized in the income statement over the period required to match these grants with the related costs.

2.6 Intangible assets

(a) Development costs
These are intangible assets with a finite life.
The development costs of new products are capitalized only if the following conditions are met:

- the costs can be measured reliably;
- the product's technical feasibility and expected price and market indicate that the costs incurred for development will generate future economic benefits.

Development costs include only that expenditure which can be attributed directly to the development process.
Development costs are amortized on the base of an estimate of the period in which it is expected that such activities generate cash flows and for any period not exceeding 5 years from commencement of production of the subject of development.

All other development costs are expensed to income as incurred.

(b) Concessions, licences and trademarks
Trademarks and licences are valued at historical cost. Trademarks and licences have a finite useful life and are stated after deducting accumulated amortization. Amortization is calculated on a straight-line basis so as to spread the asset's cost over its estimated useful life and in any case for a period not exceeding 10 years.

(c) Other intangible assets
These are intangible assets with a finite life.
An intangible asset is recognized only if it is identifiable, it is probable that it will generate future economic benefits and its cost can be measured reliably.
Intangible assets are recognized at purchase cost and amortized on a systematic basis over their estimated useful lives, which cannot exceed 10 years.

2.7 Goodwill

The goodwill deriving from purchase of subsidiaries, classified in the non-current assets, is initially recorded at cost value recognized at the acquisition date, as previously described and is considered by the Emak Group an asset with an indefinite useful life Consequently, this activity is not depreciated but is subject to regular checks to detect any impairment.

2.8 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed annually for any impairment. Depreciable assets are reviewed for impairment every time that events or changes in circumstances indicate that their carrying value might not be recoverable. The impairment loss recognized is the amount by which the carrying amount of an asset exceeds its recoverable amount, corresponding to the higher of the asset's net selling price and its value in use. For the purposes of measuring impairment, assets are classified together into the smallest identifiable groups that generate cash inflows (cash-generating units).

2.9 Investment property

Property held for long-term capital appreciation and buildings held to earn rentals are measured at cost, less depreciation and any impairment losses.

2.10 Financial assets and investments

The group classifies financial assets and investments in the following categories: financial assets at fair value (with changes reported through the income statement), loans and receivables, held-to-maturity investments and financial assets held for sale. The classification depends on the purpose for which the investment has been made. The classification is made upon the asset's initial recognition and is reviewed at every balance sheet date.

(a) Marketable financial assets at fair value (with the value of fluctuations posted in the income statement)
This category includes securities that have been acquired principally for the purpose of generating a profit from short-term fluctuations in price (or for temporarily investing surplus cash balances). This category is classified in current assets on the basis of the period-end price, with gains and losses recognized directly in the income statement.
Unless they qualify for hedge accounting, derivatives are also classified as held for trading.

(b) Other financial assets
This balance includes loans given, securities held to maturity and other receivables deriving from financial activities. They are classified as non-current assets except those falling due within 12 months which are reclassified to current assets.

These financial assets feature determinable payments with fixed maturities, and the fact that the group has the intent and ability to hold them to maturity.
These assets are valued using the amortized cost method based on the effective rate of return, with gains recorded directly in the income statement.

(c) Equity investments
Investments in associates are accounted for using the equity method in accordance with IAS 28.
The item also includes minority interests in corporations, valued at amortized cost, adjusted for any impairment losses.

(d) Financial assets available-for-sale
Financial assets available-for-sale is a residual category relating to those assets not belonging to the previous three categories. They are reported as non-current assets unless management intends selling them within 12 months of the balance sheet date.
Purchases and sales of these assets are recognized on the transaction date, which is the date on which the group commits to purchase or sell the asset.
Unrealized gains and losses arising on changes in the fair value of non-monetary securities classified as available for sale are recorded in equity. When these instruments are sold or written down, the cumulative fair value adjustments are reversed to income as gains or losses on investments in securities.
All investments in financial assets not recorded at fair value through the income statement are recognized initially at fair value plus the related transaction costs. An investment is eliminated from the accounting records when the right to its cash flows is extinguished or when the group has transferred substantially all the risks and rewards of its ownership to third parties.

The fair value of listed investments is determined with reference to the market price reported at the close of trading on the balance sheet date. In the absence of an active market for a financial asset or if the securities have been suspended from listing, the group establishes fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, bearing in mind the issuer's specific characteristics.

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists for the available-for-sale assets, the amount of the loss – measured as the difference between the asset's acquisition cost and current fair value less any impairment loss previously recognized in net profit or loss – is removed from equity and reported in the income statement. Impairment losses recognized in the income statement for equity instruments are not recovered through subsequent credits to the income statement.

2.11 Non-current assets held for sale

Assets held for sale are classified in this category when:

- the asset is available for immediate sale;
- the sale is highly probable within one year;
- management is committed to a plan to sell;
- a reasonable sales price is available;
- the plan for disposal is unlikely to change;
- a buyer is being actively sought.

These assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets reclassified to this category cease to be depreciated.

2.12 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw material costs, direct labour costs, general manufacturing costs and other direct and indirect costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined using prevailing selling prices less estimated costs of completion and sale.
Obsolete or slow-moving stocks are devalued on the basis of the presumed possibility of their use or of their future realisable value, by creating an appropriate provision that has the effect of reducing the inventories value.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less any provisions for impairment.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the group will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

2.14 Trade payables

Trade and other payables, due under normal commercial terms, are not discounted but are recognized at cost (identified by their face value), representing the expenditure required for their settlement.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term financial investments that are highly liquid and originally mature in three months or under, less bank overdrafts. Bank overdrafts are classified in the balance sheet in short-term loans and borrowings under current liabilities.

In the consolidated cash flow cash and cash equivalents have been shown net of bank overdrafts at the closing date.

2.16 Share capital

Ordinary shares are classified under equity.

If a company of the Group purchases shares in the parent company, the consideration paid, including any attributable transaction costs less the related tax, is deducted as treasury shares from the total equity pertaining to the group until such time as these shares are cancelled or sold. Any proceeds from their sale, less directly attributable transaction costs and the related tax, are recognized in equity pertaining to the Group.

In accordance with the requirements of International accounting standard IAS 32, costs sustained for the increase in share capital (that is, registration costs or other charges due to regulation authorities, amounts paid to legal advisors, auditors or other professionals, printing costs, registration costs and stamp duty), are accounted for as a reduction in equity, net of any connected tax benefit, to the extent to which they are marginal costs directly attributable to the share capital operation (and would have been avoided otherwise).

2.17 Financial liabilities

Loans and borrowings are recognized initially at fair value, less the related transaction costs. They are subsequently measured at amortized cost; the difference between the amount received, less transaction costs, and the amount repayable is recognized in the income statement over the term of the loan, using the effective interest method.

Loans and borrowings are classified as current liabilities if the group does not have an unconditional right to defer the extinguishment of the liability to at least 12 months after the balance sheet date.

2.18 Taxes

The income taxes reported in the income statement include all current and deferred taxes. Income taxes are generally recorded in the income statement and are booked to equity only when they refer to items that have been debited or credited to equity.
Taxes other than income taxes are classified as other operating costs.

Deferred tax assets are recognized on all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.
The same principle applies to the recognition of deferred tax assets on utilizable tax losses.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and possibly reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the deferred tax asset to be utilized. Any such reductions are reversed if the reasons for them no longer apply. As a general rule, apart from specific exceptions, deferred tax liabilities must always be recognized.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if the company is able to offset current tax assets against current tax liabilities and if the deferred taxes refer to income taxes levied by the same taxation authority.
During 2010, Emak has opted for consolidated taxation of corporate income tax period 2010-2012 with its subsidiary COMAG. The entries recorded for the tax credit and debt acquired by COMAG due to the consolidation are included in the corresponding balances reported by the consolidating Emak against the Treasury. The mutual entries made between mutual Emak and COMAG are adjusted in accordance with the agreements of consolidation, finalized on June 10 2010.

2.19 Provision for employee termination indemnities

Employee termination indemnities fall into the category of defined benefit plans for valuation on an actuarial basis (using death rates, expected changes in remuneration etc.) and reflect the present value of the benefit, payable at the end of employment, which employees have matured at the balance sheet date.
The costs relating to the increase in the obligation's present value, arising as the time of payment approaches, are recorded as financial expenses. All other costs relating to the provision are reported as payroll costs in the income statement. Actuarial gains and losses are recognized in the period in which they occur.

2.20 Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when the Group has legal or constructive obligation arising from past events, is likely to be asked to pay the balance of the obligation and a reliable estimate can be made of the related amount.

2.21 Revenues

Revenues are reported net of discounts, rebates, returns and allowances and are recognized as follows:

(a) Sale of goods
Sales of goods are recognized when a group company has delivered the goods to the customer, the customer has accepted the products and the associated receivable is reasonably certain to be collected.

Sales of goods are accounted for when the significant risks and benefits arising from ownership of the goods are transferred and the company ceases to exercise both effective control and normal activities associated with ownership of the goods. This situation usually occurs upon delivery and acceptance of the goods on the part of the customer.

(b) Sale of services
Sales of services are recognized in the period in which the service is rendered with reference to the stage of completion of the specific transaction, measured on the basis of the services performed to date as a percentage of total services to be performed.

2.22 Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grants will be received and all the conditions attaching to them have been satisfied.
Government grants related to costs (eg. operating grants) are recognized as revenue on a systematic basis over a number of years so as to match the costs that the grant is intended to offset.
Government grants related to assets (eg. facility grants) are recorded in non-current liabilities and gradually released to income on a systematic basis over the useful life of the asset concerned.

2.23 Financial income and expenses

Financial income and expenses are recognized on an accrual basis using the effective interest rate and include exchange gains and losses and gains and losses on derivatives charged to the income statement.

2.24 Payment of dividends

Dividends on the parent company's ordinary shares are reported as liabilities in the financial statements in the year in which the shareholders approve their distribution.

2.25 Earnings per share

Basic earnings per share are calculated by dividing the group's net profit by the weighted average number of shares outstanding during the period, excluding treasury shares.
Emak S.p.A. does not have any potential ordinary shares.

2.26 Cash flow statement

The cash flow statement has been prepared using the indirect method.
Cash and cash equivalents included in the cash flow statement comprise the cash-related balances at the reporting date. Cash flows in foreign currency have been translated at the average rate for the period. Interest income and expense, dividends received and income taxes are included in cash flow generated by operations.

2.27 Changes in accounting standards and new accounting standards

Accounting standards, amendments and interpretations in force from 1 January 2011

On 4 November 2009 the IASB issued a revised version of IAS 24 "Related Party Disclosures" which simplifies the type of information required in the case of transactions with state-controlled entities and clarifies the definition of related parties. The adoption of this revised version has had no effect from the point of view of the valuation of financial statement items and has had a limited effect on the disclosure of transactions with related parties given in these accounts.

Accounting standards, amendments and interpretations in force from 1 January 2011 and not relevant for the Emak Group

The following amendments, improvements and interpretations, effective from 1 January 2011, regulate situations and cases not relevant to the Emak Group at the date of these accounts, but which could have accounting effects on future transactions and agreements:

- **i** Financial instruments: Presentation: Classification of rights issues: amendment of IAS 32;
- **ii** Minimum funding requirements for voluntary prepaid contributions: amendment to IFRIC 14;
- **iii** IFRIC 19 – Extinguishing financial liabilities with equity instruments;
- **iv** Improvements to IAS/IFRS (2010).

Finally, on 7 October 2010 the IASB published a number of amendments to IFRS 7 "Financial instruments: Disclosures", applicable for accounting periods beginning on or after 1 July 2011. The amendments were issued with the aim of improving the understanding of transfer transactions of financial assets (de-recognition), including the understanding of the possible effects deriving from risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period. The adoption of this amendment will not have any effect on items in the accounts from a valuation point of view.

Standards and amendments not yet applicable and for which the company has not opted for advanced adoption

The following accounting standards and amendments are currently undergoing the approval process at the date of these accounts:

- **i** On 12 November 2009 the IASB published IFRS 9 "Financial instruments", subsequently amended. The standard, which will be retrospectively applicable from 1 January 2015 is the first part of a process in stages which has the aim of completely replacing IAS 39and introduces new criteria for the classification and valuation of financial assets and liabilities. Specifically, for financial assets, the new standard adopts a unique approach based on the methods for managing financial instruments and on the characteristics of contractual cash flows from financial assets in order to determine the valuation criterion, replacing the different rules provided for by IAS 39. For financial liabilities, on the other hand, the main modification relates to the accounting treatment of changes in the fair value of a financial liability indicated as valued at fair price through the income statement, in the event of changes in the liability's credit risk. According to the new standard such variations should be recognised among "Other comprehensive profits/(losses)" and no longer transferred to the income statement.

ii On 20 December 2010 the IASB issued an amendment to IAS 12 "Income taxes" which clarifies the calculation of deferred taxes on fixed asset investments valued at fair value. The modification introduces the assumption that deferred taxes relating to fixed asset investments valued at fair value according to IAS 40 must be calculated taking account that the accounting value of such assets will be recovered upon sale. As a result of this amendments SIC-21, "Income taxes – Recovery of Revalued Non-depreciable Assets" will no longer be applicable. The amendment is applicable retrospectively from 1 January 2012.

iii On 12 May 2011 the IASB issued the standard IFRS 10 "Consolidated financial statements" which will replace SIC-12 "Consolidation – Special Purpose Entities" and a number of parts of IAS 27 "Consolidated and separate financial statements" (which will have the new title of "Separate financial statements) and will regulate the accounting treatment of shareholdings in the separate financial statements. The new standard introduces the concept of control as the determining factor for the consolidation of a company in the consolidated accounts of the parent. It also provides guidelines for establishing the existence of control in the event that this is difficult to ascertain. The standard is applicable retrospectively from 1 January 2013.

iv On 12 May 2011 the IASB issued the standard IFRS 11 "Joint Arrangements" which will replace IAS 31 Interests in Joint Ventures" and SIC-13 "Jointly controlled entities – Non-monetary contributions by venturers". The new standard provides criteria for identifying joint arrangements based on the rights and obligations deriving from the agreements rather than on the their legal form, and establishes the equity method as the only method for accounting for interests in jointly controlled entities. The standard is applicable retrospectively from 1 January 2013. Further to the issue of this standard, IAS 28 "Investments in associates" has been amended to include within its scope of application also interests in jointly controlled entities.

v On 12 May 2011 the IASB issued the standard IFRS 12 "Disclosures of interests in other entities" which defines the additional information to be disclosed for every type of interest, including those in subsidiaries, joint arrangements, associated companies, special purpose entities and other non-consolidated special purpose vehicles. The standard is applicable retrospectively from 1 January 2013.

vi On 12 May 2011 the IASB issued the standard IFRS 13 "Fair value measurement" which clarifies how to calculate fair value for financial statements and applies to all the IFRS standards that require or permit the measurement of fair value or the disclosure of information based on fair value. The standard is applicable prospectively as from 1 January 2013.

vii On 16 June 2011 the IASB issued an amendment to IAS 1 "Presentation of financial statements" which requires the grouping together of all the components included among "Other comprehensive profits/(losses)" depending on whether or not they can be reclassified subsequently in the income statement. The amendment is applicable for financial periods beginning after 1 July 2012.

viii On 16 June 2011 the IASB issued an amendment to IAS 19 "Employee benefits" which eliminates the option to defer the recognition of actuarial gains and losses with the "corridor method", requiring the presentation of the changes in assets and liabilities arising from benefit plan as a whole, and the separate recognition in the income statement of costs associated with work performed and net financial charges, and the recording of actuarial gains and losses that derive from the re-measurement in every financial period of liabilities and assets included among "Other comprehensive gains(losses)". In addition, the income from assets included among net financial charges must be calculated on the basis of the discount rate of the liabilities and no longer their expected yield. Finally, the amendment introduces new additional information to be disclosed in the Notes to the Accounts. The amendment is applicable retrospectively from the financial period beginning from 1 January 2013.

Standards, amendments and interpretations not yet applicable and for which the company has not opted for advanced adoption

On 16 December 2011 the IASB issued a number of amendments to IAS 32 “Financial instruments: Presentation”, to clarify the application of certain criteria for offsetting financial assets and liabilities set out in IAS 32. The amendments are applicable retrospectively for financial periods starting from 1 January 2014.

On 16 December 2011 the IASB issued a number of amendments to IFRS 7 “Financial instruments: disclosures” which requires information to be disclosed on the effects or potential effects on the balance sheet of offsetting financial assets or liabilities. The amendments are applicable for financial periods beginning after 1 January 2013 and intermediate periods subsequent to that date. The information must be disclosed retrospectively.

3. Capital management

The group's objectives for managing capital are:

- to safeguard the ability to continue operating as a going concern and
- to provide an adequate return for shareholders.

The group manages capital structure in proportion to the risk. In order to maintain or adjust its capital structure, the group may vary the amount of dividends paid to shareholders and the return on capital to shareholders, and it may issue new shares, or sell assets to reduce the level of debt.
During recent years the group's dividend policy has been to pay out around 40% of net profit attributable to the group reported in the consolidated financial statements, except for 2008, when the pay-out rate was 28%.

The Group monitors its capital on the basis of the ratio between net financial position and equity.
As in past years, the group's strategy has been to maintain the debt-equity ratio at no more than 1, in order to ensure access to low-cost finance by keeping its credit rating at a maximum level.

The debt-equity ratios at 31 December 2011 and 31 December 2010 are as follows:

	31 Dec. 11	**31 Dec. 10**
	€/000	**€/000**
Net financial position (note 9)	97,298	27,395
Total equity	140,141	114,030
Debt-equity ratio	**0.69**	**0.24**

4. Financial risk management

4.1 Financial risk factors

The Group's business is exposed to a number of different financial risks: market risk (including currency risk, fair value risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's policies for managing and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the consolidated results. The Group uses derivative financial instruments to hedge certain risks.
Hedging of the Group's financial risks is managed by a head office function working in close collaboration with the individual operating units.

a) Market risk

(i) Interest rate risk
Since the group does not have significant interest-bearing assets, operating profits and cash flows are largely unaffected by changes in market interest rates. The group's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the group to the cash flow risk associated with interest rates. Fixed rate loans expose the group to the fair value risk associated with interest rates.

The group's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money.
At 31 December 2011, financings with banking institutions and financial leasing companies are at variable rates. During the year the company has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

(ii) Currency risk
The group conducts its business internationally and is exposed to exchange risk associated with the currencies used, chiefly US dollars, yen, pounds sterling, Chinese Renminbi and Polish Zloty. Currency risk derives from future commercial transactions, from recognized assets and liabilities and net investments in foreign enterprises.
Group companies mostly use forward contracts to hedge currency risk arising from future commercial transactions and recognized assets and liabilities.

(iii) Price risk
The group is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The group usually enters into medium-term contracts with certain suppliers for the purpose of managing and limiting the risk of fluctuations in the price of its main raw materials such as aluminium, sheet metal, plastic and copper.

(b) Credit risk
The group does not have significant concentrations of credit risk and has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured. The group has policies that limit its credit exposure to any single financial institution.

(c) Liquidity risk
Prudent management of liquidity risk implies the maintenance of sufficient liquid funds and marketable securities, the availability of funding through adequate credit lines and the ability to close positions off-market. Given the dynamic nature of the group's business, its Treasury function seeks flexibility of funding by having sufficient credit lines.

Derivatives and short-term investments are undertaken only with primary financial institutions.

Also in the light of the change in its financial structure following the acquisitions made during the year, and of the particular situation of the financial markets, the Group has maintained its high level of creditworthiness on the part of credit institutes and analysts. As a result, there are no significant variations in available credit lines which already abundantly exceeded requirements.

4.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency and interest rate fluctuation. In line with its risk management policy, in fact, the Group does not carry out derivative operations for speculative purposes.
When such operations are not accounted for as hedging operations they are recorded as trading operations.
As established by IAS 39, derivative financial instruments may qualify for special hedge accounting only if (i) at the inception of the hedge the hedging relationship is formally designated and documented, (ii) the hedge is expected to be highly effective and (iii) the effectiveness of the hedge can be measured reliably.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent balance sheet dates.

On the basis of the above, and of stipulated contracts, the accounting methods adopted are as follows:
1. Fair value hedge: the fair value variations of the hedging instrument are posted to the Income Statement together with variations in the fair value of the hedged transactions.
2. Cash flow hedge: the variations in fair value which are intended and proved to be effective for hedging future cash flows are posted to the Comprehensive Income Statement, while the ineffective portion is posted immediately to the Income Statement. If contractual commitments or planned hedging operations lead to the creation of an asset or liability, when this occurs the profits or losses on the derivative which have been posted directly to the Comprehensive Income Statement adjust the opening cost of acquisition or holding value of the asset or liability. For financial cash flow hedgings that do not lead to the creation of an asset or liability, the amounts which have been posted directly to the Comprehensive Income Statement are to be

transferred to the Income Statement in the same period in which the contractual commitment or planned hedging operation are posted to the Income Statement.
3. Derived financial instruments not defined as hedging instruments: the variations in fair value are posted to the Income Statement.

The accounting method adopted for a hedge is applied until it expires, is sold, terminates, is exercised or is no longer defined as a hedge. Accumulated profits or losses from the hedging instrument recorded directly in the Statement of Comprehensive Income are maintained until the related operation effectively occurs. If the operation to which the hedge relates is no longer expected to occur, the accumulated profits or losses recorded directly in the Statement of Comprehensive Income are transferred to the Income Statement for the relevant period.

4.3 Measurement of fair value

The fair value of financial instruments with a quoted market price in an active market (such as publicly traded derivatives and securities held for trading and for sale) is based on the market price at the balance sheet date. The market price used for the group's financial assets is the bid price; the market price for financial liabilities is the offer price.

The fair value of financial instruments not quoted in an active market (for example, derivatives quoted over the counter) is determined using valuation techniques. The group uses various methods and makes assumptions that are based on existing market conditions at the balance sheet date. Long-term payables are valued using quoted market or trading prices for the specific or similar instruments. Other methods, such as estimating the present value of future cash flows, are used to determine the fair value of the other financial instruments. The fair value of forward currency contracts is determined using the forward exchange rates expected at the balance sheet date.

It is assumed that the face value less estimated doubtful receivables approximates the fair value of trade receivables and payables. For the purposes of these notes, the fair value of financial liabilities is estimated by discounting contractual future cash flows at the current market rate available to the group for similar financial instruments.

5. Key accounting estimates and assumptions

The preparation of the consolidated financial statements and the related notes under IFRS has required management to make estimates and assumptions affecting the value of reported assets and liabilities and the disclosures relating to contingent assets and liabilities at the balance sheet date. Actual results could differ from these estimates. Estimates are used for recording provisions for doubtful accounts and inventory obsolescence, amortization and depreciation, write-downs to assets, post-employment benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of any change are immediately reflected in the income statement.

In this context, it should be noted that the situation caused by the persistent difficulties of the economic and financial scenario, in particular in the Euro zone, has implied the need to make assumptions regarding the future outlook which is characterised by uncertainty. As a result, it cannot be excluded that the actual results obtained will be different from the forecasts, and therefore adjustments, even of significant amounts (which obviously cannot today be estimated or foreseeable) to the book value of the relative items may be necessary.

6. Segment information

On the basis of the new criteria introduced by IFRS 8 for the definition of operating segments, as described in note 2.3, the Group has identified a unique operating sector according to the “management approach”, that of the production and sale of machines for agriculture, forestry and the tending of parks and gardens.

7. Significant non-recurring events and transactions

The following operations occurred during the year:

7.1 Capital increase of Emak S.p.A.

On December 20, 2011 was concluded the increase in share capital of the Parent Company Emak S.p.A., with the purpose of financing the Operation Greenfield, for a total amount of € 57,919,567.37 inclusive of share premium, approved by the Board of Directors meetings of September 27, 2011 and November 17, 2011, to enforce the powers granted by the Extraordinary Shareholders' Assembly of September 20, 2011.

The increase in share capital of Emak S.p.A. has related to the emission of n. 136,281,335 shares with par value of € 0.26 each, with the same characteristics as those outstanding at the date of issuance and payout January 1, 2011. The total value of issue including the premium amounted to € 0.425 per share.

We also remind that Yama S.p.A., controlling shareholder of Emak S.p.A., under the commitment made on August 5, 2011, has exercised all option rights arising from the capital increase, and upon it in relation to all the shares of Emak S.p.A. it held for a total of € 43,652,812.50.

7.2 Operation "Greenfield"

On December 22 2011, the Parent Company Emak S.p.A. has completed the acquisition from Yama Group of the 100% of Tecomec Group, Comet Group, Sabart and Raico, for a total price of € 82.7 million; the price will be subjected only to downward adjustment in order to the results of the consolidated net financial position at December 31 2011 of all companies acquired.

Please note that this acquisition is configured as an operation of greater importance with related parties, carried out with all precautions required by the rules and procedures of self-discipline, based on independent assessments and assumed with the decisive vote in favor of independent directors. For more details see paragraph 37 of the notes to the consolidated financial statements.

The transaction is part of the growth strategy of the Emak Group, creating a major industrial center that integrates the leading companies in the areas of machinery, accessories and components for the sectors of gardening, forestry, agriculture and industry.

The acquisition was funded largely by the capital increase described in the preceding paragraph.

The remaining part of the price was financed through new debt for € 24.7 million, of which € 15 million represented by the deferred payment of the price at no charge provided by the sellers, divided as follows:
- € 2,500 thousand as at January 15 2013;
- € 2,500 thousand as at July 1 2013;
- € 10,000 thousand at December 16 2013.

The transaction was completed near the end of the year, so the consolidation of the assets occurred with reference to the date of December 31 2011, while economic effects have not been consolidated.

Below is a brief description of the acquired companies:

Tecomec S.r.l., based in Reggio Emilia, manufactures components and accessories for machinery destined to the sectors of forestry, gardening, weeding and spraying (Geoline brand), flushing (Mecline brand). Tecomec also holds the entire share of Speed France - in turn controlling of 100% of Speed North America and 51% of Speed South Africa- manufacturer and distributor of nylon line for trimmers, and of Tecomec Ningbo, a Chinese manufacturing company.

Comet S.p.A., based in Reggio Emilia, is a historical leading company in the production of high-pressure pumps for agriculture and industry, professional and hobby pressure washers at Comet brand.
Comet distributes its products worldwide through distributors and its subsidiaries in the U.S. and France. Comet also controls 98% of the company PTC S.r.l. and holds a share of 30% in S.I.Agro Mexico.

Sabart S.r.l., based in Reggio Emilia, specializes in the selling on the Italian market of spare parts and accessories for the forestry, agricultural and gardening sectors.

Raico S.r.l., based in Reggio Emilia, specializes in the distribution on the Italian market of spare parts and accessories for agricultural tractors, industrial and earth moving machinery, of the most popular brands.

The equity and financial effects of the companies being acquired are consolidated to December 31 2011, while economic effects have not been consolidated.

The fair value of assets and liabilities aggregated with effect December 31, 2011, the price paid and the financial cost are detailed below:

Split of assets and liabilities acquired in 2011						
€/000		**Tecomec Group**	**Comet Group**	**Sabart**	**Raico**	**Total**
Non-current assets						
Property, plant and equipment		7,696	6,258	107	174	14,235
Intangible assets other than goodwill		961	629	86	125	1,801
Goodwill			2,334			2,334
Equity investments		4	3			7
Equity investments in related company			18			18
Deferred tax assets		1,890	676	255	137	2,958
Other non current financial assets		87	48			135
Other receivables		8				8
Current assets						
Inventories		24,471	21,313	3,643	4,244	53,671
Trade and other receivables		14,640	16,010	5,070	2,954	38,674
Current tax assets		513	438	0	0	951
Other financial assets		1				1
Derivative financial instruments				123		123
Cash and cash equivalents		2,294	854	1,082	4	4,234
Non-current liabilities						
Loans and borrowings		(9,844)	(4,313)		(184)	(14,341)
Deferred tax liabilities		(255)	(670)	(342)	(10)	(1,277)
Provisions for employee benefits		(724)	(2,036)	(884)	(478)	(4,122)
Provisions		(87)	(294)	(702)	(74)	(1,157)
Current liabilities						
Trade and other payables		(11,430)	(15,885)	(2,449)	(2,426)	(32,190)
Current tax liabilities		(333)	(441)	(238)	(110)	(1,122)
Loans and borrowings		(14,729)	(7,081)	(93)	(2,102)	(24,005)
Derivative financial instruments		(368)	(335)			(703)
Provisions		(2)				(2)
Total net assets		**14,793**	**17,526**	**5,658**	**2,254**	**40,231**
- minorities interests		323	11			334
Total net assets acquired		**14,470**	**17,515**	**5,658**	**2,254**	**39,897**
% Acquired		**100%**	**100%**	**100%**	**100%**	
Net equity acquired	**(a)**	**14,470**	**17,515**	**5,658**	**2,254**	**39,897**
Goodwill in continuity of values with parent company consolidated balance sheet at 31/12/2011	**(b)**	**5,661**	**2,279**	**0**	**0**	**7,940**
Surplus declined from net equity as for OP1	**(c) - (a) - (b)**	**7,415**	**7,555**	**15,393**	**3,255**	**33,618**
Shareholding value accounted at 31/12/2011	**(c) = (d) + (e)**	**27,546**	**27,349**	**21,051**	**5,509**	**81,455**
Prezzo di acquisizione interamente versato tramite bonifico bancario	**(d)**	**22,528**	**22,367**	**18,300**	**4,505**	**67,700**
Discounted derred price due to 16/12/2013	**(e)**	**5,018**	**4,982**	**2,751**	**1,004**	**13,755**
Cash and cash equivalents acquired		2,294	854	1,082	4	**4,234**
Net outflow of cas		**20,234**	**21,513**	**17,218**	**4,501**	**63,466**

7.3 Acquisition of Epicenter LLC. participation

On September 30 2011, following the agreement signed on April 29 2011 and approval by the antitrust authorities of Ukraine, the Parent Company Emak S.p.A. has completed the acquisition of 61% of the capital of Epicenter LLC., for a consideration of U.S. $ 1,823 thousand, representing a value of € 1,350 thousand, paid in full on the date of acquisition.

The entry in the consolidation area has led to the recognition in the consolidated financial statements at September 30 2011 of a goodwill related to the higher price paid for the pro-quota value of equity of about € 116 thousand.

The income statement of Epicenter LLC. was included in the consolidated balance sheet as of October 1 2011.

The operation follows the guidelines of the Group's development through external markets with high growth potential. With this acquisition, Emak aims to achieve a greater penetration in a market with great prospects such as the Ukrainian one, where it already holds a significant presence.

The contract also includes a call option in favor of Emak to purchase an additional share of 14% to be exercised by 2013, therefore with the possibility of bringing its share to 75%.

The fair value of assets and liabilities acquired on December 31, 2011, the price paid and the financial cost are detailed below:

€/000	Book value	Fair value adjustments	fair value of assets acquired
Non-current assets			
Property, plant and equipment	56	-	56
Intangible assets other than goodwill	1	-	1
Deferred tax assets	2	-	2
Other receivables	5	-	5
Current assets			
Inventories	1,984	-	1,984
Trade and other receivables	1,139	-	1,139
Current tax assets	1	-	1
Cash and cash equivalents	64	-	64
Non-current liabilities	-		-
Current liabilities			
Trade and other payables	(1,177)	-	(1,177)
Current tax liabilities	(52)	-	(52)
Total net assets acquired	**2,023**	**-**	**2,023**
% Acquired			**61%**
Net equity acquired			**1,234**
Goodwill			**116**
Purchase price fully paid by bank transfer			**1,350**
Cash and cash equivalents acquired			64
Net outflow of cash			**1,286**

8. Positions or transactions deriving from atypical and unusual operations

The Parent Company Emak S.p.A. carried out during 2011 the acquisition of the 100% interest in the share capital of Tecomec Group, Comet Group, Sabart S.r.l. and Raico S.r.l., through assignment from the parent Yama S.p.A. and the related company Sabart S.p.A., in favor of Emak S.p.A. completed on December 22 2011. Please note that the transaction figures as an operation of major importance with related parties. All significant elements of the transaction have been reported and made available in the information document prepared according to art. 5 of the Regulation of Related Parties and published on August 8 2011. With the exception of above, there were no further operations of atypical and unusual nature.

9. Net financial position

Details of the net financial position are summarized in the following table:

€/000	31.12.2011	31.12.2010
Cash and banks	10,901	7,339
Securities and derivative financial instruments	174	639
Other financial assets	1	-
Financial liabilities	(65,866)	(12,330)
Derivative financial instruments	(1,156)	(302)
Short-term net debt	**(55,946)**	**(4,654)**
Other financial assets	136	-
Financial liabilities	(41,398)	(22,741)
Derivative financial instruments	(90)	-
Long-term net debt	**(41,352)**	**(22,741)**
Cash and banks	10,901	7,339
Securities and derivative financial instruments	174	639
Other financial assets	137	-
Financial liabilities	(107,264)	(35,071)
Derivative financial instruments	(1,246)	(302)
Total net debt	**(97,298)**	**(27,395)**

At December 31 2011 the net financial position includes the debt to the parent Yama S.p.A. for an amount of € 11,016 thousand and with the related company Sabart S.p.A. for an amount of € 2,754 thousand as a result of the postponement of price of Operation Greenfield, besides € 29 thousand from other related parties.

For more details see note no. 8 of the Directors' report.

10. Sales and other operating income

The Group's revenues amount to € 204,359 thousand, compared to € 206,785 thousand of last year, and are recorded net of returns for € 691 thousand, against € 433 thousand of last year.

The breakdown of revenues is as follows:

€/000	FY 2011	FY 2010
Net sales revenues (net of discounts and rebates)	203,378	205,524
Revenues from recharged transport costs	1,672	1,694
Returns	(691)	(433)
Total	**204,359**	**206,785**

Other operating income is analysed as follows:

€/000	FY 2011	FY 2010
Capital gains on property, plant and equipment	19	113
Capital gains on disp. of fixed assets available for sale	-	2,215
Recovery of warranty costs	96	188
Insurance refunds	244	36
Advertising reimbursements	350	283
Government grants	368	515
Other operating income	408	415
Total	**1,485**	**3,765**

The item "Insurance refunds" includes € 173 thousand relating to income accounted for reimbursements related to a fire at the plant of Pozzilli (IS) and recognized of competence in 2011.

11. Cost of raw and consumable materials and goods

The cost of raw and consumable materials and goods is analysed as follows:

€/000	FY 2011	FY 2010
Raw materials, semi-finished products and goods	114,330	115,952
Other purchases	1,927	1,974
Total	**116,257**	**117,926**

12. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2011	FY 2010
Wages and salaries	22,328	22,160
Social security charges	6,484	6,413
Employee termination indemnities	1,196	1,208
Adjustment of termination indemnity for actuarial losses/(profits) (note 30)	24	182
Other costs	876	872
Directors' emoluments	267	362
Temporary staff	1,113	1,270
Total	**32,288**	**32,467**

Details of changes in staff numbers are provided in section 6 of the Directors’ report.

13. Other operating costs

Details of these costs are as follows:

€/000	FY 2011	FY 2010
Subcontract work	5,348	5,312
Maintenance	2,083	1,951
Transportation	8,805	10,183
Advertising and promotions	2,818	2,828
Commissions	2,173	2,147
Travel	1,200	1,159
Postage and telecommunications	569	569
Consulting fees	3,899	2,039
Other services	5,032	5,135
Services	**31,927**	**31,323**
Rents, rentals and the enjoyment of third party assets	**3,283**	**2,861**
Increases in provisions (note 31)	**1,360**	**561**
Bad debts	106	150
Increase in provision for doubtful accounts (nota 23)	227	362
Capital losses on property, plant and equipment	29	115
Other taxes (not on income)	578	370
Other operating costs	1,042	1,133
Other costs	**1,982**	**2,130**
Total	**38,552**	**36,875**

The application of new strategies for the reorganization of the suppliers and the management of the routes has resulted in a significant reduction in transport costs.

The consulting fees have increased significantly mainly because of the M & A operations that resulted in a total outlay amounting to € 2,069 thousand, recorded in the income statement as required by IFRS 3: we want to point out that the additional costs associated with the increase of share capital of € 1,598 thousand were accounted in accordance with IAS 32 in reduction of share premium reserve. For more details, refer to note 26.

The greater use of external services for logistics and storage and the review of contract terms has led to the increase in "Rent, rentals, and enjoyment of the third party assets."

14. Amortization and depreciation

Details of these amounts are as follows:

€/000	FY 2011	FY 2010
Amortization of intangible assets (nota 19)	931	918
Depreciation of property, plant and equipment (nota 18)	6,186	6,460
Total	**7,117**	**7,378**

15. Finance income and expenses

Financial income is analysed as follows:

€/000	FY 2011	FY 2010
Interest on trade receivables	414	123
Interest on bank and postal current accounts	121	70
Income from adjustment to fair value of derived instruments for hedging interest rate risk	227	307
Other financial income	29	35
Financial income	**791**	**535**

The increase in interest on trade receivables is mainly due to the worsening macroeconomic conditions and subsequent slow collection times.

Financial expenses are analyzed as follows:

€/000	FY 2011	FY 2010
Interest on medium-term bank loans and borrowings	631	683
Interest on short-term bank loans and borrowings	422	148
Financial charges from valuing employee termination indemnities (note 30)	134	148
Proceeds from adjustment to fair value of derived instruments for hedging interest rate risk	213	250
Other financial costs	377	527
Financial expenses	**1,777**	**1,756**

The increase in the short-term interest expense comes primarily from increased the negative net financial position, and the deterioration of the effective interest rates.

The valuation at fair value of hedges of interest rate risk is updated and accounted every quarter, giving rise to income and expenses according to the periodic fluctuations in interest rates; therefore the net positive effect for the year amounted to € 14 thousands, against the positive effect of € 57 thousand in the last year.

The decrease in other financial costs is linked to lower interest actually paid for the differential in interest rates paid on hedging contracts.

The breakdown of profits and losses is as follows:

€/000	FY 2011	FY 2010
Profit/(loss) on exchange differences on trade transactions	(118)	1,587
Profit/(loss) on exchange differences on financial items	(252)	61
Exchange gains and losses	**(370)**	**1,648**

16. Income taxes

The estimated tax charge in 2011 for current and deferred tax amounts to € 3,277 thousand (€ 4,939 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2011	FY 2010
Current income taxes	3,965	4,314
Taxes from prior years	90	(9)
Deferred tax assets (nota 29)	(630)	125
Deferred tax liabilities (nota 29)	(148)	509
Total	**3,277**	**4,939**

Current income taxes include the cost of IRAP (regional company tax) to € 836 thousand, compared to €1,063 thousand in 2010.

During 2011 a credit for deferred tax was generated, that have transited directly in equity for an amount equal to € 501 thousand.

The tax, calculated on the gross, differ from the theoretical amount that would be determined using the rate of the country where the headquarters of the Parent company are, for the following reasons:

€/000	FY 2011	% rate	FY 2010	% rate
Profit before taxes	**9,044**		**16,558**	
Theoretical tax charge	**2,840**	**31.4**	**5,200**	**31.4**
Effect of IRAP differences calculated on different tax base	566	6.2	614	3.7
Non-taxable income	(4)	0	(259)	(1.5)
Non-deductible costs	317	3.5	277	1.7
Differences in rates with other countries	(327)	(3.6)	(871)	(5.3)
Taxes from prior years	3	0	6	0
Other differences	(118)	(1.3)	(28)	(0.2)
Effective tax charge	**3,277**	**36.2**	**4,939**	**29.8**

The tax rate is 36.2%, an increase from the 29.8% at December 31 2010.

This increase is due mainly to the increased incidence of the IRAP (regional company tax) tax base and the different distribution of taxable income among the Group companies.

17. Earnings per share

"Basic" earnings per share are calculated by dividing the net profit for the period attributable to the parent company's shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased or held by the parent company as treasury shares (see note 36). The parent company has only ordinary shares outstanding.

The earnings per share shown in the following table has been calculated on the basis of homogeneous data, considering also for the year 2010, the same number of shares, taking into account the subscribed issue of increase in share capital during the year 2011 .

	FY 2011	FY 2010
Net profit attributable to ordinary shareholders in the parent company (€/000)	5,755	11,570
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
Basic earnings per share (€)	**0.035**	**0.071**

Diluted earnings per share are the same as basic earnings per share.

18. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2009	Increases	Decreases	Other changes	Exch. Difference	Reclass.	31.12.2010
Land and buildings	41,221	148	(28)	-	831	-	42,172
Accumulated depreciation	(8,510)	(1,160)	27	-	(43)	-	(9,686)
Land and buildings	**32,711**	**(1,012)**	**(1)**	**-**	**788**	**-**	**32,486**
Plant and machinery	20,985	334	(885)	-	455	3	20,892
Accumulated depreciation	(11,008)	(1,790)	737	-	(148)	-	(12,209)
Plant and machinery	**9,977**	**(1,456)**	**(148)**	**-**	**307**	**3**	**8,683**
Other assets	53,780	1,995	(1,157)	-	428	239	55,285
Accumulated depreciation	(44,489)	(3,510)	1,062	-	(218)	51	(47,104)
Other assets	**9,291**	**(1,515)**	**(95)**	**-**	**210**	**290**	**8,181**
Advances and fixed assets in progress	**458**	**355**	**(6)**	**152**	**-**	**(290)**	**669**
Cost	**116,444**	**2,832**	**(2,076)**	**152**	**1,714**	**(48)**	**119,018**
Accumulated depreciation (note 14)	**(64,007)**	**(6,460)**	**1,826**	**-**	**(409)**	**51**	**(68,999)**
Net book value	**52,437**	**(3,628)**	**(250)**	**152**	**1,305**	**3**	**50,019**

€/000	31.12.2010	Ch. in scope of consolidation	Increases	Decreases	Exch. Difference	Reclass.	31.12.2011
Land and buildings	42,172	22	14	-	648	(44)	42,812
Accumulated depreciation	(9,686)	(11)	(1,200)	-	(72)	-	(10,969)
Land and buildings	**32,486**	**11**	**(1,186)**	**-**	**576**	**(44)**	**31,843**
Plant and machinery	20,892	42,374	521	(388)	360	44	63,803
Accumulated depreciation	(12,209)	(32,274)	(1,747)	350	(198)	-	(46,078)
Plant and machinery	**8,683**	**10,100**	**(1,226)**	**(38)**	**162**	**44**	**17,725**
Other assets	55,285	22,817	2,229	(2,138)	302	403	78,898
Accumulated depreciation	(47,104)	(18,935)	(3,239)	1,814	(260)	13	(67,711)
Other assets	**8,181**	**3,882**	**(1,010)**	**(324)**	**42**	**416**	**11,187**
Advances and fixed assets in progress	**669**	**298**	**1,203**	**-**	**17**	**(416)**	**1,771**
Cost	**119,018**	**65,511**	**3,967**	**(2,526)**	**1,327**	**(13)**	**187,284**
Accumulated depreciation (note 14)	**(68,999)**	**(51,220)**	**(6,186)**	**2,164**	**(530)**	**13**	**(124,758)**
Net book value	**50,019**	**14,291**	**(2,219)**	**(362)**	**797**	**-**	**62,526**

No evidence of impairment has been reported for property, plant and equipment.

Among the increases are worth mentioning investments:
- in equipment for the development of new products;
- in the adaptation and modernization of production lines;
- in the realization of the service school where training initiatives of technical customers will be conducted.

The decreases relate mainly to the replacement of obsolete dies and machines following organisational changes in the financial year.

Details of the value of land and buildings under finance leases are as follows:

€/000	31.12.2011	31.12.2010
Gross value	3,659	3,659
Accumulated depreciation	(768)	(659)
Net book value	**2,891**	**3,000**

The financial leasing contract in force relates to Emak S.p.A.'s office building situated in Via Fermi 4 used as the company's registered office. The contract was entered into with Locat S.p.A. on 10.11.2005 and expires on 10.11.2013, with a gross value of the fixed asset of € 3,659 thousand. At the termination of the contract Emak S.p.A will have the right to a redemption option on the fixed asset for a value of € 215 thousand.

The net book value of plant and machinery under financial lease is as follows:

€/000	31.12.2011	31.12.2010
Gross value	645	-
Accumulated depreciation	(375)	-
Net book value	**270**	**-**

The finance lease relates to manufacturing plants to be used in the production process of Tecomec S.r.l. and Speed France SAS.

Comag S.r.l. has obtained capital grants under Law 488/92 for the following amounts:

- €1,615 thousand in 1998 for investments worth €4,532 thousand;

- €636 thousand in 2002 for investments made in 2001 and 2002 worth around €4,250

During 2004, moreover, Comag S.r.l. submitted a new request for grants amounting to € 2,401 thousand, against investments of around € 9,538 thousand. The request for these grants was accepted and the relative credit was accounted for, according to the scheme of investments made, under other receivables falling due within 1 year for €1,601 thousand and under other receivables falling due after more than one year for € 800 thousand (note 23). This allocation is based on expected collections as deduced from the final documentation received further to the investment entered into by the company at the end of 2008.
The amount of the contribution is subject to the risk of modification if the conditions provided for in the investment plan are not complied with: this plan is currently under review on the part of an expert appointed by the instructing bank.

These grants are recorded progressively to the income statement, in relation to the residual possibility of use of the fixed assets to which they refer, and are recorded in the balance sheet under deferred income.

No fixed assets are subject to restrictions as a result of collateral provided.

19. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2009	Increases	Decreases	Other changes	Exch. Difference	Reclass.	31.12.2010
Development costs	1,301	85	-	-	-	332	1,718
Accumulated amortization	(884)	(62)	-	-	-	-	(946)
Development costs	**417**	**23**	**-**	**-**	**-**	**332**	**772**
Patents and intellectual property rights	5,953	594	(5)	-	62	-	6,604
Accumulated amortization	(4,879)	(601)	-	2	(31)	-	(5,509)
Patents	**1,074**	**(7)**	**(5)**	**2**	**31**	**-**	**1,095**
Concessions, licences and trademarks	687	4	-	-	19	-	710
Accumulated amortization	(525)	(122)	-	-	(17)	-	(664)
Concessions, licences and trademarks	**162**	**(118)**	**-**	**-**	**2**	**-**	**46**
Other intangible assets	2,918	608	-	(3)	121	(1,711)	1,933
Accumulated amortization	(2,045)	(133)	-	3	(25)	1,711	(489)
Other intangible assets	**873**	**475**	**-**	**-**	**96**	**-**	**1,444**
Advanced payments and fixed assets in progress	**428**	**6**	**-**	**(96)**	**-**	**(332)**	**6**
Cost	**11,287**	**1,297**	**(5)**	**(99)**	**202**	**(1,711)**	**10,971**
Accumulated amortization (note 14)	**(8,333)**	**(918)**	**-**	**5**	**(73)**	**1,711**	**(7,608)**
Net book value	**2,954**	**379**	**(5)**	**(94)**	**129**	**-**	**3,363**

€/000	31.12.2010	Ch. in scope of consolidation	Increases	Decreases	Exch. Difference	Reclass.	31.12.2011
Development costs	1,718	251	5	-	-	65	2,039
Accumulated amortization	(946)	(103)	(93)	-	-	-	(1,142)
Development costs	**772**	**148**	**(88)**	**-**	**-**	**65**	**897**
Patents and intellectual property rights	6,604	3,623	736	-	34	15	11,012
Accumulated amortization	(5,509)	(2,968)	(617)	-	(18)	-	(9,112)
Patents	**1,095**	**655**	**119**	**-**	**16**	**15**	**1,900**
Concessions, licences and trademarks	710	1298	33	-	(68)	-	1,973
Accumulated amortization	(664)	(578)	(11)	-	68	-	(1,185)
Concessions, licences and trademarks	**46**	**720**	**22**	**-**	**-**	**-**	**788**
Other intangible assets	1,933	671	168	-	96	(282)	2,586
Accumulated amortization	(489)	(577)	(210)	-	(32)	18	(1,290)
Other intangible assets	**1,444**	**94**	**(42)**	**-**	**64**	**(264)**	**1,296**
Advanced payments and fixed assets in progress	**6**	**185**	**116**	**-**	**-**	**(80)**	**227**
Cost	**10,971**	**6,028**	**1,058**	**-**	**62**	**(282)**	**17,837**
Accumulated amortization (note 14)	**(7,608)**	**(4,226)**	**(931)**	**-**	**18**	**18**	**(12,729)**
Net book value	**3,363**	**1,802**	**127**	**-**	**80**	**(264)**	**5,108**

The investments of the year relate mainly to the purchase of software for improving process efficiency, among which are reported within the project for the integration of subsidiaries and the customizations of the system management.
The reclassification amounting to €282 thousands regards the review of multi-year contract for the use of production equipment

Research and development costs directly recorded in the Group's income statement amount to € 4,654 thousand.

All intangible fixed assets have a defined residual life and are amortised at constant rates on the basis of their remaining useful life.

20. Goodwill

The goodwill of € 20,492 thousand reported at 31 December 2011 is detailed below:

	31.12.2010	Ch. In scope of consolidation	Exchance difference	31.12.2011
Goodwill from the acquisition of Victus-Emak Sp. z o.o.	938	-	(102)	836
Goodwill from the acquisition of the company branch Victus IT	5,184	-	(561)	4,623
Goodwill from the merger of Bertolini S.p.A.	2,074	-	-	2,074
Goodwill from the acquisition of Tailong Machinery Ltd.	2,377	-	188	2,565
Goodwill from the acquisition of Epicenter LLC	-	116	4	120
Goodwill from the acquisition of Tecomec Group	-	2,807	-	2,807
Goodwill from the acquisition of Comet Group	-	2,279	-	2,279
Goodwill from the acquisition of Speed France	-	2,854	-	2,854
Goodwill from the merger of HPP	-	1,974	-	1,974
Goodwill from transfer of the business PTC	-	360	-	360
Total	**10,573**	**10,390**	**(471)**	**20,492**

- Goodwill on the purchase of Victus-Emak Sp. Z.o.o. for € 836 thousand relates to the difference between the acquisition price for 100% of the company regulated by Polish law, Victus-Emak Sp. Z.o.o., and its equity at the date of acquisition, while an amount of € 4,623 thousand relates to the acquisition of the company branch of Victus International Trading SA. Both acquisitions were finalized in 2005.

- the amount of € 2,074 thousand refers to the positive difference arising from the acquisition from the parent company Yama S.p.A. and further to the absorption of the company Bertolini S.p.A into Emak S.p.A. in 2008;

- the amount of € 2,565 thousand refers to the higher value arising, in favour of the Yama Group, from the acquisition of 100% of the company regulated by Chinese law, Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. finalized in 2008;

- the amount of € 120 thousand relates to the acquisition of the company Epicenter LLC by Emak S.p.A., which is the resulting difference between the purchase price of 61% of Ukrainian law firm Epicenter LLC and its shareholders' equity at acquisition date (30 September 2011);

- goodwill relating to the acquisition of the Tecomec Group, the Comet Group and of the Speed France Group on the part of Tecomec S.r.l respectively for € 2,807 thousand, € 2,279 thousand and € 2,854 thousand arise from the Greenfield Operation (for details on the operation, reference should be made to note 7 of the Notes to the Accounts); in compliance with the requirements of the reference accounting standards, the acquisition operations carried out between parties subject to common control are not regulated by IFRS 3, but are accounted for taking account of the requirements of IAS 8, that is, the concept of a reliable and faithful representation of the operation, and of the provisions of OPI 1 (Assirevi (Association of Italian Auditors) Preliminary Guidelines regarding IFRS), relating to the "accounting treatment of *business combinations of entities under common control* in the separate and consolidated financial statements". As more fully specified in the aforementioned accounting standards, the choice of the accounting standard for the operations in question must make reference to the above-described elements, which imply the application of the criterion of the continuity of the values of the net assets transferred. The principle of the continuity of values gives rise to the recognition in the financial statements of the acquiring company of values equal to those that would have been shown if the net assets subject to aggregation had always been aggregated. The net assets must therefore be recognised at the book values shown in the accounts of the acquired companies before the operation or, if available, at the values shown in the consolidated accounts of the common controlling company.
Specifically, the company has chosen to account for the difference arising from the greater price paid for the acquisition of the stakes of the Tecomec Group and of the Comet Group only at the values already recognised in the consolidated accounts of the controlling company Yama at the time of the respective acquisitions.
Since the acquisition values of the shareholdings in the Greenfield Operation are greater than the equity values of the acquired companies at 31 December 2011, the excess of € 33,618 thousand has been eliminated by adjusting down equity in the consolidated financial statements

- the amount of € 1,974 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company HPP in Comet S.p.A., finalized in 2010;

- the amount of € 360 thousand relates to the goodwill of a business unit contributed in 2011 by minority shareholders in PTC S.r.l., a Comet Group company.

In accordance with the requirements of IAS 36, goodwill is not amortised but is subject to an impairment test on an annual basis, or more frequently if specific events and circumstances occur that may imply a reduction in value. The impairment test is carried out by comparing the net book value of the goodwill with the recoverable value of the reference cash-generating unit, calculated with the "discounted cash flow" method.

For the purpose of carrying out the impairment test on goodwill values, the discounted cash flow has been based on the following assumptions:

- The base figures are those taken from Emak Group's strategic plan 2012-2014. This plan is the best management forecast of the future operating performances of the single entities making up the Group in the period in question. The expected cash flows refer to the reference units in their present conditions and exclude possible operations of a non-ordinary nature or other operating or structural changes.
- With regards to the companies operating in the Euro area, in consideration of the current market situation, the forecast of operating cash flows used to carry out the impairment test presumed a trend in line with the 2011 financial year, as suggested by best practice. As a result, in the forecast of the value in use, the final value was calculated on the basis of a prudential growth rate in the long term (g) of 0%. The gross Wacc used to discount back future cash flows expected for the CGUs located in the Euro area ranges from 13.9% to 14.5%.
- With reference to the companies operating in markets where significant growth is expected in future years (source: International Monetary Fund), the forecast of operating cash flows used to carry out the impairment test were formulated taking into consideration the forecast growth in gross domestic product. The gross Wacc used to discount back the cash flows of the CGUs located in East Europe ranges between a minimum of 14.3% to a maximum of 14.6%, while the CGU in China is 15.1%.
- The expected future cash flows were estimated in the single currencies in which they will be generated.
- Expected future cash flows refer to a period of 3 years and include a normalised terminal value used to express a summary forecast of future results beyond the time period explicitly considered.

In the basic assumption the discount rate after taxes used to discount back expected future cash flows gross of taxes was calculated for single market areas. This rate (WACC) reflects the current market value of the time value of money for the period considered and the specific risks of the Emak Group.

A sensitivity analysis was carried out on the basic assumption, assuming different scenarios of WACC variation of +10% o -10%. The recoverable value of the cash generating unit would nevertheless remain above the accounting value.

21. Equity investments

The amount of the balance of "other investments" is € 231 thousand.
Investments are not subject to impairment losses; risks and benefits associated with the possession of the investment are negligible.
The Group owns a minority interest in Netribe S.r.l., a company operating in the IT sector. This investment is valued at its cost of €223 thousand since its fair value cannot be determined.
Emak S.p.A. holds a 10.42% interest in Netribe S.r.l..
The Group also holds a share of 30% of S.I.Agro Mexico amounting to € 18 thousand recorded in "Investments in associated companies."

22. Derivative financial instruments

The financial statements values relate to changes in the fair value of financial instruments for:
-hedging purchases in foreign currency;
-hedging the risk of changes in interest rates.

All derivative financial instruments belonging to this heading are valued at fair value at the second hierarchical level, that is, the estimate of their fair value has been carried out using variables other than

Prices quoted in active markets and which are observable (on the market) either directly (prices) or indirectly (derived from prices).

In the case in point, the fair value recorded is equal to the "market to market" estimation provided by the bank, which represents the current market value of each contract calculated at the date at the closing date of the Financial Statements.

At December 31 2011 appear outstanding purchases / sales of foreign currencies with forward contracts for:

	Company		Nominal value (€/000)	Exchange rate (avg)	Due to
Forward contracts fro foreign currencies purchases					
Euro/Pounds sterling	Emak UK Ltd.	€	1,151	0.86	June 2012
Euro/Zloty	Victus-Emak Sp. Zo.o.	€	2,000	4.57	June 2012
Dollar/Euro	Sabart S.r.l.	Usd	1,544	1.44	June 2012
Dollar/Euro	Comet S.p.A.	Usd	1,000	1.36	September 2012
Dollar/Euro	Emak France S.a.s.	Usd	110	1.39	March 2012
Euro/Dollar	Comet USA Inc.	€	2,400	1.37	November 2012
Dollar/Pounds sterling	Emak UK Ltd.	Usd	18	0.64	February 2012
Dollar/Zloty	Victus-Emak Sp.Zo.o	Usd	1,440	3.25	March 2012
Forward contracts fro foreign currencies sales					
Dollar/Euro	Emak S.p.A.	Usd	3,500	1.36	February 2012
Euro/Renminbi	Jiangmen Emak Outdoor Power Equipment Co. Ltd.	€	17	8.95	January 2012

Accounting for the overexposed instruments is at fair value; the value of these contracts overall amounts to a positive fair value of € 174 thousand and a negative fair value of € 326 thousand. According to the IFRS principles these effects were accounted in the income statement of the current year.

Finally, on December 31 2011 result also outstanding IRS contracts and options on interest rates with the aim of covering the risk of variability of interest rates on loans:

The Parent Emak S.p.A. has signed IRS contracts and options on interest rates for a total notional value of € 15,960 thousand; the expiration of the instruments is so detailed:

Bank	Notional Euro (€/000)	Date of the operation	Due date
Intesa San Paolo	6,000	11/5/09	7/11/13
Banca Popolare di Verona	4,693	10/2/09	31/3/14
Cassa di Risparmio in Bologna	3,600	19/7/11	15/6/16
Banca Popolare dell'Emilia Romagna	1,667	20/1/10	31/12/16
Total	**15,960**		

The average interest rate resulting from the instruments is equal to 2.75%.

The subsidiary Tecomec S.r.l. signed option contracts on interest rates for a total of € 13,000 thousand. The maturity of the instruments is as follows:

Bank	Notional Euro (€/000)	Date of the operation	Due date
Banca Popolare di Verona	5,000	30/7/09	30/7/14
Bnl	5,000	6/8/09	6/8/14
Banca Popolare di Verona	3,000	11/5/10	11/5/15
Total	**13,000**		

The average interest rate resulting from the instruments is equal to 3.73%.

The subsidiary Comet S.p.A. has signed IRS contracts and options on interest rates for a total of € 7,000 thousand. The maturity of the instruments is listed below:

Bank	Notional Euro (€/000)	Date of the operation	Due date
Banca Popolare di Verona	2,000	13/2/09	17/2/12
Banca Popolare Comm. Industria	2,000	30/10/09	31/10/14
Banca Popolare di Verona	1,000	22/9/10	24/9/15
Banca Popolare Comm. Industria	2,000	12/10/11	12/10/16
Total	**7,000**		

The average interest rate resulting from the instruments is equal to 3.31%.

All contracts, although having the purpose and characteristics of a hedging strategy, do not respect the rules to be formally recognized as such, so all changes in fair value are expensed in the income statement of the period.

The value of these contracts at December 31 2011 appears to be totaling to a negative fair value of € 830 thousand.

Were also recorded long term derivative financial instruments for € 90 thousand; for more details refer to note 28.

23. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2011	31.12.2010
Trade receivables	101,321	55,987
Provision for doubtful accounts	(3,285)	(1,960)
Net trade receivables	**98,036**	**54,027**
Receivables due from related parties (note 37)	1,734	1,619
Prepaid expenses and accrued income	756	542
Other receivables	2,995	2,022
Total current portion	**103,521**	**58,210**
Other non-current receivables	907	906
Total non-current portion	**907**	**906**

The increase in "trade and other receivables current part" comes for an amount of € 39,813 thousand from the change in scope of consolidation.

"Other receivables" includes:

- pre-payments for supply of goods, receivables from social security institutions and deferred expenses;

- an amount of € 1,601 thousand to credit for the contribution Law 488 granted to the subsidiary Comag.

In the item "Other non-current receivables" is also accounted the credit for the contribution Law 488 for a total of about € 800 thousand.

In view of these receivables for the contribution Law 488, in the year 2011 it has been adjusted a provision for a total amount of € 1,307 thousand.

All non-current receivables are due within 5 years. There are no receivables due after the next year.

The movement in the provision for bad debts is as follows:

€/000	31.12.2011	31.12.2010
Opening balance	**1,960**	**1,804**
Change in scope of consolidation	1,165	-
Provisions (note 13)	227	362
Decreases	(67)	(208)
Exchange difference	-	2
Closing balance	**3,285**	**1,960**

The book value reported in the balance sheet corresponds to fair value.

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2011	31.12.2010
Raw, ancillary and consumable materials	41,731	31,558
Work in progress and semi-finished products	15,551	7,784
Finished products and goods	68,192	31,323
Total	**125,474**	**70,665**

The increase in "inventory" comes for an amount of € 55,655 thousand from the change in scope of consolidation.

Inventories at December 31 2011 are stated net of provisions amounting to € 4,738 thousand (€1,657 thousand at December 31 2010) intended to align the obsolete and slow moving items to their estimated realizable value.

Details of changes in the provision for inventories are as follows:

€/000	Esercizio 2011	Esercizio 2010
Opening balance	1,657	1,765
Change in scope of consolidation	2,769	-
Increases	535	138
Effect of exchange differences	-	16
Uses	(223)	(262)
Closing balance	**4,738**	**1,657**

The decreases in the provision refer to obsolete material disposed of during the year.

The inventories provision is a management estimate of the loss in value expected by the Group, calculated on the basis of past experience, historic trends and market expectations. The deterioration of the economic and financial situation could cause a worsening of the obsolescence indices already taken into consideration in the quantification of provisions recorded in the financial statements.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2011	31.12.2010
Bank and post office deposits	10,757	7,308
Cash	144	31
Total	**10,901**	**7,339**

The increase in "cash and cash equivalents" comes for an amount of € 4,298 thousand from the change in scope of consolidation.

For the purposes of the cash flow statement, closing cash and cash equivalents comprise:

€/000	31.12.2011	31.12.2010
Cash and cash equivalents	10,901	7,339
Overdrafts (note 28)	(14,775)	(1,278)
Total	**(3,874)**	**6,061**

The balance of overdrafts has increased to € 4,036 thousand as a result of changes in the scope of consolidation.

26. Equity

Share capital
Share capital is fully paid up at 31 December 2010 and amounts to € 7,190 thousand, remaining unchanged during the year under examination. It consists of 27,653,500 ordinary shares of par value €0.26 each.

At December 20, 2011 it was concluded the increase in share capital of the Parent Company Emak S.p.A. by completing the subscription and payment of the share capital by issuing a number of 136,281,335 shares of par value € 0.26 each, at a subscription price of € 0.425 for a total value of about € 58 million, accounted as € 35,433 thousand in increase of share capital and the rest to the share premium reserve.
Therefore, at December 31 2011 the new capital of Emak S.p.A. is composed by n. 163,934,835 shares of par value € 0.26 each, with the same characteristics as those outstanding at the date of issuance and payout January 1, 2011.

The share capital at 31 December 2011 amounts to € 42,623 thousand.

Treasury shares
The adjustment of share capital for purchase of treasury shares, equal to € 2,029 thousand, is the overall exchange value paid by Emak S.p.A. for the acquisition on the market of treasury shares held at 31 December 2011 (note 36).
The nominal value of these treasury shares is € 104 thousand.

As for the sale and purchase of shares made during the period, please refer to the appropriate section of the directors' report.

Share premium reserve
At 31 December 2011 the share premium reserve is € 42,454 thousand (€ 21,047 thousand at 31 December 2010). It has increased due to the greater amount subscribed by shareholders compared to the nominal value of the shares: this increase also includes the amount arising from the sale of non-opted rights of € 17 thousand. The reserve is shown net of legal costs for the increase in capital of € 1,598 thousand and net of the relative tax effect of € 501 thousand.

Legal reseve
The legal reserve at December 31 2011 of € 1,438 thousand is the same as the previous year.

Revaluation reserve
At 31 December 2011, the revaluation reserve includes reserves deriving from the revaluation pursuant to former L. 72/83 to € 371 thousand and ex L. 413/91 for € 767 thousand.

Other reserves:
The extraordinary reserve, amounts to € 27,088 thousand at 31 December 2011, inclusive of all allocations of earnings in prior years.

At December 31, 2011, reserves qualifying for tax relief refer to tax provisions for grants and donations for € 129 thousand, to reserves for merger surpluses for € 394 thousand and to reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.
These reserves remained unchanged from the previous year.

At 31 December 2011 the reserve for conversion differences for a positive amount of € 1,919 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.

Details of the restrictions and distributability of reserves are contained in the specific table in the notes to the financial statements of the parent company Emak S.p.A..

In addition, there is a restriction regarding the distribution of the "Profits brought forward" heading in the consolidated balance sheet amounting to € 6,088 thousand.

27. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2011	31.12.2010
Trade payables	58,245	36,776
Payables due to related parties (note 37)	2,165	1,753
Payables due to staff and social security institutions	8,285	4,401
Accrued expenses and deferred income (note 32)	560	505
Other payables	1,525	834
Total	**70,780**	**44,269**

The increase in "trade payables and other payables current part" comes for an amount of € 33,367 thousand from the change in scope of consolidation.

"Other Payables" includes advances received from customers and various payables.

The book value reported in the balance sheet corresponds to fair value.

28. Financial liabilities

Details of **short-term loans and borrowings** are as follows:

€/000	31.12.2011	31.12.2010
Overdrafts (note 26)	14,775	1,278
Bank loans	50,223	10,340
Finance leases	552	497
Loans from related parties (note 37)	29	-
Financial accrued expenses and deferred income	209	88
Other loans	78	127
Total current portion	**65,866**	**12,330**

The increase in "short-term funding" comes for an amount of € 24,005 thousand from the change in scope of consolidation, as well as more bank loans obtained as a result of "'Operation Greenfield".

Details of **long-term loans and borrowings** are as follows:

€/000	31.12.2011	31.12.2010
Bank loans	25,578	20,494
Finance leases	602	989
Loans from related parties (note 37)	13,770	-
Other loans	1,448	1,258
Total non-current portion	**41,398**	**22,741**

The increase in "long-term funding" comes for an amount of € 14,341 thousand from the change in scope of consolidation.

The lease obligations are guaranteed in case of insolvency from right of the lessor on the leased assets.

The heading "Loans from related parties" is the part of the discounted back deferred price of the "Greenfield" operation in favour of the controlling Yama S.p.A. and of the related company Sabart S.p.A..
The discount rate applied represents the marginal cost of the medium-long-term financial loan for the parent company at 31 December 2011.

In the item Other loans is comprised the interest subscribed by Simest S.p.A. in the subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd amounting to € 1,258 thousand.
This company is 100% consolidated in accordance with the commitment to buy back the 49% interest held by Simest S.p.A. on 30 June 2013. The loan's face value does not differ significantly from its fair value.

The amount that Emak S.p.A. must repay Simest S.p.A. in 2013 will be the higher between Simest's share of equity reported in the latest approved financial statements of the Chinese company Jiangmen Emak Outdoor Power Equipment Co. Ltd. and the amount of share capital subscribed by Simest S.p.A.

Any greater value will be recognised by Emak S.p.A. as payable to Simest only up to the amount of € 514 thousand increased by 6% (which refers to the stake subscribed by Simest in accordance with Law 100/90 in the form of a shareholding) and € 746 thousand increased by 8% (which refers to the stake subscribed by Simest in accordance with Law 100/90 in execution of the "Fund" contract).

The company has therefore accounted for long-term derivative liabilities for € 90 thousand; this amount refers to the greater financial costs deriving from the reimbursement on 30 June 2013 of the Simest shareholding in the company Jiangmen Emak Outdoor Power Equipment Co. Ltd.

This transaction does not present any other significant risks for the group.

Long-term loans and borrowings are repayable as follows:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	10,349	6,638	5,021	2,211	**24,219**	**1,359**
Finance leases	518	18	-	-	**536**	**66**
Financial debt other related parties	13,770	-	-	-	**13,770**	**-**
Other loans	1,448	-	-	-	**1,448**	**-**
Total	**26,085**	**6,656**	**5,021**	**2,211**	**39,973**	**1,425**

The interest rates applied are as follows:

- for bank loans in Euro, the Euribor rate is applied plus a variable spread linked to the performance of market conditions;
- for bank loans in Pound Sterling, the "base rate" Bank of England is applied plus a variable spread linked to the performance of market conditions;
- for loans in Renminbi, the reference interest rate communicated by the People's Bank of China is applied, discounted/increased by a variable spread linked to the performance of market conditions;
- On bank loans in U.S. dollars $ is applied the LIBOR plus a variable spread linked to the performance of market conditions;
- on financial leasing is applied the Euribor plus a fixed spread.

Other loans:
Relates to the Simest shareholding, as referred to above, the consideration for which is calculated as follows:
-Simest shareholding: fixed rate of 6.25% and a variable rate depending on the profits of the subsidiary with a Cap of 7%;
- Fund amount: interest rate of 2.5%.

With regards to amounts payable for financings obtained for the purchase of assets under leasing agreements, the following information is provided:

€/000	31.12.2011	31.12.2010
Minimum future payments<1 year	574	531
Minimum future payments from 1 to 5 years	594	1.011
Minimum future payments beyond 5 years	18	-
Total minimum payments	**1.186**	**1.542**
Payables for future financial expenses	**(32)**	**(58)**
Present value	**1.154**	**1.484**
Interest rate	**2,1%**	**1,5%**

The book value of the amounts reported in the balance sheet corresponds to their fair value.

29. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2010	Ch. in scope of consolidation	Increase	Decrease	Other changes	Exchange Difference	31.12.2011
Deferred tax on impairment of assets	-	1,111	-	-	-	-	1,111
Reversal of unrealized intercompany gains	1,413	-	-	(35)	-	-	1,378
Provision for inventory obsolescence	276	711	78	(25)	-	1	1,041
Losses in past financial periods	924	281	92	(327)	-	16	986
Provisions for bad debts	21	113	2	(5)	-	(1)	130
Other deferred tax assets	503	744	926	(76)	402	6	2,505
Total (note 16)	**3,137**	**2,960**	**1,098**	**(468)**	**402**	**22**	**7,151**

The portion of taxes which are expected to reverse within the following 12 months amount to € 2,193 thousand.

The balance of "other deferred tax assets" refers primarily to the tax effect of provisions for risks and charges.

The amount of € 402 thousand in the column "other movements" refers to deferred tax assets relating to costs connected with the increase in capital and credited directly to equity as an offset against net relative costs.

The utilisation of losses in past financial periods has no time restriction except for the subsidiary Emak Usa Inc., for which the benefits deriving from the tax credit will start to be lost from the financial year 2026.

Deferred tax liabilities are detailed below:

€/000	31.12.2010	Ch. in scope of consolidation	Increase	Decrease	Exchange Difference	31.12.2011
Deferred tax on prpopery (IAS 17)	1,517	23	-	(29)	-	1,511
Valuation of provision for employee termination indemnities under IAS 19	171	155	1	-	-	327
Taxation on capital gains	668	11	-	(222)	-	457
Other deferred tax liabilities	1,089	1,088	384	(282)	(60)	2,219
Total (note 16)	**3,445**	**1,277**	**385**	**(533)**	**(60)**	**4,514**

"Other deferred tax liabilities" refers mainly to revenues that will be fiscally recognised in future financial periods.

A total of € 1,246 thousand in deferred tax liabilities will reverse in the next 12 months.

Hypothetical tax liabilities which could arise if dividends are paid further to distribution from the "Profits brought forward" or "Profit for the financial period" reserves on the part of subsidiaries, amounts at December 31 2011 to € 1,606 thousand, against € 1,179 thousand in 2010.

It should be noted, moreover, that deferred taxes relating to the revaluation reserves (which are reserves in partial tax suspension) have not been allocated since it is unlikely that there will be any operations carried out giving rise to taxation.

The tax credits amount at December 31 2011 to € 4,140 thousands, against € 1,918 thousand at December 31 2010, refer to VAT credits, surplus payments on account of direct tax and other tax credits.

Current tax liabilities amount to € 2,845 thousand at December 31 2010 compared with € 2,055 thousand a year earlier. They refer to payables for direct tax for the period, VAT and withholding taxes.

30. Long-term post-employment benefits

At December 31 2011 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 8,547 thousand against € 4,688 thousand at December 31 2010. The valuation of the indemnity leaving fund (TFR) at the closing date, carried out according to the nominal debt method in force would be € 9,642 thousand against € 5,278 at December 31 2010.

Movements in this liability are as follows:

Dati in migliaia di Euro	2011	2010
€/000	**4,902**	**4,902**
Opening balance	40	100
Current service cost and other provisions	24	182
Actuarial (gains)/losses (note 12)	134	148
Interest cost on obligations (note 15)	4,122	-
Disbursements	(366)	(430)
Closing balance	**8,856**	**4,902**

The principal economic and financial assumptions used are as follows:

	FY 2011	FY 2010
Annual inflation rate	2%	2,.0%
Rising discount rate	2.9%	3%
Rate of dismissal	3%	3%

Death rates have been estimated using the most recent Italian population statistics published by ISTAT.

In the 2012 financial year, payments are expected to be in line with 2011.

31. Provisions for liabilities and charges

Movements in these provisions are detailed below:

€/000	31.12.2010	Ch. in scope of consolidation	Increase	Decrease	Exchange Difference	31.12.2011
Provision for agents' termination indemnity	659	1,157	45	(48)	-	1,813
Other provisions	23	-	-	-	-	23
Total non-current portion	**682**	**1,157**	**45**	**(48)**	**0**	**1,836**
Provision for product warranties	191	-	138	(20)	(5)	304
Other provisions	530	2	1,177	(3)	-	1,706
Total current portion	**721**	**2**	**1,315**	**(23)**	**(5)**	**2,010**

The provision for agents' termination indemnity is calculated on the basis of agency relationships in force at the close of the financial year. It refers to the probable indemnity which will have to be paid to the agents.

Other non-current provisions relate to future costs to be incurred, equal to € 23 thousand, have been allocated in respect of a dispute for IRES, IRAP and VAT taxes for the financial years 1999-2006, for a total disputed amount of € 376 thousand all-inclusive (including taxes, interests and sanctions). The disputes are currently at different stages of legal proceedings . All the sentences so far passed by the relevant Tribunal Commissions (the last one on January 24 2011 passed by the Provincial Tax Commission of Reggio Emilia) have been in favour of Emak S.p.A. and it is expected that the out come of the proceedings will be favourable also in the last resort.
Last year, a provision has been allocated in case the Judge, whilst recognising the company's just position, orders compensation for costs.

The product warranty provision refers to future costs for repairs on warranty which will be incurred for products sold covered by the legal and/or contractual warranty period; the al location is based on estimates extrapolated from the historic trend.

The “Other current provisions” heading refers to the best possible estimation of probable liabilities taking into consideration:

- a number of claims relating to disputes arising during the financial year for around € 133 thousand;
- costs related to penalties that could be charged to the Group in the future for around € 81 thousand
- the reimbursement of excess amounts on civil liability accidents for € 44 thousand;
- adjustments of the value of capital grants accounted for in previous financial years, for around € 1,307 thousand (€ 280 thousand at December 31 2010)
- expenses for customers award activities for € 75 thousand;- other miscellaneous charges for € 66 thousand.

32. Other non-current liabilities

€/000	31.12.2011	31.12.2010
Deferred income - Law 488 grants	1,288	1,516
Total	**1,288**	**1,516**

The deferred income refers to the capital grant received by Comag S.r.l. under Law 488/92 which will be recognized over future years. The portion of the grant recognizable this year is classified under current liabilities as accrued expenses and deferred income (note 27) and amounts to € 176 thousand (€ 235 thousand in 2010).

33. Contingent liabilities

On 31 December 2011 the Group had no disputes in progress other than those already referred to in these notes. In the Director’s opinion, at the closing date there were no reasonable grounds for the occurrence of additional future liabilities with respect to those already provided for in the accounts.

34. Information on financial risks

The Group is exposed to a variety of financial risks associated with its business activities:
- credit risk, regarding both normal commercial relations and to financing activities;
- liquidity risk, with particular reference to the availability of financial resources and to access to the credit market;
- market risks, with particular reference to exchange and interest rates, since the Group operates at an international level in different currencies and uses financial instruments that generate interest.

As described in the section “Management of financial risk”, the Emak Group constantly monitors the financial risks to which it is exposed, so as to minimise potential negative effects on financial results.

Qualitative and quantitative information is given below regarding the nature of such risks for the Emak Group.
The quantitative figures shown below have no value for forecasting purposes. Specifically, the *sensitivity analysis* on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesised.

Credit risk
The maximum theoretical exposure to credit risk for the Group at 31 December 2011 is the accounting value of financial activities shown in the financial statements.

It should be pointed out that the credit granted to clients involves specific assessments of solvency. Generally the Group obtains guarantees, both financial and otherwise, against credits granted for the supply of products. Certain categories of credits to foreign customers are also covered by insurance with SACE.

Credit positions are subject to constant analysis and possible individual devaluation in the case of singularly significant positions that are in a condition of partial or total insolvency.

The total devaluation is estimated on the basis of recoverable flows, from relative collection data, from the costs and expenses of future recovery, as well as possible guarantees in force. For those credits that are not subject to individual devaluation, bad debt provisions are allocated on an overall basis, taking account of historical experience and statistical data.

At December 31 2011 there were no significant positions of insolvency subject to individual devaluation. Allocation to the bad debt provision was made on the basis of a constant analysis of outstanding amounts as a whole.

At December 31 2011 "Trade receivables and Other receivables", equal to € 103,521 thousand (€ 58,210 thousand at 31 December 2011), include € 6,978 thousand (€ 2,667 thousand at 31 December 2010) outstanding by more than 3 months. This value has been rescheduled according to repayment plans agreed with the clients.

The value of amounts receivable covered by SACE insurance or by other guarantees at December 31 2011 is € 37,316 thousand (€ 23,927 thousand at December 31 2010).

At December 31 2011 the first 10 customers account for 25.8% of total trade receivables, while the top customer represents 8.1% of the total.

Liquidity risk
Liquidity problems can occur as a result of the inability to obtain financial resources necessary for the Group's operations at acceptable conditions.
The two main factors determining the Group's liquidity situation are, on the one hand, the resources generated or absorbed in its operating and activities and by investment, and on the other hand, by the expiry or renewal of debt or by the liquidity of financial commitments and market conditions.
As described under the "Management of financial risk" heading, the Group reduces liquidity risk and optimises the management of financial resources through:

- maintaining a suitable level of liquid funds;
- obtaining appropriate lines of credit;
- monitoring future cash flows, taking account of the company's planning process.

The characteristics and nature of the expiry of debts and of the Group's financial activities are set out in Notes 25 and 28 relating respectively to Cash and Cash Equivalents and Financial Liabilities.

The management considers that currently unused funds and credit lines, amounting to € 124 million, as well as those which will be generated from operating and financial activities, will allow the Group to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

Exchange risk
The Group is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
The net balances at 31 December 2011 for which the Group is exposed to exchange rate risk as a result of the use of a currency different from Group companies' local reporting currency are as follows:

Credit position in US Dollars	17.785.165
Debt position in Yen	61.772.042
Debt position in Sterling	14.231
Debt position in Swiss Francs	50.484
Debt position in Taiwanese dollars	516.780
Credit position in Euros	3.876.013

In comparing the economic values presented below is necessary to consider that these relate only to the Emak Group in its configuration prior to the acquisition made on December 22, 2011 and do not include the contribution of equity acquired.

Specifically:

- in cases in which the companies in the Group incur costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result of such companies.
  In the 2011 financial period, the overall amount of revenues directly exposed to exchange risk represented around 22.3% of the Group's aggregate turnover (15.3% in the 2010 financial period), while the amount of costs exposed to exchange risk is equal to 11.8% of aggregate Group turnover (13.3% in the 2010 financial period).

The main currency exchanges to which the Group is exposed are the following:

  - EUR/USD, relating to sales in dollars made in the North American market and in other markets in which the dollar is the reference currency for commercial exchanges, and to production/purchases in the Euro zone;
  - EUR/GBP, essentially in relation to sales in the UK market;
  - EUR/RMB, in relation to Chinese production activities and to relative import/export flows;
  - EUR/YEN, relating to purchases in the Japanese market and to sales in other markets;
  - EUR/PLN, relating to sales in the Polish market.
  - EUR / UAH, in respect of sales on the Ukrainian market.

There are no significant commercial flows with regards to other currencies.

The Group's policy is to cover net currency flows, typically through the use of forward contracts, evaluating the amounts and expiry dates according to market conditions and net future exposure, with the objective of minimising the impact of possible variations in future exchange rates.

- With regards to commercial activities, the companies in the Group are able to hold commercial credits and debits expressed in currencies which are different from the currency in which they keep their accounts and the variation in exchange rates may result in the realisation or ascertainment of exchange risks.
  The Group's policy is to partly cover, after appropriate evaluation of exchange rate trends, exposed positions resulting from credits and debits expressed in a currency different from that in which the company keeps its accounts.

- A number of subsidiary companies in the Group are located in countries which are not members of the European Monetary Union, in particular, the United States, the United Kingdom, Poland and China and Ukraine. Since the reference currency for the Group is the Euro, the income statements for these companies are converted into Euro at the average exchange rate for the period and variations in exchange rates may affect the equivalent value of revenues, costs and results in Euro.

- Assets and liabilities of subsidiary companies in the Group, whose accounting currency is different from the Euro, may have different equivalent values in Euro depending on the trend in exchange rates. As provided for by the accounting principles adopted, the effects of such variations are recorded directly in equity, under the heading "Translation reserve (see Note 26).
  At the balance sheet date there was no hedging in force with regards to these exposures for conversion exchange risk.

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Group at 31 December 2011, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around € 1,693 thousand (€ 241 thousand at 31 December 2010).

Interest rate risk
The companies in the Group utilise external financial resources in the form of debt and invest liquid funds in monetary and financial market instruments. Variations in market interest rates influence the cost and return of the various forms of financing and utilisation, affecting the level of the Group's financial expenditure and income.

The Group uses derivative financial instruments to cover interest rate risk.

Sensitivity analysis
The possible effects of variations in interest rates are analysed for their potential impact in terms of cash flows, since almost all the Group's financial assets and liabilities accrue variable interest.

A hypothetical, instantaneous and unfavourable negative variation of one base point in annual interest rates in force at 31 December 2011 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 852 thousand (€ 194 thousand at 31 December 2010). The above calculation takes into consideration the total amounts of financial liabilities net of the total amount of IRS operations carried out for hedging purposes.

This analysis is based on the assumption of a general and instantaneous variation of one base point on reference interest rates.

Other risks on derivative financial instruments
As described in Note 22, the Group holds a number of derivative financial instruments whose value is linked to the trend in exchange rates (forward currency purchase operations) and the trend in interest rates.

Although these operations have been entered into for hedging purposes, accounting principles do not permit their treatment using hedge accounting. As a result, changes in underlying values may affect the economic results of the Group.

Sensitivity analysis
The potential loss of fair value of derivative financial instruments held by the Group at 31 December 2011 as a result of a hypothetical unfavourable and immediate variation of 10% in underlying values would amount to around € 526 thousand (€ 1,936 thousand at 31 December 2010).

35. Commitments

Fixed asset purchases
The Group has commitments for purchases of fixed assets not accounted for in the financial statements at 31 December 2011 for an amount of € 568 thousand (€ 545 thousand at 31 December 2010). These commitments relate to the purchase of equipment, plant and machinery.

Guarantees granted
The group has € 4,613 thousand in guarantees granted to third parties at 31 December 2011 (€ 1,125 thousand at the end of 2010).

Purchases of additional shares of equity

Please note that with respect to shares held directly or indirectly by the Parent Company Emak S.p.A. are in place the following contractual agreements:
- The contract for the purchase of the subsidiary Epicenter LLC was fixed in favor of Emak a call option to purchase an additional share of 14% to be exercised by 2013, with the possibility, therefore, to bring its shareholding to 75% ;
- Under the acquisition agreement of the subsidiary PTC S.r.l. the subsidiary Comet S.p.A. has obliged itself to proceed with the purchase of the entire interest held by Italian PTC in PTC Ltd. The sale price is already agreed between the parties for a total of € 60 thousand.

36. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31 2011 and amounts to € 42,623 thousand. It consists of 163.934.835 ordinary shares of par value € 0.26 each.

	31.12.2011	31.12.2010
Number of ordinary shares	163,934,835	27,653,500
Treasury shares	(397,233)	(397,233)
Total outstanding shares	**163,537,602**	**27,256,267**

The dividends for 2010 approved by the shareholders on 22 April 2011, totalling € 4,361 thousand, were paid during 2011.

At December 31 2010 the company held in portfolio 397,233 treasury shares for a value of € 2,029 thousand.

During 2011 no treasury shares were purchased or sold by Emak S.p.A..

Therefore, at December 31 2011 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2012 no treasury shares were acquired or sold by Emak S.p.A.. As a result, the holding and value of treasury shares is unchanged with respect to 31 December 2011.

37. Related party transactions

Emak S.p.A. is controller by Yama S.p.A. which, at 31 December 2011 has a stable holding of 75.185% of its share capital and which is the parent company of a larger group of companies.

Emak and its group have traditionally had a significant volume of transactions with companies belonging to the Yama Group. The latter mainly operates in the sector involving machines and equipment for agriculture and gardening, of engine components and in the real estate sector. Among companies belonging to the Yama Group, a number have supplied to the Emak Group components and materials in the 2011 financial year, with synergies linked to technological research. This largely relates to strategic components, for which the purchase policies adopted were based on criteria of quality and value for money. On the other hand, a number of companies in the Yama Group have acquired from Emak products to complete their respective commercial product range.

As part of a vast integrated expansion, rationalisation and industrial development project, on 22 December 2011, as referred to in paragraphs no. 7.2 of the Directors' Report and no. 7.2 of these Notes to the Accounts, Emak has acquired from Yama S.p.A. and from Sabart S.p.A. the direct and total control of the companies, Sabart S.r.l., Raico S.r.l., Tecomec S.r.l. and Comet S.p.A., as well as the indirect control of companies controlled by the companies listed.
In this way companies with which most customary related party transactions were carried out, of an industrial and commercial nature as described above, have become part of the Emak Group, and by effect of the acquisition, the profile of the Emak Group and the nature of its objectives and means for policy implementation have been significantly altered.

With regards to the nature, circumstances, aims and impacts of the aforementioned significant acquisition of shareholdings (an operation with related parties of "major relevance" as per art. 8 of the *Consob* Regulation with resolution no. 17221/2010), which took effect in full compliance with the legally required procedures, with regulations and with self-regulation, reference has repeatedly been made to the market during the course of the operation process; specifically, this occurred through the informative document published 08 August 2011 with the prospectus published on 18 November 2011, as well as numerous press releases that have accompanied the different stages of the acquisition.

It should be noted that all the operations relating to the exchange of assets and the provision of services occurring during the 2011 financial year with the companies controller by Yama, as well as those that would subsequently be acquired (directly and indirectly) on 22 December 2011, as well as those remaining subsequently under Yama's direct control, form part of Emak's ordinary activities; they have been regulated on the basis of market conditions (that is, at the same conditions as would those that would have been applied in relations with independent parties) and have been carried out in the interest of the companies in the Emak Group. These conditions, corresponding with a strict industrial and commercial logic and aims, have been regulated by specific and analytical procedures and by programmatic documents approved by the Board of Directors, with the assistance and approval of the independent Directors meeting in the internal control Committee. Supporting documentation of such operations has been periodically and systematically examined on an overall basis by the Board of Directors.

The table below shows the values of all current economic transactions with all related parties (including those acquired by Emak 22 December 2011) throughout the 2011 financial year. The nature of the main categories of these operations is also indicated.

The balance sheet items of commercial transactions with the acquired companies are not shown since they have been included in the consolidation.

Sale of goods and services and receivables:

Related parties (€/000)	**Net sales**	**Receivables**
Agro D.o.o.	85	114
Comet S.p.A.	99	-
Euro Reflex D.o.o.	886	591
Garmec S.p.A.	178	28
Mac Sardegna S.r.l.	774	468
Ningbo Tecomec manufacturing Co.Ltd	1,033	-
Sabart S.r.l.	44	-
Sabart S.p.A.	142	-
Selettra S.r.l.	-	3
Sipma	-	9
Tecomec S.r.l.	9	-
Unigreen S.p.A.	10	521
Total Yama Group	**3,260**	**1,734**
Other related parties	**-**	**-**
Total (note 23)	**3,260**	**1,734**

Purchase of goods and services and payables:

Companies belonging to the Yama Group (€/000)	**Purchase of raw materials and finished products**	**Other costs**	**Commercial and other Payables**	**financial charges**	**Non-current financial liabilities**	**Current financial liabilities**
Cofima S.r.l.	553	30	240			
Comet S.p.A.	949	-	-			
Comet France SAS	24	-	-			
Euro Reflex D.o.o.	3,201	-	579			
Garmec S.p.A.	-	1	12			
Mac Sardegna S.r.l.	-	5	6			
Meccanica Veneta S.r.l.	-	-	52			
Sabart S.p.A.	70	-	4	3	2,754	
Selettra S.r.l.	894	4	297			
Speed France SAS	672	-	-			
Tecomec S.r.l.	882	33	-			
Unigreen S.p.A.	32	-	129			
Yama Immobiliare S.r.l.	-	-	83			
Yama S.p.A.	-	-	763	12	11,016	
Total Yama Group	**7,277**	**73**	**2,165**	**15**	**13,770**	**-**
Other related parties	**-**	**-**	**4**	**-**	**-**	**29**
Total (note 27)	**7,277**	**73**	**2,169**	**15**	**13,770**	**29**

Non-current financial liabilities are the only transactions o fan extraordinary nature shown here; they correspond to the discounted residual debt of the acquisitions of 22 December 2011 (the “Greenfield” acquisition, see paragraph 7.2).

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The remunerations of the Directors and Auditors of the Parent company for the financial year 2011, the different components of the total remuneration, the remuneration policy adopted, the procedures followed for their calculation and the shareholdings in the group owned by the above officers, are set out in the “Remuneration report”, drawn up pursuant to art. 1123-*ter*, Leg. Dec. 58/98, published together with the annual report and available at the company website (www.emak.it, “Investor relations” section), and on the *Borsa Italiana* site.

38. Subsequent events

The following subsequent events are worthy of note:

Acquisition LEMA S.R.L

On January 27 2012 the controlled Raico S.r.l. signed the act of acquisition of the business (business unit) of LE.MA S.r.l.. LE.MA. S.r.l. located in the province of Siena is a company active in the marketing of spare parts, accessories and tools for agriculture. The company in 2011 generated sales for € 623 thousand.
The transaction has been established in € 207 thousand.
The transaction is part of the growth strategy of the Emak Group, as this acquisition will enable Raico to increase its direct presence in the territory.

Acquisition Valley Industries LLP

On February 3 2012 Comet USA, the U.S. subsidiary of Comet S.p.A., itself controlled by Emak S.p.A., has signed an agreement to acquire a 90% stake in Valley Industries LLP.

Founded in 2003 and based in Minnesota (USA), Valley Industries distributes a wide range of products, components and accessories for the industrial and agriculture sectors, including Comet membrane pumps, with a sales network throughout North America. Valley Industries has ended the year 2011 with revenues of approximately $ 19 million, EBITDA of approximately $ 2.9 million and a net cash position of $ 1.9 million.

The transaction is part of the growth strategy of the Emak Group, as this acquisition will accelerate the development of business in the North American market due to the realization of operational and trade synergies not only with regard to Comet, but also for other product lines marketed by Emak Group as a whole.

The value of Valley Industries has been contractually agreed to in 16.6 million dollars. Therefore, the price of 90% of the target company is about 15 million dollars. The remaining 10% will remain in the possession of the current CEO and co-founder of the company. The transaction was completed on February 7 2012. At the closing was made a payment equal to 95% of the price as defined above, while the remainder will be adjusted based on the balance sheet at December 31 2011.

The signed agreement also provides for the conclusion of a "Put and Call Option Agreement" that will allow selling shareholder to exercise an option to sell its 10% at Comet USA at a price determined at the end of the 5th year after closing. Whether this option is not triggered, a Call option would be exercised in favor of Comet USA under the same conditions.

The acquisition by Comet USA was funded by the use of credit lines of which the parent Comet S.p.A. has availability.

The inclusion of the target company in the consolidation of Comet USA will take place with effect from February 7 2012.

Tax inspection of Tecomec S.r.l.

On 29 February 2012 the Tax Office of Reggio Emilia completed their inspection of the subsidiary Tecomec S.r.l., aimed at checking the tax position for the years 2008, 2009 and 2010. The findings of the inspectors set out in their report are currently being examined by the company, with a view to pre-dispute discussions with the Tax Office. Any assessment will be made subsequently, further to necessary preliminary investigations hearing both parties.

It should be noted that any liability of a fiscal nature that may be payable by Tecomec S.r.l. with relation to the aforementioned inspection would be completely refunded to Emak S.p.A. by Yama S.p.A., alienor of the entire share capital of Tecomec S.r.l. and guarantor of its correct tax position.

Emak
our power, your passion

Emak S.p.A. – Financial statements at 31 December 2011

Financial statements

Emak S.p.A. - Income Statement

€/000	Notes	Year 2011	of which to related parties	Year 2010	of which to related parties
Sales	8	155,794,447	29,219,333	158,951,237	28,390,240
Other operating income	8	326,234		2,759,805	
Change in inventories		(2,405,469)		2,582,443	
Raw and consumable materials and goods	9	(98,798,774)	(51,820,041)	(104,984,848)	(47,002,583)
Salaries and employee benefits	10	(20,566,929)		(20,816,485)	
Other operating costs	11	(24,900,611)	(1,524,065)	(24,113,401)	(1,585,162)
Amortization, depreciation and impairment losses	12	(4,019,720)		(4,164,419)	
EBIT		**5,429,178**		**10,214,332**	
Financial revenues	13	2,982,107	2,292,820	905,905	477,325
Financial costs	13	(1,411,255)		(1,296,610)	
Exchange gains and losses	13	866,493		173,777	
EBT		**7,866,523**		**9,997,404**	
Income taxes	14	(2,619,082)		(3,689,291)	
Net profit		**5,247,441**		**6,308,113**	
Basic earnings per share	**15**	**0.032**		**0.039**	
Diluted earnings per share	**15**	**0.032**		**0.039**	

Comprehensive income statement

Figures in thousands of euros	Notes	Year 2011	Year 2010
Net profit (A)		**5,247,441**	**6,308,113**
Total other components to be included in the comprehensive income statement (B):		-	-
Comprehensive net profit (A)+(B)		**5,247,441**	**6,308,113**

Schedule showing consolidated assets-liabilities-financial situation

ASSETS

€/000	Notes	31.12.2011	of which to related parties	31.12.2010	of which to related parties
Non-current assets					
Property, plant and equipment	16	22,827,961		23,076,458	
Intangible assets other than goodwill	17	1,997,121		2,063,017	
Goodwill	18	2,074,305	2,074,305	2,074,305	2,074,305
Equity investments	19	104,402,661		21,874,332	
Deferred tax assets	28	1,240,581		654,241	
Other non current financial assets	21	7,233,774	7,233,774	8,081,822	8,081,822
Other receivables	22	5,203		13,308	
Total		**139,781,606**	**9,308,079**	**57,837,483**	**10,156,127**
Current assets					
Inventories	23	43,556,071		45,961,540	
Trade and other receivables	22	57,029,733	8,823,314	48,810,699	8,824,846
Current tax assets	28	1,554,607		710,029	
Derivative financial instruments		0		14,840	
Cash and cash equivalents	24	1,447,499		2,662,663	
Total		**103,587,910**	**8,823,314**	**98,159,771**	**8,824,846**
TOTAL ASSETS		**243,369,516**	**18,131,393**	**155,997,254**	**18,980,973**

EQUITY AND LIABILITIES

€/000	Nota	31.12.2011	of which to related parties	31.12.2010	of which to related parties
Capital and reserves					
Issued capital		40,594,388		5,161,240	
Share premium		42,454,420		21,047,079	
Other reserves		30,308,400		30,308,400	
Retained earnings		29,961,512		29,075,074	
Total equity	**25**	**143,318,720**		**85,591,793**	
Non-current liabilities					
Loans and borrowings	27	26,285,432	13,770,452	19,660,355	
Long term derivative financial instruments	20	90,374		-	
Deferred tax liabilities	28	2,382,376		2,386,677	
Provisions for employee benefits	29	4,181,249		4,373,954	
Provisions	30	677,378		682,038	
Total		**33,616,809**	**13,770,452**	**27,103,024**	
Current liabilities					
Trade and other payables	26	28,408,513	4,858,650	35,388,580	8,094,262
Current tax liabilities	28	806,195		1,218,237	
Loans and borrowings	27	36,380,903		6,185,268	
Derivative financial instruments	20	419,254		301,730	
Provisions	30	419,122		208,622	
Total		**66,433,987**	**4,858,650**	**43,302,437**	**8,094,262**
TOTAL EQUITY AND LIABILITIES		**243,369,516**	**18,629,102**	**155,997,254**	**8,094,262**

Statement of changes in equity for Emak S.p.A. at December 31 2010 and at December 31 2011

€/000	Share capital	Share premium	OTHER RESERVES			RETAINED EARNINGS		TOTAL
			Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Net profit for the period	
Total at 31.12.2009	**5,161**	**21,047**	**1,438**	**1,138**	**27,733**	**19,047**	**7,808**	**83,372**
Change in treasury shares	-	-	-	-	-	-	-	**-**
Payment of dividends	-	-	-	-	-	-	(4,088)	**(4,088)**
Reclassification of 2008 net profit	-	-	-	-	-	3,720	(3,720)	**-**
Other changes	-	-	-	-	-	-	-	**-**
Net profit for 2009	-	-	-	-	-	-	6,308	**6,308**
Total at 31.12.2010	**5,161**	**21,047**	**1,438**	**1,138**	**27,733**	**22,767**	**6,308**	**85,592**
Share capital increase (note 5.2)	35,433	22,504	-	-	-	-	-	**-**
Charges for capital increase	-	(1,097)	-	-	-	-	-	**-**
Change in treasury shares	-	-	-	-	-	-	-	**-**
Payments of dividends	-	-	-	-	-	-	(4,361)	**(4,361)**
Reclassification of 2009 net profit	-	-	-	-	-	1,947	(1,947)	**-**
Others	-	-	-	-	-	-	-	**-**
Net profit for 2010	-	-	-	-	-	-	5,248	**5,248**
Total at 31.12.2011	**40,594**	**42,454**	**1,438**	**1,138**	**27,733**	**24,714**	**5,248**	**143,319**

Emak S.p.A. Cash flow statement

€/000	Notes	2011	2010
Cash flow from operations			
Net profit for period		**5,247**	**6,308**
Amortization, depreciation and impairment losses	12	4,020	4,164
Capital (gains)/losses on disposal of property, plant and equipment		(3)	(2,221)
Dividends income		(2,033)	(279)
Decreases/(increases) in trade and other receivables		(9,641)	6,147
Decreases/(increases) in inventories		2,405	(2,582)
(Decreases)/increases in trade and other payables		(7,396)	(456)
Change in provisions for employee benefits	29	(193)	(107)
(Decreases)/increases in provision for liabilities	30	205	98
Decreases/increases in derivate financial instruments		223	(51)
Net cash generated by operations		**(7,166)**	**11,021**
Cash flow from investment activities			
Dividend income		2,033	279
Increases in property, plant and equipment and intangible assets		(3,705)	(3,314)
(Increases) and decreases in financial assets		(81,680)	(2,608)
Proceeds from disposal of property, plant and equipment		3	2,524
Net cash absorbed by investment activities		**(83,349)**	**(3,119)**
Cash flow from financial activities			
Change in equity		56,840	-
Change in short and long-term loans and borrowings		28,408	(3,941)
Change in finance leases		(497)	(483)
Dividends paid		(4,361)	(4,088)
Net cash absorbed by financial activities		**80,390**	**(8,512)**
Net increase in cash and cash equivalents		**(10,125)**	**(610)**
Opening cash and cash equivalents		**2,660**	**3,270**
Closing cash and cash equivalents		**(7,465)**	**2,660**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2011	2010
Reconciliation of cash and cash equivalents			
Opening cash and cash equivalents, detailed as follows:	24	**2,660**	**3,270**
Cash and cash equivalents		2,662	3,305
Overdrafts		(2)	(35)
Closing cash and cash equivalents, detailed as follows:	24	**(7,465)**	**2,660**
Cash and cash equivalents		1,447	2,662
Overdrafts		(8,912)	(2)
Other information:			
Tax paid		(3,706)	(1,862)
Interest paid		(910)	(926)
Interest receiveable on financings to subsidiary companies		260	198
Interest receiveable on bank account		49	13
Interest receiveable on trade receivables		393	95
Effects of exchange rate changes		262	(14)
Change in related party financial assets transactions		(82,528)	(27)
Change in trade receivables and others toward related parties		(2)	(4,331)
Change in trade payables and others toward related parties		(3,236)	(1,352)
Change in trade receivables and others for fiscal assets		(1,432)	1,524
Change in payables and others for fiscal liabilities		(417)	806

Explanatory notes to the financial statements of Emak S.p.A.

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1. General information

On March 15 2012 the Board of Directors of Emak S.p.A. approved the Directors' report for the financial year to December 31 2011, and pursuant to art. 154-*ter*, paragraph 1-*ter* of the Consolidated Finance Law, immediately made them available to the Board of Auditors and to the appointed Auditing firm in order for them to carry out their relative duties. At the same time, the company issued an appropriate press release containing summary figures and information regarding the proposed dividend resolved by the General Meeting of Shareholders.

The financial statements will be submitted for approval by the General Meeting of Shareholders, to be held 23-24 April 2012.

Emak S.p.A., as the Parent Company, has also prepared the consolidated financial statements for the Emak Group at December 31 2011, which was also approved by the Board of Directors of Emak S.p.A. at its meeting on March 15 2012 and are subject to statutory audit by Fidital Revisione S.r.l..

Emak S.p.A. (hereinafter referred to as "Emak" or the "Company") is a public company, whose shares are listed on the Star segment of the Italian stock exchange. Its registered office is in Via Fermi 4, Bagnolo in Piano (Reggio Emilia), Italy. It is one of Europe's leading producers of gardening, forestry and small-scale agricultural machinery, such as chainsaws, brushcutters, lawnmowers, trimmers, rotavators and croppers and a vast assortment of accessories.

EMAK S.p.A. is controlled by YAMA S.p.A., an industrial holding company, which holds the majority of its share capital on a permanent basis and, in accordance with the law and with the articles of association, appoints the majority of its corporate Bodies. The Group of companies held by Yama mainly operates in sectors involving the production and marketing of small machinery for agriculture, gardening, construction and industry and forestry. Emak S.p.A., nonetheless, is not subject to management or coordination on the part of Yama and its Board of Directors, and makes its own strategic and operating choices in complete autonomy.

In accordance with legal requirements, EMAK S.p.A. has set up specific procedures for regulating decisions that place certain Directors in positions of conflict of interest and for the carrying out of non recurring related party transactions. These procedures are aimed at an improved safeguarding of the company and of its assets. Reference is also made to them in paragraph 35 below.

Usual transactions entertained with related parties, improved to market conditions and falling under ordinary course of business, are governed by the framework resolutions, that identify and define the nature and terms of conduct. For these operations, also refer in paragraph 35 below.

Main events of 2011

As described in the Directors' report, the year ended December 31 2011 was marked by extraordinary transactions that led to the acquisition by Emak S.p.A. of some significant shareholdings, transactions that ended December 22 2011 with the transfer of ownership of shares and shares of Tecomec S.r.l., Comet S.p.A., Sabart S.r.l. and Raico S.r.l.. In detail, the extraordinary operations completed during the year are indicated below.

On December 20 2011 ended the increase in share capital of the Parent Company Emak S.p.A. for a total amount of € 57,919,567.37 inclusive of share premium, approved by the Board of Directors in the meeting of September 27 2011 and November 17 2011, to enforce the powers granted by the Extraordinary Shareholders' Assembly of September 20 2011. The capital increase of Emak S.p.A. has related to the emission of n. 136,281,335 shares with par value of € 0.26 each, with the same characteristics as those already in circulation at the date of issuance and payout January 1 2011. The total value of issuance, including the premium, amounted to 0.425 per share.

On December 22 2011, the Parent Company Emak S.p.A. has completed the acquisition transaction from Yama Group of 100% of Comet Group, referring to Comet S.p.A., Tecomec Group controlled by Tecomec S.r.l., Sabart S.r.l. and Raico S.r.l., for a total price of € 82.7 million (hereinafter "Operation Greenfield"). The purchase price is subject to adjustment only in decreasing as consequence of the results of the consolidated net financial position of all companies acquired, calculated with methods described in the contract. The transaction is part of the growth strategy of Emak Group, giving rise to a major industrial center that integrates the leading companies in the fields of machinery, accessories and components for gardening, forestry, agriculture and industry sectors (for more details on the operation please refer to note 7 of the Directors' report).

The operation of capital increase and acquisition of shares by the Parent Company Yama S.p.A. and the related company Sabart S.p.A., as a related party transaction, was conducted in full compliance with the procedures prescribed by law, regulations and rules of conduct. On it the company referred repeatedly to the market during the proceedings, in particular, through the briefing paper released August 8 2011, with the prospectus published on November 18 2011, as well as with the numerous press releases that have accompanied the development of the different stages of the acquisition.
In particular, the Prospectus also contains the information required by Article 71 and Annex 3B, Scheme no. 3, of the Issuers Regulation, approved with Consob delibery n. 11971 of May 14 1999, as subsequently amended and supplemented, relating to acquisitions that exceed the parameters of significance.

2. Summary of principal accounting policies

2.1 General methods of preparation

The financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and adopted by the European Union at the date of preparing this report. The term IFRS also refers to all revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

The financial statements have been prepared under the historical cost method, except for those financial assets and liabilities (including derivative instruments) measured at fair value.

On the basis of information available and of the current and foreseeable income and financial situation, the directors have drawn up the financial statements according to the going concern assumption.
On the basis of factors known to us, that is, the current situation and future forecasts of key economic, balance sheet and financial figures for the Group, and of an analysis of the Group's risks, there are no significant uncertainties that may compromise the Group's status as a going concern

The company has adopted the following formats for its financial statements as required by IAS 1:
-Balance Sheet: based on the distinction between current and non-current assets and current and non-current liabilities;
-Income Statement and Comprehensive Income Statement: based on a classification of items according to their nature;
- Cash flow Statement: based on a presentation of cash flows using the indirect method;
-Statement of Changes in Equity.

The preparation of financial statements under IFRS requires management to make use of accounting estimates. The matters involving a high degree of judgement or complexity and the areas in which the assumptions and estimates could have a significant impact on the financial statements are discussed in note 4.

With reference to Consob Resolution n. 15519 of 27 July 2006 on the financial statements, it is stated that the income statement and statement of financial position include evidence of transactions with related parties.

2.2 Presentation currency

(a) The financial statements are presented in Euros.

(b) Transactions and balances

A foreign currency transaction is translated using the rate of exchange at the date of the transaction. Exchange gains and losses arising upon receipt and payment of the foreign currency amounts and upon translation at closing rates of monetary items denominated in a foreign currency are reported in profit or loss for the period. Gains and losses realized on cash flow hedges whose hedged items are still unrealized are deferred in equity.

2.3 Property, plant and equipment

Land and buildings largely comprise production facilities, warehouses and offices. They are stated at historical cost, plus any revaluations carried out by law in years prior to the first-time adoption of IAS/IFRS, less the accumulated depreciation of the buildings. Other assets are recorded at historical cost, less accumulated depreciation and impairment.
Historical cost includes all the directly attributable costs of purchasing the assets.

Subsequent expenditure is added to the carrying amount of the asset or is accounted for as a separate asset only when it is probable that this expenditure will generate future economic benefits and these costs can be measured reliably. Expenditure on other repairs and maintenance is expensed to income in the period incurred.

Land is not depreciated. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- buildings, 10-33 years;
- plant and machinery, 7-10 years;
- other, 4-8 years.

The residual value and useful life of assets is reviewed and amended, if necessary, at the end of each year.

If the carrying amount of any asset is higher than the estimated recoverable amount, it is immediately reduced to realizable value.

Leases for which the company has substantially all the risks plus the right of redemption are classified as finance leases. The related assets are recognized under property, plant and equipment at the value of the future lease payments.

The principal element of repayments to be made is recorded as financial liabilities. The interest element is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases for which the lessor retains a significant portion of the risks and rewards incident to ownership are classified as operating leases, whose payments are recognized as an expense in the income statement over the lease term on a straight-line basis.

2.4 Intangible assets

(a) Development costs
These are intangible assets with a finite life.
The development costs of new products are capitalized only if the following conditions are met:
- the costs can be measured reliably;
- the product's technical feasibility and expected price and market indicate that the costs incurred for development will generate future economic benefits.

Development costs include only that expenditure which can be attributed directly to the development process. Costs for internal requirements are not capitalised.
Capitalized development costs are amortized over 5 years, commencing from the start of production of the products developed.
All other development costs are expensed to income as incurred.

(b) Concessions, licences and trademarks
Trademarks and licences are valued at historical cost. Trademarks and licences have a finite useful life and are stated after deducting accumulated amortization. Amortization is calculated on a straight-line basis so as to spread the asset's cost over its estimated useful life, which for this category is 3 financial years.

(c) Other intangible assets
These are intangible assets with a finite life.
An intangible asset is recognized only if (i) it is identifiable, (ii) it is probable that it will generate future economic benefits and (iii) its cost can be measured reliably.

Intangible assets are recognized at purchase cost and amortized on a systematic basis over their estimated useful lives, which cannot exceed 10 years.

2.5 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed annually for any impairment. Depreciable assets are reviewed for impairment every time that events or changes in circumstances indicate that their carrying value might not be recoverable. The impairment loss recognized is the amount by which the carrying amount of an asset exceeds its recoverable amount, corresponding to the higher of the asset's net selling price and its value in use. For the purposes of measuring impairment, assets are classified together into the smallest identifiable groups that generate cash inflows (cash-generating units).

2.6 Investment property

Property held for long-term capital appreciation and buildings held to earn rentals are measured at cost, less depreciation and any impairment losses.

2.7 Financial assets and investments

The company classifies financial assets and investments in the following categories: financial assets at fair value (with changes reported through the income statement), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investment has been made. The classification is made upon the asset's initial recognition and is reviewed at every balance sheet date.

(a) Marketable financial assets at fair value (with the value of fluctuations posted in the income statement)
This category includes securities that have been acquired principally for the purpose of generating a profit from short-term fluctuations in price (or for temporarily investing surplus cash balances). This category is classified in current assets on the basis of the period-end price, with gains and losses recognized directly in the income statement.
Unless they qualify for hedge accounting, derivatives are also classified as held for trading.

(b) Other financial assets
This balance includes loans given, securities held to maturity and other receivables deriving from financial activities. They are classified as non-current assets except those falling due within 12 months which are reclassified to current assets.
These financial assets feature determinable payments with fixed maturities, and the fact that the company has the intent and ability to hold them to maturity.
These assets are valued using the amortized cost method based on the effective rate of return, with gains recorded directly in the income statement.

(c) Equity investments
This category includes equity interests in subsidiaries and minority holdings, which are measured at cost less any impairment losses.

(d) Available-for-sale financial assets
Available-for-sale financial assets is a residual category relating to those assets not belonging to the previous three categories. They are reported as non-current assets unless management intends selling them within 12 months of the balance sheet date.
Purchases and sales of these assets are recognized on the transaction date, which is the date on which the company commits to purchase or sell the asset.
Unrealized gains and losses arising on changes in the fair value of non-monetary securities classified as available for sale are recorded in equity. When these instruments are sold or written down, the cumulative fair value adjustments are reversed to income as gains or losses on investments in securities.

All investments in financial assets not recorded at fair value through the income statement are recognized initially at fair value plus the related transaction costs. An investment is eliminated from the accounting records when the right to its cash flows is extinguished or when the company has transferred substantially all the risks and rewards of its ownership to third parties.

The fair value of listed investments is determined with reference to the market price reported at the close of trading on the balance sheet date. In the absence of an active market for a financial asset or if the securities have been suspended from listing, the company establishes fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, bearing in mind the issuer's specific characteristics.

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists for the available-for-sale assets, the amount of the loss – measured as the difference between the asset's acquisition cost and current fair value less any impairment loss previously recognized in net profit or loss – is removed from equity and reported in the income statement. Impairment losses recognized in the income statement for equity instruments are not recovered through subsequent credits to the income statement.

2.8 Non-current assets held for sale

Assets held for sale are classified in this category when:
- the asset is available for immediate sale;
- the sale is highly probable within one year;
- management is committed to a plan to sell;
- a reasonable sales price is available;
- the plan for disposal is unlikely to change;
- a buyer is being actively sought.

These assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets reclassified to this category cease to be depreciated.

2.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw material costs, direct labour costs, general manufacturing costs and other direct and indirect costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined using prevailing selling prices less estimated costs of completion and sale.
Obsolete or slow-moving stocks are devalued on the basis of the presumed possibility of their use or of their future realisable value, by creating an appropriate provision that has the effect of reducing the inventories value

2.10 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less any provisions for impairment.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the company will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

2.11 Trade payables

Trade and other payables, due under normal commercial terms, are not discounted but are recognized at cost (identified by their face value), representing the expenditure required for their settlement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term financial investments that are highly liquid and originally mature in three months or under, less bank overdrafts. Bank overdrafts are classified in the balance sheet in short-term loans and borrowings under current liabilities.

In the consolidated cash flow cash and cash equivalents have been shown net of bank overdrafts at the closing date.

2.13 Share capital

Ordinary shares are classified under equity.

Any proceeds from their sale, less directly attributable transaction costs and the related tax, are recognized in equity pertaining to the Society.

In accordance with the requirements of International accounting standard IAS 32, costs sustained for the increase in share capital (that is, registration costs or other charges due to regulation authorities, amounts paid to legal advisors, auditors or other professionals, printing costs, registration costs and stamp duty), are accounted for as a reduction in equity, net of any connected tax benefit, to the extent to which they are marginal costs directly attributable to the share capital operation (and would have been avoided otherwise).

2.14 Financial liabilities

Loans and borrowings are recognized initially at fair value, less the related transaction costs. They are subsequently measured at amortized cost; the difference between the amount received, less transaction costs, and the amount repayable is recognized in the income statement over the term of the loan, using the effective interest method.

Loans and borrowings are classified as current liabilities if the company does not have an unconditional right to defer the extinguishment of the liability to at least 12 months after the balance sheet date.

2.15 Taxes

The income taxes reported in the income statement include all current and deferred taxes. Income taxes are generally recorded in the income statement and are booked to equity only when they refer to items that have been debited or credited to equity.
Taxes other than income taxes are classified as other operating costs.

Deferred tax assets are recognized on all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.
The same principle applies to the recognition of deferred tax assets on utilizable tax losses.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and possibly reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of that deferred tax asset to be utilized. Any such reductions are reversed if the reasons for them no longer apply. As a general rule, apart from specific exceptions, deferred tax liabilities must always be recognized.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if the company is able to offset current tax assets against current tax liabilities and if the deferred taxes refer to income taxes levied by the same taxation authority.

Starting from the 2010 financial year, EMAK opted for consolidated IRES taxation (Italian corporate income tax) for the three-year period 2010-2012 with its subsidiary COMAG. The tax assets and liabilities entries acquired from COMAG by virtue of the consolidation converge with the corresponding balances recorded by the consolidating company EMAK in relation to its position with the Inland Revenue. The reciprocal accounting entries between EMAK and COMAG are regulated in compliance with the consolidation agreements, executed on 10 June 2010.

2.16 Provision for employee termination indemnities

Employee termination indemnities fall into the category of defined benefit plans for valuation on an actuarial basis (death rates, expected changes in remuneration etc.) and reflect the present value of the benefit, payable at the end of employment, which employees have matured at the balance sheet date.

The costs relating to the increase in the obligation's present value, arising as the time of payment approaches, are recorded as financial expenses. All other costs relating to the provision are reported as payroll costs in the income statement. All actuarial gains and losses are recognized in the period in which they occur.

2.17 Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when (i) the company has a legal or constructive obligation as a result of past events, (ii) it is probable that a payment will be required to settle the obligation and (iii) a reliable estimate can be made of the related amount.

2.18 Revenues

Revenues are reported net of discounts, rebates, returns and allowances and are recognized as follows:

(a) Sale of goods
Sales of goods are recognized when the company has delivered the goods to the customer, the customer has accepted the products and the associated receivable is reasonably certain to be collected.

(b) Sale of services
Sales of services are recognized in the period in which the service is rendered with reference to the stage of completion of the specific transaction, measured on the basis of the services performed to date as a percentage of total services to be performed.

Sales of goods are accounted for when the significant risks and benefits arising from ownership of the goods are transferred and the company ceases to exercise both effective control and normal activities associated with ownership of the goods. This situation usually occurs upon delivery and acceptance of the goods on the part of the customer

2.19 Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grants will be received and all the conditions attaching to them have been satisfied.
Government grants related to costs (e.g. operating grants) are recognized as revenue on a systematic basis over a number of years so as to match the costs that the grant is intended to offset.
Government grants related to assets (e.g. facility grants) are recorded in non-current liabilities and gradually released to income on a systematic basis over the useful life of the asset concerned.

2.20 Financial income and expenses

Financial income and expenses are recognized on an accrual basis using the effective interest rate and include dividends received from subsidiaries, exchange gains and losses and gains and losses on derivatives charged to the income statement.

2.21 Payment of dividends

Dividends on ordinary shares are reported as liabilities in the financial statements in the year in which the shareholders approve their distribution.

2.22 Earnings per share

Basic earnings per share are calculated by dividing the company's net profit by the weighted average number of shares outstanding during the period, excluding treasury shares.
The company does not have any potential ordinary shares.

2.23 Cash flow statement

The cash flow statement has been prepared using the indirect method.
Cash and cash equivalents included in the cash flow statement comprise the cash-related balances at the reporting date. Cash flows in foreign currency have been translated at the average rate for the period. Interest income and expense, dividends received and income taxes are included in cash flow generated by operations.

2.24 New accounting standards

Reference should be made to note 2.27 in the consolidated accounts.

3. Financial risk management

3.1 Risk factors of a financial nature

The Company's business is exposed to a number of different financial risks: market risk (including currency risk, fair value risk and market price risk), credit risk and liquidity risk. The Company's policies for managing and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the financial results. The Company uses derivative financial instruments to hedge certain risks.
Hedging of the Company's financial risks is managed by a head office function working in close collaboration with the individual operating units.

(a) Market risk

(i) Interest rate risk
Since the Company does not have significant interest-bearing assets, operating profits and cash flows are largely unaffected by changes in market interest rates. The Company's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Company to the cash flow risk associated with interest rates. Fixed rate loans expose the Company to the fair value risk associated with interest rates.
The Company's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At 31 December 2011, the Company's bank loans and borrowings and finance leases all carried variable interest.

The company has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

(ii) Currency risk
The Company conducts its business internationally and is exposed to exchange risk associated with the currencies used, mainly US dollars, yen. Currency risk derives from future commercial transactions, from recognized assets and liabilities and net investments in foreign enterprises.
The Company mostly uses forward contracts to hedge currency risk arising from future commercial transactions and recognized assets and liabilities.

(iii) Price risk
The Company is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The Company usually enters into medium-term contracts with certain suppliers for the purpose of managing and limiting the risk of fluctuations in the price of its main raw materials such as aluminium, sheet metal, plastic and copper, as well as semi-finished products such as motors.

(b) Credit risk
The Company does not have significant concentrations of credit risk and has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured. The Company has policies that limit its credit exposure to any single financial institution.

(c) Liquidity risk
Prudent management of liquidity risk implies the maintenance of sufficient liquid funds and marketable securities, the availability of funding through adequate credit lines and the ability to close positions off-market. Given the dynamic nature of the Company's business, its Treasury function seeks flexibility of funding by having credit lines available.

Derivatives and short-term investments are undertaken only with primary financial institutions.

Also in the light of the change in its financial structure following the acquisitions made during the year, and of the particular situation of the financial markets, the Group has maintained its high level of creditworthiness on the part of credit institutes and analysts. As a result, there are no significant variations in available credit lines which already abundantly exceeded requirements.

3.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency fluctuation. In line with its risk management policy, in fact, the Group does not carry out derivative operations for speculative purposes.
When such operations are not accounted for as hedging operations they are recorded as trading operations
As established by IAS 39, derivative financial instruments may qualify for special hedge accounting only if (i) at the inception of the hedge the hedging relationship is formally designated and documented, (ii) the hedge is expected to be highly effective and (iii) the effectiveness of the hedge can be measured reliably.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent balance sheet dates
When such operations are not accounted for as hedging operations they are recorded as trading operations.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent balance sheet dates.

On the basis of the above, and of stipulated contracts, the accounting methods adopted are as follows:

1. fair value hedge: the fair value variations of the hedging instrument are posted to the Income Statement together with variations in the fair value of the hedged transactions.

2. cash flow hedge: the variations in fair value which are intended and proved to be effective for hedging future cash flows are posted to the Comprehensive Income Statement, while the ineffective portion is posted immediately to the Income Statement. If contractual commitments or planned hedging operations lead to the creation of an asset or liability, when this occurs the profits or losses on the derivative which have been posted directly to the Comprehensive Income Statement adjust the opening cost of acquisition or holding value of the asset or liability. For financial cash flow hedgings that do not lead to the creation of an asset or liability, the amounts which have been posted directly to the Comprehensive Income Statement are to be transferred to the Income Statement in the same period in which the contractual commitment or planned hedging operation are posted to the Income Statement.

3. derived financial instruments not defined as hedging instruments: the variations in fair value are posted to the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. The cumulative gains or losses on the hedging instrument recognized directly in the Comprehensive Income Statement remain until the forecast transaction effectively occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognized directly in Comprehensive Income Statement are transferred to the Income Statement for the period.

3.3 Measurement of fair value

The fair value of financial instruments with a quoted market price in an active market (such as publicly traded derivatives and securities held for trading and for sale) is based on the market price at the balance sheet date. The market price used for the company's financial assets is the bid price; the market price for financial liabilities is the offer price.

The fair value of financial instruments not quoted in an active market (for example, derivatives quoted over the counter) is determined using valuation techniques. The company uses various methods and makes assumptions that are based on existing market conditions at the balance sheet date. Long-term payables are valued using quoted market or trading prices for the specific or similar instruments. Other methods, such as estimating the present value of future cash flows, are used to determine the fair value of the other financial instruments. The fair value of forward currency contracts is determined using the forward exchange rates expected at the balance sheet date.

It is assumed that the face value less estimated doubtful receivables approximates the fair value of trade receivables and payables. For the purposes of these notes, the fair value of financial liabilities is estimated by discounting contractual future cash flows at the current market rate available to the company for similar financial instruments.

4. Key accounting estimates and assumptions

The preparation of the financial statements and the related notes under IFRS has required management to make estimates and assumptions affecting the value of reported assets and liabilities and the disclosures relating to contingent assets and liabilities at the balance sheet date. Actual results could differ from these estimates. Estimates are used for recording provisions for doubtful accounts and inventory obsolescence, amortization and depreciation, write-downs of assets, post-employment benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of any change are immediately reflected in the income statement.

In this context, it should be noted that the situation caused by the persistent difficulties of the economic and financial scenario, in particular in the Euro zone, has implied the need to make assumptions regarding the future outlook characterised by uncertainty. As a result, it cannot be excluded that the actual results obtained will be different from the forecasts, and therefore adjustments, even of significant amounts (which obviously cannot today be estimated or foreseeable); to the book value of the relative items may be necessary.
The financial statements heading most affected by the use of estimates is shareholdings in subsidiaries and associates included among non-current assets, where the estimates are used to establish any devaluations and recoveries of value. Any effects are not, however, particularly critical or material, considering their low significance in relation to the underlying account headings.

5. Significant non-recurring events and transactions

The following operations occurred during the year:

5.1 Capital increase of Emak S.p.A.

On December 20 2011 was concluded the increase in share capital of the Parent Company Emak S.p.A., with the purpose of financing the Operation Greenfield, for a total amount of € 57,919,567.37 inclusive of share premium, approved by the Board of Directors meetings of September 27 2011 and November 17 2011, to enforce the powers granted by the Extraordinary Shareholders' Assembly of September 20 2011.

The increase in share capital of Emak S.p.A. has related to the emission of n. 136,281,335 shares with par value of € 0.26 each, with the same characteristics as those outstanding at the date of issuance and payout January 1 2011. The total value of issue including the premium amounted to € 0.425 per share.

We also remind that Yama S.p.A., controlling shareholder of Emak S.p.A., under the commitment made on August 5 2011, has exercised all option rights arising from the capital increase, and upon it in relation to all the shares of Emak S.p.A. it held for a total of € 43,652,812.50.

5.2 Operation "Greenfield"

On December 22 2011, the Parent Company Emak S.p.A. has completed the acquisition from Yama Group of the 100% of Tecomec Group, Comet Group, Sabart and Raico, for a total price of € 82.7 million; the price will be subjected only to downward adjustment accordingly to the results of the consolidated net financial position at December 31 2011 of all companies acquired.

Please note that this acquisition is configured as an operation of greater importance with related parties, carried out with all precautions required by the rules and procedures of self-discipline, based on independent assessments and assumed with the decisive vote in favor of independent directors. For more details see paragraph 37 of the notes to the consolidated financial statements.

The transaction is part of the growth strategy of the Emak Group, creating a major industrial center that integrates the leading companies in the areas of machinery, accessories and components for the sectors of gardening, forestry, agriculture and industry.

The acquisition was funded largely by the capital increase described in the preceding paragraph.

The remaining part of the price was financed through new debt for € 24.7 million, of which € 15 million represented by the deferred payment of the price at no charge provided by the sellers, divided as follows:
- € 2,500 thousand as at January 15 2013;
- € 2,500 thousand as at July 1 2013;
- € 10,000 thousand at December 16 2013.

The transaction was completed near the end of the year, so the consolidation of the assets occurred with reference to the date of December 31 2011, while economic effects have not been consolidated.

Below is a brief description of the acquired companies:

Tecomec S.r.l., based in Reggio Emilia, manufactures components and accessories for machinery destined to the sectors of forestry, gardening, weeding and spraying (Geoline brand), flushing (Mecline brand). Tecomec also holds the entire share of Speed France - in turn controlling of 100% of Speed North America and 51% of Speed South Africa- manufacturer and distributor of nylon line for trimmers, and of Tecomec Ningbo, a Chinese manufacturing company.

Comet S.p.A., based in Reggio Emilia, is a historical leading company in the production of high-pressure pumps for agriculture and industry, professional and hobby pressure washers at Comet brand.
Comet distributes its products worldwide through distributors and its subsidiaries in the U.S. and France. Comet also controls 98% of the company PTC S.r.l. and holds a share of 30% in S.I.Agro Mexico.

Sabart S.r.l., based in Reggio Emilia, specializes in the selling on the Italian market of spare parts and accessories for the forestry, agricultural and gardening sectors.

Raico S.r.l., based in Reggio Emilia, specializes in the distribution on the Italian market of spare parts and accessories for agricultural tractors, industrial and earth moving machinery, of the most popular brands.

The equity and financial effects of the companies being acquired are consolidated to December 31 2011, while economic effects have not been consolidated.

The fair value of assets and liabilities aggregated with effect December 31 2011, the price paid and the financial cost are detailed below:

Split of assets and liabilities acquired in 2011						
€/000		**Tecomec Group**	**Comet Group**	**Sabart**	**Raico**	**Total**
Non-current assets						
Property, plant and equipment		7,696	6,258	107	174	14,235
Intangible assets other than goodwill		961	629	86	125	1,801
Goodwill			2,334			2,334
Equity investments		4	3			7
Equity investments in related company			18			18
Deferred tax assets		1,890	676	255	137	2,958
Other non current financial assets		87	48			135
Other receivables		8				8
Current assets						
Inventories		24,471	21,313	3,643	4,244	53,671
Trade and other receivables		14,640	16,010	5,070	2,954	38,674
Current tax assets		513	438	0	0	951
Other financial assets		1				1
Derivative financial instruments				123		123
Cash and cash equivalents		2,294	854	1,082	4	4,234
Non-current liabilities						
Loans and borrowings		(9,844)	(4,313)		(184)	(14,341)
Deferred tax liabilities		(255)	(670)	(342)	(10)	(1,277)
Provisions for employee benefits		(724)	(2,036)	(884)	(478)	(4,122)
Provisions		(87)	(294)	(702)	(74)	(1,157)
Current liabilities						
Trade and other payables		(11,430)	(15,885)	(2,449)	(2,426)	(32,190)
Current tax liabilities		(333)	(441)	(238)	(110)	(1,122)
Loans and borrowings		(14,729)	(7,081)	(93)	(2,102)	(24,005)
Derivative financial instruments		(368)	(335)			(703)
Provisions		(2)				(2)
Total net assets		**14,793**	**17,526**	**5,658**	**2,254**	**40,231**
- minorities interests		323	11			334
Total net assets acquired		**14,470**	**17,515**	**5,658**	**2,254**	**39,897**
% Acquired		**100%**	**100%**	**100%**	**100%**	
Net equity acquired	(a)	**14,470**	**17,515**	**5,658**	**2,254**	**39,897**
Goodwill in continuity of values with parent company consolidated balance sheet at 31/12/2011	(b)	**5,661**	**2,279**	**0**	**0**	**7,940**
Surplus declined from net equity as for OP1	(c) - (a) - (b)	**7,415**	**7,555**	**15,393**	**3,255**	**33,618**
Shareholding value accounted at 31/12/2011	(c) = (d) + (e)	**27,546**	**27,349**	**21,051**	**5,509**	**81,455**
Prezzo di acquisizione interamente versato tramite bonifico bancario	(d)	**22,528**	**22,367**	**18,300**	**4,505**	**67,700**
Discounted derred price due to 16/12/2013	(e)	**5,018**	**4,982**	**2,751**	**1,004**	**13,755**
Cash and cash equivalents acquired		2,294	854	1,082	4	**4,234**
Net outflow of cas		**20,234**	**21,513**	**17,218**	**4,501**	**63,466**

5.3 Acquisition of Epicenter LLC. participation

On September 30 2011, following the agreement signed on April 29 2011 and approval by the antitrust authorities of Ukraine, the Parent Company Emak S.p.A. has completed the acquisition of 61% of the capital of Epicenter LLC., for a consideration of U.S. $ 1,823 thousand, representing a value of € 1,350 thousand, paid in full on the date of acquisition.

The entry in the consolidation area has led to the recognition in the consolidated financial statements at September 30 2011 of a goodwill related to the higher price paid for the pro-quota value of equity of about € 116 thousand.

The income statement of Epicenter LLC. was included in the consolidated balance sheet as of October 1 2011.

The operation follows the guidelines of the Group's development through external markets with high growth potential. With this acquisition, Emak aims to achieve a greater penetration in a market with great prospects such as the Ukrainian one, where it already holds a significant presence.

The contract also includes a call option in favor of Emak to purchase an additional share of 14% to be exercised by 2013, therefore with the possibility of bringing its share to 75%.

The fair value of assets and liabilities acquired on December 31 2011, the price paid and the financial cost are detailed below:

€/000	Book value	Fair value adjustments	fair value of assets acquired
Non-current assets			
Property, plant and equipment	56	-	56
Intangible assets other than goodwill	1	-	1
Deferred tax assets	2	-	2
Other receivables	5	-	5
Current assets			
Inventories	1,984	-	1,984
Trade and other receivables	1,139	-	1,139
Current tax assets	1	-	1
Cash and cash equivalents	64	-	64
Non-current liabilities	-		-
Current liabilities			
Trade and other payables	(1,177)	-	(1,177)
Current tax liabilities	(52)	-	(52)
Total net assets acquired	**2,023**	**-**	**2,023**
% Acquired			**61%**
Net equity acquired			**1,234**
Goodwill			**116**
Purchase price fully paid by bank transfer			**1,350**
Cash and cash equivalents acquired			64
Net outflow of cash			**1,286**

6. Positions or transactions deriving from atypical and unusual operations

Emak S.p.A. carried out during 2011 the operation of acquisition of the 100% interest in the share capital of Tecomec Group, Comet Group, Sabart S.r.l. and Raico S.r.l., through assignment from the parent Yama S.p.A. and the related company Sabart S.p.A., in favor of Emak S.p.A. completed on December 22 2011. Please note that the transaction figures as an operation of major importance with related parties. All significant elements of the transaction have been reported and made available in the information document prepared according to art. 5 of the Regulation of Related Parties and published on August 8 2011 and in the prospectus published on 17 November 2011.

With the exception of above, there were no further operations of atypical and unusual nature.

7. Net financial position

Details of the net financial position are summarized in the following table:

€/000	31.12.2011	31.12.2010
Cash and banks	1,447	2,663
Securities and derivative financial instruments (assets)	-	15
Financial liabilities	(36,381)	(6,185)
Derivative financial instruments	(419)	(302)
Short-term net debt	**(35,353)**	**(3,809)**
Other financial assets	7,234	8,082
Financial liabilities	(26,286)	(19,661)
Derivative financial instruments (liabilities)	(90)	-
Long-term net debt	**(19,142)**	**(11,579)**
Cash and banks	1,447	2,663
Securities and derivative financial instruments (assets)	-	15
Other financial assets	7,234	8,082
Financial liabilities	(62,667)	(25,846)
Derivative financial instruments	(509)	(302)
Total net debt	**(54,495)**	**(15,388)**

At December 31 2011 the net financial position includes:

- the debt to the parent Yama S.p.A. for an amount of € 11,016 thousand and with the related company Sabart S.p.A. for an amount of € 2,754 thousand;
- financing active in the medium and long term granted by Emak S.p.A. to subsidiaries amounting to €7,234 thousand.

8. Sales and other operating income

Sales revenues amount to €155,794 thousand, compared with € 158,951 thousand in the prior year. They are stated net of € 684 thousand in returns, compared with € 433 thousand in the prior year.

Details of sales are as follows:

€/000	FY 2011	FY 2010
Net sales revenues (net of discounts and rebates)	155,194	158,002
Revenues from recharged transport costs	1,284	1,382
Returns	(684)	(433)
Total	**155,794**	**158,951**

Other operating income is analysed as follows:

€/000	FY 2011	FY 2010
Subsidies for operations	81	192
Capital gains on tangible fixed assets	6	110
Capital gains on disp. of fixed assets available for sale	-	2.215
Insurance refunds	38	1
Out-of-period income	97	126
Other	104	116
Total	**326**	**2.760**

The item ""Subsidies for operations" includes:
- The contribution Emilia Romagna Region DGR 1631/2006, amounting to € 31 thousand, for costs incurred by the Company for industrial research and development of a mobile robotics project called "Dirò";
- Fondimpresa contribution of € 40 thousand, for costs incurred by the Company for training its staff.

9. Cost of raw and consumable materials and goods

The heading is analysed as follows:

€/000	FY 2011	FY 2010
Raw materials	47,201	51,192
Consumable materials	223	219
Finished products	49,901	52,105
Other purchases	1,474	1,469
Total	**98,799**	**104,985**

10. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2011	FY 2010
Wages and salaries	14,086	14,179
Social security charges	4,459	4,449
Employee termination indemnity	1,034	998
Adjustment of termination indemnity fund for actuarial losses/(gains) (29)	26	172
Other costs	131	68
Directors' emoluments	247	342
Temporary staff	584	609
Total	**20,567**	**20,817**

The decrease in personnel costs compared to last year is related to the lower number of working hours and the greater use of welfare support systems.

Employees are broken down by grade as follows:

	31 December 2011		31 December 2010	
	(1)	(2)	(1)	(2)
Executives	15	14	16	15
Office staff	180	185	175	174
Factory workers	217	211	224	218
Total	**412**	**410**	**415**	**407**

(1) Average number of employees in year
(2) Number of employees at this date

11. Other operating costs

Details of these costs are as follows:

€/000	FY 2011	FY2010
Subcontract work	4,888	4,850
Maintenance	1,281	1,333
Transportation	5,216	6,357
Advertising and promotions	2,132	1,852
Commissions	1,488	1,471
Travel	334	348
Postage and telecommunications	257	260
Consulting fees	3,405	1,568
Insurance	412	384
Costs for product warranties and after sales service	788	840
Other services	1,706	1,989
Services	**21,907**	**21,252**
Rents, rentals and the enjoyment of third party assets	**1,759**	**1,614**
Provisions	**261**	**158**
Increase in provision for doubtful accounts (note 22)	172	153
Capital losses on property, plant and equipment	2	104
Other taxes (not on income)	181	133
Other operating costs	619	699
Other costs	**974**	**1,089**
Total	**24,901**	**24,113**

The application of new strategies for the reorganization of the suppliers and the management of the routes has resulted in a significant reduction in transport costs.

The item "advertising and promotions" has increased from the previous year due to new initiatives in support of sales.

Consultancy costs have increased significantly due to the M&A operations that give rise to an overall outlay of € 2,069 thousand, accounted for in the income statement as required by IFRS 3: it should be noted that the accessory costs connected with the increase in capital operation for € 1,598 thousand have been accounted for according to IAS 32, reducing the share premium reserve. For more details, reference should be made to note 25.

The greater use of external services for logistics and storage and the review of contract terms has led to the increase in "Rent, rentals, and enjoyment of the third party assets."

The increase in "provisions" is primarily due to the warranty provision for an amount of € 138 thousand relative to the estimated costs for repair or replacement.

12. Amortization and depreciation

Details of these amounts are as follows:

€/000	FY 2011	FY 2010
Depreciation of participation in subsidiaries (note 19)	277	398
Amortization of intangible assets (note 17)	724	581
Depreciation of property, plant and equipment (note 16)	3,019	3,185
Total	**4,020**	**4,164**

13. Finance income and expenses

Details of these amounts are as follows:

€/000	FY 2011	FY 2010
Dividends from subsidiaries	2.033	279
Interest on trade receivables	390	96
Interest on loans to subsidiaries (note 35)	260	198
Interest on bank and post office accounts	49	13
Costs from adjustment to fair value and closure of derivatives instruments for hedging interest rate risk	227	307
Other financial income	23	13
Financial income	**2.982**	**906**

The heading "Dividends from shareholdings in subsidiaries" refers to the dividends received from Emak Suministros Espana S.A., Victus-Emak Sp. Z.o.o. and Jiangmen Emak Outdoor Power Equipment Co. Ltd..

The increase in interest charged to customers is mainly due to the worsening macroeconomic conditions and subsequent slow collection times.

Financial expenses are analyzed as follows:

€/000	FY 2011	FY 2010
Interest on long-term bank loans and borrowings	465	374
Interest on short-term bank loans and borrowings	234	14
Financial charges from valuing employee termination indemnities (note 29)	127	139
Costs from adjustment to fair value and closure of derived instruments for hedging interest rate risk.	213	250
Other financial costs	372	520
Financial expenses	**1.411**	**1.297**

The increase in the short-term interest expense comes primarily from increased the negative net financial position, and the deterioration of the effective interest rates.

The valuation at fair value of hedges of interest rate risk is updated and accounted every quarter, giving rise to income and expenses according to the periodic fluctuations in interest rates; therefore the net positive effect for the year amounted to € 14 thousands, against the positive effect of € 57 thousand in the last year.

The decrease in other financial costs is linked to lower interest actually paid for the differential in interest rates paid on hedging contracts.

Details of exchange rate gains and losses are given in the table below:

€/000	FY 2011	FY 2010
Positive exchange rate differences	1,242	631
Unrealized gains/(losses)	724	272
Negative exchange rate differences	(1,100)	(729)
Exchange gains and losses	**866**	**174**

14. Income taxes

The estimated tax charge in 2011 for current and deferred tax amounts to € 2,619 thousand (€ 3,689 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2011	FY 2010
Current income taxes	2,806	3,188
Taxes from prior years	3	6
Changes in deferred tax liabilities (note 28)	(5)	307
Changes in deferred tax assets (note 28)	(185)	188
Total	**2,619**	**3,689**

Current income taxes include the cost of IRAP (regional company tax) to € 771 thousand, compared to € 966 thousand in 2010.

During 2011 a credit for deferred tax was generated, that have transited directly in equity for an amount equal to € 501 thousand.

The theoretical tax charge, calculated using the ordinary rate of 31.40%, is reconciled to the effective tax charge as follows:

€/000	FY 2011	% rate	FY 2010	% rate
Profit before taxes	**7,867**		**9,997**	
Theoretical tax charge	**2,470**	**31.4**	**3,139**	**31.4**
Effect of IRAP differences calculated on different tax base	464	5.9	554	5.6
Non-taxable income	-	-	(90)	(0.9)
Dividends	(531)	(6.8)	(69)	(0.7)
Non-deductible costs	287	3.7	216	2.2
Previous period tax	3	-	6	-
Other differences	(74)	(0.9)	(67)	(0.7)
Effective tax charge	**2,619**	**33.3**	**3,689**	**36.9**

The tax rate is 33.3%, a decrease from the 36.9% at December 31 2010.

This decrease, compared to the previous year, is largely due to the effect caused by the greater amount of dividends received from subsidiaries.

15 Earnings per share

"Basic" earnings per share are calculated by dividing the net profit for the period attributable to the company's shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares held as treasury shares (see note 34).

The company has only ordinary shares outstanding.

The earnings per share shown in the following table has been calculated on the basis of homogeneous data, considering also for the year 2010, the same number of shares, taking into account the subscribed issue of increase in share capital during the year 2011 .

	FY 2011	FY 2010
Net profit attributable to ordinary shareholders (€/000)	5,247	6,308
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
Basic earnings per share (€)	**0.032**	**0.0386**

Diluted earnings per share are the same as basic earnings per share.

16. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2009	Increse	Decrese.	Reclass.	31.12.2010
Land and buildings	19,303	108	(28)	-	19,383
Accumulated depreciation	(4,915)	(478)	27	-	(5,366)
Land and buildings	**14,388**	**(370)**	**(1)**	**-**	**14,017**
Plant and machinery	10,201	187	(855)	-	9,533
Accumulated depreciation	(4,899)	(925)	723	-	(5,101)
Plant and machinery	**5,302**	**(738)**	**(132)**	**-**	**4,432**
Other assets	41,041	1,328	(1,060)	239	41,548
Accumulated depreciation	(36,547)	(1,782)	998	52	(37,279)
Other assets	**4,494**	**(454)**	**(62)**	**291**	**4,269**
Advances	**446**	**203**	**-**	**(291)**	**358**
Cost	**70,991**	**1,826**	**(1,943)**	**(52)**	**70,822**
Accumulated depreciation (note 12)	**(46,361)**	**(3,185)**	**1,748**	**52**	**(47,746)**
Net book value	**24,630**	**(1,359)**	**(195)**	**-**	**23,076**

€/000	31.12.2010	Increases	Decreases	Other changes	31.12.2011
Land and buildings	19,383	14	-	-	19,397
Accumulated depreciation	(5,366)	(469)	-	-	(5,835)
Land and buildings	**14,017**	**(455)**	**-**	**-**	**13,562**
Plant and machinery	9,533	136	(308)	-	9,361
Accumulated depreciation	(5,101)	(843)	298	-	(5,646)
Plant and machinery	**4,432**	**(707)**	**(10)**	**-**	**3,715**
Other assets	41,548	1,713	(1,014)	286	42,533
Accumulated depreciation	(37,279)	(1,707)	1009	-	(37,977)
Other assets	**4,269**	**6**	**(5)**	**286**	**4,556**
Advances	**358**	**940**	**-**	**(303)**	**995**
Cost	**70,822**	**2,803**	**(1,322)**	**(17)**	**72,286**
Accumulated depreciation (note 12)	**(47,746)**	**(3,019)**	**1,307**	**-**	**(49,458)**
Net book value	**23,076**	**(216)**	**(15)**	**(17)**	**22,828**

No evidence of impairment has been reported for property, plant and equipment.

The increases relate to:
- the buildings category as a result of lightweight construction in the spare parts distribution centre;
- the plant and machinery category, mainly due to the completion of a number of new plant and equipment installed in various departments;
- the "other assets" category refers to:
    - the purchase of equipment and dies for the development of new products and for the upgrading and modernization of production lines;
    - The purchase of instruments for testing and control;
    - the purchase of internal means of transport;
    - the purchase of electronic machines.

The item "Advances" includes investments for the realization of the service school where will be implemented initiatives for technical training of customers.

The decreases relate mainly to the replacement of obsolete dies and machines following organisational changes in the financial year.

The company does not have any assets whose ownership title is restricted except for those under finance lease.

Details of the assets held under finance lease, included in "land and buildings" are as follows:

€/000	31.12.2011	31.12.2010
Gross value	3,659	3,659
Accumulated depreciation	(768)	(659)
Net book value	**2,891**	**3,000**

This amount refers to a finance lease for the office building of Emak S.p.A. in Via Fermi 4 used as the company's head office. The lease agreement was made with Locat S.p.A. on 10 November 2005 and expires on 10 November 2013. At the termination of the contract Emak S.p.A will have the right to a redemption option on the fixed asset for a value of € 215 thousand.

17. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2009	Increases	Decreases	Reclass.	Other changes	31.12.2010
Development costs	1,301	85	-	332	-	1,718
Accumulated amortization	(884)	(62)	-	-	-	(946)
Development costs	**417**	**23**	**-**	**332**	**-**	**772**
Patents and intellectual property rights	4,423	481	(2)	-	-	4,902
Accumulated amortization	(3,771)	(450)	-	-	2	(4,219)
Patents	**652**	**31**	**(2)**	**-**	**2**	**683**
Concessions, licences and trademarks	77	4	-	-	-	81
Accumulated amortization	(27)	(7)	-	-	-	(34)
Concessions, licences and trademarks	**50**	**(3)**	**-**	**-**	**-**	**47**
Other intangible assets	1,838	608	-	(1,711)	-	735
Accumulated amortization	(1,829)	(62)	-	1,711	-	(180)
Other intangible assets	**9**	**546**	**-**	**-**	**-**	**555**
Advances	**429**	**6**	**-**	**(332)**	**(97)**	**6**
Cost	**8,068**	**1,184**	**(2)**	**(1,711)**	**(97)**	**7,442**
Accumulated amortization (note 12)	**(6,511)**	**(581)**	**-**	**1,711**	**2**	**(5,379)**
Net book value	**1,557**	**603**	**(2)**	**-**	**(95)**	**2,063**

€/000	31.12.2010	Increases.	Reclass.	Other changes	31.12.2011
Development costs	1.718	5	-	65	1.788
Accumulated amortization	(946)	(93)	-	-	(1.039)
Development costs	**772**	**(88)**	**-**	**65**	**749**
Patents and intellectual property rights	4.902	641	-	14	5.557
Accumulated amortization	(4.219)	(481)	-	-	(4.700)
Patents	**683**	**160**	**-**	**14**	**857**
Concessions, licences and trademarks	81	23	-	-	104
Accumulated amortization	(34)	(10)	-	-	(44)
Concessions, licences and trademarks	**47**	**13**	**-**	**-**	**60**
Other intangible assets	735	168	(282)	-	621
Accumulated amortization	(180)	(140)	18	-	(302)
Other intangible assets	**555**	**28**	**(264)**	**-**	**319**
Advances	**6**	**85**	**-**	**(79)**	**12**
Cost	**7.442**	**922**	**(282)**	**-**	**8.082**
Accumulated amortization (note 12)	**(5.379)**	**(724)**	**18**	**-**	**6.085**
Net book value	**2.063**	**198**	**(264)**	**-**	**1.997**

The investments of the year relate mainly to the purchase of software for improving process efficiency for €652 thousand, among which the project for the integration of subsidiaries and the customizations of the system management for more effective management of business processes and external service providers to design a new product for € 70 thousand.
The reclassification amounting to €282 thousands regards the review of multi-year contract for the use of production equipment

All the intangible assets have a finite residual life and are amortized on a straight-line basis over the following periods:

- Development costs	5 years
- Intellectual property rights	3 years
- Concessions, licences, trademarks and similar rights	10/15 years

Research and development costs directly recorded in the income statement amount to € 4,423 thousand.

18. Goodwill

The amount of € 2,074 thousand refers to the positive difference arising from the acquisition from the parent company Yama S.p.A. and further to the absorption of the company Bertolini S.p.A into Emak S.p.A..

Goodwill has been subject to an impairment test according to the methods described in note 20 of the consolidated financial statements.

19. Equity investments

Details of equity investments are as follows:

€/000	31.12.2010	Incr.	Decr.	31.12.2011
Equity investments				
- in subsidiary companies	21,650	82,805	(277)	104,178
- in other companies	224	-	-	224
TOTAL	**21,874**	**82,805**	**(277)**	**104,402**

Shareholdings in **Subsidiary companies** amount to € 104,178 thousand with an increase of € 82,805 thousand relating to following acquisitions:

- Epicenter LLC. (Kiev - Ukraine) for € 1,350 thousand Euros on 30 September 2011;
- Comet S.p.A. (RE) for € 27,349 thousand Euros on 22 December 2011;
- Raico S.r.l. (RE) for € 5,509 thousand Euros on 22 December 2011;
- Sabart S.r.l. (RE) for € 21,051 thousand Euros on 22 December 2011;
- Tecomec S.r.l. to € 27,546 thousand took place 22 December, 2011

and a decrease of € 277 thousand for the depreciation of the investment in Emak USA Inc.
In Annexes 1 and 2 are set out in detail the values of investments in subsidiaries.

The value of investments acquired as part of Operation Greenfield was recorded net of borrowing costs relating to the actualization of the debt to the parent Yama S.p.A. and the related company Sabart S.p.A..

The Company verifies the recoverability of the cost if there are indicators of impairment. The recoverable amount of the cash generating unit (cash-generating unit) is determined on the basis of use value.

For the purpose of carrying out the impairment test on goodwill values, the discounted cash flow has been based on the following assumptions:

- The base figures are those taken from Emak Group's strategic plan 2012-2014. This plan is the best management forecast of the future operating performances of the single entities making up the Group in the period in question. The expected cash flows refer to the reference units in their present conditions and exclude possible operations of a non-ordinary nature or other operating or structural changes.
- Considering the macro economic scenario, the forecast of operating cash flows used to carry out the impairment test were formulated considering more prudential scenarios with a future trend in line with 2011. Consequently, in the estimation of the present value, the future value has been determined considering a long period growth rate (g) prudentially equal to 0%. taking into consideration the forecast growth in gross domestic product. The gross Wacc used to discount back the cash flows of the American company is 11.6%.

Following this analysis we have decided to proceed with the depreciation of the investment in Emak USA Inc. of € 277 thousand (Note 12). The depreciation was carried out following the registration of signs of impairment in value. It was decided to proceed with the correction of the value of the investment to take account of past losses and of the longer times necessary to achieve a positive cash flow regime of the subsidiary. We confirm, however, the positive development of business unit plans and the expectations of a return to positive profitability in future years.

Equity investments in **other companies** relate to:

- a minority interest (10.42%) in Netribe S.r.l., a company operating in the IT sector. This investment is valued at its cost of € 223 thousand since its fair value cannot be determined. ;

- one share for membership of the ECOPED Consortium as required by Decree 151/2005, with a value of € 1 thousand.

20. Derivative financial instruments

The financial statements values relate to changes in the fair value of financial instruments for:
-hedging purchases in foreign currency;
-hedging the risk of changes in interest rates.

All derivative financial instruments belonging to this heading are valued at fair value at the second hierarchical level, that is, the estimate of their fair value has been carried out using variables other than Prices quoted in active markets and which are observable (on the market) either directly (prices) or indirectly (derived from prices).

In the case in point, the fair value recorded is equal to the "market to market" estimation provided by the bank, which represents the current market value of each contract calculated at the date at the closing date of the Financial Statements.

Emak S.p.A., has also underwritten a number of IRS contracts and options on interest rate, with the objective of hedging the risk of changes in interest rates on financings for a notional amount of € 15,960 thousand.

The expiry of the instruments is as follows:

- € 6,000 thousand will be amortised in financial years up to 2013;
- € 4,693 thousand will be amortised in financial years up to 2014;
- € 5,267 thousand in the 2016 financial year.

The value of these contracts at December 31 2011 appears to be totaling to a negative fair value of € 288 thousand.

The average interest rate resulting from the instruments is equal to 2.71%.

At December 31 2011 are also in place forward sales for 3,500 thousands of U.S. dollars due by February 2012 at an average rate of 1.36.

The value of these contracts at December 31 2011 appears to be totaling to a negative fair value of € 131 thousand.

All the contracts, while having the purpose and characteristics of hedging operations, do not formally comply with the rules for being accounted for as such. For this reason all the changes in fair value have been recorded in the income statement in the relevant financial period on the accruals basis.

Were also recorded long term derivative financial instruments for € 90 thousand; for more details refer to note 27.

21. Other financial assets

Other non-current financial assets amount to € 7,234 thousand (against € 8,082 thousand in the previous year), and refer to loans granted to subsidiaries.

Loans are granted at a twelve months Euribor + 1.5 percentage points until September 30 2011 and + 2 percentage points for the last quarter of 2011 except the funding to the company Emak USA Inc., whose reference rate is the twelve months Libor Dollar USA + 1.5 percentage points until September 30 2011 and + 2 percentage points for the last quarter.

There are no other current financial assets.

22. Trade and other receivables

Details of these amounts are as follows:

€/000	**31.12.2011**	**31.12.2010**
Trade receivables	49.002	40.566
Provision for doubtful credits	(1.139)	(976)
Net trade receivables	**47.863**	**39.590**
Receivables due from related parties(note 35)	8.823	8.825
Prepaid expenses and accrued income	116	120
Other receivables	228	276
Total current portion	**57.030**	**48.811**
Other non-current receivables	5	13
Total non-current portion	**5**	**13**

Trade receivables include the following amounts in foreign currency:
- USD 17,789,955;
- JPY 7,529,340;

Trade receivables do not bear interest and generally fall due within 105 days.

The “Other receivables” heading includes € 112 thousand relating to advance payments to suppliers for the manufacture of moulds and equipment, the ownership of which will subsequently be transferred to a customer as part of a specific new product development project. At 31 December 2010 these down payments amounted to around € 206 thousand.

All non-current receivables fall due within 5 years. There are no trade receivables falling due after more than one year.

"Trade receivables" are analysed by geographical area as follows:

€/000	**Italy**	**Europe**	**Rest of the World**	**Total**
Trade receivables	14,476	6,333	27,054	**47,863**
Receivables due from related parties	817	4,972	3,034	**8,823**

The movement in the provision for bad debts is as follows:

€/000	31.12.2011	31.12.2010
Opening balance	**976**	**970**
Increases (note 11)	172	153
Decreases	(9)	(147)
Closing balance	**1,139**	**976**

The book value of this balance approximates its fair value.

23. Inventories

Inventories are detailed as follows:

€/000	31.12.2011	31.12.2010
Raw, ancillary and consumable materials	21,159	23,205
Work in progress and semi-finished products	6,073	6,896
Finished products and goods for resale	16,324	15,860
Total	**43,556**	**45,961**

Inventories are stated net of a provision of € 1,133 thousand at 31 December 2011 (€ 923 thousand at 31 December 2010) destined to align obsolete and slow-moving items to their estimated realizable value.

Details of changes in the provision for inventories are as follows:

€/000	FY 2011	FY 2010
Opening balance	923	915
Increases	407	86
Uses	(197)	(78)
Closing balance	**1,133**	**923**

The decreases in the provision refer to obsolete material disposed of during the 2011 financial year.

The inventories provision is a management estimate of the loss in value expected by the Group, calculated on the basis of past experience, historic trends and market expectations. The deterioration of the economic and financial situation could cause a worsening of the obsolescence indices already taken into consideration in the quantification of provisions recorded in the financial statements.

None of the company's inventories at 31 December 2011 act as security against its liabilities.

24. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2011	31.12.2010
Bank and postal deposits	1,441	2,660
Cash	6	3
Total	**1,447**	**2,663**

For the purposes of the cash flow statement, closing cash and cash equivalents comprise:

€/000	31.12.2011	31.12.2010
Cash and banks	1,447	2,662
Overdrafts (note 27)	(8,912)	(2)
Total	**(7,465)**	**2,660**

25. Equity

Share capital
Share capital is fully paid up at 31 December 2010 and amounts to € 7,190 thousand, remaining unchanged during the year under examination. It consists of 27,653,500 ordinary shares of par value € 0.26 each.

At December 20 2011 it was concluded the increase in share capital of Emak S.p.A. by completing the subscription and payment of the share capital by issuing a number of 136,281,335 shares of par value € 0.26 each, at a subscription price of € 0.425 for a total value of about € 58 million, accounted as € 35,433 thousand in increase of share capital and the rest to the share premium reserve.
Therefore, at December 31 2011 the new capital of Emak S.p.A. is composed by n. 163,934,835 shares of par value € 0.26 each, with the same characteristics as those outstanding at the date of issuance and payout January 1 2011.

The share capital at 31 December 2011 amounts to € 42,623 thousand.

Treasury shares
The adjustment of share capital for purchase of treasury shares, equal to € 2,029 thousand, is the overall exchange value paid by Emak S.p.A. for the acquisition on the market of treasury shares held at 31 December 2011 (note 34).
The nominal value of these treasury shares is € 104 thousand.

As for the sale and purchase of shares made during the period, please refer to the appropriate section of the directors' report.

Share premium reserve
At 31 December 2011 the share premium reserve is € 42,454 thousand (€ 21,047 thousand at 31 December 2010). It has increased due to the greater amount subscribed by shareholders compared to the nominal value of the shares: this increase also includes the amount arising from the sale of non-opted rights of € 17 thousand. The reserve is shown net of legal costs for the increase in capital of € 1,598 thousand and net of the relative tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31 2011 of € 1,438 thousand is the same as the previous year.

Revaluation reserve
At 31 December 2011, the revaluation reserve includes reserves deriving from the revaluation pursuant to former L. 72/83 to € 371 thousand and ex L. 413/91 for € 767 thousand.
No change occurred during the year.

Other reserves:
The extraordinary reserve, amounts to € 27,088 thousand at 31 December 2011, inclusive of all allocations of earnings in prior years.

At 31 December 2011 other reserves also include:

- reserves qualifying for tax relief, referring to tax provisions for grants and donations for € 129 thousand;
- reserves for merger surpluses for € 394 thousand;
- reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

The following table analyses equity according to its origin, its possible uses and distribution:

				Summary of uses in past three years	
Nature/Description (€/000)	**Amount**	**Possible use**	**Available portion**	**Coverage of losses**	**Other reasons**
Share capital	**42.623**				
Treasury shares					
Capital reserves	42,454	A-B-C	41,374	-	-
Share premium reserve (§)	371	A-B-C	371	-	-
Revaluation reserve under Law 72/83 (#)	767	A-B-C	767	-	-
Revaluation reserve under Law 413/91 (#)	394	A-B-C	394	-	-
Merger surplus reserve (#)	122	A-B-C	122	-	-
Other untaxed reserves (#)					
Reserves formed from earnings	1,438	B	-	-	-
Legal reserve	27,088	A-B-C	27,088	-	-
Extraordinary reserve	129	A-B-C	129	-	-
Untaxed reserves (#)	(2,029)		(2,029)		
Profits brought forward in FTA	3,127	A-B	3,127	-	-
Profits brought forward	21,587	A-B-C	21,587	-	-
Total	**95,448**		**92,930**	-	-
Undistributable portion (*)			**(9,952)**	-	-
Distributable balance			**82,978**	-	-
Net profit for the period (**)	5,247		4,098	-	-
Total equity	143,318				

A: for share capital increases
B: for covering losses
C: for distribution to shareholders

(#) subject to tax payable by the company in the event of distribution.
(§) relates to a non-distributable portion corresponding to the amount of multi-year costs not yet depreciated, pursuant to art. 2426 c.c., no. 5 (€ 1,080 thousand); the residual reserve is partially non-distributable since the legal reserve has not reached a fifth of share capital
(*) equivalent to the First Time Adoption reserve (€ 3,127 thousand), plus the non-distributable portion of the share premium reserve (€ 6,825 thousand)
(**) subject to obliged allocation to the legal reserve for € 262 thousand.

26. Trade and other payables

Details of these amounts are as follows:

€/000	**31.12.2011**	**31.12.2010**
Trade payables	20,447	23,940
Payables due to related parties (note 35)	4,859	8,094
Payables due to staff and social security institutions	2,654	2,716
Other payables	449	639
Total	**28,409**	**35,389**

The heading “Other payables” includes € 80 thousand relating to the bonus incentive scheme for Directors and € 99 thousand relating to advance payments received from customers for the development of a specific new product project.

Trade payables do not generate interest and are usually settled after 80 days.

This balance includes the following amounts in foreign currency:
- USD 2,136,950;
- JPY 68,260,582;
- CHF 27,694;
- TWD 516,780;

"Trade payables" and "Payables due to related parties" are analyzed by geographical area below:

€/000	Italy	Europe	Rest of world	Total
Trade payables	15,287	394	4,766	20,447
Payables due to related parties	3,224	922	713	4,859

The book value reported in the balance sheet corresponds to fair value.

27. Financial liabilities

Financial liabilities at 31 December 2011 do not include any secured payables, except for finance leases which are secured by the lessor's right over the leased buildings.

Details of **short-term loans and borrowings** are as follows:

€/000	31.12.2011	31.12.2010
Overdrafts (note 24)	8,912	2
Bank loans	26,737	5,471
Finance leases	512	497
Financial accrued expenses and deferred income	143	88
Other loans	77	127
Total current portion	**36,381**	**6,185**

Details of **long-term loans and borrowings** are as follows:

€/000	31.12.2011	31.12.2010
Bank loans	10,782	17,413
Finance leases	475	989
Other loans	1,258	1,258
Loans from related parties(nota 35)	13,770	-
Total non current portion	**26,285**	**19,660**

Other loans, totalling € 1,258 thousand, refer to the interest subscribed by Simest S.p.A. in the subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. The loan's face value does not differ significantly from its fair value.

The amount that Emak S.p.A. must repay Simest S.p.A. in 2013 will be the higher of Simest's share of equity reported in the latest approved financial statements of the Chinese company Jiangmen Emak Outdoor Power Equipment Co. Ltd. and the amount of share capital subscribed by Simest S.p.A..

Any greater value will be recognised by Emak S.p.A. as payable to Simest only up to the amount of € 514 thousand increased by 6% (which refers to the stake subscribed by Simest in accordance with Law 100/90 in the form of a shareholding) and € 746 thousand increased by 8% (which refers to the stake subscribed by Simest in accordance with Law 100/90 in execution of the “Fund” contract.).

The company has posted long-term derivative liabilities for € 90 thousand; this amount refers to the greater financial charges deriving from the reimbursement on 30 June 2013 of the Simest shareholding in Jiangmen Emak Outdoor Power Equipment Co. Ltd.
There are no elements of risk associated with the operation affecting Emak S.p.A.

The item "loans from related parties" represents the portion of actualized deferred price of Operation "Greenfield" in favor of the parent Yama S.p.A. and related society Sabart S.p.A..
The discount rate used is representative of the marginal cost of financial debt in the medium-long term for the Parent Company as of December 31 2011.

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due between 6 and 12 months	Total
Bank loans	21,114	5,623	26,737
Finance leases	254	258	512
Other financial loans	77	-	77
Total	**21,445**	**5,881**	**27,326**

Long and medium-term loans and borrowings are repayable as follows:

€/000	*Due within 2 years*	*Due within 3 years*	*Due within 4 years*	*Due within 5 years*	*Total due within 5 years*	*Due beyond 5 years*
Bank loans	5,275	3,640	1,133	734	10,782	-
Finance leases	475	-	-	-	475	-
Other financial loans	1,258	-	-	-	1,258	-
€/000	**7,008**	**3,640**	**1,133**	**734**	**12,515**	**-**

The interest rates applied are as follows:

- bank loans: 1-3-6-month Euribor plus a variable spread from a minimum of 0.40% to a maximum of 1.15%;

- finance leases: 3-month Euribor plus a spread of 0.633% with quarterly indexation of the payments;

Other loans:
relates to the Simest shareholding, as referred to above, the consideration for which is calculated as follows:
-Simest shareholding: fixed rate of 6.25% and a variable rate depending on the profits of the subsidiary with a Cap of 7%;
- Fund amount: interest rate of 2.5%.

The following information is provided in relation to finance obtained in 2005 to purchase assets under lease:

€/000	31.12.2011	31.12.2010
Minimum future payments<1 year	531	531
Minimum future payments from 1 to 5 years	479	1,011
Minimum future payments beyond 5 years	-	-
Total minimum payments	**1,010**	**1,542**
Payables for future financial expenses	**(23)**	**(58)**
Present value	**987**	**1,484**
Interest rate	**2.0%**	**1.5%**

28. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2010	Increase.	Other movements.	31.12.2011
Provision for inventory obsolescence	262	51	-	313
Provision for doubtful accounts	15	-	-	15
Other deferred tax assets	377	134	402	913
Total (note 14)	**654**	**185**	**402**	**1,241**

The portion of taxes which are expected to reverse within the following 12 months amount to € 494 thousand.

The amount equal to €402 thousand in the column "other movements" refers to deferred tax assets related to the costs associated with increasing capital and credited directly to equity to offset the relative costs.

Deferred tax liabilities are detailed below:

Dati in migliaia di Euro	31.12.2010	Increase	Decrease	31.12.2011
Capital gains on fixed asset disposals	668	-	(222)	446
Valuation of provision for employee termination indemnities under IAS 19	158	-	-	158
Buildings redeemed under finance lease IAS 17	1,517	-	(30)	1,487
Other deferred tax liabilities	44	247	-	291
Total (note 14)	**2,387**	**247**	**(252)**	**2,382**

The increase in "other deferred tax liability" refers to € 214 thousand relating to the tax effect of differences in unrealized foreign exchange gains for the year.
The portion of taxes that will reverse within the next 12 months amounted to €471 thousand.

It should be noted, moreover, that deferred taxes relating to the revaluation reserves (which are reserves in partial tax suspension) have not been allocated since it is unlikely that there will be any operations carried out giving rise to taxation. The total amount of these taxes at 31 December 2011 is € 408 thousand.

The tax credits amount at December 31 2011 to € 1,155 thousands, against € 1710 thousand at December 31 2010, refer to:

- VAT credits for € 787 thousand;
- surplus payments on account of direct tax for € 569 thousand;
- other tax credits for € 199 thousand.

Current tax liabilities amount to € 806 thousand at December 31, 2011 compared with € 1,218 thousand a year earlier and all refer to withholding taxes.

29. Long-term post-employment benefits

The liability refers to the time-discounted debt for termination indemnity due at the end of an employee's working life, amounting to €4,181 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 4,768 thousand.

Movements in this liability are as follows:

€/000	2011	2010
Opening balance	**4,374**	**4,481**
Actuarial (gains)/ losses (note 10)	26	172
Interest cost on obligations (note 13)	127	139
Disbursements	(346)	(418)
Closing balance	**4,181**	**4,374**

The principal economic and financial assumptions used are as follows:

	FY 2011	FY 2010
Annual inflation rate	2.0%.	2.0%
Rising discount rate	2.9%	3%
Rate of dismissal (average overall rate)	3%	3%

Death rates have been estimated using the most recent Italian population statistics published by ISTAT.

Payments in 2012 are expected to be in line with 2011.

30. Provisions for liabilities and charges

Movements in this balance are analysed below:

€/000	31.12.2010	Increase.	Decrease.	31.12.2011
Provision for agents' termination indemnity	659	45	(50)	654
Other provisions	23	-	-	23
Total non-current portion	**682**	**45**	**(50)**	**677**
Provision for clients' bonuses	-	75	-	75
Provision for product warranties	81	138	-	219
Other provisions	128	3	(6)	125
Total current portion	**209**	**216**	**(6)**	**419**

The provision for agents' termination indemnity is calculated with reference to the agency contracts in existence at year end and refers to the indemnity that is likely to be paid to agents.

Other non-current provisions relate to future costs to be incurred, equal to € 23 thousand, the same figure as for the previous year. They have been allocated in respect of a dispute for IRES, IRAP and VAT taxes for the financial years 1999-2006, for a total disputed amount of € 376 thousand all-inclusive (including taxes, interests and sanctions). The disputes are currently at different stages of legal proceedings. All the sentences so far passed by the relevant Tax Commissions (the last one on 24 January 2011 passed by the Provincial Tax Commission of Reggio Emilia) have been in favour of Emak S.p.A. and it is expected that the final outcome of the proceedings will be favourable also in the last resort.
A provision has been allocated in case the Judge, whilst recognising the company's just position, orders compensation for costs.

The warranty provision relates to future costs for warranty repairs that will be incurred for products sold covered by the guarantee period and / or contract, the provision is based on estimates extrapolated from historical trends.

The “Other current provisions” heading, standing at € 125 thousand, refers to:

- the best estimate of costs that may be requested from the Group in the future for around € 81 thousand;
- the reimbursement of excess amounts on civil liability accidents set aside for € 44 thousand.

31. Contingent liabilities

At the date of 31 December 2011 the Company does not have any disputes that could give rise to future liabilities that have not already been reflected in the balance sheet.
In the Director’s opinion, at the closing date there were no reasonable grounds for the occurrence of additional future liabilities with respect to those already provided for in the accounts.

32. Information on financial risks

The Company is exposed to a variety of financial risks associated with its business activities:

- credit risk, regarding both normal commercial relations and to financing activities;
- liquidity risk, with particular reference to the availability of financial resources and to access to the credit market;
- market risks, with particular reference to exchange and interest rates, since the Company operates at an international level in different currencies and uses financial instruments that generate interest.

As described in the section “Management of financial risk”, The Company constantly monitors the financial risks to which it is exposed, so as to minimise potential negative effects on financial results.

Qualitative and quantitative information is given below regarding the nature of such risks for the Company.
The quantitative figures shown below have no value for forecasting purposes. Specifically, the *sensitivity analysis* on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesised.

Credit risk
The maximum theoretical exposure to credit risk for the Company at 31 December 2011 is the accounting value of financial activities shown in the financial statements.

It should be pointed out that the credit granted to the clients involves specific assessments of solvency. Generally the Company obtains guarantees, both financial and otherwise, against credits granted for the supply of products. Certain categories of credits to foreign customers are also covered by insurance with SACE.

Credit positions are subject to constant analysis and possible individual devaluation in the case of singularly significant positions that are in a condition of partial or total insolvency.

The total devaluation is estimated on the basis of recoverable flows, from relative collection data, from the costs and expenses of future recovery, as well as possible guarantees in force. For those credits that are not subject to individual devaluation, bad debt provisions are allocated on an overall basis, taking account of historical experience and statistical data.

At 31 December 2011 there were no significant positions of insolvency subject to individual devaluation. Allocation to the bad debt provision was made on the basis of a constant analysis of outstanding amounts as a whole.

At December 2011 “Trade receivables and Other receivables”, equal to € 57,035 thousand (€ 48,826 thousand at 31 December 2010), include €3,383 thousand (€1,401 thousand at 31 December 2010) outstanding by more than 3 months. This value has been rescheduled according to repayment plans agreed with the clients.

The maximum exposure to credit risk deriving from trade receivables at the end of the financial period, broken down by geographical area (using the Sace reclassification) is as follows:

€/000	2011	2010
Trade receivables due from customers with SACE 1 rating	25,298	26,771
Trade receivables due from customers with SACE 2 and 3 rating	23,135	13,592
Trade receivables due from customers with non-insurable SACE rating	569	203
Total (Note 22)	**49,002**	**40,566**

Countries with SACE 1 rating are those for which insurance covers 90% of the amounts receivable. Countries with SACE 2 rating are those for which insurance covers 85% of the amounts receivable, and those with SACE 3 rating, 80%. SACE provides no coverage for non-Insurable or suspended countries.

The value of amounts receivable covered by SACE insurance or by other guarantees at 31 December 2011 is € 19,425 thousand.

At 31 December 2011 the 10 most important customers (not including companies belonging to the Emak Group) account for 50.5% of total trade receivables, while the top customer represents 16.8% of the total.

Liquidity risk

Liquidity problems can occur as a result of the inability to obtain financial resources necessary for the Company's operations at acceptable conditions.
The two main factors determining the Company's liquidity situation are, on the one hand, the resources generated or absorbed in its operating and investment activities, and on the other hand, by the expiry or renewal of debt or by the liquidity of financial commitments and market conditions.

As described under the "Management of financial risk" heading, the Company reduces liquidity risk and optimises the management of financial resources through:
- maintaining a suitable level of liquid funds;
- obtaining appropriate lines of credit;
- monitoring future cash flows, taking account of the company's planning process.

The characteristics and nature of the expiry of debts and of the Company's financial activities are set out in Notes 25 and 28 relating respectively to Cash and Cash Equivalents and Financial Liabilities.
The management considers that currently unused funds and credit lines, amounting to € 87 million, as well as those which will be generated from operating and financial activities, will allow the Company to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

Exchange rate risk

The Company is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
Specifically:
- in cases in which the Company incurs costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result.
  In 2011, the overall amount of revenues directly exposed to exchange risk represented around 17% of the turnover (6% in 2010), while the amount of costs exposed to exchange risk is equal to 5% of turnover (8% in 2010).
  The main currency exchanges to which the Company is exposed are the following:
    - EUR/USD, relating to sales in dollars made mainly in the markets that use the dollar as preferential currency;
  - EUR/YEN, relating to purchases in the Japanese market and to sales in other markets;

There are no significant commercial flows with regards to other currencies.

The Company's policy is to cover net currency flows, typically through the use of forward contracts, evaluating the amounts and expiry dates according to market conditions and net future exposure, with the objective of minimising the impact of possible variations in future exchange rates.

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Company at 31 December 2011, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around €1,160 thousand (€ 486 thousand at 31 December 2010).

Interest rate risk
The Company utilises external financial resources in the form of debt and invest liquid funds in monetary and financial market instruments. Variations in market interest rates influence the cost and return of the various forms of financing and utilisation, affecting the level of the Company's financial expenditure and income.

The Company has used derivative financial instruments to cover interest rate risk.

Sensitivity analysis
The possible effects of variations in interest rates are analysed for their potential impact in terms of cash flows, since almost all the Company's financial assets and liabilities accrue variable interest.

A hypothetical, instantaneous and unfavourable negative variation of one base point in annual interest rates in force at 31 December 2011 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 466 thousand (€ 102 thousand at 31 December 2010). For the purpose of the calculation account has been taken of the amounts of financial liabilities net of IRS operations for hedging purposes.

This analysis is based on the assumption of a general and instantaneous variation of one base point on reference interest rates.

Other risks on derivative financial instruments
The Company holds a number of derivative financial instruments at 31 December 2011 whose value is linked to the trend in exchange rates (forward currency purchase operations) and the trend in interest rates.

Although these operations have been entered into for hedging purposes, accounting principles do not permit their treatment using hedge accounting. As a result, changes in underlying values may affect the economic results of the Company.

Sensitivity analysis
The potential loss of fair value of derivative financial instruments for hedging exchange rate risks held at 31 December 2011, as a result of a hypothetical unfavourable and immediate variation of 10% in underlying values, would amount to around € 257 thousand (€ 110 thousand at 31 December 2010).

33. Commitments

Fixed asset purchases

The company has €473 thousand in unrecorded commitments to purchase fixed assets at 31 December 2011 (€ 437 thousand at 31 December 2010). These commitments relate entirely to the purchase of equipment, plant and machinery.

Guarantees granted
to third parties:
They amount to € 900 thousand and are made up as follows:

- € 30 thousand for sureties in favour of the Ministry of Production for promotional prize contests;
- € 20 thousand for surety policy in favour of the Reggio Emilia Customs Office for guaranteeing customs duties;
- € 55 thousand for sureties in favor of Reggio Emilia Customs Office as guarantee for customs duties on a temporary importation;
- € 350 thousand for surety policy in favour of the Naples Customs Office for guaranteeing customs duties;
- € 445 thousand for a bank guarantee in favour of EPA (United Environmental Protection Agency) in compliance with an American regulation in force from 2010 regarding the emissions of combustion engines.

letters of patronage to subsidiary companies:

These amount to € 8,068 thousand, and refer to the balance of credit line used as at 31 December 2011, broken down as follows:
- € 1,459 thousand to the subsidiary Emak Deutschland GmbH;
- € 303 thousand to the subsidiary Emak France SAS;
- € 1,714 thousand to the subsidiary Emak UK Ltd;
- € 1,873 thousand to the subsidiary Jiangmen Emak Outdoor Power Equipment Co.Ltd.;
- € 1,053 thousand to the subsidiary Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.;
- € 1,666 thousand to the subsidiary Victus Emak Sp. Z.o.o..

34. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31 2011 and amounts to € 42,623 thousand. It consists of 163.934.835 ordinary shares of par value € 0.26 each.

	31.12.2011	31.12.2010
Number of ordinary shares	163,934,835	27,653,500
Treasury shares	(397,233)	(397,233)
Total outstanding shares	**163,537,602**	**27,256,267**

The dividends for 2010 approved by the shareholders on 22 April 2011, totalling € 4,361 thousand, were paid during 2011.

At December 31 2010 the company held in portfolio 397,233 treasury shares for a value of € 2,029 thousand.

During 2011 no treasury shares were purchased or sold by Emak S.p.A..

Therefore, at December 31 2011 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2012 no treasury shares were acquired or sold by Emak S.p.A.. As a result, the holding and value of treasury shares is unchanged with respect to 31 December 2011.

35. Related Party transactions

Emak has adopted control procedures for transactions with related parties, set up in compliance with the provisions established by *Consob* through resolutions no. 17221 of 12/3/2010 and no. 17389 of 26/6/2010. The guidelines for such procedures are published and available for consultation on the www.emak.it website in the “Investor relations” – “Company documentation” – “Corporate Governance” section. These procedures were approved by Emak’s Board of Directors on 12/11/2010 by a resolution with the unanimous approval of the independent Directors.

No operations of an extraordinary nature, and in any case of an atypical or unusual nature, have been carried out with related parties in the financial year with the exception of what is set out in note 5.2 above.

Emak S.p.A. has many dealings with related parties, carried out in the ordinary exercise of its business activities and conducted at arm’s length. For the purpose of their regulation, Emak follows guidelines in the form of framework resolutions, which are examined and approved every year with the contribution of the internal Control Committee. The supporting evidence of the ordinary activities carried out in each accounting period are systematically examined on an overall basis by the Board of Directors.

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Related party transactions in 2011 within the Group controlled by Emak S.p.A.

With regards to the group of companies under its control, transactions for the supply and purchase of goods and services carried out by Emak correspond to the industrial and commercial supply chain relating to its normal business activity.
It should be noted that all the operations relating to the exchange of goods and the provisions of services in the 2011 financial year within the Group have been carried out as part of Emak's ordinary business activities and have been regulated on the basis of market conditions (that is, at the same conditions as would those that would have been applied in relations with independent parties). These conditions correspond with a strict industrial and commercial logic.
This approach also applies to all dealings with the companies, Sabart S.r.l., Raico S.r.l., Tecomec S.r.l. and Comet S.p.A. and with their controller companies, all acquired, directly or indirectly, by Emak on 22 December 2011.
With regards to the acquisitions of these companies and their sub-groups, reference should be made to paragraph no. 7.2 of the Directors' Report and paragraph no. 5.2 of these Notes to the Accounts.
It should be noted that the companies acquired on 22 December 2011 referred to above were previously all affiliated companies, being under the common control of Yama S.p.A.

The operations carried out in 2011 with parties belonging to the Emak Group and the values of such relations in force at the closing date of the financial year are shown below.

Receivables for loans and interest:

Companies controlled by Emak S.p.A. (€/000)	Interest	Loans given
Comag S.r.l.	35	940
Emak Benelux N.V.	12	300
Emak Deutschland GmbH	101	2,800
Emak UK Ltd.	11	316
Emak France SAS	95	2,645
Emak USA Inc.	5	233
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	1	-
Total (note 13 and note 21)	**260**	**7,234**

Other correlated relations of financial nature refer to guarantee reports referred to in paragraph 33.

Sale of goods and services and receivables:

Companies controlled by Emak S.p.A. (€/000)	Net sales	Dividends	Total	Receivables
Emak Suministros Espana SA	3,844	314	**4,158**	**90**
Comag S.r.l.	241	-	**241**	**229**
Emak Benelux N.V.	1,103	-	**1,103**	**295**
Emak Deutschland Gmbh	4,624	-	**4,624**	**662**
Emak UK Ltd.	1,497	-	**1,497**	**689**
Emak France SAS	9,166	-	**9,166**	**1,890**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	888	1,215	**2,103**	**1,483**
Victus Emak Sp. z.o.o.	3,548	503	**4,051**	**194**
Emak USA Inc.	1,568	-	**1,568**	**1,415**
Tailong (Zhuhai) Machinery Manufacturing Equipment	325	-	**325**	**135**
Epicenter Llc.	188	-	**188**	**650**
Comet S.p.A.	98	-	**98**	**31**
Sabart S.r.l.	28	-	**28**	**77**
Tecomec S.r.l.	9	-	**9**	**1**
Total	**27,127**	**2,032**	**29,159**	**7,841**
Total A			**29,159**	**7,841**

Purchase of goods and services and payables:

Companies controlled by Emak S.p.A. (€/000)	Purchase of raw materials and finished products	Other costs	Total costs	Payables
Emak Suministros Espana SA	1	120	**121**	**13**
Comag S.r.l.	12,542	-	**12,542**	**2,373**
Emak Benelux N.V.	-	81	**81**	**56**
Emak Deutschland Gmbh	1	269	**270**	**7**
Emak UK Ltd.	-	60	**60**	**26**
Emak France SAS	1	430	**431**	**110**
Emak USA Inc	-	170	**170**	**43**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	31,901	-	**31,901**	**577**
Victus Emak Sp. Z.o.o.	-	235	**235**	**60**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	941	34	**975**	**92**
Epicenter Llc.	-	50	**50**	**50**
Comet S.p.A.	578	-	**578**	**115**
Sabart S.r.l.	6	-	**6**	**7**
Tecomec S.r.l.	722	33	**755**	**224**
Speed France SAS	378	-	**378**	**34**
Total	**47,071**	**1.482**	**48,553**	**3,787**
Total B			**48,553**	**3,787**

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Related party transactions in 2011 within the Group controlled by Yama S.p.A.

EMAK belongs to a larger group of companies under the control of YAMA S.p.A., its parent company. With the exception of the significant business combination operation that took place on 22 December 2011 (Greenfield"), frequently referred to in this document, exclusively ordinary operations have been carried out during the 2011 financial year with Emak S.p.A and with other companies controlled by it. All such transactions form part of EMAK's typical ordinary operations and are conducted at arm's length.

It should also be noted that the Yama Group mainly operates in the following sectors: machines and equipment for agriculture and gardening, engine components and real estate. A number of the companies belonging to the Yama Group supply the Emak Group with parts and materials. On the other hand, a number of the companies belonging to the Yama Group purchase from the Emak Group products that complete their respective product range.

Sale of goods and services and receivables**:**

Companies controlled by Yama S.p.A. (€/000)	Net sales	Receivables
Agro D.o.o.	85	-
Euro Reflex D.o.o.	886	**502**
Garmec S.p.A.	177	**7**
Mac Sardegna S.r.l.	774	**464**
Sabart S.p.A.	158	-
Unigreen S.p.A.	10	**9**
Total	**2,090**	**982**
Total B	**2,090**	**982**
Total A+B (note 22)	**31,249**	**8,823**

Purchase of goods and services and payables:

Companies controlled by Yama S.p.A. (€/000)	Purchase of raw materials and finished products	Other costs	Total costs	Receivables	Financial charges	Non-current financial liabilities
Yama S.p.A.	-	2	**2**	**2**	12	11,016
Cofima S.r.l.	553	30	**583**	**193**	-	-
Euro Reflex D.o.o.	3,201	-	**3,201**	**567**	-	-
Sabart S.p.A.	68	-	**68**	**3**	-	-
Garmec S.p.A.	-	1	**1**	-	-	-
Mac Sardegna S.r.l.	-	5	**5**	**6**	-	-
Selettra S.r.l.	894	4	**898**	**292**	-	-
Unigreen S.p.A.	32	-	**32**	**9**	-	-
Sabart S.p.A.	-	-	-	-	3	2,754
Totali	**4,748**	**42**	**4,790**	**1,072**	**15**	**13,770**
Total B			**4,790**	**1,072**	**15**	**13,770**
Total A+B (note 26 and 27)			**53,343**	**4,859**	**15**	**13,770**

The financial liabilities are the only relations of extraordinary nature described here, constitute the outstanding debt discounted by settlement of the acquisitions of December 22 2011 (acquisition "Greenfield, v. Par. 5.2).

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Other transactions with related parties

Other significant dealings on the part of Emak with related parties are those concerning the remuneration of company officers, established in compliance with general meeting resolutions which have established, for the three-year period of office, maximum global remunerations and, with regards to the Directors, bonus schemes. The resolutions of the Board of Directors are taken with the contribution of the Remuneration Committee, composed exclusively of independent Directors.

Costs incurred during the financial period for the remuneration of Emak Sp.A.'s directors and auditors, also including their fees for services rendered in favour of Group companies, are as follows:

€/000	FY 2011	FY 2010
Emoluments of directors and statutory auditors	309	405
Benefits in kind	35	10
Wages and salaries	671	765
Employee termination indemnities	50	53
Consulting fees	-	42
Total	**1,065**	**1,275**

The total debt for remuneration of Directors and Auditors of the Parent Company at December 31 2011 amounted to € 180 thousand.

In the ending year no other relationships of significant amount of current nature with related parties occurred

36. Subsequent events

There have been no significant subsequent events.

Supplementary schedules

The following schedules, forming an integral part of the explanatory notes to the financial statements, are provided as appendices:

1. CHANGES IN EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES

2. DETAILS OF EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES

3. FINANCIAL HIGHLIGHTS OF THE ULTIMATE PARENT COMPANY

4. SCHEDULE OF FEES FOR AUDIT SERVICES AND OTHER SERVICES

Appendix 1

Changes in equity investments

€/000	Registered office	Value in the financial statements	% Share	Share Capital	Equity		Profit/(loss) of the year
					Total	Attributable to Emak S.p.A	
Comag S.r.l.	Pozzilli (Is)	8,408	99.44	1,850	11,561	11,496	-609
Emak Suministros Espana SA	Madrid	572	90	270	4,965	4,469	395
Emak Deutschland Gmbh	Fellbach-Oeffingen	525	100	553	757	757	225
Emak UK Ltd	Staffords	691	100	325	410	410	25
Emak Benelux N.V.	Meer-Hoogstraten	127	99.8	130	73	72	2
Emak France SAS	Rixheim	2,049	100	2,000	6,331	6,331	406
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	2,476	14,258	14,258	630
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	1,513	5,488	5,488	877
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,672	10,120	10,120	832
Emak USA Inc.	Wooster- Ohio	370	100	41	-	-	-153
Epicenter LLC.	Kiev	1,350	61	1,835	2,163	1,320	-158
Tecomec S.r.l.	Reggio Emilia	27,546	100	1,580	20,028	20,028	1,651
Comet S.p.A.	Reggio Emilia	27,349	100	2,600	19,703	19,703	2,490
Sabart S.r.l.	Reggio Emilia	21,051	100	1,900	5,657	5,657	289
Raico S.r.l	Reggio Emilia	5,509	100	20	2,255	2,255	546
Total shareholding in subsidiaries		**104,178**					

Appendix 2

Details of equity investments

	31.12.2010				Changes		31.12.2011			
	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding	Subscriptions And acquisitions	Deprecietions	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding
Italy										
Comag S.r.l.	1 quota	8,408	99.44	99.44			1 share	8,408	99.44	99.44
Comet S.p.A								27,350	100	100
Raico S.r.l.								5,509	100	100
Sabart S.r.l.								21,051	100	100
Tecomec S.r.l.								27,546	100	100
Spain										
Emak Suministros Espana SA	405	572	90	90			405	572	90	90
Germany										
Emak Deutschland Gmbh	10,820	525	100	100			10,820	525	100	100
Great Britain										
Emak UK Ltd	342,090	691	100	100			342,090	691	100	100
Belgium										
Emak Benelux N.V.	499	127	100	100			499	127	100	99.8
France										
Emak France SAS	2,000,000	2,049	100	100			2,000,000	2,049	100	100
China										
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	-	2,476	100	100			-	2,476	100	100
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	-	2,550	100	100			-	2,550	100	100
Poland										
Victus Emak Sp. z.o.o.	32,800	3,605	100	100			32,800	3,605	100	100
USA										
Emak USA Inc.	10	647	100	100			10	647	100	100
Ukraine										
Epicenter							1 share	1,350	61	61
Total investments in subsidiaries		**21,677**						**104,456**		

Appendix 3

Highlights from the latest financial statements of the parent company Yama S.p.A.

€/000 **BALANCE SHEET**	**31.12.2010**	**31.12.2009**
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	58,715	58,199
C) Current assets	9,518	12,098
D) Prepayments and accrued income	11	118
Total assets	**68,244**	**70,415**
Liabilities		
A) Equity:		
Share capital	16,858	16,858
Reserves	10,724	10,940
Profit in the financial period	3,451	2,493
B) Provisions	1,200	-
C) Post-employment benefits	28	24
D) Amounts payable	35,970	40,075
E) Accruals and deferred income	13	25
Total liabilities	**68,244**	**70,415**
Guarantees, commitments and other risks	23,567	31,127

INCOME STATEMENT	**31.12.2010**	**31.12.2009**
A) Sales	75	85
B) Production costs	(1,269)	(1,324)
C) Financial income and expenditure	5,574	6,252
D) Adjustments to the value of financial assets	(949)	(2,968)
E) Extraordinary income and expenditure	(456)	-
Result before tax	**2,975**	**2,045**
Tax for the period	476	448
Profit for the period	**3,451**	**2,493**

Appendix 4

Schedule of fees relating to the 2011 financial period for audit services and other services, subdivided by type.

Type of service	Entity providing the service	Beneficiary of the service	Fees (€/000)
Auditing Company	Fidital Revisione S.r.l.	Emak S.p.A.	116
Auditing Company	Fidital Revisione S.r.l.	Italian controlled companies	87
Auditing Company	HLB network	Foreign controlled companies	47
Other services	Fidital Revisione S.r.l.	Emak S.p.A.	294
Other services	HLB network	Foreign controlled companies	38

The above information is provided in accordance with art. 160, paragraph 1-*bis* of Legislative Decree 24 February 1998, no. 58 and with article 149-*duodecies* of the CONSOB Regulations contained in Consob resolution no. 19971 of 14 May 1999 and subsequent modifications.

Certification of financial statements and consolidated financial statements pursuant to art. 154-bis, paragraph 5 of the Decree. 58/1998 (Consolidated Law on Finance)

1. The undersigned Fausto Bellamico and Aimone Burani, the latter in his position as the executive in charge of preparing the accounting statements of Emak S.p.A., certify, taking account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, no. 58:

    - the suitability, in relation to the nature of the entity and
    - effective application

of administrative and accounting procedures for the preparation of the company's individual financial statements and the consolidated financial statements for the financial period ending 31 December 2011.

2. No factors of a significant nature have arisen with regards to the above, even considering, regarding the consolidated financial statement, the change in the scope of consolidation intervened at the end of 2011.

3. It is certified, moreover, that:

3.1 the individual financial statements and consolidated financial statements for the financial period:

a) have been drawn up in conformity with the international accounting standards recognised by the European Community in accordance with EC regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002;

b) correspond to the accounting documents, ledgers and records;

c) appear to be suitable for providing a true and fair view of the balance sheet, economic and financial situation of the issuer and of the entities included in the consolidation.

3.2 The Directors' Report contains a reliable analysis of operating trends and results, as well as of the current situation of the issuer and of the entities included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Date: 15 March 2012

The executive in charge of preparing the accounting statements:
Aimone Burani

The CEO:
Fausto Bellamico