Elica Group

2010 CONSOLIDATED FINANCIAL STATEMENTS

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The Elica Group today

The Elica Group has been present in the cooker hood market since the 1970s and is today world leader in terms of units sold. It is also a European leader in the design, manufacture and sale of motors for central heating boilers for domestic use. With approx. 2,800 employees and an annual output of approx. 17 million units of kitchen hoods and motors, the Elica Group has 9 plants - of these, four are in Italy, one is in Poland, one in Mexico, one in Germany, one in India and one in China.
With many years' experience in the sector, Elica has combined meticulous care in design, judicious choice of material and cutting edge technology guaranteeing maximum efficiency and reducing consumption making Elica the prominent market figure it is today. The company has revolutionized the traditional image of the kitchen cooker hood: it is no longer seen as simple accessory but as a design object which improves the quality of life.

Letter to the shareholders

Dear Shareholders,
in 2010 a complex cycle came to an end: our company has taken important decisions which have positioned us to tackle the coming years in optimum shape. The approach focused on significant investments to expand internationally and to improve productivity.
Important awards in our sector have been very encouraging. Elica views its human resources as the basis of an unmatchable competitive advantage. Elica is a company made up of men and women who share with us not only their professional experience, but also their life experience.
It is increasingly important to foster a passion for the common goal which has always been - and always will be - achieving excellence.
We have never lost sight of, in every strategic decision faced, the interests of the shareholders who have believed in us and have honoured us with their trust.
Into the future we will maintain this outlook of sharing and transparency.

Francesco Casoli
Executive Chairman

Chief Executive Officer's view

In 2010 the market experienced a turnaround from the preceding two years with growth of over 4%[1]. Growth was particularly strong in Asia and South America, with a good performance also in the CIS[2] and with Europe reporting substantial stability. In Asia the growth principally stems from China, today one of the largest global markets, and to India, the fastest growing market in the world.

In 2009, we focused on capitalising on every opportunity to further consolidate our leadership and in 2010 we achieved a central objective of our strategic plan through entering the highest-potential markets: in India, in May, we signed a joint venture with one of the leading local operators and in China, in September, we acquired a majority holding in the company operating under the Puti brand, a leading Chinese home appliance brand.

We therefore fulfilled all our objectives for last year: we significantly consolidated our leadership position, while continuing to invest in innovation and design. Above all else, we continue to believe in the people of Elica: we have invested heavily in training to create an all encompassing culture and values shared by all.

Today Elica is the only global player in the range hood sector and 2010 Guidance, communicated to the market in July, was outperformed with:
- consolidated revenues of Euro 368 million, growth of 9.9%;
- EBITDA of Euro 26 million, growth of 30.6%;
- Managerial Working Capital on consolidated revenues of 11.7%, a decrease of 0.3% on 2009.

Other important results have been achieved, such as a level of production of range hoods in Low Cost Countries and the Group brand sales both amounting to approx. 35%. On the financial front, the Group has generated significant operating cash flows of over Euro 34 million, bringing the Net Debt at December 31, after the impact of investment operations, to Euro 35 million.

The achievement of these objectives has depended on all sectors of Group activity. We have improved industrial efficiency and optimised margins with a significant increase in EBITDA on the previous year, and implemented World Class Manufacturing. We have improved corporate information flows, introducing an integrated management system and, thanks to the Variety Reduction Plan of Elica, we have improved Managerial Working Capital flows, achieving greater efficiency and ensuring that working capital serves the needs of the business. At Eurocucina – the Milan Furniture Trade Show, we presented new products, renewing 30% of the catalogue. We invested over 3% of revenues in innovation and technology: the future will increasingly feature multifunctional and multisensory products and we have already begun to focus on this area.

In addition to these results, important awards have been received which recognise the extent of our commitment: in March, for the second consecutive year, Elica was listed in the annual Top Employers as one of the top 25 companies to work for in Italy; in July, also for the second consecutive year, we won the Enterprise Award for Innovation of Confindustria, as recognition of our entrepreneurial culture centred around innovation; in November, we received the 2010 China Awards in the category "Capital Elite – M&A" following the acquisition and in December, in Mexico, from the Instituto Nacional para la Educaciòn de los adultos the award for commitment to improve education in relation to our employees at ElicaMex. Also in December the Great Place to Work Institute recognised Elica as the leading company to work for in Italy, having already received top placements in the previous 3 years. All these awards are the fruit of the labour of a team of people who everyday bring passion and determination to implement the philosophy of the Elica Group: bringing "new air" to the world.

Results in 2010 beating expectations are a source of great pride and position us to face into 2011 confident of achieving similarly strong results. With a European and North American market which we expect to be substantially stable, coupled with growth in South America and very strong growth in India and China, the challenge is not just to achieve growth, and to maintain and improve our global leadership, but to absorb the impacts of the current trend of increasing raw material costs forecast throughout 2011. The response of the Elica Group to these new challenges will once again be prudent cost control and creativity and passion in product innovation.

[1] Company estimates, volume data
[2] Commonwealth of Independent States

The Macroeconomic Environment in 2010 and Outlook 2011

In the **Eurozone**, overall GDP[3] in 2010 recovered, with inflation remaining under the 2% target and difficulties on the debt market affecting particularly the peripheral countries. GDP is expected at around 1.7%, with particularly strong growth in German GDP of approx. 3.5%. In 2011, GDP is forecast to increase by 1.6%, lower than 2010 principally due to the deficit reduction policies introduced by governments in the main European countries. Inflation is expected to rise due to the increase in raw material costs, particularly energy costs.

In the **United States**, GDP is forecast to grow by 2.8% against a rise in consumer prices of 1.6%. Quantitative Easing 1 has only partially stemmed the fall in the wealth of American households, stabilising the property market and with positive effects only for the stock market. In 2011, GDP is forecast to grow 3%, thanks principally to the approval of a new economic stimulus plan. Prices may rise by an increase in inflation, principally through an increase in raw material prices and the stepping up of Quantitative Easing 2.

In **Japan,** 2010 confirmed exit from recession after bottoming out in 2009. 2011 should see a continuation of the recovery begun in 2010, in line with the global economy.

In **China**, GDP grew by 10% in 2010, with a slowdown expected in 2011 due to governmental measures introduced to halt inflation.

The **emerging markets** in 2010 saw particularly strong growth, principally as a result of an improved debt situation in comparison to the developed countries. This movement was driven by countries such as Brazil, which benefitted from the increase in raw material prices, particularly agricultural products. According to the latest IMF[4] estimates, 2010 should see growth of 7.1% for the entire emerging countries area, while for 2011 a slight slowdown to 6.4% is forecast. On the inflationary front, consumer prices are expected to have increased in 2010 by 6.2%, and also according to the IMF, to ease back slightly in 2011 to 5.2%.

In relation to **commodities**, significant price increases occurred in 2010 with high levels of volatility for most commodities. In 2011, the existence of large amounts of liquidity globally are expected to lead to a significant increase in the principal commodity prices. Price increases are expected to partially reduce in the second part of the year as a result of slowed demand from China.

In relation to exchange rates, 2010 saw a significant depreciation in the Euro following the sovereign debt problems. A correction in the strength of the Euro against the US Dollar is expected in the first part of the year. In the second part of the year, the Euro should strengthen against the US Dollar due to the expected actions of the FED[5] on interest rates and the lesser use of the Dollar for financing within the carry trade. The Japanese Yen is forecast to gain ground.

[3] Gross Domestic Product
[4] International Monetary Fund
[5] Federal Reserve System

Currency markets

In 2010 the Euro weakened against all the currencies in which the Group carries out its commercial transactions. Exchange rate movements had a small positive impact on the income statement.
Exchange rate movements resulted in a small gain recorded in the income statement and the translation negative reserve decreased by Euro 3,922 thousand.

	average 2010		average 2009	%	31/12/2010	31/12/2009	%
USD	1.33		1.39	-4.62%	1.34	1.44	-7.21%
GBP	0.86		0.89	-3.61%	0.86	0.89	-3.29%
JPY	116.21		130.34	-10.84%	108.65	133.16	-18.41%
PLN	3.99		4.33	-7.74%	3.98	4.10	-3.05%
MXN	16.74		18.80	-10.97%	16.55	18.92	-12.54%
INR	60.45	(*)	n/a	n/a	59.76	n/a	n/a
RMB	9.04	(*)	n/a	n/a	8.82	n/a	n/a

(*) the average exchange rate of the Indian Rupee and the Chinese Renminbi was calculated for the period in which the Indian and Chinese subsidiaries were consolidated.

IAS/IFRS

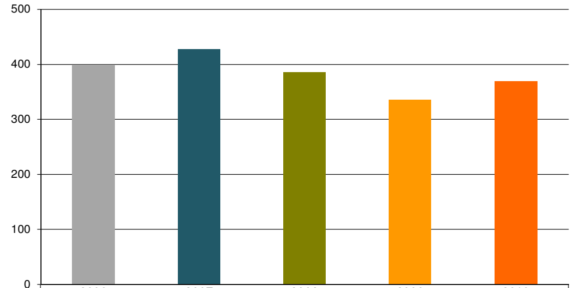
The consolidated financial statements of Elica S.p.A. for the year ended December 31, 2010 were prepared in accordance with IAS/IFRS issued by the International Accounting Standards Board and approved by the European Commission, and in accordance with article 9 of Legislative Decree No. 38/2005.

The accounting principles utilised for the preparation of the Consolidated Financial Statements are consistent with those utilised for the preparation of the Consolidated Financial Statements for the year ended December 31, 2009.

These Consolidated Financial Statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

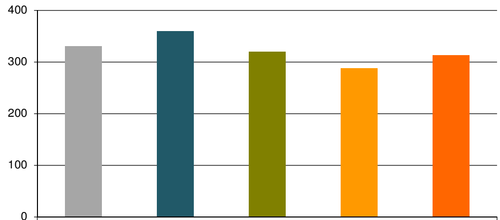
Financial Highlights

CONSOLIDATED REVENUES



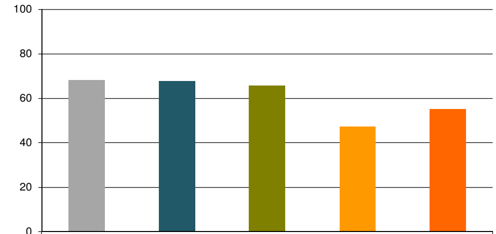
	2006	2007	2008	2009	2010
Euro Millions	398,8	426,8	385,4	335,1	368,3

RANGE HOOD REVENUES



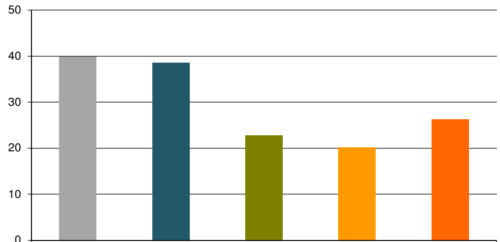
	2006	2007	2008	2009	2010
Euro Millions	330,7	359,2	319,7	287,9	313,1

ELECTRIC MOTOR REVENUES



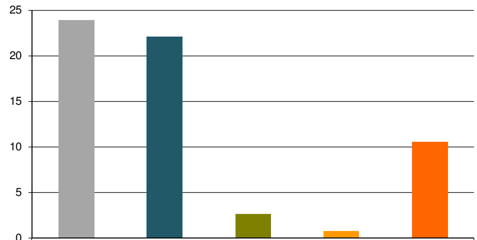
	2006	2007	2008	2009	2010
Euro Millions	68,1	67,6	65,7	47,2	55,2

EBITDA



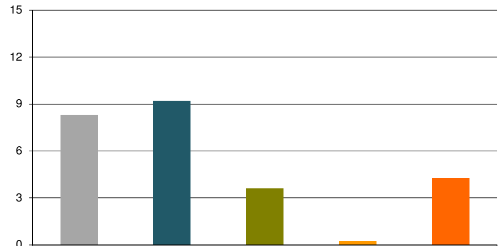
	2006	2007	2008	2009	2010
Euro Millions	39,8	38,5	22,7	20,1	26,2

EBIT



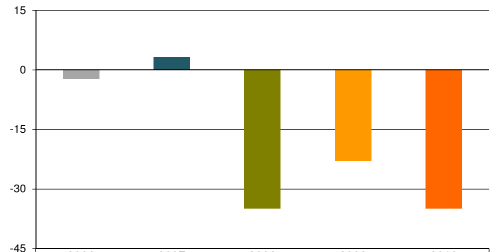
	2006	2007	2008	2009	2010
Euro Millions	23,9	22,1	2,6	0,7	10,6

GROUP NET PROFIT



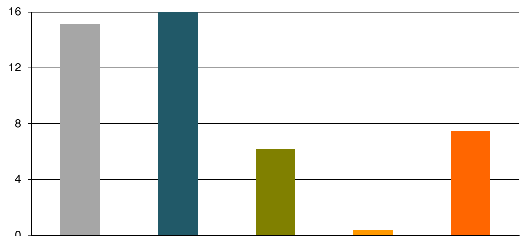
	2006	2007	2008	2009	2010
Euro Millions	8,3	9,2	3,6	0,2	4,3

CASH/(NET DEBT)



	2006	2007	2008	2009	2010
Euro Millions	(2,3)	3,2	(34,9)	(22,9)	(34,9)

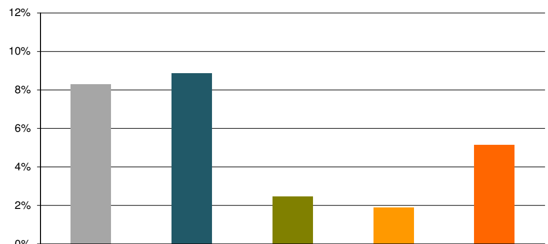
EPS*



	2006	2007	2008	2009	2010
Euro/cents	15,1	16,2	6,2	0,4	7,5

Earning per Share

ROCE*



	2006	2007	2008	2009	2010
Ratio	8,3%	8,9%	2,4%	1,9%	5,1%

Return On Capital Employed

Financial and operating review

In Euro thousands	FY 10	FY 09	10 Vs 09 %
Revenues	368,265	335,135	9.9%
EBITDA	**26,194**	**20,059**	**30.6%**
revenue margin	7.1%	6.0%	
EBIT	**10,553**	**732**	**1,341.7%**
revenue margin	2.9%	0.2%	
Financial income/(costs)	(982)	(2,079)	(52.8%)
revenue margin	-0.3%	-0.6%	
Net profit for the year	**5,577**	**782**	613.2%
revenue margin	1.5%	0.2%	
Group net profit	**4,262**	**231**	**1,745.2%**
revenue margin	1.2%	0.1%	
Basic earnings per share	7.48	0.41	1,745.2%
Diluted earnings per share	7.48	0.41	1,745.2%

(*) The earnings per share for the years 2010 and 2009 were calculated by dividing the Group net result by the number of outstanding shares at the respective reporting dates.
EBITDA is the operating profit (EBIT) plus amortisation and depreciation and write-downs of goodwill for losses in value. EBIT is the operating profit from continuing operations as reported in the consolidated Income Statement.

In Euro thousands	31/12/2010	31/12/2009
Trade receivables	89,276	85,589
Inventories	42,671	41,451
Trade payables	(88,742)	(86,806)
Managerial Working Capital	**43,205**	**40,234**
as a % of revenues	*11.7%*	*12.0%*
Other net receivables/payables	(3,869)	(6,963)
Net Working Capital	**39,336**	**33,271**
as a % of revenues	*10.7%*	*9.9%*

In Euro thousands	31/12/2010	31/12/2009
Cash and cash equivalents	**25,102**	**19,235**
Finance leases and other lenders	(76)	(2,430)
Bank loans and mortgages	(30,457)	(14,780)
Long-term debt	**(30,533)**	**(17,210)**
Finance leases and other lenders	(23)	(1,903)
Bank loans and mortgages	(29,426)	(23,058)
Short-term debt	**(29,449)**	**(24,961)**
Net Debt	**(34,880)**	**(22,936)**

Net debt is the algebraic sum of amounts due under finance leases and other borrowings (current and non-current) plus bank borrowings and mortgages (current and non-current), less cash and cash equivalents, as reported in the balance sheet.
The account "Other net receivables/payables" include the accounts "Other receivables/payables" and "Tax receivables/payables" and Provisions for risks and charges of current assets/liabilities.

2010 operating performance

In 2010, Group consolidated revenues increased by 9.9% on the previous year. Revenue growth was seen both in the range hoods business unit (+8.7%) and more markedly in the motors business unit (+16.8%). Growth in revenues was strongest in the Americas and the rest of the world; Europe also recorded growth.

In the range hoods business unit, "own brand" revenues grew by 18.1% on 2009, while third party brand products increased 4.0%, despite the Group having implemented restructuring activities concerning clients with below average credit reliability.

The EBIT margin was 2.9%, substantially in line with 2009. The operating performance was achieved thanks to revenue growth and activities focused on a more efficient and flexible operating cost structure, in addition to production localisation to Poland and Mexico.

In 2010, the Temporary Lay-off Scheme[6] was utilised, along with social security measures aimed at maintaining the level of personnel employed. On the completion of the industrial restructuring (begun in 2008) the present financial statements include restructuring costs of Euro 1.2 million relating to labour costs compared to Euro 1.9 million provisioned in 2009.

Exchange rate movements had a positive impact on EBITDA of approx. Euro 0.9 million and exchange gains in the year amounted to Euro 0.3 million.

Net interest expense, including the financial component of IAS 19, reduced by 31% on 2009 (Euro 1.3 million in 2010 compared to Euro 1.9 million in 2009), although with a higher average debt.

Managerial Working Capital on net revenues improved from 12.0% in December 2009 to 11.7% in December 2010. This improvement was achieved through the optimisation of trade payables and a reduction in the level of inventories as a percentage of revenues.

Although positive cash flow was generated by the business, the Net Debt increased from Euro 22.9 million at December 31, 2009 to Euro 34.9 million at December 31, 2010. The increase in the debt is due to the M&A activities carried out in 2010 and the payment of the earn-out for the acquisition in 2008 of the German subsidiary Exklusiv-Hauben Gutmann Gmbh.

[6] Temporary Lay-off Scheme

Reconciliation between Parent Company and Consolidated net equity and net profit

The following table contains a reconciliation between the Shareholders' Equity and profit for the year of Elica S.p.A. and Consolidated Shareholders' Equity and net profit.

As at December 31, 2009

(in Euro thousands)	Net profit	Shareholders' equity
As per Parent Company Financial Statements	**(6,550)**	**121,113**
Elimination of the effect of intercompany operations net of tax effect:		
Non-realised gains on fixed assets	(142)	(278)
Non-realised gains on sale of goods	12	(533)
Tax effect	40	256
Dividends received from consolidated companies	(1,027)	(1,027)
Share of expenses/(income) from equity investments	**134**	**380**
Carrying value of consolidated companies		**(105,760)**
Net equity and result for the year of consolidated companies	**8,358**	**93,648**
Allocation of differences to assets of consolidated companies and related depreciation and write-down		
Intangible and tangible assets	(43)	1,148
Consolidation difference		15,210
As per Consolidated Financial Statements	**782**	**124,157**
Group share	231	122,045
Minority interest share	551	2,112

As at December 31, 2010

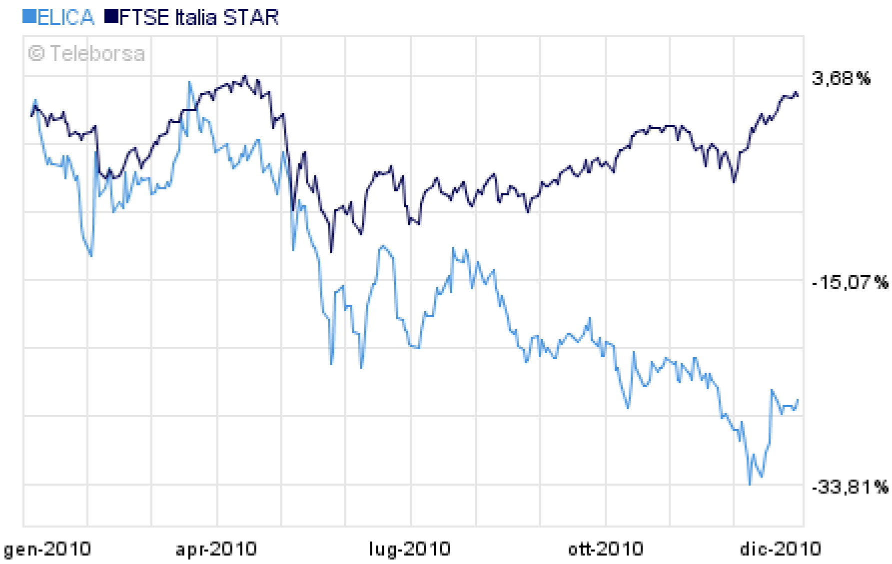
(In Euro thousands)	Net profit	Shareholders' equity
As per Parent Company Financial Statements	**1,594**	**129,824**
Elimination of the effect of intercompany operations net of tax effect:		
Non-realised gains on fixed assets	25	(252)
Non-realised gains on sale of goods	(80)	(410)
Tax effect	17	208
Dividends received from consolidated companies	(4,587)	(4,587)
Other	(341)	(52)
Share of expenses/(income) from equity investments	**(592)**	**(216)**
Carrying value of consolidated companies		**(75,897)**
Net equity and result for the year of consolidated companies	**9,596**	**75,755**
Allocation of differences to assets of consolidated companies and related depreciation and write-down		
Intangible and tangible assets	(54)	6,671
Consolidation difference		8,485
As per Consolidated Financial Statements	**5,577**	**139,530**
Group share	4,262	131,220
Minority interest share	1,315	8,310

Guidance for 2011

In 2011, Elica Group management will continue to implement its strategic plans designed to develop the business and to strengthen its competitive position. In particular:

- ✓ launch of new products both in the own brand business unit and in the third party brand business unit;
- ✓ maintenance of the competitive position in the principal markets of the previous consolidation area and growth in Asia;
- ✓ acceleration of the production outsourcing plans in Poland and Mexico;
- ✓ acceleration of the purchasing process in the Low Cost Countries, utilising also the new Chinese subsidiary Putian;
- ✓ aligning productive capacity with demand;
- ✓ increase in industrial and corporate efficiencies;
- ✓ investment focus on the core activities.

Elica S.p.A. and the financial markets



The graph shows the performance of the Elica S.p.A. share price in 2010 in comparison to the average performance of other listed companies on the STAR segment.

The Share Capital consists of 63,322,800 ordinary voting shares. At December 31, 2010, the shareholders of Elica S.p.A. were as follows:

Shareholder	Number of shares held	Shareholding
FAN Srl	33,440,445	52.81%
Elica S.p.A.	6,332,280	10.00%
Whirlpool Corporation	6,332,280	10.00%
Henderson Global Investor	1,736,926	2.74%
S.A.F.E. S.a.p.a.	116,245	0.18%
Francesco Casoli	70,000	0.11%
Gianna Pieralisi	52,000	0.08%
Others	15,242,624	24.08%
Total	**63,322,800**	**100.00%**

At December 31, 2010, Elica held 6,332,280 shares from the buy-back programme; at the date of the present report the number of shares was 4,432,596.

Shares held by directors, officers, statutory auditors and key executives

The table below provides details of the shares of Elica S.p.A. held by members of the Board of Directors, Board of Statutory Auditors and key executives at December 31, 2010:

Name	No. of shares at Dec. 31, 2009	No. of shares acquired	No. of shares sold	No. of shares at Dec. 31, 2010
Francesco Casoli	70,000	-	-	70,000
Gianna Pieralisi	52,000	-	-	52,000
Senior executives	5,850	-	-	4,100

The number of shares at December 31, 2010 is not in line with that published in the "2009 Consolidated Financial Statements" following the change in the composition of the "Senior executives".

Significant events in 2010

The Board of Directors met on March 30, 2010 and approved the Consolidated Financial Statements and the proposal of the Individual Financial Statements of Elica S.p.A., as well as the proposal for the Individual Financial Statements of Fime S.p.A., a company merged with Elica S.p.A. from January 1, 2010.

On April 26, 2010, the Shareholders' AGM of Elica S.p.A. approved the Individual Financial Statements of Fime S.p.A., the Individual Financial Statements of Elica S.p.A. and a stock grant plan, called the 2010 Stock Grant Plan, for employees, including senior management, advisors and executive directors of the Company and of its subsidiaries considered "key managers" for the achievement of the business growth and development objectives of the Company, as well as the consequent extension to utilise treasury shares acquired by the Company under the Shareholders' Meeting resolution of August 3, 2007.
The Shareholders' AGM of Elica S.p.A. attributed to the Board of Directors, with the faculty to delegate, all powers necessary and/or considered opportune to implement the Plan.
In execution of the above-stated shareholders' meeting resolution, the Board of Directors of the Company on April 26, 2010 approved the 2010 Stock Grant Plan Regulation, defined the 2010 performance objectives and identified some of the Plan beneficiaries.

On February 1, 2010, the associated company I.S.M. Srl sold the entire holding in "Sider S.r.l.". This holding arose from the conferment to "Sider S.r.l." of the "productive-industrial" business unit on December 14, 2009.

On May 3, 2010, Elica S.p.A. signed a Joint Venture agreement with Mr. Bhutada and several senior managers.
Under the joint venture agreement the Elica Group subscribed to a share capital increase of a newly-incorporated Indian company (called Elica PB India Private Ltd.) for a 51% stake; the remainder of the share capital was subscribed by Pralhad Bhutada and other senior managers of the company.

In July 2010 Elica S.p.A. signed agreements with the Chinese shareholders Mr. Renyao Du and his wife Ms. Dong Wenhua which provided for the acquisition by Elica of a majority holding in the Chinese company Zhejiang Putian Electric Co. Ltd, operating under the "Puti" brand, a leader in the Chinese home appliance sector producing and marketing range hoods, gas hobs and kitchenware sterilisers.
Consideration of approx. Euro 13 million was paid for 55% of the share capital. The Elica Group can consolidate its position as a global player in the range hoods sector through entering the Chinese market, with the Group already established in Europe, The Americas and India (with consistently increasing market shares) and also creates the opportunity to serve the OEM client base with local production and increases purchasing from Low Cost Countries.

On August 6, the Board of Directors approved the half-year report at June 30 and on the proposal of the Remuneration Committee, resolved to include in the Stock Grant Plan 2010 a further 14 beneficiaries, chosen from among the Group's key managers, in place of the 12 beneficiaries already identified by the Information Document of March 30, 2010, assigning to them 140,000 Company shares, and consequently updated the Information Document.

On October 4, 2010 Elica S.p.A. sold the residual 10% holding in the company Acem S.r.l. to Nikel, a stake which was previously held by Fime S.p.A..

On October 26, 2010 the company exercised the purchase option on the leased property on which the Mergo factory is located. On December 15, 2010 the company also exercised the purchase option on the leased property on which the Castelfidardo factory is located.

On November 11, 2010, the Board of Directors of the Company, in accordance with the powers attributed by article 19 of the by-laws, approved modifications to the by-laws necessary to comply with Legs. Decree 27/2010 and Legs. Decree 39/2010. At the same time the Board also adopted, with prior approval of the independent directors, the new Procedure for Transactions with Related Parties as per article 2391 bis of the civil code and article 4 of the Consob Regulation concerning related parties approved through resolution No. 17221 of March 12, 2010 and subsequent amendments. The amended by-law and the procedure are available on the Company's internet site in the Investor Relations section.

In the final months of 2010, the companies Elica Finance and Elica International were liquidated.

Information in relation to the treatment of personal data

With reference to the provisions on the protection of personal data, the Company updated and implemented the Document on personal data security in accordance with articles 33-34-35-36 and regulation 19 and 26 of Attachment B, of the Technical Regulations in relation to minimum security requirements, pursuant to Legislative Decree No. 196/2003.

Information relating to the environment

The Elica Group operates in compliance with all regulations - local, national and international – for the protection of the environment both in relation to products and the productive cycles. It is highlighted that the types of activities carried out have limited implications in environmental terms and in terms of atmospheric emissions, waste disposal and water disposal. The maintenance of such standards however requires the incursion of costs for the Group.

Information relating to personnel

The Elica Group, in its commitment to continuous improvement, has undertaken initiatives focussed on increasing security levels at the plant, reducing and monitoring risks and training personnel for more conscientious behaviour and prudency in the workplace, further improving the already low staff turnover levels and accidents.

Exposure to risks and uncertainty and financial risk factors

The Elica Group's operations are exposed to different types of financial risks, or risks associated to changes in exchange rates, interest rates, commodity prices and cash flow. In order to mitigate the impact of these risks on the company's results, the Elica Group commenced the implementation of a

financial risk monitoring system through a "Financial Risk Policy" approved by the Board of Directors of the Parent Company. Within this policy, the Group constantly monitors the financial risks related to the operating activities in order to assess any potential negative impact and undertakes corrective action where necessary.
The main guidelines for the Group risk policy management are as follows:

- Identify the risks related to the achievement of the business objectives;
- Assess the risks to determine whether they are acceptable compared to the controls in place and require additional treatment;
- Reply appropriately to risks;
- Monitor and report on the current state of the risks and the effectiveness of their control.

The Group "Financial Risk Policy" is based on the principle of a dynamic management and the following assumptions:

- Prudent management of the risk with a view to protecting the expected value of the business;
- Use of "natural hedges" in order to minimise the net exposure on the financial risks described above;
- Undertake hedging operations within the limits approved by Management and only in the presence of effective and clearly identified exposures.

The process for the management of the financial risks is structured on the basis of appropriate procedures and controls, based on the correct separation of the activities of conclusion, settlement, registration and reporting of the results.

Corporate boards

Members of the Board of Directors

Francesco Casoli
Executive Chairman,
born in Senigallia (AN) on 5/6/1961, appointed a director by resolution dated 27/04/2009.

Andrea Sasso
Chief Executive Officer, born in Rome on 24/8/1965, appointed by resolution dated 27/04/2009.

Gianna Pieralisi
Executive Director, born in Monsano (AN) on 12/12/1934, appointed a director by resolution dated 27/04/2009.

Gennaro Pieralisi
Director, born in Monsano (AN) on 14/02/1938, appointed a director by resolution dated 27/04/2009.

Stefano Romiti
Independent Director and Lead Independent Director, born in Rome (RM) on 17/11/1957, appointed a director by resolution dated 27/04/2009.

Fiorenzo Busso
Independent Director, born in Milan (MI) on 11/9/1942, appointed a director by resolution dated 27/04/2009

Giovanni Frezzotti
Independent Director, born in Jesi (AN) on 22/02/1944, appointed by resolution dated 27/04/2009.

Members of the Board of Statutory Auditors

Corrado Mariotti
Chairman, born in Numana (AN) on 29/2/1944, appointed by resolution dated 27/4/2009.

Stefano Marasca
Statutory Auditor, born in Osimo (AN) on 9/8/1960, appointed by resolution dated 27/4/2009.

Gilberto Casali
Statutory Auditor, born in Jesi (AN) on 14/1/1954, appointed by resolution dated 27/04/2009.

Franco Borioni
Alternate Auditor, born in Jesi (AN) on 23/06/1945, appointed by resolution dated 27/4/2009.

Daniele Capecci
Alternate Auditor, born in Jesi (AN) on 03/04/1972, appointed by resolution dated 27/4/2009.

Internal Control Committee
Stefano Romiti
Gennaro Pieralisi
Giovanni Frezzotti

Remuneration Committee
Stefano Romiti
Gennaro Pieralisi
Giovanni Frezzotti

Independent Auditors
Deloitte & Touche S.p.A.

Registered office and Company Data
Elica S.p.A.
Registered office: Via Dante, 288 – 60044 Fabriano (AN)
Share capital: Euro 12,664,560.00
Tax Code and Companies' Register Number: 00096570429
Ancona REA No. 63006 – VAT Number 00096570429 00096570429

Investor Relations Manager
e-mail: l.giovanetti@elica.com
Telephone: +39 0732 610727

Elica Group structure and consolidation scope

The Elica Group is currently the world's largest manufacturer of kitchen range hoods for domestic use and is leader in Europe in the sector of motors for boilers used in home heating systems.

Parent Company

- Elica S.p.A, - Fabriano (AN) is the parent company of the Group.

Subsidiaries at the publication date of the 2010 Consolidated Financial Statements

- Elica Group Polska Sp.zo.o – Wroclaw – (Poland). This company has been operational since September 2005 in the production and sale of electric motors and from December 2006 in the production and sale of exhaust range hoods for domestic use;
- ELICAMEX S.A. de C.V. – Queretaro (Mexico). The company was incorporated at the beginning of 2006 (Elica S.p.A. owns 98% directly and 2% through Elica Group Polska Sp.zo.o.). Through this company, the Group intends to concentrate the production of products for the American markets in Mexico and reap the benefits deriving from optimisation of operational and logistical activities;
- Leonardo Services S.A. de C.V. – Queretaro (Mexico). This wholly-owned subsidiary was incorporated in January 2006 (the Parent Company owns 98% directly and 2% indirectly through Elica Group Polska Sp.zo.o.. Leonardo Services S.A. de C.V. manages all Mexican staff, providing services to ELICAMEX S.A. de C.V.;
- ARIAFINA CO., LTD – Sagamihara-Shi (Japan). Established in September 2002 as a 50/50 joint venture with Tokyo-based Fuji Industrial and leader in Japan with over 70% of the range hood market. Elica S.p.A. acquired control of this joint venture in May 2006 to provide further impetus to the development of the important Japanese market, where high-quality products are sold;
- Airforce S.p.A. – Fabriano (AN). This company operates in a special segment of the production and sale of hoods sector. The holding of Elica S.p.A. is 60%;
- Airforce Germany GmbH – Stuttgart (Germany). Airforce S.p.A. owns 95% of Airforce Germany G.m.b.h., a company that sells hoods in Germany through so -called "kitchen studios";
- Elica Inc. – Chicago, Illinois (United States). The company aims to develop the Group's brands in the US market by carrying out marketing and trade marketing with resident staff. The company is a wholly owned subsidiary of ELICAMEX S.A. de C.V.;
- Exklusiv Hauben Gutmann GmbH – Mulacker (Germany) - a German company entirely held by Elica and the German leader in the high-end kitchen range hood market, specialised in "tailor made" and high performance hoods.
- Elica PB India Private Ltd. - Pune (India); in June 2010 Elica S.p.A. signed a joint venture agreement subscribing 51% of the share capital of the newly-incorporated Indian company. Elica PB India Private Ltd. is involved in the sale of Group products.
- Zhejiang Putian Electric Co. Ltd – Shengzhou (China), a Chinese company held 55% and operating under the "Puti" brand, a leader in the Chinese home appliances sector, producing and marketing range hoods, gas hobs and kitchenware sterilisers. Putian is one of the leading players in the Chinese range hood market and the principal company developing western style range hoods. The production site is located in Shengzhou, a major Chinese industrial district for the production of kitchen home appliances.

Associated companies

- I.S.M. Srl – Cerreto d'Esi (AN). The company, of which Elica S.p.A. holds 49.385% of the Share Capital, operates within the real estate sector.

Changes in the consolidation scope

At the end of 2010, the Irish company Elica Finance and the Luxembourg company Elica International were liquidated, while respectively in June and September 2010 the companies Elica India and Putian entered the consolidation scope. The Indian company Elica PB India Private Ltd joined the Elica Group following a joint venture agreement between Elica S.p.A. and Mr. Bhutada and a number of the principal managers of the company. The Elica Group acquired control of the company Putian through purchasing a majority 55% holding.

Elica Group Inter-company and other related-party transactions

In 2010, transactions were entered into with subsidiaries, associated companies and other related parties. All transactions were conducted on an arm's length basis in the ordinary course of business.

Subsidiary companies – key data according to local accounting principles and performance in the year

(in Euro thousands)	**Assets**	**Liabilities**	**Net equity**	**Revenues**	**Net result**
Elicamex S.a.d. C.V.	31,403	8,654	22,749	29,470	1,276
Elica Group Polska Sp.z o.o	51,575	23,312	28,263	73,454	4,848
Airforce S.p.A.	8,005	6,166	1,839	17,798	101
Ariafina	6,812	3,259	3,553	15,594	1,134
Leonardo	478	476	3	3,089	-41
Exklusiv Hauben Gutmann GmbH	24,593	16,429	8,164	21,274	195
Elica Inc.	337	256	81	718	16
Airforce GE (*)	188	8,276	179	13	-20
Elica PB India Private Ltd.	3,648	4,520	-873	3,545	-959
Zhejiang Putian Electric Co. Ltd	12,439	5,363	7,076	7,398	2,736

(*) Airforce Germany Hochleistungs-dunstabzugssysteme Gmbh

Elica S.p.A. also carries out financial operations with Group companies as part of a general plan to centralise treasury management activities. These loans are interest bearing and at market rates.
Transactions with consolidated companies have been eliminated from the Consolidated Financial Statements. As a result they are not reported in these notes.

Associated companies

The table below summarises key operating and financial data for associated companies, as derived from the companies' financial statements in accordance with Italian GAAP.

Associated companies: Key data at Dec. 31, 2009

(in Euro thousands)	**Registered Office**	**% held**	**Share Capital**	**Net equity**	**Net result**
I.S.M. Srl	Cerreto d'Esi (AN)	49.385	10	2,328	177

Associated companies: Key data at Dec. 31, 2010

(in Euro thousands)	**Registered office**	**% held**	**Share capital**	**Net equity**	**Net result**
I.S.M. Srl	Cerreto d'Esi (AN)	49.385	10	1,996	(311)

The table below shows the operating and financial amounts from transactions with associated companies for 2010. No separate disclosure of these positions was given in the financial statements, given the limited amounts involved.

(in Euro thousands)	**Payables**	**Receivables**	**Costs**	**Revenues**
I.S.M. Srl	-	7	-	-
Total	**-**	**7**	**-**	**-**

Corporate governance and shareholder structure report

In accordance with article 123-*bis* of Legislative Decree 58/98, with article 89-*bis* of Consob Resolution No.11971/1999 and successive amendments and integrations of article I.A.2.6 of the Regulation Instructions of Markets Organised and Managed by Borsa Italiana S.p.A., Elica S.p.A. provides complete disclosure on the Corporate Governance system adopted, at March 22, 2011, in line with the recommendations of the Self-Governance Code, in the Annual Corporate Governance Report, available on the website of the Company www.elicagroup.com in the Investor Relation/Corporate Governance section.

Events after December 31, 2010 and outlook

The ongoing demand analysis activity by Management continues. In the first months of 2011, management forecasts were confirmed concerning demand levels, which were also utilised to develop the impairment test. The principal markets in which the Group carries out its trading activities improved slightly; demand visibility remains limited however.

In January 2011, following the issue of "radiation" certificates at the end of 2010, the companies Elica Finance and Elica International were liquidated.

On January 31, 2011 the period for the share capital increase as per article 2439, paragraph 2 of the civil code approved by the Board of Directors on June 27, 2007, based on the delegation of power by the Shareholders' Meeting of April 12, 2006, elapsed without any subscriptions. The subscribed and paid-in share capital therefore remains unchanged at Euro 12,664,560.

In addition, on February 14, 2011, Elica S.p.A., following the authorisation of the Board of Directors' to utilise treasury shares at the same date, sold 1,899,684 shares, equal to 3% of the share capital, to First Capital S.p.A., at the price of Euro 1.64 Euro per share - higher than the average market price over the previous 3 months. The acquisition of a significant holding by an investor such as First Capital S.p.A., which seeks to establish a holding within the company, is considered a strategically important operation for the future development of the Elica Group.

On March 19, 2011, Elica S.p.A. signed an agreement for the acquisition of a further 15% stake in the Chinese company Zhejiang Putian Electric Co. Ltd.

Following this fresh investment, Elica will increase its holding in Putian to 70%, having acquired a 55% stake in 2010.
The Elica Group considers this consolidation of control to be a strategically important move given the excellent results achieved in 2010 and the expected future development of the market and the company itself.
Elica S.p.A. signed, among other agreements, an equity transfer agreement with Putian minority shareholders, Renyao Du and Dong Wenhua, which modifies and supplements the equity transfer agreement signed with the same parties in July 2010. In particular, under the new equity transfer agreement, the company commits to purchase a further 15% holding in Putian for consideration of Renminbi 278.312.573 (approx. Euro 29.983.148 at the official ECB Euro/Renminbi exchange rate of March 18, 2011). The payment shall be made in one settlement on fulfilment of the conditions illustrated below. The acquisition of the holding in Putian will be carried out through dedicated credit lines.
The new equity transfer agreement remains subject to the fulfilment of certain conditions including the granting by the Chinese authorities of the necessary authorisations, the establishment of guarantees in

favour of Elica and substantial fulfilment of the conditions. It is expected that the conditions will be fulfilled by May 2011; Elica has the right to withdraw from the new equity transfer agreement if the conditions are not met within four months of signing of the agreement.
Following the completion of the operation, Elica will hold 70% of the share capital of Putian, while the remaining 30% will be held by Mr. Renyao Du.
According to the accounting standards applied, this alteration in the holding will be recognised from the moment in which the operation is concluded, as a capital operation (an operation with shareholders in their capacity as shareholders) and therefore recognised directly as a decrease of shareholders' equity, which consequently will reduce by an amount of approx. Euro 30 million.

Compliance pursuant to Section VI of the regulation implementing legislative decree No. 58 of 24 February 1998 concerning market regulations ("Market Regulations")

In accordance with article 36, Elica S.p.A., having control, directly or indirectly, over some companies registered in countries outside of the European Union, the financial statements of the above-mentioned companies, prepared for the purposes of the Elica Group Consolidated Financial Statements, were made available in accordance with the provisions required by the current regulations.
For the reasons for which it is considered that the company is not under the direction and control of the parent company, in accordance with article 37, reference is made to paragraph 8 "Disclosure in accordance with IAS 24 on the payment of management and related parties".

Fabriano, March 22, 2011

For the Board of Directors
The Chairman
Francesco Casoli

Financial Statements

Independent Auditors
Deloitte & Touche S.p.A.

Registered office and Company Data
Elica S.p.A.
Registered office: Via Dante, 288 – 60044 Fabriano (AN)
Share capital: Euro 12,664,560.00
Tax Code and Companies' Register Number: 00096570429
Ancona REA No. 63006 – VAT Number 00096570429 00096570429

ELICA GROUP- Consolidated Financial Statements at 31/12/2010

Registered Office at Via Dante, 288 - 60044 Fabriano (AN) - Share Capital Euro 12,664,560 fully paid-in

Consolidated Income Statement

In Euro thousands	***Note***	**FY 10**	**FY 09**
Revenues	**5.1**	368,265	335,135
Other operating revenues	**5.2**	2,371	2,831
Changes in inventories of finished and semi-finished goods	**5.3**	3,838	4,720
Increase in internal work capitalised	**5.4**	2,633	2,937
Raw materials and consumables	**5.5**	(193,686)	(180,198)
Services	**5.6**	(73,873)	(66,676)
Labour costs	**5.7**	(72,397)	(66,854)
Amortisation & Depreciation	**5.8**	(15,641)	(16,556)
Other operating expenses and provisions	**5.9**	(10,221)	(9,896)
Restructuring charges	**5.10**	(736)	(1,940)
Write-down of Goodwill for loss of value		-	(2,771)
EBIT		**10,553**	**732**
Share of profit/(loss) from associates	**5.11**	(592)	107
Financial income	**5.12**	1,383	1,197
Financial charges	**5.13**	(2,678)	(3,069)
Exchange gains/(losses)	**5.14**	313	(207)
Pre-tax result		**8,979**	**(1,240)**
Income taxes	**5.15**	(3,402)	2,022
Net profit for the year		**5,577**	**782**
Net profit for the year		**5,577**	**782**
of which:			
Minority interests share	**5.16**	1,315	551
Group net profit		4,262	231
Basic earnings per Share (Euro/cents)	***5.17***	7.48	0.41
Diluted earnings per Share (Euro/cents)	***5.17***	7.48	0.41

Comprehensive Consolidated Income Statement

In Euro thousands	FY 10	FY 09
Net profit	**5,577**	**782**
Other comprehensive income statement items:		
Exchange differences on the conversion of foreign financial statements	3,922	467
Net change in cash flow hedges	93	4
Income taxes on other comprehensive income statement items	(20)	(1)
Total other comprehensive income statement items, net of tax effects:	**3,995**	**470**
Total comprehensive profit	**9,572**	**1,252**
of which:		
Minority interests share	1,577	448
Group comprehensive net profit	7,995	804

Consolidated Balance Sheet

In Euro thousands	**Note**	**31/12/ 2010**	**31/12/ 2009**
Property, plant & equipment	**5.19**	83,680	69,100
Goodwill	**5.20**	41,168	33,818
Other intangible assets	**5.21**	23,868	21,093
Investments in associated companies	**5.22**	1,717	2,309
Other financial assets	**5.23**	30	30
Other receivables	**5.24**	1,920	200
Tax receivables	**5.25**	6	6
Deferred tax assets	**5.35**	9,357	9,200
Financial assets available-for-sale	**5.26**	614	680
Derivative financial instruments	**5.31**	189	-
Total non-current assets		**162,549**	**136,436**
Trade and financial receivables	**5.27**	89,276	85,589
Inventories	**5.28**	42,671	41,451
Other receivables	**5.29**	4,281	3,841
Tax receivables	**5.30**	7,589	9,663
Derivative financial instruments	**5.31**	649	770
Cash and cash equivalents	**5.32**	25,102	19,235
Current assets		**169,568**	**160,549**
Total assets		**332,117**	**296,985**
Liabilities for post-employment benefits	**5.33**	9,182	9,554
Provisions for risks and charges	**5.34**	8,254	5,752
Deferred tax liabilities	**5.35**	7,890	5,328
Finance leases and other lenders	**5.36**	76	2,430
Bank loans and mortgages	**5.37**	30,457	14,780
Other payables	**5.38**	1,510	1,381
Tax payables	**5.39**	978	1,058
Derivative financial instruments	**5.31**	-	-
Non-current liabilities		**58,347**	**40,283**
Provisions for risks and charges	**5.34**	953	1,082
Finance leases and other lenders	**5.36**	23	1,903
Bank loans and mortgages	**5.37**	29,426	23,058
Trade payables	**5.40**	88,742	86,806
Other payables	**5.38**	9,022	14,686
Tax payables	**5.39**	5,764	4,699
Derivative financial instruments	**5.31**	310	311
Current liabilities		**134,240**	**132,545**
Share Capital		12,665	12,665
Capital reserves		71,123	71,123
Hedging, translation and stock option reserve		(3,411)	(8,431)
Treasury shares		(17,629)	(17,629)
Profit reserves		64,210	64,086
Group profit		4,262	231
Group shareholders' equity	**5.41**	**131,220**	**122,045**
Capital and reserves of minority interests		6,995	1,561
Minority interest profit		1,315	551
Minority interest equity	**5.42**	**8,310**	**2,112**
Consolidated shareholders' equity		**139,530**	**124,157**
Total liabilities and shareholders' equity		**332,117**	**296,985**

Consolidated Cash Flow Statement

In Euro thousands		**31/12/2010**	**31/12/2009**
Opening cash and cash equivalents		**19,235**	**14,968**
EBIT- Operating profit		10,553	732
Amortisation, depreciation and write-downs		15,641	16,556
Write-down of Goodwill for loss of value		0	2,771
EBITDA		26,194	20,059
Trade working capital		5,673	16,001
Other working capital accounts		2,663	(3,633)
Exchange rate effect		0	99
Income taxes paid		(2,007)	(2,122)
Change in provisions		1,437	355
Other changes		630	(7)
Cash flow from operating activity		**34,589**	**30,752**
Net increases		(23,798)	(16,243)
Intangible assets		(6,559)	(4,792)
Property, plant & equipment		(11,026)	(11,748)
Equity investments and other financial assets		(6,213)	(64)
Exchange rate effect		0	361
Purchase of equity investments	5.45	(10,127)	0
Cash flow from investments		**(33,925)**	**(16,243)**
Other movements in share capital		120	0
Dividends		0	(1,066)
Increase (decrease) financial payables		6,627	(7,744)
Net changes in other financial assets/liabilities		(815)	(181)
Interest paid		(1,796)	(1,188)
Cash flow from financing activity		**4,135**	**(10,179)**
Change in cash and cash equivalents		**4,799**	**4,330**
Effect of exchange rate change on liquidity		**1,068**	**(63)**
Closing cash and cash equivalents		**25,102**	**19,235**

Statement of changes in Consolidated Shareholders' Equity *In Euro thousands*	Share Capital	Share premium reserve	Acquisition of treasury shares	Retained earnings	Hedge, trans. & stock option reserve	Result for the year	Total Group NE	Total MIN. NE	Total
Balance at December 31, 2008	**12,665**	**71,123**	**(17,629)**	**61,871**	**(9,081)**	**3,579**	**122,528**	**1,966**	**124,494**
Change in cash flow hedges net of the tax effect					3		**3**		**3**
Recognition of stock options					-		**-**		**-**
Differences arising from translation of foreign subsidiaries' financial statements				-	569		**569**	(103)	**466**
Total comprehensive gains /(losses)	-	-	-	-	572	-	**572**	**(103)**	**469**
Net profit for the year						231	**231**	551	**782**
Total gains/(losses) recognised in the income statement	-	-		-	-	231	**231**	551	**782**
Allocation of net profit				3,501	78	(3,579)	**-**	-	**-**
Other movements				(220)			**(220)**	(302)	**(522)**
Dividends				(1,066)			**(1,066)**		**(1,066)**
Balance at December 31, 2009	**12,665**	**71,123**	**(17,629)**	**64,086**	**(8,431)**	**231**	**122,045**	**2,112**	**124,157**
Change in cash flow hedges net of the tax effect					73		**73**		**73**
Recognition of stock options					1,366		**1,366**		**1,366**
Differences arising from translation of foreign subsidiaries' financial statements					3,660		**3,660**	262	**3,922**
Total gains/(losses) recognised directly to equity	-	-	-	-	5,099	-	**5,099**	**262**	**5,361**
Net profit for the year						4,262	**4,262**	1,315	**5,577**
Total gains/(losses) recognised in the income statement	-	-		-	-	4,262	4,262	1,315	**5,577**
Allocation of net profit				310	(79)	**(231)**	-		**-**
Other movements				(186)			**(186)**	4,621	**4,435**
Dividends				-			**-**		**-**
Balance at December 31, 2010	**12,665**	**71,123**	**(17,629)**	**64,210**	**(3,411)**	**4,262**	**131,220**	**8,310**	**139,530**

Table of contents – Notes to the consolidated financial statements for the year ended December 31, 2010

1. Group structure and activities

Elica SpA is a company incorporated under Italian law based in Fabriano (AN - Italy). The main activities of the Company and its subsidiaries as well as its registered office and secondary offices are illustrated in the Directors' Report on Operations under "Elica Group structure and Consolidation Scope".

The Euro is the functional and presentation currency of Elica and all of the consolidated companies, except for the foreign subsidiaries Elica Polska Sp.zo.o Elicamex S.A.de C.V., Leonardo Services S.A.d.C.V., Ariafina CO., LTD, Elica Inc., Elica PB India Private Ltd and Zhejiang Putian Electric Co.Ltd which prepare their financial statements in the Polish Zloty, the Mexican Peso (Elicamex S.A.de C.V. and Leonardo Services S.A. de C.V.), Japanese Yen, US Dollar, Indian Rupee and Chinese Renminbi respectively.

The Board of Directors today approved the Consolidated Financial Statements for the year ended December 31, 2010 and authorised its publication.

2. Accounting principles and basis of consolidation

The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and approved by the European Union, as well as in accordance with Article 9 of Legislative Decree No. 38/2005 and related CONSOB regulations.

The Consolidated Financial Statements at December 31, 2010 are compared with the previous year and consist of the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Statement of changes in Shareholders' Equity and the Explanatory Notes thereto.

The financial statements and related notes comply with the minimum disclosure requirements of IFRS, as supplemented, where applicable, by the provisions enacted by law and by CONSOB.

The Group did not make any changes in the accounting principles applied between the comparative dates of December 31, 2009 and December 31, 2010. Furthermore, neither the International Accounting Standards Board (IASB) nor the International Financial Reporting Interpretation Committee (IFRIC) have revised or issued standards or interpretations due to take effect on January 1, 2010 that have had a material effect on the Consolidated Financial Statements, except as described below.

The Consolidated Financial Statements were prepared on the basis of the historical cost convention, except for some financial instruments which are recognised at fair value. The financial statement accounts have been measured in accordance with the general criteria of prudence and accruals and on a going concern basis, and also take into consideration the economic function of the assets and liabilities.

Basis of Consolidation

The Consolidated Financial Statements for the year ended December 31, 2010 include the financial statements of the Company and the companies it controls directly or indirectly (the subsidiaries). Control is exercised when the company has the power to determine the financial and operating policies of an entity so as to benefit from its activity.

The separate financial statements at December 31, 2010 of the Parent Company Elica S.p.A. were prepared in accordance with IFRS, in accordance with Legislative Decree No. 38/2005 and CONSOB regulations. The financial statements of the Italian subsidiaries were prepared in accordance with Legislative Decree No. 127/91 as supplemented, where necessary, by accounting standards issued by the Italian Accounting Profession *(Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri)* and, in the absence of standards laid down by this latter, by accounting standards issued by the IASB as well the documents issued by the Italian Accounting Standards Setter. The financial statements of foreign subsidiaries were prepared in accordance with applicable local regulations.

All the Group companies have provided the data and information required to prepare the Consolidated Financial Statements in accordance with IFRS.
For information on the consolidation scope and the associated companies reference should be made to sections "4 Composition and changes in the consolidation scope" and "8 Disclosure pursuant to IAS 24 on management compensation and related-party transactions".

The results of subsidiaries acquired or sold during the year are included in the Consolidated Income Statement from the date of acquisition until the date of sale.

All significant transactions between companies included in the consolidation scope are eliminated.

Gains and losses arising on inter-company sales of tangible fixed assets are eliminated, where considered material.

Minority interest share in the net assets of consolidated subsidiaries are recorded separately from the Group Shareholders' Equity ("Minority Interest"). Minority Interest Net Equity includes the amount attributable to the minority shareholders at the original acquisition date (see below) and changes in equity after that date.
Losses attributable to minority shareholders in excess of the minority interest share in the subsidiary's equity are allocated to equity attributable to the shareholders of the Parent Company, except to the extent that the minority shareholders are subject to a binding obligation and are capable of making additional investments to cover the losses.

Consolidation of foreign companies and translation into Euro of foreign-denominated items

The assets and liabilities of consolidated foreign companies in currencies other than the Euro are translated using the exchange rates at the balance sheet date. Revenues and costs are translated into Euro using the average exchange rate for the year. Translation differences are recognised in the translation reserve until the investment is sold.

At December 31, 2010, the consolidated foreign companies whose operating currency is other than the Euro are Elica Group Polska Sp.zo.o, ELICAMEX S.A. de C.V., Leonardo Services S.A. de C.V, ARIAFINA CO., LTD, Elica Inc Elica PB India Private Ltd and Zhejiang Putian Electric Co. Ltd, which use the Zloty, the Mexican Pesos (ELICAMEX S.A. de C.V. and Leonardo Services S.A. de C.V.), the Japanese Yen, the US Dollar, the Indian Rupee and the Chinese Renmimbi respectively.

The exchange rates used for translation purposes are set out below:

	average 2010		**31/12/ 2010**
USD	1.33		1.34
JPY	116.21		108.65
PLN	3.99		3.98
MXN	16.74		16.55
INR	60.45	(*)	59.76
RMB	9.04	(*)	8.82

(*) the average exchange rate of the Indian Rupee and the Chinese Renminbi was calculated for the period in which the Indian and Chinese subsidiaries were consolidated.

Business Combinations

Business combinations are recognised according to the acquisition method. According to this method, the amount transferred in a business combination is valued at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Accessory charges

to the transaction are generally recorded to the income statement at the moment in which they are incurred.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recorded at fair value at the acquisition date; the following items form an exception, which are instead valued according to the applicable standard:

- Deferred tax assets and liabilities;
- Employee benefit assets and liabilities;
- Liability or equity instruments relating to share-based payments of the company acquired or share-based payments relating to the Group issued in substitution of contracts of the entity acquired;
- Assets held for sale and Discontinued Operations.

Goodwill is calculated as the excess of the amounts transferred in the business combination, of the value of minority interests' net equity and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, of the value of minority interest net equity and the fair value of any holding previously held in the acquired company, this excess is immediately recorded to the income statement as income deriving from the transaction concluded.
The share of minority interest net equity, at the acquisition date, may be valued at fair value or pro-quota of the value of net assets recognised of the acquired entity. The valuation method is chosen on the basis of each individual transaction.
Any amount subject to conditions established by the business combination contract are valued at fair value at the acquisition date and included in the value of the amounts transferred in the business combination for the determination of goodwill. Any changes subsequent to the fair value, which qualify as adjustments in the measurement period, are included in goodwill retrospectively. The changes in the fair value which qualify as adjustments in the measurement period are those which are based on further information on the facts and circumstances which existed at the acquisition date, obtained during the measurement period (which may not exceed a period of one year from the business combination).
In the case of business combinations undertaken in a series of phases, the holding previously held by the Group in the acquired entity is revalued at fair value at the acquisition of control date and any profit or loss is recorded to the income statement. Any amounts related to the holding previously held and recorded to Other comprehensive Profits or Losses are reclassified in the income statement as if the holding had been sold.
If the initial values of a business combination are incomplete at the period-end in which the business combination took place, the Group reports in its consolidated financial statements the provisional values of the items for which the final calculations could not be made. These provisional values are adjusted in the measurement period to take account of the new information obtained on the facts and circumstances existing at the acquisition date which, if known, would have had effects on the value of assets and liabilities recognised at this date.
Business combinations before January 1, 2010 were recognised according to the previous version of IFRS 3.

Investments in associated companies and joint ventures

An associated company is a company in which the Group has significant influence, but not full control or joint control. The Group exerts its influence by taking part in the associated company's financial and operating policy decisions.

A joint venture is a contractual agreement whereby the Group undertakes a jointly controlled business venture with other parties. Joint control is defined as a contractually shared control over a business. It exists only when the strategic financial and operating decisions of the business require the unanimous approval of all of the parties that share control.

The profits and losses, assets and liabilities of associated companies and joint ventures are recorded in the Consolidated Financial Statements using the Equity method, except where the investments are classified as held for sale.

Under this method, investments in associated companies and joint ventures are recorded in the

Balance Sheet at cost, as adjusted for changes after the acquisition of the net assets of the associated companies, less any impairment in the value of the individual investments. Losses of the associated companies and joint ventures in excess of the Group share are not recorded unless the Group has an obligation to cover them. Any excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date, is recognised as Goodwill. Goodwill is included in the carrying value of the investment and is subject to an impairment test. Any excess of the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associated company over the cost of acquisition is recorded in the Income Statement in the year of acquisition.

Unrealised profits and losses on transactions between a Group company and an associated company or joint venture are eliminated to the extent of the Group's share in the associated company or joint venture, except when the unrealised losses constitute a reduction in the value of the asset transferred.

Accounting principles and policies

The main accounting principles and policies adopted in the preparation of the Consolidated Financial Statements are described below.

Property, plant & equipment

Property, plant and equipment are recorded at purchase or production cost, including any directly attributable costs. Some assets have been adjusted under specific revaluation legislation prior to 1 January 2004 and are considered representative of the fair value of the asset at the revaluation date ("deemed cost" as per IFRS 1).

Depreciation is calculated on a straight-line basis on the cost of the assets based on their estimated useful lives applying the following rates:

buildings	3.0 %
lightweight buildings	10.0 %
plant and machinery	10.0 % - 15.5 %
industrial and commercial equipment	10.0 % - 25.0 %
office furniture and equipment	12.0 %
EDP	20.0 %
commercial vehicles	20.0 %
automobiles	25.0 %

Assets held under finance leases are recorded as property, plant and equipment and depreciated on a straight-line basis over their estimated useful lives, on the same basis as owned tangible fixed assets.

Purchase cost is also adjusted for capital grants already allocated to the Group companies. These grants are recognised in the income statement by gradually reducing the depreciation charged over the useful life of the assets to which they relate.

Maintenance, repair, expansion, modernisation and replacement costs that do not lead to a significant, measurable increase in the production capacity and useful life of the asset are charged to the income statement in the year incurred.

Goodwill

Goodwill arising on the acquisition of a subsidiary or other business combinations represents the excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. Goodwill is recognised as an asset and reviewed at least annually for any impairment. An impairment loss is recorded immediately in the Income Statement and is not restated in a subsequent period.

On the sale of a subsidiary, any Goodwill not amortised attributable to the subsidiary is included in determining the gain or loss on the sale.

Goodwill arising on acquisitions prior to January 1, 2004 is carried at the amount recognised under Italian GAAP after an impairment test at that date.

Research and development costs

The research costs are recognised in the Income Statement in the year in which they are incurred.

Development costs in relation to projects are capitalised when all of the following conditions are satisfied:

- the costs can be reliably determined;
- the technical feasibility of the product is demonstrated,
- the volumes, and expected prices indicate that costs incurred for development will generate future economic benefits;
- the technical and financial resources necessary for the completion of the project are available.

The development costs capitalised are amortised on a straight-line basis, commencing from the beginning of the production over the estimated life of the product.

The carrying value of the development costs are reviewed annually through a test in order to record any loss in value when the asset is no longer in use, or with greater frequency when there are indications of a possible loss in the carrying value.

All other development costs are charged to the Income Statement when incurred.

Other intangible assets

The other intangible assets acquired or produced internally are recorded under assets, in accordance with the provisions of "IAS 38 – Intangible Assets", when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined reliably.

The useful life of the intangible assets are classified as definite or indefinite. Intangible fixed assets with a definite useful life are amortised monthly for the duration of the period. According to management and expert estimations the most important software utilised by the Group has a useful life of 7 years. The useful life is reviewed on an annual basis and any changes are made in accordance with future estimates.

The intangible assets with indefinite useful life are not amortised but are subject annually or, more frequently where there is an indication that the activity may have suffered a loss in value, to a verification which identifies any reduction in value.

Impairment Test

At each balance sheet date, the Group assesses whether events or circumstances exist that raise doubts as to the recoverability of the value of tangible and intangible fixed assets with a definite useful life. If there are any indications that there has been an impairment, the Group estimates the recoverable value of the tangible and intangible assets so as to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life – in particular Goodwill – are subject to an impairment test at least annually or when there is an indication of a loss in value.

In these situations, the recoverable value of these assets is estimated so as to determine the amount of the impairment.

The recoverable value is the higher between fair value less costs to sell and value in use.

In accordance with the accounting standards, the impairment test is performed in respect of each individual asset, where possible, or in respect of groups of assets (Cash-Generating Units - CGU). Cash-Generating Units are identified depending on the organisational and business structure of the Group as units that generate cash on an autonomous basis as a result of the continuous use of the assets allocated.

If the recoverable value of an asset (or a CGU) is considered lower than its carrying value, it is reduced to its recoverable value. An impairment is recognised in the income statement immediately unless the asset consists of land or buildings other than investment property recorded at the revalued amount; in this case, the impairment loss is charged to the revaluation reserve.

When the reasons for the impairment no longer exist, the carrying value of the asset (or CGU) – except for Goodwill – is increased to the revised estimate of its recoverable value. The new value cannot exceed the net carrying value if no write-down for impairment had being recorded.
The reversal of an impairment loss is recorded immediately in the Income Statement unless the asset is stated at the revalued amount, in which case the reversal is credited to the revaluation reserve.

Inventories

Inventories are recorded at the lower of purchase or production cost and net realisable value.
The purchase cost of raw, ancillary, supplies and goods for resale is determined using the weighted average cost method.
The production cost of finished goods, work in progress and semi-finished goods is determined considering the cost of the materials used plus direct operating costs and overheads.

Net realisable value represents the estimated selling price less expected completion costs and selling costs.

Obsolete and slow moving inventories are written down taking account of their prospects of utilisation or sale.

Trade receivables and loans and other financial assets

Financial assets other than trade receivables, loans and cash and cash equivalents are initially recorded at fair value, including charges directly related to the transaction.

Trade receivables and loans are recorded at nominal value which normally represents their fair value. In the event of a significant difference between nominal value and fair value, the receivables are recorded at fair value and subsequently valued at amortised cost using the effective interest rate method.
The receivables are adjusted through a provision for doubtful debt so as to reflect their realisable value. The provision is calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flow discounted at the effective interest rate on initial recognition.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying value and market value less selling costs.

Non-current assets (and disposal groups) are classified as held for sale when their carrying value is expected to be recovered by means of a sales transaction rather than through use in company operations. This condition is met only when the sale is highly likely, the assets (or group of assets) are available for immediate sale in their current condition and, consequently, management is committed to a sale, which should take place within 12 months of the classification as held for sale.

Cash and cash equivalents

Cash and cash equivalents include cash balances and bank current accounts and deposits repayable on demand plus other highly liquid short term financial investments that can be readily converted into cash and are not subject to a significant risk of a change in value.

Financial liabilities and Equity instruments

Financial liabilities and equity instruments issued by the Group are classified based on the substance of the contractual agreements that generated them and in accordance with the respective definitions of financial liabilities and Equity instruments.
Equity instruments consist of contracts which, stripped of the liability component, give rights to a share in the assets of the Group.

Accounting policies adopted for specific financial liabilities and Equity instruments are indicated below.

Trade payables and other financial liabilities

Trade payables and other financial assets are recorded at nominal value which generally represents their fair value. In the event of significant differences between nominal value and fair value, trade payables are recorded in the balance sheet at fair value and subsequently measured at amortised cost using the effective interest rate method.

Bank and other borrowings

Bank borrowings – comprising of medium/long-term loans and bank overdrafts – and other borrowings, including the liabilities deriving from finance leases, are recorded in the balance sheet based on the amounts received, less transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments and hedge accounting

Derivative financial instruments are used with the intention of hedging, in order to reduce the foreign currency or interest rate risk or from fluctuations in market prices. In compliance with IAS 39, the derivative financial instruments can be recorded in accordance with the "hedge accounting" method only when at the beginning of the hedge, the formal designation and documentation relating to the hedge exists, it is presumed that the hedge is highly effective, such effectiveness can be reliably measured and the hedge is highly effective over the accounting periods for which it was designated.
All the derivative financial instruments are measured at fair value, in accordance with IAS 39.
When the financial instruments have the necessary characteristics to be recorded under hedge accounting, the following accounting treatment is applied:

- for derivatives that hedge scheduled transactions (i.e. cash flow hedges), changes in the fair value of derivative instruments are allocated to Equity for the portion considered effective while the portion considered ineffective is recognised in the Income Statement;

- for derivatives that hedge receivables and payables recorded in the balance sheet (i.e. fair value hedges), differences in fair value are recognised in full in the Income Statement. Moreover, the value of the receivables/payables hedged is adjusted for the change in the risk hedged, again in the Income Statement;

- for derivatives classified as hedges of a net investment in a foreign operation, the effective portion of profits or losses on the financial instruments are recorded under net equity. The cumulative gains or losses are reversed from the net equity and recorded in the income statement on the sale of the foreign operation.

If the hedge accounting cannot be applied, the profits or losses deriving from the fair value of the derivative financial instruments are immediately recognised in the income statement.

Concerning the management of the risks related to the exchange rates and interest rates reference should be made to section 7 "Risk management policy" of the Notes.

Treasury shares

Treasury shares are recorded at cost as a reduction of Shareholders' Equity. The gains and losses deriving from trading of treasury shares, net of the tax effect are recorded under Equity reserves.

Employee benefits

Post-employment benefits

Italian post-employment benefits are considered equivalent to a defined benefit plan. For defined benefit plans, the cost of the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each year. Actuarial gains and losses that exceed

10% of the fair value of the benefits defined by the Group are amortised over the estimated average remaining employment service of the employees taking part in the scheme.

Post-employment benefits recognised in the balance sheet represent the fair value of liabilities under defined benefit plans as adjusted for unrecorded actuarial gains and losses.

Finally, the Group records the interest on employee benefit plans under finance costs.
Up to December 31, 2006, the employee leaving indemnities of the Italian companies were considered as defined benefit plans. The regulations of this provision were modified by Law No. 296 of 27 December 2006 ("2007 Finance Act") and subsequent Decrees and Regulations issued at the beginning of 2007. In view of these changes, and specifically with reference to companies with more than 50 employees, this fund is now to be considered a defined benefit plan exclusively for the amounts matured prior to January 1, 2007 (and not paid at the balance sheet date), while subsequent to this date they are similar to a defined contribution plan.

Share-based payments

The Group recognises additional benefits to some members of senior management and some employees through stock option plans. In accordance with IFRS 2 – Share-based payments, these plans represent a remuneration component of the beneficiaries; therefore, the cost representing the fair value of these instruments at the granting date is recognised in the income statement on a constant quota criteria over the period between the assignment date and that of maturity, and directly recorded to shareholders' equity. Subsequent changes in the fair value to the assignment date do not have an effect on the initial value.

Provisions for risks and charges

Provisions are recorded when the Group has a current obligation that is the result of a past event and it is probable that the Group will be required to fulfil the obligation.

Provisions are made based on management's best estimate of the cost of fulfilling the obligation at the balance sheet date and are discounted to the present value when the effect is significant.

Revenues and income

Revenues from the sale of goods are recognised when the goods are shipped and the Company has transferred the significant risks and rewards of ownership of the goods to the buyer.

Interest income is recorded on an accruals basis based on the amount financed and the effective interest rate applicable: this represents the rate at which the expected future cash flow along the life of the financial asset is discounted to equate them with the carrying amount of the asset.

Dividends are recorded when the shareholders have the right to receive them.

Leases and lease agreements

Leasing contracts are classified as finance lease contracts when the terms of the contract are such that they substantially transfer all of the risks and rewards of ownership to the lessee. All the other leases are considered operating leases.

Assets held under finance leases are recorded as assets of the Group at the lower of their fair value at the date of the lease contract and the present value of the minimum payments due under the lease contract. The corresponding liability towards the lessor is included in the Balance Sheet as a finance lease obligation. Finance lease payments are divided between a capital portion and an interest portion in order to apply a constant interest rate on the residual liability. The finance costs are recorded directly in the Income Statement for the year.

Operating lease costs are recorded on a straight-line basis over the term of the lease agreement. Benefits received or receivable as an incentive for entering into operating lease agreements are also recorded on a straight-line basis over the duration of the operating lease agreement.

Foreign currency transactions

In the preparation of the financial statements of the individual Group companies, transactions in foreign currencies entered into by Group companies are translated into the functional currency (the currency in the main area in which the company operates) using the exchange rate at the transaction date or otherwise at the date on which the fair value of the underlying assets/liabilities is determined. Foreign currency assets and liabilities are translated at the balance sheet date using the exchange rate at the balance sheet date. Non-monetary assets and liabilities valued at historical cost in foreign currency are translated using the exchange rate at the transaction date.

Exchange differences arising on such transactions or on the translation of monetary assets and liabilities are recorded in the Income Statement except for those arising on derivative financial instruments qualified as cash flow hedges. These differences are recorded in Equity if unrealised, otherwise they are recorded in the Income Statement.

Public grants

Grants from public bodies are recorded when there is a reasonable certainty that the conditions required to obtain them will be satisfied and that they will be received. Such grants are recorded in the income statement over the period in which the related costs are recorded.
The accounting treatment of benefits deriving from a public loan obtained at a reduced rate are similar to those for public grants. This benefit is calculated at the beginning of the loan as the difference between the initial book value of the loan (fair value plus direct costs attributable to obtaining the loan) and that received, and subsequently recorded in the income statement in accordance with the regulations for the recording of public grants.

Income tax

Income taxes for the year represent the sum of current and deferred taxation.

Deferred income taxation is recorded on temporary timing difference between the statutory financial statements and the fiscal assessable result, recorded under the liability method.

The deferred taxes are calculated based on the fiscal rates applicable when the temporary differences reverse. The deferred tax charges are recognised in the income statement with the exception of those relating to accounts recognised in equity in which case the deferred tax charges are also recognised in equity.

Deferred tax income is recognised when the income taxes are considered recoverable in relation to the assessable results expected for the period in which the deferred tax asset is reversed. The carrying value of deferred tax assets is revised at the end of the year and reduced, where necessary. The compensation between deferred tax assets and liabilities is carried out only for similar items, and if there is a legal right to compensation the current deferred tax assets and liabilities; otherwise they are written separately under receivables and payables.

Elica S.p.A. and the subsidiary Airforce S.p.A. (since 2008) have opted for a consolidated tax regime in Italy. This means that the IRES (Corporation Tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies.
Transactions plus reciprocal responsibilities and obligations between the consolidating company and the aforementioned subsidiary company are defined by a specific consolidation agreement. With regard to responsibility, the agreement provides that the Parent Company is jointly liable with the subsidiary for:

- amounts due by the subsidiary under Article 127(1) of the Income Tax Code;
- payment of amounts due to the tax authorities, should it emerge that sums declared in the consolidated tax return have not been paid;

– consolidation adjustments made based on figures supplied by the subsidiary and contested by the tax authorities.

The group tax liability is shown under "Tax payables" or "Tax receivables" in the accounts of the consolidating company, less payments made on account. In the accounts of the subsidiaries and in the present accounts of the Elica Group the debt for the transfer of income taxes to the parent company is recorded under "Other payables". The receivables which derive from the transfer of income tax losses are classified in the account "Other receivables".

Earnings per share

Basic earnings per share is calculated based on the net profit of the Group and the weighted average number of shares outstanding at the balance sheet date. Treasury shares are excluded from the calculation. Diluted earnings per share equate to the basic earnings per share adjusted to assume conversion of all potentially dilutable shares, i.e. all financial instruments potentially convertible into ordinary shares with a dilutive effect on earnings.

Accounting principles, amendments and interpretations from January 1, 2010

The following accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2010.

IFRS 3 (2008) -Business combinations

Under the transition provisions of the standard, the Group adopted IFRS 3 (revised in 2008) – Business combinations in prospective manner, for business combinations taking place at or after January 1, 2010. In particular, the updated version of IFRS 3 introduced important amendments, described below, principally relating to: the governance of step acquisitions of subsidiary companies; the faculty to value at fair value any minority interests acquired in a partial acquisition; the allocation to the income statement of all the costs related to a business combination and the allocation at the acquisition date of payments subject to conditions.

Step acquisitions of a subsidiary
In the case of a step acquisition of a subsidiary, IFRS 3 (2008) establishes that a business combination occurs only in the moment in which control is acquired and that, at this moment, all of the net assets identifiable of the company acquired must be valued at fair value; minority interests must be valued according to their fair value or based on a proportion of the fair value of the net assets identifiable of the company acquired (a method previously permitted in the prior version of IFRS 3).
In a step acquisition of a holding, the previously held share, until that time recorded according to IAS 39 – *Financial instruments: recognition and measurement*, or according to IAS 28 - *Investments in associated companies* or according to IAS 31 – *Investments in joint ventures*, must be treated as if it had been sold and reacquired at the date in which control is acquired. The holding therefore must be valued at the fair value at the acquisition date and the profits and losses from the valuation must be recorded to the income statement. Any amount previously recorded to shareholders' equity as Other comprehensive profits and losses, which must be recorded to the income statement following the sale of the assets to which it refers, must be reclassified in the income statement. Goodwill or income deriving from an acquisition of control of a subsidiary must be calculated as the sum of the price paid for gaining control, the value of minority interests (valued according to one of the methods permitted by the standard), the fair value of the minority holding previously held, net of the fair value of the identifiable net assets acquired.
According to the previous version of the standard, step acquisitions were recognised transaction by transaction, as a series of separate acquisitions which generated overall goodwill calculated as the sum of the goodwill generated by each individual transaction.

Accessory charges to the transaction
IFRS 3 (2008) establishes that accessory charges to business combination operations are recognised to the income statement in the period in which they are incurred. According to the previous version of the standard, these charges were included in the acquisition cost of the net assets of the company acquired.

Recognition of payments subject to conditions
IFRS 3 (2008) establishes that payments subject to conditions are considered part of the transfer price of the net assets acquired and are valued at fair value at the acquisition date. If the combination contract establishes a right of repayment of some price elements on the fulfilment of certain conditions, this right is classified as an asset of the purchaser. Any subsequent changes to the fair value must be recorded as an adjustment to the original accounting treatment only if resulting from additional or improved information concerning the fair value and if occurring within 12 months from the acquisition date; all other changes must be recorded to the income statement.
The previous version of the standard established that payments subject to conditions were recorded at the acquisition date only if their payment was considered probable and the amount could be reliably calculated. Every subsequent change to the value of these payments was recorded as an adjustment to goodwill.

IAS 27 (2008) - Consolidated and separate financial statements

The amendments of IAS 27 principally relate to the treatment of transactions or events which modify the holding in subsidiary companies and the allocation of losses of the subsidiary to minority interests. IAS 27 (2008) established that once control of an entity has been attained, transactions in which the parent company acquires or sells further minority shares without amending the control exercised on the subsidiary are considered transactions with shareholders and therefore must be recognised to net equity. The carrying amount of the controlling investment and of the minority interest must be adjusted to reflect the change in the share of the investment held and any difference between the amount of the adjustments allocated to minority interests and the fair value of the price paid or received against the transaction is recorded directly to shareholders' equity and is allocated to the shareholders of the parent company. No adjustments will be made to the goodwill and the profits or losses recorded to the income statement. Accessory charges to these operations must be recorded in shareholders' equity in accordance with paragraph 35 of IAS 32.

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

The standards which may apply to the Group are summarised below.

On November 4, 2009, the IASB issued a revised version of IAS 24 – Related party disclosures which simplifies the type of information required in the case of transactions with related parties controlled by the state and clarifies the definition of related parties. The standard must be applied from January 1, 2011. The adoption of the amendment will not have any impact on the valuation of any accounts in the financial statements.

On November 12, 2009, the IASB published IFRS 9 – Financial instruments: the standard was amended on October 28, 2010. The standard, applicable from January 1, 2013, is the first step toward the full replacement of IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities and for the derecognition from the financial statements of financial assets. In particular for financial assets the new standard utilises a single approach based on the management method of financial instruments and on the contractual cash flow characteristics of the financial assets in order to determine the measurement criteria, replacing the various rules established by IAS 39. For financial liabilities however the standard is amended with regard to the accounting treatment of the fair value changes of a financial liability allocated as a financial liability valued at fair value through the income statement, in the case in which these relate to changes in the credit position of the liability. According to the new standard these changes must be recorded to Other comprehensive profits and losses and no longer transferred to the income statement. At the date of the present financial statements, the relevant bodies of the European Union have not yet concluded the process necessary for the application of the new standard.

On May 6, 2010, the IASB issued amendments to the IFRS's ("improvement") which will be applicable from January 1, 2011; the amendments which affect the presentation, recognition and valuation of financial statement accounts are as follows - omitting however those which will result in only terminology changes or editing of existing standards with minimal effect in accounting terms or those which have effects on standards or interpretations not applicable to the Group:

- IFRS 7 – Financial Instruments: disclosures: the amendment emphasises the link between additional information of a qualitative nature and that of a quantitative nature required by the standard on the nature and extent of risks concerning financial instruments. This should enable readers of the financial statements to collate the information presented and acquire a general appraisal of the nature and the extent of risks relating to financial instruments. The disclosure requirement regarding financial assets which have matured but were renegotiated or written down and the disclosure related to the fair value of collateral was eliminated.
- IAS 1 - Presentation of financial statements: the amendment requires that the reconciliation of the changes of all net equity items is presented in the notes or in the financial statements.
- IAS 34 Interim financial reporting: clarifications were provided through examples in relation to the additional information which must be presented in the Interim Financial Statements.

On October 7, 2010, the IASB published an amendment to IAS 7 – Financial instruments: additional disclosures, applicable for the accounting periods after July 1, 2011. The amendments were issued in order to improve understanding of transfers of financial assets, including understanding the possible effects of any risks pertaining to the company which has transferred these assets. The amendments also require additional information in the case in which a disproportionate amount of these transactions are carried out in an accounting period. At the date of the present Financial Statements, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments.

On December 20, 2010, the IASB issued a minor amendment to IAS 12 – Income taxes which requires entities to value deferred taxes deriving from an asset based on the method by which the carrying value of this asset will be recovered (through continuous use or through sale). Following this amendment SIC-21 – Income taxes – Recovery of revalued non-depreciable assets will no longer be applicable. The amendment is effective as of January 1, 2012. At the date of the present Financial Statements, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments described above.

3. Critical judgements and significant accounting estimates

In the preparation of the Consolidated Financial Statements in accordance with IFRS, the Group's management must make accounting estimates and assumptions which have an effect on the values of the assets and liabilities and disclosures. The actual results may differ from these estimates. The estimates and assumptions are revised periodically and the effects of any change are promptly reflected in the financial statements.

In this context it is reported that the situation caused by the current economic and financial crisis resulted in the need to make assumptions on a future outlook characterised by significant uncertainty, for which it cannot be excluded that results in the coming years will be different from such estimates and which therefore could require adjustment, currently not possible to estimate or forecast, which may even be significant, to the book value of the relative items.

The account items principally concerned by uncertainty are: Goodwill, doubtful debt provision and inventory write downs, non-current assets (tangible and intangible), pension funds and other post-employment benefits, provisions for risks and charges and deferred tax assets.

Reference should be made to the comments of each individual account in the financial statements for further information on the estimates mentioned.

4. Composition and changes in the consolidation scope

At December 31, 2010, the consolidation scope includes the companies controlled by the Parent Company, Elica S.p.A.. Control exists where the Parent Company has the power to determine, directly or indirectly, the financial or management policies of an entity so as to obtain benefits from the activities of the company.

The following table contains a list of the companies consolidated on a line-by-line basis and controlled directly or indirectly by the Parent Company.

Companies consolidated by the line-by-line method:

Company	Registered office	Curr.	Share Capital	Direct holding	Indirect holding		Total holding
Elica S.p.A.	Fabriano (AN)	Euro	12,664,560	-	-		-
Elicamex S.a.d. C.V.	Queretaro (Mexico)	MXN	458,633,513	98	2	(b)	100
Elica Group Polska Sp.z o.o	Wroklaw (Poland)	PLN	78,458,717	100	-		100
Airforce S.p.A.	Fabriano (AN)	Euro	103,200	60	-		60
Ariafina	Sagamihara-Shi (Japan)	JPY	10,000,000	51	-		51
Leonardo	Queretaro (Mexico)	MXN	1,250,000	98	2	(b)	100
Exklusiv Hauben Gutmann GmbH	Muhlacker (Germany)	Euro	25,000	100	-		100
Elica Inc.	Chicago, Illinois (United States)	USD	5,000		100	(a)	100
Airforce GE (*)	Stuttgart (Germany)	Euro	26,000		95	(c)	95
Elica PB India Private Ltd.	Pune (India)	INR	41,000,000	51	-		51
Zhejiang Putian Electric Co. LTD	Shengzhou (China)	RMB	29,300,000	55	-		55

(*) Airforce Germany Hochleistungs-dunstabzugssysteme Gmbh

(a) Held through ELICAMEX S.A. de C.V.

(b) Held through Elica Group Polska S.p.zoo

(c) Held through Air Force.S.p.A.

At the end of 2010, the Irish company Elica Finance and the Luxembourg company Elica International were liquidated, while respectively in June and September 2010 the companies Elica India and Putian entered the consolidation scope. The Indian company Elica PB India Private Ltd joined the Elica Group following a joint venture agreement between Elica S.p.A. and Mr. Bhutada and a number of the principal managers of the company. The Elica Group acquired control of the company Putian through purchasing a majority 55% holding.

The following table contains a list of associated companies consolidated under the Equity method and held directly or indirectly by the Parent Company:

Associated companies measured under the Equity method

Company	Registered office	Curr.	Share capital	% held directly	% held indirectly	Total held
I.S.M. Srl	Cerreto d'Esi (AN)	Euro	10,327	49.385	-	49.385

In 2010, the associated company I.S.M. Srl sold the entire holding in “Sider S.r.l.”. This holding arose from the conferment to “Sider S.r.l.” of the “productive-industrial” business unit on December 14, 2009. The company I.S.M. Srl amended its corporate scope with entry from the present year to the real estate sector.

Concerning data and information on associated companies, reference should be made to section 8 of the Notes.

5. Notes to the consolidated income statement, balance sheet and cash flow statement

CONSOLIDATED INCOME STATEMENT

5.1 Revenues

Details of the Group's revenue are as follows:

(in Euro thousands)	**2009**	**2010**	**Changes**
Revenues from product sales	335,091	367,854	32,763
Service revenues	44	411	367
Total	**335,135**	**368,265**	**33,130**

For an analysis on revenues, reference should be made to the paragraph "Financial and operating review" in the Directors' Report. The increase in the present account is due to the change in the consolidation scope for approx. Euro 12.5 million.
Clients who comprise more than 10% of total revenues constituted 24.39% of revenues in 2010 compared to 30.5% in 2009.

The table below provides an analysis of sales by geographic area, regardless of the origin of the goods and services.

(in Euro thousands)	**The Americas**	**Europe + CIS**	**Other countries**	**Consolidated**
Year 2010	31,601	293,492	43,172	**368,265**
Year 2009	26,266	283,852	25,017	**335,135**

The Group's activities are located in Italy, Mexico, Japan, Poland, Germany, the United States, India and China.

The change in the consolidation scope had an effect of Euro 12.5 million on the account "Other Countries".

5.1.1 Segment information

The form of segment reporting is by business sector in which the Group operates. The breakdown by segment is as follows:

-"Hoods": production and sale of range hoods and accessories;

- "Motors": production and sale of electric motors.

Segment revenues are determined in accordance with the classification of the products sold in a business sector. Segment results are determined by taking into account all the costs that can be allocated directly to sales in a specific segment. Costs not allocated to the segments include all costs not directly attributable to the area, including manufacturing, sales, general, administrative costs, as well as financial income and charges and taxes.
Inter-segment revenues include revenues between Group segments that are consolidated on a line-by-line basis in relation to sales made to other segments.
Assets, liabilities and investments are allocated directly on the basis of their classification in a specific sector.

The following tables contain segment information by business segment as defined above:

INCOME STATEMENT	Hoods		Electric motors		Not allocated and eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Segment revenue:								
customers	313,074	287,897	55,190	47,238			368,265	335,135
Inter-segment	917	272	20,429	19,963	(21,346)	(20,235)	-	-
Total revenues	**313,991**	**288,169**	**75,619**	**67,201**	**(21,346)**	**(20,235)**	**368,265**	**335,135**
Segment result:	**34,296**	**(*)22,884**	**6,958**	**(*) 2,186**			**41,254**	**(*) 25,069**
Overheads not allocated							**(30,701)**	**(*) (24,337)**
EBIT							**10,553**	**732**
Share of profit/(loss) from associates					(593)	107	(593)	107
Financial income					1,383	1,197	1,383	1,197
Financial charges					(2,677)	(3,069)	(2,677)	(3,069)
Exchange gains/(losses)					313	(207)	313	(207)
Profit/(loss) before taxes					**8,979**	**(1,240)**	**8,979**	**(1,240)**
Income taxes					(3,402)	2,022	(3,402)	2,022
Net profit from normal operations					**5,577**	**782**	**5,577**	**782**
Net profit from discontinued operations					-	-	-	-
Net profit for the year					**5,577**	**782**	**5,577**	**782**

(*) The data relating to the previous year was reclassified for comparability with December 31, 2010.

BALANCE SHEET	Hoods		Electric motors		Not allocated and eliminations		Consolidated	
	Dec '10	Dec '09	Dec '10	Dec '09	Dec '10	Dec '09	Dec '10	Dec '09
Assets:								
Segment assets	210,481	188,474	74,512	66,946	(5,046)	(4, 369)	279,948	251,051
Investments in ass. companies					1,717	2,309	1,717	2,309
Unallocated assets					50,314	43,625	50,452	43,625
Total operational assets							**332,117**	**296,985**
Total assets							**332,117**	**296,985**
Liabilities								
Segment liabilities	(79,972)	(78,241)	(23,005)	(22,490)	5,046	4,371	(97,931)	(96,360)
Liabilities not allocated					(94,656)	(76,468)	(94,656)	(76,468)
Net equity					(139,892)	(124,157)	(139,530)	(124,157)
Total operational liabilities							**(332,117)**	**(296,985)**
Total liabilities							**(332,117)**	**(296,985)**

5.2 Other operating income

(in Euro thousands)	2009	2010	Changes
Rental income	-	40	40
Operating grants	255	98	(157)
Ordinary gains on disposal	316	234	(82)
Claims and insurance payouts	145	340	195
Expenses recovered	540	258	(282)
Other revenues and income	1,575	1,402	(173)
Total	**2,831**	**2,371**	**(460)**

The reduction in this account is principally due for Euro 282 thousand to the decrease in expenses recovered and for Euro 157 thousand to the decrease in operating grants (in 2009, this account included grants received from Business Associations).

5.3 Changes in inventories of finished and semi-finished goods

The account changes in finished and semi finished product inventory, amounting to Euro 3,838 thousand, decreased by Euro 882 thousand on 2009, in line with the Group policy to reduce inventories.

5.4 Increases on internal work capitalised

The account Increases on internal work capitalised amounts to Euro 2,633 thousand (Euro 2,937 thousand in the previous year) and mainly relates to the capitalisation of charges regarding the design and development of new products, the in-house construction of mouldings and equipment and the up-grading of technical-management software.

Raw and consumable materials

(in Euro thousands)	2009	2010	Changes
Purchases of consumable materials	1,100	1,774	674
Purchases of supplies	457	872	415
Purchase of raw materials	147,813	163,489	15,676
Change in inventory of raw materials, consumables and goods for re-sale	15,057	6,366	(8,691)
Purchase of finished products	4,537	9,574	5,037
Packaging	9,031	8,322	(709)
Other purchases	351	550	199
Shipping expenses on purchases	1,852	2,737	885
Total	**180,198**	**193,686**	**13,488**

The consumption of raw materials increased on 2009, in absolute terms by Euro 13,488 thousand, which includes an effect from the change in the consolidation scope of Euro 6,937 thousand.
This increase follows the increase in production volumes. The account improved one percentage point on revenues and the change in finished and semi-finished products on 2009.

5.6 Service expenses

(in Euro thousands)	2009	2010	Changes
Outsourcing expenses	26,429	30,262	3,833
Transport	7,457	7,503	46
Finished goods inventories	4,007	3,951	(56)
Consulting	6,157	6,644	487
Maintenance	3,144	2,280	(864)

Utilities	3,744	3,983	239
Commissions	2,214	2,513	299
Travel expenses	2,039	2,748	709
Advertising	1,173	2,118	945
Insurance premiums	1,219	1,349	130
Directors & Statutory Auditor fees	908	1,112	204
Trade fairs and promotional events	311	1,006	695
Industrial services	563	599	36
Banking commissions and charges	360	438	78
Other services	6,951	7,366	415
Total	**66,676**	**73,873**	**7,197**

Service expenses increased by Euro 7,197 thousand, with an effect of the change in the consolidation scope of Euro 3.8 million. Outside contractor costs increased by Euro 3.8 million, following the increase in production volumes. As a percentage of revenues and the change in finished product inventories, net of consolidation scope changes, these costs reduced by 1%. This contraction is principally due to the increase in revenues as the costs largely relate to fixed costs.
The account other services includes communication services (Euro 964 thousand), technical assistance costs (Euro 2,037 thousand), canteen costs (Euro 441 thousand), cleaning costs (Euro 605 thousand), vehicle expenses (Euro 381 thousand), training courses (Euro 384 thousand), and costs for import services (Euro 742 thousand).

5.7 Labour costs

Labour costs incurred by the Group in 2009 and 2010 were as follows:

(in Euro thousands)	**2009**	**2010**	**Changes**
Salaries and wages	46,700	49,455	2,755
Social security expenses	14,673	15,348	675
Employee leaving indemnity	2,214	2,998	784
Other costs	3,267	4,596	1,329
Total	**66,854**	**72,397**	**5,543**

The account increased following the change in the consolidation scope by Euro 807 thousand. The residual increase in the account is principally related to the effects of the new collective work contract (national and supplementary) and the performance-based remuneration policy which the company has implemented.
The account "other costs" includes Euro 1,884 thousand concerning the "2010 Stock Grant Plan", in addition to temporary employee costs of Euro 1,799 thousand (Euro 1,601 thousand in 2009) and leaving incentive costs of Euro 1,848 thousand, with an impact on the income statement, net of the utilisation of the restructuring fund provisioned in 2009, of Euro 1,318 thousand (see note 5.35).

The table below shows the Group workforce at December 31, 2009 and December 31, 2010.

Workforce	**31/12/2009**	**31/12/2010**	**Changes**
Executives	22	34	12
White-collar	524	618	94
Blue-collar	1,772	1,989	217
Others	20	159	139
Total	**2,338**	**2,800**	**462**

Employee numbers increased by 453 following the consolidation of the newly-acquired subsidiaries.

5.8 Amortisation and depreciation

Amortisation and depreciation decreased on the previous year from Euro 16,556 thousand to Euro 15,641 thousand in 2010. The break-down of this account is reported under fixed assets.

5.9 Other operating expenses and provisions

The details of the account are as follows:

(in Euro thousands)	2009	2010	Changes
Leasing and rental	1,280	1,222	(58)
Rental of vehicles and industrial equipment	1,810	1,881	71
Expenses for hardware, software and patents	1,192	1,048	(144)
Other taxes	543	764	221
Magazine and newspaper subscriptions	73	61	(12)
Various equipment	201	190	(11)
Catalogues and brochures	147	598	451
Losses and bad debts	1,622	1,517	(105)
Provisions for risks and charges	1,876	1,687	(189)
Other prior year expenses and losses	1,152	1,254	102
Total	**9,896**	**10,221**	**325**

The increase principally follows an increase of Euro 451 thousand in the account "catalogues and brochures". In the present year the Group updated the range and drew up catalogues, also for participation at the Eurocucina trade fair.
The account "Other prior year expenses and losses" principally includes expenses for damages and penalties amounting to Euro 195 thousand, income taxes relating to the previous year of Euro 42 thousand, charitable donations for Euro 137 thousand and samples for Euro 428 thousand.
The changes in the consolidation scope has an effect on the account of Euro 246 thousand.

5.10 Restructuring charges

The account Restructuring charges includes charges concerning restructuring operations as described in note 5.44.

5.11 Share of profit/(loss) from associates

(in Euro thousands)	2009	2010	Changes
Share of profit/(loss) from associates	107	(592)	(699)
Total	**107**	**(592)**	**(699)**

The amounts recorded under this heading relate to the Equity method of accounting for investments in the associated company I.S.M. Srl.. The result is due to the reorganisation within the company. In the current year, the associated company, following the sale of the mechanical processing division, changed its corporate scope in line with the current activities carried out (real estate).

5.12 Financial income

The details of financial income are reported below, which is in line with that of the previous year:

(in Euro thousands)	**2009**	**2010**	**Changes**
Income from other non-current financial assets	34	17	(17)
Interest on bank deposits	45	34	(11)
Interest income from customers	-	7	7
Other financial income	1,118	1,326	208
Total	**1,197**	**1,383**	**186**

The increase in "Other financial Income" principally includes income of Euro 950 thousand (Euro 633 thousand in 2009) relating to the fee from Whirlpool of Euro 0.50 for every share purchased in accordance with the Shareholder Agreement, the Modifying Agreements thereof and the Supplementary Agreement signed on March 8, 2010.

According to the Second Modifying Agreement, Whirlpool purchased on the market 1,899,684 ordinary shares of the Company, comprising 3% of the Share Capital.

The account "Other financial income" also includes interest for the discounting of payables for an amount of Euro 238 thousand.

5.13 Financial charges

(in Euro thousands)	**2009**	**2010**	**Changes**
Financial charges:			
on overdrafts and bank loans	1,819	1,468	(351)
on other borrowings	145	179	34
on employee leaving indemnity	574	544	(30)
Discounts on sales	516	430	(86)
Other financial expenses	-		-
Other financial expenses			
Losses/(Gains) from cash flow hedges transferred from equity	15	56	42
Net financial gains/(losses) from traded financial instruments	-		-
Total	**3,069**	**2,677**	**(392)**

The reduction in financial charges of Euro 392 thousand is principally due to lower overdraft and bank loan charges following a reduction in the average debt during the year and the favourable movement of interest rates. Euro 56 thousand refers to the recording of a CAP option to hedge interest rate fluctuations as described in paragraph 7 "Information on risk management" of the present Notes.

5.14 Exchange gains/(losses)

(in Euro thousands)	**2009**	**2010**	**Changes**
Exchange losses	(5,201)	(11,083)	(5,882)
Exchange gains	5,159	11,671	6,512
Charges on derivative instruments	(929)	(317)	612
Profits on derivative instruments	764	42	(722)
Total exchange gains/(losses)	**(207)**	**313**	**520**

Net exchange gains in 2010 excluding transactions in derivative instruments amounted to gains of Euro 588 thousand compared to losses of Euro 42 thousand in 2009.
The account includes the balance of the non-realised gains and losses deriving from the adjustment at the end of the year of debtor and creditor positions in foreign currencies of a loss of Euro 361 thousand in 2010 compared to a loss of Euro 978 thousand in 2009.
The exchange gains and losses increased considerably on the previous year following greater volatility of the currencies in which the Group operates, specifically, US Dollars, Polish Zloty and Mexican Pesos and to an increase of exposure in Polish Zloty. A large part of the exchange gains and losses are concentrated in the Parent Company Elica S.p.A. (gain of Euro 473 thousand), in Elica Group Polska Sp.zo.o (loss of Euro 101 thousand) and in ELICAMEX S.A. de C.V. (gain of Euro 234 thousand). For further information on exchange gains and losses in the year, reference is made to the Directors' Report.
The account "Net financial gains/(losses) on derivative instruments" in 2010 amounted to a loss of Euro 275 thousand compared to a loss of Euro 165 thousand in 2009, and relates principally to income on currency derivatives, which in accordance with the accounting standards may not be treated as hedging operations, although they were made for this purpose, and are recorded at fair value through the Profit and Loss account.

5.15 Income taxes

Deferred and current taxes in 2010 are broken down as follows:

(in Euro thousands)	**2009**	**2010**	**Changes**
Current income tax	(3,116)	(3,712)	(596)
Deferred taxes	5,138	310	(4,828)
Total income taxes	**2,022**	**(3,402)**	**(5,424)**

Total income taxes in 2010 of Euro 3,402 thousand is due to the increase in assessable income of the companies in the consolidation scope. The tax credit of the subsidiary Elica Polska Sp.zo.o. reduced following its utilisation. This credit arose following admission to the Special Economic Zone by the Polish Tax Authorities in February 2007, in which the Group acquired tax credit rights related to an investment programme, equal to Zloty 41 million, to be realised by December 31, 2011, which require the maintenance of a workforce of 160 persons until December 31, 2016.

In 2010, the Parent Company was subject to a tax rate (share of pre-tax income payable in taxes) of 31.63%, in line with 2009, based on the corporate income tax (IRES) and regional business tax (IRAP) rates applicable to the reported taxable income for the year ended December 31, 2010. For foreign subsidiaries the tax rate varies from country to country.

The table below shows a reconciliation between the theoretical and effective income taxes ("IRES" for the Italian Group companies) paid by the Parent Company.

	2009					2010				
Theoretical IRES rate	27.50%					27.50%				
Theoretical IRAP rate	4.13%					4.13%				
(in Euro thousands)	**Assessable**	**Income taxes**	**Regional taxes**	**Total**	**% on pre-tax profit**	**Assessable**	**Income taxes**	**Regional taxes**	**Total**	**% on pre-tax profit**
Income taxes										
- Current		1,583	1,534	3,116			2,096	1,616	3,712	
- Deferred – cost (income)		(5,084)	(54)	(5,138)			(381)	71	(310)	
[A] TOTAL INCOME TAXES		**(3,501)**	**1,479**	**(2,022)**	**282.4%**		**1,715**	**1,687**	**3,402**	**19.1%**
PROFIT/(LOSS) BEFORE TAXES	**(1,240)**					**8,980**				
+ Tax calculated using local tax rate		(341)			27.5%		2,470			27.5%
+ Tax effect of expenses/revenues exempt/not deductible for tax purposes	(2,142)	(589)			47.5%	(11,934)	861			9.6%
- Tax effect on the different tax rates of the foreign subsidiaries	(2,775)	(763)			61.5%	(2,587)	(711)			-7.9%
- Decrease/increase in deferred tax assets/liabilities due to changes in tax rates	-	-			0.0%	-	-			0.0%
- Other differences						(102)	(27)			-0.3%
[B] Effective tax charge and tax rate net of substitute tax	**(6,156)**	**(1,693)**			**136.5%**	**(5,541)**	**2,592**			**28.9%**
- Tax credit from Polish investments		**(1,258)**			101.5%		(877)			-9.8%
- Substitute Tax effect		(550)			44.4%					0.0%
[C] Effective tax charge and tax rate	**(6,156)**	**(3,502)**			**282.4%**	**(5,541)**	**1,715**			**19.1%**

5.16 Result attributable to minority interest

The minority interest profit relates to those subsidiaries not wholly owned by the Elica Group and in particular they relate to ARIAFINA CO., LTD (minority interest 49%), Airforce S.p.A. (40%), Airforce Germany Hochleistungs-Dunstabzugssysteme GmbH (43%), Zhejiang Putian Electric Co. Ltd (45%) and Elica PB Private Ltd. (49%). The effect on the present account of the change in the consolidation scope was Euro 784 thousand.

5.17 Basic earnings per share – Diluted earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2010	2009
From continuing and discontinuing operations:		
Net profit for the year (thousands of Euro)	4,262	231
Average number of ordinary shares net of treasury shares	56,990,520	56,990,520
Basic earnings per share	**7.48**	**0.41**
Weighted average number of ordinary shares to calculate diluted earnings per share	56,990,520	56,990,520
Diluted earnings per share	**7.48**	**0.41**
From continuing operations:		
Net profit for the year (thousands of Euro)	4,262	231
Average number of ordinary shares net of treasury shares	56,990,520	56,990,520
Basic earnings per share	**7.48**	**0.41**
Weighted average number of ordinary shares to calculate diluted earnings per share	56,990,520	56,990,520
Diluted earnings per share	**7.48**	**0.41**

The earnings per share was calculated based on the Group net profit and the weighted average shares outstanding, excluding the treasury shares, at December 31.

5.18 Other information on the Income Statement accounts

The research and development costs charged in the Income Statement in 2009 and 2010 are summarised in the table below:

(in Euro thousands)	2009	2010	Changes
R&D costs expensed	5,318	5,789	471
Amortisation of capitalised R&D costs	800	885	84
Total R&D costs	**6,118**	**6,673**	**555**
R&D costs capitalised during the year	**752**	**758**	**7**

"Development costs capitalised in the year" regards product design and development activities. The increase mainly relates to the cost of developing new products.

CONSOLIDATED BALANCE SHEET

5.19 Property, plant and equipment

The table below shows details of the changes in property, plant and equipment in 2009 and 2010.

Property, plant & equipment *(in Euro thousands)*	**31/12/2008**	**Increases**	**Disposals**	**Other movements**	**31/12/09**
Historical cost					
Land and buildings	50,365	1,411	-	335	52,111
Plant & equipment	70,696	3,296	(1,555)	252	72,689
Commercial and industrial equipment	83,925	4,359	(3,268)	302	85,318
Other assets	9,178	1,079	(986)	(53)	9,218
Assets in progress and advances	1,425	1,158	-	277	2,860
Total	**215,589**	**11,303**	**(5,810)**	**1,114**	**222,196**

(in Euro thousands)	**31/12/2008**	**Deprec.**	**Disposals**	**Other movements**	**31/12/09**
Accumulated depreciation					
Land and buildings	11,688	1,635	-	(2)	13,321
Plant & equipment	52,366	4,564	(1,171)	64	55,823
Commercial and industrial equipment	73,923	5,913	(3,239)	125	76,722
Other assets	7,603	547	(850)	(70)	7,230
Total	**145,580**	**12,658**	**(5,260)**	**117**	**153,096**

(in Euro thousands)	**31/12/2008**	**Increases**	**Disposals**	**Other movements**	**Deprec.**	**31/12/09**
Net value						
Land and buildings	38,677	1,411	-	336	(1,635)	38,789
Plant & equipment	18,330	3,296	(385)	188	(4,564)	16,866
Commercial and industrial equipment	10,002	4,359	(29)	177	(5,913)	8,596
Other assets	1,576	1,079	(137)	17	(547)	1,989
Assets in progress and advances	1,425	1,158	-	277	-	2,860
Total	**70,010**	**11,303**	**(550)**	**995**	**(12,658)**	**69,100**

Property, plant & equipment *(in Euro thousands)*	**31/12/2009**	**Increases**	**Disposals & Reclass.**	**Other movements**	**31/12/2010**
Historical cost					
Land and buildings	52,111	1,000	1,387	13,159	67,657
Plant & equipment	72,689	4,532	(1,550)	4,555	80,226
Commercial and industrial equipment	85,318	4,902	(3,847)	526	86,900
Other assets	9,218	1,400	(504)	865	10,980
Assets in progress and advances	2,860	401	(2,636)	235	860
Total	**222,196**	**12,235**	**(7,149)**	**19,340**	**246,623**

(in Euro thousands)	**31/12/2009**	**Deprec.**	**Disposals & Reclass.**	**Other movements**	**31/12/2010**
Accumulated depreciation					
Land and buildings	13,321	1,856	(14)	921	16,084
Plant & equipment	55,823	4,403	(1,041)	1,954	61,139
Commercial and industrial equipment	76,722	4,702	(3,680)	278	78,022
Other assets	7,230	628	(483)	323	7,698
Total	**153,096**	**11,588**	**(5,218)**	**3,476**	**162,943**

(in Euro thousands)	**31/12/09**	**Increases**	**Disposals & Reclass.**	**Other movements**	**Deprec.**	**31/12/10**
Net value						
Land and buildings	38,790	1,000	1,402	12,237	(1,856)	51,573
Plant & equipment	16,866	4,532	(509)	2,601	(4,403)	19,087
Commercial and industrial equipment	8,596	4,902	(167)	249	(4,702)	8,878
Other assets	1,988	1,400	(21)	542	(628)	3,282
Assets in progress and advances	2,860	401	(2,636)	235		860
Total	**69,100**	**12,235**	**(1,931)**	**15,864**	**(11,588)**	**83,680**

The investments made in the year mainly regarded the upgrading and expansion of facilities, improvements to the manufacturing plant and machinery, the acquisition of new mouldings and equipment for the launch of new products and the development of hardware for the implementation of new technical-logistical-administrative projects.
The reclassification from fixed assets in progress to land and buildings relates to the Polish factory.
The column "other movements" principally includes the positive exchange rate effect of approx. Euro 1.9 million, consolidation adjustments and the impact from changes in the consolidation scope of Euro 14,386.
Property, plant and equipment are adequately insured against fire, weather damage and similar risks by means of insurance policies arranged with leading insurance companies.
They include assets obtained under finance lease agreements. As highlighted in the table below, nearly all the finance leasing contracts held by Group companies were redeemed in the year.
Details of the historical cost, accumulated depreciation and depreciation charged to the income statement in the year as a result of application of the method recommended by IAS 17 for the accounting treatment of assets held under finance lease agreements are provided below.

Leased assets

Table of leased assets *(in Euro thousands)*	**Land and buildings**	**Plant & equipment**	**Commercial and industrial equipment**	**Total**
Gross value	16,415	10,773	7,321	34,509
Accumulated depreciation	(4,967)	(9,873)	(7,251)	(22,091)
31/12/2009	**11,448**	**900**	**70**	**12,418**
Depreciation at December 31, 2009	*491*	*932*	*449*	*1,872*
Gross value		139		139
Accumulated depreciation		(24)		(24)
31/12/2010	**-**	**115**	**-**	**115**
Depreciation at December 31, 2010	-	*21*	-	*21*

It is recalled that the historical cost criteria was retained as the measurement criteria for property, plant and equipment after initial recognition.
The historical cost includes revaluations permitted by previous legislation as considered representative of the fair value of the property, plant and equipment when the revaluation was made.

5.20 Goodwill

(in Euro thousands)	**31/12/2009**	**31/12/2010**	**Changes**
Goodwill	33,818	41,167	7,349
Goodwill	***33,818***	***41,167***	***7,349***

Details of the allocations are provided below:

(in Euro thousands)	**31/12/2009**	**Other movements**	**Acquisitions/(write-downs)**	**31/12/2010**	**Changes**
Cost per CGU					
Electric motors	19,896		-	19,896	-
Hoods	3,863	10,059	-	13,922	-
Gutmann Hoods	10,059	-10,059	-	-	-
Putian			7,349	7,349	7,349
Total book value of goodwill	**33,818**	**-**	**7,349**	**41,167**	**7,349**

In line with the Group's strategic vision, in 2010, the CGUs were identified as the Range Hood CGU, the Motors CGU and the Putian CGU.
Group Management have noted that the effects of the integration of the commercial, industrial, supply chain and management reporting processes do not allow and will no longer allow the cash flows generated by the Range Hoods CGU and the Gutmann Range Hoods CGU to be considered as independent, as was the case in 2009, the first year post-acquisition. Therefore, it was decided to unify from the present year the Gutmann Range Hood CGU and the Range Hoods CGU as a single unit called the Range Hoods CGU.
The distinction between the cash flows of the range hood business and the motors business is due to the different uses which the two products satisfy within the market. In particular, range hoods are focused on the final consumer combining functional aspects - the removal of odours and filtering of fats, with the satisfaction of other consumer needs such as the lighting of the worktop and the enhancement of the kitchen with a highly technological and well designed product.
The electric motor is produced exclusively for other industries belonging to the heating sector (components for wall and gas boilers) or the electrical appliances sector (components for refrigerators, for electric ovens or for range hoods).
Management decided to maintain the new CGU as independent, created in 2010, as the relative cash flows are still entirely identifiable due to the level of integration of the new company with the rest of the Group.
The goodwill acquired on the mergers was allocated to the CGU's as described above based on the estimated benefits deriving from the synergies created.
The allocation of the goodwill to the Putian CGU is based on the 55% acquisition of this company, commented upon in note 5.45.

The recoverable value of the CGU's to which the individual goodwill is allocated is verified through the determination of the value in use considered as the current value of the expected cash flows utilising a rate which reflects the risks of the individual CGU's at the valuation date. Such calculations discount the cash flows projected by the respective CGU's over a time horizon of five years, of which the first (2011) based on the updated budget and the subsequent years (2012-2015) estimated as follows.

The years 2012-2015 were extrapolated from the 2011 budget, utilising an annual average growth rate of revenues of 4% for the Range Hoods CGU, of 7% for the Motors CGU and of 10.5% for the Putian CGU, in line with the best estimates available. Raw material costs are expected to record an average annual increase as a percentage of revenues for the Range Hoods CGU and the Putian CGU of 0.5%, with an increase of 0.8% expected for the Motors CGU.
These changes reflect the values in the 2011 budget for the various categories of goods of which the average is for an increase of 2% on the previous year. The variable operational cost components (direct labour, outsourcing and commercial costs) are expected to remain constant in terms of revenues while the fixed operating cost components are projected to increase by 2% in the 2011 budget for the Rang Hood and Motor CGU 's and by 3.8% for the Putian CGU, in line with inflation.
The working capital absorbed by the CGU's is expected to remain constant in terms of revenues at around 9.0% for the Range Hoods CGU, 18.5% for the Motors CGU and 3,5% for Putian CGU.
The terminal value was determined through the discounting of the perpetual return of cash flow freely available estimated for 2015 and a growth rate of 2% (3.8% for the Putian CGU).
The discount rate (WACC) was estimated net of taxes (in line with the discount flows) of 9% (8.35% in 2009) for the Range Hood CGU and the Motors CGU and of 8.7% for the Putian CGU.
These are the principal assumptions used by the Group to predict future developments.
Regarding the CGU's analysed, the valuations made did not result in the recognition of a loss in value of Goodwill at December 31, 2010. The Range Hoods CGU has a coverage of the book value against the value in use of 1.24 times. The Motors CGU has a coverage of the book value against the value in use of 1.04 times. The Putian CGU resulted in a coverage of the book value through the value in use of 1.81 times.
The change in these assumptions could give rise to a significantly different value in use and thus difficulties of "impairment". For this reason, and considering the uncertainties which currently pervade the market, management will monitor periodically the circumstances and the events which affect the above-mentioned assumptions and future trends.

5.21 Other intangible assets

The table below shows details of changes in other intangible assets in 2009 and 2010.

Intangible assets *(in Euro thousands)*	**31/12/08**	**Increases**	**Decr.**	**Other movements**	**Amort.**	**31/12/09**
Net value						
Development Costs	2,586	449	-	321	(812)	2,544
Industrial patents and intellectual property rights	2,505	4,295	-	2,983	(1,736)	8,047
Concessions, licenses, trade marks & similar rights	2,238	2	-	6	(156)	2,090
Assets in progress and advances	4,025	419	(7)	(3,855)	-	582
Other intangible assets	8,845	122	(15)	72	(1,194)	7,830
Total	**20,199**	**5,288**	**(22)**	**(474)**	**(3,898)**	**21,093**

Intangible assets *(in Euro thousands)*	**31/12/09**	**Increases**	**Decr.**	**Other movements**	**Amort.**	**31/12/10**
Net value						
Development Costs	2,544	758	-	157	(885)	2,575
Industrial patents and intellectual property rights	8,047	3,708	(24)	37	(1,974)	9,793

Concessions, licenses, trade marks & similar rights	2,090	10	-	855	(965)	1,989
Assets in progress and advances	582	2,302	-	(392)	-	2,491
Other intangible assets	7,830	150	-	(734)	(228)	7,018
Total	**21,093**	**6,928**	**(24)**	**(77)**	**(4,052)**	**23,867**

At December 31, 2010, intangible assets amounted to Euro 23,867 thousand, an increase of Euro 2,774 thousand on the previous year.

"Development costs" relate to product design and development activities. The increase is mainly attributable to the cost of developing new products.

"Industrial patents and intellectual property rights" includes patents, intellectual property rights and software programs. The increase for the year, primarily for the parent company, mainly refers to the implementation of the integrated SAP and Octopus projects and the continuous upgrading of technical and management reporting software.

"Concessions, licenses, brands and similar rights" refers to the registration of brands by Group companies.

The intangible assets in progress refer in part to advances and the development of projects for the implementation of new IT platforms and the design and development of new software applications (including integrated SAP and Octopus), and also the development of new products, including two projects focused on energy efficiency. The column "other changes" includes reclassifications to the other intangible fixed assets account, in addition to the impact from exchange rate movements.

The account "Other intangible fixed assets" relates principally to the recording both of technologies developed and the client portfolio deriving from the acquisition of the German subsidiary Exklusiv Hauben Gutmann GmbH in 2008.

The "other changes" column includes in total an exchange gain of Euro 190 thousand.

The method applied to amortise intangibles is considered appropriate to reflect the remaining useful life of the assets.

5.22 Investments in associated companies

The table below shows changes in investments in associated companies:

(in Euro thousands)	**31/12/2009**	**Acq. or subscrip.**	**Change in consol. area**	**Reval./ (Write-downs)**	**31/12/2010**
Investments in associated companies	2,309			(592)	1,717
Total	**2,309**	**-**	**-**	**(592)**	**1,717**

The balance in the column Revaluations/(Write-downs) of a net decrease of Euro 592 thousand refers to the balance of the adjustments made in the year to investments recorded under the Equity method, shown in the table below. For further clarifications, reference is made to paragraph 5.11.

The table below shows the carrying values at the end of the previous year and as at December 31, 2010.

(in Euro thousands)	**Purchase cost**	**Pro-quota post-acquisition gain/loss (exclud. dividends)**	**Balance at 31/12/09**	**Purchase cost**	**Pro-quota post-acquisition gain/loss (exclud. dividends)**	**Balance at 31/12/10**
I.S.M. Srl	1,899	410	2,309	1,899	(182)	1,717
total	**1,899**	**410**	**2,309**	**1,899**	**(182)**	**1,717**

5.23 Other financial assets

The account at December 31, 2010 amounts to Euro 30 thousand, unchanged on December 31, 2009, principally comprising an insurance investment.

5.24 Other receivables (non-current)

The breakdown of the other receivables is as follows:

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Employees	159	141	(18)
Other receivables	41	1,778	1,737
Total	**200**	**1,920**	**1,720**

The increase in "Other receivables" is principally due to a receivable of the Polish subsidiary, concerning a supplier. This account includes payables beyond 5 years of Euro 85 thousand.

5.25 Tax receivables (non-current)

Non-current tax receivables did not change significantly on the previous year, amounting to Euro 6 thousand.

5.26 Financial assets available-for-sale

This account regards investments held by the Elica Group in other companies. The investments are held in unlisted companies whose shares are not traded on a regulated market.
Therefore, as there were no purchases or sales of these shares in the last year, their fair value cannot be determined in a reliable manner.

The carrying value at cost of the investments is shown below:

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Meccano S.p.A.	15	15	0
UnifabrianoSoc. S.r.l.	2	2	0
Consorzio Energia	4	4	0
Ceced	5	4	(1)
ACEM Srl	162		(162)
INOX MARKET	489	560	71
Other minor investments	3	28	25
Total	**680**	**614**	**(66)**

The decrease in the account is principally due to the sale of the holding in ACEM srl. The change in the investment value in the company Inox Market Mexico S.A. de C.V. is entirely due to exchange rate movements.

5.27 Trade receivables and loans

The account consists of:

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Trade receivables	85,581	89,269	3,688
Receivables from associated companies	8	7	(1)
Total	**85,589**	**89,276**	**3,687**

Trade receivables and loans increased by Euro 3,687 thousand. The effect on the present account of the change in the consolidation scope was Euro 3,042 thousand.
This account does not include any receivables due after more than five years at the year-end.
Receivables are recorded net of provisions of Euro 3,927 thousand made following an analysis of the credit risk on receivables and on the basis of historical data on credit losses, considering that a substantial portion of the receivables are insured by prime international insurance companies.
Management considers that the value approximates the fair value of the receivables.
The charge for the year, considered adequate to adjust receivables to their realisable value, was Euro 1,517 thousand.
The receivables from the associated company ISM refer to normal operations of the Group.

5.28 Inventories

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Raw material, ancillary and consumables	15,160	19,798	4,638
Raw materials obsolescence provision	(903)	(1,201)	(298)
Total	*14,257*	*18,597*	*4,340*
Products in work-in-progress and semi-finished	13,733	11,823	(1,910)
Work-in–progress obsolescence provision	(870)	(603)	267
Total	*12,863*	*11,220*	*(1,643)*
Finished products and goods for resale	14,769	13,381	(1,388)
Finished products obsolescence provision	(708)	(1,040)	(332)
Total	*14,061*	*12,341*	*(1,720)*
Payments on account	270	513	243
Book value	**41,451**	**42,671**	**1,220**

Final inventories increased by a net amount of Euro 1,220 thousand, but reduced by Euro 2.1 million on a like-for-like consolidation scope. This follows the Group policy to reduce working capital.
Inventories are stated net of obsolescence provisions of approximately Euro 2,844 thousand, in order to take into consideration the effect of waste, obsolete and slow moving items and the risk estimates of the use of some categories of raw and semi-finished materials based on assumptions made by management.
Inventories also include materials and products that were not physically held by the Company at the balance sheet date. These items were held by third parties on display, for processing or for examination.

Recognition of the inventories at current value does not entail any difference from recognition with the average weighted cost method.

5.29 Other receivables (current)

The breakdown is as follows:

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Other receivables	2,523	2,462	(61)
Prepayments and accrued income	1,318	1,818	500
Total	**3,841**	**4,281**	**440**

The increase is principally due to the recording under prepayments of the receivable created following the payment of the upfront amounts for the new bank loans and for the new operating lease contract. The account includes payables beyond five years of Euro 218 thousand.

5.30 Tax receivables (current)

The break down of the account "Tax Receivables" is summarised in the table below.

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
IRAP	252	22	(230)
IRES	3,966	2,828	(1,138)
VAT	4,121	2,836	(1,285)
Other tax receivables	1,324	1,904	580
Total	**9,663**	**7,589**	**(2,074)**

The change in the income tax and regional tax receivables is the difference between the payments on accounts and income tax payables for the year 2010.
The increase in the account "other tax receivables" is principally due to the increase of the foreign company tax receivables.

5.31 Derivative financial instruments

(in Euro thousands)	**31/12/2009**		**31/12/2010**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives on foreign exchange	725	288	574	143
Derivatives on interest rates	45	23	265	166
Total	**770**	**311**	**839**	**310**
of which				
Non-current	-	-	189	-
Current	770	311	649	310
Total	**770**	**311**	**838**	**310**

For a description of the above account reference should be made to paragraph 7 "Risk management" of the present notes.

5.32 Cash and cash equivalents

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Bank and postal deposits	19,224	25,078	5,854
Cash in hand and similar	11	24	13
Total	**19,235**	**25,102**	**5,867**

This account reflects positive balances held in bank current accounts and cash on hand. The decrease was due to a different composition in the Group's net financial position. The book value of these assets reflects their fair value. For further information, reference should be made to the section on the net financial position in the Directors' Report on operations.

5.33 Liabilities for post-retirement benefits

The Elica Group reports obligations of Euro 9,182 thousand, reflecting the present value of its retirement benefit obligations accruing at the period end in favour of employees of the Group's Italian companies and representing termination benefits at the end of the employment period.
The most recent actuarial calculation of the present value of the provision was performed at December 31, 2010 by Mercer Human Resource Consulting S.r.l.
The amounts recognised in the Income Statement may be summarised as follows:

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Costs relating to current employee services	2,123	2,986	863
Net actuarial losses recognised in the year	4	11	7
Financial charges	574	544	(30)
Total	**2,701**	**3,541**	**840**

The changes for the year regarding the present value of retirement benefit obligations were as follows:

(in Euro thousands)	**Balance at December 31, 2009**	**Balance at December 31, 2010**
Opening balance	11,023	9,554
Change in consolidation scope/method	-	-
	11,023	**9,554**
Costs relating to current employee services	2,123	2,986
Curtailment effect	87	
Net actuarial losses recognised in the year	4	11
	2,214	**2,997**
Financial charges	574	544
Benefits provided	(2,186)	(1,032)
Pension fund	(2,071)	(2,881)
Total	**9,554**	**9,182**

The Group has decided to use the corridor method. Under this method it may elect not to recognise the actuarial gains or losses, where these do not exceed 10% of the present value of the defined benefit obligation.

Following these adjustments, actuarial losses have not been recorded at December 31, 2010 of Euro 891 thousand, while in 2009 these losses amounted to Euro 1,064 thousand.

Lastly, the Group shows the interest component of the charge relating to employee defined-benefit schemes under "Financial charges", with a resulting increase of Euro 544 thousand in this item for the period. The cost of current retirement benefits and net actuarial losses were recorded under staff costs.
The costs relating to current employee services and utilisations of pension funds respectively include the charges and liquidations in the year.

Assumptions adopted for the calculation

	31/12/09	31/12/10
Discount rate to determine the obligation	5.00%	5.10%
Expected salary growth rate	2.90%	2.90%
Rate of inflation	2.00%	2.00%
Discount rate to determine pension cost	5.75%	5.00%

At December 31, 2010 the Company had 2,800 employees (2,338 in 2009), as detailed in paragraph 5.7.

5.34 Provisions for risks and charges

The composition and movements of the provisions are as follows:

(in Euro thousands)	31/12/09	Provisions	Utilisations	Other movements	31/12/10
Supplementary agent termination benefits	372	181	-		551
Directors' termination benefits	109				109
Product warranty provisions	893	271	(298)		866
Provisions for risks	3,133	1,437	(1,181)	20	3,409
Restructuring provisions	1,860	736	(1,318)		1,278
Personnel provision	279	2,843	(215)		2,907
Other Provisions	189		(102)		86
Total	**6,835**	**5,468**	**(3,115)**	**20**	**9,207**
of which					
Non-current	5,752				8,254
Current	1,082				953
Total	**6,834**				**9,207**

The "Supplementary agent termination benefits" are intended to cover possible charges upon termination of relations with agents and sales representatives.

The Directors' termination benefits regard the termination benefits for the Parent Company's Executive Chairman.

"Product warranty provisions" represent an estimate of the costs likely to be incurred to repair or replace items sold to customers. These provisions reflect the average warranty costs historically incurred by the Group as a percentage of sales still covered by warranty.

The "Provisions for risks" relates to likely costs and charges to be incurred as a result of ongoing legal disputes. The provisions have been determined based on the best possible estimates, considering the available information.

The "Restructuring Fund" was provisioned in the year against charges concerning restructuring operations as described in paragraph 5.44. During the year this fund was principally used for leaving personnel for Euro 1,318 thousand.

The "Personnel Fund" includes the higher cost estimated by the company for contractual indemnity and for employee bonuses.

The column "Other movements" exclusively relates to exchange gains/losses.

5.35 Deferred tax assets – Deferred tax liabilities

At December 31, 2010, details of deferred tax assets and liabilities, determined on the basis of the asset-liabilities method, were as follows:

(in Euro thousands)	**31/12/2009**	**31/12/2010**	**Changes**
Deferred tax assets	9,200	9,357	157
Deferred tax liabilities	(5,328)	(7,890)	(2,562)
Net deferred tax liabilities	**3,872**	**1,467**	**(2,405)**

The table below shows all the types of timing differences that gave rise to deferred taxes:

(in Euro thousands)	**31/12/2009**		**Credit/Debit to P&L**		**Other move./NE**	**31/12/2010**	
	Assets	**Liabilities**	**deferred tax assets**	**deferred tax liab.**		**Assets**	**Liabilities**
Provisions	1,585	-	352	(836)	(147)	1,922	-
Goodwill	1,032	(528)	148	(19)	(1,729)	884	(2,239)
Losses carried forward	4,417	(19)	1,402	(25)	415	3,460	(24)
Inventory write-down	587	-	83	(198)	(66)	866	(230)
Restructuring charges	367	-	363	(202)	145	351	-
Gains, grants	-	(453)	-	(218)	-	-	(235)
Merger adjustments	-	(585)	46	(45)	(427)	-	(1,013)
Exchange differences	90	(150)	242	(231)	-	82	(153)
Employee leaving indemnity	-	(934)	-	-	-	-	(934)
Amortisation & Depreciation	265	(108)	15	(126)	79	457	(110)
Set up and expansion costs	370	-	370	-	-	-	-
Elimination of intercompany profits	212	44	93	(110)	(65)	174	34

Stock Option	-	-	-	(519)	(519)	-	-
Employee bonuses	-	-	-	(799)	-	799	-
Allocation purchase price	-	(2,582)	-	(188)	-	-	(2,393)
Other	275	(13)	440	(348)	(401)	363	(592)
Total	**9,200**	**(5,328)**	**3,553**	**(3,864)**	**(2,715)**	**9,358**	**(7,890)**

The column "Other movements" includes all the movements of "deferred tax assets and liabilities" which do not have an effect on the Income Statement in the deferred tax income or charge accounts; principally they include exchange rate effects, the tax impact on the Stock Grants and the adjustments following the adoption of the Group accounting principles of the newly acquired companies.
The calculation of deferred tax assets was carried out through critically evaluating the existence of future recoverability requisites of these assets.

5.36 Finance leases and other lenders

Finance leases and other lenders	**Minimum payments due under finance lease agreements and other loans**		**Present value of minimum payments due under finance lease agreements and other loans**	
(in Euro thousands)	**31/12/09**	**31/12/10**	**31/12/09**	**31/12/10**
Due within one year	2,113	24	1,903	23
Due within five years	2,488	81	2,430	76
Due over five years	-		-	-
	4,601	**105**	**4,333**	**99**
of which:				
- future financing costs	268	6	-	-
- present value of obligations under finance leases	4,333	99	4,333	99
of which:				
- due within one year			1,903	23
- due beyond one year			2,430	76

Finance lease payables refer to plant and machinery. As outlined in the note concerning fixed assets, during the year all Group leased assets were redeemed. The current value of the minimum payments due at December 31, 2010 is Euro 99 thousand, of which Euro 23 thousand due within 12 months.
The interest rates are linked to one-month or three-month Euribor and are set at the date the finance lease agreement is signed. All finance lease agreements involve a fixed repayment plan and there is no contractual provision for rescheduling the debt.

5.37 Bank loans and mortgages

(in Euro thousands)	**Balance at 31/12/10**	**Balance at 31/12/10**	**Changes**
Bank loans and mortgages	37,838	59,883	22,045
Total	**37,838**	**59,883**	**22,045**
Bank loans and mortgages have the following repayment schedules			
On demand or within one year	23,058	29,426	6,368
Within two years	3,566	10,357	6,791

Within three years	3,442	6,649	3,207
Within four years	3,482	6,369	2,887
Within five years	3,523	2,992	(532)
Beyond 5 years	766	4,090	3,324
Total	**37,838**	**59,883**	**22,045**
Less amounts to be repaid within one year	23,058	29,426	6,368
Due beyond one year	**14,780**	**30,457**	**15,677**

The majority of borrowings indicated above carry a floating rate of interest. While it is exposed to interest rate risk, in 2010 the Group did not systematically hedge its exposure as, given the expectations of constantly generated cash flows, it is inclined to repay early its bank loans, thus eliminating the need for any such "hedge". For further information on interest rate hedges, reference should be made to paragraph 7 "Risk management" of the present notes.

5.38 Other Payables

Other Payables (non-current)

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Other payables	60	294	234
INAIL contributions – earthquake suspension 1997	94	87	(7)
INPDAI contributions – earthquake suspension 1997	51	47	(4)
Employee INPS contributions – earthquake 1997	1,176	1,082	(94)
Freelance INPS contributions – earthquake 1997	-	-	-
Total	**1,381**	**1,510**	**129**

The increase in the account, in the "other payables" category refers to obligations assumed by the parent company toward a consortium to which it belongs. The decrease of the other accounts relate principally to the discounting and repayment of earthquake suspension payables following the earthquake in 1997. The balance includes Euro 728 thousand to be paid beyond 5 years.

Other payables (current)

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Payments to social security institutions	2,641	2,169	(472)
Other payables	7,317	993	(6,324)
Payables to personnel for remuneration	3,809	4,792	983
Customers	158	103	(55)
Accruals and deferred income	210	266	56
Customer advances	548	596	48
Directors and Statutory Auditors	3	102	99
Total	**14,686**	**9,022**	**(5,664)**

The account "Other payables" in 2009 included Euro 6,376 thousand relating to the payable for the "earn out" deriving from the purchase of the company Gutmann on November 11, 2008. The account "Payables to personnel for remuneration" increased in line with the changes in the cost of labour. The account "Payables to Social Security Institutions" decreased due to redundancies within the Parent Company. The present account includes payables beyond 5 years for Euro 22 thousand.

5.39 Current and non-current tax liabilities

Tax payables (non-current)

(in Euro thousands)	31/12/09	31/12/10	Changes
ILOR (former local income tax) payable – earthquake suspension	218	201	(17)
Other taxes payable	198	183	(15)
Employee leaving indemnity payable – earthquake suspension	32	29	(3)
Flat tax payable – earthquake suspension	1	1	0
Taxes on equity reserves – earthquake suspension	609	563	(46)
Total	**1,058**	**978**	**(80)**

The decrease of the other account relates principally to the discounting and repayment of earthquake suspension payables following the earthquake in 1997. This account includes payables beyond 5 years for Euro 576 thousand.

Tax payables (current)

(in Euro thousands)	31/12/09	31/12/10	Changes
Other taxes	1,083	2,159	1,076
Flat tax	422	0	(422)
IRPEF withheld	2,314	2,105	(206)
Ires payable for the year	880	1,499	619
Total	**4,699**	**5,764**	**1,065**

The account increased by Euro 1,065 thousand. This increase relates both to income tax payables which increased by Euro 619 thousand and other tax payables principally concerning the foreign subsidiaries. The flat rate tax was paid during the year.

5.40 Trade payables

(in Euro thousands)	31/12/2009	31/12/2010	Changes
Trade payables	84,027	88,742	4,715
Associated companies	2,779	0	(2,779)
Total	**86,806**	**88,742**	**1,936**

Trade payables mainly include payables for trade purchases and other costs.
Management believes that the book value of trade payables and other payables reflects their fair value. The payables to associated companies were cancelled, given the change in activities of the associated company.

5.41 Group shareholders' equity

For the analysis on the movements in Shareholder's Equity, reference should be made to the relative table.
Comments are provided on each of the Equity reserves.

Share Capital

The share capital at December 31, 2010 amounts to Euro 12,664,560, consisting of 63,322,800 ordinary shares with a par value of Euro 0.2 each, fully subscribed and paid-in.

Capital reserves

The capital reserves amount to Euro 71,123 thousand and relate entirely to the Share Premium Reserve.
The costs of the IPO, amounting to Euro 3,650 thousand, net of the relevant tax effect of Euro 2,190 thousand, were charged to the Share Premium Reserve, in accordance with IAS/IFRS.

Hedging, translation and stock grant reserve

This account, negative for Euro 3,411 thousand (in 2009 negative for Euro 8,431 thousand), changed as follows: conversion of financial statements expressed in foreign currencies (ELICAMEX S.A. de C.V., Leonardo S.A. de C.V., Elica Group Polska Sp.zo.o, ARIAFINA CO., LTD, Elica Inc., Elica PB India Private Ltd. and Zhejiang Putian Electric Co Ltd) resulting in an increase of Euro 3,922 thousand, including the fair value changes of cash flow hedges, net of the tax effect of Euro 73 thousand and the recording of a decrease of Euro 79 thousand due to the elimination of income statement items in 2009 recorded to this account. The Stock Grant Plan reserve is also recorded to this account, approved by the shareholders' meeting by April 26, 2010. The amount referring to 2010 is reserved to this account, net of the tax effect.

Treasury shares

	Number	**Book value (in '000 of Euro)**
Opening balance at January 1, 2010	6,332,280	17,629
Changes	-	-
Closing balance at December 31, 2010	6,332,280	17,629

At December 31, 2010, the treasury shares in portfolio represent 10% of the Share Capital.
In February 2011, 3% of the shares were sold, as previously outlined in the Directors' Report.

Retained earnings

(in Euro thousands)	**31/12/09**	**31/12/10**	**Changes**
Legal reserve	2,533	2,533	(0)
Undistributed earnings	2,566	9,239	6,673
IAS transition reserve	1,675	1,675	0
Extraordinary reserve	53,437	46,887	(6,550)
Reserve restricted under Law 488/92	3,875	3,875	0
Total	**64,086**	**64,210**	**124**

The retained earnings includes the allocation of the profit for the year 2009 amounting to Euro 310 thousand and other movements of Euro 186 thousand.

At December 31, 2010, the Stock Market capitalisation of the company was Euro 90.9 million. The market value of the share does not equate with today's market consensus value[7] - while however reflects the book value of Group shareholders' equity.

As described in the paragraph "Events after December 31, 2010 and outlook" which should be referred to for further details, following the purchase of a further 15% of the subsidiary company Putian, in

[7] Average of the target price indications provided to the market by brokers familiar with the Company.

2011, on completion of the operation the change in the holding in the investment will be treated as an operation between shareholders decreasing, in accordance with the accounting standards applied, the Group shareholders' equity by approx. Euro 30 million (this amount is based on exchange rates at March 18, 2011).

5.42 Minority interest shareholders' equity

The account increased by Euro 6,198 thousand principally due to the increase of Euro 1,315 thousand for the allocation of the 2010 minority profit, an increase of Euro 262 thousand relating to the minority interest share of the translation effect of the financial statements of the companies ARIAFINA CO., LTD, Elica PB India Private Ltd. and Zhejiang Putian Electric Co. Ltd and to the allocation of the share of net equity to minority interests of the two newly consolidated companies. The change in the consolidation scope had an effect of Euro 5,750 thousand.

The reconciliation between Net Equity and profit attributable to shareholders of the Parent Company and the corresponding consolidated items is provided in the Directors' Report.

5.43 Net debt, default risk and covenants

(In accordance with CONSOB No. DEM/6064293 of 28 July 2006)

In Euro thousands	**31/12/10**	**31/12/09**
Cash and cash equivalents	**25,102**	**19,235**
Finance leases and other lenders	(76)	(2,430)
Bank loans and mortgages	(30,457)	(14,780)
Long-term debt	**(30,533)**	**(17,210)**
Finance leases and other lenders	(23)	(1,903)
Bank loans and mortgages	(29,426)	(23,058)
Short-term debt	**(29,449)**	**(24,961)**
Net Debt	**(34,880)**	**(22,936)**

For further information on the net financial position movements, reference should be made to the Directors' Report.

Concerning the default risk and covenants on debt reference should be made to section 7 "Risk management" of the Notes.

5 .44 Significant non-recurring events and operations

A summary of the non-recurring operations, considered significant, during the year and with their relative impact, net of taxes, on the Net Equity and Net Profit are shown below.

	Net Equity		Net Profit	
(in Euro thousands)	Amount	%	Amount	%
As per accounts	139,530		5,577	
a) Restructuring charges	503	0.4%	503	8.5%
b) Whirlpool financial income	(688)	(0.5%)	(688)	(11.6%)
Gross notional book value	139,346		5,393	

a) The account refers to the Group industrial reorganisation charges of Euro 736 thousand after the tax effect.

b) This account relates to the fee paid by Whirlpool net of the tax effect, for the acquisition of 1,899,684 shares of the Company, in accordance with the Second Modifying Agreement of the Share Option Agreement of June 15, 2009 and the Supplementary Agreement of March 8, 2010. These agreements concern, among other issues, the purchase of shares of the Company by Whirlpool until February 23, 2010 and subject to the payment of Euro 0.50 on each share purchased. Further information on the modifying agreement is contained in the Annual Corporate Governance and Shareholder Report available on the website www.elicagroup.com.

5.45 Acquisitions and asset transfers

Acquisition of the holding in Zhejiang Putian Electric

The Elica Group in 2010 acquired 55% of the Chinese company Zhejiang Putian Electric, as described in the paragraph "Significant events in 2010" within the Directors' Report.
The effects of this transaction are summarised in the table below.

(in Euro thousands)	**Carrying value – Group principles**	**Fair value adjustments**	**Fair value**
Property, plant & equipment	4,184	3,327	7,511
Usage rights of the land	-	5,507	5,507
Other intangible assets	39	-	39
Trade receivables	6,831	-	6,831
Inventories	3,055	-	3,055
Other receivables	595	-	595
Deferred tax assets	526	-	526
Cash and cash equivalents	3,251	-	3,251
Lease payables (Non-current)	-	-	-
Bank loans and mortgages	(11,184)	-	(11,184)
Deferred tax liabilities	(543)	(2,208)	(2,752)
Provisions for risks and charges	-	-	-
Lease payables (Current)	-	-	-
Trade payables	(1,636)	-	(1,636)
Other payables	(540)	-	(540)
Tax payables	(289)	-	(289)
Total Shareholders' Equity			**10,914**
Amount acquired (55%)			**6,003**
Goodwill			7,373
Total acquisition cost			13,378
Payable to former shareholder			-
Cash and cash equivalents acquired			3,251
Net cash flow from the acquisition			**10,127**

As described in the paragraph "Events after December 31, 2010 and outlook" which should be referred to for further details, at March 19, 2011, the Group has signed an agreement for the acquisition of a further 15% stake in the Chinese company.

6. Guarantees, commitments and contingent liabilities

a) Contingent liabilities

The Parent Company and its subsidiaries are not involved in administrative, judicial or arbitration proceedings that are underway or have been settled by means of a ruling or arbitration award issued in the last 12 months and which might have or might have had an effect on the financial situation or profitability of the Group.

Group companies have valued the contingent liabilities that could arise from pending judicial proceedings and have made appropriate provisions in their financial statements on a prudent basis.
The provision included in the Group consolidated financial statements at December 31, 2010 for contingent risks and charges relating to legal disputes amount to Euro 1,564 thousand. In relation to the current dispute with a former consultant of the Company, this is adequately covered by the other risks provision, in consideration of the evaluations drawn up by the legal team appointed.
Management considers that the provision for risks in order to cover possible liabilities from pending or potential disputes is, on the whole, adequate.

b) Guarantees and commitments

Commitments with suppliers for the purchase of raw materials amount to Euro 3,308 thousand while the amount relating to fixed asset purchases at December 31, 2010 was approx. Euro 1,627 thousand, principally relating to investments in the productive capacity such as equipment, plant and buildings for the expansion of industrial activities.

On December 10, 2007, FAN SA (now "FAN s.r.l."), parent company of Elica S.p.A., and Whirlpool signed a shareholder agreement (the "Shareholder Agreement") which provides for (i) a purchase contract by Whirlpool of Elica shares, representing 5% of the share capital (the "5% Holding") and (ii) regulations concerning the governance of the Company.
At the same time, in accordance with the Shareholder Agreement, Whirlpool and the company signed an options agreement on Shares (the "Share Options Agreement") providing Whirlpool with the right to purchase Treasury Shares of the Company up to a further 10% of the Shares with voting rights of the Company, for a period of 18 months from the date of receiving from Elica the communication of the purchase of the 5% Share (the "Option Period").
This Agreement was modified through two additional agreements signed between Whirlpool Europe S.r.l. and Elica S.p.A. respectively on December 3, 2008 (the "Modifying Agreement") and June 15, 2009 ("the "Second Modifying Agreement").
On December 18, 2009, Whirlpool Europe s.r.l., Prop s.r.l. and Elica S.p.A., signed, thus confirming their respective obligations, the communication issued by FAN S.A. relating to the merger by incorporation of the same into Prop s.r.l., which at the same time changed its name to FAN s.r.l. Following the merger, FAN s.r.l. with registered offices in Rome, via Parigi, No.11, registered in the Rome Company Registration Office at No.10379911000, assumed the rights and obligations of FAN S.A. and continues all activities of FAN S.A., including the Shareholder Agreement.
On March 8, 2010, Whirlpool Europe S.r.l. and FAN S.r.l. signed a further modification to the Agreement under which the parties agree that (i) the 10% holding in Elica reached by Whirlpool on February 23, 2010, was considered as being reached by Whirlpool on December 31, 2009 in accordance with the terms of the Agreement and (ii) any provision of the Agreement dependent on the holding by Whirlpool of 10% of the share capital of Elica at the closing of the option period, as extended by the Second Modifying Agreement, is fully enacted.
On December 18, 2010, Whirlpool Europe S.r.l. and FAN S.r.l. announced that the Shareholder Agreement had been renewed for a further three-year period and without amendments, as neither Party communicated to the other its opposition to the renewal of the agreement, in accordance with the conditions at point 5.3 of the Shareholder Agreement Extract.
The matters outlined above had no impact on the control of Elica S.p.A. which pursuant to article 93 of the Consolidated Finance Act, continues to be indirectly held by Ms. Gianna Pieralisi.
For further information reference is made to the "Annual Corporate Governance and Shareholder Report" of Elica S.p.A., updated to March 22, 2011 and available on the website of the Company

www.elicagroup.com in the Investor Relation/Corporate Governance section as well as the extracts of the Agreement published in accordance with law on the site www.consob.it.

Elica S.p.A. is committed to the following guarantees:
- two sureties in favour of Bank DnB Nord for a value of Euro 3,000 thousand and PLN 15,000 for credit lines granted to the subsidiary Elica Group Polska S.p.zo.o; these sureties will expire in 2012.
- a guarantee in favour of a supplier of the Mexican subsidiary for the purchase of plant up to a maximum amount of Euro 195 thousand; this guarantee will be valid until 120 days following the last payment date established and however not beyond January 31, 2012.
A guarantee provided by the bank PEKAO is in place for the Polish subsidiary concerning a supplier for PLN 120,000 valid until 5/3/2011. The Chinese company is the beneficiary of two guarantees for a maximum amount of Renminbi 66 million, the debtors are in a good financial state and Elica has the right to compensation from the Chinese shareholder on an open account following the payment for the investment.

c) Operating leases

At the balance sheet date there were rental agreements for several industrial and commercial properties, motor vehicle rental agreements and operating leases for hardware and photovoltaic panels. The payments due by the Group under the property rentals and operating leases are summarised in the following table:

(Data in Euro thousands)	**31/12/2009**	**31/12/2010**
Property rentals	1,128	1,701
Car and fork lift rental	2,187	3,001
Hardware operating leases	1,848	1,825
Other operating leases	10	4,419
Total	**5,173**	**10,946**

(Data in Euro thousands)	**31/12/2010**	**Within 1 year**	**1-5 years**	**Over 5 years**
Property rentals	1,701	927	774	-
Car and fork lift rental	3,001	1,318	1,683	-
Hardware operating leases	1,825	644	1,165	17
Other operating leases	4,419	379	1,481	2,560
Total	**10,946**	**3,268**	**5,102**	**2,577**

increase in other operating leases principally relates to an operating leasing contract for photovoltaic panels signed by the parent company.

7. Risk management policy

Introduction

The Elica Group's operations are exposed to different types of financial risks, or risks associated to changes in exchange rates, interest rates, commodity prices and cash flow. In order to mitigate the impact of these risks on the company's results, the Elica Group commenced the implementation of a financial risk monitoring system through a "Financial Risk Policy" approved by the Board of Directors of the Parent Company. Within this policy, the Group constantly monitors the financial risks related to the operating activities in order to assess any potential negative impact and undertakes corrective action where necessary.
The main guidelines for the Group risk policy management are as follows:
- Identify the risks related to the achievement of the business objectives;
- Assess the risks to determine whether they are acceptable compared to the controls in place and require additional treatment;
- Reply appropriately to risks;
- Monitor and report on the current state of the risks and the effectiveness of their control.

The Group "Financial Risk Policy" is based on the principle of a dynamic management and the following assumptions:

- Prudent management of the risk with a view to protecting the expected value of the business;
- Use of "natural hedges" in order to minimise the net exposure on the financial risks described above;
- Undertake hedging operations within the limits approved by Management and only in the presence of effective and clearly identified exposures;

The process for the management of the financial risks is structured on the basis of appropriate procedures and controls, based on the correct separation of the activities of conclusion, settlement, registration and reporting of the results.

The paragraphs below report an analysis of the risks which the Elica Group is exposed to, indicating the level of exposure and, for the market risks, the potential impact on the results deriving from hypothetical fluctuations in the parameters (sensitivity analysis).

Market risk

Within these types of risks, IFRS 7 includes all the risks directly or indirectly related to the fluctuations of the general market prices and the financial markets in which the company is exposed:

- foreign currency risks;
- commodity risk, related to the volatility of the prices of the raw materials utilised in the production processes;
- interest rate risk.

In relation to these risk profiles, the Group uses derivative instruments to hedge its risks. The Group does not engage in derivative trading.

The paragraphs below individually analyse the different risks, indicating where necessary, through sensitivity analysis, the potential impact on the results deriving from hypothetical fluctuations in the parameters.

Foreign currency risks

The Group's operating currency is the Euro. However, the Group companies trade also in American Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Polish Zloty (PLN), Mexican Pesos (MXN), Swiss Francs (CHF), Russian Roubles (RUB), Chinese Yuan (CNY) and the Indian Rupee (INR). In all of these currencies, except for the Swiss Franc and the Polish Zloty, the Elica Group has higher revenues than costs; therefore changes in the exchange rates between the Euro and these currencies impact the Group results as follows:

- the appreciation of the Euro has negative effects on revenue and operating results;
- the depreciation of the Euro has positive effects on revenues and operating results.

The amount of the exchange risk, defined in advance by management of the Group on the basis of the budget for the period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections.
The hedge is made through agreements with third party financiers of forward contracts for the purchase and sale of foreign currency. As previously described, these operations are undertaken without any speculative or trading purpose, in line with the strategic policies of a prudent management of the cash flows.
As well as the trading risks just described, the Group is also exposed to balance sheet translation risks. The assets and liabilities of companies consolidated in currencies other than the Euro may be translated into Euro at varying exchange rates, whose amount is recorded in the "translation reserve" under Group Net Equity.
The Group monitors this exposure, against which there were no hedging operations at the balance sheet date; in addition, against the total control by the Parent Company over its subsidiaries, the governance on the respective foreign currency operations is greatly simplified.

The values are shown below at December 31, 2010 of the balance sheet accounts in foreign currencies for the most significant currencies:

In Euro thousands	2010		2009	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
CHF	-	(299)	-	(311)
GBP	498	(39)	946	(21)
JPY	93	-	123	-
PLN	(7,387)	6,305	17,275	(11,536)
Rub	44	(2)	39	(3)
USD	10,098	(3,568)	8,945	(3,968)
MXN	(868)	904	658	(779)
INR	-	364	-	-
Total	**2,458**	**(3,941)**	**27,985**	**(16,618)**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the Euro/CHF, Euro/GBP, Euro/YEN, Euro/PLN, Euro/RUB, Euro/USD, Euro/MXN and EUR/INR rates were analysed.
The following table shows the sensitivity to reasonably possible movements in the exchange rates, maintaining all other variables unchanged, of the pre tax profit, due to changes in the value of current assets and liabilities in foreign currencies:

In Euro thousands	2010		2009	
Currency	**Depreciation of foreign currencies 5%**	**Appreciatio n of foreign currencies 5%**	**Depreciation of foreign currencies 5%**	**Appreciatio n of foreign currencies 5%**
CHF	14	(16)	15	(16)
GBP	(22)	24	(44)	49
JPY	(4)	5	(6)	6
PLN	52	(57)	(273)	302
Rub	(2)	2	(2)	2
USD	(311)	344	(237)	262
MXN	(2)	2	6	(6)
INR			-	-
Total	**(305)**	**337**	**(541)**	**598**

The hedging operations at December 31, 2010 with financial counterparties have a total Fair Value of approx. Euro 430 thousand.
The table below shows the details of the notional and Fair Values:

Currency	**31/12/2010**		**31/12/2009**	
	Notional (in foreign currency/000)	**Fair Value (Euro/000)**	**Notional (in foreign currency/000)**	**Fair Value (Euro/000)**
USD				
Forward	2,000	28	4,100	- 19
Options	8,650	241	9,200	196
GBP				
Forward	730	16	500	- 1
Options	-	-	-	-
PLN				

Forward	6,014	12		-
Options	14,145	127	37,465	259
JPY				
Options	75,000	6		**-**
Total		**430**		**435**

Currency	**31/12/2010**		**31/12/2009**	
	Notional (in foreign currency/000)	**Fair Value (Euro/000)**	**Notional (in foreign currency/000)**	**Fair Value (Euro/000)**
USD				
Forward	2,000	28	4,100	- 19
Options	8,650	241	9,200	196
GBP				
Forward	730	16	500	- 1
Options	-	-	-	-
PLN				
Forward	6,014	12		-
Options	14,145	127	37,465	259
JPY				
Options	75,000	6		**-**
Total		**430**		**435**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the EUR/USD, EUR/GBP, EUR/PLN and EUR/JPY and the EUR and foreign exchange interest rate curves were analysed.
In the stress testing we have stressed, as well as the spot to spot exchange rate, also the monetary curve rates at December 31, 2010 in order to show the effect of changes in the rate curve.
For this purpose, the maximum change in the interval between November 2010 and the first week of January 2011 was considered.
For the EUR/USD, EUR/PLN and EUR/JPY exchange rates, a 5% stress was applied, while for the EUR/GBP exchange rate a 3% stress was applied.
For the interest rates, variable based on forward exchange contracts, a stress of 12% was applied for the Eurozone, 5% for the USA, PL and JP rates and 3% for the UK rates.
The following table shows the sensitivity to the movements in the exchange rates and the rate curves indicated, maintaining all other variables unchanged, of the Fair Value of the operations in foreign currencies at December 31, 2010 (compared with December 31, 2009):

	2010			
in Euro	**USD**	**GBP**	**PLN**	**JPY**
	Notional 10,650 USD/000	**Notional 730 GBP/000**	**Notional 20,159 PLN/000**	**Notional 75,000 JPY/000**
Exchange depreciation	212,667	24,712	(163,196)	9,837
Currency depreciation EURO	5,629	853	(847)	(44)
Currency depreciation	(2,418)	(338)	1,337	(5)
Sensitivity to Depreciation	**215,878**	**25,227**	**(162,706)**	**9,788**
Exchange appreciation	(185,371)	(26,241)	254,145	(4,412)
Currency appreciation EURO	(4,671)	(856)	881	(44)

Currency appreciation	2,424	337	(2,624)	5
Sensitivity to Appreciation	**(187,618)**	**(26,760)**	**252,402**	**(4,451)**

		2009	
in Euro	**USD**	**GBP**	**PLN**
	Notional 13.300 USD/000	**Notional 500 GBP/000**	**Notional 37,465 PLN/000**
Depreciation of foreign currencies 5%	298,419	27,007	(134,419)
Currency depreciation EURO 25%	6,389	1,211	(5,693)
Currency depreciation 25 %	(2,510)	(816)	7,029
Sensitivity to Depreciation	**302,298**	**27,401**	**(133,084)**
Appreciation of foreign currencies 5%	(247,173)	(29,429)	292,074
Currency appreciation EURO 25%	(2,694)	(816)	6,399
Currency appreciation 25 %	6,198	1,211	(6,289)
Sensitivity to Appreciation	**(243,669)**	**(29,035)**	**292,184**

Commodity risk

The Group is subject to market risk deriving from fluctuations in commodity prices used in the production process. The raw materials purchased by the Group (including copper and aluminium) are affected by the trends of the principal markets. The Group regularly evaluates its exposure to the risk of change in the price of commodities and manages this risk principally through fixing the price of contracts with suppliers.
Based on this strategy, the Elica Group does not adopt any hedging through derivative financial instruments, as the Company implements a hedging policy based on quantities. In particular, as illustrated by Management, between the end and the beginning of the year, on the basis of the production budget for the year, the raw material orders are made establishing the delivery period and the price to be paid. Operating in this manner, the Group covers the standard cost of the raw materials contained in the budget from possible increases in commodity prices, achieving the operating profit objective.

Interest rate risk

The management of the interest rate risk by the Elica Group is in line with the consolidated practices over time to reduce the volatility risk on the interest rates, while at the same time minimising the borrowing costs within the established budget limits.

The Group's debt carries mainly a floating rate of interest.
Relating to the Group debt (as already described prevalently at a variable rate), from the sensitivity analysis a change of -10 bps in the interest rate curve in the short-term incurs lower financial charges of Euro 22 thousand, while a change of 10 bps in the same interest rate curve converts into higher financial charges of Euro 22 thousand.

The Group hedges the interest rate risk through the utilisation of Interest Rate Swap and through CAP options against specific medium-long term loans at variable rate.
The table below shows the details of the notional and Fair Values:

DERIVATIVES ON INTEREST RATES

	31/12/2010		31/12/2009	
Instrument	**Notional**	**Fair Value**	**Notional**	**Fair Value**
In Euro thousands				
Interest Rate Swap	12,969	79.3	915	(23)
CAP	10,573	19.4	6,550	40.1
Total	**23,542**	**98.7**	**7,465**	**17.6**

Also the interest rate risk is measured through sensitivity analysis, in accordance with IFRS 7. The changes in the interest rate curve utilised for the sensitivity analysis were based on the volatility of the market rates.
The analysis shows that a change of the interest rate curve in the short-term of -10 bps and of the medium/ long-term curve of -50 bps converts into a decrease in the Fair Value of the Interest Rate Swap at December 31, 2010 of Euro 210 thousand.
A change of the interest rate curve in the short-term of 10 bps and of the long-term curve of +50 bps converts into an increase in the Fair Value of the Interest Rate Swap of Euro 204 thousand.

With reference to the CAP option the sensitivity analysis carried out on the interest rate curve shows against a change in the short-term curve of -10 bps and in the medium/long-term curve of -50 bps, the Fair Value of the CAP decreases by Euro 14 thousand.
A change in the interest rate curve in the short-term of 10 bps and a change in the medium/long-term curve of 50 bps converts into an increase in the Fair Value of the CAP of Euro 28 thousand.

Credit risk

The credit risks represent the exposure of the Elica Group to potential losses deriving from the non-compliance of obligations by trading partners. This risk derives in particular from economic-financial factors related to a potential solvency crisis of one or more counterparties.

The Group only deals with well known and reliable clients. It is Group policy to analyse clients in order to award a credit rating. Moreover, the collection of receivables is monitored during the year so that the exposure to losses is not substantial.

The maximum theoretical exposure to the credit risk for the Group at December 31, 2010 is the carrying value of the financial assets recorded in the accounts, and the nominal value of the guarantees given on debts and commitments to third parties as indicated in paragraph 6 "Commitments, guarantees and contingent liabilities".

At December 31, 2010, trade receivables of Euro 89.1 million (Euro 85.6 million at December 31, 2009), included approx. Euro 6.7 million (Euro 8.5 million at December 31, 2009) concerning overdue receivables. 0.5% of receivables (0.6% at December 31, 2009) were overdue by 60 days.

The amount of trade receivables reported in the balance sheet is net of the allowance for doubtful accounts. The allowance is made on the basis of past experience and on the basis of specific considerations on the individual customers.
The doubtful debt provision was created based on the guidelines contained in the attachment to the Financial Risks Policy specifically relating to the management of credit risk.

For the management of credit risk, the Group utilises insurance coverage to guarantee against the non payment of a significant part of its clients.

Liquidity risk

The liquidity risk represents the risk related to the unavailability of financial resources necessary to meet short-term commitments assumed by the Group and its own financial needs.

The principal factors which determine the liquidity of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions. These factors are monitored constantly in order to guarantee a correct equilibrium of the financial resources.

The following table shows the expected cash flows in relation to the contractual expiries of trade payables and various financial liabilities from derivatives:

Data at December 31, 2010

(in Euro thousands)	within 12 months	1-5 years	over 5 years
Finance leases and other lenders	23	76	-
Bank loans and mortgages	29,426	26,367	4,090
Trade and other payables	97,764	1,510	-
Total	**127,213**	**27,953**	**4,090**

Data at December 31, 2009

(in Euro thousands)	within 12 months	1-5 years	over 5 years
Finance leases and other lenders	1,903	2,430	-
Bank loans and mortgages	23,058	14,014	766
Trade and other payables	101,492	1,381	-
Total	**126,453**	**17,825**	**766**

During the year, the Group signed with major financial counterparties two Medium-Long term loan contracts which include an obligation to respect financial covenants based on the Consolidated Financial Statements.
In particular the structure of the covenants on some of the Medium/long-term loans do not immediately determine default of the line through non respecting of the limits, but in first instance an increase in the cost of the loan.
At December 31, 2010 the level of the covenants in question were significantly better than the terms of the first threshold to increase the cost of the loan or of the default of the credit line.

Management believes that at the present moment, the funds available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and repayment of debt in accordance with their maturities.

For details on the net financial position, reference should be made to note 5.43 of the notes.

Classification of the Financial instruments

(in Euro thousands)	31/12/2010	31/12/2009
Other financial assets	30	30
Financial assets available-for-sale	614	680
Derivative financial instruments	189	-
Non-current assets	**833**	**710**
Derivative financial instruments	649	770
Cash and cash equivalents	25,102	19,235
Current assets	**25,751**	**20,005**
Finance leases and other lenders	76	2,430
Bank loans and mortgages	30,457	14,780
Non-current liabilities	**30,533**	**17,210**
Finance leases and other lenders	23	1,903
Bank loans and mortgages	29,426	23,058
Derivative financial instruments	310	311
Current liabilities	**29,759**	**25,272**

Hierarchy of Fair Value according to IFRS 7.

IFRS 7 requires that the classification of financial instruments valued at fair value is determined based on the quality of the input sources used in the valuation of the fair value.
The IFRS 7 classification implies the following hierarchy:

- Level 1: determination of fair value based on prices listed in active markets for identical assets or liabilities. The instruments which the Group operates directly on active markets or in "Over the Counter" markets characterised by an adequate level of liquidity belong to this category;
- Level 2: determination of fair value based on other inputs than the listed prices included in "Level 1" but which are directly or indirectly observable. In particular instruments which the Group operates on "Over the Counter" markets, not characterised by an adequate level of liquidity are included in this category;
- Level 3: determination of the Fair Value based on valuation models whose input is not based on observable market data.

The classification of the financial instruments may have a discretional element, although not significant, where in accordance with IFRS, the Group utilises, where available, prices listed on active markets as the best estimate of the fair value of derivative instruments.
All the derivative instruments in place at December 31, 2010 and December 31, 2009 belong to level 2 of the fair value hierarchy.

Instruments in place at December 31, 2010

The table below shows the following information on derivative instruments at December 31, 2010:
- The notional value of the derivative contracts, broken down by maturity;
- The book value of these contracts, represented by their fair value.

in Euro	Notional Value		Book Value
Interest rate risk			
	Maturity within 1 year	Maturity over 1 year	
Cash Flow hedge as per IAS 39	1,853	11,116	79
Fair Value hedge as per IAS 39			
Not considered hedges under IAS 39	2,768	7,805	20
Total derivatives on interest rates	**4,621**	**18,921**	**99**

Foreign currency risks	Maturity within 1 year		Maturity over 1 year		
	sales	purchases	sales	purchases	
Considered hedges under IAS 39					
- On commercial operations					
- On financial operations					
Not considered hedges under IAS 39					
- On commercial operations	8,478	4,943	977	0	431
- On financial operations					
Total derivatives on foreign exchange	**8,478**	**4,943**	**977**	**0**	**431**

The situation at December 31, 2009 is outlined below:

in Euro	Notional Value		Book Value
Interest rate risk			
	Maturity within 1 year	Maturity over 1 year	
Cash Flow hedge as per IAS 39	915	6,550	22
Fair Value hedge as per IAS 39			
Not considered hedges under IAS 39			
Total derivatives on interest rates	**915**	**6,550**	**22**

Foreign currency risks	Maturity within 1 year		Maturity over 1 year		
	Sales	purchases	sales	purchases	
Considered hedges under IAS 39					
- On commercial operations					
- On financial operations					
Not considered hedges under IAS 39					
- On commercial operations	9,698	5,700	112	3,450	435
- On financial operations					
Total derivatives on foreign exchange	**9,698**	**5,700**	**112**	**3,450**	**435**

8. Disclosure pursuant to IAS 24 on management compensation and related-party transactions

The Group is indirectly controlled by the Casoli Family through Fintrack S.p.A. of Fabriano.
Francesco Casoli, Chairman of Elica S.p.A., is the majority shareholder and Sole Director of Fintrack S.p.A., a holding company that does not carry out management and coordination activities in accordance with article 2497 and subsequent of the civil code. This conclusion derives from the fact that the majority shareholder does not carry out management activities within the company and, although exercising their voting rights at the shareholders' meeting, does not exercise any managerial directives or have any involvement in the production and financial programmes. The Company therefore carries out its operations through a totally autonomous and independent decision-making process.
Gianna Pieralisi Casoli holds a life-time right of usufruct on 68.33% of the shares of Fintrack S.p.A., thus exercising control over the Issuer, pursuant to article 93 of the Consolidated Finance Act.

8.1 Remuneration of Directors, Statutory Auditors and Senior Management with strategic responsibility

The remuneration of the above-mentioned parties is indicated below (in Euro thousands):

Name	Office	Duration	Emoluments	Non-monetary benefits	Bonus and other incentives	Others
Francesco Casoli	Chairman of the Board of Directors	Acc. app 2011	341	6	100	154
Andrea Sasso	Chief Executive Officer	Acc. app 2011	111	4	180	602
Gianna Pieralisi	Executive Director	Acc. app 2011	161			
Gennaro Pieralisi	Director	Acc. app 2011	23			
Giovanni Frezzotti	Director	Acc. app 2011	24			
Stefano Romiti	Director	Acc. app 2011	24			
Fiorenzo Busso	Director	Acc. app 2011	11			
Total			**695**	**10**	**280**	**756**

The bonuses have not yet been paid.

Name	Office	Duration	Emoluments	Non-monetary benefits	Bonus and other incentives	Others
Corrado Mariotti	Chair. Board of Statutory Auditors	Acc. app 2011	53			
Stefano Marasca	Statutory Auditor	Acc. app 2011	34			
Gilberto Casali	Statutory Auditor	Acc. app 2011	37			
Franco Borioni	Alternate Auditor	Acc. app 2011	-			
Daniele Capecci	Alternate Auditor	Acc. app 2011	-			
Total			**124**	**-**	**-**	**-**

The senior managers with strategic responsibilities in Elica S.p.A are the following: the Administration, Finance and Control Director, the Supply Chain Director, the B2B Commercial Director, the B2C Commercial Director, the Industrial Area Director, the Human Resource Director, the Marketing and Innovation Director, the Elicamex General Manager, the Product Management Director and the ICT and Business Integration Director. Aggregate remuneration for 2010 amounts to Euro 1,524 thousand, in addition to Euro 425 thousand as bonuses not yet paid.

8.2 Share-based payments

Stock options assigned to the members of the Board of Directors and senior executives are listed below.

		Options assigned during the year			Options held at the end of the year		
Name	**Office held**	**Number of options**	**Average exercise price**	**Average expiry**	**Number of options**	**Average exercise price**	**Average expiry**
Andrea Sasso	CEO	-	-	-	62,333	Euro 5	31/12/2011
Senior executives	Senior executives	-	-	-	70,071	Euro 5	31/12/2011

The number of options held at year-end decreased on the previous year due to the exit from the Group of some beneficiaries.

Stock grants assigned to the members of the Board of Directors and senior executives are listed below.

		Stock grant allocated to the plan in the year	Stock grant matured at year-end
Name	**Office held**	**Number of stock grant**	**Number of stock grant**
Andrea Sasso	CEO	3,166,140	844,304
Senior executives	Senior executives	508,990	169,664
Others	Others	140,000	46,676

In the column "Stock grant allocated to the plan", we indicate the amount of shares which have been allocated in the year to plans, while in the column "Stock grant matured" we have indicated the number of these shares whereby the required condition matured in the year. These shares will be effectively allocated at the end of the vesting period, on the condition that the party remains in the company, as indicated also in the disclosure document published on the website www.elicagroup.com in the Investor Relations section.

8.3 Information on subsidiary companies

The tables below show key data for subsidiaries and the amount of transactions entered into with them at and for the year ended December 31, 2010.

Subsidiary companies – key data according to local accounting principles:

(in Euro thousands)	**Assets**	**Liabilities**	**Net equity**	**Revenues**	**Net result**
Elicamex S.a.d. C.V.	31,403	8,654	22,749	29,470	1,276
Elica Group Polska Sp.z o.o	51,575	23,312		73,454	

			28,263		4,848
Airforce S.p.A.	8,005	6,166	1,839	17,798	101
Ariafina	6,812	3,259	3,553	15,594	1,134
Leonardo	478	476	3	3,089	(41)
Exklusiv Hauben Gutmann GmbH	24,593	16,429	8,164	21,274	195
Elica Inc.	337	256	81	718	16
Airforce GE (*)	188	8	179	13	(20)
Elica PB India Private Ltd.	3,648	4,520	(873)	3,545	(959)
Zhejiang Putian Electric Co. LTD	12,439	5,363	7,076	7,398	2,736

(*) Airforce Germany Hochleistungs-dunstabzugssysteme Gmbh

Elica also has financial relations with Group companies as a result of loans made to them as part of a general plan to centralise cash management activities. These loans are interest bearing and at market rates. Transactions with consolidated companies have been eliminated from the Consolidated Financial Statements. As a result they are not reported in these notes.

8.4 Information on associated companies

The table below shows the operating and financial amounts arising from transactions with associated companies for 2010. No separate indication of these positions was given in the financial statements as the amounts involved were limited.
All transactions were conducted on an arm's length basis in the ordinary course of business.
The table below summarises key operating and financial data for associated companies, as derived from the companies' financial statements in accordance with Italian GAAP and local GAAP for foreign companies.

Associated companies

Summary data at December 31, 2010

(in Euro thousands)	**Registered office**	**% held**	**Share capital**	**Net equity**	**Net result**
I.S.M. Srl	Cerreto d'Esi (AN)	49.385	10	1,996	(311)

Summary data at December 31, 2009

(in Euro thousands)	**Registered Office**	**% held**	**Share Capital**	**Shareholders' equity**	**Net result**
I.S.M. Srl	Cerreto d'Esi (AN)	49.385	10	2,328	177

Commercial transactions with associated companies

(in Euro thousands)	**Payables**	**Receivables**	**Costs**	**Revenues**
I.S.M. Srl	-	7	-	-
Total	**-**	**7**	**-**	**-**

8.5 Transactions with other related parties

In 2010, transactions with other related parties took place. All transactions were conducted on an arm's length basis in the ordinary course of business.

The table below shows the main operating and financial amounts arising from trading transactions with FASTNET S.p.A. (30% interest held by the parent company of Elica), with Roal Electronics S.p.A. (21.276% interest held by the parent company of Elica) and with Fintrack S.p.A. (company that indirectly controls the Parent Company, Elica S.p.A.).

Elica Group and FASTNET S.p.A.

(in Euro thousands)	**31/12/09**	**31/12/10**
Payables	19	5
Cost and Charges	19	19

Elica Group and Fintrack S.p.A.

(in Euro thousands)	**31/12/09**	**31/12/10**
Receivables	1,017	1,013
Revenues and Income		13

Elica Group and Roal Electronics S.p.A.

(in Euro thousands)	**31/12/09**	**31/12/10**
Receivables	49	41
Payables	1,048	1,137
Revenues and Income	72	56
Cost and Charges	3,107	3,275

The operating and financial balances arise from trading transactions conducted to purchase goods and services on an arm's length basis.
The trading relationship with FASTNET S.p.A. forms part of a strategic partnership to develop projects and implement advanced technological solutions. These projects have accompanied and continue to accompany the growth of the business; from intranet solutions to extranet solutions, from wiring to wireless solutions, from software consultancy to hardware consultancy and from training to web marketing.
The transactions with Fintrack S.p.A. regard management and administrative/accounting services. It is noted that the receivable is related to the sale in 2007 of the shareholding in Roal Electronics S.p.A.
The transactions with Roal Electronics S.p.A. relate to the supply of electronic control systems for equipment.

9. Disclosure pursuant to article 149 of the CONSOB Issuer's Regulation

The following table, prepared pursuant to article 149 of the CONSOB Issuer's Regulations, reports the payments made in 2010 for audit and other services carried out by the audit firm and entities associated with the audit firm.

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
Audit	Deloitte & Touche S.p.A.	Elica S.p.A.	260
Audit	Deloitte & Touche S.p.A.	Air Force S.p.A.	26
Audit	Deloitte & Touche S.p.A.	Elicamex S.a. de C.V.	20
Audit	Deloitte & Touche Sp.z o.o.	Elica Group Polska S.p.z.o.o.	27
Audit	Deloitte & Touche GmbH	Exklusiv Hauben Gutmann GmbH	36
Audit	Deloitte Touche Tohmatsu CPA Ltd.	Zhejiang Putian Electric Co. LTD	45
Other services	Deloitte Network	Elica Group Polska S.p.z.o.o.	12
Other services	Deloitte & Touche S.p.A.	ELICAMEX S.A. de C.V.	9
Total			435

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
Audit	B S R and Co. (K.P.M.G. affiliated)	Elica PB India Private Ltd.	8
Total			8

10. Positions or transactions arising from exceptional and/or unusual transactions

In 2010, no operations classifiable in this category were recorded.

11. Events after the year-end

For information on events after the year-end, reference should be made to the Directors' Report.

Fabriano, March 22, 2011

For the Board of Directors
The Chairman
Francesco Casoli

Declaration of the Consolidated Financial Statements as per Article 81-ter of CONSOB Regulation No. 11971 of 14 May, 1999 and subsequent modifications and integrations

The undersigned Andrea Sasso, as Chief Executive Officer, and Vincenzo Maragliano, Executive responsible for the preparation of the corporate accounting documents of Elica S.p.A., affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:

- the accuracy of the information on company operations and
- the effective application,

of the administrative and accounting procedures for the compilation of the consolidated financial statements for 2010.

It is also declared that:

- the Consolidated Financial Statements:

a) corresponds to the underlying accounting documents and records;
b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union and also in accordance with article 9 of Legislative Decree 38/2005;
c) provide a true and correct representation of the economic, balance sheet and financial situation of the issuer and of the companies included in the consolidation.

- The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer together with a description of the principal risks and uncertainties to which they are exposed.

Fabriano, March 22, 2011

The Chief Executive Officer
Andrea Sasso

Executive responsible for the preparation
of corporate accounting documents
Vincenzo Maragliano