ANNUAL REPORT 2009

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

MEMBER OF THE YAMA GROUP

ANNUAL REPORT 2009

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Notice of the annual general meeting

The Shareholders of the company are called to the General Meeting to be held on 15 April 2010 at 10.00 at the company's registered office in Bagnolo in Piano (RE), Via Fermi, 4, and, if necessary, in second convocation on 16 April 2010, at the same place and time, for the purpose of discussing and resolving on the following:

agenda

1. Presentation of the Financial statements and Consolidated Financial Statements at 31 December 2009, the Directors' Report, the Board of Auditors' Report and the Independent Auditors' Report; relevant and consequent resolutions;
2. Appointment of the Board of Directors, subject to establishing the number of members; fixing relative emoluments; any other relevant and consequent resolutions;
3. Appointment of the Board of Auditors; fixing relevant fees, any other relevant and consequent resolutions;
4. Proposed authorisation for the acquisition and disposal of treasury shares; any other relevant and consequent resolutions.

It should be noted that, in accordance with the law and with the articles of association, participation in the Meeting requires that the communication issued by qualified intermediaries certifying relative share ownership must arrive at the company's registered office at least two working days before the date fixed for first convocation. It is possible for shareholders to be represented in the meeting in the ways provided for by law. A copy of the proxy form can be obtained from authorised intermediaries.

In accordance with art. 126-bis, Legislative Decree 58/98, shareholders representing (also jointly) at least one fortieth of the share capital may request, within five days from the publication of the notice of the Annual general Meeting, an extension of the list of items to be discussed, indicating in the request the additional matters proposed by them. The extension of the list of items to be discussed does not apply to matters on which the Meeting resolves, according to the law, upon the proposal of the Directors or on the basis of a project or report prepared by them.
Notice of the additional items that the meeting shall discuss further to a request as per art. 126-bis, Legislative Decree 58/98, is to be given in the same forms as those set out for publication of the notice of the Annual general Meeting, at least ten days before the date fixed for the Meeting.

<u>Appointment of the Board of Directors and of the Board of Auditors</u>
The appointment of the Board of Directors and of the Board of Auditors, in accordance, respectively, with article 12 and 19 of the article of association, are carried out on the basis of lists of candidates. Reference should be made to the above articles for information regarding their preparation, requirements, accompanying documents and submission; it should be noted that Shareholders holding (separately or jointly) at least 2.5% of the share capital (Consob resolution no. 17148 of 27/12/2009) have the right to submit lists of candidates.
No Shareholder may submit or vote for more than one list.
The lists must be lodged at the company's registered office at least fifteen days before that date fixed for the Meeting on first convocation.
With regards to the submission of the lists and the documents that must accompany them, Shareholders are invited to take account of the recommendations contained in Consob communication DEM/9017893 of 26/2/2009 and in particular, when submitting the lists, to declare the existence or non-existence of significant relations, as defined in the quoted communication, with a Shareholder that has effective control of the company and with companies belonging to its group. In the event that there are significant relations and, in any case, there is the intention to define the list as a "of a minority", it is necessary to declare the reasons for which such relations are not considered as contradictory to this definition.
The following are to be lodged together with each list:

- an indication of the identity of the submitting Shareholders and appropriate certification, issued by a qualified intermediary in accordance with the law, substantiating the ownership of the umber of shares necessary for the submission of the lists;
- declarations with which the single candidates accept their candidacy and affirm the inexistence of causes of ineligibility and incompatibility provided for by law, as well as the existence of the requisites

prescribed for the office for which they are candidates;
- a curriculum vitae giving the personal and professional details of each candidate.

The lists or the single candidacies for which not all the legal provisions and provisions of the articles of association have been complied with shall be considered as not submitted. The submitted lists shall be made public in good time, and in any case at least ten days before the date fixed for first convocation of the Meeting, at the company's registered office, at Borsa Italiana s.p.a. and on the www.emak.it website.

<u>Details regarding the election of the Board of Directors</u>

Every list must indicate which candidates have the independence requirements requested by the law and by the articles of association and contain the relevant confirmation declaration on the part of each interested party.

The candidates must be listed in numerical order. The candidate indicated at number one in the numerical sequence of each list must have the independence requirements prescribed by law.

<u>Details regarding the election of the Board of Directors</u>

Every list must indicate, for each candidate, the administrative and control offices held by each candidate in other companies.

The lists shall bear the names, identified by a sequential number, of one or more candidates for the office of regular auditor and one or more candidates for the office of regular auditor.

It should be noted that in the event that, upon the expiry of the fifteenth day before the date fixed for the General Meeting on first convocation (that is, before 31 March 2010), one or more lists have been lodged, none of which is defined as a "minority list" in accordance with art. 144-quinquies – Issuer Regulations – Consob Resolution no. 11971/99, other lists can be submitted up to five days after that date, that is, up to 5 April 2010. In that case, the minimum percentage shareholding of share capital required for submission of the lists falls to 1.25%.

The nominal share capital of € 7,189,910 is subdivided in 27,653,500 shares of unit nominal value € 0.26, each of which has the right to a vote. At the date of this notice, the company holds 397,233 treasury shares for which the right to vote is suspended, in compliance with the law.

The documentation relating to the items on the agenda shall be made available to the public according to legal provisions at the company's registered office, at Borsa Italiana s.p.a., Shareholders having the right to obtain a copy, and on the www.emak.it website.

The financial statements and consolidated financial statements have been made available to the public by today's date in the terms as described above.

Bagnolo in Piano (RE), 16 March 2010

On behalf of the Board of Directors
The Chairman – Giacomo Ferretti

Corporate Officers

The shareholders of the parent company Emak S.p.A. voted in the Annual General Meeting held on 27 April 2007 to appoint the Board of Directors for the three years 2007, 2008 and 2009; the Board of Statutory Auditors was also appointed for the same term, and the auditing firm, Fidital revisione ed organizzazione contabile S.r.l., was appointed as independent auditors for the financial years from 2007 to 2015.

Board of Directors	
Chairman	Giacomo Ferretti
Deputy Chairman	Aimone Burani
Chief Executive Officer	Fausto Bellamico
Executive Director	Stefano Slanzi
	Luigi Bartoli
Independent Directors	Ivano Accorsi
	Andrea Barilli
	Gian Luigi Basini
Directors	Carlo Baldi
	Paola Becchi
	Giuliano Ferrari
	Vilmo Spaggiari
	Guerrino Zambelli
Audit Committee	
Chairman	Andrea Barilli
	Ivano Accorsi
	Gian Luigi Basini
Remuneration Committee	
	Andrea Barilli
	Ivano Accorsi
	Gian Luigi Basini
Board of Statutory Auditors	
Chairman	Marco Montanari
Acting auditors	Eugenio Poletti*
	Martino Masini
Alternate auditors	Mario Venezia
Independent Auditors	Fidital Revisione S.r.l.
Financial Reporting Officer	Aimone Burani
Supervisory Body as per Legislative Decree 231/01	
Chairman	Francesca Baldi
Acting members	Roberto Bertuzzi
	Guido Ghinazzi

* On 16 March 2010, before the meeting of the Boar of Directors, the acting auditor Claudia Catellani resigned and the alternate auditor Eugenio Poletti was appointed.

Group Structure

The Emak Group is structured as follows at 31 December 2009.

Emak
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COMAG S.r.l.	(I) 99,4%
EMAK SUMINISTROS ESPANA SA EMAK	(E) 90%
EMAK U.K. LTD	(UK) 100%
EMAK BENELUX N.V.	(B) 99,9%
EMAK DEUTSCHLAND GmbH	(D) 100%
EMAK FRANCE SAS	(F) 100%
JIANGMEN EMAK OUTDOOR POWER EQUIPMENT Co. Ltd.	(CHINA) 100% (1)
VICTUS-EMAK Sp. z o.o.	(PL) 100%
EMAK USA Inc.	(USA) 100%
TAILONG (ZHUHAI) MACHINERY MANUFACTURING E EQUIPMENT Ltd.	(CHINA) 100%

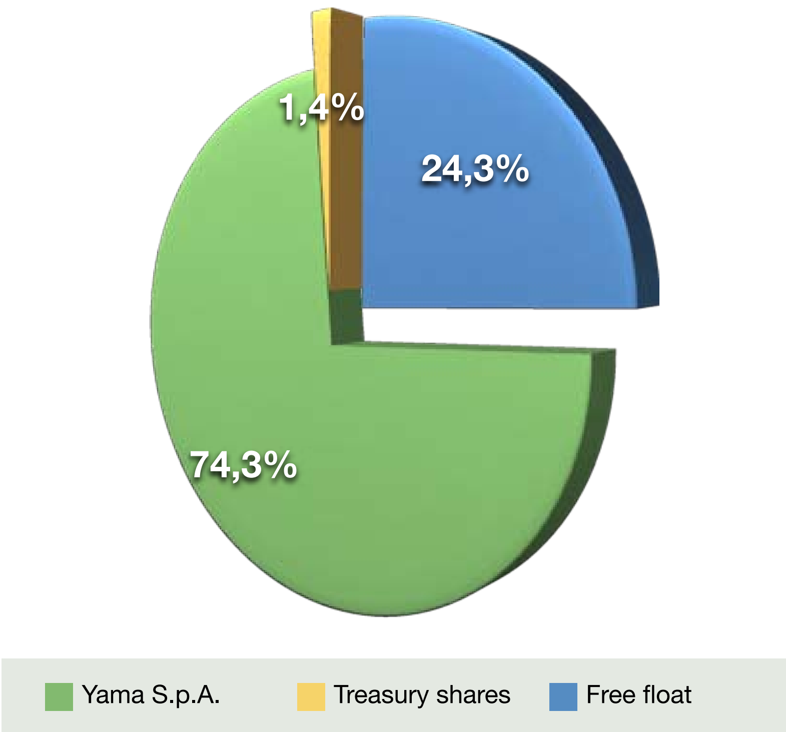
(1) The group's interest in Jiangmen Emak Outdoor Power Equipment Co. Ltd. includes the 49% interest held by Simest S.p.A.. Under the contract signed in December 2004 and subsequent additions thereto, the interest held by Simest S.p.A. is the subject of a binding agreement for repurchase by Emak S.p.A. on 30 June 2013.

Principal shareholders of Emak S.p.A.

The list of shareholders of Emak S.p.A. at 31 December 2009 is set out below.
Share capital consists of 27,653,500 shares of par value €0.26 each.
The company has been listed on the Milan Stock Exchange since 25 June 1998. In September 2001 the company's stock was assigned to the STAR segment of the market, which has higher standards in terms of reporting, stock liquidity and corporate governance.

Principal Shareholders	Number of Shares	%
Yama S.p.A.	20,542,500	74.3%
Treasury shares held at 31.12.2009	397,233	1.4%
Free float	6,713,767	24.3%
Total number of shares	27,653,500	100.00%

Main shareholders at 31.12.2009



Financial Highlights

Income statement (€/000)

	2009	2008
Net sales	194,925	243,449
EBITDA (1)	21,655	31,657
EBIT	14,855	24,913
Net profit	9,426	14,866

Investment and free cash flow (€/000)

	2009	2008
Investment in property, plant and equipment	7,920	14,201
Investment in intangible assets	524	958
Free cash flow from operations (2)	16,226	21,610

Balance sheet (€/000)

	31.12.2009	31.12.2008
Net capital employed	142,581	161,213
Net debt	(37,950)	(61,806)
Total equity	104,631	99,407

Other statistics

	2009	2008
EBITDA / Net sales (%)	11.1%	13.0%
EBIT/ Net sales (%)	7.6%	10.2%
Net profit / Net sales (%)	4.8%	6.1%
EBIT / Net capital employed (%)	10.4%	15.5%
Debt / Equity	0.36	0.62
Number of employees at period end	908	1,049

Share information and prices

	2009	2008
Earnings per share (€)	0,344	0,543
Equity per share (€) (3)	3.84	3.65
Official price (€)	3.49	3.96
Maximum share price in period (€)	4.11	5.30
Minimum share price in period (€)	3.00	3.50
Stockmarket capitalization (€/million)	96	109
Average number of oustanding shares	27,260,353	27,312,193
Number of shares comprising share capital	27,653,500	27,653,500
Cash flow per share: net profit + amortization/depreciation (€) (4)	0.60	0.79
Dividend per share (€)	0,150	0,150

(1) "Ebit" plus "Amortization, depreciation and impairment losses"
(2) "Net Profit" plus "Amortization, depreciation and impairment losses"
(3) "Group Equity" divided by "Number of outstanding shares at period end"
(4) "Group Net Profit + Amortization/depreciation " divided by "Average number of outstanding shares"

DIRECTORS' REPORT

Directors' Report

Dear Shareholders,
Emak's consolidated financial statements at 31 December 2009 closed with a net profit of € 9,426 thousand compared with € 14,866 thousand in 2008, representing a decrease of 36.6%.
The Group's share of net profit was € 9,383 thousand compared with € 14,822 thousand in 2008.
The Group consisted of eleven companies at 31 December 2009, all of which have been consolidated on a line-by-line basis.
Net sales decreased by 19.9% compared with 2008, reaching € 194,925 thousand.
EBITDA (earnings before interest, tax, depreciation and amortization) was € 21,655 thousand compared with € 31,657 thousand in 2008, representing a decrease of 31.6%.
EBIT (earnings before interest and tax) was € 14,855 thousand compared with € 24,913 thousand in 2008, representing a decrease of 40.4%.
Net debt fell from € 61,806 thousand at the end of 2008 to € 37,950 thousand at the end of 2009.
The financial statements of Emak S.p.A., the Group's parent company, closed with a net profit of € 7,808 thousand at 31 December 2009 compared with € 8,384 thousand in 2008, representing a decrease of 6.9%.

1. Economic situation

The 2009 financial year was characterised by an unprecedented financial crisis which began at the end of 2008 and the effects of which were most marked in the first six months of the year. The consequences were extensive sales of investments, a substantial fall in wealth throughout the world, a tightening of available credit and a general increase in uncertainty. This situation led to an increase in cautious saving which in turn created a significant global fall in investments, in production, in commercial transactions and in GDP already from the fourth quarter of 2008. The extraordinary stimulus measures implemented by public institutions started to take effect in the second half of 2009, with a recovery in global production and an improvement in confidence both in financial terms and with regards to the real economy. In the advanced economies the beginning of a turnaround in the cycle of stocks and unexpectedly strong American consumer demand contributed to positive developments. In emerging countries and in developing countries, final internal demand has been very strong, with the standardisation of global commercial transactions playing an important role in these areas.

As a result of this situation, in 2009 there was a fall in global GDP of 0.8%. The economies of emerging countries grew by around 2.1%, driven by China (+8.7%) and India (+5.6%) but were slowed down by Russia (-9%) and East European countries (-4.3%). The economies of advanced economies, on the other hand, experienced an overall fall in GDP in 2009 of 3.2%, with estimates for the United States of -2.5% and for Europe of -3.9%.

Forecasts for 2010 predict a growth in the world economy of around 4%. In most advanced economies the recovery is expected to be slower than other recoveries in the past, while a relatively dynamic situation is expected in many emerging economies, largely driven by internal demand. Within both groups growth figures will vary considerably from country to country and region to region, reflecting the different conditions at the outset of the crisis, the effects of external shocks and the effective response to actions taken.

2. Industry performance

The value of the Group's reference market is estimated at around € 11-13 billion.

In 2009 global demand for Emak's reference products fell by around 20% compared to 2008: the heaviest falls occurred in East European countries and particularly in Russia. In Italy there was a general weakness in demand, falling by around 10%. The West European market followed the world market trend.

The demand for gardening and forestry machines is largely influenced by weather conditions. The demand for gardening products is also affected by the general economic climate, that is, by pro-capita income and the amount of income dedicated to leisure activities, and more generally by the strength of the local "gardening culture".

In industrialised countries the demand predominantly relates to the replacement of machinery; 80% of the demand is concentrated in North America and Europe. In the Rest of the World the most important areas in terms of demand are South America, the Far East and Oceania.
With regards to sales channels, around 90% of world demand in quantity terms is met through Modern Organised Distribution and Traditional Retailers, while the traditional channel accounts for more half the market in terms of value. The remaining 10% of the market demand is met through alternative channels, especially the ironmonger channel (Mediterranean Europe, South America, the Middle East) and, typical only in western Europe, garden centres, farm cooperatives and group purchasing organizations.

3. Strategy

Emak Group seeks to be one of Europe's leaders in the forestry and gardening equipment sector and one of the benchmark players at a global level in the supply of technological solutions and a state-of-the-art service. The aim is to make the work of our professional customers and consumers both efficient and pleasant, guaranteeing them the best value for money. The mission in brief is: "State-of-the-art solutions with the best value for money for the customer".
The principle goals of the company's mission are **to satisfy final customers,** anticipating and exceeding their expectations and **to create value** both for the benefit of shareholders and of stakeholders (employees, suppliers, dealers, the community and the financial system).

a) STRATEGIC POLICIES AND MAIN GOALS

The objective of creating value is achieved through Emak's ability to satisfy the final customer. For this purpose Emak intends to concentrate its efforts on five factors:

- ***Quality and product innovation,*** to offer its final customers a range of state-of-the-art and innovative products in terms of reliability, performance, design and comfort.
- ***Level of service,*** to offer its final customers a state-of-the-art and excellent level of service in terms of delivery and pre and post-sales assistance.
- ***Competitiveness,*** to offer the customer the best possible value for money.
- ***Strengthening of the distribution network,*** to guarantee a deep-rooted and widespread presence in all international markets.
- ***Development of human resources and relations with the customer,*** to build an organisation directed towards the customer and which knows how to combine enthusiasm, empathy, competence and ethical standards.

b) VALUES

Emak's identity is expressed in its values and mission. They direct its business approach, its strategic choices and its day-to-day policies. They represent the company's moral commitment towards its stakeholders and towards the society as a whole, and form guiding principles for those working in the company in their day-to day actions and behaviour.

- Ethical standards: compliance with regulations, transparency, safeguarding the rights of people and the environment.
- Competence: investments in training and continuous learning, and the development of professionalism.
- Team spirit: working as a team in order to achieve shared goals, respect for people's roles, trust in others.
- Innovative spirit: new and challenging goals, innovative solutions, new ideas, openness to change.

c) CORPORATE RESPONSIBILITY AND CERTIFICATIONS

Emak's commitment regarding Corporate Responsibility is demonstrated by the wish to measure, manage and integrate the environmental, social and economic impact of the company's activities, convinced that only responsible choices will guarantee the company and the wider community sustainable development over time.
Well aware of its role in the wider social and economic context, Emak seeks to develop through the creation of value to the benefit of the company itself and to all interested parties, combining:

- **economic sustainability,** that is, the commitment to invest in the growth of the company and of the Group, ensuring continuity over time through a detailed strategic plan based on the five fundamental critical factors for success;

- **social sustainability,** understood as the intention to take into account the legitimate expectations of stakeholders (whether employees, shareholders or suppliers) and to redistribute the value created in the common interest;
- **environmental sustainability,** through the identification, regulation, control and gradual reduction of environmental impacts deriving directly or indirectly from the company's activities.

In line with its principles and mission, Emak has set about this course of action by formalising an integrated quality, ethical and environmental policy and by implementing a management system incorporating the three main international standards: ISO 9001:2000, ISO 14000:2004 and SA 8000:2001

4. Market segmentation and the Emak brands

Emak, founded in 1992 from the merger between OLEO-MAC and EFCO, is one of the top European operators in the manufacture and distribution of outdoor power equipment for gardening, forestry, agriculture and construction, with products such as brush cutters, lawnmowers, chainsaws, motor hoes and power cutters.

Emak's reference market for its products can be differentiated according to two different criteria: the final customer and the distribution channel. On the basis of the use made of Emak's machines, the final customer can be classified as a consumer/private customer (who uses the products for their own gardening purposes), a semi-professional consumer/farmer (who works larger plots of land compared to the private consumer), and a professional (whose business activity is trading in the products). The distribution channel, on the other hand, includes large-scale organised distribution serving general consumers, and specialised dealers (or the traditional distribution channel) serving all types of clientele that demand a high level of pre and post-sale service.

With regards to sales distribution channels, Modern Distribution (DIY) accounts for almost 40% of global demand (in volume terms). The figure is largely influenced by the North American market, where the DIY channel accounts for about 2/3 of the demand. The traditional channel absorbs almost 50% of the global volumes. Alternative channels represent 10% of the market: ironmongers (Mediterranean Europe, South America and the Middle East) and, typically only in Western Europe, garden centres, farm cooperatives and group purchasing organizations.
The breakdown in terms of value rewards even more the traditional channel with almost 60% of the global demand.
In this scenario, Emak achieves almost all of its sales in the traditional channel.

The Group operates on the market with the following brands: Oleo-Mac; Efco; Victus; Bertolini; Nibbi and Staub.

Oleo-Mac and Efco are the Group's two brands intended for the specialized-dealer channel. The core offer is represented by gardening and forestry products, although the progressive widening of the offer has also allowed the two brands to penetrate synergic segments (in terms of the distribution channel) such as small-scale agriculture and open-space cleaning.
Bertolini and Nibbi are the Group's two brands intended for medium-scale agriculture, again through the specialized-dealer channel. In most cases there is some overlapping with the distribution of the Oleo-Mac and Efco brands, even though a part of the sales is directed towards more specialized agricultural dealers (i.e. dealers in farming machines and tractors).

Staub (distributed in France) is a historic brand in the land cultivation sector (with more than 100 years' tradition) for products like motor hoes and tillers. The brand is sold by specialized dealers that sell small/medium agriculture, gardening and forestry products.

Victus is a range of products sold through intermediate European distribution channels, such as group purchasing organizations, ironmonger chains and farming cooperatives.

5. Research and development

The market slowdown in the world economy has not for the moment affected development plans which, after careful analysis and assessment, have been confirmed. In 2009 Research and Development activities have continued in line with the Business Plan which sees product innovation as the main driving factor for the Group's growth: 16 new products have been launched on the market during the year.

Research and Development activity has continued to be heavily focussed on the launch of new product families, fitted with motorizations conforming to legal provisions for emissions, involving the introduction of the Euro 2 phase and the replacement or renewal of existing systems.

Despite the not particularly favourable global economic situation, there is confirmed interest in the launch of new competitive and innovative products. Significant resources have also been invested in the development of new technologies aimed at reducing consumption, at safeguarding the environment and at improved ergonomics through substantial reductions in noise levels and vibrations.

Research costs directly charged to the income statement amount to € 5,149 thousand, compared to € 4,677 thousand in the previous financial year.

6. Human Resources

The breakdown of employees by country at 31.12.2009 is shown in the following table:

Employees at the end of the period	31.12.2009	31.12.2008
Italy	493	514
France	40	44
Belgium	4	4
UK	14	15
Spain	20	21
Germany	20	19
Poland	49	58
China	260	367
Usa	8	7
Total	**908**	**1,049**

The number of employees at 31 December 2009 is 908, compared to 1,049 at 31 December 2008.

The global economic crisis has led to a reduction in production volumes and a consequent need to make organizational changes involving reductions in staff at Group level, especially in China. In Italy staff turnover was blocked; workers on fixed-term contracts were let go at the end of their contract and the company has made temporary lay-offs, with suspensions and reductions in working hours which have also affected indirect structures.
In 2009 1,064 hours of specialised training were carried out in Emak SpA., involving 87 people.

7. Significant events in the year

There have been no significant events in 2009 except for those described in note 7 of the Notes to the Consolidated Financial Statements.

8. Balances or transactions arising from atypical and unusual, significant and non recurring operations.

Please refer to notes 7 and 8 of the attached consolidated financial statements.

9. Emak Group - overview of results

Highlights from the consolidated income statement

€/000	FY 2009	%	FY 2008	%	Change
Net sales	194,925	100.0	243,449	100.0	-19.9%
EBITDA	21,655	11.1	31,657	13.0	-31.6%
EBIT	14,855	7.6	24,913	10.2	-40.4%
Profit before taxes	12,766	6.5	20,905	8.6	-38.9%
Net profit	**9,426**	**4.8**	**14,866**	**6.1**	**-36.6%**

Analysis of turnover trend

The table below shows sales in 2009, broken down by segment, compared with the previous financial year.

€/000	31.12.2009	%	31.12.2008	%	% Change
Agriculture & Forestry	62,928	32.3%	77,606	31.9%	-18.9%
Construction & Industry	5,081	2.6%	6,620	2.7%	-23.2%
Lawn & Garden	96,883	49.7%	129,052	53.0%	-24.9%
Spare parts & Accessories	30,033	15.4%	30,171	12.4%	-0.5%
Total	**194,925**	**100%**	**243,449**	**100%**	**-19.9%**

The economic crisis heavily affected sales trends in all segments.

In the *Agriculture & Forestry* segment is to be pointed out a contained fall in sales of land farming products while forestry products registered a more significant decrease.

The *Construction & Industry* segment had a heavy decrease in the first nine months of the year. There has been a recovery in the last part of the year tank to the launch of a new line of products.

The *Gardening* sector has been unfavourably influenced by the level of stocks in the distribution network and by the general fall in demand.

Sales of *Spare parts & Accessories,* the demand for which is linked to the state of existing machines, have remained at last year's levels.

The geographical breakdown of sales in 2009, and comparisons with the previous year, is shown in the following table:

€/000	31.12.2009	%	31.12.2008	%	% Change
Italy	42,074	21.6%	47,993	19.7%	-12.3%
Europe	122,643	62.9%	158,837	65.3%	-22.8%
Rest of world	30,208	15.5%	36,619	15.0%	-17.5%
Total	**194,925**	**100%**	**243,449**	**100%**	**-19.9%**

In Italy the fall has been in line with the market as a whole. In Europe, Eastern Countries and Russia significantly affected the fall in sales. With regards to the Rest of the World, positive trends have been registered in some emerging countries, which have contributed to mitigate the general decrease in sales.

Profit analysis

EBITDA

EBITDA, decreased by 31.6%, amounts to €21,655 thousand, compared to € 31,657 thousand in the previous year.

The figure of the period was positively affected by:
- the increase in sales prices;
- the decrease of the cost of raw materials;
- the containment of operative costs;
- the reduction in personnel costs as a result the adjustment of staff numbers in line with the fall in production volumes and the reorganization of the company processes as a consequence of the integration of the companies acquired the previous year. The Group's average number of employees and temporary workers in 2009 was 1,055 while it was 1,226 in the previous year.

On the other hand, the following factors had a negative effect on the figure:
- lower sales volumes;
- product mix;
- the foreign currencies trend.

Ebitda as a percentage of sales has moved from 13% at 31 December 2008, to 11.1% at 31 December 2009.

EBIT

In 2008, Ebit amounted to € 14,855 thousand against € 24,913 thousand in the last financial year, a decrease of 40.4%.
Amortization have been in line with the previous year.

Ebit as a percentage of sales has moved from 10.2% at 2008, to 7.6% at 2009.

Ebit as a percentage of net invested capital has moved from 15.5% at 2008, to 10.4% at 2009.

Net profit
Net profit for the year was € 9,426 thousand, equal to 4.8% of sales, compared to € 14,866 thousand (6.1% of sales) in 2008.

The improvement of the financial results in 2009 was correlated to the decrease in interest rates and the foreign currencies trend in the last quarter.

The tax rate in the financial year, of 26.2%, was less than that of the previous year (28.9%), mainly due to tax reliefs on investments made by the Parent Company.

Balance Sheet and financial analyses

€/000	31.12.2009	31.12.2008
Net non-current assets	59,700	58,014
Net working capital	82,881	103,199
Total net capital employed	**142,581**	**161,213**
Equity attributable to the group	104,093	98,881
Equity attributable to minority interests	538	526
Net debt	(37,950)	(61,806)

Net non-current assets

During 2009 Emak Group invested € 8,444 thousand in property, plant and equipment and intangible assets as follows:

- € 2,306 thousand for product innovation;
- € 1,767 thousand for adjustment of production capacity and for process innovation;
- € 606 thousand for upgrading the computer network system;
- € 3,739 for the enlargement and construction of new industrial buildings;
- € 26 thousand for other managerial working investments.

Investments broken down by geographical area are as follows:

- € 5,340 thousand in Italy;
- € 167 thousand in Europe;
- € 2,938 thousand in the Rest of the World.

Net working capital

Net working capital, compared to 31 December 2008, decreases by € 20,318 thousand, moving from € 103,199 thousand to € 82,881thousand.

The chart below shows the changes in net working capital in 2009 compared to the previous year:

€/000	FY 2009	FY 2008
Net working capital at 01 January	**103,199**	**81,071**
increase/(decrease) in inventories	(19,869)	22,825
increase/(decreases) in trade receivables	(13,383)	9,858
(increase)/decreases in trade payables	14,013	(11,772)
other changes	(1,079)	1,217
Net working capital at 30 September	**82,881**	**103,199**

The decrease in net working capital in the 2009 financial year is mainly due to the reduction of inventories as a result of the adjustment of production levels to the fall in demand.

Equity

Total equity amounts to € 104,631 thousand compared with € 99,407 thousand at 31st December 2008. Earnings per share for the year are € 0.344, down from € 0.543 last year.

Net financial position

€/000	31.12.2009	31.12.2008
Cash and banks	7,331	4,306
Securities and derivative financial instruments	433	317
Other financial assets	1	24
Financial liabilities	(13,754)	(39,586)
Derivative financial instruments	(529)	(139)
Short-term net debt	**(6,518)**	**(35,078)**
Financial liabilities	(31,432)	(26,728)
Long-term net debt	**(31,432)**	**(26,728)**
Cash and banks	7,331	4,306
Securities and derivative financial instruments	433	317
Other financial assets	1	24
Financial liabilities	(45,186)	(66,314)
Derivative financial instruments	(529)	(139)
Total net debt	**(37,950)**	**(61,806)**

The net negative financial position has fallen from € 61,806 thousand at 31.12.2008 to € 37,950 thousand at 31.12.2009. The change is due to the good cash flow from operations.

Free cash flow from operations in 2009 was € 16,506 thousand after tax, compared with € 21,610 thousand last year.

Besides the capital portions of loan repayments, long-term financial payables include finance lease instalments falling due after more than 12 months.
Short-term financial payables mainly consist of:

- overdrafts;
- loan repayments falling due by 31st December 2010;
- amounts due to other providers of finance falling due by 31st December 2010.

The net financial position does not contain any balances with related parties either at 31st December 2008 or at 31st December 2009.

10. Performance of Group subsidiaries

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

Emak S.p.A.
The most significant economic indicators are shown in the following table:

€/000	FY 2009	%	FY 2008	%	% Change
Net sales	145,709	100	187,465	100	-22.3%
EBITDA	11,161	7.7	17,959	9.6	-37.9%
EBIT	7,974	5.5	14,382	7.7	-44.6%
Profit before taxes	9,857	6.8	12,904	6.9	-23.6%
Net profit	7,808	5.4	8,384	4.5	-6.9%

Profitability has been affected by the fall in sales volumes, in spite of containment measures and of the rationalisation of operating and staff costs.

Financial management improved thanks to the fall in interest rates and to the higher dividends distributed by subsidiaries.

The tax rate improved as a result of tax reliefs on investments made and the tax base on dividends.

The company's balance sheet and financial position at 31st December 2009 are summarized as follows:

€/000	31.12.2009	31.12.2008
Net non-current assets	43,891	41,047
Net working capital	61,369	74,326
Total net capital employed	**105,260**	**115,372**
Equity	83,372	79,702
Net cash (debt)	(21,888)	(35,670)

The improvement in the net negative financial position is mainly due to the good trend of operative cash flow.
With regards to the reconciliation between the income statement and balance sheet of the Parent company and those of the Group, reference should be made to paragraph 18 of this Directors' Report.

Emak France SAS
The company made a profit of € 451 thousand, against € 434 thousand in 2008. Turnover was € 31,008 thousand, against € 36,400 thousand in 2008, a decrease of 14.8%.
The fall in sales is linked to the general slowdown in demand during 2009. Measures to contain operating and personnel costs, and the fall in interest rates, have made it possible to maintain good level of profitability.
The company distributes Emak products in France.

Jiangmen Emak Outdoor Power Equipment Co. Ltd.
The company made a profit of € 3,320 thousand, against € 3,732 thousand in 2008. Turnover was € 29,657 thousand, against € 43,868 thousand in 2008. The decrease in turnover is attributable to lower production volumes.
The high percentage of variable costs has allowed for the maintenance of a good profitability level.

The trend in the RMB currency in the second part of 2009 and hedging policies adopted by the company have allowed it to achieve a profit on exchange after a loss in the previous financial year.

Victus Emak Sp. z o.o.
The company made a profit of € 1,584 thousand, against € 2,765 thousand in 2008. Turnover was € 16,868 thousand, against € 25,453 thousand in 2008, a decrease of 33.7%.

The result was affected by the devaluation of the local currency against the euro and by the fall in volumes, only partly compensated by the increase in sales prices and by measures to contain operating costs.

The company distributes Emak products in the Polish market.

Comag S.r.l.
The company made a loss of € 262 thousand, against a loss of € 102 thousand in 2008. Turnover was € 13,973 thousand, against € 17,210 thousand in 2008. The decrease in turnover is attributable to the fall in production volumes, and has had a negative affect on the result for the year despite measures taken to contain structural costs.
In the 2009 financial year revenues have been recorded for capital subsidies for € 350 thousand, thanks to the investment plan implemented with reference to Law 488/92.

Emak Deutschland GmbH

The company made a profit of € 113 thousand, against a loss of € 148 thousand in 2008. Turnover was € 11,601 thousand, against € 10,393 thousand in 2008, an increase of 11.6%.

The 2009 result was boosted by the positive sales trend, thanks to the implementation of measures to increase the efficiency of the distribution chain.

The company distributes Emak products in Germany.

Emak Suministros España SA

The company made a net profit of € 443 thousand, against € 440 thousand in 2008. Turnover was € 8,165 thousand, compared to € 7,602 thousand in 2008, an increase of 7.4%.

The 2009 results are in line with those for 2008, despite the serious economic crisis hitting the Iberian economy.

The company distributes Emak products in Spain.

Emak U.K. LTD

The company made a loss of € 170 thousand, against a loss of € 110 thousand in 2008. Turnover was € 3,645 thousand, a decrease of 20% compared to the turnover of € 4,557 thousand in 2008.

The company's performance has been affected by the unfavourable economic situation in the Country and the fall in value of British Sterling against the Euro.

The company distributes Emak products in Great Britain.

Emak Benelux N.V.

Emak Benelux N.V. made a loss of € 7 thousand, against a loss of € 19 thousand in 2008.
Turnover was € 2,106 thousand, a fall of 21.3% from the 2008 turnover of € 2,675.

The company's performance has suffered from a significant decrease in internal demand (Belgium), as well as a fall in sales in Holland.

The reduction in fixed costs has led to a substantially break-even situation.

The company distributes Emak products in the Belgian and Dutch markets.

Emak USA Inc.

The company made a loss of € 355 thousand, against a profit of € 11 thousand in the previous financial year.
Turnover was € 2,735 thousand, compared to € 3,158 thousand in 2008.

The negative result is due to the fall in sales and a worse distribution channel mix.
At the end of the financial year a plan to reorganise the sales network and to extend the product range was implemented.

The company distributes Emak products in the North American market.

Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.

The company closed with a loss of € 125 thousand, against a net profit of € 439 thousand (including extraordinary income for around € 300 thousand) in 2008. Turnover was € 3,355 against € 2,060 in 2008. (The 2008 figures refer to the second half-year, the period in which the company belonged to the Group.)

The net result for the 2009 financial year was affected by the fall in production volumes due to the general fall in demand, and by the financial management trend.

11. Related party transactions

Please refer to note 38 to the consolidated financial statements and note 36 to the individual financial statements for information about related party transactions.

12. Buy-back of Emak S.p.A. shares

Further to authorization given by the General Meeting of Shareholders, Emak S.p.A. has purchased treasury shares on the market for the purpose of improving the stock's liquidity.

Emak S.p.A. held 382,163 treasury shares at 31st December 2008, worth € 1,979 thousand.
During 2009 Emak S.p.A. purchased 15,070 treasury shares worth € 50 thousand.

As a result, at 31 December 2009 the Company held in portfolio 397,233 treasury shares, worth € 2,029 thousand.

In January and February 2010, no treasury shares were purchased or sold by Emak S.p.A., and therefore its total holding and the relative value are unchanged compared to 31 December 2009.

13. Corporate governance and other information required by Issuers Regulations

Emak S.p.A. complies with the Self-disciplinary Code, approved by the Committee set up by Borsa Italiana s.p.a. and reviewed by the latter in March 2006. The Code is available to the public at the Italian Stock Exchange's official website under the section "Documents" and subsequently "Publications".
Emak S.p.A. complies with the Self-disciplinary requirements according to the terms and details set out in the special report on corporate governance as per arts. 123-bis of Legislative Decree 58/1998 and 89-bis of the Issuers Regulations approved through Consob resolution no. 11971/1999.
The report is available to the public in the prescribed terms at the company's registered office, at the offices of Borsa Italiana S.p.A. and on the website: www.emak.it under the section "Investor Relations" and subsequently "Documentazione societaria".

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With reference to the provisions of art. 78 of the Issuers Regulations, with regards to remunerations paid, also by subsidiary companies, to Directors and Auditors, as well as to the Managing Director of Emak S.p.A., are shown in the following table.

€/000		Term in office	Emoluments of office	Benefits in kind	Bonuses and other incentives	Other remuneration
Giacomo Ferretti	Chairman and Executive Director	01.01.09-31.12.09	142	-	-	(a) -
Fausto Bellamico	General Manager and CEO	01.01.09-31.12.09	52	3	-	(a) 199
Aimone Burani	Deputy Chairman And Executive Director	01.01.09-31.12.09	23	3	-	(a) 178
Stefano Slanzi	Director and Vice General Manager	01.01.09-31.12.09	12	2	-	(a) 203
Carlo Baldi	Director	01.01.09-31.12.09	2	-	-	(b) 28
Andrea Barilli	Director	01.01.09-31.12.09	18	-	-	-
Vilmo Spaggiari	Director	01.01.09-31.12.09	2	-	-	-
Guerrino Zambelli	Director	01.01.09-31.12.09	2	-	-	-
Paola Becchi	Director	01.01.09-31.12.09	2	-	-	-
Giuliano Ferrari	Director	01.01.09-31.12.09	2	-	-	-
Luigi Bartoli	Director	01.01.09-31.12.09	2	2	-	(a) 92
Ivano Accorsi	Director	01.01.09-31.12.09	12	-	-	-
Gianluigi Basini	Director	01.01.09-31.12.09	12	-	-	-
Marco Montanari	Chairman of Board of Statutory Auditors	01.01.09-31.12.09	19	-	-	-
Claudia Catellani	Acting auditor	01.01.09-31.12.09	12	-	-	-
Martino Masini	Acting auditor	01.01.09-31.12.09	12	-	-	-

(a) Remuneration as company employee, provision of related employee termination indemnity, emoluments for other offices held in subsidiaries and other remuneration.
(b) Includes consulting fees.

In compliance with article 79 of the Issuers Regulations (CONSOB Resolution 11971 of 14 May 1999 and subsequent amendments thereto), the following table presents the equity interests held in Emak S.p.A. and its subsidiaries by directors, statutory auditors and general managers:

Full name	Shares held in	No. Shares held	No. Shares purchased	No. Shares sold	No. Shares held on 31.12.2009
Directors					
Giacomo Ferretti	Emak S.p.A.	30,499			30,499
Aimone Burani	Emak S.p.A.	5,000			5,000
Fausto Bellamico	Emak S.p.A.	10,000			10,000
Ivano Accorsi	Emak S.p.A.	2,000			2,000
Andrea Barilli	Emak S.p.A.	1,000			1,000
Board of Staturory Auditors					
Martino Masini	Emak S.p.A.	17,000			17,000

* * * * * * *

The Internal Control System and control bodies

Emak Group's system of control is made up of a series of organisational structures, procedures and regulations which are aimed at preventing/limiting the consequences of unexpected events (through an appropriate process of identification, measurement, management and monitoring of the main risks) and at guaranteeing (with a reasonable degree of certainty) the achievement of both strategic operating business objectives (through the effectiveness and efficiency of operating activities and the safeguarding of company assets) and of information management objectives (the correct and transparent internal and external management of information) and finally, at conformity with laws and regulations applicable to the company.

The management of the structure and proper functioning of the internal control System is carried out by the following internal and external bodies:
- Designated Director to the Internal Control System;
- The Internal Control Committee;
- Functional roles jointly responsible of the Internal Control System in their own ambit;
- Internal Control System officer and audit staff;
- The Supervisory Committee as per Law 231;
- The Board of Auditors;
- Independent auditors.

Specifically, the activities carried out by the person in charge of the internal control system involve the provision (in an independent and objective way) of consultancy and assurance services structured with a view to providing added value and improving the effectiveness and efficiency of the Group's activities. This is achieved through collaboration with companies' responsible at various levels aimed at obtaining an understanding and analysis of the control environment, of the risks associated with company operations, and of the processes set up to manage these risks.

The person in charge of the internal control system is also responsible of the development and execution of the Audit Plan, based on an analysis of risks, an assessment of existing controls and the formulation of recommendations for their improvement.

Emak's Board of Directors (with the assistance of the Internal Control Committee) has its own role with regards to the internal control system, taking appropriate consideration reference models and best national and international practices.

Emak has implemented its own Ethical Code, in which the company's chosen ethical principles are set out and which the directors, auditors, employees, consultants and partners are required to follow. This document has been widely released. The document is available on the website www.emak.it

The organisational Model aims at preventing the offences as per Legislative Decree 231/01, and forms an

integral part of the internal control system; its purpose is to ensure the company's full compliance with the provisions of Legislative Decree 231/2001 and its subsequent modifications regarding companies' administrative responsibility relating to situations involving specific offences committed by top management or their subordinates.
The final element of the Organisational Model is the Supervisory Committee, which is furnished with autonomous powers of action and control. This body's task is to monitor the proper functioning of, and compliance with, the Organisational Model, making sure it is continuously updated.

14. Outstanding disputes

There are no outstanding disputes other than those discussed in note 35 to the consolidated financial statements, to which the reader should refer.

15. Other information

We declare to have checked and revised the company's Security Plan on 25th March 2009 in compliance with Appendix B to Decree 196/2003.

In accordance with the provisions of arts. 36 and 39 of Market Regulations,- Consob Resolution n° 16191- Emak S.p.A. makes it known that it currently holds a controlling interest in two companies of a significant size, incorporated and regulated by the laws of a state which is not a member of the European Union, both regulated by legislation in force in the People's Republic of China:

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

With regards to both companies, Emak S.p.A. complies with the aforementioned legislative provisions.

16. Business outlook, principle risks and elements of uncertainty.

2009 was an exceptional year, heavily affected by an unprecedented economic crisis that caused a general fall in demand for all goods and services, and consequently also in the sector in which Emak operates. In this difficult context the Group recorded a fall in sales in line with the reference market.

In the early part of the new year the external scenario is starting to stabilise, with weak signals of consumption's recovery.
In Emak's reference market it is estimated that the demand will be in line with last year's.
The beginning of the spring season will start later this year due to the persisting bad weather conditions in the main European countries. As a consequence, it is reasonable to expect a shift of at least a month of the selling season for the gardening machines. Although, considering the low level of stock in the distribution network and the launch of new products on the market during the year, it is reasonable to expect an improvement of Group sales in the range of 3-5%. On the basis of the orders portfolio and general market conditions, the first quarter 2010 appears to be in line with this forecast.

The general economic situation, weather conditions, the price of raw materials, the competitive context, technology and currency trends are all external factors that can influence the attainment or not of Group objectives.

With regards to an analysis of the impact of risks of a financial nature, reference should be made to the relative paragraphs in the notes to the consolidated accounts.

17. Subsequent events

There are no significant subsequent events.

18. Reconciliation of the equity and result of the parent company, Emak S.p.A., with the consolidated equity and result

Figures in thousands of euros	Equity at 31.12.2009	Result for the year ending 31.12.2009	Equity at 31.12.2008	Result for the year ending 31.12.2008
Equity and result of Emak S.p.A.	83,372	7,808	79,702	8,384
Equity and result of consolidated subsidiaries	46,447	4,993	43,928	7,440
Total	**129,819**	**12,801**	**123,630**	**15,824**
Effect of the elimination of the accounting value of shareholdings	(21,678)	-	(20,937)	-
Elimination of dividends		(3,151)		(398)
Elimination of other intergroup items and profits	(3,510)	(224)	(3,286)	(560)
Total consolidated amount	**104,631**	**9,426**	**99,407**	**14,866**
Minority interests	**(538)**	**(43)**	**(526)**	**(44)**
Equity and result attributable to the Group	**104,093**	**9,383**	**98,881**	**14,822**

19. Proposed allocation of net profit for the year

Shareholders,
We are submitting for your approval the financial statements for the year ended 31st December 2009, which report a net profit of 7,807,961.
The Board of Directors is proposing that a dividend of € 0.150 be distributed to every outstanding share.

We therefore invite you to adopt the following resolution:

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

resolves

a) to approve the financial statements for the year ended 31st December 2009 reporting a net profit of €7,807,961;

b) to allocate the net profit of € 7,807,961 as follows:

- to the shareholders, a dividend of € 0.150 for each of the outstanding shares, gross of legally required withholdings, but not for the treasury shares held by the company itself, with the shares becoming ex-div on 7th June 2010 and the dividend paid on 10th June 2010;
- the remainder to retained earnings, as the legal reserve has reached the maximum limit required by law.>>

Bagnolo in Piano (RE), 16 March 2010

on behalf of the Board of Directors
Chairman
Giacomo Ferretti

EMAK GROUP – CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Consolidated financial statements

Consolidated income statement

€/000	Notes	Year 2009	Year 2008
Sales	10	194,925	243,449
Other operating incomes	10	1,934	2,391
Change in inventories		(19,997)	13,169
Raw and consumable materials and goods	11	(93,457)	(151,434)
Salaries and employee benefits	12	(29,790)	(34,001)
Other operating costs	13	(31,960)	(41,917)
Amortization, depreciation and impairment losses	14	(6,800)	(6,744)
Ebit		**14,855**	**24,913**
Financial income	15	499	588
Financial expenses	15	(2,739)	(3,941)
Exchange gains and losses	15	151	(655)
EBT		**12,766**	**20,905**
Income taxes	16	(3,340)	(6,039)
Net profit		**9,426**	**14,866**
(Profit)/loss attributable to minority interests		**(43)**	**(44)**
Net profit attributable to the group		**9,383**	**14,822**
Basic earnings per share	**17**	**0.344**	**0.543**
Diluted earnings per share	**17**	**0.344**	**0.543**

Comprehensive income statement

Figures in thousands of euros	Notes	Year 2009	Year 2008
Net profit (A)		**9,426**	**14,866**
Profits/(losses) deriving from the conversion of foreign company accounts		(163)	(343)
Total other components to be included in the comprehensive income statement (B):		**(163)**	**(343)**
Comprehensive net profit (A)+(B)		**9,263**	**14,523**
Comprehensive net profit attributable to minority interests		**(43)**	**(44)**
Comprehensive net profit attributable to the group		**9,220**	**14,479**

Schedule showing consolidated assets-liabilities-financial situation

Assets

€/000	Notes	31.12.2009	31.12.2008
Non-current assets			
Property, plant and equipment	18	52,437	50,991
Intangible assets	20	2,954	3,318
Goodwill	21	10,139	10,101
Investment property		0	136
Equity investments	22	224	224
Deferred tax assets	30	3,231	3,320
Other financial assets		0	0
Other receivables	24	904	852
Total		**69,889**	**68,942**
Non-current assets held for sale		**108**	**0**
Total		**108**	**0**
Current assets			
Inventories	25	69,389	89,258
Trade and other receivables	24	57,710	72,897
Current tax assets	30	2,940	3,440
Other financial assets		1	24
Derivative financial instruments	23	433	317
Marketable securities at fair value		0	0
Cash and cash equivalents	26	7,331	4,306
Total		**137,804**	**170,242**
TOTAL ASSETS		**207,801**	**239,184**

Equity and liabilities

€/000		31.12.2009	31.12.2008
Capital and reserves			
Share capital		7,190	7,190
Share premium		21,047	21,047
Treasury shares		(2,029)	(1,979)
Other reserves		30,013	30,054
Retained earnings		47,872	42,569
Total Group	**27**	**104,093**	**98,881**
Minority interests		**538**	**526**
Total equity		**104,631**	**99,407**
Non-current liabilities			
Loans and borrowings	29	31,432	26,728
Deferred tax liabilities	30	2,912	3,044
Post-employment benefits	31	4,902	5,017
Provisions	32	671	638
Other non-current liabilities	33	1,813	2,228
Total		**41,730**	**37,655**
Current liabilities			
Trade and other payables	28	44,991	59,902
Current tax liabilities	30	1,822	2,167
Loans and borrowings	29	13,754	39,586
Derivative financial instruments	23	529	139
Provisions	32	344	328
Total		**61,440**	**102,122**
TOTAL EQUITY AND LIABILITIES		**207,801**	**239,184**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE EMAK GROUP AT 31.12.2008 AND AT 31.12.2009

				OTHER RESERVES				RETAINED EARNINGS				
€/000	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	Legal reserve	Revaluation reserve	Cumulative translation adjustment	Other reserves	Retained earnings	Net profit of the period	TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
Balance at 31.12.2007	**7,190**	**21,047**	**(1,516)**	**1,438**	**1,138**	**210**	**27,611**	**18,625**	**15,181**	**90,924**	**515**	**91,439**
Change in treasury shares			-463							(463)		(463)
Payment of dividends								9,173	-15181	(6,008)	-44	(6,052)
Other changes								-51		(51)	11	(40)
Comprehensive net profit for 2008						-343			14,822	14,479	44	14,523
Balance at 31.12.2008	**7,190**	**21,047**	**(1,979)**	**1,438**	**1,138**	**(133)**	**27,611**	**27,747**	**14,822**	**98,881**	**526**	**99,407**
Change in treasury shares			-50							(50)		(50)
Profit reclassification								10,733	-14,822	(4,089)	-31	(4,120)
Other changes							122	9		131		131
Comprehensive net profit						-163			9383	9,220	43	9,263
Balance at 31.12.2009	**7,190**	**21,047**	**(2,029)**	**1,438**	**1,138**	**(296)**	**27,733**	**38,489**	**9,383**	**104,093**	**538**	**104,631**

CONSOLIDATED CASH FLOW STATEMENT

€/000	Notes	2009	2008
Cash flow from operations			
Net profit for period		**9,426**	**14,866**
Amortization, depreciation and impairment losses	14	6,800	6,744
(Capital gains)/losses on disposal of property, plant and equipment		(249)	(670)
Decreases/(increases) in trade and other receivables		15,724	(1,086)
Decreases/(increases) in inventories		19,869	(13,298)
(Decreases)/increases in trade and other payables		(15,803)	1,910
Change in post-employment benefits	31	(115)	(194)
Decreases/increases in provision for liabilities	32	49	(75)
Decreases/increases in derivate financial instruments		274	(281)
Net cash generated by operations		**35,975**	**7,916**
Cash flow from investment activities			
Increases in property, plant and equipment and intangible assets		(8,328)	(15,264)
(Increases) and decreases in financial assets		23	(16)
Proceeds from disposal of property, plant and equipment		684	702
Bertolini merger		0	(6,533)
Change in scope of consolidation		0	(2,550)
Net cash absorbed by investment activities		**(7,621)**	**(23,661)**
Cash flow from financial activities			
Change in equity		81	(502)
Change in short and long-term loans and borrowings		(3,765)	10,291
Change in finance leases		(469)	(465)
Dividends paid		(4,120)	(6,052)
Change in translation reserve		(163)	(343)
Net cash absorbed by financial activities		**(8,436)**	**2,929**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**19,918**	**(12,816)**
OPENING CASH AND CASH EQUIVALENTS		**(15,332)**	**(2,516)**
CLOSING CASH AND CASH EQUIVALENTS		4,586	(15,332)

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000	Notes	2009	2008
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents, detailed as follows:	**26**	**(15,332)**	**(2,516)**
Cash and cash equivalents		4,306	6,036
Overdrafts		(19,638)	(8,552)
Closing cash and cash equivalents, detailed as follows:	**26**	**4,586**	**(15,332)**
Cash and cash equivalents		7,331	4,306
Overdrafts		(2,745)	(19,638)
Other information:			
Tax paid		(3,827)	(5,128)
Interest income		349	465
Interest paid		(1,774)	(3,071)
Change in related party receivables and service transactions		711	198
Change in related party payables and service transactions		(915)	(2,088)

Explanatory notes to the consolidated financial statements of Emak Group

Notes to the consolidated financial statements - Contents

1. General information

The Board of Directors approved the consolidated financial statements of Emak S.p.A. for the year ended 31 December 2009 on 16 March 2010 and authorized their immediate publication, in accordance with the law and regulations, together with a notice and a press release.

The Emak Group 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.

The parent company is a public company, whose shares are listed on the Italian stock exchange. Its registered office is in Via Fermi 4, Bagnolo in Piano (Reggio Emilia), Italy.

EMAK is controlled by YAMA S.p.A., 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.

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.

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. The aim in all cases is to protect the company and its assets in the best way possible.

The Yama Group's main business is in the sectors of agricultural and gardening machinery and equipment, engine parts, finance and real estate.

The figures presented in the notes are expressed in thousands of euro, unless otherwise stated.

2. Summary of principal accounting policies

The principal accounting policies used for preparing these consolidated financial statements are discussed below, and unless otherwise indicated, have been uniformly applied to all years presented.

2.1 General methods of preparation

The consolidated 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 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.

The group 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: 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.

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.

2.2 Methods of consolidation

The consolidated financial statements 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. 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 acquisition of subsidiaries is accounted for using the purchase method. 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).

Intragroup balances, transactions and unrealized gains are eliminated. Unrealized losses are also eliminated unless the cost of the asset transferred reports an impairment loss. The financial statements of consolidated companies are duly amended, where necessary, to make them consistent with the group's accounting policies.

The scope of consolidation at 31 December 2009 therefore includes the following companies:

Name	Head Office	Share Capital	Currency	% Consolidated	Held by	% interest held
Emak S.p.A.	Bagnolo in Piano - RE (I)	7,189,910	€			
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)	17,350	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 Benelux NV	Meer (B)	130,000	€	99.999	Emak S.p.A.	99.800
					Comag S.r.l.	0.200
Emak France SAS	Rixheim (F)	2,000,000	€	100.000	Emak S.p.A.	100.000
Jiangmen Emak Outdoor Power Equipment Co.Ltd (*)	Jiangmen (RPC)	25,533,285	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

(*) The group's interest includes the 49% holding by Simest S.p.A.. Under the contract signed in December 2004 and subsequent additions thereto, the interest held by Simest S.p.A. is the subject of a binding agreement for repurchase by Emak S.p.A. on 30 June 2013.

2.3 Segmental reporting criteria

IFRS 8, replacing IAS 14 and applied by the Group from 1 January 2008, 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; and
(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.

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
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.

(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").

Goodwill amounts arising from business combinations are treated as assets of the acquired company.

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

Amount of currency corresponding to €1	2009 average	31.12.2009	2008 average	31.12.2008
Pounds sterling (GB)	0.89	0.89	0.80	0.95
Renminbi (China)	9.53	9.80	10.22	9.66
Zloty (Poland)	4.33	4.10	3.51	4.15
Dollars (USA)	1.39	1.44	1.47	1.39

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.
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.

(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

Goodwill relating to the purchase of subsidiaries is classified among the non-current assets and reviewed once a year for impairment. It is carried at cost less accumulated impairment losses.
Goodwill is allocated to the related cash-generating units for the purposes of identifying any impairment losses. Each of these cash-generating units represents the group's investment in each country of operation.
The Emak Group considers goodwill to be an asset with an indefinite useful life.

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
This category includes minority equity interests, which are measured at cost less any impairment.

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

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

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

2.11 Non-current assets held for sale

Assets held for sale are classified in this category when:

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

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

2.12 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw material costs, direct labour costs, general manufacturing costs and other direct and indirect costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined using prevailing selling prices less estimated costs of completion and sale.

Obsolete or slow-moving stocks are devalued on the basis of the presumed possibility of their use or of their future realisable value, by creating an appropriate provision that has the effect of reducing the inventories value.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less any provisions for impairment.

A provision for the impairment of trade receivables is recognized when there is objective evidence that the group will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

2.14 Trade payables

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

2.15 Cash and cash equivalents

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

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

2.16 Share capital

Ordinary shares are classified under equity.

If a group company 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.

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.

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 (i) the group 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.

2.21 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 New accounting standards

The valuation and measurement criteria are based on the IFRS standards and relative interpretations in force at 31 December 2009 and approved by the European Union.
It should be noted that the IASB and IFRIC have approved a number of changes to IAS/IFRSs, applicable for the first time from 1 January 2009. The main changes refer to:

Accounting standards and interpretations in force from 1st January 2009 and approved:

IAS 1 – Presentation of Financial Statements: application of the revised IAS 1 requires the presentation of an income statement that, besides the normal income statement headings, also includes income components such as proceeds and charges that were previously shown under equity. All the variations in equity generated by transactions with members, in fact, must be presented in a statement of changes in equity, while all the transactions generated with third parties must be shown in a single comprehensive income statement schedule or in two separate schedules. The Group's chosen presentation (also applied to last year's figures) is to show the comprehensive income statement in two schedules: the first, entitled "Income Statement" shows the traditional components of the income statement with the result for the period, while the second, entitled "Comprehensive Income Statement" starts from the result for the period, showing details of the other components previously shown only in the statement of changes in consolidated equity. The Group has consequently modified the presentation of the Statement of Changes in Consolidated Equity.

IFRS 8 – Operating Segments: this standard replaces IAS 14 – *Segmental Reporting* and regulates the information given on operating segments. The new standard had already been adopted by the Group in advance for the 2008 financial year as permitted by transition provisions set out in the standard. For more details reference should be made to section 2.3.

IAS 23 – Borrowing costs: the changes introduced eliminate the option that permitted charging borrowing costs directly attributable to the acquisition, construction or production of an asset directly to the income statement and require their capitalisation as part of the cost of the asset. The adoption of the standard has not had any impact on the financial statements since the conditions required by the standard for the capitalisation of costs do not apply.

IFRS 2 – Share-based payments: the standard, which more clearly sets out vesting conditions and cancellations of share-based payments, is not currently applicable to the Group.

IAS 27 – Consolidated and Separate Financial Statements – The cost of shareholdings in subsidiary companies, in jointly-owned entities and in associated companies: the definition of the "cost method" has been eliminated from IAS 27 and as a consequence investors are not required to treat all dividends of a subsidiary, of a jointly-owned entity or of an associated company as entries in the separate financial statements, even if the dividends are paid as reserve movements before acquisition. These changes are not currently applicable to the Group.

IAS 32- Financial Instruments: disclosure and presentation and IAS 1 Presentation of Financial Statements: The changes refer to puttable financial instruments and obligations arising on liquidation. These changes are not currently applicable to the Group.

IFRS 4 – Insurance Contracts and IFRS 7 – Financial Instruments: Disclosures. The changes have led to an improvement in disclosures in order to increase the amount of information to be given in the event of a fair value valuation and in order to strengthen existing standards regulating disclosures on liquidity risks involving financial instruments. The changes have been applied by the Group.

IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 – Financial instruments: Recognition and Measurement. The changes allow entities to reclassify particular financial instruments out of the "fair value through profit or loss" category in specific circumstances. These amendments clarify that on reclassification of a financial asset out of the aforementioned category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The amendments apply retrospectively from 31 December 2009. These changes are not currently applicable to the Group.

During 2008 the IASB issued a series of improvements to the IFRS's, approved during 2009 and applicable from 1 January 2009. Below is a list of those modifications indicated by the IASB as improvements leading to a change in the presentation, recognition and valuation of financial statement entries but which are not currently relevant for the Group.

- IAS 1 - Presentation of Financial Statements (revised in 2007);
- IAS 16 – Property, Plant and Equipment;
- IAS 19 – Employee Benefits;
- IAS 20 – Government Grants;
- IAS 28 – Investments in Associates, and IAS 31 – Interests in Joint Ventures;
- IAS 29 – Financial reporting in Hyperinflationary Economies;
- IAS 38 – Intangible Assets;
- IAS 40 – Investment Property.

IAS 36 – Impairment of Assets: the change, included in the 2008 improvements and approved in 2009, must be applied from 1 January 2009 and require additional disclosure in the event that the company assesses the recoverable value of a cash-generating unit using the discounted cash flow method. Application of the modification has not had any significant effects on the Group.

Standards and interpretation issued but not applicable for the 2009 financial year and for which the Group has not opted for advanced adoption.

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations: the change, included among 2008 improvements to IFRS's and approved in 2009, substantially established that if a company is committed to a plan to sell which leads to a loss of control of a subsidiary, all the assets and liabilities of the subsidiary must be reclassified among assets held for sale, even if after the sale the company will still have a minority holding in the subsidiary. This modification must be applied prospectively from 1 January 2010 and is currently not relevant for the Group.

IFRS 3 - Business Combinations and IAS 27 - Consolidated and Separate Financial Statements: the main changes made to IFRS 3 regard in particular the elimination of the obligation to value single assets and liabilities of the subsidiary at fair value in every subsequent acquisition, in the event of business combinations achieved in stages. Goodwill in these cases will be measured as the difference at acquisition date between the fair value of any investment in the business held immediately before acquisition, the consideration transferred and the net assets acquired. In addition, in the event that the company does not acquire 100% of the shareholding, the net equity of minority interests may be valued either at fair value or using the method previously provided for by IFRS 3. The revised version of the standard also provides for all costs associated with the business combination to be charged to the income statement and disclosure of the contingent consideration arrangements at the acquisition date. In the revision of IAS 27, on the other hand, the IASB has established that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions and therefore give rise to a corresponding entry in equity. Furthermore, it is established that when a company transfers control in a subsidiary but continues, however, to hold a stake in the company, it must value the retained shareholding in the financial accounts at fair value and allocate any profits or losses deriving from the loss of control to the income statement. Finally, the revised IAS 27 requires that all losses attributable to minority shareholders are allocated to the net equity attributable to minority interests, also when the latter exceed their shareholding in the subsidiary. The changes, applicable from 1 January 2010, are not currently relevant for the Group.

IAS 39 - Financial Instruments: recognition and measurement: the revised version, applicable retrospectively from 1 January 2010, clarifies the application of the standard for the definition of hedged items in certain situations. The Group has not opted for application of the amendment in advance, which in any case should not have any impacts on the valuation of financial instruments.

IFRIC 15 - Agreements for the Construction of Real Estate: the standard, effective from 1 January 2010, is not applicable to the Group.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation: the interpretation has eliminated the possibility of applying hedge accounting for operations to hedge exchange rate differences between the currency of the foreign subsidiary and the currency adopted for consolidated accounts. The interpretation also clarifies that in the case of disposal of a net investment in a foreign currency, for the purpose of establishing the amount that must be transferred to the income statement from the translation reserve, reference must be made to the provisions of IAS 39 - "Financial Instruments: recognition and measurement" for the part relating to the hedging instrument and to IAS 21 - "The Effects of Changes in Foreign Exchange Rates" for the part relating to the hedged instrument. The interpretation, applicable from 1 January 2010, is not currently significant for the Group.

IFRIC 17 – Distributions of Non-cash Assets to owners: the interpretation, in particular, clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and that the payable amount must be measured at the fair value of the net assets to be distributed. Finally, the entity should recognise in the income statement the difference between the dividend paid and the carrying amount of the net assets distributed. The interpretation will be applicable prospectively from 1 January 2010 and is not currently relevant for the Group.

IFRIC 18 – Transfers of Assets from Customers: the interpretation clarifies the accounting treatment to be adopted for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas and water). The interpretation will be applicable prospectively from 1 January 2010 but is not currently relevant for the group.

IAS 32 – Classification of Rights Issues: the modification allows rights issues for an increase share capital issued pro-rata to all an entity's existing shareholders for a fixed amount of foreign currency to be classified as an equity component in the entity's financial statements. Current practice contained in IAS 32 requires such issues to be accounted for as derivative liabilities. The modifications will be applicable from 1 January 2011 and are not currently relevant for the Group.

3. Capital management

The group's objectives for managing capital are:

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

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

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

The debt-equity ratios at 31 December 2009 and 31 December 2008 were as follows:

	31 Dic. 09	**31 Dic. 08**
	€/1,000	**€/1,000**
Net financial position (note 9)	37,950	61,806
Total equity	104,631	99,407
Debt-equity ratio	**0.36**	**0.62**

4. Financial risk management

4.1 Financial risk factors

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

(a) Market risk

(i) Interest rate risk
Since the group does not have significant interest-bearing assets, operating profits and cash flows are largely unaffected by changes in market interest rates. The group's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the group to the cash flow risk associated with interest rates. Fixed rate loans expose the group to the fair value risk associated with interest rates.
The group's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money.
At 31 December 2009, financings with banking institutions and financial leasing companies are at variable rates.
During the year the company has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

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

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

(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. Derivatives and short-term investments are undertaken only with primary financial institutions. The group has policies that limit its credit exposure to any single financial institution.

(c) Liquidity risk
Prudent management of liquidity risk implies the maintenance of sufficient liquid funds and marketable securities, the availability of funding through adequate credit lines and the ability to close positions off-market. Given the dynamic nature of the group's business, its Treasury function seeks flexibility of funding by having sufficient credit lines.
The Emak Group has maintained its high creditworthiness ratings assigned by credit institutes and analysts, also in the light of the difficult situation regarding financial markets. As a result, there have been no reductions in available credit lines, which already amply exceeded the Groups 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.

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 gain or loss on the hedging instrument recognized directly in equity remains separately in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss recognized directly in equity is transferred to profit or loss for the 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.

6. Segment information

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

7. Significant non-recurring events and transactions

The following operations occurred during the year:

7.1 The entering into of a sales contract for industrial property.

On 7 August 2009 a preliminary contract was undersigned for the sale of a property situated in Bagnolo in Piano (RE), previously rented to a company in the Yama Group. The consideration for this transaction was fixed at € 2,400 thousand, of which 10% was collected in September 2009 in the form of a deposit. The remaining amount of the consideration was collected on 29 January 2010, coinciding with the undersigning of the deed of conveyance. The Capital Gains, for € 2,292 thousand, has been accounted for as arising in the 2010 financial year.

At 31 December 2009 the property was recorded in the financial statements under the heading "Non-current assets held for sale" for a net amount of € 108 thousand.

7.2 Increase in share capital

Further to the authorisation granted in July by the Chinese authorities, an increase in the share capital of the subsidiary Jiangmen Emak Outdoor Power Equipment Co.Ltd. was subscribed for the amount of 1,078 thousand American dollars according to the pro-rata stakes held by Emak S.p.A. and Simest S.p.A. (51% and 49% respectively). The payments were made by Emak S.p.A. in September 2009 and by Simest S.p.A. in October 2009.

8. Balances or transactions arising from atypical and unusual operations

No atypical or unusual transactions took place during the course of 2009.

9. Net financial position

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

€/000	31.12.2009	31.12.2008
Cash and banks	7,331	4,306
Securities and derivative financial instruments	433	317
Other financial assets	1	24
Financial liabilities	(13,754)	(39,586)
Derivative financial instruments	(529)	(139)
Short-term net debt	**(6,518)**	**(35,078)**
Financial liabilities	(31,432)	(26,728)
Long-term net debt	**(31,432)**	**(26,728)**
Cash and banks	7,331	4,306
Securities and derivative financial instruments	433	317
Other financial assets	1	24
Financial liabilities	(45,186)	(66,314)
Derivative financial instruments	(529)	(139)
Total net debt	**(37,950)**	**(61,806)**

The net financial position does not contain any balances with related parties either at 31 December 2009 or at 31 December 2008.

10. Sales and other operating income

Revenues of the Group of € 194,925 thousand, against € 243,449 thousand in the previous year, are shown net of returns for € 586 thousand compared to € 620 thousand in the previous year.

Details of sales are as follows:

€/000	FY 2009	FY 2008
Net sales revenues (net of discounts and rebates)	193,767	242,237
Revenues from recharged transport costs	1,744	1,832
Returns	(586)	(620)
Total	**194,925**	**243,449**

Other operating income is analyzed as follows:

€/000	FY 2009	FY 2008
Capital gains on property, plant and equipment	261	686
Recovery of warranty costs	113	149
Insurance refunds	24	68
Advertising reimbursements	339	330
Rental income (note 19)	135	133
Capital gains on disp. of fixed assets available for sale (note 7)	568	434
Grant under Law 488/92	494	591
Other operating revenues	**1,934**	**2,391**

11. Cost of raw and consumable materials and goods

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

€/000	FY 2009	FY 2008
Raw materials, semi-finished products and goods	91,690	147,838
Other purchases	1,767	3,596
Total	**93,457**	**151,434**

The decrease in the heading “Raw materials, semi-finished products and goods” is attributable to the fall in production volumes and to the use of inventories held at the end of the previous financial year.

12. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2009	FY 2008
Wages and salaries	20,867	22,739
Social security charges	6,039	6,589
Employee termination indemnities	1,105	1,097
Adjustment of termination indemnity for actuarial losses (profits) (note 31)	31	415
Other costs	763	1,082
Directors’ emoluments	291	765
Temporary staff	694	1,314
Total	**29,790**	**34,001**

Details of changes in staff numbers are provided in section 6 of the report on performance.
The fall in employment costs arises from the reduction in the average number of employees compared to the previous year, from a lower use of temporary workers and from the reorganization of the company processes as a consequence of last year’s acquisitions.

13. Other operating costs

Details of these costs are as follows:

€/000	FY 2009	FY 2008
Subcontract work	3,900	5,912
Maintenance	1,691	2,125
Transportation	7,831	11,812
Advertising and promotions	2,950	4,631
Commissions	2,255	2,830
Travel	903	1,332
Postage and telecommunications	571	693
Consulting fees	1,472	1,762
Other services	4,971	6,245
Services	**26,544**	**37,342**
Rents, rentals and the enjoyment of third party assets	**3,222**	**2,159**
Increases in provisions (note 32)	**100**	**180**
Bad debts	163	176
Increase in provision for doubtful accounts (nota 24)	562	290
Capital losses on property, plant and equipment	12	16
Other taxes (not on income)	406	417
Other operating costs	951	1,337
Other costs	**2,094**	**2,236**
Total	**31,960**	**41,917**

In the 2008 financial period "rental" costs of € 457 thousand were reclassified, moving from the heading "Other services" to the heading "Rents, rentals and the enjoyment of third party assets."

The fall in all costs is due to the fall in volumes and to rationalisation policies implemented.
The increase in cost for "Rents, rentals and the enjoyment of third party assets" is caused by external logistics management which in 2008 only had an impact on the accounts in the second part of the year.

14. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2009	FY 2008
Amortization of intangible assets (nota 20)	869	1,235
Depreciation of property, plant and equipment (nota 18)	5,903	5,471
Depreciation of investment property (nota 19)	28	38
Total	**6,800**	**6,744**

Depreciation of investment property refers to a property reclassified on 1 October 2009 under the heading "Non-current assets held for sale".

15. Finance income and expenses

Financial income is analyzed as follows:

€/000	FY 2009	FY 2008
Interest on trade receivables	364	223
Interest on bank and postal current accounts	50	327
Cash discounts received	3	3
Other financial income	82	35
Financial income	**499**	**588**

Other financial income includes around € 70 thousand for the adjustment of interest rate hedging derivatives to fair value.

Financial expenses are analyzed as follows:

€/000	FY 2009	FY 2008
Interest on medium-term bank loans and borrowings	947	1,229
Interest on short-term bank loans and borrowings	775	1,696
Financial charges from valuing employee termination indemnities (note 31)	166	215
Cash discounts given	305	373
Other financial costs	546	428
Financial expenses	**2,739**	**3,941**

The decrease in interest payable arose as a result of the fall in interest rates.

Other financial costs include around € 350 thousand for the adjustment of interest rate hedging derivatives to fair value.

Exchange gains and losses are analysed as follows:

€/000	FY 2009	FY 2008
Exchange differences on trade transactions	263	(247)
Exchange differences on financial items	(112)	(408)
Exchange gains and losses	**151**	**(655)**

16. Income taxes

The estimated charge for current tax and changes in deferred tax assets and liabilities is € 3,340 thousand in 2009 (€ 6,039 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2009	FY 2008
Current income taxes	3,708	6,580
Taxes from prior years	(257)	(19)
Changes in deferred tax assets (nota 30)	19	(346)
Changes in deferred tax liabilities (nota 30)	(130)	(176)
Total	**3,340**	**6,039**

The current income taxes figure includes the cost for IRAP (regional company tax) for € 833 thousand, against € 1,253 thousand in 2008.

No amounts for income taxes have been posted directly in movements in equity during 2009, as during last year.

Effective taxes calculated on pre-tax profit differ from the theoretical amount that would be determined using the tax rate currently in force in the country where the parent company is headquartered for the following reasons:

€/000	FY 2009	% rate	FY 2008	% rate
Profit before taxes	**12,766**		**20,905**	
Theoretical tax charge	**4,009**	**31.4**	**6,564**	**31.4**
Effect of IRAP differences calculated on different tax base	614	4.8	749	3.6
Non-taxable income	(457)	(3.6)	(96)	(0.5)
Non-deductible costs	268	2.1	299	1.4
Differences in rates with other countries	(908)	(7.1)	(1,346)	(6.5)
Taxes from prior years	(256)	(2)	(18)	(0.1)
Tax redemption re previous deductions	-	-	(181)	(0.9)
Other differences	70	0.6	68	0.5
Effective tax charge	**3,340**	**26.2**	**6,039**	**28.9**

The effective tax rate of 26.2% is down from the one of 28.9% reported in 2008.

This decrease is mainly due to the following elements:

- the benefit of the “Tremonti-Ter” relief (art. 5, Legislative Decree no. 78/2009 converted into Law 102/2009) which introduced the detaxation of 50% of investments in machinery and new equipment made in the financial year in question from 1 July 2009. The benefit is a tax saving of € 282 thousand;

- the positive effect of the IRAP (Italian regional corporate income tax) reimbursement included under taxes in the previous period for € 208 thousand.

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 37). The parent company has only ordinary shares outstanding.

	FY 2009	FY 2008
Net profit attributable to ordinary shareholders in the parent company (€/000)	9,383	14,822
Weighted average number of ordinary shares outstanding	27,260,353	27,312,193
Basic earnings per share (€)	**0.344**	**0.543**

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

18. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2007	Increases	Incr. from merger	Change in cons. area	Decreases	Other changes	Exchange difference	31.12.2008
Land and buildings	32,079	2,024	-	-	(28)	47	396	34,518
Accumulated depreciation	(6,659)	(909)	-	-	18	-	(19)	(7,569)
Land and buildings	**25,420**	**1,115**	**-**	**-**	**(10)**	**47**	**377**	**26,949**
Plant and machinery	15,205	2,030	871	1,218	(1,410)	40	337	18,291
Accumulated depreciation	(9,275)	(1,356)	(495)	(228)	1,359	5	(47)	(10,037)
Plant and machinery	**5,930**	**674**	**376**	**990**	**(51)**	**45**	**290**	**8,254**
Other assets	44,878	5,451	2,052	887	(660)	59	147	52,814
Accumulated depreciation	(38,134)	(3,206)	(1,217)	(184)	603	42	(20)	(42,116)
Other assets	**6,744**	**2,245**	**835**	**703**	**(57)**	**101**	**127**	**10,698**
Advances and fixed assets in progress	595	4,696	-	-	(8)	(193)	-	5,090
Cost	92,757	14,201	2,923	2,105	(2,106)	(47)	880	110,713
Accumulated depreciation (note 14)	(54,068)	(5,471)	(1,712)	(412)	1,980	47	(86)	(59,722)
Net book value	38,689	8,730	1,211	1,693	(126)	-	794	50,991

€/000	31.12.2008	Increases	Decreases	Other changes	Exchange difference	31.12.2009
Land and buildings	34,518	3,159	(16)	3,636	(76)	41,221
Accumulated depreciation	(7,569)	(948)	1	-	6	(8,510)
Land and buildings	**26,949**	**2,211**	**(15)**	**3,636**	**(70)**	**32,711**
Plant and machinery	18,291	2,560	(586)	770	(50)	20,985
Accumulated depreciation	(10,037)	(1,471)	480	-	20	(11,008)
Plant and machinery	**8,254**	**1,089**	**(106)**	**770**	**(30)**	**9,977**
Other assets	52,814	1,982	(1,385)	403	(34)	53,780
Accumulated depreciation	(42,116)	(3,484)	1,089		22	(44,489)
Other assets	**10,698**	**(1,502)**	**(296)**	**403**	**(12)**	**9,291**
Advances and fixed assets in progress	**5,090**	**219**	**(18)**	**(4,833)**	**-**	**458**
Cost	**110,713**	**7,920**	**(2,005)**	**(24)**	**(160)**	**116,444**
Accumulated depreciation (note 14)	**(59,722)**	**(5,903)**	**1,570**	**-**	**48**	**(64,007)**
Net book value	**50,991**	**2,017**	**(435)**	**(24)**	**(112)**	**52,437**

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

The increase in the "Land and buildings" and "Plant and machinery" categories mainly refers to the completion of work relating to the construction and start-up of a new logistics site in Bagnolo in Piano (Re) and of the new factory in Jiangmen (China).

The increase in the other categories mainly refers to the purchase of moulds for production, the purchase of electronic machines, of production equipment and other minor investments.

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

€/000	31.12.2009	31.12.2008
Gross value	3,659	3,659
Accumulated depreciation	(550)	(440)
Net book value	**3,109**	**3,219**

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.

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

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

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

During 2004, moreover, Comag S.r.l. submitted a new request for grants amounting to € 2,401 thousand, against investments of around € 9,538 thousand. The request for these grants was accepted and the relative credit was accounted for, according to the scheme of investments made, under other receivables falling due within 1 year for €1,601 thousand and under other receivables falling due after more than one year for €800 thousand (note 24). This allocation is based on expected collections as deduced from the final documentation received further to the investment entered into by the company at the end of 2008.

The amount of the grant is subject to the risk of modification in the event that the conditions provided for in the investment plan are not complied with.

These grants, which are reported under deferred income, are credited to income evenly over the useful economic lives of the assets concerned.

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

19. Non-current assets held for sale

This refers to a building rented to a company in the Yama Group until 31 December 2009. The cost at 31 December 2009 amounts to € 1,257 thousand and the accumulated depreciation € 1,149 thousand. In the last financial year the property was classified under “Property investments”.

Rentals received in 2009 from this property amount to € 135 thousand (note 10); last year they amounted to € 133 thousand. On 29 January 2010 the building was conveyed in the terms already exposed in note 7.1

20. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2007	Increases	Incr. from merger	Change in consol. area	Decreases	Exchange difference	31.12.2008
Development costs	1,241	-	61	-	-	(1)	1,301
Accumulated amortization	(638)	(130)	(60)	-	-	-	(828)
Development costs	**603**	**(130)**	**1**	**-**	**-**	**(1)**	**473**
Patents and intellectual property rights	4,445	613	139	321	(4)	32	5.546
Accumulated amortization	(3,337)	(803)	(77)	(65)	4	(2)	(4,280)
Patents	**1,108**	**(190)**	**62**	**256**	**0**	**30**	**1,266**
Concessions, licences and trademarks	753	17	-	-	-	(94)	676
Accumulated amortization	(305)	(149)	-	-	-	62	(392)
Concessions, licences and trademarks	**448**	**(132)**	**-**	**-**	**-**	**(32)**	**284**
Other intangible assets	542	105	1,794	373	-	102	2,916
Accumulated amortization	(23)	(153)	(1,675)	(95)	-	(15)	(1,961)
Other intangible assets	**519**	**(48)**	**119**	**278**	**-**	**87**	**955**
Advanced payments and fixed assets in progress	**117**	**223**	**-**	**-**	**-**	**-**	**340**
Cost	**7,098**	**958**	**1,994**	**694**	**(4)**	**39**	**10,779**
Accumulated amortization (note 14)	**(4,303)**	**(1,235)**	**(1,812)**	**(160)**	**4**	**45**	**(7,461)**
Net book value	**2,795**	**(277)**	**182**	**534**	**-**	**84**	**3,318**

€/000	31.12.2008	Increases.	Other changes	Exchange difference	31.12.2009
Development costs	1,301				1,301
Accumulated amortization	(828)	(56)			(884)
Development costs	**473**	**(56)**			**417**
Patents and intellectual property rights	5,546	346	67	(6)	5,953
Accumulated amortization	(4,280)	(602)		3	(4,879)
Patents	**1,266**	**(256)**	**67**	**(3)**	**1,074**
Concessions, licences and trademarks	676	4		7	687
Accumulated amortization	(392)	(123)		(10)	(525)
Concessions, licences and trademarks	**284**	**(119)**		**(3)**	**162**
Other intangible assets	2,916	17		(15)	2,918
Accumulated amortization	(1,961)	(88)		4	(2,045)
Other intangible assets	**955**	**(71)**		**(11)**	**873**
Advanced payments and fixed assets in progress	**340**	**157**	**(69)**		**428**
Cost	**10,779**	**524**	**(2)**	**(14)**	**11,287**
Accumulated amortization (note 14)	**(7,461)**	**(869)**		**(3)**	**(8,333)**
Net book value	**3,318**	**(345)**	**(2)**	**(17)**	**2,954**

Investments in the “Patents and intellectual property rights” mainly refer to the acquisition of new applicative software as well as management software associated with the news pare parts centre.

Research and development costs directly allocated to the Income Statement amount to € 5,149 thousand against € 4,677 thousand in the last financial year.

All intangible fixed assets have a defined residual useful life.

21. Goodwill

The goodwill of €10,139 thousand reported at 31 December 2009 can be separated into two parts as follows:

	31.12.2008	Exchange difference	31.12.2009
Goodwill on the purchase of Victus Eco Sp. Z.o.o.	898	10	908
Goodwill on the purchase of the Victus IT business	4,962	60	5,022
Goodwill from the merger of Bertolini S.p.A.	2,074	-	2,074
Goodwill from the acq. of Tailong Machinery Ltd.	2,167	(32)	2,135
Total	**10,101**	**38**	**10,139**

- Goodwill on the purchase of Victus-Emak Sp. z.o.o. for € 908 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 € 5,022thousand relates to the acquisition of the company branch of Victus International Trading SA.;

- the amount of €2,074 thousand refers to the positive difference arising further to the absorption of the company Bertolini S.p.A into Emak S.p.A.;

- the amount of € 2,135 thousand refers to the higher value arising from the acquisition of 100% of the company regulated by Chinese law, Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.

The group reviews the recoverability of goodwill at least once a year or more often if there are signs of impairment. The recoverable amount of the cash generating unit, to which the goodwill has been allocated, has been evaluated by determining its value in use.

The impairment test was carried out using the discounted cash flow method with reference to the date of 31 December 2009. The forecast of future operating cash flows is based on the budgets prepared by the Group for 2010 taking account of current market uncertainties, assuming a situation of slight growth for the two following years and considering the estimation of the final value. Expected cash flows have been discounted on the basis of a gross WACC (weighted average cost of capital) of 13.2% for the goodwill relating to Victus-Emak Sp Z.o.o., 9.2% for Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. and 10.8% for Bertolini S.p.A..

The elements taken into consideration for calculating cash flows are income indicators such as turnover and EBITDA, balance sheet indicators such as movements in net working capital and investments.

The indicators are taken from the budgets and from the three-year plans approved by company Management; these are in turn analysed in all the phases of the management planning process.

The cash flows used in the tests cover a time period of three years. For subsequent years a discounted flow of perpetual income has been estimated assuming zero growth of the last cash flow measured.

The sensitivity tests carried out justify the values of goodwill recorded in the financial statements, even when applying reasonably more prudent assumptions than those adopted.

22. Equity investments

The amount reported in the balance sheet is €224 thousand, which has not suffered any impairment; the risks and rewards of owning this 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..

23. 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 31 December 2009 there were outstanding forward currency agreements for the purchase of:

- € 1,100 thousand expiring by July 2010 at an average exchange rate of 0.91 Pounds Sterling (regarding hedging operations carried out by the U.K. subsidiary Emak U.K. Ltd.);
- € 4,500 thousand expiring by June 2010 at an average exchange rate of 4.2 Zloty (regarding hedging operations carried out by the Polish. subsidiary Victus Emak Sp. z.o.o.);
- 20,000 thousand yen expiring by March 2010 at an average exchange rate of 136 yen per euro (regarding hedging operations carried out by the French subsidiary Emak France Sas);
- 1,600 thousand dollars expiring by may 2010 at an average exchange rate of 1.50 dollars per euro (regarding hedging operations carried out by the parent company Emak S.p.A);
- 700 thousand dollars expiring by April 2010 at an average exchange rate of 1.50 dollars per euro (regarding hedging operations carried out by the French subsidiary Emak France Sas);
- 480 thousand dollars expiring by May 2010 at an average exchange rate of 2.82 Zloty (regarding hedging operations carried out by Victus Emak Sp. z.o.o.);
- 230 thousand pounds sterling expiring by June 2010 at an average exchange rate of 4.71 Zloty (regarding hedging operations carried out by Victus Emak Sp. z.o.o).

At the same date there were outstanding forward currency operations for the sale of:

- € 13,749 thousand expiring by July 2010 at an average exchange rate of 10.1 Renmimbi (regarding hedging operations carried out by the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd.).

The Parent company, 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 € 23,597 thousand.

The expiry of the instruments is as follows:

- € 3,000 thousand in the 2010 financial year;
- € 2,000 thousand in the 2011 financial year;
- € 10,000 thousand will be amortised in financial years up to 2013;
- € 8,597 thousand will be amortised in financial years up to 2014.

The average interest rate of the instruments is 3.18%.

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.

24. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2009	31.12.2008
Trade receivables	56,067	68,518
Provision for doubtful accounts	(1,804)	(1,585)
Net trade receivables	**54,263**	**66,933**
Receivables due from related parties (note 38)	907	1,618
Prepaid expenses and accrued income	189	176
Other receivables	2,351	4,170
Total current portion	**57,710**	**72,897**
Other non-current receivables	904	852
Total non-current portion	**904**	**852**

Other short-term receivables refers for € 1,601 thousand to the amount receivable re the Law 488 contribution granted to the subsidiary Comag, which is expected to be collected in 2010.

The “Other receivables” heading includes € 155 thousand relating to down payments made to suppliers for the construction of moulds and equipment the ownership of which will be transferred to a customer as a part of a specific project for the development of a new product. At 31 December 2008 these down payments amounted to around € 1,400 thousand.

The heading “Other non-current receivables” includes the amount (around € 800 thousand) receivable, with regards to the Law 488 grant, which will be collected after 31 December 2010.

Trade receivables do not bear interest and generally fall due within 100 days.

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

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

€/000	31.12.2009	31.12.2008
Opening balance	**1,585**	**1,372**
Increases (note 13)	562	290
Decreases	(343)	(151)
Exchange difference	-	(4)
Acquisition of a company branch	-	78
Closing balance	**1,804**	**1,585**

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

25. Inventories

Inventories are detailed as follows:

€/000	31.12.2009	31.12.2008
Raw, ancillary and consumable materials	30,035	38,050
Work in progress and semi-finished products	8.335	10,734
Finished products and goods for resale	31,019	40,474
Total	**69,389**	**89,258**

Inventories are stated net of a provision of €1,765 thousand at 31 December 2009 (€1,683 thousand at 31 December 2008). The purpose of this provision is to write down obsolete and slow-moving items to their estimated realizable value.

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

€/000	FY 2009	FY 2008
Opening balance	**1,683**	**1,511**
Increases	512	246
Movements for company acquisitions	-	289
Effect of exchange differences	3	-
Uses	(433)	(363)
Closing balance	**1,765**	**1,683**

The decreases in the provision refer to obsolete material disposed of during the 2009 financial year.

None of the group's inventories at 31 December 2009 act as security against its liabilities.

26. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2009	31.12.2008
Bank and post office deposits	7,315	4,295
Cash	16	11
Total	**7,331**	**4,306**

For the purpose of preparing the cash-flow statement, cash and cash equivalents at the end of the financial year include:

€/000	31.12.2009	31.12.2008
Cash and cash equivalents	7,331	4,306
Overdrafts (note 29)	(2,745)	(19,638)
Total	**4,586**	**(15,332)**

27. Equity

Share capital

Share capital is fully paid up at 31 December 2009 and amounts to €7,190 thousand, remaining unchanged during the year under examination. It consists of 27,653,500 ordinary shares of par value €0.26 each.

Share Premium reserve

At 31 December 2009, the share premium reserve of € 21,047 thousand, unchanged compared to the previous financial year, is composed of premiums on newly issued shares.

Treasury shares

The adjustment of equity for acquisitions 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 2009 (note 37).
The nominal value of these treasury shares is € 104 thousand.

Other reserves:

The legal reserve at 31 December 2009 of €1,438 thousand is the same as the previous year.
The revaluation reserve at 31 December 2009 includes the reserves arising from revaluations under Law 72/83 for €371 thousand and under Law 413/91 for €767 thousand. No change has taken place in the period under review.

The extraordinary reserve, included amongst other reserves, amounts to €27,088 thousand at 31 December 2009, inclusive of all allocations of earnings in prior years.

The other reserves at 31 December 2009 also include:
- untaxed reserves of €129 thousand relating to tax-related provisions for grants and donations;
- merger surplus reserves of €394 thousand;
- capital subsidies reserves deriving from the absorption of Bertolini S.p.A. for € 122 thousand.

At 31 December 2009 the reserve for conversion differences for a negative amount of € 296 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.

Details of the restrictions on distributing reserves are contained in the specific table in the notes to the financial statements of the parent company Emak S.p.A.
Of the "Retained earnings" reported in the consolidated financial statements, €4,787 thousand may not be distributed.

28. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2009	31.12.2008
Trade payables	35,833	48,932
Payables due to related parties (note 38)	2,205	3,120
Payables due to staff and social security institutions	4,041	4,467
Accrued expenses and deferred income (note 33)	355	543
Other payables	2,557	2,840
Total	**44,991**	**59,902**

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

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

29. Financial liabilities

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

€/000	31.12.2009	31.12.2008
Overdrafts (note 26)	2,745	19,638
Bank loans	10,247	19,277
Finance leases	483	469
Financial accrued expenses and deferred income	82	189
Other loans	197	13
Guarantees received	**13,754**	**39,586**

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

€/000	31.12.2009	31.12.2008
Bank loans	28,688	23,865
Finance leases	1,484	1,967
Other loans	1,260	896
Total non-current portion	**31,432**	**26,728**

Amounts payable for leasing in the event of insolvency are guaranteed by the lessor's right on the leased asset.

Other loans, totalling € 1,260 thousand, refer to the interest subscribed by Simest S.p.A. in the subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. This company is treated as a wholly-owned subsidiary by virtue of the undertaking 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.) This clause limiting the maximum repayment at the termination of the contract has been inserted into the original contract by means of a modification signed by the parties in 2009.

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

Long-term loans and borrowings are repayable as follows:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	8,090	10,876	6,211	2,856	**28,033**	**656**
Finance leases	497	512	475	-	**1,484**	
Other loans	-	-	1,260	-	**1,260**	
Total	**8,587**	**11,388**	**7,945**	**2,856**	**30,777**	**656**

The interest rates applied are as follows:

- for bank loans in Euro, the Euribor rate is applied plus a variable spread from a minimum of 0.40% to a maximum of 2%;

- for bank loans in Pound Sterling, the “base rate” Bank of Enagland is applied plus a maximum spread of 2%;

- for loans in Renminbi, the reference interest rate communicated by the People’s Bank of China is applied, discounted/increased by 10%;

- finance leases: 3-month Euribor plus a spread of 0.633% with quarterly indexation of the payments;

- Other financings include:
the Simest shareholding as previously described, the consideration for which is calculated as follows:
Part I: up to 30April 2009 a fixed rate of 6.75%; from 1 May 2009 a fixed rate of 6.25% and a variable portion depending on the profits of the affiliate with Cap rate of 7%;
Part II: rate of 3%;
Part III: rate of 2.5%.

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

€/000	31.12.2009	31.12.2008
Minimum future payments<1 year	531	531
Minimum future payments from 1 to 5 years	1,542	2,080
Minimum future payments beyond 5 years	-	-
Total minimum payments	**2,073**	**2,611**
Payables for future financial expenses	**(106)**	**(175)**
Present value	**1,967**	**2,436**
Interest rate	**2.5%**	**5.7%**

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

30. Tax assets and liabilities

Deferred **tax assets** are detailed below:

€/000	31.12.2008	Increase.	Decrease.	Reclassifi-cations	Exchange Difference	31.12.2009
Reversal of unrealized intercompany gains	1,516	-	(110)	-	-	1,406
Provision for inventory obsolescence	262	170	(143)	-	-	289
Carried forward tax on previous fiscal losses	593	22	(54)	-	(6)	555
Provision for doubtful accounts	42	7	(3)	-	-	46
Other carried forward taxes (assets)	907	127	(35)	(67)	3	935
Total (note 16)	**3,320**	**326**	**(345)**	**(67)**	**(3)**	**3,231**

The portion of taxes which are expected to reverse within the following 12 months amount to € 1,842 thousand.

There is no time limit on the use of carried-forward tax losses.

Deferred tax liabilities are detailed below:

€/000	31.12.2008	Increase.	Decrease.	Exchange difference	31.12.2009
Deferred tax on buildings IAS 17	1,542	10	-	-	1,552
Valuation of provision for employee termination indemnities under IAS 19	235	-	(19)	-	216
Other deferred tax liabilities	1,267	61	(182)	(2)	1,144
Total (note 16)	**3,044**	**71**	**(201)**	**(2)**	**2,912**

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

A total of €227 thousand in deferred tax liabilities will reverse in the next 12 months.

No deferred taxes have been recognized on undistributed subsidiary company earnings. This is because the group is able to control when to distribute these reserves and because they are unlikely to be distributed in the foreseeable future. The total amount of such taxes is €448 thousand at 31 December 2009.

It should be noted, moreover, that deferred taxes relating to the revaluation reserves (which are reserves in partial tax suspension) have not been allocated since it is unlikely that there will be any operations carried out giving rise to taxation. The total amount of these taxes at 31 December 2009 is around € 374 thousand.

Current tax assets amount to €2,940 thousand at 31 December 2009 compared with €3,440 thousand a year earlier. They refer to VAT credits, surplus payments on account of direct tax and other tax credits.

Current tax liabilities amount to €1,822 thousand at 31 December 2009 compared with €2,167 thousand a year earlier. They refer to payables for direct tax for the period, VAT and withholding taxes.

31. Long-term post-employment benefits

At 31 December 2009 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee’s working life, amounting to € 4,768 thousand against € 4,898 thousand at 31 December 2008. The valuation of the indemnity leaving fund (TFR) at the closing date, carried out according to the nominal debt method in force would be € 5,552 thousand against € 5,755 at 31 December 2008.

Movements in this liability are as follows:

€/000	2009	2008
Opening balance	**5,017**	**4,562**
Current service cost and other provisions	15	16
Actuarial (gains)/losses (note 12)	31	415
Interest cost on obligations (note 15)	166	215
Increase from merger (note 7)	-	649
Disbursements	(327)	(840)
Closing balance	**4,902**	**5,017**

The principal economic and financial assumptions used are as follows:

	FY 2009	FY 2008
Annual inflation rate	2.0%	2.0%
Rising discount rate	3.2%	3.5%
Rate of dismissal (overall average rate)	3%	3%

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

In the 2010 financial year, payments are expected to be in line with 2009.

32. Provisions for liabilities and charges

Movements in these provisions are detailed below:

€/000	31.12.2008	Increase.	Decrease.	31.12.2009
Provision for agents' termination indemnity	638	46	(36)	648
Other provisions	-	23	-	23
Total non-current portion	**638**	**69**	**(36)**	**671**
Provision for product warranties	290	6	-	296
Other provisions	38	25	(15)	48
Total current portion	**328**	**31**	**(15)**	**344**

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 1999-2005, for a total disputed amount of € 365 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 have been in favour of the taxpayer and it is expected that the out come 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 provision for product warranties refers to the future costs of repairing products under warranty that were sold in the year; this provision is calculated using estimates based on historical trends.

Other provisions for € 48 thousand mainly refer to amounts set aside for excesses on insurance claims for civil liability and to free gift operations.

33. Other non-current liabilities

€/000	31.12.2009	31.12.2008
Deferred income - Law 488 grants	1,803	2,197
Social security payables	10	31
Total	**1,813**	**2,228**

The deferred income refers to the capital grant received by Comag 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 28) and amounts to €324 thousand (€279 thousand in 2008).

34. Contingent liabilities

At the date of 31 December 2009 the group does not have any disputes that could give rise to future liabilities that have not already been reflected in the balance sheet.

35. 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 2009 is the accounting value of financial activities shown in the financial statements.

It should be pointed out that the credit granted to dealers and distributors 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 31 December 2009 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 2009 "Trade receivables and Other receivables", equal to €57,710 thousand (€72,897 thousand at 31 December 2008), include €6,350 thousand (€4,794 thousand at 31 December 2008) outstanding by more than 3 months.

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	2009	2008
Trade receivables due from customers with SACE 1 rating	42,738	47,778
Trade receivables due from customers with SACE 2 and 3 rating	13,285	20,428
Trade receivables due from customers with non-insurable SACE rating	44	312
Total (Note 24)	**56,067**	**68,518**

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 for those with SACE 3 rating, 80%. SACE provides no coverage for non-insurable or suspended countries.

The value of amounts receivable covered by SACE insurance or by other guarantees at 31 December 2009 is € 20,572 thousand.

At 31 December 2009 the first 10 customers account for 36.7% of total trade receivables, while the top customer represents 12.5% of the total.

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

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

The characteristics and nature of the expiry of debts and of the Group's financial activities are set out in Notes 26 and 29 relating respectively to Cash and Cash Equivalents and Financial Liabilities.

The management considers that currently unused funds and credit lines, amounting to €108 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.
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 2009 financial period, the overall amount of revenues directly exposed to exchange risk represented around 13% of the Group's aggregate turnover (15.4% in the 2008 financial period), while the amount of costs exposed to exchange risk is equal to 13.3% of aggregate Group turnover (11.9% in the 2008 financial period).

The net balances at 31 December 2009 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:

Debt position in US Dollars	1,178,207
Debt position in Yen	95,364,543
Debt position in Sterling	5,399
Credit position in Zloty	1,902,481
Debt position in Swiss Francs	30,957
Debt position in Taiwanese dollars	1,110,975
Credit position in Euros	28,933

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.

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

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

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

- A number of subsidiary companies in the Group are located in countries which are not members of the European Monetary Union, in particular, the United States, the United Kingdom, Poland and China. 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 27). At the balance sheet date there was no hedging in force with regards to these exposures for conversion exchange risk.

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Group at 31 December 2009, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around €56 thousand (€105 thousand at 31 December 2008).

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

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

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

A hypothetical, instantaneous and unfavourable negative variation of one base point in annual interest rates in force at 31 December 2009 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around €229 thousand (€606 thousand at 31 December 2008). 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 23, the Group holds a number of derivative financial instruments whose value is linked to the trend in exchange rates (forward currency purchase operations) and the trend in interest rates.

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

Sensitivity analysis
The potential loss of fair value of derivative financial instruments held by the Group at 31 December 2009 as a result of a hypothetical unfavourable and immediate variation of 10% in underlying values would amount to around €1,587 thousand (€264 thousand at 31 December 2008).

36. Commitments
Fixed asset purchases
The group has commitments for purchases of fixed assets not accounted for in the financial statements at 31 December 2009 for an amount of €342 thousand (€4,734 thousand at 31 December 2008). These commitments relate to the purchase of equipment, plant and machinery.

Guarantees granted
The group has €659 thousand in guarantees granted to third parties at 31 December 2009 (€934 thousand at the end of 2008).

37. Ordinary shares, treasury shares and dividends
Share capital is fully paid up at 31 December 2009 and amounts to €7,190 thousand. It consists of 27,653,500 ordinary shares of par value €0.26 each.

	31.12.2009	31.12.2008
Number of ordinary shares	27,653,500	27,653,500
Treasury shares	(397,233)	(382,163)
Total outstanding shares	**27,256,267**	**27,271,337**

The dividends for 2008 approved by the shareholders on 16 April 2009, totalling €4,089 thousand, were paid during 2009.

In accordance with the related authorization by shareholders, Emak S.p.A. has purchased treasury shares on the market for the purpose of improving the stock's liquidity.

At 31.12.2008 the company held in portfolio 382,163 treasury shares for a value of € 1,979 thousand.
15,070 treasury shares were acquired during 2009 for a value of € 50 thousand.

As a result, at 31.12.2009 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2010 no treasury shares were acquired or sold by Emak S.p.A.. As a result, the holding and value of treasury shares is unchanged with respect to 31 December 2009.

38. Related party transactions

The effects on the balance sheet and income statement at 31 December 2009 of transactions by the Emak Group with ultimate parent companies, affiliated companies and any related parties are shown below.

The Emak Group forms part of a large group of companies under the control of YAMA S.p.A., Emak's holding company.

The related parties with which the Group has had significant dealings are essentially: Emak S.p.A.'s holding company, that is Yama S.p.A., and companies under Emak S.p.A.'s control, that is its subsidiaries.

The YAMA Group mainly operates in the following sectors: machines and equipment for agriculture and gardening, engine components and real estate.
A number of the companies belonging to the Yama Group supply the Emak Group with parts and materials, exploiting synergies associated with technological research. These are mostly strategically important parts, for which the purchasing policy is based on factors of quality and cost.

The criteria and conditions for carrying out normal business operations with related parties are established in specific procedures formalised in programmatic documents (systematically updated with the approval of the Board of Directors) and are set up with the aim of safeguarding balance sheet integrity and the creation of value of the Emak Group.
Independent Directors, members of the internal control committee, play an important role in defining the aforementioned criteria and conditions.

All intercompany transactions, whether of a commercial or financial nature, are conducted on an arm's length basis.

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.

The main transactions with ultimate parent and affiliated companies during the year ended 31 December 2009 and the receivable and payable balances at that date are reported below:

Sale of goods and services and receivables

Companies controlled by Yama S.p.A. (€/000)	Net sales	Other revenues	Total revenues	Receivables
Agro D.o.o.	102	1	103	33
Comet S.p.A.	3,140	36	3,176	87
Euro Reflex D.o.o.	1	-	1	1
Garmec S.p.A.	304	-	304	34
Mac Sardegna S.r.l.	881	2	883	548
Ningbo Tecomec manufacturing Co.Ltd	525	-	525	136
Sabart S.p.A.	180	15	195	55
Selettra S.r.l.	-	5	5	-
Tecnol S.p.A.	-	2	2	4
Tecomec S.p.A.	142	12	154	5
Unigreen S.p.A.	30	70	100	4
Total (note 24)	**5,305**	**143**	**5,448**	**907**

Purchase of goods and services and payables

Companies belonging to the Yama Group (€/000)	Purchase of raw materials and finished products	Other costs	Total costs	Payables
Cofima S.r.l.	428	67	495	343
Comet S.p.A.	1,096	-	1,096	215
Comet France SAS	27	-	27	3
Euro Reflex D.o.o.	327	-	327	55
Garmec S.p.A.	4	2	6	1
Mac Sardegna S.r.l.	-	5	5	3
Sabart S.p.A.	203	1	204	62
Selettra S.r.l.	1,024	17	1,041	550
Speed France SAS	774	-	774	134
Tecnol S.p.A.	1,018	52	1,070	597
Tecomec S.p.A.	766	9	775	229
Unigreen S.p.A.	57	-	57	13
Yama Immobiliare S.r.l.	-	167	167	-
Yama S.p.A.	-	4	4	-
Total (note 28)	**5,724**	**324**	**6,048**	**2,205**

The emoluments for the 2009 financial year payable on the part of the companies in the Group to the directors and auditors of the parent company are set out in note no. 36 of Emak S.p.A.'s separate financial statements.

Total amounts payable for the emoluments of the directors and auditors of the parent company at 31 December 2009 amount to € 838 thousand.

No dealings of a significant amount took place with other related parties.

39. Subsequent events

Further to the resolution of Emak S.p.a.'s BoD on 26 February 2010, the following should be noted:

- the proposal to increase the share capital of the subsidiary Emak USA Inc. by USD 500,000;

- the proposal to increase the share capital of the subsidiary Emak UK Ltd. By GBP 324,740.

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(This translation from the Italian original version has been made for the convenience of the reader)

REPORT OF THE AUDITORS IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998

To the shareholders of
EMAK SpA

1 We have audited the consolidated financial statements of Emak Group as at and for the year ended December 31, 2009, comprising the schedule showing consolidated assets-liabilities-financial situation, income statement, comprehensive income statement, statement of changes in equity, cash flow statement and notes thereto. Emak's SpA directors are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by European Union, as well as with the regulation issued to implement article 9 of the legislative decree n. 38/ 2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by CONSOB, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

With respect to the consolidated financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our auditors' report issued on March 31, 2009.

3 In our opinion, the consolidated financial statements of Emak Group as at and for the year ended December 31, 2009 comply with the International Financial Reporting Standard endorsed by the European Union, as well as the Italian regulations implementing article 9 of the legislative decree n. 38/ 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of Emak Group as at December 31, 2009, the results of its operations, changes in its equity and its cash flows for the year then ended.

4 The preparation of a report on operations and a corporate governance report in compliance with the applicable laws and regulations is the responsibility of the directors of Emak SpA. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/ 98, presented in the corporate governance report, with the financial statement, as required by article 156, paragraph 4-bis, letter d), of Legislative Decree No. 58/ 98. To this end, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian accounting profession

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(CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/ 98 presented in the corporate governance report are consistent with the consolidated financial statements of Emak Group as at and for the year ended December 31, 2009.

Bologna, March 26, 2010

Fidital Revisione Srl
(Signed on the original)

Roberto Pirola
(Partner)

EMAK S.P.A. – FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Financial statements

Emak S.p.A. - Income Statement

€/000	Notes	Year 2009	Year 2008
Sales	8	145,709,489	187,465,056
Other operating income	8	865,867	1,297,313
Change in inventories		(12,113,044)	6,097,846
Raw and consumable materials and goods	9	(84,387,171)	(128,110,525)
Salaries and employee benefits	10	(18,658,590)	(21,660,885)
Other operating costs	11	(20,255,481)	(27,130,479)
Amortization, depreciation and impairment losses	12	(3,187,219)	(3,576,605)
EBIT		**7,973,851**	**14,381,721**
Financial revenues	13	3,818,839	1,177,177
Financial costs	13	(1,739,709)	(2,442,394)
Exchange gains and losses	13	(196,261)	(212,388)
EBT		**9,856,720**	**12,904,116**
Income taxes	14	(2,048,759)	(4,520,265)
Net profit		**7,807,961**	**8,383,851**
Basic earnings per share	**15**	**0.286**	**0.307**
Diluted earnings per share	**15**	**0.286**	**0.307**

Comprehensive income statement

Figures in thousands of euros	Notes	Year 2009	Year 2008
Net profit (A)		**7,807,961**	**8,383,851**
Total other components to be included in the comprehensive income statement (B):		**0**	**0**
Comprehensive net profit (A)+(B)		**7,807,961**	**8,383,851**

Schedule showing consolidated assets-liabilities-financial situation

Assets

€/000	Notes	31.12.2009	31.12.2008
Non-current assets			
Property, plant and equipment	16	24,629,940	22,696,272
Intangible assets	18	1,556,625	1,679,671
Goodwill	19	2,074,305	2,074,305
Investment property		0	136,259
Equity investments	20	21,901,164	21,160,016
Deferred tax assets	29	842,830	874,953
Other financial assets	22	5,446,281	7,037,092
Other receivables	23	10,845	9,372
Total		**56,461,990**	**55,667,940**
Non-current assets held for sale	**17**	**107,980**	**0**
Total		**107,980**	**0**
Current assets			
Inventories	24	43,379,096	55,492,140
Trade and other receivables	23	53,436,032	65,110,817
Current tax assets	29	2,045,933	1,308,651
Other financial assets		679	24,039
Derivative financial instruments		46,064	0
Cash and cash equivalents	25	3,305,421	808,041
Total		**102,213,225**	**122,743,688**
TOTAL ASSETS		**158,783,195**	**178,411,628**

Equity and liabilities

€/000	Notes	31.12.2009	31.12.2008
Capital and reserves			
Share capital		7,189,910	7,189,910
Share premium		21,047,079	21,047,079
Treasury shares		(2,028,670)	(1,979,470)
Other reserves		30,308,400	30,186,816
Retained earnings		26,855,400	23,257,921
Total	**26**	**83,372,119**	**79,702,256**
Non-current liabilities			
Loans and Borrowings	28	24,643,043	19,143,280
Derivative financial instruments	21		-
Deferred tax liabilities	29	2,079,730	2,358,763
Post-employment benefits	30	4,481,407	4,587,048
Provisions	31	671,419	638,445
Total		**31,875,599**	**26,727,536**
Current liabilities			
Trade and other payables	27	36,650,767	46,485,946
Current tax liabilities	29	718,865	987,330
Loans and borrowings	28	5,659,708	24,287,901
Derivative financial instruments	21	384,037	108,059
Provisions	31	122,100	112,600
Total		**43,535,477**	**71,981,836**
TOTAL EQUITY AND LIABILITIES		**158,783,195**	**178,411,628**

STATEMENT OF CHANGES IN EQUITY FOR THE EMAK S.p.A. AT 31.12.2008 AND AT 31.12.2009

				OTHER RESERVES			RETAINED EARNINGS		
€/000	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	Legal reserve	Revaluation reserve	Other reserves	Net Retained earnings profit for the period	Net profit for the period	TOTAL
Total at 31.12.2007	**7,190**	**21,047**	**(1,516)**	**1,438**	**1,138**	**27,611**	**11,069**	**9,813**	**77,790**
Change in treasury shares			(463)				0		(463)
Payment of dividends								(6,008)	(6,008)
Reclassification of 2007 net profit							3,805	(3,805)	0
Net profit for 2008								8,384	8,384
Total at 31.12.2008	**7,190**	**21,047**	**(1,979)**	**1,438**	**1,138**	**27,611**	**14,874**	**8,384**	**79,703**
Change in treasury shares			(50)						(50)
Payments of dividends							0	(4,089)	(4,089)
Reclassification of 2008 net profit							4,295	(4,295)	0
Others						122	(122)	0	0
Net profit for 2009								7,808	7,808
Total at 31.12.2009	**7,190**	**21,047**	**(2,029)**	**1,438**	**1,138**	**27,733**	**19,047**	**7,808**	**83,372**

Emak S.p.A. Cash flow statement

€/000	Notes	2009	2008
Cash flow from operations			
Net profit for period		**7,808**	**8,384**
Amortization, depreciation and impairment losses	12	3,187	3,577
(Capital gains)/losses on disposal of property, plant and equipment		(241)	(658)
Dividends income		(3,185)	(398)
Decreases/(increases) in trade and other receivables		10,968	(4,978)
Decreases/(increases) in inventories		12,113	(6,099)
(Decreases)/increases in trade and other payables		(10,383)	7,836
Change in post-employment benefits	30	(106)	(209)
(Decreases)/increases in provision for liabilities	31	43	(83)
Decreases/increases in derivate financial instruments		230	107
Net cash generated by operations		**20,434**	**7,479**
Cash flow from investment activities			
Dividend income		3,185	398
Increases in property, plant and equipment and intangible assets		(4,992)	(8,556)
(Increases) and decreases in financial assets		873	(4,355)
Proceeds from disposal of property, plant and equipment		265	701
Bertolini merger		0	(6,533)
Net cash absorbed by investment activities		**(669)**	**(18,345)**
Cash flow from financial activities			
Change in equity		(50)	(463)
Change in short and long-term loans and borrowings		(430)	10,997
Change in finance leases		(469)	(456)
Dividends paid		(4,089)	(6,008)
Net cash absorbed by financial activities		**(5,038)**	**4,070**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,727**	**(6,796)**
OPENING CASH AND CASH EQUIVALENTS		(11,457)	(4,661)
CLOSING CASH AND CASH EQUIVALENTS		3,270	(11,457)

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000	Notes	2009	2008
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents, detailed as follows:	**25**	**(11,457)**	**(4,661)**
Cash and cash equivalents		808	1,957
Overdrafts		(12,265)	(6,618)
Closing cash and cash equivalents, detailed as follows:	**25**	**3,270**	**(11,457)**
Cash and cash equivalents		3,305	808
Overdrafts		(35)	(12,265)
Other information:			
Tax paid		(2,854)	(3,757)
Interest paid		(1,116)	(1,675)
Interest receiveable on financings to subsidiary companies		195	476
Interest receiveable on bank account		3	75
Interest receiveable on trade receivables		266	138
Effects of exchange rate changes		(6)	(25)
Change in related party financial assets transactions		1,871	(1,020)
Change in related party receivables and service transactions		2,297	3,497
Change in related party payables and service transactions		(1,592)	1,938

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

The Board of Directors approved the draft financial statements of Emak S.p.A. for the year ended 31 December 2009 on 16 March 2010 and authorized their immediate publication, in accordance with the law and regulations, together with a notice and a press release.

The financial statements are submitted for the approval of shareholders, who have the power to make amendments.

Emak S.p.A. 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 a public limited company, whose shares are listed on the Italian stock exchange. Its registered office is in Via Fermi 4, Bagnolo in Piano (RE).

EMAK is controlled by YAMA S.p.A., 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.

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.

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. The aim in all cases is to protect the company and its assets in the best possible way.

The Yama Group's main business is in the sectors of agricultural and gardening machinery and equipment, and engine parts.

The figures presented in the notes are expressed in thousands of euro, unless otherwise stated.

2. Summary of principal accounting policies

The principal accounting policies used for preparing these financial statements are discussed below, and unless otherwise indicated, have been uniformly applied to all years 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 the Group, and of an analysis of the Group's risks, there are no significant uncertainties that may compromise the Group's status as a going concern.

The company has adopted the following formats for its financial statements as required by IAS 1:
-Balance Sheet: based on the distinction between current and non-current assets and current and non-current liabilities;

-Income Statement and Comprehensive Income Statement: based on a classification of items according to their nature;
- Cash flow Statement: based on a presentation of cash flows using the indirect method;
-Statement of Changes in Equity.

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

2.2 Presentation currency

(a) The financial statements are presented in euros.
(b) Transactions and balances

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

2.3 Property, plant and equipment

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

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

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

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

The residual value and useful life of assets is reviewed and amended, if necessary, at the end of each year. If the carrying amount of any asset is higher than the estimated recoverable amount, it is immediately reduced to realizable value.

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

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

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

2.4 Intangible assets

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

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

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

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

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

2.5 Impairment of assets

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

2.6 Investment property

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

2.7 Financial assets and investments

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

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

(b) Other financial assets
This balance includes loans given, securities held to maturity and other receivables deriving from financial

activities. They are classified as non-current assets except those falling due within 12 months which are reclassified to current assets.
These financial assets feature determinable payments with fixed maturities, and the fact that the company has the intent and ability to hold them to maturity.
These assets are valued using the amortized cost method based on the effective rate of return, with gains recorded directly in the income statement.

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

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

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

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

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

2.8 Non-current assets held for sale

Assets held for sale are classified in this category when:

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

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

2.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw material costs, direct labour costs, general manufacturing costs and other direct and indirect costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined using prevailing selling

prices less estimated costs of completion and sale.
Obsolete or slow-moving stocks are devalued on the basis of the presumed possibility of their use or of their future realisable value, by creating an appropriate provision that has the effect of reducing the inventories value.

2.10 Trade receivables

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

2.11 Trade payables

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

2.12 Cash and cash equivalents

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

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

2.13 Share capital

Ordinary shares are classified under equity.

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

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.

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 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.

2.20 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.

2.21 Earnings per share

Basic earnings per share are calculated by dividing the company's net profit by the weighted average number

of shares outstanding during the period, excluding treasury shares.
The company does not have any potential ordinary shares.

2.22 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.

2.23 New accounting standards

The valuation and measurement criteria are based on the IFRS standards and relative interpretations in force at 31 December 2009 and approved by the European Union.
It should be noted that the IASB and IFRIC have approved a number of changes to IAS/IFRSs, applicable for the first time from 1 January 2009. The main changes refer to:

Accounting standards and interpretations in force from 1st January 2009 and approved:

IAS 1 – Presentation of Financial Statements: application of the revised IAS 1 requires the presentation of an income statement that, besides the normal income statement headings, also includes income components such as proceeds and charges that were previously shown under equity. All the variations in equity generated by transactions with members, in fact, must be presented in a statement of changes in equity, while all the transactions generated with third parties must be shown in a single comprehensive income statement schedule or in two separate schedules. The Group's chosen presentation (also applied to last year's figures) is to show the comprehensive income statement in two schedules: the first, entitled "Income Statement" shows the traditional components of the income statement with the result for the period, while the second, entitled "Comprehensive Income Statement" starts from the result for the period, showing details of the other components previously shown only in the statement of changes in consolidated equity. The Group has consequently modified the presentation of the Statement of Changes in Consolidated Equity.

IFRS 8 – Operating Segments: this standard replaces IAS 14 – Segmental Reporting and regulates the information given on operating segments. The new standard had already been adopted by the company in advance for the 2008 financial year as permitted by transition provisions set out in the standard. For more details reference should be made to section 2.3.

IAS 23 – Borrowing costs: the changes introduced eliminate the option that permitted charging borrowing costs directly attributable to the acquisition, construction or production of an asset directly to the income statement and require their capitalisation as part of the cost of the asset. The adoption of the standard has not had any impact on the financial statements since the conditions required by the standard for the capitalisation of costs do not apply.

IFRS 2 – Share-based payments: the standard, which more clearly sets out vesting conditions and cancellations of share-based payments, is not currently applicable to the company.

IAS 27 – Consolidated and Separate Financial Statements – The cost of shareholdings in subsidiary companies, in jointly-owned entities and in associated companies: the definition of the "cost method" has been eliminated from IAS 27 and as a consequence investors are not required to treat all dividends of a subsidiary, of a jointly-owned entity or of an associated company as entries in the separate financial statements, even if the dividends are paid as reserve movements before acquisition. These changes are not currently applicable to the company.

IAS 32- Financial Instruments: disclosure and presentation and IAS 1 Presentation of Financial Statements: The changes refer to puttable financial instruments and obligations arising on liquidation. These changes are not currently applicable to the company.

IFRS 4 – Insurance Contracts and IFRS 7 – Financial Instruments: Disclosures. The changes have led to an improvement in disclosures in order to increase the amount of information to be given in the event of a fair value valuation and in order to strengthen existing standards regulating disclosures on liquidity risks involving financial instruments. The changes have been applied by the company.

IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 – Financial instruments: Recognition and Measurement. The changes allow entities to reclassify particular financial instruments out of the "fair value through profit or loss" category in specific circumstances. These amendments clarify that on reclassification of a financial asset out of the aforementioned category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The amendments apply retrospectively from 31 December 2009. These changes are not currently applicable to the company.

During 2008 the IASB issued a series of improvements to the IFRS's, approved during 2009 and applicable from 1 January 2009. Below is a list of those modifications indicated by the IASB as improvements leading to a change in the presentation, recognition and valuation of financial statement entries but which are not currently relevant for the company.

IAS 1 - Presentation of Financial Statements (revised in 2007);
IAS 16 – Property, Plant and Equipment;
IAS 19 – Employee Benefits;
IAS 20 – Government Grants;
IAS 28 – Investments in Associates, and IAS 31 – Interests in Joint Ventures;
IAS 29 – Financial reporting in Hyperinflationary Economies;
IAS 38 – Intangible Assets;
IAS 40 – Investment Property.

IAS 36 – Impairment of Assets: the change, included in the 2008 improvements and approved in 2009, must be applied from 1 January 2009 and require additional disclosure in the event that the company assesses the recoverable value of a cash-generating unit using the discounted cash flow method. Application of the modification has not had any significant effects on the company.

Standards and interpretation issued but not applicable for the 2009 financial year and for which the company has not opted for advanced adoption.

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations: the change, included among 2008 improvements to IFRS's and approved in 2009, substantially established that if a company is committed to a plan to sell which leads to a loss of control of a subsidiary, all the assets and liabilities of the subsidiary must be reclassified among assets held for sale, even if after the sale the company will still have a minority holding in the subsidiary. This modification must be applied prospectively from 1 January 2010 and is currently not relevant for the company.

IFRS 3 - Business Combinations and IAS 27 - Consolidated and Separate Financial Statements: the main changes made to IFRS 3 regard in particular the elimination of the obligation to value single assets and liabilities of the subsidiary at fair value in every subsequent acquisition, in the event of business combinations achieved in stages. Goodwill in these cases will be measured as the difference at acquisition date between the fair value of any investment in the business held immediately before acquisition, the consideration transferred and the net assets acquired. In addition, in the event that the company does not acquire 100% of the shareholding, the net equity of minority interests may be valued either at fair value or using the method previously provided for by IFRS 3. The revised version of the standard also provides for all costs associated with the business combination to be charged to the income statement and disclosure of the contingent consideration arrangements at the acquisition date. In the revision of IAS 27, on the other hand, the IASB has established that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions and therefore give rise to a corresponding entry in equity. Furthermore, it is established that when a company transfers control in a subsidiary but continues, however, to hold a stake in the company, it must value the retained shareholding in the financial accounts at fair value and allocate any profits or losses deriving from the loss of control to the income statement. Finally, the revised IAS 27 requires that all losses attributable to minority shareholders are allocated to the net equity attributable to minority interests, also when the latter exceed their shareholding in the subsidiary.

The changes, applicable from 1 January 2010, are not currently relevant for the company.

IAS 39 - Financial Instruments: recognition and measurement: the revised version, applicable retrospectively from 1 January 2010, clarifies the application of the standard for the definition of hedged items in certain situations. The company has not opted for application of the amendment in advance, which in any case should not have any impacts on the valuation of financial instruments.

IFRIC 15 - Agreements for the Construction of Real Estate: the standard, effective from 1 January 2010, is not applicable to the company.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation: the interpretation has eliminated the possibility of applying hedge accounting for operations to hedge exchange rate differences between the currency of the foreign subsidiary and the currency adopted for consolidated accounts. The interpretation also clarifies that in the case of disposal of a net investment in a foreign currency, for the purpose of establishing the amount that must be transferred to the income statement from the translation reserve, reference must be made to the provisions of IAS 39 - "Financial Instruments: recognition and measurement" for the part relating to the hedging instrument and to IAS 21 - "The Effects of Changes in Foreign Exchange Rates" for the part relating to the hedged instrument. The interpretation, applicable from 1 January 2010, is not currently significant for the company.

IFRIC 17 – Distributions of Non-cash Assets to owners: the interpretation, in particular, clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and that the payable amount must be measured at the fair value of the net assets to be distributed. Finally, the entity should recognise in the income statement the difference between the dividend paid and the carrying amount of the net assets distributed. The interpretation will be applicable prospectively from 1 January 2010 and is not currently relevant for the company.

IFRIC 18 – Transfers of Assets from Customers: the interpretation clarifies the accounting treatment to be adopted for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas and water). The interpretation will be applicable prospectively from 1 January 2010 but is not currently relevant for the company.

IAS 32 – Classification of Rights Issues: the modification allows rights issues for an increase share capital issued pro-rata to all an entity's existing shareholders for a fixed amount of foreign currency to be classified as an equity component in the entity's financial statements. Current practice contained in IAS 32 requires such issues to be accounted for as derivative liabilities. The modifications will be applicable from 1 January 2011 and are not currently relevant for the company.

3. Financial risk management

3.1 Risk factors of a financial nature

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

(a) Market risk

(i) Interest rate risk
Since the Company does not have significant interest-bearing assets, operating profits and cash flows are largely unaffected by changes in market interest rates. The Company's interest rate risk relates to its long-

term loans and borrowings. Variable rate loans expose the Company to the cash flow risk associated with interest rates. Fixed rate loans expose the Company to the fair value risk associated with interest rates.
The Company's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At 31 December 2009, the Company's bank loans and borrowings and finance leases all carried variable interest.
The company has set up hedging operations during 2009 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, chiefly US dollars, yen, pounds sterling, Chinese renminbi and Polish zloty. Currency risk derives from future commercial transactions, from recognized assets and liabilities and net investments in foreign enterprises.
The Company mostly uses forward contracts to hedge currency risk arising from future commercial transactions and recognized assets and liabilities.

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

(b) Credit risk
The Company does not have significant concentrations of credit risk and has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured. Derivatives and short-term investments are undertaken only with primary financial institutions. The Company has policies that limit its credit exposure to any single financial institution.

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

The Emak Group has maintained its high creditworthiness ratings assigned by credit institutes and analysts, also in the light of the difficult situation regarding financial markets. As a result, there have been no reductions in available credit lines, which already amply exceeded the Groups 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.

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.

5. Significant non-recurring events and transactions

The following operations occurred during the year:

5.1 The entering into of a sales contract for industrial property.

On 7 August 2009 a preliminary contract was undersigned for the sale of a property situated in Bagnolo in Piano (RE), previously rented to a company in the Yama Group. The consideration for this transaction was fixed at € 2,400 thousand, of which 10% was collected in September 2009 in the form of a deposit. The remaining amount of the consideration was collected on 29 January 2010, coinciding with the undersigning of the deed of conveyance. The Capital Gains, for € 2,292 thousand, has been accounted for as arising in the 2010 financial year.

At 31 December 2009 the property was recorded in the financial statements under the heading “Non-current assets held for sale” for a net amount of € 108 thousand.

5.2 Increase in share capital

Further to the authorisation granted in July by the Chinese authorities, an increase in the share capital of the subsidiary Jiangmen Emak Outdoor Power Equipment Co.Ltd. was subscribed for the amount of 1,078 thousand American dollars according to the pro-rata stakes held by Emak S.p.A. and Simest S.p.A. (51% and 49% respectively). The payments were made by Emak S.p.A. in September 2009 and by Simest S.p.A. in October 2009.

6. Balances or transactions arising from atypical and unusual operations

No atypical or unusual transactions took place during the course of 2009.

7. Net financial position

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

€/000	31.12.2009	31.12.2008
Cash and banks	3,305	808
Securities and derivative financial instruments (assets)	46	0
Other financial assets	1	24
Financial liabilities	(5,659)	(24,288)
Derivative financial instruments	(384)	(108)
Short-term net debt	**(2,691)**	**(23,564)**
Other financial assets	5,446	7,037
Financial liabilities	(24,643)	(19,143)
Derivative financial instruments (liabilities)	0	0
Long-term net debt	**(19,197)**	**(12,106)**
Cash and banks	3,305	808
Securities and derivative financial instruments (assets)	46	0
Other financial assets	5,447	7,061
Financial liabilities	(30,302)	(43,431)
Derivative financial instruments	(384)	(108)
Total net debt	**(21,888)**	**(35,670)**

At 31 December 2009 the amount of € 5,446 thousand under medium-term “Other financial assets” refers to loans granted by Emak S.p.A to its subsidiaries.

8. Sales and other operating income

Sales revenues amount to €145,709 thousand, compared with €187,465 thousand in the prior year. They are stated net of €586 thousand in returns, compared with €620 thousand in the prior year.

Details of sales are as follows:

€/000	FY 2009	FY 2008
Net sales revenues (net of discounts and rebates)	144,912	186,576
Revenues from recharged transport costs	1,383	1,509
Returns	(586)	(620)
Total	**145,709**	**187,465**

Other operating income is analyzed as follows:

€/000	FY 2009	FY 2008
Subsidies for operations	219	155
Capital gains on tangible fixed assets	243	670
Insurance refunds	8	48
Out-of-period income	144	165
Rental income (note 17)	135	133
Other	117	126
Total	**866**	**1,297**

The heading “Subsidies for operations” includes:

- tax credit for € 136 thousand, for costs incurred by the company for industrial research and competitive development activities in accordance with Law 27 December 2006 no. 296;
- the “Fondimpresa” subsidy for € 72 thousand for costs incurred by the company for training its staff.

The “Capital gains on tangible fixed assets” heading refers mainly to the disposal of industrial equipment.

9. Cost of raw and consumable materials and goods

The heading is analysed as follows:

€/000	FY 2009	FY 2008
Raw materials	37,622	64,342
Consumable materials	156	196
Finished products	45,314	61,576
Other purchases	1,295	1,997
Total	**84,387**	**128,111**

The decrease in these costs is mainly attributable to the fall in production volumes and to the use of inventories held at 31 December of the previous financial year.

10. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2009	FY 2008
Wages and salaries	13,145	14,275
Social security charges	4,137	4,512
Employee termination indemnity	969	974
Adjustment of termination indemnity fund for actuarial losses/(gains) (30)	28	375
Other costs	75	222
Directors’ emoluments	271	745
Temporary staff	34	558
Total	**18,659**	**21,661**

The decrease in employment costs arises from the reduction in the average number of employees compared to the previous year and from a lower use of temporary workers.

Employees are broken down by grade as follows:

	31.12.2009		31.12.2008	
	(1)	(2)	(1)	(2)
Executives	17	16	16	16
Office staff	172	170	184	175
Factory workers	233	229	245	236
Total	**422**	**415**	**445**	**427**

(1) Average number of employees in year

(2) Number of employees at this date

The change in personnel and relative costs is attributable to the fall in production volumes and to the reorganisation of company processes further to the absorption of Bertolini S.p.A. at the end of the previous financial year.

11. Other operating costs

Details of these costs are as follows:

€/000	FY 2009	FY 2008
Subcontract work	3,521	5,257
Maintenance	1,174	1,432
Transportation	4,379	6,851
Advertising and promotions	1,909	2,962
Commissions	1,696	1,976
Other services	4,591	5,905
Services	**17,270**	**24,383**
Rents, rentals and enjoyment of third party assets	**1,970**	**1,367**
Increases in provisions (note 31)	**93**	**153**
Increase in provision for doubtful accounts (note 23)	182	231
Capital losses on property, plant and equipment	3	12
Other taxes (not on income)	149	154
Other operating costs	588	830
Other costs	**922**	**1,227**
Total	**20,255**	**27,130**

In the 2008 financial period "rental" costs of € 457 thousand were reclassified, moving from the heading "Other services" to the heading "Rents, rentals and the enjoyment of third party assets."

The increase in cost for "Rents, rentals and the enjoyment of third party assets" is caused by external logistics management which in 2008 only had an impact on the accounts in the second part of the year.

The fall in all costs is due to the fall in volumes and to rationalisation policies implemented.

12. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2009	FY 2008
Amortization of intangible assets (note 18)	531	916
Depreciation of property, plant and equipment (note 16)	2,628	2,623
Depreciation of investment property (note 17)	28	38
Total	**3,187**	**3,577**

Depreciation of investment property refers to a property reclassified in 2009 under the heading "Non-current assets held for sale".

13. Finance income and expenses

These amounts are analyzed as follows:

€/000	FY 2009	FY 2008
Dividends from subsidiaries	3,185	398
Interest on trade receivables	356	214
Interest on loans to subsidiaries (note 36)	195	476
Interest on bank and post office accounts	3	75
Other financial income	80	14
Financial income	**3,819**	**1,177**

The heading “Dividends from subsidiaries” refers to dividends received from:
- Emak Suministros Espana S.A. for € 278 thousand;
- Jiangmen Emak Outdoor Power Eq. Co. Ltd for € 2,907 thousand.

Other financial income includes around € 70 thousand for the adjustment of interest rate hedging derivatives to fair value.

€/000	FY 2009	FY 2008
Interest on long-term bank loans and borrowings	521	702
Interest on short-term bank loans and borrowings	270	878
Financial charges from valuing employee termination indemnities (note 30)	157	199
Cash discounts given	253	329
Other financial costs	539	334
Financial expenses	**1,740**	**2,442**

The decrease in interest payable arose mainly as a result of the fall in interest rates.

Other financial costs include around € 350 thousand for the adjustment of interest rate hedging derivatives to fair value.

€/000	FY 2009	FY 2008
Realized exchange gains	531	701
Unrealized gains/(losses)	(215)	131
Realized exchange losses	(512)	(1,044)
Exchange gains and losses	**(196)**	**(212)**

14. Income taxes

The estimated charge for current tax and changes in deferred tax assets and liabilities in 2009 is €2,049 thousand, (€4,520 thousand in the prior year).

This amount is made up as follows:

€/000	FY 2009	FY 2008
Current income taxes	2,517	4,917
Taxes from prior years	(221)	10
Changes in deferred tax liabilities (note 29)	(279)	(326)
Changes in deferred tax assets (note 29)	32	(81)
Total	**2,049**	**4,520**

Current tax includes the cost for IRAP (regional tax on productive activities) for € 783 thousand, against €1,165 thousand in 2008.

As in the previous financial year, also in 2009 no amounts for income taxes were been posted directly to movements in equity.

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

€/000	FY 2009	% rate	FY 2008	% rate
Profit before taxes	**9,857**		**12,904**	
Theoretical tax charge	**3,095**	**31.4**	**4,052**	**31.4**
Effect of IRAP differences calculated on different tax base	554	5.6	661	5.1
Non-taxable income	(402)	(4.1)	(84)	(0.6)
Dividends	(950)	(9.6)	(104)	(0.8)
Non-deductible costs	141	1.4	230	1.8
Previous period tax	(221)	(2.2)	(27)	(0.2)
Tax redemption previous deductions	0	0	(81)	(0.6)
Other differences	(168)	(1.7)	(127)	(1.0)
Effective tax charge	**2,049**	**20.8**	**4,520**	**35.1**

The effective tax rate of 20.8% is down from the one of 35.1% reported in 2008.

This decrease is mainly due to the following elements:
- the benefit of the "Tremonti-Ter" relief (art. 5, Legislative Decree no. 78/2009 converted into Law 102/2009) which introduced the detaxation of 50% of investments in machinery and new equipment made in the financial year in question from 1 July 2009. The benefit is a tax saving of € 280 thousand;
- the exemption of 95% of the dividends received from the subsidiaries Emak Jianmen Ltd and Emak Suministros Espana SA;
- the positive effect of the IRAP (Italian regional corporate income tax) reimbursement included under taxes in the previous period for € 188 thousand.

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 35).

The company has only ordinary shares outstanding.

	FY 2009	FY 2008
Net profit attributable to ordinary shareholders (€/000)	7,808	8,384
Weighted average number of ordinary shares outstanding	27,260,353	27,312,193
Basic earnings per share (€)	**0.286**	**0.307**

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	31.12.2007	Incr. from merger	Increases	Decreases	Other changes	31.12.2008
Land and buildings	14,805	-	124	-	(198)	14,731
Accumulated depreciation	(4,237)	-	(338)	-	-	(4,575)
Land and buildings	**10,568**	**-**	**(214)**	**-**	**(198)**	**10,156**
Plant and machinery	6,837	871	1,292	(1,356)	-	7,644
Accumulated depreciation	(5,238)	(495)	(419)	1,350	-	(4,802)
Plant and machinery	**1,599**	**376**	**873**	**(6)**	**-**	**2,842**
Other assets	36,985	2,052	1,742	(344)	82	40,517
Accumulated depreciation	(33,061)	(1,217)	(1,866)	307	-	(35,837)
Other assets	**3,924**	**835**	**(124)**	**(37)**	**82**	**4,680**
Advances and fixed assets in progress	**271**	**-**	**4,631**	**-**	**116**	**5,018**
Cost	**58,898**	**2,923**	**7,789**	**(1,700)**	**-**	**67,910**
Accumulated depreciation (note 12)	**(42,536)**	**(1,712)**	**(2,623)**	**1,657**	**-**	**(45,214)**
Net book value	**16,362**	**1,211**	**5,166**	**(43)**	**-**	**22,696**

€/000	31.12.2008	Increases	Decreases	Other changes	31.12.2009
Land and buildings	14,731	937	-	3,635	19,303
Accumulated depreciation	(4,575)	(340)	-	-	(4,915)
Land and buildings	**10,156**	**597**	**-**	**3,635**	**14,388**
Plant and machinery	7,644	2,247	(460)	770	10,201
Accumulated depreciation	(4,802)	(543)	446	-	(4,899)
Plant and machinery	**2,842**	**1,704**	**(14)**	**770**	**5,302**
Other assets	40,517	1,214	(1,043)	353	41,041
Accumulated depreciation	(35,837)	(1,745)	1,035	-	(36,547)
Other assets	**4,680**	**(531)**	**(8)**	**353**	**4,494**
Advances	**5,018**	**211**	**-**	**(4,783)**	**446**
Cost	**67,910**	**4,609**	**(1,503)**	**(25)**	**70,991**
Accumulated depreciation (note 12)	**(45,214)**	**(2,628)**	**1,481**	**-**	**(46,361)**
Net book value	**22,696**	**1,981**	**(22)**	**(25)**	**24,630**

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

The increase in the "Land and buildings" and "Plant and machinery" categories mainly refers to the completion of work relating to the construction and start-up of a new logistics site in Bagnolo in Piano (Re) for managing spare parts.

The increase in the heading "Other fixed assets" relates for € 1,270 thousand to the purchase of moulds, € 95 thousand to the purchase of internal means of transport, € 144 thousand to the purchase of electronic machines, and the remainder to the purchase of various equipment.

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	31.12.2009	31.12.2008
Gross value	3,659	3,659
Accumulated depreciation	(550)	(440)
Net book value	**3,109**	**3,219**

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. Investment property

This heading refers to a building leased to a company in the Yama Group until 31 December 2009. The cost value at 31 December was € 1,257 thousand, and the depreciation provision was € 1,149 thousand (€ 1,121 thousand at 31 December 2008). In the last financial year the property was classified under "Property investments".

Rental income earned in 2009 from these fixed assets was € 135 thousand (note 8), against €133 thousand in the previous year. On 29 January 2010 the building was conveyed in the terms already exposed in note 5.1

18. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2007	Incr. from mergere	Increases.	Decreases.	31.12.2008
Development costs	1,241	61	-	(1)	1,301
Accumulated amortization	(638)	(60)	(130)	-	(828)
Development costs	**603**	**1**	**(130)**	**(1)**	**473**
Patents and intellectual property rights	3,450	139	522	(4)	4,107
Accumulated amortization	(2,594)	(77)	(659)	4	(3,326)
Patents	**856**	**62**	**(137)**	**-**	**781**
Concessions, licences and trademarks	56	-	17	-	73
Accumulated amortization	(14)	-	(6)	-	(20)
Concessions, licences and trademarks	**42**	**-**	**11**	**-**	**53**
Other intangible assets	38	1,794	6	-	1,838
Accumulated amortization	(10)	(1,675)	(121)	-	(1,806)
Other intangible assets	**28**	**119**	**(115)**	**-**	**32**
Advances	**117**	**-**	**223**	**-**	**340**
Cost	**4,902**	**1,994**	**768**	**(5)**	**7,659**
Accumulated amortization (note 12)	**(3,256)**	**(1,812)**	**(916)**	**4**	**(5,980)**
Net book value	**1,646**	**182**	**(148)**	**(1)**	**1,679**

€/000	31.12.2008	Increase.	Decrease.	Other changes	31.12.2009
Development costs	1,301	-	-	-	1,301
Accumulated amortization	(828)	(56)	-	-	(884)
Development costs	**473**	**(56)**	**-**	**-**	**417**
Patents and intellectual property rights	4,107	249	-	67	4,423
Accumulated amortization	(3,326)	(445)	-	-	(3,771)
Patents	**781**	**(196)**	**-**	**67**	**652**
Concessions, licences and trademarks	73	4	-	-	77
Accumulated amortization	(20)	(7)	-	-	(27)
Concessions, licences and trademarks	**53**	**(3)**	**-**	**-**	**50**
Other intangible assets	1,838	-	-	-	1,838
Accumulated amortization	(1,806)	(23)	-	-	(1,829)
Other intangible assets	**32**	**(23)**	**-**	**-**	**9**
Advances	**340**	**156**	**-**	**(67)**	**429**
Cost	**7,659**	**410**	**-**	**-**	**8,068**
Accumulated amortization (note 12)	**(5,980)**	**(531)**	**-**	**-**	**(6,511)**
Net book value	**1,679**	**(121)**	**-**	**-**	**1,557**

Investments in the “Patents and intellectual property rights” mainly refer to the acquisition of new applicative software as well as management software associated with the news spare parts centre.

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

The company expensed a total of € 5,149 thousand in R&D costs to income during the year (€4,677 thousand in 2008).

19. Goodwill

The amount of €2,074 thousand refers to the positive difference arising 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 21 of the consolidated financial statements.

20. Equity investments

Details of equity investments are as follows:

€/000	31.12.2009	31.12.2008
Equity investments		
- in subsidiary companies	21,677	20,936
- in other companies	224	224
TOTAL	**21,901**	**21,160**

Shareholdings in subsidiary companies amount to € 21,677 thousand with an increase of € 741 thousand relating to the subscription of the share capital of the subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. according to the pro-rata stakes held by Emak S.p.A. and Simest S.p.A. (51% and 49% respectively). The payments were made by Emak S.p.A. in September 2009 and by Simest S.p.A. in October 2009.

Appendices 1 and 2 provide details of the value of equity investments in subsidiary companies.

The company assesses the recoverability of the cost if there are indications of loss of value. The recoverable value of the cash-generating unit is evaluated by determining the value of use.

The impairment test was carried out using the Discounted Cash Flow method with reference to 31 December 2009. The forecast of future operating cash flows is taken from the budgets drawn up by the Group for 2010 taking account of current market uncertainties, assuming a context of modest growth for the two following years, and taking into consideration an estimate of the final value.

The elements taken into consideration for calculating cash flows are income indicators such as turnover and EBITDA, balance sheet indicators such as movements in net working capital and investments.

The indicators are taken from the budgets and from the three-year plans approved by company Management; these are in turn analysed in all the phases of the management planning process.

The cash flows used in the tests cover a time period of three years. For subsequent years a discounted flow of perpetual income has been estimated assuming zero growth of the last cash flow measured.

The tests carried out justify the values recorded in the financial statements, even when applying reasonably more prudent assumptions than those adopted.

Jiangmen Emak Outdoor Power Equipment Co. Ltd. is a wholly-owned subsidiary by virtue of the undertaking to buy back the 49% interest held by Simest S.p.A. on 30 June 2013.
The interest subscribed by Simest S.p.A. in this Chinese company amounts to € 1,260 thousand (€ 896 thousand at 31 December 2008) and is matched by a corresponding liability reported under financial payables (note 28).

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.

21. 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 31 December 2009 there were outstanding forward currency agreements for the purchase of USD 1,600 expiring by May 2010 at an average exchange rate of 1.50 dollars to the euro.

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 € 23,597 thousand.

The expiry of the instruments is as follows:

- € 3,000 thousand in the 2010 financial year;
- € 2,000 thousand in the 2011 financial year;
- € 10,000 thousand will be amortised in financial years up to 2013;
- € 8,597 thousand will be amortised in financial years up to 2014.

The average interest rate of the instruments is 3.18%.

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.

22. Other financial assets

Other non-current financial assets amount to € 5,446 thousand (against € 7,037 thousand in the previous year), and refer to loans granted to subsidiaries.

Loans are granted at the three-month Euribor rate + 1 percentage point, except for the loan to Victus-Emak Sp. z o.o., for which the reference rate is the three-month Wibor rate + 1 percentage point and the loans to the companies Emak USA Inc., Jiangmen Emak Outdoor Power Equipment Co. Ltd. and Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd., for which the reference rate is the three-month Libor Dollar USA rate + 1 percentage point.

Other current financial assets, amounting to € 1 thousand, compared with € 24 thousand in the prior year, refer to accrued income of a financial nature.

23. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2009	31.12.2008
Trade receivables	41,020	49,113
Provision for doubtful credits	(970)	(964)
Net trade receivables	**40,050**	**48,149**
Receivables due from related parties(note 36)	13,066	15,363
Prepaid expenses and accrued income	76	69
Other receivables	244	1,529
Total current portion	**53,436**	**65,110**
Other non-current receivables	11	9
Total non-current portion	**11**	**9**

Trade receivables include the following amounts in foreign currency:
- USD 4,127,904;
- JPY 2,746,076;
- PLN 2,481.

Trade receivables do not bear interest and generally fall due within 100 days.

The "Other receivables" heading includes €155 thousand relating to advance payments to suppliers for the manufacture of moulds and equipment, the ownership of which will subsequently be transferred to a customer as part of a specific new product development project. At 31 December 2008 these down payments amounted to around € 1,400 thousand.

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

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

€/000	Italy	Europe	Rest of the World	Total
Trade receivables	13,141	16,895	10,014	**40,050**
Receivables due from related parties	1,203	8,376	3,487	**13,066**

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

€/000	31.12.2009	31.12.2008
Opening balance	**964**	**772**
Increases (note 11)	182	231
Decreases	(176)	(117)
Increases from merger	-	78
Closing balance	**970**	**964**

The book value of this balance approximates its fair value.

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2009	31.12.2008	Change
Raw, ancillary and consumable materials	21,815	26,464	(4,649)
Work in progress and semi-finished products	7,255	9,344	(2,089)
Finished products and goods for resale	14,309	19,684	(5,375)
Total	**43,379**	**55,492**	**(12,113)**

Inventories are stated net of a provision of €915 thousand at 31 December 2009 (€937 thousand at 31 December 2008). The purpose of this provision is 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 2009	FY 2008
Opening balance	**937**	**693**
Increases	401	263
Increases from merger operations	-	289
Uses	(423)	(308)
Closing balance	**915**	**937**

The decreases in the provision refer to obsolete material disposed of during the 2009 financial year..

None of the company's inventories at 31 December 2009 act as security against its liabilities.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2009	31.12.2008
Bank and postal deposits	3,302	806
Cash	3	2
Total	**3,305**	**808**

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

€/000	31.12.2009	31.12.2008
Cash and banks	3,305	808
Overdrafts (note 28)	(35)	(12,265)
Total	**3,270**	**(11,457)**

26. Equity

Share capital

Share capital is fully paid up at 31 December 2009 and amounts to €7,190 thousand, remaining unchanged during the financial year under examination. It consists of 27,653,500 ordinary shares of par value €0.26 each.

Share premium reserve

The share premium reserve, which consists of the premium paid on new-issue shares, is €21,047 thousand at the end of 2009, remaining unchanged since the prior year.

Treasury shares

The adjustment of €2,029 thousand to equity for the purchase of treasury shares represents the overall consideration paid on the market by Emak S.p.A. to buy the treasury shares held on 31 December 2009 (note 35).

The par value of these treasury shares is € 104 thousand.

Other reserves:

The legal reserve at 31 December 2009 is the same as a year earlier at €1,438 thousand.

The revaluation reserve at 31 December 2009 includes the reserves arising from revaluations under Law 72/83 for € 371 thousand and under Law 413/91 for € 767 thousand. No change has taken place in the period under review.

The extraordinary reserve amounts to €27,088 thousand at 31 December 2009, inclusive of all allocations of earnings in prior years.

At 31 December 2009, the untaxed reserves refer to €129 thousand in tax-related provisions for grants and donations, €394 thousand in merger surplus reserves and € 122 thousand in a capital subsidies reserve deriving from the absorption of Bertolini S.p.A.

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

				Summary of uses in past three years	
Nature/Description (€/000)	Amount	Possible use	Available portion	Coverage of losses	Other reasons
Share capital	**7,190**				
Treasury shares	**(2,029)**				
Capital reserves					
Share premium reserve	21,047	A-B-C	19,018	-	-
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 reserves (#)	122	A-B-C	122	-	-
Reserves formed from earnings					
Legal reserve	1,438	B	-	-	-
Extraordinary reserve	27,088	A-B-C	27,088	-	-
Untaxed reserves (#)	129	A-B-C	129	-	-
Profits brought forward in FTA	3,127	A-B	3,127	-	-
Profits brought forward	15,920	A-B-C	15,920	-	-
Total	**70,403**		**66,936**	**-**	**-**
Undistributable portion (*)			**(3,127)**	**-**	**-**
Distributable balance			**63,809**	**-**	**-**
Net profit for the period (**)	7,808		7,808	-	-
Total equity	83,372				

A: for share capital increases

B: for covering losses

C: for distribution to shareholders

(*): Represents the amount of FTA (First Time Adoption) reserves.

(**) includes the part restricted for unamortized deferred costs under article 2426 C.C. no. 5 (€ 855 thousand).

(#) subject to tax payable by the company in the event of distribution.

27. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2009	31.12.2008
Trade payables	23,204	30,684
Payables due to related parties (note 36)	9,446	11,038
Payables due to staff and social security institutions	2,362	2,740
Other payables	1,639	2,024
Total	**36,651**	**46,486**

Trade payables do not generate interest and are usually settled after 80 days. This balance includes the following amounts in foreign currency:

- USD 2,288,470;
- JPY 94,725,107;
- CHF 30,957;
- TWD 1,110,975;
- GBP 209.

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

€/000	Italy	Europe	Rest of world	Total
Trade payables	15,656	5,258	2,290	**23,204**
Payables due to related parties	5,025	647	3,774	**9,446**

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

The heading "Other payables" includes € 762 thousand relating to the bonus incentive for directors, € 240 thousand for the deposit received upon entering into the preliminary contract for the sale of the property situated in Bagnolo in Piano (note 5.1) and € 512 thousand for down payments received from customers.

28. Financial liabilities

Financial liabilities at 31 December 2009 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	31.12.2009	31.12.2008
Overdrafts (note 25)	35	12,265
Bank loans	4,862	11,356
Finance leases	483	469
Financial accrued expenses and deferred income	82	189
Other loans	-	9
Guarantees received	197	-
Total current portion	**5,659**	**24,288**

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

€/000	31.12.2009	31.12.2008
Bank loans	21,899	16,279
Finance leases	1,484	1,967
Financial accrued expenses and deferred income	1,260	896
Total non-current portion	**24,643**	**19,142**

Other loans, totalling € 1,260 thousand, refer to the interest subscribed by Simest S.p.A. in the subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. This company is treated as a wholly-owned subsidiary by virtue of the undertaking 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 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.) This clause limiting the maximum repayment at the termination of the contract has been inserted into the original contract by means of a modification undersigned by the parties in 2009.

This transaction does not present any other significant risks for Emak S.p.A..

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due between 6 and 12 months	Total
Bank loans	2,526	2,336	4,862
Finance leases	240	243	483
Guarantees received	197	-	197
Total	**2,963**	**2,579**	**5,542**

Long-term loans and borrowings are repayable as follows:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	4,474	9,437	4,476	2,856	21,243	656
Finance leases	497	512	475	-	1,484	-
Other loans	-	-	1,260	-	1,260	-
Total	**4,971**	**9,949**	**6,211**	**2,856**	**23,987**	**656**

The interest rates applied are as follows:

- bank loans: 1-3-6-month Euribor plus a variable spread from a minimum of 0.40% to a maximum of 1.15%;

- finance leases: 3-month Euribor plus a spread of 0.633% with quarterly indexation of the payments;

- Other financings include:
the Simest shareholding as previously described, the consideration for which is calculated as follows:
Part I: up to 30April 2009 a fixed rate of 6.75%; from 1 May 2009 a fixed rate of 6.25% and a variable portion depending on the profits of the affiliate with Cap rate of 7%;
Part II: rate of 3%;
Part III: rate of 2.5%.

The following information is provided in relation to finance obtained in 2005 to purchase assets under lease:

€/000	31.12.2009	31.12.2008
Minimum future payments<1 year	531	531
Minimum future payments from 1 to 5 years	1,542	2,080
Minimum future payments beyond 5 years	-	-
Total minimum payments	**2,073**	**2,611**
Payables for future financial expenses	**(106)**	**(175)**
Present value	**1,967**	**2,436**
Interest rate	**2.5%**	**5.7%**

29. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2008	Increase	Decrease	31.12.2009
Provision for inventory obsolescence	294	110	(143)	261
Provision for doubtful accounts	38	-	-	38
Other deferred tax assets	543	30	(29)	544
Total (note 14)	**875**	**140**	**(172)**	**843**

A total of €257 thousand in deferred tax assets will reverse in the next 12 months.

Deferred tax liabilities are detailed below:

€/000	31.12.2008	Increase	Decrease	31.12.2009
Capital gains on fixed asset disposals	309	66	(114)	261
Valuation of provision for employee termination indemnities under IAS 19	220	-	(17)	203
Buildings redeemed under finance lease IAS 17	1,542	10	-	1,552
Other deferred tax liabilities	288	-	(224)	64
Total (note 14)	**2,359**	**76**	**(355)**	**2,080**

A total of € 197 thousand in deferred tax liabilities will reverse in the next 12 months.

It should be noted, moreover, that deferred taxes relating to the revaluation reserves (which are reserves in partial tax suspension) have not been allocated since it is unlikely that there will be any operations carried out giving rise to taxation. The total amount of these taxes at 31 December 2009 is € 408 thousand.

Tax assets at 31 December 2009 amount to € 2,046 thousand compared to € 1,309 thousand in the previous financial period and refer to VAT credits, down payments of direct tax for the period and other minor tax credits.

Tax liabilities at 31 December 2009 amount to € 719 thousand compared to € 987 thousand in the previous financial period and refer to withholding taxes payable.

30. 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 €4,481 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be €5,218 thousand.

Movements in this liability are as follows:

€/000	2009	2008
Opening balance	**4,587**	**4,147**
Actuarial (gains)/ losses (note 10)	28	375
Interest cost on obligations (note 13)	157	199
Increases from merger (note 5)	-	649
Disbursements	(291)	(783)
Closing balance	**4,481**	**4,587**

The principal economic and financial assumptions used are as follows:

	FY 2009	FY 2008
Annual inflation rate	2.0%	2.0%
Rising discount rate	3.2%	3.5%
Rate of dismissal (average overall rate)	3%	3%

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

Payments in 2010 are expected to be in line with 2009.

31. Provisions for liabilities and charges

Movements in this balance are analyzed below:

€/000	31.12.2008	Increase	Decrease	31.12.2009
Provision for agents' termination indemnity	638	46	(36)	648
Other provisions	-	23	-	23
Total non-current portion	**638**	**69**	**(36)**	**671**
Provision for product warranties	81	-	-	81
Other provisions	32	24	(15)	41
Total current portion	**113**	**24**	**(15)**	**122**

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, have been allocated in respect of a dispute for IRES, IRAP and VAT taxes for the financial years 1999-2005, for a total disputed amount of € 365 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 have been in favour of the taxpayer and it is expected that the out come 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 provision for product warranties of €81 thousand refers to expected replacement or repair costs, calculated using estimates based on historical trends.

Other provisions for € 41 thousand mainly refer to amounts set aside for excesses on insurance claims for civil liability and to free gift operations.

32. Contingent liabilities

At the date of 31 December 2009 the Company does not have any disputes that could give rise to future liabilities that have not already been reflected in the balance sheet.

33. 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 2009 is the accounting value of financial activities shown in the financial statements.

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

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

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

At 31 December 2009 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 2009 Trade receivables and Other receivables, equal to €53,436 thousand (€65,111 thousand at 31 December 2008), include €4,794 thousand (€3,522 thousand at 31 December 2008) outstanding by more than 3 months.

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	2009	2008
Trade receivables due from customers with SACE 1 rating	27,691	28,373
Trade receivables due from customers with SACE 2 and 3 rating	13,285	20,428
Trade receivables due from customers with non-insurable SACE rating	44	312
Total (Note 23)	**41,020**	**49,113**

Countries with SACE 1 rating are those for which insurance covers 90% of the amounts receivable. Countries with SACE 2 rating are those for which insurance covers 85% of the amounts receivable, and those with

SACE 3 rating, 80%. SACE provides no coverage for non-Insurable or suspended countries.

The value of amounts receivable covered by SACE insurance or by other guarantees at 31 December 2009 is € 20,572 thousand.

At 31 December 2009 the 10 most important customers (not including companies belonging to the Emak Group) account for 50.3% of total trade receivables, while the top customer represents 17.1% of the total.

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

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

The characteristics and nature of the expiry of debts and of the Company's financial activities are set out in Notes 25 and 28 relating respectively to Cash and Cash Equivalents and Financial Liabilities.
The management considers that currently unused funds and credit lines, amounting to € 86 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 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 2009, the overall amount of revenues directly exposed to exchange risk represented around 2% of the turnover (2% in 2008), while the amount of costs exposed to exchange risk is equal to 5% of turnover (5% in 2008).

The main currency exchanges to which the Company is exposed are the following:
- EUR/USD, relating to sales in dollars made mainly in the North American market and to purchases in the dollar area;
- EUR/YEN, relating to purchases in the Japanese market and to sales in other markets.

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

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

Sensitivity analysis
The potential loss of *fair value* of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Company at 31 December 2009, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around €209 thousand (€252 thousand at 31 December 2008).

Interest rate risk
The Company utilises external financial resources in the form of debt and invest liquid funds in monetary and financial market instruments. Variations in market interest rates influence the cost and return of the various

forms of financing and utilisation, affecting the level of the Company's financial expenditure and income.

The Company has used derivative financial instruments to cover interest rate risk.

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

A hypothetical, instantaneous and unfavourable negative variation of one base point in annual interest rates in force at 31 December 2009 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around €78 thousand (€376 thousand at 31 December 2008). For the purpose of the calculation account has been taken of the amounts of financial liabilities net of IRS operations for hedging purposes.
This analysis is based on the assumption of a general and instantaneous variation of one base point on reference interest rates.

Other risks on derivative financial instruments
The company holds a number of derivative financial instruments at 31 December 2009 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 for hedging exchange rate risks held at 31 December 2009, as a result of a hypothetical unfavourable and immediate variation of 10% in underlying values, would amount to around € 106 thousand (no corresponding amount arising in the last financial year).

34. Commitments

Fixed asset purchases

The company has €332 thousand in unrecorded commitments to purchase fixed assets at 31 December 2009 (€2,575 thousand at 31 December 2008). These commitments relate entirely to the purchase of equipment, plant and machinery.

Guarantees granted
to third parties:
They amount to € 659 thousand and are made up as follows:
- € 36 thousand for sureties in favour of the Ministry of Production for promotional prize contests;
- € 350 thousand for surety policy in favour of the Naples Customs Office for guaranteeing customs duties;
- € 273 thousand for sureties in favour of the Municipality Bagnolo in Piano to cover the correct execution of primary urban development work in accordance with the town-planning agreement relating to the "Via Fermi" Detailed Plan;

letters of patronage to subsidiary companies:
These amount to € 14,856 thousand, and refer to the balance of credit line used as at 31 December 2009, broken down as follows:
- €2,562 thousand to the subsidiary Comag S.r.l.;
- €2,800 thousand to the subsidiary Emak Deutschland Gmbh;
- €1,743 thousand to the subsidiary Emak France SAS;
- €980 thousand to the subsidiary Emak UK Ltd;
- €3,995 thousand to the subsidiary Jiangmen Emak Outdoor Power Equipment Co.Ltd.;
- €1,880 thousand to the subsidiary Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.;
- € 896 thousand to the subsidiary Victus Emak Sp. z.o.o.

35. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at 31 December 2009 and amounts to €7,190 thousand. It consists of 27,653,500 ordinary shares of par value €0.26 each.

	31.12.2009	31.12.2008
Number of ordinary shares	27,653,500	27,653,500
Treasury shares	(397,233)	(382,163)
Total outstanding shares	**27,256,267**	**27,271,337**

The dividends for 2008 approved by the shareholders on 16 April 2009, totalling €4,089 thousand, were paid during 2009.

In accordance with the related authorization by shareholders, Emak S.p.A. has purchased treasury shares on the market for the purpose of improving the stock's liquidity.

At 31.12.2008 the company held in portfolio 382,163 treasury shares for a value of € 1,979 thousand.
15,070 treasury shares have been acquired during 2009 for a value of € 50 thousand.

As a result, at 31.12.2009 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2010 no treasury shares were acquired or sold by Emak S.p.A.. As a result, the holding and value of treasury shares is unchanged with respect to 31 December 2009.

36. Related party transactions

The effects on the balance sheet and income statement at 31 December 2009 of transactions carried out with related parties during the financial period are shown below.
Besides its subsidiaries, the related parties with which Emak S.p.A has had significant commercial or financial relations are essentially its holding company, that is, Yama S.p.A., and companies under Yama Group's control (Yama Group companies).

A number of the companies belonging to the Yama Group supply Emak S.p.A. with parts and materials, exploiting synergies associated with technological research. These are mostly strategically important parts, for which the purchasing policy is based on factors of quality and cost.

Emak S.p.A. supplies finished products mainly to its subsidiaries and to a number of the trading companies within the Yama Group, enabling them to complete their product range.

The criteria and conditions for carrying out normal business operations with related parties are established in specific procedures formalised in programmatic documents (systematically updated with the approval of the Board of Directors) and are set up with the aim of safeguarding balance sheet integrity and the creation of value of the Emak S.p.A..

Independent Directors, members of the internal control committee, play an important role in defining the aforementioned criteria and conditions.

All intercompany transactions, whether of a commercial or financial nature, are conducted on an arm's length basis.

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.

The main transactions with subsidiary and affiliated companies during the year ended 31 December 2009 and the receivable and payable balances at that date are reported below:

Receivables for loans and interest:

Companies controlled by Emak S.p.A. (€/000)	Interest	Loans given
Emak Benelux N.V.	14	480
Emak Deutschland GmbH	13	504
Emak UK Ltd	8	316
Emak France SAS	69	2,645
Victus Emak Sp. z.o.o.	71	463
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	6	326
Emak USA Inc.	3	156
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	11	556
Total (note 22 and note 13)	**195**	**5,446**

Sale of goods and services and receivables:

Companies controlled by Emak S.p.A. (€/000)	Net sales	Dividends	Total	Receivables
Emak Suministros Espana SA	4,491	278	**4,769**	**676**
Comag S.r.l.	116	-	**116**	**517**
Emak Benelux N.V.	971	-	**971**	**113**
Emak Deutschland Gmbh	4,091	-	**4,091**	**2,835**
Emak UK Ltd	1,427	-	**1,427**	**445**
Emak France SAS	9,125	-	**9,125**	**2,134**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	824	2,907	**3,731**	**552**
Victus Emak Sp. z.o.o.	6,122	-	**6,122**	**2,139**
Emak USA Inc.	2,452	-	**2,452**	**2,785**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	273	-	**273**	**150**
Total	**29,892**	**3,185**	**33,077**	**12,346**
Total A	**29,892**	**3,185**	**33,077**	**12,346**

Companies controlled by Yama S.p.A. (€/000)	Net sales	Other income	Total revenues	Receivables
Agro D.o.o.	102	-	**102**	**33**
Comet S.p.A.	116	-	**116**	**36**
Euro Reflex D.o.o.	1	-	**1**	**1**
Garmec S.p.A.	304	-	**304**	**34**
Mac Sardegna S.r.l.	881	2	**883**	**548**
Sabart S.p.A.	180	15	**195**	**55**
Selettra S.r.l.	-	5	**5**	**-**
Tecnol S.p.A.	-	2	**2**	**4**
Tecomec S.p.A.	142	12	**154**	**5**
Unigreen S.p.A.	30	70	**100**	**4**
Total	**1,756**	**106**	**1,862**	**720**
Total B	**1,755**	**105**	**1,790**	**720**
Total A+B (note 23)	**31,648**	**3,291**	**34,939**	**13,066**

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	**110**	**17**
Comag S.r.l.	13,794	160	**13,954**	**3,104**
Emak Benelux N.V.	-	92	**92**	**32**
Emak Deutschland Gmbh	-	346	**346**	**193**
Emak UK Ltd	-	131	**131**	**124**
Emak France SAS	17	355	**372**	**75**
Emak USA Inc	-	196	**196**	**4**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	26,447	-	**26,447**	**3,629**
Victus Emak Sp. z.o.o.	-	229	**229**	**37**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	388	-	**388**	**141**
Total	**40,646**	**1,619**	**42,265**	**7,356**
Total A	**40,646**	**1,619**	**42,265**	**7,356**

Companies controlled by Yama S.p.A. (€/000)	Purchase of raw materials and finished products	Other costs	Total costs	Payables
Cofima S.r.l.	426	67	**493**	**343**
Comet S.p.A.	592	-	592	182
Euro Reflex D.o.o.	327	-	**327**	**55**
Garmec S.p.A.	2	2	**4**	**1**
Mac Sardegna S.r.l.	0	5	**5**	**3**
Sabart S.p.A.	71	-	71	29
Selettra S.r.l.	978	-	**978**	**537**
Speed France SAS	490	-	**490**	**114**
Tecnol S.p.A.	1,018	52	**1,070**	**597**
Tecomec S.p.A.	535	6	541	217
Unigreen S.p.A.	52	-	**52**	**12**
Yama Immobiliare S.r.l.	-	167	**167**	**-**
Total	**4,491**	**299**	**4,790**	**2,090**
Total B	**4,491**	**299**	**4,790**	**2,090**
Total A+B (note 27)	**45,137**	**1,918**	**47,055**	**9,446**

Ultimate parent company (€/000	Purchase of raw materials and finished products	Other costs	Total costs	Payables
Yama S.p.A.	-	4	4	-
Totale (nota 27)	**-**	**4**	**4**	**-**

The costs incurred in the financial year for emoluments of the directors and auditors of Emak S.p.A., including remuneration for services provided to Group companies, are as follows:

€/000	FY 2009	FY 2008
Emoluments of directors and statutory auditors	326	778
Benefits in kind	10	10
Wages and salaries	622	625
Employee termination indemnities	50	50
Consulting fees	28	55
Total	**1,036**	**1,518**

Total amounts payable for the emoluments of the directors and auditors of the parent company at 31 December 2009 amount to € 838 thousand.

No dealings of a significant amount took place with other related parties.

37. Subsequent events

Further to the resolution of Emak S.p.a.'s BoD on 26 February 2010, the following should be noted:

- the proposal to increase the share capital of the subsidiary Emak USA Inc. by USD 500,000;

- the proposal to increase the share capital of the subsidiary Emak UK Ltd. By GBP 324,740.

Supplementary schedules

The following schedules, forming an integral part of the explanatory notes to the financial statements, are provided as appendices:

1. CHANGES IN EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES
2. DETAILS OF EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES
3. FINANCIAL HIGHLIGHTS OF THE ULTIMATE PARENT COMPANY
4. SCHEDULE OF FEES FOR AUDIT SERVICES AND OTHER SERVICES

Appendix 1

Changes in equity investments

	31.12.2008				Changess	31.12.2009			
	Number of Shares	Values in the financial statements (€/000)	% total share-holding	direct share-holding	Subscrip-tions And acquisitions	N. of Shares	Values in the financial statements (€/000)	% total share-holding	Direct share-holding
Italy Comag S.r.l.	1 portion	8,408	99.44	99.44		1 portion	8,408	99.44	99.44
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	17,350	691	100	100		17,350	691	100	100
Belgium Emak Benelux N.V.	499	127	99.99	99.8		499	127	99.99	99.8
France Emak France SAS	2,000,000	2,049	100	100		2,000,000	2,049	100	100
China Jiangmen Emak Outdoor Power Equipment Co. Ltd.	-	1,735	100	100	741	-	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	674	100	100		10	674	100	100
Total subsidiaries		**20,936**			**741**		**21,677**		

Appendix 2

Details of equity investments

Figures in thousands of Euros	Registered Office	Value in the financial statements	% Share	Share Capital	Equity Total	Equity Attributable to Emak S.p.A.	Profit/ (loss) in the year
Comag S.r.l.	Pozzilli (Is)	8,408	99.44	1,850	12,130	12,062	(262)
Emak Suministros Espana SA	Madrid	572	90	270	4,722	4,250	443
Emak Deutschland Gmbh	Fellbach-Oeffingen	525	100	553	598	598	113
Emak UK Ltd	Staffords	691	100	26	462	462	(170)
Emak Benelux N.V.	Meer-Hoogstraten	127	99.8	130	69	68	(7)
Emak France SAS	Rixheim	2,049	100	2,000	5,519	5,519	451
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	2,476	10,099	10,099	3,320
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	1,513	3,119	3,119	(125)
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,672	9,748	9,748	1.584
Emak USA Inc.	Wooster-Ohio	674	100	41	(19)	(19)	(355)
Total investments in subsidiaries		**21,677**					

Appendix 3

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

(Figures in thousands of euros)		
BALANCE SHEET	**31.12.2008**	**31.12.2007**
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	52,701	46,630
C) Current assets	9,231	9,179
D) Prepayments and accrued income	286	11
Total assets	**62,218**	**55,820**
Liabilities		
A) Equity:		
Share capital	16,858	16,858
Reserves	6,686	9,284
Profit in the financial period	7,449	598
B) Provisions	-	-
C) Post-employment benefits	21	18
D) Amounts payable	31,123	29,033
E) Accruals and deferred income	81	29
Total liabilities	**62,218**	**55,820**
Guarantees, commitments and other risks	**30,567**	**24,014**

INCOME STATEMENT	**31.12.2008**	**31.12.2007**
A) Sales	367	356
B) Production costs	(1,448)	(1,880)
C) Financial income and expenditure	10,096	7,243
D) Adjustments to the value of financial assets	(2,000)	(5,886)
E) Extraordinary income and expenditure		
Result before tax	**7,015**	**(167)**
Tax for the period	434	765
Profit for the period	**7,449**	**598**

Appendix 4

Schedule of fees relating to the 2009 financial period for audit services and other services, subdivided by type.

Type of service	Entity providing the service	Beneficiary of the service	Fees (thousands of Euros)
Auditing Company	Fidital Revisione Srl	Emak S.p.A.	84
Auditing Company	Fidital Revisione Srl	Comag S.r.l.	23
Other services	Fidital Revisione Srl	Emak S.p.A.	28
Total			**135**

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 the consolidated financial statements in accordance with art. 81-ter of Consob Regulation no.11971 of 14 May 1999 and subsequent modifications and integrations

1. The undersigned, Giacomo Ferretti, Fausto Bellamico and Aimone Burani, the latter in his position as the executive in charge of preparing the accounting statements of Emak Spa, certify, taking account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, no. 58:

   - the suitability, in relation to the nature of the entity and
   - effective application

of administrative and accounting procedures for the preparation of the company's individual financial statements and the consolidated financial statements for the financial period ending 31 December 2009.

2. No factors of a significant nature have arisen with regards to the above.

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: 16 March 2010

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

The other delegated directors:
Giacomo Ferretti

Fausto Bellamico

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(This translation from the Italian original version has been made for the convenience of the reader)

REPORT OF THE AUDITORS IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998

To the shareholders of
EMAK SpA

1 We have audited the financial statements of Emak SpA as at and for the year ended December 31, 2009, comprising the schedule showing assets-liabilities-financial situation, income statement, comprehensive income statement, statement of changes in equity, cash flow statement and notes thereto. Emak's SpA directors are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by European Union, as well as with the regulation issued to implement article 9 of the legislative decree n. 38/ 2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

With respect to the financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our auditors' report issued on March 31, 2009.

3 In our opinion, the financial statements of Emak SpA as at and for the year ended December 31, 2009 comply with the International Financial Reporting Standard endorsed by the European Union, as well as the Italian regulations implementing article 9 of the legislative decree n. 38/ 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of Emak SpA as at December 31, 2009, the results of its operations, changes in its equity and its cash flows for the year then ended.

4 The preparation of a report on operations and a corporate governance report in compliance with the applicable laws and regulations is the responsibility of the directors of Emak SpA. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/ 98, presented in the corporate governance report, with the financial statement, as required by article 156, paragraph 4-bis, letter d), of Legislative Decree No. 58/ 98. To this end, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian accounting profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b),

fidital:

of article 123-bis of Legislative Decree No. 58/ 98 presented in the corporate governance report are consistent with the financial statements of Emak SpA as at and for the year ended December 31, 2009.

Bologna, March 26, 2010

Fidital Revisione e Organizzazione Contabile Srl
(Signed on the original)

Roberto Pirola
(Partner)

Emak S.p.A. Member of the Yama Group

Registered Office
42011 Bagnolo in Piano (RE), Via E. Fermi 4, Italy
Share Capital: € 7,189,910
Reggio Emilia Companies Register no., Fiscal Code and VAT no. 00130010358

These financial statements were approved by the Board of Directors on 16 March 2010
This report is available on the Internet at the address www.emak.it

www.visualgraf.it