Annual report 2012

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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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.

Boards of Director

Chairman and Chief Executive Officer	Fausto Bellamico
Deputy Chairman	Aimone Burani
General Manager	Stefano Slanzi
Indipendent 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

Indipendent 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

Group Structure

Emak Group is a leading player in the global production and distribution of machines, parts and accessories for gardening, forestry, agriculture and industry.

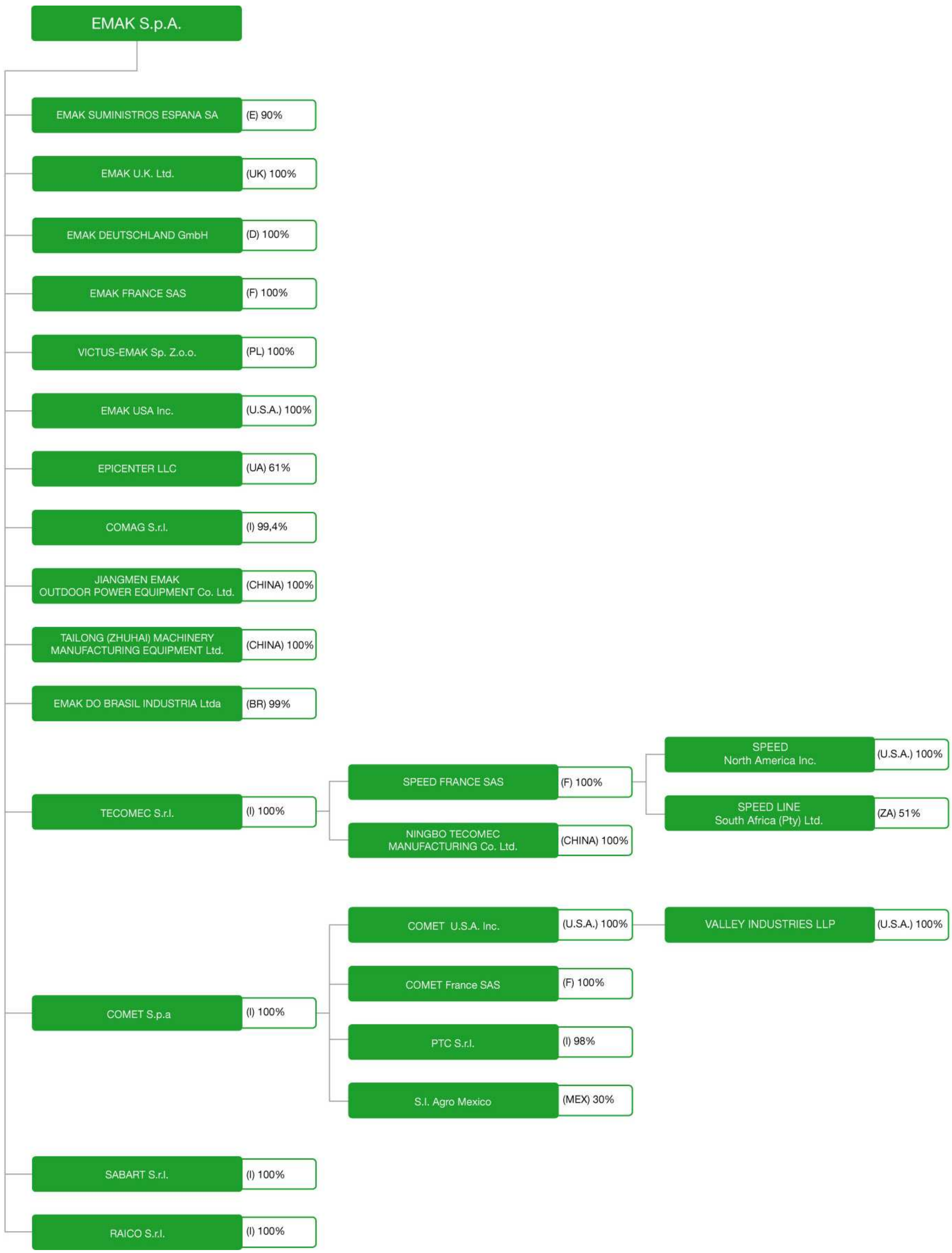
The Group operates worldwide, offering a wide and complete range of products with recognized trademarks. Among the most important, examples are, for the gardening industry, machines such as lawnmowers, brush cutters and garden tractors sold branded Oleo-Mac and Efco, components and accessories, such as heads and nylon thread branded Tecomec and Speed. In the forestry sector, the most important porducts are represented by machines such as chiansaws, blowers sold branded Oleo-Mac and Efco, and accessories such as eletric sharpeners, manual sharpeners and other products, generally related to the process of sharpening marketed under the brand Tecomec. With regard to agriculture sector, the most significant products are the tillers and cultivators branded Bertolini, Nibbi, Staub - the latter only for the French market- and the diaphgram pumps branded Comet. Also in the agriculture sector, the Group manufactures and sells accessories and miscellaneous parts for machines for spraying machines and weeding control branded Geoline and spare parts for agriculture tractors. Within the industrial sector the Group is present with power cutters with the Oleo-Mac and Efco brands, piston pumps and high pressure washers branded Comet. The Group also produces and markets branded Mecline a wide range of accessories and components for pressure washers and high pressure washing machines. The Group’s product are directed to a target clients of various kinds, depending on the type and characteristics of each of these products and accessories of wich they can be fitted. The machines, based on the use made thereof, are intended both to private and professional customer. The components and the spare parts are intended for two different types of markets: on the one hand, to the manufactures of machines and on the other to the distributors and importers in general, or operators of large retailers specialize in selling products for agriculture, gardening, forestry, agriculture machines and high pressure washing machine.

The Group currently manages the distributions in the Italian market and in other 10 markets: the U.S.A., France, Germany, UK, Spain, Poland, Ukraine, China, South Africa and Brazil – through its subsidiaries.

The “commercial” subsidiaries have as a main objectives the development of sales and the increase of market share by investing in net marketing; the creation of values in terms of returns on sale; guarantee the autonomy and operational independence in accordance to the strategies and business objectives; maximizing customer satisfaction in their respective markets of competence, optimizing critical success factors.

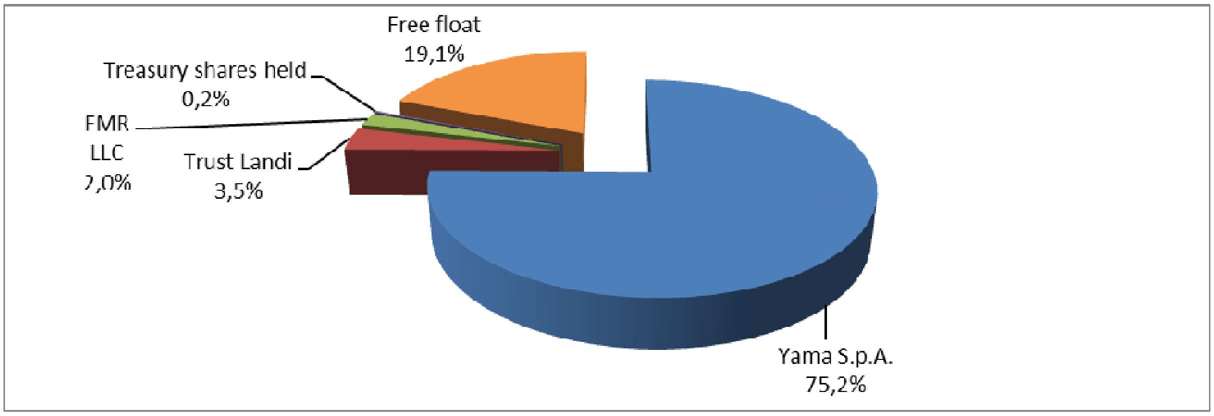
The production structure of the Group consists of the following plants:

Company	Registered production factory	Output
Emak	Bagnolo in Piano (RE) – Italia	Hand held products for the premium segment, cultivators, flailmowers, transporters
Comag	Pozzilli (IS) – Italia	Lawnmowers and rotary tillers
Emak Tailong	Zhuhai – Cina	Cylinders
Emak Jiangmen	Jiangmen – Cina	Hand held products for price sensitive segment
Tecomec	Reggio Emilia – Italia	Accessories for agricultural machinery for spraying and weeding and accessories and components for pressure washers
Speed France	Arnas – Francia	Nylon line and heads for brushcutters
Speed North America	Wooster, Ohio – USA	Nylon line for brushcutters
Speed Line South Africa	Pietermaritzburg - Sud Africa	Nylon line for brushcutters
Ningbo Tecomec	Ningbo – Cina	Production of accessories and components for high pressure washing and chain saws and brushcutters
Comet	Reggio Emilia – Italia	Pumps, motor pumps and control units for agriculture and industry and pressure washers for the cleaning sector
PTC	Genova – Italia	Systems and technological applications high-pressure water
Valley	Paynesville - Minnesota – Usa	Components and accessories for industry and agriculture sectors


EMAK S.p.A.
EMAK SUMINISTROS ESPANA SA
(E) 90%
EMAK U.K. Ltd.
(UK) 100%
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%
EMAK DO BRASIL INDUSTRIA Ltda
(BR) 99%
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%
VALLEY INDUSTRIES LLP
(U.S.A.) 100%
COMET France SAS
(F) 100%
PTC S.r.l.
(I) 98%
S.I. Agro Mexico
(MEX) 30%
SABART S.r.l.
(I) 100%
RAICO S.r.l.
(I) 100%

Main shareholders of Emak S.p.A.

In December 2012 the share capital of Emak consists of 163.934.835 shares with a par value of 0.26 euros per share.
The Company is listed on the Milan Stock Exchange since June 25 1998. Since September 2011 the stock has been a member of the Securities Segment High Requirements (STAR).
The table below summarizes the composition of the Company as at December 31 2012.



Main economic and financial figures for the Group

For the purposes of greater clarity it is specified that: regard to comparative data 2011, the equity and financial items take into account of all acquisitions made in 2011, while the data and the economic results do not include the costs and revenues of the companies acquired under Greenfield Operation ([1]).

Income statement (€/000)

	2012	2011
Net sales	354,780	204,359
EBITDA (2)	28,807	17,517
EBIT	16,647	10,400
Net profit	8,640	5,767

Investment and free cash flow (€/000)

	2012	2011
Investment in property, plant and equipment (3)	7,769	3,967
Investment in intangible assets (3)	1,481	1,058
Free cash flow from operations (4)	20,800	12,884

Balance sheet (€/000)

	31.12.2012	31.12.2011
Net capital employed	244,907	237,439
Net debt	(99,866)	(97,298)
Total equity	145,041	140,141

Other statistics

	2012	2011
EBITDA / Net sales (%)	8.1%	8.6%
EBIT/ Net sales (%)	4.7%	5.1%
Net profit / Net sales (%)	2.4%	2.8%
Debt / Equity	0.69	0.69
Number of employees at period end	1,576	1,556

Share information and prices

	2012	2011
Earnings per share (€)	0.051	0.035
Equity per share (€) (5)	0.876	0.846
Official price (€)	0.54	0.491
Maximum share price in period (€)	0.64	1.494
Minimum share price in period (€)	0.47	0.456
Stockmarket capitalization (€/million)	89	80.492
Average number of oustanding shares	163,537,602	163,537,602
Number of shares comprising share capital	163,934,835	163,934,835
Cash flow per share: net profit + amortization/depreciation (€) (6)	0.127	0.079
Dividend per share (€)	0.020	0.025

(1) For more information about the operation "Greenfield" please refer to the prospectus published on 18 November 2011 and to what already described in the 2011 financial report
(2) "Ebit" plus "Amortization, depreciation and impairment losses"
(3) The figure doesn't include investments of the companies acquired during the year
(4) "Net Profit" plus "Amortization, depreciation and impairment losses"
(5) "Group equity" divided by "Number of outstanding shares at period end"
(6) "Group Net Profit + Amortization/depreciation" divided by "Average number of outstanding shares"

Directors' report

1. Economic situation

During 2012 the world economy has shown positive signs in the first and fourth quarters, while in the middle of the year showed signs of deterioration. Overall the global growth has been lower than in previous years, standing at 3.3%. Driving the world's GDP were the economies of the United States grew by 2.3%, and emerging countries, which recorded an overall increase of 5.1%, among which China (+7.8%) , India (+5.7%) and South America (+3%). The economy of the European Union on the other hand marked a decline of 0.4%, driven primarily by the Mediterranean countries.

2. Industry performance

The principal markets where the Group operates are Europe and North America, which together represent more than 70% of the total. Other areas of particular interest are represented by the markets in the developing world, such as South America and the Far East. The demand for products targeted to forestry activity, gardening and agriculture is mainly driven by the economic cycle, by the purchasing power of consumers, in particular as regard to the line “Gardening” and by the weather. With regard to the market for products for industrial washing, for the line "Construction and Industry", the demand is strongly correlated to the activity of the construction sector and other sectors such as, for example, mining, marine, industrial washing.
During 2012, the world market has been characterized by different trends depending on the areas and product lines. The demand decreased in Europe, with the exception of some Eastern European countries, while recorded a slight growth in North America and a good progression in the Far East, South America and Oceania. Both the market of products for forestry and for gardening reported a slight growth, although there was a decline for some product families of the latter. The market for products related to agriculture has reported a decrease in volumes in the world since the weakness of European economies, characterized by stagnation or recession, have corresponded strong weaknesses in areas traditionally important as Turkey, Australia and North Africa. The area "Construction and Industry" reported different trends depending on the type of product, with decrease for the semi-professional products, more related to the business cycle, and a substantial stability for the professional ones.

3. Strategy

Emak Group focuses its efforts to achieving customer satisfaction, with the offer of technological solutions and state-of-the-art services characterized by high standards of reliability and innovation, and to create value for the benefit of all its stakeholders.
In order to achieve its objectives, the Group bases its activity on specific critical success factors: (i) quality and product innovation, (ii) level of service, (iii) competitiveness, (iv) strengthening of the distribution network and (v) development of human resources and customer relationship.

The Group is aware of its role in the social and economic context, and therefore seeks to achieve its future development, 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

The research and development activities is one of the critical success factors of the Group as a source of competitive advantage in international markets and often determines the success of a company. The focus is on product innovation, considered not only as the development of new technologies to improve machine performance in terms of lower consumption and gas emissions, as well as improvement of ergonomics of the products in terms of comfort and less vibration. In order to keep up with the times and, where possible, to anticipate future solutions, the Group for many years has enabled collaborations with the academic world to develop new technologies to apply to its products.

The year saw the consolidation of sales of some important products including the new garden tractor, accessories for professional high pressure washers and industrial washing.
The activity has also focused on the development and market introduction of a wide range of "core" products for all product lines of the Group.

Agriculture and Forestry
During 2012 was launched on the market a professional chainsaw, characterized by technical solutions that ensure an extreme reliability.
It is also in an advanced stage of developing a complete set of accessories for chainsaws, covered by international patents aimed to satisfy the requirements of users that performing maintenance of the machines. In the sector of agriculture pumps is started the production of a new range of pumps for treatments at low pressure which will complete the range of the Group. Continue the development of electronic control systems for the components applied to the machines for spraying and weed control.

Construction and Industry

During the year 2012 were launched on the market two new models in the sector of high-pressure piston pumps/flow, a new pressure washer with cold water high power and several new models of electric pressure washers for industrial and agri-food. In the second half of the year has started production of an important and totally new pressure washer with cold water; it is also in progress a new project, highly innovative, for a hot water pressure washer that will be placed in the central band of the market, both of these produced meet the great expectations from customers and prospects.
We have also developed new valves, guns, spears, heads, and other accessories to complete the range of professional products for use at high pressures

Gardening

During the year 2012 was placed on the market a new range of steel deck lawnmowers, which combines design, comfort and versatility and, above all, a new line of brush cutters, designed for demanding home gardeners users and professionals, today the world's lightest and most compact in its class. The year 2012 ended with the introduction of a new model of automatic robot lawnmower that operates in complete autonomy to treat the private garden of 24 hours to 24 hours and in all weather conditions. It was complemented the development of a new line of thread brush cutter "biodegradable" for the use of professional equipment, semi-pro and hobby. It was complemented by the development of a new line of thread brush cutter "biodegradable" for the use of professional equipment, semi-pro and hobby. The product will be held for sale from next season after years of study and research in collaboration with leading European universities. It was also increased the range of brush cutter heads with the insertion in the catalog of a new range of top performing products, simple to use and adaptable to the main machines available on the market.

6. Human resources

The breakdown of employees by country at 31.12.2012 is shown in the following table:

Employees at the end of the period	31.12.2011	Var. area	Other movements	31.12.2012
Italy	841	-	10	851
France	119	-	1	120
Belgium	4	(4)	-	-
UK	10	-	2	12
Spain	21	-	(3)	18
Germany	24	-	1	25
Poland	48	-	(5)	43
China	396	-	(24)	372
Usa	52	29	4	85
Ukraine	37	-	-	37
South Africa	4	-	2	6
Brazil	-	7	-	7
Totale	**1,556**	**32**	**(12)**	**1,576**

The number of employees at December 31 2012 is 1,576 units, an increase of 20 units over the previous year. During 2012 were made actions in order to improve and validate the organizational structures of the companies included in the new consolidation area of Group: Epicenter LLC. (37 units), Comet Group (232 units), group Tecomec (340 units), Sabart Srl (55 units) Raico Srl (44 units) and Emak Do Brasil Industria Ltda (7 units).
In Emak S.p.A. in 2012 were made a total of 4,788 hours, of which 1,488 hours of specialized training and 3,300 hours of training with the involvement of 288 people. At Group level were made a total of about 10,000 hours of education and training. Following the continuation of an uncertain market situation which led to a decrease in production volumes was used a flexible periods of work performance in order to follow more coherently the trend of demand and seasonal products, in addition to recourse the CIG in Emak SpA, Comag Srl and Comet S.p.A.

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

Acquisition of company branch LE.MA S.r.l.

On January 27, 2012 the controlled company Raico S.r.l. has subscribed the act of acquisition of the business activity of LE.MA S.r.l. with registered office in Siena (Italy), a company active in the commercialization of spare parts and accessories for agricultural machinery. In 2011 the turnover attributable to the business amounted to € 623 thousand.

The total value, determined at the signing of the delivery, amounted to € 228 thousand.

This acquisition has entailed in the allocation of the cost of acquisition, the recognition in the consolidated financial statements of intangible fixed assets a finite useful life for € 87 thousand.
The transaction is part of the growth strategy of the Emak Group, as it will allow Raico to increase its direct presence in the territory.

Acquisition of Valley Industries LLP

On February 3, 2012, Comet USA, the American subsidiary of Comet S.p.A., in turn controlled by Emak SpA, has subscribed the agreement for the acquisition of 90% of the share capital of 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, including diaphragm pumps Comet, with a capillary sales network all over North America. Valley Industries has closed the year 2011 with a turnover of 19.4 million U.S. dollars, an EBITDA of 2.9 million U.S. dollars and a net financial position of 1.9 million U.S. dollars.
The transaction is part of the growth strategy of the Group Emak, because this acquisition will accelerate the development of business in t he North American market through the creation of important operating and commercial synergies not only relatively to Comet, but also for other lines of product marketed by Emak Group as a whole.
The value of Valley Industries it was contractually agreed in 16.7 million U.S. dollars. Therefore, the price of 90% of the target company was established and paid for 14.8 million U.S. dolllars.

The remaining 10% is remained in possesion of the CEO and co-founder of the company. The closing of the transaction was completed on February 7, 2012.

The signed contract also includes the stipulation of a "Put and Call Option Agreement", that will allow the transferor shareholder to exercise an option to sell its 10% to Comet USA, at a price already defined at the end of the 5th year at closing. If such option is not exercised, a Call option in favor of Comet USA would take effect under the same conditions.
The inclusion of the target company in the area of consolidation occurred with a effect from the date of acquisition of control by a percentage equal to 100%, due to the stipulation of the "Put and Call Option Agreement" that led to the recognition of a discounted liability against to the shareholder for value of 1.3 million U.S. dollars.

Constitution of distribution company in Brazil

In June 2012, the parent company Emak S.p.A. has set up Emak do Brasil Industria Ltda, based in Curitiba in the state of Paraná, with a share capital of 200,000 reais and participation share of 99%; the subsidiary will distribute Emak Group products with the Oleo-Mac brand in the Brazilian territory.
In addition, the newly formed company will also distribute the products of Comet and Tecomec, which joined the Group in late 2011. The balance sheet data of the subsidiary are included in the area of consolidation from interim financial report at September 30 2012.

Sale of the controlled company Emak Benelux NV

On September 20th 2012 the controlling company Emak has signed an agreement for the sale of the entire stake in Emak Benelux NV, a Belgian company based in Meer, which deals with the distribution of Emak products on the Belgian and Dutch markets.
The company ended the year 2011 with a turnover of € 2.125 thousand and a net profit of two thousand.
The sale price of the shares was set at € 50 thousand. The buyers are Kesters Herman, director of the company and Bjorn Kesters.
The closing of transaction, with settlement of payment, was carried out on October 1, 2012 and at the same time has been entered, with the company itself, a distribution agreement about Emak products in the same areas already served before.

The transaction will allow Emak to keep the same distribution model in the area, ensuring a greater efficiency based on the size of the business.

The economic impact of the first nine months of 2012 is included in the consolidation area and the subsequent deconsolidation generated a loss of € 23 thousand.

Capital increase

On December 18, 2012 Comet S.p.A. carried out the conversion of financial receivables from the subsidiary Comet USA Inc. for future capital increase for an amount of 2,500 thousand U.S. dollars equal to a value of € 1,897 thousand.

According to the CONSOB Communication of July 28 2006, DEM/6064293, please be advised that during the year 2012 there were no atypical or unusual operations in addition to those described in paragraph 8 of the notes.

8. Emak Group – Overview of results

For the purposes of greater clarity, it is recalled that relatively the comparative data for the year 2011, the data and the results of a financial nature do not include the costs and revenues of the companies acquired with Operation Greenfield, while the income statement of Epicenter LLC was consolidated from 1 October 2011.

Summary of economic results

€/000	FY 2012	%	FY 2011	%	Change %
Net Sales	354.780	100	204.359	100	73,6
EBITDA adjusted (*)	31.731	8,9	19.586	9,6	62,0
EBITDA reported	28.808	8,1	17.517	8,6	64,5
UBIT	16.647	4,7	10.400	5,1	60,1
Profit before taxes	12.056	3,4	9.044	4,4	33,3
Net profit	8.640	2,4	5.767	2,8	49,8

(*) EBITDA was calculated purifying it from non-recurring charges related:
- to consultancy costs for M & A equal to € 2,069 thousand in 2011 and € 322 thousand in the financial year 2012;
- economic effect of the reversal of intercompany profits, resulting from enlargement of the scope of consolidation compared with the same period of 2011, entirely expensed in the year 2012, in the amount of € 2,602 thousand.

Analysis of sale trends

In 2012 the Group reported a turnover of € 354,780 thousand compared to € 204,359 thousand in 2011.
The contribution in terms of turnover of the companies included in area of consolidation amounted to €169,105 thousand. Therefore, under the same scope of consolidation, the sales would have decreased by 9.1%.

In order to give a better representation of the sales performance, considering the significant size of the operation Greenfield, it states the comparison between the turnover of the first quarter 2012 and the adjusted turnover of the same period 2011.

The adjusted turnover represents consolidated net sales that the Group would have achieved in the first quarter 2011 in the operation Greenfield would have been concluded starting from 1st January 2011.

It is stated, however, that the turnover of companies Valley LLP and Emak Do Brasil has not been included in the "adjusted" 2011, while sales of PTC Srl and Epicenter LLC was included in the adjusted only for the last quarter of 2011. In 2012, the contribution to sales of these companies, amounted to € 26,154 thousand.

The entrance to the area of consolidation of the companies acquired under Operation Greenfield has led to a different distribution of sales both in terms of product line that geographic area
It is in fact increased the incidence of lines "Agriculture and Forestry" and "Construction and Industry", which means fewer risks relating to seasonal and cyclical nature of the sales, and the North American market, the main global market of reference for the products Group.

The following table shows an analysis of sales reported for 2012, broken down by line, compared with "adjusted" turnover and with the turnover of the same period of the previous year:

€/000	31.12.2012	%	31.12.2012 adjusted	%	Var. %	31.12.2011	%
Agriculture & Forestry	145,027	40.9%	142,220	39.9%	2.0%	79,986	39%
Construction & Industry	64,635	18.2%	60,394	16.9%	7.0%	9,418	4.6%
Lawn & Garden	145,119	40.9%	154,361	43.2%	-6.0%	114,955	56.3%
Total	**211,883**	**100%**	**213,907**	**100%**	**-0.9%**	**124,522**	**100%**

In order to provide a more appropriate representation of the analysis of the product line sales "Parts and Accessories" has been reclassified within other lines

Compared to the adjusted data of 2011, sales of all product lines of the Group incresed, except for the Gardening products. This has mainly suffered the consequences of the global economic crisis and has been penalized by adverse weather conditions.
The sales of the lines Agriculture & Forestry and Construction & Industry have benefited from the entrance of Valley in the area of consolidation of LLP and PTC Ltd.

The following table shows the distribution of sales by geographical areas registered in 2012 compared with the turnover "adjusted" and with those of same period last year.

€/000	31.12.2012	%	31.12.2012 adjusted	%	Var. %	31.12.2011	%
Europe	243,930	68.8%	253,407	71.0%	-3.7%	155,593	76.1%
Americas	66,027	18.6%	46,646	13.1%	41.5%	15,706	7.7%
Asia, Africa and Oceania	44,823	12.6%	56,922	15.9%	-21.3%	33,060	16.2%
Total	**354,780**	**100%**	**356,975**	**100%**	**-0.6%**	**204,359**	**100%**

In order to provide a more appropriate representation of the analysis of sales markets, it has been adopted a different geographic distribution of sales compared to which made at December 31 2011.

The sales growth in the "Americas" is mainly attributable to the new area of consolidation.

It should be noted however a decrease in sales in Asia, Africa and Oceania and European market. In the latter, in particular, the good sales performance in some Eastern European countries has partially offset the negative trend in western countries, and especially in the Mediterranean area (mainly impacted by the effects of macroeconomic crisis).

Analysis of results

EBITDA

EBITDA for 2011 amounts to € 28,808 thousand, against € 17,512 thousand of last year. The contribution resulting from the change in the area of consolidation amounted to € 16,237 thousand.

Note that the income statement is negatively affected by the reversal of intercompany margins resulting from enlargement of the scope of consolidation compared to the same period of 2011, amounting to € 2,602 thousand. Moreover costs were incurred for M&A consulting amounting to € 321 thousand (€ 2,069 thousand at December 31, 2011).

Ebitda as a percentage of revenues has moved from 8.6% at 31 December 2011 to 8.1% at 31 December 2012 (from 9.6% in 2011 to 8.9% in 2012 excluding the abovementioned non-recurring items).

The Group’s average number of employees and temporary workers was 1,681, while it was 1,080 in the previous year, mostly due to the change in the scope of consolidation.

EBIT

EBIT for the year amounted to € 16,647 thousand, against with € 10,400 thousand in 2011. The contribution resulting from the change the area of consolidation in 2012 amounted to € 11,527 thousand.
Ebit as a percentage of sales moves from 5.1% of 2011, to 4.7% of 2012.

Non-annualized Ebit as a percentage of net invested capital has moved from 4.4% of 2011, to 6.8% in the same period of 2012.

Amortization and depreciation provisions amount to € 12,160 thousand, compared to € 7,117 thousand in the same period of 2011.

Net profit

Net profit for the year was € 8,640 thousand, compared to € 5,767 thousand in the previous year 2011.
The contribution resulting from the change in the area of consolidation amounted to € 4,212 thousand.

The increase in the net negative financial position, the rising of interest rates and the evaluation "mark to market" of financial instruments for hedging interest rates have negatively affected the result of the financial management.

The management of currency is negative for € 387 thousand, essentially in line with the previous year.

The tax rate of the period is 28.2% compared to 36.2% for the previous financial year; the decrease is mainly given by credit accounting at December 31 2012, related to the deducibility IRES on IRAP paid on the cost of labor in previous years for a total amount of € 1,437 thousands classified as “income tax” (art. 4, paragraph 12 of Law Decree of 2 March 2012 n. 16, converted into Law no. 44 of 26 April 2012).
This decrease is mainly due to the recognition at December 31, 2012 relating to the deductibility of the credit for IRES on IRAP paid on the cost of labor in previous years for a total amount of € 1,437 thousand classified as "income taxes" (Article 4, paragraph 12 of Law Decree of 2 March 2012 n. 16, converted into Law no. 44 of 26 April 2012).

The earnings per share at December 31 2012 amounted to € 0.052, against € 0.035 of the previous year.

Highlights from the consolidated balance sheet

€/000	31.12.2012	31.12.2011
Net non-current assets	88.985	79.939
Net working capital	155.922	157.500
Total net capital emplyed	**244.907**	**237.439**
Equity attributable to the group	143.226	138.408
Equity attributable to minority interests	1.815	1.733
Net debt	(99.866)	(97.298)

Net non-current assets

The net non-current assets on December 31, 2012 amounted € 88,985 thousand compared to the € 79,939 thousand on December 31, 2011.

During the 2012 Emak Group invested € 9,250 thousand in property, plant and equipment and intangible assets, as follows:

- € 3,894 thousand for product innovation;
- € 2,959 thousand for adjustment of production capacity and for process innovation;
- € 1,387 thousand for upgrading the computer network system;
- € 393 thousand for adjustment of industrial buildings;
- € 617 thousand for other managerial working investments.

Investments broken down by geographical area are as follows

- € 6,532 thousand in Italy;
- € 1,384 thousand in Europe;
- € 1,334 thousand in the Rest of the World.

Net working capital

The net working capital, compared to December 31 2011, decreased of € 1,578 thousand, passing from € 157,500 thousand to € 155,922 thousand.

The following table reports the change in net working capital in 2012 compared with the previous year:

€/000	FY 2012	FY 2011
Net working capital at 01 January 2012	**157.500**	**83.747**
increase/(decrease) in inventories	(8.748)	(565)
increase/(decrease) in trade receivables	(1.454)	7.662
(increase)/decrease in trade payables	4.035	4.029
change in scope of consolidation (acquisition)	4.078	61.880
change in scope of consolidation (disposal)	(247)	0
variation for acquisition line of business	147	0
other changes	611	747
Net working capital at 31 December 2012	**155.922**	**157.500**

Equity

Total equity at December 31, 2012 amounted to € 145,041 thousand, compared to € 140,141 thousand at December 31 2011.

Net financial position

€/000	31.12.2012	31.12.2011
Cash and banks	16.229	10.901
Securities and derivative financial instrum	61	174
Other financial assets	2	1
Financial liabilities	(80.822)	(65.866)
Derivative financial instruments	(1.330)	(1.156)
Short-term net debt	**(65.860)**	**(55.946)**
Other financial assets	320	136
Financial liabilities	(34.326)	(41.398)
Derivative financial instruments	0	(90)
Long-term net debt	**(34.006)**	**(41.352)**
Cash and banks	16.229	10.901
Securities and derivative financial instrum	61	174
Other financial assets	322	137
Financial liabilities	(115.148)	(107.264)
Derivative financial instruments	(1.330)	(1.246)
Total net debt	**(99.866)**	**(97.298)**

The net financial position stood at € 99.866 thousand at December 31 2012 against € 97,298 thousand at December 31, 2011.

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 2013;
- Debts to other financial institutions due by 31 December 2013

At December 31 2012 the net financial position includes the actualized debt to the parent Yama S.p.A., for an amount of € 11,577 thousand, to the related company Sabart S.p.A., for an amount of € 2,894 thousand and other financial debts for € 1,053 thousand to other related parties.

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

€/000	
Opening NFP at 1/1/2012	**(97.298)**
Cash flow from operations, excl. changes in operating assets and liabilities	20.812
Changes in operating assets and liabilities	3.239
Cash flow from operations	**24.051**
Cash flow from investments and disinvestments	**(8.577)**
Equity changes	**(3.740)**
Change in the scope of consolidation Valley LLP acquisition	**(14.319)**
Acquisition of business unit Le.Ma	**(228)**
Change in the scope of consolidation disposal Emak Benelux	**245**
Closing NFP at 31/12/12	**(99.866)**

9. Performance of Group subsidiaries

At 31 December 2012 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 23 companies operating in the four product lines (agriculture and forestry, construction and industry, gardening).

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	31/12/2012 Net sales	31/12/2012 Net profit	31/12/2011 Net sales	31/12/2011 Net profit	
Capogruppo						
Emak S.p.A.	Bagnolo in Piano (Italia)	142,230	4,479	155,794	5,247	
Società consolidate integralmente						
Emak France Sas	Rixheim (Francia)	29,631	275	28,420	406	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (Cina)	28,243	(970)	33,075	630	
Victus Emak Sp. Z o.o.	Poznam (Polonia)	12,654	84	15,181	832	
Comag Srl	Pozzilli, Isernia (Italia)	13,948	(85)	12,561	(609)	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germania)	14,709	131	14,796	225	
Emak Suministros Espana SA	Madrid (Spagna)	5,276	99	6,362	395	
Emak U.K. LTD	Lichfield (UK)	3,870	92	3,439	25	
Emak USA Inc.	Wooster-Ohio (USA)	2,484	(382)	3,027	(153)	
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (Cina)	6,597	766	6,004	796	
Epicenter LLC	Kiev (Ucraina)	7,079	365	5,869	184	(1)
Emak Do Brasil Industria LTDA	Curitiba (Brasile)	247	-28	n/a	n/a	(2)
Gruppo Comet	Reggio Emilia (Italia)	73,058	4,206	56,945	2,607	(3)
Gruppo Tecomec	Reggio Emilia (Italia)	69,427	2,471	71,442	2,649	(3)
Sabart Srl	Reggio Emilia (Italia)	21,001	1,452	22,175	1,733	(4)
Raico Srl	Reggio Emilia (Italia)	11,391	56	11,271	546	

(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.
(2) in the month of June 2012the parent company Emak has set up Emak Do Brasil Industria Ltda, based in Curitiba in the state of Paraná, with shareholding amounting to 99% of the share capital.
(3) The Tecomec Group and The Comet Group have not prepared their own consolidated accounts, since they were controlled by Emak S.p.A. which have respectively prepared consolidated accounts in accordance with the law. the consolidated income statement data provided in the table were taken from the financial statements of the respective companies as at 31 December 2011 and 31 December 2012, the voices "net revenues" and "net profit" shown in the table are derived from the consolidation process of the respective perimeters;
(4) 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. 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.

Limited to the Company and Subgroups shall provide the following comments on:

Performance of Parent Company Emak S.p.A.

The Parent Company generated net revenues of € 142,430 thousand, compared with € 155,794 thousand in 2011, down 8.6%.

EBITDA for the year amounted to € 6,292 thousand, compared to € 9,449 thousand of the previous year, a decrease of 33.4% (down 45.2% excluding, for both years, significant and non-recurring operations).

EBIT for the year amounted to € 2,110 thousand, compared to € 5,429 thousand in 2011, a decrease of 61.1% (down 71.7% excluding, for both years, significant and non-recurring transactions).

The net profit closes at € 4,479 thousand, compared to € 5,247 thousand in 2011. The result for the period was negatively impacted by lower sales and higher financial charges related to higher debt consequent the acquisition of shares completed in late 2011. The result for the period was positively impacted by higher dividends from subsidiaries.

The net negative financial position moved from € 54,495 thousand at December 31, 2011 to € 48,524 thousand.

The reduction in financial debt is due to the cash flow from operating activities.

Performance consolidated companies

The sales of the European commercial subsidiaries were affected by the negative economic context, with the exception of France Emak, Emak UK, Emak Deutschland GmbH and Epicenter LLC.
The French and German companies have registered a net profit lower than the previous year because of unfavorable product mix and an increase in certain operating costs.

The results of the subsidiary Emak USA confirm the difficulties of penetrating the North American market.
The management is studying a plan aimed at exploiting the potential synergies with other Group companies in the North American territory.

The increase in sales reported by the Chinese Tailong is due to the strengthening of commercial presence in the territory of the company.

The negative result of the Chinese manufacturing subsidiary Emak Jiangmen is mainly due to the decrease in production volumes and the appreciation of the local currency against the Euro.

The results of the Italian manufacturing subsidiary Comag Srl have benefited from increased production volumes and the partial release of the reserve allocated as an adjustment to the amount of the capital contribution recognized in previous years (paragraph 31 of the explanatory note).

In the second half of the year there was the start up of the subsidiary Emak Do Brasil.

Comet Group

Comet Group is one of the leading manufacturer of high-pressure pumps for agriculture and industry, professional and semi-professional high pressure washers.

The Group ended the year 2012 with revenues of € 73,058 thousand, an increase of 28.3% compared to 2011. The significant increase was mainly caused by the new scope of consolidation due to the acquisition of Valley Industries LLP, whose contribution in terms of sales amounted to € 15.2 thousand.

The sales of products for industry, and specifically the pumps and high pressure cleaners, showed a positive result, while products for agriculture have declined slightly mainly related to the difficulties in the sector.

In terms of geographical area, the excellent performance of the North American and South American markets offset the declines in Europe and especially in Italy.

Net income for the Comet Group for the year 2012 was € 4,206 thousand, compared to € 2,607 thousand registered in 2011..

Tecomec Group

Group Tecomec produces and sells components and accessories for machines of forestry, gardening, agriculture (particularly for machines for spraying and weed control), and high pressure industrial washing sectors.

The Group ended the year 2012 with revenues of € 69,427 thousand, down 2.8% compared to 2011.

The sales of the washing line reported a positive result, while those gardening accessories and products for agriculture were affected by the difficult conditions of their respective areas, including in some case the adverse weather conditions.

In terms of geographical area, the turnover has resulted in strong growth in North America, while it has declined in Europe and in Italy, mainly due to the difficult macroeconomic situation, but also for the reasons described above in terms of product divisions.

The Tecomec Group's net profit for the year 2012 was € 2,471 thousand euro, compared to € 2,649 thousand registered in 2011.

Sabart S.r.l.

The company is specialized in trading on the Italian market of spare parts and accessories for the forest, agricultural and gardening.
The year 2012 ended with a turnover of € 20,606 thousand, a decrease of 5.5% compared to 2011. The decrease in turnover was mainly due to the economic context of the country that has had a negative impact on the sector.
The product lines most affected were the ones of Gardening and Agriculture. The decline in sales for forestry products was more contained thanks to the insertion of new products and important promotional activities.
The net profit for the year was € 1,452 thousand compared to € 1,733 thousand in 2011, due to lower sales volumes and higher commercial costs.

Raico S.r.l.

The company is specialized in trading on the Italian market of spare parts, components and accessories for agricultural tractors, industrial machinery and construction equipment, the most popular brands.

The year 2012 ended with a turnover of € 11,391 thousand, a slight increase compared to 2011 mainly due to the contribution of the LE.MA that made a contribution in 2012 for an amount of € 630 thousand. The company's sales were adversely affected by the economic context of the country.
The net profit was € 56 thousand compared to € 546 thousand in 2011. The decrease was primarily attributable to increased personnel costs related to the acquisition completed during the year and the costs incurred for the move of the seat.

Comparison between the consolidated income statement in 2012 and 2011 pro-forma income statement of the Group (includes all companies in the perimeter December 31 2011)

Below are compared the 2012 consolidated economic data with pro forma 2011: comparative data refer to economic values in its configuration after the acquisition of the share capital of Tecomec Srl, Comet SpA, Sabart Srl and Raico Srl, which took place on December 22, 2011, as if the Emak Group and the companies included in the scope Greenfield had operated as a single group attributable to Emak SpA since January 1, 2011.

It should also be noted that the economic data of companies Valley LLP and Emak Do Brasil were not included in the pro forma 2011, while have been included the figures for the last quarter of 2011 of the companies PTC Srl and Epicenter LLC.

€/000	FY 2012	FY 2011
Net Sales	354,780	356,975
Other sales	3,506	1,921
Changes in inventories	(8,410)	2,784
Raw materials and finished products	(193,035)	(197,131)
Staff costs	(61,196)	(57,392)
Other operative costs	(66,838)	(71,407)
Ebitda	**28,807**	**35,750**
Ebitda %	**8.1%**	**10.0%**
Depreciation and amortization	(12,160)	(12,046)
EBIT	**16,647**	**23,704**
EBIT %	**4.7%**	**6.6%**
Financial income	882	877
Charges income	(5,086)	(3,559)
Gains or losses on exchange rates	(387)	(353)
Profit before taxes	**12,056**	**20,669**
Taxes on income	(3,416)	(7,638)
Net profit	**8,640**	**13,031**
Net profit %	**2.4%**	**3.7%**
Profit attributable to minority interests	(219)	(74)
Profit attributable to the group	**8,421**	**12,957**
Basic earnings per share	**0.052**	**0.079**
Basic earnings per share diluted	**0.052**	**0.079**
Non-recurring items	**2,924**	**2,069**
Normalized EBITDA (1)	**31,731**	**37,819**
Normalized EBITDA % (1)	**8.9%**	**10.6%**
Non-recurring items at net of tax effect	**2,225**	**1,575**
Normalized net profit (1)	**10,646**	**14,532**
Normalized net profit % (1)	**3.0%**	**4.1%**

(1) The normalized values were calculated by eliminating non-recurring charges related:

- to consultancy costs for M&A for € 2,069 thousand in 2011 and € 321 thousand in the year 2012;
- to the economic effect of the reversal of intercompany margins, resulting from the enlargement of the scope of consolidation compared with the same period of 2011, fully expensed in the year 2012, amounting to € 2,602 thousand.

The deviation of the main intermediate results of the Group's income statement realized in the year 2012 compared to the pro forma income statement 2011 is shown below.

For information regarding the turnover performance of 2012 compared to the 2011 "pro forma", please refer to the analysis already shown in chapter 8 where the gaps are highlighted by geographical area and product line.

The normalized EBITDA in 2012 amounted to 31,731 thousand of euros, against 37,819 thousand in the "proforma 2011", is a decrease of 16.1%.

The result was positively affected by the policy of containment of operating costs.

The result was adversely affected by:

- the impact of currencies mainly caused by exchange rate euro / renminbi;
- the increase of transport costs;
- the increase in personnel costs due to both the normal wage is following the entry in the scope of consolidation of U.S. company Valley LLP;

The item "depreciation and amortization" is in line with the previous year.

The financial management has a negative deviation from the previous year as a result of the increase in net financial position and interest rates.

The decrease in tax expense is largely attributable to the recognition of the credit relating to the deductibility for IRES on IRAP paid on labor costs.

10. Transactions with related parties

With regard to relations with related partiesplease refer to note 37 of the consolidated financial statements and Note 35 of the separate financial statements.

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

At December 31, 2011, the Company held 397,233 treasury shares in portfolio number to a value of € 2,029 thousand.

Dated April 22, 2011, the Shareholders' Meeting renewed the authorization to purchase and dispose of treasury shares for the purposes laid down by it. During the year 2012 there were no changes in either purchase nor sale of own shares without affecting the balances at beginning of year.

During the months of January and February 2013 Emak did not buy or sell shares, for which the stock and value are unchanged compared to December 31, 2012.

12. Corporate governance and other information required by the Issuers Regulation

Emak S.p.A. adopted the Code of Conduct, approved by the Committee established at the Italian Stock Exchange (below the current paragraph, referred to as the "Code"). Its governance is aligned with the Code, as reformulated in December 2011.

In the **"Report on corporate governance and ownership structure",** provided for in Articles. 123-bis of Legislative Decree 58/98, is illustrated the transposition by Emak the provisions of the Code.

In the report are described ownership structure, as well as the fundamental aspects of the structure, dynamics and functioning of corporate governance, especially in relation to the attribution of powers management, treatment of privileged information and the conduct of relations with related parties.

Following the adoption of the innovations introduced since the last edition of the Code, in the report are explained the general structure in which it develops and the Internal Control System and Risk Management, the criteria that inspired him, the aims that it pursues the manner in which its results are regularly represented and submitted to the Board of Directors.

Are also listed in exhibition, with a description of their roles, the actors of internal control:

- Board of Directors;
- Directors in charge of the internal control system and risk management;
- Audit Committee and Risk;
- The Committee of independent directors established in accordance with Consob Regulation no. 17221 of March 12 2010, for the regulation of transactions with related parties;
- Internal Auditor and staff audit;
- Manager responsible for preparing the corporate accounting documents;
- The functional roles share responsibility for the internal control system in their respective fields;
- Board of Statutory Auditors;
- Supervisory Body pursuant to the Legislative Decree 231/01.

* * * * * * *

In the **"Report on remuneration"**, predisposed pursuant to art. 123-ter of Legislative Decree 58/98, are among the other highlights the remuneration paid, including its subsidiaries, to Directors and Auditors and the Director-General of Emak, and stocks and movements of securities Emak in possession of Directors , Statutory Auditors and General Manager.

* * * * * * *

The "Report on corporate governance and ownership structure", art. 123-bis of Legislative Decree no. 58/98, and the "Report on remuneration", art.123 ter of Legislative Decree no. 58/98, are made available to the public in accordance with the law and regulations at the registered office, Italian Stock Exchange and on the website: www.emak.it , under the "Investor Relations" and there: "corporate Documents".

* * * * * * *

It is noted the adoption, by the Italian company belonging to the Group, of the Organization and Management, art. 6, Legislative Decree 231/01, periodically extended in a modular form, corresponding to the spread of the responsibility of society to new crimes, from those of the past:

- employment of third-country nationals who are staying illegally (art. 25-duodecies, D.Lgs 231/01);
- induction improper to give or promise utility (in art. 25, D.Lgs 231/01);
- Private corruption (in art. 25-ter, D.Lgs 231/01).

The model relies on the Supervisory Board, with independent powers of initiative and control, in order to supervise its effective and efficient implementation.

Emak has adopted and maintained a Code of Ethics, which are expressed in the principles of business ethics which the Group recognizes as its own and with which compliance by directors, statutory auditors, employees, consultants and partners of both the parent company and its companies subsidiaries.

The model from art. 6, Legislative Decree no. 231/01, and the Code of Ethics are also available for consultation in the said web section: "http://www.emak.it/investor-relations.html"

13. Disputes

There were no disputes in progress that might lead to liabilities in the financial statements other than those already described in note 35 of the consolidated financial statements.

14. Other information

With regard to the requirements of Article. 36 of the Market Rules - Consob Resolution No. 16191 dated October 29 2007, Emak reports to have currently the control on four large company, established and regulated under the law of a state outside the European Union:

- Jiangmen Emak Outdoor Power Equipment Co. Ltd. (Republic of China);
- Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. (Republic of China);
- Comet Usa Inc. (United States of America);
- Valley industries LLP (United States of America)

For all the companies Emak S.p.A. has aligned itself with current legislation, including the deposit at the registered office, for the benefit of the public, the financial statements of subsidiaries prepared for the purposes of preparing the consolidated financial statements.

* * * * * * *

With effect from 2010, Emak S.p.A. has exercised the option, in conjunction with Comag Srl, for the IRES taxation of group ("national fiscal consolidation"), pursuant to art. 117 et seq., Presidential Decree 917/86.

* * * * * * *

On January 31, 2013, the Board of Directors of Emak has resolved to enter the system of "opt out" provided for in Articles 70, paragraph 8, and 71, paragraph 1-bis of the Issuer Regulations, using therefore the possibility of derogating from obligations to publish information documents required in connection with operations of significant merger, capital increase by contribution in kind, acquisitions and divestitures

15. Outlook about the main risks and uncertainties

The Financial year 2013 looks a framework still characterized by macro economic uncertainty that may affect the competitive environment of the Group. Nevertheless, thanks to the full contribution to the sales of products launched in 2012 and the introduction of important new models in all product families, and the consolidated subsidiary in Brazil and the increasing integration of the companies acquired at the end of 2011, is possible to estimate a growth in turnover for 2013 of 3% -5%. The Group also will focus its attention to the recovery of profitability, with measures to improve the competitive position and the reduction of operating costs, and reducing debt through an increase in self-management and the reduction of net working capital.

16. Subsequents events

There are no significant events.

17. Reconciliation between shareholders' equity and net profit of the parent company Emak and equity and the consolidated results

Under the Consob Communication dated July 28 2006, the following table provides a reconciliation between net income for 2012 and shareholders' equity at December 31st 2012 of the Group (Group share), with the corresponding values of the parent company Emak:

€/000	Equity at 31.12.2012	Result for the year ending 31.12.2012	Equity at 31.12.2011	Result for the year ending 31.12.2011
Equity and result of Emak S.p.A.	143.647	4.479	143.319	5.248
Equity and result of consolidated subsidiaries	136.303	10.051	117.362	2.490
Totale	**279.950**	**14.530**	**260.681**	**7.738**
Effect of the elimination of the accounting value of shareholdings	(130.987)		(116.954)	277
Elimination of dividends		(5.636)		(2.033)
Elimination of other intergroup items and profits	(3.922)	(254)	(3.586)	(215)
Total consolidated amount	**145.041**	**8.640**	**140.141**	**5.767**
Minority interests	**(1.815)**	**(219)**	**(1.733)**	**(12)**
Equity and result attributable to the Group	**143.226**	**8.421**	**138.408**	**5.755**

18. Proposed allocation of profit for the year

Shareholders,
We submit for your approval the financial statements at December 31st 2012, which reports a profit of € 4,478,547. We also propose the distribution of a dividend of € 0.02 for each outstanding share.

We invite you to assume this resolution:

<< The Shareholders' Meeting of Emak S.p.A..

resolution

a. to approve the annual report and the financial statements at 31 December 2012, closed with a net profit of € 4,478,547 euros;
b. to allocate the net profit of € 4,478,547 as follows:
- to the statutory reserve € 223,927;
- To shareholders as a dividend in the amount of € 0.020 per share, gross of tax, excluding treasury shares held by the company, ex-dividend date at June 3 2013, the record date at June 5 and payment at June 6, 2013;
- the reserve of earnings for the entire remaining amount.>>

Bagnolo in Piano (RE), March 15 2013

On behalf of the Boards of Directors
The Chairman
Fausto Bellamico

Emak Group – Consolidated Financial Statements at December 2012

Consolidated Financial Statements

The balances sheet at December 31, 2011 includes the effects relating to the operation of the Greenfield acquisition finalized on December 22, 2011 while, in comparing between the economic variables submitted in the consolidated financial statements, it is necessary to consider that the data of 2011 relate only to the Emak Group in its configuration before the Greenfield acquisition and do not include the contribution of acquisitions.
The effects of applying on a voluntary basis of IAS 19 revised have not been retrospectively represented, which implies, among other things, the change of the principle of recognition of gains and actuarial losses related to employment benefits indemnities and pension funds. This decision has been taken in view of the not significant impact on the previous year's data.
To find out more details, see paragraph 2.27 "change in accounting principles and new accounting standards of these explanatory notes."

Consolidated Income Statement

€/000	Notes	Year 2012	of which related parties	Year 2011	of which related parties
Sales	10	354.780	2.603	204.359	3.260
Other operating income	10	3.506		1.485	0
Change in inventories		(8.410)		(1.230)	
Raw and consumable materials and finished goods	11	(193.035)	(3.736)	(116.257)	(7.277)
Salaries and employee benefits	12	(61.196)		(32.288)	
Other operating costs	13	(66.838)	(1.930)	(38.552)	(73)
Amortization, depreciation and impairment losses	14	(12.160)		(7.117)	
Ebit		**16.647**		**10.400**	
Financial income	15	882		791	
Financial expenses	15	(5.086)	(700)	(1.777)	(15)
Exchange gains and losses	15	(387)		(370)	
EBT		**12.056**		**9.044**	
Income taxes	16	(3.416)		(3.277)	
Net profit	**0**	**8.640**		**5.767**	
(Profit)/loss attributable to minority interests		**(219)**		**(12)**	
Net profit attributable to the group		**8.421**		**5.755**	
Basic earnings per share	17	**0,051**		**0,035**	
Diluted earnings per share	17	**0,051**		**0,035**	

Comprehensive income statement

Figures in thousands of euros	**Notes**	**Year 2012**	**Year 2011**
Net profit (A)		**8.640**	**5.767**
Profits/(losses) deriving from the conversion of foreign company accounts		**154**	**349**
Profits/(losses) deriving from emplyee benefits		**(295)**	**0**
Tax effect relating to other components		**81**	**0**
Total other components to be included in the comprehensive income statement (B):		**(60)**	**349**
Comprehensive net profit (A)+(B)		**8.580**	**6.116**
Comprehensive net profit attributable to minority interests		**(181)**	**(44)**
Comprehensive net profit attributable to the group		**8.399**	**6.072**

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of transactions with related parties on the consolidated income statement are shown in the scheme and are further described and discussed in note 37.

Schedule showing consolidated assets-liabilities-financial situation

€/000	Notes	31.12.2012	of which related parties	31.12.2011	of which related parties
Non-current assets					
Property, plant and equipment	18	59.155		62.526	
Intangible assets other than goodwill	19	4.823		5.108	
Goodwill	20	30.809	14.864	20.492	14.913
Equity investments	21	232		231	
Equity investments in related company	21	18		18	
Deferred tax assets	29	7.543		7.151	
Other non current financial assets		320		136	
Other receivables	23	2.503		907	
Total		**105.403**	**14.864**	**96.569**	**14.913**
Current assets					
Inventories	24	120.958		125.474	
Trade and other receivables	23	102.825	664	103.521	1.734
Current tax assets	29	6.023		4.140	
Other financial assets		2		1	
Derivative financial instruments	22	61		174	
Cash and cash equivalents	25	16.229		10.901	
Total		**246.098**	**664**	**244.211**	**1.734**
TOTAL ASSETS		**351.501**	**15.528**	**340.780**	**16.647**

EQUITY AND LIABILITIES

€/000		31.12.2012	of which related parties	31.12.2011	of which related parties
Capital and reserves					
Total Group	26	143.226		138.408	
Non-controlling interest		1.815		1.733	
Total equity		**145.041**		**140.141**	
Non-current liabilities					
Loans and borrowings	28	34.326	1.044	41.398	13.770
Deferred tax liabilities	29	4.182		4.514	
Provisions for employee benefits	30	9.071		8.856	
Provisions	31	1.696		1.836	
Derivative financial instruments	0	0		90	
Other non-current liabilities	32	1.150		1.288	
Total		**50.425**	**1.044**	**57.982**	
Current liabilities					
Trade and other payables	27	69.111	1.057	70.780	2.169
Current tax liabilities	29	3.488		2.845	
Loans and borrowings	28	80.822	14.480	65.866	29
Derivative financial instruments	22	1.330		1.156	
Provisions	31	1.284		2.010	
Total		**156.035**	**15.537**	**142.657**	**2.198**
TOTAL EQUITY AND LIABILITIES		**351.501**	**16.581**	**340.780**	**15.968**

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of related party transactions on the financial position are shown in the scheme and are further described and discussed in note 37.

Statement of changes in consolidated equity for the Emak Group at 31.12.2011 and at 31.12.2012

€/000	Share capital (*)	Share premium	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	IAS 19 reserve	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2010	**5,161**	**21,047**	**1,438**	**1,138**	**1,602**	**0**	**27,733**	**43,786**	**11,570**	**113,475**	**555**	**114,030**
Share capital increase	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								(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**	**0**	**27,733**	**17,377**	**5,755**	**138,408**	**1,733**	**140,141**
Change in treasury shares										**0**		**0**
Profit reclassification			262					1,405	(5,755)	**(4,088)**	(99)	**(4,187)**
Other changes								507		**507**		**507**
Net profit					192	(214)			8,421	**8,399**	181	**8,580**
Balance at 31.12.2012	**40,594**	**42,454**	**1,700**	**1,138**	**2,111**	**(214)**	**27,733**	**19,289**	**8,421**	**143,226**	**1,815**	**145,041**

(*) the share capital amounted to € 42,623 thousand is stated to the net of the amount of treasury shares amounted to € 2,029 thousand.

Consolidated cash flow statement

€/000	Notes	2012	2011
Cash flow from operations			
Net profit for period		**8.640**	**5.767**
Amortization, depreciation and impairment losses	14	12.160	7.117
Capital (gains)/losses on disposal of property, plant and equipment		103	10
Decreases/(increases) in trade and other receivables		(1.577)	(7.812)
Decreases/(increases) in inventories		8.748	846
(Decreases)/increases in trade and other payables		(3.569)	(7.675)
Change in provision for employee benefits		195	(168)
Decreases/increases in provision for liabilities	31	(866)	1.284
Decreases/increases in derivate financial instruments		198	706
Net cash generated by operations		**24.032**	**75**
Cash flow from investment activities			
Increases in property, plant and equipment and intangible assets		(8.485)	(4.756)
(Increases) and decreases in financial assets		(187)	122
Proceeds from disposal of property, plant and equipment		(90)	(10)
Change in scope of consolidation Greenfield		0	(64.752)
Variation in acquisition of business branch Le.Ma.	7.1	(228)	0
Change in scope of consolidation Valley LLP	7.2	(11.609)	0
Change in scope of consolidation Emak Benelux	7.4	35	0
Net cash absorbed by investment activities		**(20.564)**	**(69.396)**
Cash flow from financial activities			
Other equity changes		293	0
Share capital increase		0	56.840
Change in short and long-term loans and borrowings		14.196	7.086
Change in finance leases		(479)	(492)
Dividends paid		(4.187)	(4.396)
Change in translation reserve		154	349
Net cash absorbed by financial activities		**9.977**	**59.387**
Net increase in cash and cash equivalents		**13.445**	**(9.934)**
Opening cash and cash equivalents		**(3.873)**	**6.061**
Closing cash and cash equivalents		**9.572**	**(3.873)**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2012	2011
Reconciliation of cash and cash equivalents			
Opening 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)
Closing cash and cash equivalents, detailed as follows:	25	**9.572**	**(3.874)**
Cash and cash equivalents		16.229	10.901
Overdrafts		(6.657)	(14.775)
Other information:			
Tax paid		(4.348)	(5.089)
Interest income		201	550
Interest paid		(3.233)	(1.197)
Change in trade receivables and others toward related parties		1.070	(115)
Change in trade payables and others toward related parties		(1.108)	416
Change in trade receivables and others for fiscal assets		(2.375)	(2.326)
Change in trade payables and others for fiscal liabilities		311	(538)

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of related party transactions on the financial statements are identified in the section Other information

Explanatory notes to the consolidated financial statements of Emak Group

Contents

1. General information

The Board of Directors of Emak S.p.A. on March 15, 2013 approved the Financial Report to December 31, 2012, 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 improving the safeguard of the company and of its assets. In the particular case of the usual dealings with related parties, completed under market conditions and within the ordinary exercise of the business, the operation is governed by the framework resolutions. Reference is also made to them in paragraph 37 below.

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 2013, are subject to statutory audit by Fidital Revisione S.r.l.

2. Summary of principal accounting policies

The main accounting policies used in the preparation of these consolidated financial statements are explained below and, unless otherwise indicated, have been uniformly adopted for all periods presented.

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 July 27 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. The subsidiary Valley LLP is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 10% held by the current Managing Director of the company.

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, 2012 following the acquisitions already mentioned above includes the following companies:

Name	Head office	Share capital	Currency	% consolidated	Held by	% of participation
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.	90.000
Comag S.r.l.	Pozzilli - IS (I)	1,850,000	€	99.442	Emak S.p.A.	99.442
Emak U.K. Ltd	Lichfield (UK)	342,090	GBP	100.000	Emak S.p.A.	100.000
Emak Deutschland Gmbh	Fellbach-Oeffingen (D)	553,218	€	100.000	Emak S.p.A.	100.000
Emak France SAS	Rixheim (F)	2,000,000	€	100.000	Emak S.p.A.	100.000
Jiangmen Emak Outdoor Power Equipment Co.Ltd (1)	Jiangmen (RPC)	25,532,493	RMB	100.000	Emak S.p.A.	100.000
Victus-Emak Sp. Z o.o.	Poznan (PL)	10,168,000	PLN	100.000	Emak S.p.A.	100.000
Emak USA Inc.	Wooster-Ohio (USA)	50,000	USD	100.000	Emak S.p.A.	100.000
Tai Long (Zhuhai) Machinery Manufacturing Ltd.	Zhuhai (RPC)	16,353,001	RMB	100.000	Emak S.p.A.	100.000
Epicenter LLC	Kiev (UA)	19,026,200	UAH	61.000	Emak S.p.A.	61.000
Raico S.r.l.	Reggio Emilia (I)	20,000	€	100.000	Emak S.p.A.	100.000
Sabart S.r.l.	Reggio Emilia (I)	1,900,000	€	100.000	Emak S.p.A.	100.000
Tecomec S.r.l.	Reggio Emilia (I)	1,580,000	€	100.000	Emak S.p.A.	100.000
Speed France SAS	Arnax (F)	300,000	€	100.000	Tecomec S.r.l.	100.000
Speed North America Inc.	Wooster-Ohio (USA)	10	USD	100.000	Speed France SAS	100.000
Speed Line South Africa Ltd	Pietermaritzbury (ZA)	100	ZAR	51.000	Speed France SAS	51.000
Ningbo Tecomec Manufacturing Co. Ltd	Ningbo City (PRC)	8,029,494	RMB	100.000	Tecomec S.r.l.	100.000
Comet S.p.A.	Reggio Emilia (I)	2,600,000	€	100.000	Emak S.p.A.	100.000
Comet France SAS	Wolfisheim (F)	320,000	€	100.000	Comet S.p.A.	100.000
Comet Usa Inc	Burnsville-Minnesota (USA)	181,090	USD	100.000	Comet S.p.A.	100.000
Ptc S.r.l.	Genova (I)	50,000	€	98.000	Comet S.p.A.	98.000
Valley Industries LLP (2)	Paynesville Minnesota	0	USD	100.000	Comet Usa Inc	100.000
Emak do Brasil Industria LTDA	Curitiba (Brasile)	200,000	Real	99.000	Emak S.p.A.	99.000

(*) 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.
(2) The share in Valley Industries LLP is equal to 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 10% held by the current Managing Director of the company.

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 foreign currency for 1 Euro	Average 2012	31.12.2012	Average 2011	31.12.2011
GB Pounds (UK)	0.81	0.82	0.87	0.84
Renminbi (China)	8.11	8.32	9.00	8.16
Dollar (Usa)	1.29	1.32	1.39	1.29
Zloty (Poland)	4.18	4.07	4.12	4.46
Zar (South Africa)	10.55	11.17	-	10.48
Uah (Ukraine)	10.36	10.58	10,78 (2)	10.37
Real (Brazil)	2,60 (1)	2.70	-	-

(1) Data refer to the second half of 2012
(2) Data refer to the second half of 2012

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.

Goodwill is allocated to business units that generate cash separately identifiable and monitored in order to allow the verification of 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.

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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 2012, not relavant to Emak Group

Amendment to IFRS 7, *Financial Instruments: Disclosures*, amendments were issued in order to improve their understanding of transfer transactions (derecognition) of financial assets, including understanding the possible effects of any risks that may remain with the the company that transferred the assets. The amendments also require additional information in if a disproportionate amount of transfer transactions are undertaken around near the end of an accounting period. The adoption of this amendment will have no impact on the valuation of balance sheet items.

Accounting standards, amendments and interpretations effective from 1 January 2013, relevant to the Group Emak and adopted in advance by the Group

On June 5, 2012 the European Commission has adopted the amendments to IAS 19 *Employee Benefits* approved by the IASB in 2011. This amendment eliminates the option of deferring the recognition of gains and losses, with the corridor method, requiring the presentation in the financial position of the deficit or surplus of the fund in its entirety, and the recognition in the income statement of the separate components cost related to job performance and financial expense, and the inscription, the actuarial gains and losses arising from the re-measurement of the liability each year, in the "prospect of the components of comprehensive income statement". In addition, the return on assets included in net interest costs must be calculated on the basis of the discount rate of the liability rather than the expected return of the same. The amendments also introduce additional disclosures to be provided in the notes to the financial statements. The amendment is applicable retrospectively from the financial beginning on January 1 2013.

Accounting standards and amendments not yet effective and not adopted in advance by the Group

On June 5 2012, the Commission approved the amendments to IAS 1 Presentation of financial statements that need to group all the components presented under "Other gains / (losses)" depending on whether they can or can not be reclassified subsequently to the income statement. The amendment applies to financial years beginning after July 1 2012.

On December 29, 2012 has taken place the endorsement by the European Union with the following principles:

- IFRS 10, *Consolidated Financial Statements*, replaces SIC-12 "Consolidation - Special Purpose Entities (SPV)" and parts of IAS 27 "Consolidated and Separate Financial Statements" which is "Separate Financial Statements" and governs the accounting treatment of investments in the separate financial statements. The new standard identifies the concept of control as the determining factor for the consolidation of a company in the consolidated financial statements of the parent company. It also provides a guide for determining whether control exists where, the latter is difficult to ascertain. The mandatory adoption in Europe has been postponed to January 1, 2014, compared to January 1, 2013 indicated by the IASB. It can apply them in advance on a voluntary basis.

- IFRS 11 *Joint Arrangements*, which replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities - Contributions in kind by the venturers." The new standard provides the criteria for the identification of joint arrangements by focusing on the rights and obligations arising from the arrangement, rather than its legal form and stipulates that the equity method is the only method of accounting for investments in companies joint control. Following the issue of this principle, IAS 28 "Investments in associates" has been amended to include in its scope, accounting for investments in joint ventures.
  The mandatory adoption in Europe has been postponed to January 1, 2014, compared to January 1, 2013 indicated by the IASB. It can apply them in advance on a voluntary basis.

- IFRS 12 *Disclosure of Interests in other companies* that defines the additional information to be provided for each type of participation, including those of subsidiaries, joint arrangements, associates, special purpose vehicles and other companies not consolidated. The mandatory adoption in Europe has been postponed to January 1, 2014, compared to January 1, 2013 indicated by the IASB. It can apply them in advance on a voluntary basis.

- IFRS 13 *Fair Value Measurement*, which clarifies how to determine fair value for accounting purposes and applies to all IFRS that require or permit fair value measurements or the presentation of information based on fair value. The principle is applicable prospectively from January 1 2013.

- IAS 32 *Financial Instruments: Presentation*, clarifies the application of certain criteria for offsetting financial assets and financial liabilities in IAS 32 present. The amendments are effective retrospectively for financial years beginning on or after January 1, 2014. Earlier application is permitted;

- IFRS 7 *Financial Instruments: Disclosures*, which requires information on the effects or potential effects of contracts of offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for periods beginning after January 1, 2013 and interim periods subsequent to that date. The information must be provided in a retrospective

3. Capital management

The group's objectives for managing capital are:
- to safeguard the ability to continue operating as a going concern;
- 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.

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 December 31 2012 and December 31 2011 are as follows:

	Dic. 31 12 €/1.000	**Dic. 31 11 €/1.000**
Net financial position (note 9)	99.866	97.298
Total equity	145.041	140.141
Debt-equity ratio	**0,69**	**0,69**

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 December 31 2012, 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)Foreign exchange risk
The conducts its business internationally and is exposed to exchange risk arising from currency used, mainly U.S. dollars, Japanese yen, British pound, Chinese renminbi, Polish zloty, South African rand, the Ukrainian hryvnia, , Brazilian reais. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and the net investments in foreign companies

The Group's policy is based on the research of natural hedging receivables and payables and just cover the net positions in foreign currencies mainly using forward contracts.

(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 liquidity risk management implies maintaining sufficient financial availability of cash and marketable securities, funding through an adequate amount of bank credit.

Consequently, the treasury of the Group carries out the following activities:

- verification of financial requirements in order to implement the resulting actions;
- obtaining adequate lines of credit;
- optimization of liquidity, where feasible, through structures of centralized management of cash flows of the Group;
- Maintaining a balanced composition of net financial debt to investments;
- Achievement of a proper balance between short-term debt, medium and long term;
- limited credit exposure to individual financial institutions;
- Monitoring of compliance with the parameters set by the covenants relating to the financing of medium-long term.

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

7.1 Acquisition of the business LE.MA S.r.l.

Dated January 27, 2012 the controlled Raico Srl has signed the act of acquisition of the business (business unit) of LE.MA Srl, with registered office in Siena (Italy), a company active in the marketing of spare parts and accessories for agricultural machinery. In 2011 the turnover attributable to the business amounted to €623 thousand.
The total value, determined at the signing of the delivery, amounted to € 228 thousand.
This acquisition resulted in the preliminary allocation of the purchase price, recognition in the consolidated financial statements of intangible assets with finite useful lives for € 87 thousand.
.
The transaction is part of the growth strategy of Emak Group, as it will allow to Raico to increase its direct presence in the territory.

The fair value of assets and liabilities subject to aggregation with effect from 1 February 2012, the price paid and the financial cost are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Tangible fixed assets	13		13
Intangible fixed assets		87	87
Current assets			
Inventories	214	-	214
Non-current liabilities			
Post-emplyment benefits	(19)	-	(19)
Current liabilities			
Trade and other liabilities	(67)	-	(67)
Total net assets acquired	**141**	**87**	**228**
% interest held			**100%**
Net equity acquired			**228**
Goodwill			**0**
Acquisition price entirely paid by bank transfer			**228**
Cash and cash equivalent			-
Net cash outflow			**228**

7.2 Acquisition of Valley Industries LLP

Dated February 3, 2012 Comet USA, the American subsidiary of Comet SpA, in turn controlled by Emak SpA, has subscribed an agreement for the acquisition of 90% of the share capital of Valley Industries LLP.

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 around 19,4 million US dollars, an EBITDA of 2.9 million US dollars and a net debt of 1.9 million US dollars.

The transaction is part of the growth strategy of 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 16.7 million US dollars. Therefore, the price of 90% of the target company is about 15 million US dollars. The remaining 10%, regulated by a put and call option, remains in possession of the General Director and co-founder of the company. The transaction was completed on February 7, 2012.

The agreement also provides the stipulation of a “Put and Call Option Agreement” that will allow Savage to exercise an option for the sale of his 10% to Comet U.S.A. at a determined price at the end of the 5th year following the closing. If the abovementioned option won’t be exercised there would be a Call option for Comet U.S.A. at the same conditions.

The inclusion of the target company in the scope of consolidation has occurred with effect from the date of acquisition of control by a percentage equal to 100%, due to the conclusion of the "Put and Call Option Agreement" that led to the recognition of a discounted liability in originator of the shareholder value of 1.3 million dollars.

The fair value of assets and liabilities object of aggregation with effect from 1 January 2012, the price paid and the financial cost are detailed below:

€/000	Book values	Fair value adjustement	Fair value of acquired activities
Non-current assets			
Tangible assets	134	-	134
Intangible assets	60		60
Current assets			
Inventories	4.402	-	4.402
Trade receivables and other trade	1.870	-	1.870
Cash	47	-	47
Non-current liabilities			
Financial liabilities	(6)	-	(6)
Current liabilities			
Trade payables	(2.188)	-	(2.188)
Tax debts	(6)	-	(6)
Financial liabilities	(1.468)		(1.468)
Total net assets acquired	**2.845**	**0**	**2.845**
% acquired			**100%**
Net equity acquired			**2.845**
Goodwill			**10.047**
Purchase price fully paid by banker transfer			**12.892**
post-closing price adjustments			**(217)**
deferred purchase price discounted			**(1.019)**
purchase price actually paid to venditors			**11.656**
Cash			47
Net outflow of cahs			**11.609**

The difference between the carrying amount of the investment and its net assets acquired has been allocated entirely to goodwill as there were no other assets or liabilities acquired whose "fair value" was different from their carrying value.

7.3 Constitution of distribution company in Brazil

In June 2012, the parent company Emak S.p.A. has set up Emak do Brasil Industria Ltda, based in Curitiba in the state of Paraná, with a share capital of 200,000 reais and fee equal to 99%, the subsidiary will distribute in the Brazilian territory of Group products Emak brand Oleo-Mac In addition, the newly formed company will also distribute the products of Comet and Tecomec, joined the Group in late 2011. The balance sheet data of the subsidiary are included in the scope of consolidation from the interim report at September 30 2012.

7.4 Disposal of subsidiary Emak Benelux N.V.

On September 20 2012 the parent Emak has signed an agreement for the sale of the stake in Emak Benelux NV, a Belgian company based in Meer, which deals with the distribution of products on the market Emak Belgian and Dutch.

The company ended the year 2011 with a turnover of € 2,125 thousand and a net profit of two thousand. The sale price of the shares was set at € 50 thousand.

Buyers are Kesters Herman, director of the company and Bjorn Kesters. The transaction, with settlement of payment, was made on October 1, 2012 and the same has been entered into by the company, a distribution agreement Emak products in the same areas already served before.

The transaction will allow Emak to maintain the same distribution model in the area, ensuring greater efficiency based on the size of the business.

The economic effects of the first nine months of 2012 the company included in the consolidation and subsequent deconsolidation generated a loss of € 23 thousand.

The fair value of assets and liabilities from discontinued operations with effect from September 30 2012 and the proceeds are detailed below:

€/000	Book values	Fair value adjustement	Fair value of acquired activities
Non-current assets			
Tangible assets	5	-	5
Activities tax assets	5		5
Intangible assets			
Current assets			
Inventories	384	-	384
Trade receivables and other trade	268	-	268
Cash	15	-	15
Non-current liabilities			
Financial liabilities	(120)	-	(120)
Current liabilities			
Trade payables	(382)	-	(382)
Tax debts	(23)	-	(23)
Financial liabilities	(90)		(90)
Total net assets sold	**62**	**0**	**62**
% sold			**99,8%**
Net equity sold			**62**
Purchase of sold			**50**
Cash sold			(15)
Net outflow of cahs			**35**

8. Positions or transactions deriving from atypical and unusual operations

During the year 2012 there were no transactions of atypical and unusual other than those already described in note 16 to the accounting of the credit for recognized deduction of IRAP paid in previous years.

9. Net financial positions

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

Net financial debt	31/12/2012	31/12/2011
A. Cash and banks	16,229	10,901
B. Other cash	-	-
C. Assets for trading	-	-
D. Liquidity (A+B+C)	**16,229**	**10,901**
E. Current financial receivables	**62**	**175**
F. Current bank loans	(49,924)	(48,011)
G. Current portion of current loans	(14,461)	(17,114)
H. Other financial debts	(17,767)	(1,896)
I. Current financial debts (F+G+H)	**(82,152)**	**(67,021)**
J. Net current financial debts (I+E+D)	**(65,861)**	**(55,945)**
Z. Non current financial receivables	**320**	**135**
K. Non current bank loans	(32,958)	(25,577)
L. Bonds issued	-	-
M. Other non current financial debts	(1,367)	(15,911)
N. Non current financial debts (K+L+M+Z)	**(34,005)**	**(41,353)**
O. Net current financial debts (J+N)	**(99,866)**	**(97,298)**

At December 31 2012 the net financial position includes the debt to the parent Yama S.p.A. for an amount of € 11,577 thousand and with the related company Sabart S.p.A. for an amount of € 2,894 thousand, besides € 1,053 thousand from other related parties.

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

The items in the income statement set out below, for the year 2011, refer to the composition of Emak Group prior to the Greenfield acquisition and, therefore, do not include the contribution of the participations acquired, so the changes in the balances are mainly due to the change in the scope of consolidation.

10. Sales and other operating income

The Group's revenues amount to € 354,780 thousand, compared to € 204,359 thousand of last year, and are recorded net of returns for € 833 thousand, against € 691 thousand of last year.

The breakdown of revenues is as follows:

€/000	FY 2012	FY 2011
Net sales revenues (net of discounts and rebates)	352,717	203,378
Revenues from recharged transport costs	2,896	1,672
Returns	(833)	(691)
Total	**354,780**	**204,359**

Other operating income is analysed as follows:

€/000	FY 2012	FY 2011
Capital gains on property, plant and equipment	33	19
Recovery of warrants costs	93	96
Insurance refunds	146	244
Advertising reimbursements	296	350
Government grants	631	368
Recovery of administrative costs	172	76
Recovery of other funds	929	-
Recovery of costs canteen	101	59
Other operative income	1,105	273
Total	**3,506**	**1,485**

The item "other recovery funds" refers primarily to the release of provisions for risks posted in previous years for credit for the contribution of Law 488 (note 31).

11. Cost of raw and consumable materials and goods

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

€/000	FY 2012	FY 2011
Raw materials, semi-finished products and goods	189,417	114,330
Other purchases	3,618	1,927
Total	**193,035**	**116,257**

12. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2012	FY 2011
Wage and salaries	42,813	22,328
Social security charges	12,643	6,484
Employee termination indemnities	2,182	1,196
Other costs	1,552	900
Directors' emoluments	1,069	267
Temporary staff	937	1,113
Total	**61,196**	**32,288**

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 2012	FY 2011
Subcontract work	12,979	5,348
Maintenance	3,310	2,083
Transportation	13,053	8,805
Advertising and promotion	3,158	2,818
Commissions	5,211	2,173
Travel	2,191	1,200
Postage and telecommunications	886	569
Consulting fees	3,753	3,899
Driving force	1,757	713
Various utilities	1,391	579
Services and bank fees	880	332
Cost of after sales warranty	1,165	947
Other services	6,537	2,461
Services	**56,271**	**31,927**
Rents, rentals and the enjoyment of third party assets	**6,795**	**3,283**
Increases in provvisions (note 31)	**488**	**1,360**
Increase in provision for doubtful accounts (note 23)	558	227
Capital losses on property, plant and equipment	120	29
Other taxes (not on income)	969	578
Grants	311	280
Other operating costs	1,326	868
Other costs	**3,284**	**1,982**
Total	**66,838**	**38,552**

The Group during the year has adopted a policy of rationalization of variable costs, in particular involved the following items:
-costs for "outsourcing" due to organizational flexibility and productivity;
-costs for promotion and advertising;
-costs for transportation;
-costs for premiums and commissions.

14. Amortization and depreciation

Details of these amounts are as follows:

€/000	FY 2012	FY 2011
Amortization of intangible assets (note 19)	1.776	931
Depreciaton of property, plant and equipment (note 18)	10.384	6.186
Total	**12.160**	**7.117**

15. Finance income and expenses

Financial income is analysed as follows:

€/000	FY 2012	FY 2011
Interest on trade receivables	481	414
interest on bank and postal current accounts	241	121
Income from adjustment to fair value of derived instruments for hedging interest rate risk	85	227
Other financial income	75	29
Financial income	**882**	**791**

Financial expenses are analyzed as follows:

€/000	FY 2012	FY 2011
Interest on medium-term bank loans and borrowings	1.663	631
Interest on short-term bank loans and borrowings	1.486	422
Financial charges from valuing employee terminations indemnities (note 30)	239	134
Proceeds from adjustement to fair value derived instruments for hedging interest rate risk	825	490
Other financial costs	873	100
Financial expense	**5.086**	**1.777**

The increase in short-term interest expense was primarily attributable the increase in the net financial position and actual interest rates.

The increase in other financial costs is related to imputed charges for the discounting of payables to related parties for the acquisition of equity investments "Greenfield".

The breakdown of profits and losses is as follows:

€/000	FY 2012	FY 2011
Profit / (Loss) on exchange differences on trade transactions	(613)	(622)
Profit / (Loss) on exchange differences on financial assets	226	252
Exchange gains and losses	**(387)**	**(370)**

16. Income taxes

The estimated tax charge in 2012 for current and deferred tax amounts to € 3,416 thousand (€ 3,277 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2012	FY 2011
Current income taxes	5,563	3,965
Taxes from prior years	(1,618)	90
Deferred tax assets (note 29)	(209)	(630)
Deferred tax liabilities (note 29)	(320)	(148)
Total	**3,416**	**3,277**

Current income taxes include the cost of IRAP (regional company tax) to € 1,465 thousand, compared to € 836 thousand in 2011.

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 2012	% rate	FY 2011	% rate
Profit before taxes	**12.056**		**9.044**	
Theoretical tax charge	**3.786**	**31,4**	**2.840**	**31,4**
Effect of IRAP differences calculated on different tax base	1.006	8,3	566	6,2
Non-taxable income	(311)	(2,6)	(4)	-
Non-deductible costs	478	4	317	3,5
Differences in rates with other countries	(5)	0	(327)	(3,6)
Taxes from prior years	(1.437)	(11,9)	3	-
Other differences	(101)	(1)	(118)	(1,3)
Effective tax charge	**3.416**	**28,2**	**3.277**	**36,2**

The tax rate is 28.2%, an decrease from the 36.2% at December 31 2011.

This decrease is mainly due to the significant impact of the accounting receivable of € 1,437 thousand relating to the deductibility for IRES of IRAP paid on the cost of labor in previous years (Article 4, paragraph 12 of Law Decree of 2 March 2012 n .16 converted into Law 44 of April 26, 2012). This credit applies to companies incorporated under Italian law of the Group.

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.

€/000	FY 2012	FY 2011
Net profit attributable to ordinary shareholders in the parent company (€/000)	8.478	5.755
Weighted average number of ordinary shares outstanding	163.537.602	163.537.602
Basic earnings per share(€)	**0,052**	**0,035**

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	FY 31.12.2010	Change in scope of consolidation	increases	Decreases	Exhange differences	Reclass.	FY 31.12.2011
Land and buildings	42,172	22	14	0	648	(44)	42,812
Accumulated depreciation	(9,686)	(11)	(1,200)	0	(72)	0	(10,969)
Land and buildings	**32,486**	**11**	**(1,186)**	**0**	**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)	0	(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**
Avdances and fixed assets in progress	**669**	**298**	**1,203**	**0**	**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**	**0**	**62,526**

€/000	FY 31.12.2011	Change in scope of consolidation	Change in scope of consolidation in output	increases	Decreases	Exhange differences	Reclass.	31.12.2012
Land and buildings	42,812	-	-	208	(168)	(164)	391	43,079
Accumulated depreciation	(10,969)	-	-	(1,230)	94	23	-	(12,082)
Land and buildings	**31,843**	-	-	**(1,022)**	**(74)**	**(141)**	**391**	**30,997**
Plant and machinery	63,803	380	-	2,833	(529)	(195)	(584)	65,708
Accumulated depreciation	(46,078)	(244)	-	(4,364)	494	131	368	(49,693)
Plant and machinery	**17,725**	**134**	-	**(1,529)**	**(35)**	**(64)**	**(216)**	**16,015**
Other assets	78,898	26	(303)	3,598	(584)	(74)	1,205	82,766
Accumulated depreciation	(67,711)	(15)	298	(4,790)	495	79	(242)	(71,886)
Other assets	**11,187**	**11**	**(5)**	**(1,192)**	**(89)**	**5**	**963**	**10,880**
Avdances and fixed assets in progress	**1,771**	**-**	**-**	**1,130**	**(493)**	**(7)**	**(1,138)**	**1,263**
Cost	**187,284**	**406**	**(303)**	**7,769**	**(1,774)**	**(440)**	**(126)**	**192,816**
Accumulated depreciation (note 14)	**(124,758)**	**(259)**	**298**	**(10,384)**	**1,083**	**233**	**126**	**(133,661)**
Net book value	**62,526**	**147**	**(5)**	**(2,615)**	**(691)**	**(207)**	**-**	**59,155**

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.

There were no indicators of impairment of fixed assets.

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

€/000	**31.12.2012**	**31.12.2011**
Gross value	3.659	3.659
Accumulated depreciation	(878)	(768)
Net book value	**2.781**	**2.891**

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	**31.12.2012**	**31.12.2011**
Gross value	794	645
Accumulated depreciation	(500)	(375)
Net book value	**294**	**270**

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

There were no assets subject to restrictions as a result of collateral provided.

Over the years, the Group has benefited from some capital grants provided in accordance with the Law 488/92 to the subsidiary Comag Srl, established in Molise. The grants received are credited to income over its remaining useful life of the assets to which they relate and shall be shown in the balance sheet as deferred income

The contributions delivered are as follows:

- € 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.

With reference to the contribution ex Law 488/92 approved by the Ministry of Industry in 2008 in favor of Comag for a total of € 2,401 thousand and subject to provision for risks in the financial statements at December 31 2011, it is stated that during the year 2012 intervened conditions novative laws and regulations that have come to the conditions that brought about the allocation prudential.
Consequently, while the uncertainty as to the actual timing of final disbursement, the latter factor that determined the classification of other non-current receivables, it is believed that the fee is due and payable.
As described in the note 31, the amount of contribution shall be subject to revision on the basis of the final part of the eligible investment and therefore is accounted for as an adjustment to a bottom part of the credit in question, for an amount of € 388 thousand (note 31).

19. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2010	Change in scope of consolidation	increases	Decreases	Exhange differences	Reclass.	31.12.2011
Development costs	1.718	251	5	-	0	65	2.039
Accumulated amortization	(946)	(103)	(93)	-	0	0	(1.142)
Development costs	**772**	**148**	**(88)**	**-**	**0**	**65**	**897**
Patents and intellectual property rights	6.604	3.623	736	-	34	15	11.012
Accumulated amortization	(5.509)	(2.968)	(617)	-	(18)	0	(9.112)
Patents	**1.095**	**655**	**119**	**-**	**16**	**15**	**1.900**
Concessions, licences and trademarks	710	1298	33	-	(68)	0	1.973
Accumulated amortization	(664)	(578)	(11)	-	68	0	(1.185)
Concessions, licences and trademarks	**46**	**720**	**22**	**-**	**0**	**0**	**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**	**-**	**0**	**(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**

€/000	31.12.2010	Change in scope of consolidation	increases	Decreases	Exhange differences	Reclass.	31.12.2011
Development costs	2.039	-	115	-	(2)	-	2.152
Accumulated amortization	(1.142)	-	(262)	-	2	-	(1.402)
Development costs	**897**	**-**	**(147)**	**-**	**-**	**-**	**750**
Patents and intellectual property rights	11.012	12	905	-	(3)	(54)	11.872
Accumulated amortization	(9.112)	(1)	(996)	(2)	(1)	93	(10.019)
Patents	**1.900**	**11**	**(91)**	**(2)**	**(4)**	**39**	**1.853**
Concessions, licences and trademarks	1.973	-	41	-	52	-	2.066
Accumulated amortization	(1.185)	-	(236)	-	(52)	-	(1.473)
Concessions, licences and trademarks	**788**	**-**	**(196)**	**-**	**-**	**-**	**592**
Other intangible assets	2.586	141	89	-	(25)	-	2.791
Accumulated amortization	(1.290)	(5)	(282)	(7)	10	-	(1.574)
Other intangible assets	**1.296**	**136**	**(193)**	**(7)**	**(15)**	**-**	**1.217**
Advanced payments and fixed assets in progress	**227**	**-**	**331**	**(109)**	**-**	**(39)**	**410**
Cost	**17.837**	**153**	**1.481**	**(109)**	**22**	**(93)**	**19.291**
Accumulated amortization (note 14)	**(12.729)**	**(6)**	**(1.776)**	**(9)**	**(41)**	**93**	**(14.468)**
Net book value	**5.108**	**147**	**(295)**	**(118)**	**(19)**	**-**	**4.823**

The investments of the year relate mainly to the purchase of software for improving process efficiency

Research and development costs directly recorded in the Group's income statement amount to € 7,503 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 € 30,809 thousand reported at December 31 2012 is detailed below:

€/000	31.12.2011	Ch. in scope of consolidation	Exchange differences	31.12.2012
Goodwill from the acquisition of Victus-Emak Sp. z o.o.	836	-	79	915
Goodwill from the acquisition of company branch Victus IT	4.623	-	436	5.059
Goodwill from the merger of Bertolini S.p.A.	2.074	-	-	2.074
Goodwill from the acquisition of Tailong Machinery Ltd.	2.565	-	(49)	2.516
Goodwill from the acquisition of Epicenter LLC	120	-	(2)	118
Goodwill from the acquisition of Gruppo Tecomec	2.807	-	-	2.807
Goodwill from the acqusition of Gruppo Comet	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
Goodwill from the acquisition of Valley LLP	-	10.047	(194)	9.853
Total	**20.492**	**10.047**	**270**	**30.809**

- Goodwill on the purchase of Victus-Emak Sp. Z.o.o. for € 915 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 € 5,059 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 € 2,516 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 € 118 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.

- the amount of 9,853 thousand relates to the acquisition of Valley Industries LLP by Comet USA Inc. in February 2012, resulting from the difference arising between the acquisition price and its net assets.

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 2013-2015. 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 the gross Wacc used to discount back future cash flows expected for the CGUs located in the Euro area ranges from 10,2% to 11%.
- The gross WACC used to discount the cash flows of the CGUs that are located in Eastern Europe was 11.6%, for the CGU located in China is 10.9%, while for the CGU located in USA is 7%.
- 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 € 232 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	Due to
Forward contracts for foreign currencies purchases					
Euro/Pounds sterlin	Emak UK Ltd.	€	650	1,23	03/06/2013
Euro/Zloty	Victus-Emak Sp. Zo.o.	€	2.697	4,17	30/04/2013
Dollar/Euro	Sabart S.r.l.	Usd	2.481	1,31	02/10/2013
Dollar/Euro	Emak France SAS	Usd	1.000	1,32	30/06/2013
Yen/Euro	Emak France SAS	Yen	15.000	111,67	30/06/2013
Euro/Dollar	Comet U.S.A. Inc.	€	1.180	1,27	24/05/2013
Dollaro/Zloty	Victus-Emak Sp.Zo.o	Usd	636	3,18	24/04/2013
Contratti a termine di vendita in valuta					
Dollaro/Euro	Comet S.p.A.	Usd	750	1,29	31/05/2013

Accounting for the overexposed instruments is at fair value; the value of these contracts overall amounts to a positive fair value of € 61 thousand and a negative fair value of € 41 thousand. According to the IFRS principles these effects were accounted in the income statement of the current year.

Finally, on December 31 2012 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 € 40,246 thousand; the expiration of the instruments is so detailed:

Bank	Company	Notional euro (€/000)	Date of the operation	Due to
Intesa San Paolo	Emak S.p.A.	4.000	11/05/2009	07/11/2013
Banca Popolare di Verona	Emak S.p.A.	2.647	10/02/2009	31/03/2014
Intesa San Paolo	Emak S.p.A.	2.800	19/07/2011	15/06/2016
Banca Popolare dell'Emilia Romagna	Emak S.p.A.	1.333	20/01/2010	31/12/2016
Banca Nazionale del Lavoro	Emak S.p.A.	3.750	03/05/2012	20/04/2016
Banca Nazionale del Lavoro	Emak S.p.A.	3.125	27/06/2012	20/04/2016
Banca Popolare Comm. Industria	Comet S.p.A.	2.000	23/10/2009	31/10/2014
Banca Popolare di Verona	Comet S.p.A.	1.000	22/09/2010	24/09/2015
Banca Popolare Comm. Industria	Comet S.p.A.	2.000	10/10/2011	12/10/2016
Banca Popolare Comm. Industria	Comet S.p.A.	2.000	09/05/2012	28/04/2017
Banca Popolare di Verona	Tecomec S.r.l.	5.000	30/07/2009	30/07/2014
Banca Nazionale del Lavoro	Tecomec S.r.l.	5.000	04/08/2009	06/08/2014
Banca Popolare di Verona	Tecomec S.r.l.	3.000	11/05/2010	11/05/2015
UniCredit	Tecomec S.r.l.	2.591	11/04/2012	31/07/2017
Total		**15.591**		
Total		**40.246**		

The average interest rate resulting from the instruments is equal to 2.74%.

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 2012 appears to be totaling to a negative fair value of € 1,199 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	31.12.2012	31.12.2011
Trade receivables	102.473	101.321
Provision for doubtful accounts	(3.219)	(3.285)
Net trade receivables	**99.254**	**98.036**
Trade receivables from related parties (note 37)	664	1.734
Prepaid expenses and accrued income	895	756
Other receivables	2.012	2.995
Total current portion	**102.825**	**103.521**
Other non current receivables	2.503	907
Total non current portion	**2.503**	**907**

The increase in "trade and other receivables current part" comes for an amount of € 1,275 thousand from the change in scope of consolidation.

"Other short-term receivables" includes payments for the supply of goods, receivables from social security institutions and prepaid;

The item "Other non-current" is also accounted for the credit for the contribution Law 488 for a total of approximately € 2,401 thousand (Note 18).

In view of these trade receivables relating to the contribution Law 488, during the year 2012, was posted a provision for a total amount of € 388 thousand (Note 31).

All non-current receivables mature within five years. There are no trade receivables maturing beyond one year.

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

€/000	31.12.2012	31.12.2011
Opening balance	**3.285**	**1.960**
Change in scope of consolidation	3	1.165
Change in scope of consolidation in output	(6)	-
Provisions (note 13)	558	227
Decreases	(623)	(67)
Exchange differences	2	-
Closing balance	**3.219**	**3.285**

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

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2012	31.12.2011
Raw, ancillary and consumable materials	37.941	41.731
Work in progress and semi-finished products	17.218	15.551
Finished products and goods	65.799	68.192
Total	**120.958**	**125.474**

Inventories at December 31 2012 are stated net of provisions amounting to € 4,670 thousand (€ 4,738 thousand at December 31 2011) intended to align the obsolete and slow moving items to their estimated realizable value.

It should also be noted that the change in "inventories" is influenced by a greater reversal of inter-company profits due to a widening scope of consolidation compared to December 31 2011, for an amount of € 2,602 thousand.

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

€/000	FY 2012	FY 2011
Opening balance	4.738	1.657
Change in scope of consolidation	(1)	2.769
Provision	312	535
Effect of exchange differences	3	-
Uses	(382)	(223)
Closing balance	**4.670**	**4.738**

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	31.12.2012	31.12.2011
Bank and post office deposits	16.173	10.757
Cash	56	144
Total	**16.229**	**10.901**

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

€/000	31.12.2012	31.12.2011
Cash and cash equivalents	16.229	10.901
Overdrafts (note 28)	(6.657)	(14.775)
Total	**9.572**	**(3.874)**

26. Equity

Share capital
Share capital is fully paid up at 31 December 2012 and amounts to € 42,623 thousand, remaining unchanged during the year under examination. It consists of 163,934,835 ordinary shares of par value € 0.26 each.

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 December 31 2012 (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 December 31 2012 the share premium reserve is € 42,454 thousand, unchanged from the previous year is consists of the premiums on newly issued shares.

Legal reseve
The legal reserve at December 31 2012 of € 1,700 thousand (€ 1,438 thousand at December 31 2011).

Revaluation reserve
At 31 December 2012, 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 2012, 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 December 31 2012 the reserve for conversion differences for a positive amount of € 2,111 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.

At 31 December 2012 after the adoption of the amendments to IAS 19 early has been accounted a reserve of negative amount of € 214 thousand for the difference actuarial valuation of post-employment benefits to employees.

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 € 6,774 thousand.

27. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2012	31.12.2011
Trade payables	57.191	58.245
Payables due to related parties (note 37)	1.057	2.165
Payables due to staff and social security institutions	8.136	8.285
Accrued expense and deferred income (note 32)	328	560
Other payables	2.399	1.525
Total	**69.111**	**70.780**

"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	31.12.2012	31.12.2011
Overdrafts (note 25)	6.657	14.775
Bank loans	57.412	50.223
Finance leases	544	552
Loans from related parties (note 37)	14.480	29
Financial accrued expense and deferred income	471	209
Other loans	1.258	78
Total current	**80.822**	**65.866**

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 June 30 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	31.12.2012	31.12.2011
Bank loans	32.959	25.578
Finance leases	133	602
Loans from related parties (note 37)	1.044	13.770
Other loans	190	1.448
Total non current portion	**34.326**	**41.398**

During the year, the Group has entered into some medium/long term loans subject to financial covenants verified on the basis of ratios Net debt / EBITDA and Net debt / Equity consolidated. At 31 December 2012 the Group complied with all the benchmarks set in, with the exception of a loan in the amount of € 954 thousand, maturing in June 2017, for which it is being finalizing with the bank the refusal of the anticipated collectability of the loan.

Lease obligations in the event of insolvency are guaranteed by the right of the lessor on the leased asset.

Loans from related parties amounted to € 1,044 thousand, refer to the discounted residual debt to the shareholder of the transferor Valley LLP as a result of the "Put and Call Option Agreement" to purchase the remaining 10% of the company to be exercised in 2017.
The decrease in "Other loans" is due to the reclassification of the debt to Simest SpA included in "other short term liabilities".

The **medium and long term loans** are reimbursed under the following repayment plans:

€/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	12.788	9.791	6.768	2.675	**32.022**	**937**
Finance leases	64	43	26	-	**133**	**-**
Financial debt from related parties	-	-	-	1.044	**1.044**	**-**
Other loans	190	-	-	-	**190**	**-**
Total	**13.042**	**9.834**	**6.794**	**3.719**	**33.389**	**937**

The interest rates applied are as follows:

- on bank loans in Euro is applied Euribor plus a fixed spread;

- on bank loans in British pounds is applied the "base rate" Bank of England plus a fixed spread;

- on bank loans in Renminbi is applied the benchmark interest rate communicated by the People's Bank of China, discounted / plus a fixed spread;

- on bank loans in U.S. dollars is applied LIBOR plus a fixed spread;

- On finance leases is applied Euribor plus a fixed spread.

With regard to liabilities for loans obtained for the purchase of leased assets shall provide the following information:

€/000	31.12.2012	31.12.2011
Future minimum payments of less than year	554	574
Future minimum payments between 1 and 5 years	137	594
Future minimum payments over 5 yearsi	-	18
Total minimum payments	**691**	**1.186**
Due to future financial charge	**(14)**	**(32)**
Present value	**677**	**1.154**
Average interest rate	**2,3%**	**2,1%**

The book value of items in the financial statements does not differ from its fair value.

29. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2011	Change in scope of consolidation	Increases	Decreases	Other movements	Exchange differences	31.12.2012
Deferred tax on impairment of assets	1.111		78	(24)			1.165
Reversal of unrealized intercompany gains	1.378		152				1.530
Provisions for inventory obsolescence	1.041		99	(98)			1.042
Losses in past financial periods	986		452	(340)		(6)	1.092
Provisions for bad debts	130		77	(15)			192
Other deferred tax assets	2.505	(5)	633	(805)	204	(10)	2.522
Total (note 16)	**7.151**	**(5)**	**1.491**	**(1.282)**	**204**	**(16)**	**7.543**

The portion of taxes which are expected to reverse within the following 12 months amount to € 1,440 thousand.

The usability of tax losses carried forward for an unlimited duration except for the subsidiary Emak USA Inc. for which it begin to lose the benefits of the tax credit starting from 2026.

Deferred tax liabilities are detailed below:

€/000	31.12.2011	Increases	Decreases	Other movements	Exchange differences	31.12.2012
Deferred tax on property (IAS 17)	1.511		(36)			1.475
Valuation of provision for employee termination indemnities under IAS 19	327	53	(64)	(57)		259
Taxation on capital gains	457	4	(185)			276
Other deferred tax liabilities	2.219	390	(482)		45	2.172
Total (note 16)	**4.514**	**447**	**(767)**	**(57)**	**45**	**4.182**

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

A total of € 1,189 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, 2012 to € 1,893 thousand, against € 1,606 thousand in 2011.
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 2012 to € 6,023 thousands, against € 4,140 thousand at December 31 2011, refer to VAT credits, surplus payments on account of direct tax and other tax credits.

Current tax liabilities amount to € 3,488 thousand at December 31 2012 compared with € 2,845 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 2012 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 8,725 thousand against € 8,547 thousand at December 31 2011. The valuation of the indemnity leaving fund (TFR) at the closing date, carried out according to the nominal debt method in force would be € 9,705 thousand against € 9,750 at December 31 2011.

Movements in this liability are as follows:

€/000	2012	2011
Opening balance	**8.856**	**4.902**
Current service cost and other provisions	132	40
Actuarial (gains)/losses (note 12)	295	24
Interest cost on obligations (note 15)	239	134
Change from extraordinary operation	19	-
Change from area of consolidation	-	4.122
Disbursements	(470)	(366)
Closing balance	**9.071**	**8.856**

The principal economic and financial assumptions used are as follows:

	FY 2012	FY 2011
Annual inflation rate	2,0%	2,0%
Rising discount rate	2,1%	2,9%
Rate of dismissal	2,0%	3,0%

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

In the 2013 financial year, payments are expected to be in line with 2012.

31. Provisions for liabilities and charges

Movements in these provisions are detailed below:

€/000	31.12.2011	Change in scope of consolidation	Increases	Decreases	Exchange differences	31.12.2012
Provisions for agents' termination indemnity	1.813	-	121	(261)	-	1.673
Other provisions	23	-	-	-	-	23
Total non current portion	**1.836**	**-**	**121**	**(261)**	**-**	**1.696**
Provisions for product warranties	304	-	143	(2)	4	449
Other provisions	1.706	-	224	(1.095)	-	835
Total current portion	**2.010**	**-**	**367**	**(1.097)**	**4**	**1.284**

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 € 224 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 € 85 thousand;
- adjustments of the value of capital grants ex law 488/92 accounted for in previous financial years, for around € 388 thousand;

This fund, whose balance at December 31, 2011, amounted to € 1,307 thousand, was conservatively increased during the year 2011 in view of the fact that the directors of Comag Srl considered unlikely to achieve some parameters to obtain the relative contribution to the law 488/92 entitled to number 15718-13 and reported as current in other receivables (note 23).

Following the publication in the Official Gazette of the law converting Decree Law no. 83 of 22 June 2012 C.D. "Development Decree" and in particular under Article 29 of the Decree, the recipients of contributions relating to Law 488/92 are no longer required to comply with the obligations arising from the calculation of the above parameters. Consequently, it was reversed part of the reserve set aside earlier and reported earnings of EUR 919 thousand in "Other operating income" in the income statement (note 10).

- other miscellaneous charges for € 57 thousand.

32. Other non-current liabilities

€/000	31.12.2012	31.12.2011
Deferred income - Law 488 grants	1.150	1.288
Social security charges	-	-
Total	**1.150**	**1.288**

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 € 138 thousand (€ 176 thousand in 2011).

33. Contingent liabilities

Below we highlight further disputes that the Group has entered into and that may give rise to contingent liabilities, other than those already reported in these notes:

- On February 29 2012 has been completed a controlled access to Tecomec Srl by the Agency of Revenue of Reggio Emilia, aimed at checking tax on annuities, 2008, 2009 and 2010. On 4 April 2012, the company was asked to provide additional documentation by the ex-Article 37 bis of Presidential Decree 600/73, which was promptly delivered on 1 June 2012. On March 8 2013 Tecomec S.r.l. received from the Provincial Directorate of Reggio Emilia Revenue Agency assessment notices that confirm fully the findings set out in the notice of findings. The Company is evaluating the defense strategy to be implemented before the assessment notices received.

- On October 12 2012, at the conclusion of the audit by the Internal Revenue Service, was issued a report on findings against the company Comet SpA which showed some remarks for the area of IRES, IRAP and VAT for the period of tax year 2010. The company has set out its observations through the filing of briefs. At present there is no yet received any notice of assessment from the Revenue Agency..

- The controlled company Tecomec S.r.l. has entered into a tax dispute concerning the years 2002, 2003, 2004 and 2005 involving a total potential burden equal to 435 thousand euros, including taxes, interest and penalties. With the judgment of the Tax Court of Reggio Emilia in October 2008 was accepted the appeal by the company. The ruling was appealed by the Office. The directors of the company, supported by the opinion of its tax consultants, believe, even in the case of a continuation of the litigation in higher levels of jurisdiction, to have valid reasons to support the company's claim, therefore this liability was not considered probable and there has not been any provision

It should be noted that any liabilities that may possibly be defined will be recoverable in full Emak by Yama SpA, alienating the companies acquired as part of the '"Operation Greenfield".

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 2012 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 2012 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 2012 "Trade receivables and Other receivables", equal to € 104,425 thousand (€ 103,521 thousand at 31 December 2011), include € 10,291 thousand (€ 6,978 thousand at 31 December 2011) 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 2012 is € 40,342 thousand (€ 37,316 thousand at December 31 2011).

At December 31 2012 the first 10 customers account for 26.6% of total trade receivables (25,8% at December 31 2011), while the top customer represents 8 of the total (8,1% at December 31 2011)

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 € 160 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 December 31 2012 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	14.521.979
Debt position in Yen	26.356.913
Debt position in Renminbi	38.354.276
Debt position in Swiss Francs	59.727
Debt position in Taiwanese dollars	1.660.167
Debit position in Euros	6.357.405

In comparing the economic values presented below is necessary to consider that data of December 31 2011 are related only to the Emak Group in its configuration prior to the acquisition made on December 22 2011 ("Operation Greenfield") 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 2012 financial period, the overall amount of revenues directly exposed to exchange risk represented around 11,7% of the Group's aggregate turnover (22,3% in the 2011 financial period), while the amount of costs exposed to exchange risk is equal to 14,2% of aggregate Group turnover (11,8% in the 2011 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;
- EUR/REAIS, in respect of sales on the Brazilian market;;
- EUR/ZAR, relating to purchases in the South African 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, China, Ukraine, South Africa and Brazil.. 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 December 31 2012, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around € 1,158 thousand (€ 1,693 thousand at December 31 2011).

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 December 31 2012 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 912 thousand (€ 852 thousand at December 31 2011). 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 December 31 2012 as a result of a hypothetical unfavourable and immediate variation of 10% in underlying values would amount to around € 229 thousand (€ 526 thousand at December 31 2011).

35. Commitments

Fixed asset purchases

The Group has commitments for purchases of fixed assets not accounted for in the financial statements at December 31 2012 for an amount of € 1,409 thousand (€ 568 thousand at December 31 2011). These commitments relate to the purchase of equipment, plant and machinery.

Guarantees granted

The group has € 865 thousand in guarantees granted to third parties at December 31 2012

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 within June 30 2014, 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;
- In the contract of acquisition of the subsidiary Valley Industries LLP has been defined Put and Call option for the remaining 10% interest in favor of the General Manager of the company to be exercised by 2017;
- The subsidiary Comet S.p.A. under the contract of acquisition of Mexican SIAgro Mexico has established a provision for the purchase of a further 40% exercisable by December 31 2013.

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.

€/000	31.12.2012	31.12.2011
Number of ordinary shares	163.934.835	163.934.835
Treasury shares	(397.233)	(397.233)
Total outstanding shares	**163.537.602**	**163.537.602**

The dividends for 2011 approved by the shareholders on April 23 2012, totalling € 4.088 thousand, were paid during 2012.

At December 31 2011 the company held in portfolio 397.233 treasury shares for a value of € 2.029 thousand.

During 2012 no treasury shares were purchased or sold by Emak S.p.A..

Therefore, at December 31 2012 the company held 397.233 treasury shares in portfolio for a value of € 2.029 thousand

In January and February 2013 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 December 31 2012.

37. Related party transactions

Emak S.p.A. is controller by Yama S.p.A. which, at December 31 2012 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 his group traditionally maintained a significant volume of transactions with companies controlled by Yama. Counterparties subsidiaries operating principally in the areas of machinery and equipment for agriculture and gardening, components for engines and real estate-production, so in areas structurally very similar or complementary to those just Emak.

A direct result of the acquisition, which occurred on December 22 2011 and fully represented at the market in outline strategic companies Sabart Srl, Raico Srl, Srl Tecomec and Comet SpA, as well as the indirect control of the companies controlled by the latter, the volume of trade with related parties has been drastically reduced because the previous reports on the most important commercial and industrial trade have moved within the scope of consolidation Emak.

The remaining transactions entered into with the parent Yama SpA and other companies that remain under the direct control of this are documented below. Please note that all transactions relating to the exchange of goods and services that occurred in 2012 have been adjusted according to market conditions (ie, conditions equivalent to those that would be applied in relations between independent parties), all fall within 'in ordinary exercise of the activity and were carried out in the interests of the Group companies Emak.

Such transactions, corresponding to a strict logic and purpose industrial and commercial, have been regulated by specific and analytical "framework decisions" made by the competent Board of Directors of group companies, in accordance with specific procedures for protection.

In the case of Emak, the policy documents have been prepared with the assistance and consent of the independent directors, meeting in the Audit Committee and Risk. The evidence of the transactions carried out in implementation of the framework resolutions are regularly and systematically examined for aggregates from each Board of Directors.

The following tables are representing the relationships of debt resulting from the acquisition of companies mentioned, which correspond to the balance of the price due to Yama SpA and Sabart SpA, against the mentioned significant order of December 22 2011 and will be governed by December 16 2013.
These reports are the only exception to the strictly normal and recurring transactions with related parties have for the group Emak.
During the year there are not occurred other significant transactions with related parties, other than those described here fully.

Sale of goods and services and receivables:

Related parties (€/000)	Net sales	Receivables
Agro D.o.o.	284	21
Cofima S.r.l	2	-
Euro Reflex D.o.o.	758	308
Garmec S.p.A.	158	7
Mac Sardegna S.r.l.	650	325
Selettra S.r.l.	3	-
Yama S.p.A.	-	3
Total Yama Group	**1.855**	**664**
Other related parties	**748**	**-**
Total (note 23)	**2.603**	**664**

Purchase of goods and services and payables:

Companies belonging to the Yama Group (€/000)	Purchases of raw and finished products	Other costs	Commercial and other payables	Financial charges	Non current financial liabialities	Current financial liabilites
Agro D.o.o.	13	-	4	-	-	-
Cofima S.r.l.	699	177	491	-	-	-
Euro Reflex D.o.o.	2.099	15	279	-	-	-
Garmec S.p.A.	135	-	28	-	-	-
Mac Sardegna S.r.l.	-	3	4	-	-	-
Meccanica Veneta S.r.l.	72	-	14	-	-	-
Sabart S.p.A.	-	176	-	140	2.894	-
Selettra S.r.l.	670	7	237	-	-	-
Yama Immobiliare S.r.l.	-	1.457	-	-	-	-
Yama S.p.A.	-	7	-	560	11.577	-
Total Yama Group	**3.688**	**1.842**	**1.057**	**700**	**14.471**	**-**
Other related parties	**49**	**95**	**-**	**-**	**9**	**1.044**
Total (note 27-28)	**3.737**	**1.937**	**1.057**	**700**	**14.480**	**1.044**

Current financial liabilities to the parent Yama SpA and the related company Sabart S.p.A. are the only reports of extraordinary documented here, correspond to the outstanding debt discounted settlement of the acquisitions of December 22 2011.

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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

There were not significant event.

Emak S.p.A. – Financial statements at dicembre 31 2012

Financial statements

Emak S.p.A. – Income statements

€/000	Notes	Year 2012	Of wich to related parties	Year 2011	Of wich to related parties
Sales	8	142,229,959	33,748,976	155,794,447	29,219,333
Other operative income	8	588,262		326,234	
Change in inventories		(6,803,277)		(2,405,469)	
Raw and consumables materials and goods	9	(89,328,270)	(48,054,077)	(98,798,774)	(51,820,041)
Salaries and employee benefits	10	(20,452,706)		(20,566,929)	
Other operative costs	11	(19,942,071)	(1,497,907)	(24,900,611)	(1,524,065)
Amortization, depreciation and impairment losses	12	(4,181,769)		(4,019,720)	
EBIT		**2,110,128**		**5,429,178**	
Financial revenues	13	5,213,937	4,524,674	2,982,107	2,292,820
Financial costs	13	(2,773,395)	(741,461)	(1,411,255)	(14,922)
Exchange gains and losses	13	(174,332)		866,493	
EBT		**4,376,338**		**7,866,523**	
Income taxes	14	102,209		(2,619,082)	
Net profit		**4,478,547**		**5,247,441**	
Basic earning per share	**15**	**0.027**		**0.032**	
Diluted earning per share	**15**	**0.027**		**0.032**	

Comprehensive income statement

€/000	Notes	Year 2012	Year 2011
Net profit (A)		**4,478,547**	**5,247,441**
Gains / (losses) on defined benefit plans	**29**	**(86,000)**	**-**
Fiscal effect		**24,000**	**-**
Total other components to be included in the comprehensive income statement (B)		**(62,000)**	**-**
Comprehensive net profit (A)+(B)		**4,416,547**	**5,247,441**

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of related party transactions on the income statement are shown in the diagram and are further described and discussed in note 35.

Schedule showing consolidated assets-liabilities-financial situation

€/000	Notes	31.12.2012	of which to related parties	31.12.2011	of which to related parties
Non-current assets					
Property, plant and equipment	16	20.878.805		22.827.961	
Intangible assets other than goodwill	17	1.603.556		1.997.121	
Goodwill	18	2.074.305	2.074.305	2.074.305	2.074.305
Equity investments	19	104.354.946		104.402.661	
Deferred tax assets	28	1.496.548		1.240.581	
Other non current financial assets	21	7.271.721	7.061.721	7.233.774	7.233.774
Other receivables	22	1.849		5.203	
Total		**137.681.730**	**9.136.026**	**139.781.606**	**9.308.079**
Current assets					
Inventories	23	36.752.794		43.556.071	
Trade and other receivables	22	57.783.015	11.578.132	57.029.733	8.823.314
Current tax assets	28	2.315.223		1.554.607	
Derivative financial instruments		0		0	
Cash and cash equivalents	24	9.959.029		1.447.499	
Total		**106.810.061**	**11.578.132**	**103.587.910**	**8.823.314**
TOTAL ASSETS		**244.491.791**	**20.714.158**	**243.369.516**	**18.131.393**

EQUITY AND LIABILITIES

€/000	Nota	31.12.2012	of which to related parties	31.12.2011	of which to related parties
Capital and reserves					
Issued capital		40.594.388		40.594.388	
Share premium		42.454.420		42.454.420	
Other reserves		30.508.771		30.308.400	
Retained earnings		30.089.247		29.961.512	
Total equity	**25**	**143.646.826**		**143.318.720**	
Non-current liabilities					
Loans and borrowings	27	20.600.318		26.285.432	13.770.452
Deferred tax liabilities	28	1.973.635		2.382.376	
Provisions for employee benefits	29	4.193.823		4.181.249	
Provisions	30	497.959		677.378	
Total		**27.265.735**		**33.616.809**	
Current liabilities					
Trade and other payables	26	27.119.825	7.592.675	28.408.513	4.858.650
Current tax liabilities	28	850.838		806.195	
Loans and borrowings	27	44.739.345	16.577.913	36.380.903	
Derivative financial instruments	20	415.184		419.254	
Provisions	30	454.038		419.122	
Total		**73.579.230**	**24.170.588**	**66.433.987**	**4.858.650**
TOTAL EQUITY AND LIABILITIES		**244.491.791**	**24.170.588**	**243.369.516**	**18.629.102**

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of related party transactions on the financial position are shown in the diagram and are further described and discussed in note 35.

Statement of changes in equity for Emak S.p.A. at December 31, 2011 and at December 31, 2012

€/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 31.12.2010	**5.161**	**21.047**	**1.438**	**1.138**	**27.733**	**22.767**	**6.308**	**85.592**
Change in treasury shares	35.433	22.504	0	0	0	0	0	**35.433**
Payment of dividends	0	(1.097)	0	0	0	0	0	**0**
Reclassification of 2010 net profit	0	0	0	0	0	0	0	**0**
Other changes	0	0	0	0	0	0	(4.361)	**(4.361)**
Net profit for 2011	0	0	0	0	0	1.947	(1.947)	**(1.947)**
Total at 31.12.2011	**40.594**	**42.454**	**1.438**	**1.138**	**27.733**	**24.714**	**0**	**138.071**
Change in treasury shares	0	0	0	0	0	0	0	**0**
Payments of dividends	0	0	0	0	0	0	(4.088)	**(4.088)**
Reclassification of 2011 net profit	0	0	0	262	0	898	(1.160)	**(262)**
Others	0	0	0	0	0	0	0	**0**
Net profit for 2012	0	0	0	0	0	0	4.478	**4.478**
Total at 31.12.2012	**40.594**	**42.454**	**1.438**	**1.400**	**27.733**	**25.612**	**(770)**	**138.461**

Emak S.p.A cash flow statement

€/000	Notes	2012	2011
Cash flow from operations			
Net profit for period		**4.479**	**5.247**
Amortization, depreciation and impairment losses	12	4.182	4.020
Capital (gains)/losses on disposal of property, plant and equipment		59	(3)
Dividends income		(4.161)	(2.033)
Decreases/(increases) in trade and other receivables		(1.767)	(9.641)
Decreases/(increases) in inventories		6.803	2.405
(Decreases)/increases in trade and other payables		(1.653)	(7.396)
Change in provisions for employee benefits	29	13	(193)
(Decreases)/increases in provision for liabilities	30	(144)	205
Decreases/increases in derivate financial instruments		(94)	223
Net cash generated by operations		**7.717**	**(7.166)**
Cash flow from investment activities			
Dividend income		4.161	2.033
Increases in property, plant and equipment and intangible assets		(1.839)	(3.705)
(Increases) and decreases in financial assets		(116)	(81.680)
Proceeds from disposal of property, plant and equipment		16	3
Emak Benelux sale		50	0
Net cash absorbed by investment activities		**2.272**	**(83.349)**
Cash flow from financial activities			
Dividends paid		(4.089)	(4.361)
Change in short and long-term loans and borrowings		11.123	28.408
Change in finance leases		(512)	(497)
Change in equity		(62)	56.840
Net cash absorbed by financial activities		**6.460**	**80.390**
Net increase in cash and cash equivalents		**16.449**	**(10.125)**
Opening cash and cash equivalents		**(7.465)**	**2.660**
Closing cash and cash equivalents		**8.984**	**(7.465)**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2012	2011
Reconciliation of cash and cash equivalents			
Opening cash and cash equivalents, detailed as follows:	24	**(7.465)**	**2.660**
Cash and cash equivalents		1.447	2.662
Overdrafts		(8.912)	(2)
Closing cash and cash equivalents, detailed as follows:	24	**8.984**	**(7.465)**
Cash and cash equivalents		9.959	1.447
Overdrafts		(975)	(8.912)
Other information:			
Tax paid		(853)	(3.706)
Interest paid		(1.585)	(910)
Interest receiveable on financings to subsidiary companies		330	260
Interest receiveable on bank account		129	49
Interest receiveable on trade receivables		81	393
Effects of exchange rate changes		261	262
Change in related party financial assets transactions		(220)	(82.528)
Change in trade receivables and others toward related parties		(2.755)	(2)
Change in trade payables and others toward related parties		2.734	(3.236)
Change in trade receivables and others for fiscal assets		761	(1.432)
Change in payables and others for fiscal liabilities		45	(417)

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of related party transactions on the financial statements are outlined in the section Other Information.

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

Notes to the financial statements of Emak S.p.A. - Contents

1. General information

On March 15 2013 the Board of Directors of Emak S.p.A. approved the Directors' report for the financial year to December 31 2012, 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 2013.

Emak S.p.A., as the Parent Company, has also prepared the consolidated financial statements for the Emak Group at December 31 2012, which was also approved by the Board of Directors of Emak S.p.A. at its meeting on March 15 2013 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.

2. Summary of principal accounting policies

The main accounting standards used for the preparation of these financial statements are set out below and, unless otherwise indicated, have been uniformly adopted for all periods presented.

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 Emak and 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 notes to the separate 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 financial statements are discussed in note 4.

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

The effects of applying on a voluntary basis of IAS 19 revised are not represented retrospectively, which entails, among other things, change the principle of recognition of gains and losses related to employee severance indemnities and the pension funds. This decision was taken in view of the impact is not significant on the previous year's data.
For more details, see paragraph 2.27 "change in accounting principles and new accounting standards of the the notes to the consolidated financial statements."

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
Other intangible assets are recognized in accordance with IAS 38 - Intangible assets, when the asset is identifiable, it is probable that future economic benefits and its costs can be measured reliably. Intangible assets are recorded at cost and amortized over the period of estimated useful life and in any case for a period not exceeding 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 item includes shares in subsidiaries and interests in joint-stock companies accounted for using the cost method as adjusted for 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 Utile per azione

L'utile base per azione è calcolato dividendo il risultato economico della Società per la media ponderata delle azioni in circolazione durante l'esercizio, escludendo le azioni proprie.
La Società non ha azioni ordinarie potenziali.

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 December 31 2012, 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's policy, in line with the directives shared across the Group, is based on research of natural hedging receivables and payables and just cover the net positions in foreign currencies mainly using forward contracts.

(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.
Consequently, the treasury, in accordance with the general directives of the Group, shall put on the following activies:
- verification of financial requirements in order to implement the resulting actions;
- obtaining adequate lines of credit;
- liquidity optimization, where feasible, through structures of centralized management of cash flows of the Group;
- maintaing a balanced composition of net financial debt to investments;
- pursuit of a balance between short-term debt, medium and long term;;
- limited credit exposure to individual financial institutions;
- monitoring of compliance with the parameters set by the covenants relating to the financing of medium-long term.

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

The company, through a financial management of the Group has maintained high levels of reliability on the part of banks and analysts, lines of credit available to significantly exceed the 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 Consitution of distribution branch in Brazil

In June 2012, the parent company Emak S.p.A. has set up Emak do Brasil Industria Ltda, based in Curitiba in the state of Paraná, with a share capital of 200,000 reais and fee equal to 99%, the subsidiary will distribute in the Brazilian territory of Group products Emak brand Oleo-Mac In addition, the newly formed company will also distribute the products of Comet and Tecomec, joined the Group in late 2011.

5.2 Disposal of subsidiary Emak Benelux N.V.

On 20 September 2012 the parent Emak has signed an agreement for the sale of the stake in Emak Benelux NV, a Belgian company based in Meer, which deals with the distribution of products on the market Emak Belgian and Dutch.

The company ended the year 2011 with a turnover of € 2.125 thousand and a net profit of two thousand. The sale price of the shares was set at € 50 thousand and led to the recognition in the separate financial statements of a loss of € 77 thousand.

Buyers are Kesters Herman, currently Managing Director of the Company and Bjorn Kesters.

The transaction, with settlement of payment, was made on October 1 2012 and the same has been entered into by the company, a distribution agreement Emak products in the same areas already served before.

The transaction will allow Emak to maintain the same distribution model in the area, ensuring greater efficiency into account the size of the business.

The fair value of assets and liabilities from discontinued operations with effect from September 30 2012 and the proceeds are detailed below:

Valori in migliaia di Euro	Valori contabili	Rettifiche di fair value	Fair value attività acquisite
Attività non correnti			
Immobilizzazioni materiali	5	-	5
Immobilizzazioni immateriali	-	-	-
Attività fiscali per imposte anticipate	5	-	5
Attività correnti			
Rimanenze di magazzino	384	-	384
Crediti commerciali e altri crediti a breve termine	268	-	268
Cassa e disponibilità liquide	15	-	15
Passività non correnti			
Passività finanziarie	(120)	-	(120)
Passività correnti			
Debiti commerciali e altre passività	(382)	-	(382)
Debiti tributari	(23)	-	(23)
Passività finanziarie	(90)	-	(90)
Totale attività nette cedute	**62**	**-**	**62**
Percentuale ceduta			**99,8%**
Pn di riferimento ceduto			**62**
Prezzo di vendita			**50**

6. Positions or transactions deriving from atypical and unusual operations

During the year 2012 there were no atypical or unusual operations, in addition to the reasons already set out in note 16 to the accounting of the credit for the recognition of the tax benefit resulting from the deduction, the tax base IRES, IRAP relating to staff costs, calculated on the years 2007 to 2011, as provided for in Article 2, paragraph 1-quarter of Decree-Law n. 201/2011.

7. Net financial position

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

Dati in migliaia di Euro	31/12/2012	31/12/2011
A. Cassa e banche attive	9.959	1.447
B. Altre disponibilità liquide	-	-
C. Titoli detenuti per la negoziazione	-	-
D. Liquidità (A+B+C)	**9.959**	**1.447**
E. Crediti finanziari correnti		
F. Debiti bancari correnti	(15.994)	(35.711)
G. Parte corrente dell'indebitamento non corrente	(10.280)	-
H. Altri debiti finanziari	(18.881)	(1.089)
I. Indebitamento finanziario corrente (F+G+H)	**(45.155)**	**(36.800)**
J. Indebitamento finanziario corrente netto (I+E+D)	**(35.196)**	**(35.353)**
Z. Crediti finanziari non correnti	**7.272**	**7.234**
K. Debiti bancari non correnti	(20.600)	(10.782)
L. Obbligazioni emesse	-	-
M. Altri debiti non correnti netti	-	(15.594)
N. Indebitamento finanziario non corrente (K+L+M+Z)	**(13.328)**	**(19.142)**
O. Indebitamento finanziario netto (J+N)	**(48.524)**	**(54.495)**

At December 31 2012 the net financial position includes:

- the debt to the parent Yama S.p.A. for an amount of € 11,577 thousand and with the related company Sabart S.p.A. for an amount of € 2,894 thousand, both recorded under Other current financial liabilities;
- financing active in the medium and long term granted by Emak S.p.A. to subsidiaries amounting to € 7,062 thousand, recorded under not current financials credit;
- debt to loan to the subsidiary Sabart Srl for an amount of € 2,107 thousand recorded under Other current financial liabilities.

At December 31 2011 the net financial position included:

- 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 € 142,230 thousand, compared with € 155,794 thousand in the prior year. They are stated net of € 293 thousand in returns, compared with € 684 thousand in the prior year.

Details of sales are as follows:

€/000	FY 2012	FY 2011
Net sales revenues (net of discounts and rebates)	141.239	155.194
Revenues from recharged transport costs	1.284	1.284
Returns	(293)	(684)
Total	**142.230**	**155.794**

Other operating income is analysed as follows:

€/000	FY 2012	FY 2011
Subsidies for operation	234	81
Capital gains on tangible fixed assets	19	6
Insurance refunds	27	38
Out-of-period income	244	97
Other	64	104
Total	**588**	**326**

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 staffil;
- Fondimpresa contribution of € 11 thousand, for costs incurred by the Company for training its staffil;
- other contributions amounted to € 17 thousand.

9. Cost of raw and consumable materials and goods

The heading is analysed as follows:

€/000	FY 2012	FY 2011
Raw materials	41.323	47.201
Consumable materials	46.541	49.901
Finished products	150	223
Other purchase	1.314	1.474
Total	**89.328**	**98.799**

10. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2012	FY 2011
Wage and salaries	14.284	14.086
Social security charges	4.506	4.459
Employee termination indemnity	1.065	1.060
Other costs	74	131
Directors’ emoluments	376	247
Temporary staff	148	584
Total	**20.453**	**20.567**

Employees are broken down by grade as follows:

	December 31 2012		December 31 2011	
	(1)	(2)	(1)	(2)
Executives	17	17	15	14
Office staff	190	189	180	185
Factory workers	205	202	217	211
Total	**412**	**408**	**412**	**410**

(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 2012	FY 2011
Subcontract work	2.525	4.888
Transportation	4.587	5.216
Advertising and promotion	1.912	2.132
Maintenance	1.535	1.281
Commissions	1.316	1.488
Consulting fees	1.493	3.405
Costs for product warranties and after sales service	857	788
Insurance	418	412
Travel	329	334
Postage and telecommunications	234	257
Other services	1.931	1.706
Services	**17.137**	**21.907**
Rents, rentals and the enjoyment of third party assets	**1.676**	**1.759**
Provisions	**168**	**261**
Increase in provision for doubtful accounts (note 22)	191	172
Other taxes (not on income)	198	181
Other operative costs	572	621
Other costs	**961**	**974**
Total	**19.942**	**24.901**

The decrease in costs related to outsourcing, more than proportional to the decline in sales during the year, highlights the organizational flexibility and productive of Emak.

The constant attention to the reorganization of the supplier base, with special attention to the effectiveness of management of the sections was already launched during the previous year, has also determined to the current financial year a decrease in transportation costs.

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

The advice costs have decreased significantly over the previous year in which there were costs for M & A, completed in 2011, approximately € 2,069 thousand.

The decrease in "provisions" mainly due to the non-provision of the prize fund clients because no action was in progress at year end.

12. Amortization and depreciation

Details of these amounts are as follows:

€/000	FY 2012	FY 2011
Amortization of tangible assets (note 16)	3.267	3.019
Amortization of intangible assets (note 17)	914	724
Depreciation of partecipation in subsidiaries (note 19)	-	277
Total	**4.181**	**4.020**

13. Finance income and expenses

Details of these amounts are as follows:

€/000	FY 2012	FY 2011
Dividends from subsidiaries	4.161	2.033
Interest on trade receivables	428	390
Interest on commercial receivables to subsidiaries (note 35)	32	-
Interest on loans to subsidiaries (note 35)	330	260
Interest on bank and post office accounts	169	49
Costs from adjustement to fair value and closure of derivates instruments for hedging interest rate risk	-	227
Other financial income	94	23
Financial income	**5.214**	**2.982**

The heading "Dividends from shareholdings in subsidiaries" refers to the dividends received from Emak Suministros Espana S.A., Comet S.p.A., Emak France S.a.s., Sabart S.r.l. and Victus-Emak Sp. Z.o.o.

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 2012	FY 2011
Interest on long-term bank loans and borrowings	791	465
Interest on short-term bank loans and borrowings	668	234
Interest on loans to related parties (note 35)	741	15
Financial charges from valuing employee termination ind. (note 29)	119	127
Costs from adjustment to fair value and closure of derived instruments for hedging interest rate risk.	122	213
Losses on subsidiaries	77	-
Other financial costs	255	357
Financial expenses	**2.773**	**1.411**

The increase in interest expense on bank loans compared to 2011, must be analyzed with reference to the trend in net debt that has increased significantly in the last month of the previous year, affecting the costs involved the year 2011 only partially.
As evidenced by the statement of Financial Position, the debt has been a significant decrease in the last half of 2012 recording a net debt to less than December 31 2011.
In addition, the higher cost financial year was affected by the increase in effective interest rates, in relation to the company's strategic choice to focus on the use of bank debt in the medium term to the detriment of the short-term.

Interest on loans to related parties refer mainly to the payable YAMA SpA and Sabart S.p.A. for deferred payment for the purchase of shares in Sabart Srl, Raico Srl, Srl Tecomec and Comet SpA, which took place during the month of December of the previous year.

The adjustments of derivative instruments accept the fair value measurement of hedging instruments of interest rate risk, resulting in operating income and a second rate fluctuations and therefore the net effect of loss for the year amounted to € 122 thousand, compared to the positive effect of € 14 thousand in the previous year.

The losses relate only to the sale of the subsidiary Emak Benelux, the details of which can be found in paragraph 5.2.

The decrease in other financial costs is related to the lower interest actually paid with respect to hedging contracts entered into by the company.

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

€/000	FY 2012	FY 2011
Positive exchange rate differences	1.629	1.242
Unrealized gains/(losses)	(846)	724
Negative exchange rate differences	(957)	(1.100)
Exchange gains and losses	**(174)**	**866**

14. Income taxes

The estimated tax charge in 2012 for current and deferred tax amounts to € 673 thousand, gross of positive due to prior year taxes for € 775 thousand.
The estimated tax charge in 2011 amounted to € 2.619.

This amount is made up as follows:

€/000	FY 2012	FY 2011
Current income taxes	1.134	2.806
Taxes from prior years	(775)	3
Changes in deferred tax liabilities (note 28)	(409)	(5)
Changes in deferred tax assets (note 28)	(52)	(185)
Total	**(102)**	**2.619**

Current income taxes include the cost of IRAP (regional company tax) to € 577 thousand, compared to € 771 thousand in 2011.

Among the taxes of previous years figure to € 740 thousand, the amount of the tax benefit from the deduction, the tax base IRES, IRAP on staff costs, employee and assimilated, calculated on the years 2007 to 2011 as provided for in Article 2, paragraph 1-quarter of Decree-Law n. 201/2011.

For this purpose Emak has proceeded to send a special refund claim in accordance with and within the time stipulated in the provisions issued by the Entities.

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

€/000	FY 2012	% rate	FY 2011	% rate
Profit before taxes	**4.376**		**7.867**	
Theoretical tax charges	**1.374**	**31,4**	**2.470**	**31,4**
Effect of IRAP differences calculated on different tax base	405	9,2	464	5,9
Dividends	(1.118)	(25,5)	(531)	(6,8)
Non-deductible costs	157	3,6	287	3,7
Previous period tax	(775)	(17,7)	3	-
Other differences	(145)	(3,3)	(74)	(0,9)
Effective tax charge	**(102)**	**(2,3)**	**2.619**	**33,3**

The tax rate is affected by positive effect of repayment of taxes for previous years for a ratio of 17,7%.
The tax rate of 2012, without this benefit, would be equal to 15,4%, against the 33,3% of the previous year.

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

	FY 2012	FY 2011
Net profit attributable to ordinary shareholders (€/1000)	4.535	5.247
Weighted average of ordinary shares outstanding	163.537.602	163.537.602
Basic earnings per share (€)	**0,028**	**0,032**

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	31.12.2010	Increase	Decrease	Other movement	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)	1.009	-	(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**
Acc. depreciation (note 12)	**(47.746)**	**(3.019)**	**1.307**	**-**	**(49.458)**
Net book value	**23.076**	**(216)**	**(15)**	**(17)**	**22.828**

€/000	31.12.2011	Increase	Decrease	Other movement	31.12.2012
Land and buildings	19.397	34	-	391	19.822
Accumulated depreciation	(5.835)	(475)	-	-	(6.310)
Land and buildings	**13.562**	**(441)**	**-**	**391**	**13.512**
Plant and machinery	9.361	78	(197)	102	9.344
Accummulated depreciation	(5.646)	(857)	195	-	(6.308)
Plant and machinery	**3.715**	**(779)**	**(2)**	**102**	**3.036**
Other assets	42.533	1.119	(157)	441	43.936
Accumulated depreciation	(37.977)	(1.935)	150	-	(39.762)
Other assets	**4.556**	**(816)**	**(7)**	**441**	**4.174**

Advances	**995**	**98**	**-**	**(936)**	**157**
Cost	**72.286**	**1.329**	**(354)**	**(2)**	**73.259**
Acc. depreciation (note 12)	**(49.458)**	**(3.267)**	**345**	**-**	**(52.380)**
Net book value	**22.828**	**(1.938)**	**(9)**	**(2)**	**20.879**

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

The increases relate to:

- Category manufactured as a result of the construction of the new "training service" Emak, adjacent to the Workshop Service in Bagnolo in Piano,at Via Secchi 12/14;
- 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, for € 924 thousand;
  - the purchase of electronic machines, for € 134 thousand;
  - the purchase of internal means of transport, for € 40 thousand;
  - the purchase of instruments for testing and control, for € 20 thousand.

The item "Advance payments and construction in progress" refers to the amounts paid for the construction of equipment and investments undertaken during the construction of the new sprinkler system for buildings in Via Fermi.

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	31.12.2012	31.12.2011
Gross value	3.659	3.659
Accumulated depreciation	(877)	(768)
Net book value	**2.782**	**2.891**

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	31.12.2010	Increases	Reclass.	Other movement	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, licenses and trademarks	81	23	-	-	104
Accumulated amortization	(34)	(10)	-	-	(44)
Concessions, licenses 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**

€/000	31.12.2011	Increases	Reclass.	Other movement	31.12.2012
Development costs	1.788	33	-	9	1.830
Accumulated amortization	(1.039)	(197)	-	-	(1.236)
Development costs	**749**	**(164)**	-	**9**	**594**
Patents and intellectual property rights	5.557	422	-	3	5.982
Accumulated amortization	(4.700)	(558)	-	-	(5.258)
Patents	**857**	**(136)**	-	**3**	**724**
Concessions, licenses and trademarks	104	6	-	-	110
Accumulated amortization	(44)	(10)	-	-	(54)
Concessions, licenses and trademarks	**60**	**(4)**			**56**
Other intangible assets	621	17	-	-	638
Accumulated amortization	(302)	(149)			(451)
Other intangible assets	**319**	**(132)**	**-**	-	**187**
Advances	**12**	**43**	**-**	**(12)**	**43**
Cost	**8.082**	**521**	**-**	**-**	**8.603**
Accumulated amortization (note 12)	**(6.085)**	**(914)**	**-**	**-**	**(6.999)**
Net book value	**1.997**	**(436)**	**-**	**-**	**1.604**

The investments of the year relate mainly to the purchase of software for improving process efficiency for € 422 thousand, among which the project for the integration of subsidiaries and the customizations of the system management for more effective management of business processes.

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 € 5,681 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	31.12.2011	Increases	Decrease	31.12.2012
Equity investments				
- in subsidiary companies	104.178	78	(126)	104.130
- in other companies	224	1	-	225
TOTAL	**104.402**	**79**	**(126)**	**104.355**

Investments in subsidiaries amounted to € 104.130 thousand, an increase of € 78 thousand related to the establishment of the company Emak Do Brasil Industria LTDA (Curitiba, Brazil), which took place June 27 2012, and a decrease of € 126 thousand for the sale of the investment in the subsidiary Emak Benelux NV, with effect from October 1 2012.

In Annexes 1 and 2 are set out in detail the values of investments in subsidiaries.

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 2013-2015. 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.
- the terminal value was determined on the basis of a long-term growth rate (g) prudential 1.5%.
- the gross WACC used to discount the future cash flows expected to the U.S. company was equal to 7%; the gross WACC used to discount the future cash flows expected by the English company was 10.2%.

It was performed sensitivity analysis on the assumption of basic-different scenarios of changes in WACC and increasing the same as +10% or -10%, this analysis shows that, by varying the WACC, the recoverable amount of the cash-generating unit would still be higher than its book value.

- 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.

- one share for membership of the ECOPED Consortium as required by Decree 151/2006, 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 the hedging purchases in foreign currency and the 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 € 17,655 thousand.
The expiry of the instruments is as follows:

- € 4,000 thousand will be amortised in financial years up to 2013;
- € 2,647 thousand will be amortised in financial years up to 2014;
- € 11,008 thousand in the 2016 financial year.

The value of these contracts at December 31 2012 appears to be totaling to a negative fair value of € 325 thousand.

The average interest rate resulting from the instruments is equal to 2.61%.

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

The other non-current assets amounted to € 7.272 thousand, against € 7.234 thousand in the previous year and refer to loans granted to subsidiaries amounting to € 7.062 thousand and borrowings in the amount of € 210 thousand.

The loans are granted at a twelve-month EURIBOR + 2 percentage points to March 31 2012, +3 percentage points to 30 June 2012 and +3.5 percentage points for the last half of 2012.
The loans was granted to the company Emak USA Inc. to twelve months Libor + 2 percentage points to March 31 2012, + 3 percentage points to 30 June 2012 and +3.5 percentage points for the last half of 2012.

The loans are granted to the company Emak Jiangmen a fixed rate of 5% while the financing, in U.S. dollars, granted to the subsidiary Emak Do Brasil accrues interest calculated at LIBOR twelve months + 3 percentage points.

There are no other current financial assets.

22. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2012	31.12.2011
Trade receivables	47.194	49.002
Provision for doubtful credits	(1.296)	(1.139)
Net trade receivables	**45.898**	**47.863**
Receivables due from related parties (note 35)	11.578	8.823
Prepaid expenses and accrued income	137	116
Other receivables	170	228
Total current portion	**57.783**	**57.030**
Other non-current receivables	2	5
Total non-current portion	**2**	**5**

Trade receivables include the following amounts in foreign currency:
- USD 20,057,810;
- JPY 14,640,000.

Trade receivables generally fall due within 108 days.

All non-current receivables mature within five years. There are no trade receivables due after one year.
Trade receivables" are analysed by geographical area as follows:

€/000	Italy	Europe	Rest of the world	Total
Trade receivables	12.490	23.153	10.255	**45.898**
Receivables due from related parties	8.360	5.485	2.875	**16.720**

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

€/000	31.12.2012	31.12.2011
Opening balance	**1.139**	**976**
Increases (note 11)	191	172
Decreases	(34)	(9)
Closing balance	**1.296**	**1.139**

The book value of this balance approximates its fair value.

23. Inventories

Inventories are detailed as follows:

€/000	31.12.2012	31.12.2011
Raw, ancillary and consumable materials	18.367	21.159
Work in progress and semi-finished products	5.012	6.073
Finished products and goods for resale	13.374	16.324
Total	**36.753**	**43.556**

Inventories are stated net of a provision of € 1.268 thousand at December 31 2012 (€ 1.133 thousand at December 31 2011) 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 2012	FY 2011
Opening balance	1.133	923
Increases	399	407
Uses	(264)	(197)
Closing balance	**1.268**	**1.133**

The decreases in the provision refer to obsolete material disposed of during the 2012 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 December 31 2012 act as security against its liabilities.

24. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2012	31.12.2011
Bank and postal deposits	9.914	1.441
Cash	6	6
Accrued bank interests	39	-
Total	**9.959**	**1.447**

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

€/000	31.12.2012	31.12.2011
Cash and banks	9.959	1.447
Overdrafts (note 27)	(975)	(8.912)
Total	**8.984**	**(7.465)**

25. Equity

Share capital
Share capital is fully paid up at December 31 2012 and amounts to € 42.623 thousand, remaining unchanged during the year under examination. It consists of 163.934.835 ordinary shares of par value € 0.26 each.

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 2012 (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 December 31 2012, the share premium reserve amounts to € 42.454 thousand, unchanged from the previous year is made up of premiums on newly issued shares. The reserve is shown net of expenses related to the capital increase, which occurred in the previous year, amounting to € 1.598 thousand and adjusted for the tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31 2012 of € 1.700 thousand (€ 1.438 thousand at December 31 2011).

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 December 31 2012, inclusive of all allocations of earnings in prior years.

At 31 December 2012 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.

These reserves are unchanged compared to previous year.

The following table analyses equity according to its origin, its possible uses and distribution:

Nature/Description (€/000)	Amount	Possible use	Available portion	Summary of uses in past three years: Coverage of losses	Summary of uses in past three years: Other reasons
Share capital	**42.623**				
Capital reserves					
Share premium reserve (§)	42.454	A-B-C	42.454	-	-
Revaluation reserve under Law 72/83 (#)	371	A-B-C	371	-	-
Revaluation reserve under Law 413/91 (#)	767	A-B-C	767	-	-
Merger surplus reserve (#)	394	A-B-C	394	-	-
Other untaxed reserve (#)	122	A-B-C	122	-	-
Reserves formed from earnings					
Legal reserve	1.700	B	-	-	-
Extraordinary reserve	27.088	A-B-C	27.088	-	-
Untaxed reserve (#)	129	A-B-C	129	-	-
Treasury shares	(2.029)		(2.029)		
Profits brought forward in FTA	2.742	A-B	2.742	-	-
Valutation reserve	(62)		(62)		
Profits brought forward	22.870	A-B-C	22.870	-	-
Total	**96.546**		**94.846**	-	-
Undistributable portion (*)			**(10.168)**	-	-
Distributable balance			**84.678**	-	-
Net profit for the period (**)	**4.478**		**4.251**	-	-
Total equity	**143.647**				

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.
(*) Equal to the reserve First Time Adoption (€ 2.742 thousand), the share of long-term costs not yet amortized (€ 825 thousand) in addition to the share of necessary future allocation to the legal reserve (€ 6.601 thousand). This bond bears specifically on the share premium reserve (§);
(**) subject to obliged allocation to the legal reserve for € 227 thousand.

26. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2012	31.12.2011
Trade payables	16.166	20.447
Payables due to related parties (note 35)	7.593	4.859
Payables due to staff and social security institutions	2.333	2.654
Other payables	1.028	449
Total	**27.120**	**28.409**

The item "Other payables" includes incentive bonus for directors to € 215 thousand, debt against a collateral received from a customer for € 529 thousand and the payments received from a customer for the development of a new product € 111 thousand.
The item "Payables to related parties", the details of which are provided in the relevant note, includes € 320 thousand as debt to the subsidiary Comag Srl emerging from the ratio of fiscal consolidation which involves the two companies.

Trade payables do not generate interest and are usually settled after 80 days.

This balance includes the following amounts in foreign currency:
- USD 2,523,516;
- JPY 34,268,969;
- CHF 27,012;
- TWD 663,069;
- RNB 37,609,243.

"Trade payables" and "Payables due to related parties" are analyzed by geographical area below:

€/000	Italy	Europe	Rest of the world	Total
Trade payables	11.012	1.461	3.693	16.166
Payables due to related parties	3.917	611	3.065	7.593

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

27. Financial liabilities

Financial liabilities at December 31 2012 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	31.12.2012	31.12.2011
Overdrafts (note 24)	975	8.912
Bank loans	25.192	26.737
Finance leases	475	512
Financial accrued expense and deferred income	261	143
Other loans	1.258	77
Loans from related parties (note 35)	16.578	-
Total current portion	**44.739**	**36.381**

The item "other financial liabilities" amounting to € 1.258 thousand euros, refers to the amount held by Simest SpA in the capital of subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd whose payment 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 nominal value of the loan 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.

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due within 6 and 12 months	Total
Bank loans	13.037	12.155	25.192
Finance leases	262	213	475
Other finance loans	1.258	-	1.258
Payables due to related parties (note 35)	2.197	14.381	16.578
Total	**16.754**	**26.749**	**43.503**

The leasing liabilities includes the residual debt to the leasing company that will be settled during the next financial year.

The item "Loans from related parties" includes the remaining debt to the parent company Yama SpA and to the subsidiary Sabart S.p.A. for an amount of € 12.274 thousand euros for the acquisition of subsidiaries Sabart Srl, Raico Srl, Srl Tecomec and Comet SpA, the subject of the "Greenfield" which took place in December of last year.
The discount rate used is representative of the marginal cost of debt in the medium and long-term for Emak.
The item also includes the debt to an interest-bearing current account granted by the subsidiary Sabart Srl for a residual value at December 31 2012 of € 2.107 thousand.
The interest rate granted during the year has been calculated on the basis of Euribor + 1.5 percentage points.

The details of **long-term loans** is as follows:

	31.12.2012	31.12.2011
Bank loans	20.600	10.782
Finance leases	-	475
Other loans	-	1.258
Payables due to related parties (note 35)	-	13.770
Total non-current portion	**20.600**	**26.285**

The decrease in financing different from those banking was due to the reclassification to short-term financing of the remaining shares of debt maturing in the coming year.

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	8.656	6.239	4.474	1.231	20.600	-

The interest rates refer to 3-6 months Euribor plus a spread ranging from a minimum of 0.40% to a maximum of 4.7%.

Emak S.p.A. has signed in the course of a few medium-to long-term subject to financial covenants verified on the basis of ratios Net debt / EBITDA and Net debt / Equity consolidated. At December 31 2012 the Group complied with all the benchmarks set.

28. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2011	Increases	Decreases	Other movements	31.12.2012
Provision for inventory obsolescence	313	44	(8)	-	349
Provision for doubtful accounts	15	-	-	24	39
Other deferred tax assets	913	192	(175)	179	1.109
Total (note 14)	**1.241**	**236**	**(183)**	**203**	**1.497**

The portion of taxes which are expected to reverse within the following 12 months amount to € 419 thousand.

"Other deferred tax assets" includes the remaining balance of the deferred tax assets related to cost of capital increase and credited directly to equity to offset the costs.

Deferred tax liabilities are detailed below:

€/000	31.12.2011	Increases	Decreases	31.12.2012
Capital gains on fixed assets disposals	446	4	(178)	272
Valutation of provision for employee termination indemnities under IAS 19	158	-	(15)	143
Buildings redeemed under finance lease IAS 17	1.487	-	(32)	1.455
Other deferred tax liabilities	291	100	(287)	104
Total (note 14)	**2.382**	**104**	**(512)**	**1.974**

The decrease 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 € 192 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 December 31 2012 is € 408 thousand.

The tax credits amount at December 31 2012 to € 2.315 thousand, against € 1.555 thousand at December 31 2011, refer to:

- VAT credits for € 238 thousand;
- Credit for income taxes due to higher payments on account for € 979 thousand;
- tax credits from previous years reimbursements for € 989 thousand relating instance IRAP tax refund related ex. Law no. 201/2011 and ex. Decree 185/2008;
- other tax credits for € 119 thousand..

Current tax liabilities amount to € 851 thousand at December 31 2012 compared with € 806 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 € 4.194 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 4.714 thousand.

Movements in this liability are as follows:

€/000	2012	2011
Opening balance	**4.181**	**4.374**
Actuarial (gains)/Losses	86	26
Interests costs on obligation (note 13)	119	127
Disbursements	(192)	(346)
Closing balance	**4.194**	**4.181**

The principal economic and financial assumptions used are as follows:

	FY 2012	FY 2011
Annual inflation rate	2,0%	2,0%
RIsing discount rate	2,1%	2,9%
Rate of dismissal (average overall rate)	2%	3%

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

Payments in 2013 are expected to be in line with 2012.

30. Provisions for liabilities and charges

Movements in this balance are analysed below:

€/000	31.12.2011	Increases	Decreases	31.12.2012
Provisions for agents' termination indemnity	654	37	(216)	475
Other provisions	23	-	-	23
Total non-current portion	**677**	**37**	**(216)**	**498**
Provisions for clients bonus	75	-	(75)	-
Provision for product warranties	219	131	-	350
Other provisions	125	-	(21)	104
Total current portion	**419**	**131**	**(96)**	**454**

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 € 104 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 € 23 thousand.

31. Contingent liabilities

At the date of December 31 2012 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 December 31 2012 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 2012 "Trade receivables and Other receivables", equal to € 57.785 thousand (€ 57.035 thousand at December 31 2011), include € 5.998 thousand (€ 3.383 thousand at December 31 2011) 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	2012	2011
Trade receivables due from customers with SACE 1rating	13.507	10.449
Trade receivables due from customers with SACE 2 e 3 rating	33.365	37.984
Trade receivables due from customers with non-insurable SACE rating assicurabili	322	569
Total (Note 22)	**47.194**	**49.002**

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 December 31 2012 is € 18.645 thousand.

At December 31 2012 the 10 most important customers (not including companies belonging to the Emak Group) account for 53,9% of total trade receivables, while the top customer represents 16,2% 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 noted in the section "Financial risk management" the Company, in line with the general directives of the Group reduces the liquidity risk and optimizes the management of financial resources: gives rise to the following activities:

- verification of financial requirements in order to implement the resulting actions;
  ♣ obtaining adequate lines of credit;
  ♣ liquidity optimization, where feasible, through structures of centralized management of cash flows of the Group;
  ♣ Maintaining a balanced composition of net financial debt to investments;
  ♣ pursuit of a balance between short-term debt, medium and long term;
  ♣ limited credit exposure to individual financial institutions;
  ♣ Monitoring of compliance with the parameters set by the covenants relating to the financing of medium-long term.

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 € 92.701 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 2012 the overall amount of revenues directly exposed to exchange risk represented around 16% of the turnover (17% in 2011), while the amount of costs exposed to exchange risk is equal to 17% of turnover (5% in 2011).

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;
- EUR/RMB, relating to purchases in the Chinese market.

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 December 31 2012, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around € 990 thousand (€ 1.160 thousand at December 31 2011).

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 at December 31 2012 holds certain derivative financial instruments whose value is linked to interest rates.

Although these transactions were entered into for hedging purposes, the accounting principles do not allow hedge accounting treatment. Therefore, the variability of the underlying values could affect the financial results of the company.

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 December 31 2012 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 482 thousand (€ 466 thousand at December 31 2011). 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.

33. Commitments

Fixed asset purchases

The company has € 497 thousand in unrecorded commitments to purchase fixed assets at December 31 2012 (€ 473 thousand at December 31 2011). These commitments relate entirely to the purchase of equipment, plant and machinery.

Guarantees granted

to third parties:

They amount to € 823 thousand and are made up as follows:

- € 17 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;
- € 350 thousand for surety policy in favour of the Naples Customs Office for guaranteeing customs duties;
- € 436 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 € 16.866 thousand, and refer to the balance of credit line used as at December 31 2012, broken down as follows:
- € 7.118 thousand to the subsidiary Tecomec S.r.l.
- € 3.896 thousand to the subsidiary Emak Deutschland GmbH;
- € 2.768 thousand to the subsidiary Emak France SAS;
- € 1.829 thousand to the subsidiary Emak UK Ltd;
- € 397 thousand to the subsidiary Jiangmen Emak Outdoor Power Equipment Co.Ltd.;
- € 521 thousand to the subsidiary Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.;
- € 34 thousand to the subsidiary Raico S.r.l.;
- € 303 thousand to the subsidiary Epicenter Limited.

34. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31 2012 and amounts to € 42.623 thousand. It consists of 163.934.835 ordinary shares of par value € 0.26 each.

€/000	31.12.2012	31.12.2011
Number of ordinary shares	163.934.835	163.934.835
Treasury shares	(397.233)	(397.233)
Total outstanding shares	**163.537.602**	**163.537.602**

The dividends for 2011 approved by the shareholders on 23 April 2012, totalling € 4.088 thousand, were paid during 2012.

At December 31 2011 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 2012 the company held 397.233 treasury shares in portfolio for a value of € 2.029 thousand.

In January and February 2013 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 December 31 2012.

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.

* * * * * * *

Related party transactions in 2012 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 2012 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.

The operations carried out in 2012 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	Financial assets non current
Comag S.r.l.	91	2.064
Emak Benelux N.V. (*)	9	-
Emak Deutschland GmbH	109	1.800
Emak UK Ltd.	14	316
Emak France SAS	51	-
Emak USA Inc.	9	227
Emak Do Brasil Industria Ltda	2	148
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	14	707
Raico S.r.l.	31	1.800
Total (note 13 and note 21)	**330**	**7.062**

* Company exit from the Group and from the consolidation with effect from 01.10.2012

Due for loans and interests:

Company controlled by Emak S.p.A. (€/000)	Financial charges	Current financial liabilities
Sabart S.r.l.	41	2.107
Total (A)	**41**	**2.107**

Other reports related to financial nature concerning the relationship of the guarantee referred to in paragraph 33 above.

Debt situation:

Comany Yama's Group (€/000)	Financial charges	Current financial liabilities
Yama S.p.A.	560	**11.577**
Sabart S.p.A.	140	**2.894**
Total (B)	**700**	**14.471**
Totals (A)+(B) (note 26 e 27)	**741**	**16.578**

Sale of goods and services and receivables:

Companies controlled by Emak S.p.A. (€/000)	Net sales	Overdue interests	Dividends	Total	Receivables
Emak Suministros Espana SA	3.032	-	249	**3.281**	**53**
Comag S.r.l.	482	-	-	**482**	**125**
Emak Benelux N.V. (*)	885	-	-	**885**	**-**
Emak Deutschland Gmbh	4.968	-	-	**4.968**	**324**
Emak UK Ltd.	1.546	-	-	**1.546**	**637**
Emak France SAS	9.274	-	1.000	**10.274**	**2.479**
Jiangmen Emak Outdoor Power Equipment Co.	1.104	-	-	**1.104**	**669**
Victus Emak Sp. z.o.o.	4.371	-	420	**4.791**	**565**
Emak USA Inc.	1.657	-	-	**1.657**	**1.958**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	332	-	-	**332**	**1**
Epicenter Llc.	4.119	32	-	**4.151**	**1.407**
Emak Do Brasil Industria Ltda	245	-	-	**245**	**299**
Comet S.p.A.	44	-	2.300	**2.344**	**2.310**
Sabart S.r.l.	192	-	193	**385**	**72**
Raico S.r.l.	-	-	-	**-**	**19**
Tecomec S.r.l.	34	-	-	**34**	**25**
Totali (C)	**32.285**	**32**	**4.162**	**36.479**	**10.943**

* Company exit from the Group and from the consolidation with effect from 01.10.2012

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	110	123	**233**	**23**
Comag S.r.l.	13.928	-	**13.928**	**2.824**
Emak Benelux N.V. (*)	-	54	**54**	**-**
Emak Deutschland Gmbh	61	316	**377**	**76**
Emak UK Ltd.	-	53	**53**	**24**
Emak France SAS	29	385	**414**	**105**
Emak USA Inc	1	184	**185**	**44**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	27.473	-	**27.473**	**2.619**
Victus Emak Sp. Z.o.o.	380	193	**573**	**43**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	1.323	45	**1.368**	**402**
Epicenter Llc.	-	70	**70**	**18**
Comet S.p.A.	588	-	**588**	**198**
Sabart S.r.l.	23	-	**23**	**20**
Tecomec S.r.l.	851	28	**879**	**293**
Speed France SAS	357	-	**357**	**46**
Totali (D)	**45.124**	**1.451**	**46.575**	**6.735**

* Company exit from the Group and from the consolidation with effect from 01.10.2012

* * * * * * *

Related party transactions in 2012 within the Group controlled by Yama S.p.A.

Emak S.p.A. is part of the larger group of companies that are owned by Yama SpA, its parent company. The reports related to this larger group of companies, as mentioned in the previous paragraph, are drastically reduced, compared to the previous year, following the passage of the most important subsidiaries of YAMA under the direct control of EMAK (Sabart Srl, Raico Srl , Tecomec Srl and Comet SpA).

The remaining transactions with YAMA S.p.A. and the other companies of this still directly controlled, occurring in 2012, will be purely ordinary business, all of which fall in the usual course of typical Emak and all regulated at market conditions.
Within the broader Yama Group, which operates mainly in the fields of machinery and equipment for agriculture and gardening, engine components and real estate; certain Company provide to Emak components and materials, other Company purchase from Emak products which with complete their respective range of commercial offer.

The only exception to this type of commercial and industrial relations are the financial relations with YAMA SpA and Sabart SpA, transferring companies investments in Sabart Srl, Raico Srl, Srl Tecomec and Comet S.p.A., remained creditor EMAK S.p.A. in relation to the commitment to balance price, expiring on December 16 2013.

The following table shows the evidence of transactions carried out with related parties in 2012 are part of the Yama Group and the consistency of its existing at the balance sheet date.

Sale of goods and services and receivables**:**

Companies controlled by Yama S.p.A. (€/000)	**Net sales**	**Receivables**
Yama S.p.A.	-	**3**
Agro D.o.o.	139	**-**
Euro Reflex D.o.o.	613	**309**
Garmec S.p.A.	78	**3**
Mac Sardegna S.r.l.	633	**320**
Selettra S.r.l.	1	**-**
Totals (E)	**1.464**	**635**
Total C+E (note 22)	**33.749**	**11.578**

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**	**Trade payables**
Yama S.p.A.	-	7	**7**	**-**
Cofima S.r.l.	515	30	**545**	**346**
Garmec S.p.A.	1	-	**1**	**-**
Euro Reflex D.o.o	1.766	-	**1.766**	**275**
Mac Sardegna S.r.l.	-	3	**3**	**5**
Selettra S.r.l.	649	7	**656**	**233**
Totals				
Total (F)	**2.931**	**47**	**2.978**	**859**
Totals D+F (note 26 and 27)	**48.055**	**1.498**	**49.553**	**7.593**

As mentioned above, current financial liabilities are the only reports of an extraordinary nature described here, are the residual debt discounted at 31 December 2012, the price of the acquisitions concluded on 22 December 2011.

* * * * * * *

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 2012**	**FY 2011**
Emoluments of directors and statutory auditors	363	309
Benefits in kind	33	35
Wage and salaries	693	671
Employee termination indemnities	52	50
Consulting fees	-	-
Total	**1.141**	**1.065**

The total debt for remuneration of Directors and Auditors of the Parent Company at December 31 2012 amounted to € 312 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

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Appendix 1

Changes in equity investments

	31.12.2011				Changes			31.12.2012			
	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding	Subscriptions And acquisitions	Sales	Deprecietions	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding
Italy											
Comag S.r.l.	1 share	8,408	99.44	99.44				1 share	8,408	99.44	99.44
Comet S.p.A	5,000,000	27,350	100	100				5,000,000	27,350	100	100
Raico S.r.l.	1 share	5,509	100	100				1 share	5,509	100	100
Sabart S.r.l.	1 share	21,051	100	100				1 share	21,051	100	100
Tecomec S.r.l.	1 share	27,546	100	100				1 share	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	126	100	100		(126)		-	-	-	-
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	370	100	100				10	370	100	100
Ukraine											
Epicenter	1 share	1,350	61	61				1 share	1,350	61	61
Brazil											
Emak do Brasil Industria Ltda	-	-	-	-	78			200,000	78	99	99
Total investments in subsidiaries		**104,178**							**104,130**		

Appendix 2

Details of 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	11,476	11,412	(85)
Emak Suministros Espana SA	Madrid	572	90	270	4,779	4,301	99
Emak Deutschland Gmbh	Fellbach-Oeffingen	525	100	553	887	887	131
Emak UK Ltd	Staffords	691	100	325	497	497	92
Emak France SAS	Rixheim	2,049	100	2,000	5,605	5,605	275
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	2,476	13,311	13,311	(970)
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	1,513	6,131	6,131	766
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,672	10,728	10,728	84
Emak USA Inc.	Wooster- Ohio	370	100	41	-	-	(382)
Epicenter LLC.	Kiev	1,350	61	1,835	2,476	1,510	365
Emak do Brasil Industria Ltda	Curitiba	78	99	200	48	43	(28)
Tecomec S.r.l.	Reggio Emilia	27,546	100	1,580	22,382	22,382	2,379
Comet S.p.A.	Reggio Emilia	27,350	100	2,600	20,023	20,023	2,677
Sabart S.r.l.	Reggio Emilia	21,051	100	1,900	6,904	6,904	1,452
Raico S.r.l	Reggio Emilia	5,509	100	20	2,254	2,254	56
Totale partecipazioni in società controllate		**104,130**					

(*) Amounts resulting from the financial statements of subsidiaries prepared in accordance with IAS / IFRS

Appendix 3

Highlights from the latest financial statements of the parent company Yama S.p.A.

(€/000)		
BALANCE SHEET	**31.12.2011**	**31.12.2010**
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	82.741	58.715
C) Current assets	39.769	9.518
D) Prepayment and accrued income	34	11
Total assets	**122.544**	**68.244**
Liabilities		
A) Equity:		
Share capital	16.858	16.858
Reserves	6.130	10.724
Profit in the financial period	31.306	3.451
B) Provisions	3.473	1.200
C) Post-employment benefits	31	28
D) Amounts payable	64.707	35.970
E) Accruals and deferred income	39	13
Total liabilities	**122.544**	**68.244**
Guarantees, commitments and other risks	51.136	23.567

Income statement	**31.12.2011**	**31.12.2010**
A) Sales	334	75
B) Production costs	(1.117)	(1.269)
C) Financial income and expenditure	35.691	5.574
D) Adjustments to the value of financial assets	(3.442)	(949)
E) Extraordinary income and expenditure	-	(456)
Result before tax	**31.466**	**2.975**
Tax for the period	(160)	476
Profit for the period	**31.306**	**3.451**

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.	111
Auditing Company	Fidital Revisione S.r.l.	Italian controlled companies	94
Auditing Company	HLB network	Foreign controlled companies	46
Other services	HLB network	Foreign controlled companies	4

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 December 31 2012.

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 2012.

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 2013

The executive in charge of preparing the accounting statements:
Aimone Burani

The CEO:
Fausto Bellamico