



Elica S.p.A.

2010 FINANCIAL STATEMENTS

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Elica today

Elica has been present in the cooker hood market since the 1970s and today is the world leader in the production of hoods and market leader in terms of units sold in the main European countries. It is also a European leader in the design, manufacture and sale of motors for central heating boilers for domestic use.

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.

The Macroeconomic Environment in 2010 and Outlook 2011

In the **Eurozone**, overall GDP¹ 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 IMF² 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 FED³ on interest rates and the lesser use of the Dollar for financing within the carry trade. The Japanese Yen is forecast to gain ground.

¹ Gross Domestic Product

² International Monetary Fund

³ 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.

	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 and 2010-2009 comparability

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

The tables in the present Financial Statements are presented in Euro, while the explanatory notes are presented in thousands of Euro with all amounts rounded to the nearest thousand, unless otherwise specified.

With the merger deed of December 14, 2009 and with effect from January 1, 2010, the former subsidiary Fime S.p.A. was merged by incorporation into Elica S.p.A. In order to facilitate comparison between the financial statements of Elica S.p.A. 2010 with 2009, a column called "31/12/2009 pro-forma post merger" was created in the notes, which includes a sum of the totals of Elica 2009 and Fime 2009, net of merger adjustments.

Financial Highlights

<i>In Euro thousands</i>	2009	2009 Pro-forma post merger	2010	Change 10 Vs 09 Pro-forma
Revenues	203,194	244,778	255,189	4.1%
EBITDA	3,802	8,870	7,950	-12%
revenue margin	1.87%	3.62%	3.12%	-0.5%
EBIT	(4,712)	(5,724)	(1,900)	-201%
revenue margin	-2.32%	-2.34%	-0.74%	1.6%
Interest charge/(income)	(1,144)	(1,768)	(568)	-211%
revenue margin	-0.56%	-0.72%	-0.22%	0.5%
Exchange gains/(losses)	(531)	(509)	231	321%
revenue margin	-0.26%	-0.21%	0.09%	0.3%
Net profit/(loss) for the year	(6,550)	(7,519)	1,594	572%

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.

Net funds/(debt) is the sum of amounts due under finance leases and other lenders (current and non-current) plus bank borrowings and mortgages (current and non-current), less cash and cash equivalents and financial receivables from related parties, as reported in the balance sheet.

<i>In Euro thousands</i>	31/12/09	31/12/09 Pro-forma post merger	31/12/10	Change 10 Vs 09 Pro-forma
Cash and cash equivalents	2,992	3,478	4,794	1,317
Loans to related parties	19,197	1,810	12,001	10,190
Bank loans and mortgages - current	(22,868)	(22,868)	(26,488)	(3,620)
Finance leases and other lenders - current	(1,302)	(1,881)	-	1,881
Short-term debt	(4,974)	(22,939)	(14,488)	8,451
Bank loans and mortgages – non-current	(14,617)	(14,617)	(30,354)	(15,737)
Finance leases and other lenders – non-current	-	(2,331)	-	2,331
Long-term debt	(14,617)	(16,948)	(30,354)	(13,406)
Net debt	(16,599)	(36,409)	(40,048)	(3,638)

2010 operating performance

In 2010, revenues grew by 4.3% on the previous year (+3.3% from third parties, +10.5% from related parties). Revenue growth was seen both in the range hoods business unit and in the motors business unit. In the Range Hoods BU, revenues grew both for "own brand products", where growth was stronger, and also for third party brands. In 2010, the rationalisation continued of the client portfolio with below average credit reliability.

The EBIT improved thanks to revenue growth, the activities focused on a more efficient and flexible operating cost structure and production localisation to Poland and Mexico.

In 2010, the Temporary Lay-off Scheme⁴ 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.

Net interest expense, including the financial component of IAS 19, reduced by 67.9% on 2009 (Euro 0.6 million in 2010 compared to Euro 1.8 million in 2009), although with a higher average debt.

Managerial Working Capital increased on December 2009 following the support activities in favour of clients.

The Net Debt increased from Euro 36.4 million at December 31, 2009 to Euro 40.0 million at December 31, 2010. The increase in the debt is principally due to the M&A⁵ activities carried out in 2010 (Chinese and Indian subsidiaries) and the payment of the earn-out for the acquisition in 2008 of the German subsidiary Exklusiv-Hauben Gutmann GmbH.

Guidance for 2011

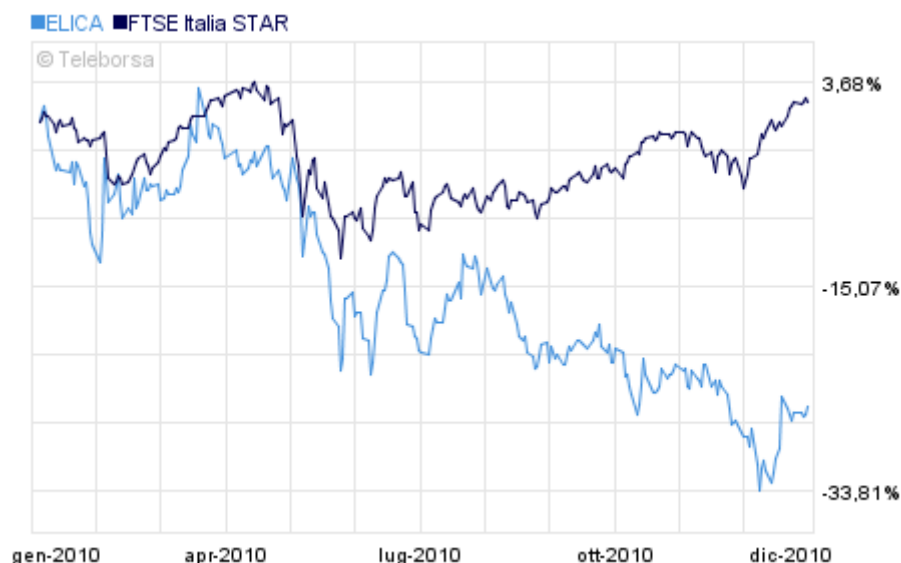
In 2011, Elica Group management will continue to implement its strategic plans designed to develop the business and to strengthen its competitive position. In particular:

- ✓ launch of new products, both own brand and third party brands;
- ✓ 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.

⁴ Temporary Lay-off Scheme

⁵ Merger & Acquisition

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:

<i>Shareholder</i>	Number of shares held	Shareholding
FAN Srl	33,440,445	52.81%
Elica S.p.A. (treasury shares)	6,332,280	10.00%
Whirlpool Corporation	6,332,280	10.00%
Henderson Global Investors	1,736,926	2.74%
S.A.F.E. S.a.p.a.	116,245	0.18%
Francesco Casoli	70,000	0.11%
Gianna Perialisi	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. (see "Subsequent events to December 31, 2010")

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 Perialisi	52,000	-	-	52,000
Senior executives	5,850	-	-	4,100

Financial Statements at December 31, 2010

The number of shares at December 31, 2010 is not in line with that published in the "2009 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 Spa 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 the Indian entrepreneur 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 over 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, Elica S.p.A. 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.

Research and Development

Development activities are a central part of the company's operations: significant increases in resources were dedicated to develop, produce and offer clients innovative products both in terms of design and the utilisation of materials and technological solutions.

During the year, the company was involved in industrial research, seeking to improve products as well as organisational, process and structural improvements.

The continuation of the OCTOPUS projects, a SAP innovative product and design management system, which will improve the integration of systems and processes between the Group companies, as well as new product projects focussed on significantly reinvigorating the product range, are highlighted.

Total research and development costs incurred amounted to Euro 3,368 thousand.

During the years 2007, 2008, 2009 and 2010 Fime S.p.A. (now within Elica S.p.A.) participated as part of the CO-ENV Consortium in the research project called "CO-ENV: Environments and innovative instruments for collaborative design in the development of configurable manufactured products" under concession decree No. 01396 of 28.10.2008, project No. D05/0572/00/X08, Law 46/82 – FIT – Corporate Strategic Processes Grant, incurring in the process the following pre-competitive industrial and development research costs:

2007 € 65,925

2008 € 35,312

2009 € 139,779

2010 € 67,155

For a total of Euro 308,171.

The project was begun on May 3, 2007 and concluded on May 2, 2010.

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

Elica S.p.A. 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 company.

Information relating to personnel

Elica, 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 prudence in the workplace, further improving the already low staff turnover levels and accidents.

Exposure to risks and uncertainty and financial risk factors

Elica'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 Company. Within this policy, the Company 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 Company 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

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Financial Statements at December 31, 2010

Structure of the Elica Group

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.

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

<i>(in Euro thousands)</i>	Assets	Liab.	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	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

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.

At March 19, 2011, Elica S.p.A. has 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 29.983.148⁶).

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.

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 of Leg. Decree No.58 of February 24, 1998, 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".

Proposal for the allocation of the result

Dear Shareholders,

the Financial Statements for the year 2010 which we present for your approval report a net profit of Euro 1,594,386 and a net equity of Euro 129,824,514.

Therefore we invite you to:

- 1) approve the Directors' Report on operations for the year 2010 and the Parent Company Financial Statements at December 31, 2010, as a whole and of the individual items;
- 2) to approve the distribution of a dividend of Euro 0.0251 per share, allocated from the Net Result of the Individual Financial Statements with exclusion of the distribution of a dividend of the shares in portfolio at May 23, 2011, date of the dividend coupon. The dividend results in a pay-out ratio of 37.29% on the Consolidated Financial Statements Result (99.69% on the Net Result of the Individual Financial Statements);
- 3) To approve the payment of the dividends on May 26, 2011.

⁶ At the official ECB Euro/Renminbi exchange rate of March 18, 2011

We thank you for your assistance.

Fabriano Iù, March 22, 2011

For the Board of Directors
THE CHAIRMAN
Francesco Casoli

ELICA S.p.A.

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

Separate financial statements at 31.12.2010

Income statement		2010	2009
<i>In Euro thousands</i>	<i>Note</i>		
Revenues - third parties	4.1	218,914,825	181,683,745
Revenues - related parties	4.1	36,273,891	21,509,832
Other operating revenues	4.2	1,698,070	1,967,847
Changes in inventories of finished and semi-finished goods	4.3	(1,116,582)	(3,371,406)
Increase in internal work capitalised	4.4	2,365,581	1,794,275
Raw materials and consumables – third parties	4.5	(109,014,842)	(80,392,957)
Raw materials and consumables – related parties	4.5	(21,459,109)	(21,882,420)
Services – third parties	4.6	(54,019,758)	(34,713,526)
Services – related parties	4.6	(383,931)	(10,642,446)
Labour costs	4.7	(57,268,101)	(43,820,883)
Amortisation and Depreciation	4.8	(9,850,684)	(8,514,139)
Other operating expenses and provisions	4.9	(7,303,648)	(6,995,221)
Restructuring charges	4.10	(736,000)	(1,335,000)
EBIT		(1,900,288)	(4,712,299)
Share of profit/(loss) from associates	4.11	4,916,369	(871,639)
Financial income	4.12	1,809,023	1,262,924
Financial charges	4.13	(2,377,079)	(2,406,777)
Exchange gains/(losses)	4.14	230,620	(531,345)
Profit/(loss) before taxes		2,678,645	(7,259,136)
Income taxes	4.15	(1,084,259)	709,554
Net profit/(loss) from continuing operations		1,594,386	(6,549,582)
Net profit/(loss) from discontinued operations		-	-
Net profit/(loss) for the year		1,594,386	(6,549,582)

Note:

The financial statement data at December 31, 2010 (income statement and balance sheet) includes the data of the former subsidiary Fime S.p.A. merged by incorporation (merger deed of December 14, 2009), effective as of January 1, 2010. For a better understanding of the accounts in 2009 and 2010, the pro-forma post merger (Elica + Fime) balances at December 31, 2009 are shown and commented upon in the notes to the financial statements. In addition, an attachment to the financial statements for the year ended December 31, 2010 shows a comparison of the financial statements of Elica S.p.A. (stand alone) at December 31, 2009, the financial statements pro-forma post-merger by incorporation of Fime S.p.A. at December 31, 2009 and the financial statements of Elica S.p.A. at December 31, 2010.

Comprehensive income statement	2010	2009
<i>In Euro thousands</i>		
Net profit/(loss)	1,594,386	(6,549,582)
Other comprehensive income statement items:		
Net change in cash flow hedge and stock Option reserves	101,762	3,707
Income taxes on other comprehensive income statement items	(27,985)	(805)
Total other comprehensive income statement items, net of tax effects:	73,777	2,902
Total comprehensive profit/(loss)	1,668,163	(6,546,680)

Balance sheet		31/12/2010	31/12/2009
<i>In Euro thousands</i>	<i>Note</i>		
Property, plant & equipment	4.16	41,659,875	29,998,284
Goodwill	4.17	23,342,460	3,445,953
Other intangible assets	4.17	13,298,850	9,405,150
Investments in subsidiary companies	4.18	74,866,075	82,423,417
Investments in associated companies	4.19	1,899,162	1,899,162
Other financial assets	4.20	30,000	30,000
Other receivables	4.21	152,129	166,633
Tax receivables	4.22	5,982	570
Deferred tax assets	4.23	4,840,462	4,062,277
Financial assets available-for-sale	4.24	50,293	23,803
Derivative financial instruments	4.30	189,358	
Total non-current assets		160,334,646	131,455,249
Trade receivables	4.25	66,048,778	44,383,066
Trade receivables - related parties	4.26	19,542,664	13,105,183
Financial receivables - related parties	4.26	12,000,646	19,196,502
Inventories	4.27	26,245,314	20,927,418
Other receivables	4.28	2,660,722	2,352,277
Tax receivables	4.29	7,135,413	6,740,815
Derivative financial instruments	4.30	509,610	508,915
Cash and cash equivalents	4.31	4,794,370	2,992,385
Current assets		138,937,517	110,206,561
Total assets		299,272,163	241,661,810
Liabilities for post-employment benefits	4.32	8,849,931	6,938,427
Provisions for risks and charges	4.33	7,501,473	4,886,225
Deferred tax liabilities		2,357,220	1,727,429
Bank loans and mortgages	4.34	30,354,291	14,617,038
Other payables	4.37	1,439,246	1,316,085
Tax payables	4.36	977,923	1,058,139
Non-current liabilities		51,480,084	30,543,343
Provisions for risks and charges	4.33	286,664	240,968
Finance leases and other lenders	4.35	-	1,302,340
Bank loans and mortgages	4.34	26,488,319	22,868,124
Trade payables	4.38	64,193,827	51,609,396
Trade payables - related parties	4.39	17,977,310	6,588,273
Other payables	4.37	6,448,375	4,882,743
Tax payables	4.36	2,263,236	2,202,628
Derivative financial instruments	4.30	309,834	310,884
Current liabilities		117,967,565	90,005,356
Share Capital		12,664,560	12,664,560
Capital reserves		71,123,335	71,123,335
Hedging and stock option reserve		1,423,519	(16,317)
Treasury shares		(17,629,065)	(17,629,065)
Retained earnings		60,647,779	61,520,180
Net profit/(loss) for the year		1,594,386	(6,549,582)
Shareholders' Equity	4.40	129,824,514	121,113,111
Total liabilities and shareholders' equity		299,272,163	241,661,810

Cash Flow Statement	31/12/ 2010	31/12/ 2009
<i>In Euro thousands</i>		
Opening cash and cash equivalents	2,992,000	3,127,691
EBIT- Operating profit	(1,900,288)	(4,712,299)
Amortisation, depreciation and write-downs	9,850,684	8,514,139
Write-down of Goodwill for loss of value	0	0
EBITDA	7,950,396	3,801,840
Trade working capital	1,732,075	10,987,223
Other working capital accounts	176,743	(2,562,013)
Income taxes paid	(1,467,456)	(1,354,809)
Change in provisions	1,013,938	549,303
Other changes	1,436,638	
Cash flow from operating activity	10,842,334	11,421,544
Net increases	(14,256,465)	(7,387,028)
Intangible assets	(6,076,108)	(3,566,039)
Property, plant & equipment	(5,362,902)	(3,820,989)
Equity investments and other financial assets	(2,817,455)	0
Cash flow from investments	(14,256,465)	(7,387,028)
Acquisition of treasury shares	0	0
Other movements in share capital	0	0
Dividends	0	(1,065,723)
Increase (decrease) financial payables	5,619,682	(2,568,405)
Interest paid	(888,351)	(535,694)
Cash flow from financing activity	4,731,331	(4,169,822)
Change in cash and cash equivalents	1,317,200	(135,306)
Cash and cash equivalents relating to the merger	485,169	
Closing cash and cash equivalents	4,794,369	2,992,385

Statement of changes in Shareholders' Equity	Share Capital	Share premium reserve	Acquisition of treasury shares	Profit reserves	Hedging and stock option reserve	Net profit/(loss) for the year	Total NE
<i>(in Euro thousands)</i>							
Balance at December 31, 2008	12,665	71,123	(17,629)	61,213	(19)	1,373	128,726
Allocation of 2008 net profit							
Dividends						(1,066)	(1,066)
Other allocations				307		(307)	-
Income components recorded directly to equity							-
Recognition of stock options							-
Changes in hedging reserve					3		3
Other changes							-
Acquisition of treasury shares							-
Net loss for the year						(6,550)	(6,550)
Balance at December 31, 2009	12,665	71,123	(17,629)	61,520	(16)	(6,550)	121,113
Allocation of 2009 net loss							
Dividends							-
Other allocations				(6,550)		6,550	-
Income components recorded directly to equity							-
Recognition of stock options					1,366		1,366
Changes in hedging reserve					74		74
Other changes							-
Merger				5,677			5,677
Acquisition of treasury shares							-
Net profit for the year						1,594	1,594
Balance at December 31, 2010	12,665	71,123	(17,629)	60,647	1,424	1,594	129,825

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

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2. Accounting principles, amendments and interpretations from January 1, 2010
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4. Notes to the income statement, balance sheet and cash flow statement
5. Significant non-recurring events and operations
6. Guarantees, commitments and contingent liabilities
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1. Accounting principles and policies

General information

Elica S.p.A. is a company incorporated under Italian law, with its registered office in Fabriano (AN).

The company is listed on the STAR segment on the Italian Stock Exchange.

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.

The Euro is the functional and presentation currency of the company. The financial statement amounts are in Euro while the amounts in the notes are in thousands of Euro.

General principles

The 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 Separate 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 Company 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 1 January 2010 that have had a material effect on the separate financial statements.

The separate 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.

Financial Statements Presentation

Management of the Company, in accordance with IAS 1, made the following choices in relation to the presentation of the financial statements.

- The **Income Statement** is prepared in accordance with the nature of the item and shows intermediary results relating to the operating result and the result before taxes in order to allow a better assessment of the normal operating performance.
The operating profit is the difference between the net operating costs and revenues (this latter inclusive of non-cash items relating to amortisation/depreciation and write-downs of current and non-current assets, net of any restatements in value) and inclusive of gain/losses generated on the disposal of non-current assets.
- **The Comprehensive Income Statement** reports, beginning with the profit (loss) in the period, the effect of the other comprehensive income statement items recorded directly to net equity ("other comprehensive income").
- **The Balance Sheet** is presented with separation between "current and non-current" assets and liabilities. An asset/liability is classified as current when it satisfies any of the following criteria: it is expected to be realised/settled or is expected to be sold or utilised in the normal operating cycle of the company; it is held for trading; it is expected that it will be realised/settled within 12 months from the balance sheet date. Where none of these conditions apply, the assets/liabilities are classified as non-current.

- **Cash flow statement** prepared using the indirect method in which the operating result is adjusted by non-cash items.
- **Statement of Changes in Shareholders' Equity** illustrates the changes in Equity accounts.

Accounting principles and policies

The main accounting principles and policies adopted in the preparation of the separate 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 2005 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 estimated useful life of the relative assets applying the following percentage rates:

buildings	3 %
lightweight buildings	10 %
plant and machinery	10 % - 15.5 %
industrial and commercial equipment	25 %
office furniture and equipment	12 %
EDP	20 %
commercial vehicles	20 %
automobiles	25 %

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 company. 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 Company'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

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 Company 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 Company 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 Company 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 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 Company 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.

Investments in subsidiary and associated companies

The investments in subsidiaries, joint ventures and associated companies not classified as held-for-sale are recorded at cost.

Income from investments is recorded only in relation to the dividends received, generated subsequent to the acquisition date. Dividends received in excess of profits generated are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

At each balance sheet date, an evaluation is made as to whether indications exist of a reduction in the value of the cost of the investment; where such indications exist, an impairment test is carried out in accordance with IAS 36. A reduction in the value of the investment is recorded when the recoverable value is lower than the carrying value. The recoverable value is the higher between the fair value of the investment, less costs to sell, where they may be determined, and the value in use, represented by the present value of the expected revenue streams for the years of operations of the company subject to the impairment test and deriving from its disposal at termination of the useful life. Where in subsequent periods there is a reduction in the indications that the loss does not exist or is reduced, the value of the investment is restated to take into account the reduced loss in value. Following the write-down of the cost of the investment, further losses recorded on the investment are recorded under liabilities, where a legal implicit obligation to cover the losses in the investment exists.

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 Company 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 Company.

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 Company 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 Company 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 company 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 in the financial statements when the Company has a current obligation that is the result of a past event and it is probable that the obligation must be met.

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 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 Company at the lower of their fair value at the date of the lease contract, and the present value of the minimum lease 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.

For each consolidated company, current taxation is based on taxable income for the period as determined under applicable tax law. The liability for current income taxes is calculated using the current rates at the reporting date.

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 income tax receivable is shown under Tax Receivables, determined as the difference between the income taxes in the year, payments on account, withholding taxes and, in general, tax credits.

Tax Receivables also include the current IRES charge as determined on an estimate of the taxable income and tax losses of the companies taking part in the Consolidated tax regime, net of payments on account, taxes withheld by third parties and tax credits; tax assets are offset by the amounts due to the subsidiary

companies by Elica for the residual receivable attributable to the Consolidated tax regime.

The liability for tax losses surrendered by a subsidiary is recorded under "Amounts due to subsidiaries".

Deferred tax assets and liabilities arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.

No tax provision has been made in relation to reserves subject to taxation upon distribution as no transactions that could trigger their taxation are planned.

Deferred tax assets are recognised insofar as it is likely that, in the years the deductible timing differences leading to their creation reverse, there will be taxable income not less than the amount of the differences. The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

Deferred taxation is calculated based on the tax rate expected to be in force when the assets are realised or the liabilities extinguished. Deferred tax is charged or credited directly to the Income Statement, except when it relates to items charged or credited directly to Equity, in which case the deferred tax is also recognised in Equity.

The deferred tax assets and liabilities are compensated when there is a direct right to compensate the tax assets and liabilities and when they refer to income taxes due to the same fiscal authority and there is the intention to pay the amount on a net basis.

2. Accounting principles, amendments and interpretations from January 1, 2010

No accounting principles applicable from 2010 affect the individual financial statements of Elica S.p.A.

The following amendments, improvements and interpretations, with effect from January 1, 2010, concern facts and events not present for the company at the date of the present financial statements but which may have accounting effects on future transactions or agreements:

- IFRS 3 (2008) - *Business combinations*.
- IAS 27 (2008) - *Consolidated and separate financial statements*.
- *Improvements 2009 to IFRS 5 – Non-current assets held for sale and discontinued operations*.
- Amendment to IAS 28 - *Investments in associates and IAS 31 - Interests in joint ventures*, following the amendments to IAS 27.
- *Improvements to IAS/IFRS (2009)*.
- Amendment to IFRS 2 – *Share-based payments: group cash-settled share-based payments*.
- IFRIC 17 – *Distribution of non-cash assets to owners*.
- IFRIC 18 – *Transfer of assets from customers*.
- Amendment to IAS 39 – *Financial Instruments: recognition and measurement, quantifiable items for hedging*.

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

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 a number of amendments to IFRS 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. Significant accounting estimates

In the preparation of the Financial Statements in accordance with IFRS, Elica'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. Notes to the income statement, balance sheet and cash flow statement

As indicated in the "Note" in the Income statement, the financial statement data at December 31, 2010 (income statement and balance sheet) includes the data of the former subsidiary Fime S.p.A. merged by incorporation (merger deed of December 14, 2009) with effect from January 1, 2010. For a better understanding of the accounts in 2009 and 2010, the pro-forma post merger (Elica + Fime) balances at December 31, 2009 are shown and commented upon in the notes to the financial statements.

INCOME STATEMENT

4.1 Revenues

An analysis of revenues with a breakdown between product sales and service revenues follows:

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Revenues from product sales	201,965	243,453	253,918	10,465
Service revenues	1,228	1,325	1,271	(54)
Total	203,194	244,778	255,189	10,411

The account increased by approx. 4.25% on the previous year. This change relates also to the alteration in the Group organisation in the final months of the year, following which the Polish subsidiary sold its products to Elica Spa, which then sells them on to third parties. For information on revenues, reference should be made to the Directors' Report.

A breakdown of revenues from third parties and from related parties (principally subsidiaries) is shown below.

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Subsidiary customers	181,684	211,956	218,915	6,959
Associated companies	21,510	32,822	36,274	3,452
Total	203,194	244,778	255,189	10,411

Revenues from related parties amount to Euro 36,274 thousand; these amounts principally refer to the sale of finished products to the subsidiary AirForce S.p.A. for Euro 1,626 thousand (Euro 1,942 thousand in 2009), to the subsidiary Ariafina for Euro 63 thousand (Euro 159 thousand in 2009), to the subsidiary Elica Group Polska Sp.z o.o. for Euro 25,979 thousand (Euro 23,666 thousand in 2009), to the subsidiary Elica Mex Sa CV for Euro 7,398 thousand (Euro 6,924 thousand in 2009), to the subsidiary Gutman for Euro 36 thousand, to the new subsidiary Elica India for Euro 1,090 thousand and to Putian for Euro 29 thousand. Revenues from the associated company ISM Srl in 2010 amounted to zero. All transactions are regulated at prices in line with market conditions applied to third parties.

Finally we present revenues by geographic area.

Breakdown of revenues from sales and services by geographic area and from third party and related companies:

2009

<i>(Data in Euro thousands)</i>	Stand Alone	Pro-forma Post merger	2010	Changes
Europe + CIS	184,498	222,720	231,875	9,155
Other countries	10,745	12,785	13,095	310
The Americas	7,951	9,273	10,219	946
Total	203,194	244,778	255,189	10,411

Clients who comprise more than 10% of total revenues constituted 29.3% of revenues in 2010 compared to 40.8% in 2009.

4.2 Other operating income

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Operating grants	182	255	16	(238)
Ordinary gains on disposal	143	550	272	(278)
Claims and insurance payouts	97	127	260	132
Expenses recovered	686	685	539	(146)
Other revenues and income	860	1,152	611	(541)
Total	1,968	2,769	1,698	(1,071)

The account decreased by over Euro 1 million, principally following the reduction of grants and of ordinary gains. The reduction in the category "Other revenues and income" is largely due to the fact that this account in 2009 included income from the repayment of prior year taxes.

4.3 Changes in inventories of finished and semi-finished goods

Changes in finished products, semi-finished and work-in-progress inventories was negative for Euro 4,780 thousand at December 31, 2009 (pro-forma post merger of Fime SpA; at December 31, 2010 the account was negative for Euro 1,117 thousand; this is due to a greater use of inventory to optimise working capital.

4.4 Increases on internal work capitalised

The account amounted to Euro 2,366 thousand (Euro 2,624 thousand in the previous year) and mainly relates to the capitalisation of charges regarding the design and development of new products and costs sustained internally for the construction of mouldings, industrial equipment and the implementation of new IT programmes.

4.5 Raw and consumable materials

The breakdown of consumables (third parties and related parties) are as follows:

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Purchases of consumable materials	526	568	748	180
Purchases of supplies	154	447	650	203
Purchase of raw materials and semi-finished	82,828	99,437	99,652	215

Change in inventory of raw materials, consumables and goods for re-sale	5,064	6,255	(197)	(6,452)
Purchase of finished products	6,295	6,514	22,513	15,999
Packaging	7,048	7,662	6,549	(1,112)
Other purchases	157	196	212	16
Shipping expenses on purchases	203	254	346	92
Total	102,275	121,333	130,474	9,141

The balance is broken down as follows:

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Third parties	80,393	114,254	109,015	(5,239)
Related parties	21,882	7,080	21,459	14,379
Total	102,275	121,333	130,474	9,141

Raw materials and consumables increased in absolute values by Euro 9,141 thousand in 2010 compared to 2009; this increase is directly related to the increase in finished product purchases from the subsidiary Elica Group Polska Sp.z o.o. following the alteration in the Group organisation, as described in the note relating to revenues.

Purchases from related parties amount to Euro 21,459 thousand (Euro 7,080 thousand in 2009). The most significant account refers to purchases of finished products and goods from the subsidiary Elica Group Polska Sp.z o.o. for Euro 16,186 thousand.

All transactions are regulated at prices in line with market conditions applied to third parties.

4.6 Service expenses

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Outsourcing expenses	21,650	24,751	26,483	1,732
Transport	3,818	4,306	3,816	(489)
Finished goods inventories	3,509	3,509	3,442	(66)
Consulting	4,979	4,886	6,005	1,119
Maintenance	1,595	2,692	1,913	(779)
Utilities	2,044	2,875	2,861	(14)
Commissions	330	367	590	223
Travel expenses	1,192	1,311	1,719	407
Advertising	629	638	579	(59)
Insurance	664	761	901	140
Directors & Statutory Auditor fees	810	891	922	31
Trade fairs and promotional events	177	247	544	296
Industrial services	390	422	405	(17)
Banking commissions and charges	251	284	255	(29)
Other services	3,318	3,653	3,968	315
Total	45,356	51,595	54,404	2,809

Service expenses increased by over 5% on the previous year - amounting to Euro 2,809 thousand. The principal increases relate to the accounts outsourced work for Euro 1,732 thousand and consultancy for Euro

1,119 thousand. Consultancy costs include commercial consultancy for Euro 1,319 thousand and IT consultancy services of Euro 1,077 thousand.

The account other services in 2010 includes communication services (Euro 568 thousand), technical assistance costs (Euro 872 thousand), canteen costs (Euro 355 thousand), cleaning costs (Euro 303 thousand), vehicle expenses (Euro 224 thousand), training courses (Euro 384 thousand), medical visits (Euro 97 thousand) and personnel recruitment research (Euro 72 thousand).

The balance is comprised of:

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Third parties	34,710	41,253	54,020	12,766
Related parties	10,646	10,342	384	(9,958)
Total	45,356	51,595	54,404	2,809

The decrease in the share of service costs to group companies is due to the change in the corporate scope of the associated company ISM from mechanical processing (also for Elica SpA) to real estate activity.

4.7 Labour costs

Labour costs incurred in 2009 and 2010 were as follows:

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Salaries and wages	30,959	38,056	39,230	1,173
Social security expenses	9,880	12,238	12,549	311
Employee leaving indemnity	1,813	2,118	2,881	763
Other costs	1,169	1,484	2,608	1,123
Total	43,821	53,897	57,268	3,371

Total labour costs increased by Euro 3,371 thousand 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" principally includes costs related to the stock grant plan for Euro 1,884 thousand and leaving incentive costs of Euro 1,697 thousand, with an impact on the income statement, net of the utilisation of the restructuring fund created in 2009, of Euro 1,318 thousand. The residual refers to other employee expenses.

During the year, the Company has utilised the Temporary Lay-off and Mobility Schemes, coupled with social security benefits for the employees involved in order to rationalise labour costs within the production sites.

The table below shows the average number of employees at December 31, 2009 and December 31, 2010:

<i>Workforce</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Executives	19	23	21	(3)
White-collar	258	323	307	(16)
Blue-collar	929	1,181	1,092	(89)

Others	39	39	50	11
Total	1,245	1,566	1,469	(97)

Corporate restructuring resulted in a decrease in the average workforce of 97.

4.8 Amortisation and depreciation

Amortisation and depreciation amounted to Euro 9,851 thousand; for the movements in the respective accounts, reference should be made to the paragraph on fixed assets.

4.9 Other operating expenses and provisions

The details of the account are as follows:

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Building lease and rental	403	424	401	(24)
Vehicles and industrial equipment rental	1,323	1,479	1,515	36
Hardware, software and patents licences	953	1,124	950	(174)
Other taxes	280	342	431	88
Magazine and newspaper subscriptions	66	67	53	(14)
Prior year and other charges	925	1,048	1,024	(24)
Various equipment	31	78	84	5
Catalogues and brochures	170	175	526	351
Losses and Doubtful Debts	1,177	1,239	1,273	34
Provisions for risks and charges	1,667	1,777	1,047	(730)
Total	6,995	7,755	7,304	(451)

Overall the account decreased by Euro 451 thousand.

The principal reduction relates to the provision for risks and charges, in fact this account last year included provisions of Euro 0.7 million relating to the risk of non return of assets following the sub-entry into a leasing contract. The account "catalogues and brochures" increased by Euro 351 thousand. In the present year the Company updated the range and drew up new catalogues, also for participation at the 2010 Eurocucina trade fair. The account "Prior year and other charges" was in line with the previous year, including Euro 404 thousand for samples, Euro 196 thousand for expenses reimbursed and third party penalties, Euro 137 thousand concerning charitable donations, Euro 75 thousand for goods under guarantee, Euro 55 thousand for royalties, in addition to other various costs.

4.10 Restructuring charges

The account Restructuring charges includes charges concerning restructuring operations as described in note 5.4.

4.11 Share of profit/(loss) from associates

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Share of profit/(loss) from associates	(872)	(872)	4,916	5,788
Total	(872)	(872)	4,916	5,788

The balance includes dividends distributed in the year by the subsidiaries Airforce S.p.A. for Euro 45 thousand, Aria fina for Euro 413 thousand and Elica Group Polska for Euro 4,129 thousand.

The account also includes income from the liquidation of the subsidiary Elica International S.à.r.l. for Euro 329 thousand, to which reference should be made to paragraph "4.19 Investments in subsidiaries".

4.12 Financial income

Details of financial income are shown below:

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Interest income from parent company and subsidiaries	252	25	583	557
Bank interest	9	10	5	(5)
Other financial income	1,002	1,005	1,221	216
Total	1,263	1,041	1,809	768

The increase in interest income from parent company and subsidiaries is due principally to loans in place with Group companies (in particular Elica International and Gutmann)

Bank interest did not change significantly on the previous year.

The increase in "Other financial Income" principally includes income of Euro 950 thousand 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, in derogation of the exclusivity as per the Agreement on Share Options, purchased on the market 1,899,684 ordinary shares of the Company, comprising 3% of the Share Capital. In this manner Whirlpool has reached 10%.

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

4.13 Financial charges

<i>(Data in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
Financial charges:				
on overdrafts and bank loans	1,920	2,104	1,684	(420)
on other borrowings	58	146	167	22
on employee leaving indemnity	429	559	526	(33)
Total	2,407	2,808	2,377	(431)

The reduction in financial charges of Euro 432 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.

4.14 Exchange gains/(losses)

2009

(Data in Euro thousands)	Stand Alone	Pro-forma Post merger	2010	Changes
Exchange losses	(1,393)	(2,113)	(1,761)	352
Charges on derivatives	(403)	(403)	(317)	86
Exchange gains	1,212	1,955	2,234	279
Gains on derivatives	53	53	74	22
Total	(531)	(509)	231	739

Net exchange gains in the year amounted to Euro 231 thousand compared to losses of Euro 509 thousand in the previous year.

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 32 thousand.

For further information on exchange gains and losses in the year, reference is made to the Directors' Report.

The account "Gains/(charges) on derivatives" recorded a net charge of Euro 243 thousand in 2010 compared to a net charge of Euro 350 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.

4.15 Income taxes

The tax charge in the year is broken down between current and deferred taxes:

	2009			
(Data in Euro thousands)	Stand Alone	Pro-forma Post merger	2010	Changes
Current income tax	(503)	(1,506)	(1,830)	(324)
Deferred tax charge	1,213	2,859	745	(2,114)
Total	710	1,353	(1,084)	(2,438)

The increase in income taxes is essentially due to the IRES provision for Euro 386 thousand and IRAP in the year of Euro 1,537 thousand. Income from the tax consolidation was provisioned also for Euro 94 thousand. The reconciliation between the theoretical and effective tax rate is shown (IRES) in the table below.

Effective income taxes can be reconciled with the result for the year recorded in the financial statements as follows:

RECONCILIATION TAX RATE

	2009				2010					
IRES rate	27.50%				27.50%					
IRAP rate	4.13%				4.13%					
	2009				2010					
	Assessable	IRES income taxes	Regional taxes	Total	% of IRES on pre-tax result	Assessable	IRES income taxes	Regional taxes	Total	% of IRES on pre-tax result
Income taxes										
- Current		-546	1,049	503			292	1,537	1,829	
- Deferred – cost (income)		-1,232	19	-1,213			-815	70	-745	
[A] TOTAL INCOME TAXES		-1,778	1,068	-710	24.49%		-523	1,607	1,084	19.52%
PRE-TAX RESULT	-7,259					2,679				
Tax calculated using local tax rate		-1,996			27.50%		737			27.50%
Tax effect of exempt income	-1,411	-388			5.35%	-5,961	-1639			-61.18%
Tax effect of expenses not deductible	2,421	666			-9.17%	1,485	407			15.21%
Decrease/increase in deferred tax assets/liabilities due to changes in tax rates	0	0			0.00%	0	0			0.00%
Other differences	-218	-60			0.83%	-102	28			-1.05%
[B] Effective tax charge and tax rate net of substitute tax	-6,467	-1,778			24.50%	-1,899	-523			19.52%
Substitute Tax effect		0			0.00%		0			0.00%
[C] Effective tax charge and tax rate		-1,778			24.50%		-523			19.52%

Other information on income statement items

The research and development costs capitalised and expensed in 2010 are summarised in the table below:

<i>(in Euro thousands)</i>	2009		2010	Changes
	Stand Alone	Pro-forma Post merger		
R&D costs expensed	3,816	4,547	3,368	(1,179)
Amortisation of capitalised R&D costs	478	478	494	16
Total R&D costs	4,294	5,025	3,862	- 1,163
R&D costs capitalised during the year	450	450	430	- 20

BALANCE SHEET**4.16 Property, plant and equipment**

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

Property, plant & equipment	31/12/08	Increases	Disposals & Reclass.	31/12/09	
<i>(Data in Euro thousands)</i>					
Historical cost					
Buildings	26,706	243	-	26,949	
Plant and machinery	37,542	550	(764)	37,328	
Commercial and industrial equipment	53,546	2,171	(429)	55,288	
Other assets	6,656	345	(709)	6,292	
Assets in progress and advances	406	958	(250)	1,114	
Total	124,856	4,267	(2,152)	126,971	
<i>(Data in Euro thousands)</i>					
	31/12/08	Depre.	Disposals & Reclass.	31/12/09	
Accumulated depreciation					
Land and buildings	7,897	866	-	8,763	
Plant and machinery	29,076	2,367	(703)	30,740	
Commercial and industrial equipment	49,608	2,778	(408)	51,978	
Other assets	5,827	259	(594)	5,492	
Total	92,408	6,270	(1,705)	96,973	
<i>(Data in Euro thousands)</i>					
	31/12/2008	Increases	Disposals & Reclass.	Deprec.	31/12/2009
Net value					
Land and buildings	18,809	243	-	(866)	18,186
Plant and machinery	8,466	550	(61)	(2,367)	6,588
Commercial and industrial equipment	3,938	2,171	(21)	(2,778)	3,310
Other assets	829	345	(115)	(259)	800
Assets in progress and advances	406	958	(250)	-	1,114
Total	32,448	4,267	(447)	(6,270)	29,998

The movements in 2010 were as follows:

Property, plant & equipment	31/12/2009	Increases	Disposals & Reclass.	31/12/2010
<i>(Data in Euro thousands)</i>				
	Stand Alone	Pro-forma Post merger		

Historical cost

Land and buildings	26,949	39,067	495	-	39,562
Plant and machinery	37,328	62,876	3,288	(1,489)	64,676
Commercial and industrial equipment	55,288	78,303	2,365	(3,830)	76,837
Other assets	6,292	7,169	502	(427)	7,244
Assets in progress and advances	1,114	1,114	237	(893)	458
Total	126,971	188,529	6,887	(6,639)	188,777

<i>(Data in Euro thousands)</i>	31/12/2009		Depreciation	Disposals & Reclass.	31/12/2010
	Stand Alone	Pro-forma Post merger			

Accumulated depreciation

Land and buildings	8,763	12,243	1,230	-	13,473
Plant and machinery	30,740	53,633	2,985	(1,010)	55,607
Commercial and industrial equipment	51,978	72,614	2,909	(3,679)	71,844
Other assets	5,492	6,358	262	(426)	6,193
Total	96,973	144,847	7,385	(5,116)	147,117

<i>(Data in Euro thousands)</i>	31/12/2009		Increases	Disposals & Reclass.	Depre.	31/12/2010
	Stand Alone	Pro-forma Post merger				

Net value

Land and buildings	18,186	26,824	495	-	(1,230)	26,090
Plant and machinery	6,588	9,244	3,288	(478)	(2,985)	9,069
Commercial and industrial equipment	3,310	5,689	2,365	(151)	(2,909)	4,993
Other assets	800	811	502	(1)	(262)	1,051
Assets in progress and advances	1,114	1,114	237	(893)	-	458
Total	29,998	43,682	6,887	(1,524)	(7,385)	41,660

The investments made in the year mainly regarded the upgrading 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.

Assets in progress and payments on account of Euro 458 thousand refer principally to advances relating to the study undertaken regarding the expansion of the industrial area of Serra San Quirco, for new equipment and for additions to the productive facilities.

Property, plant and equipment are adequately insured against fire, weather damage and similar risks by means of insurance policies arranged with leading insurance companies.

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 the revaluations permitted under previous legislation which at December 31, 2010 amounted to Euro 265,007.

The financial statements include assets acquired under finance lease agreements which at the year end were all redeemed. In 2010, 5 property leasing contracts were redeemed concerning the buildings at the production sites of Mergo and Castelfidardo.

Details of the historical cost, accumulated depreciation and depreciation charged to the income statement in the previous 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. As already described there were no such costs in the current year.

Leased assets

Table of leased assets	Land and buildings	Plant and machinery	Commercial and industrial equipment	Total
<i>(in Euro thousands)</i>				
31/12/2009				
Gross value	6,385	3,914	5,601	15,900
Merger contribution	9,833	6,927	1,657	18,417
<i>Total gross values post merger</i>	<i>16,218</i>	<i>10,841</i>	<i>7,258</i>	<i>34,317</i>
Accumulated depreciation	- 1,966	- 3,297	- 5,878	- 11,141
Merger contribution	- 2,903	- 6,533	- 1,629	- 11,065
<i>Total depreciation post merger</i>	<i>- 4,869</i>	<i>- 9,830</i>	<i>- 7,507</i>	<i>- 22,206</i>
Total leased assets	4,419	617	277	4,759
Total merger contribution	6,930	394	28	7,352
Total leased assets post merger	11,349	1,011	249	12,111
Depreciation at December 31, 2009	188	350	371	909
Merger contribution	294	556	76	926
Depreciation at December 31, 2009 post merger	482	906	447	1,835
31/12/2010				
Gross value	-	-	-	-
Accumulated depreciation	-	-	-	-
Total leased assets	-	-	-	-
Depreciation at December 31, 2010				
	-	-	-	-

4.17 Goodwill and other intangible assets

Goodwill

The movements in the account in the year were as follows:

31/12/2009				
<i>(in Euro thousands)</i>	Stand Alone	Pro-forma Post merger	Acquisitions/(w rite-downs)	31/12/ 2010
Goodwill	3,446	23,342	-	23,342
Total book value of goodwill	3,446	23,342	-	23,342

(in Euro thousands)	31/12/2009		31/12/2010
	Stand Alone	Pro-forma Post merger	
Cost per CGU			
Electric motors		19,896	19,896
Hoods	3,446	3,446	3,446
Total book value of goodwill	3,446	23,342	23,342

The account "Goodwill" amounts to Euro 23,342 thousand, and has not changed compared to 2009 pro-forma.

The Goodwill was allocated, in conformity with that carried out at the time of consolidation, for Euro 3,446 thousand to the Range Hood CGU and Euro 19,896 thousand to the Motors CGU.

The recoverable value of the CGU was 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 CGU at the valuation date.

The cash flows utilised for the impairment test on the individual CGU's represent the consolidated result of the companies Elica S.p.A. and Elica Group Polska sp.zo.o. These cash flows were compared with the consolidated invested capital of the two legal entities. This choice is due to the restructuring under which Elica Group Polska sells all of its production to Elica S.p.A. which acts as an interface with the market. This organisational structure does not allow the Company to break down the cash flows generated by the two legal entities, in that they are entirely interdependent.

Such calculations discount the cash flows projected 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 and of 7% for the Motors CGU, in line with the best estimates available. Raw material costs as a percentage of revenues are expected to increase by 0.5% annually for range hoods and 0.8% annually for motors.

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, 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, in line with inflation.

The working capital absorbed by the CGU's is expected to remain constant in terms of revenues at around 9% for the Range Hoods CGU and 19% for the Motors CGU, in line with the historical data.

The terminal value was determined through the discounting of the perpetual return of cash flow freely available estimated for 2015 and at a growth rate of 2%.

The discount rate (WACC) was estimated net of taxes (in line with the cash flows to be discounted) at 9% (8.35% in 2009).

These are the principal assumptions used to predict future developments.

The valuations made did not result in the recognition of a loss in value at December 31, 2010.

Coverage of the book value against the value in use is 1.01 times for the Hoods CGU and 1.04 times for the Motors CGU.

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.

Other intangible assets

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

Intangible assets	31/12/2008	Increases	Disposals & Reclass.	Amort.	31/12/2009	
<i>(in Euro thousands)</i>						
Net value						
Development Costs	1,426	450	-	(478)	1,398	
Industrial patents and intellectual property rights	2,251	4,337	2,199	(1,616)	7,171	
Concessions, licenses, trade marks & similar rights	147	1	-	(34)	114	
Other intangible assets	248	11	-	(117)	142	
Intangible assets in progress and advances	4,011	342	(3,774)	-	580	
Total	8,083	5,141	(1,575)	(2,245)	9,405	
Intangible assets	31/12/2009		Increases	Disposals & Reclass.	Amort.	31/12/2010
<i>(in Euro thousands)</i>						
	Stand Alone	Pro-forma Post merger				
Net value						
Development Costs	1,398	1,398	430		(494)	1,333
Industrial patents and intellectual property rights	7,171	7,342	3,686	(24)	(1,818)	9,186
Concessions, licenses, trade marks & similar rights	114	119	10		(36)	93
Other intangible assets	142	247	66		(117)	196
Intangible assets in progress and advances	580	582	2,302	(393)		2,490
Total	9,405	9,688	6,494	(417)	(2,465)	13,299

"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 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 the company.

"Other intangible assets" mainly consists of shared costs regarding the development of mouldings. The method applied to amortise intangibles is considered appropriate to reflect the remaining useful life of the assets.

The intangible assets in progress of Euro 2,490 thousand 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, and also the development of new products, including two projects focused on energy efficiency.

4.18 Investments in subsidiary companies

<i>(Data in Euro thousands)</i>	31/12/2009		Acquisi. & Sub.	Other changes	31/12/2010
	Stand Alone	Pro-forma Post merger			
Investments in subsidiary companies	82,423	66,996	13,816	(5,946)	74,866
Total	82,423	66,996	13,816	(5,946)	74,866

The details of investments in subsidiary companies are shown below:

<i>(Data in Euro thousands)</i>	31/12/2009		Acquisi. & Sub.	Other changes	31/12/2010
	Stand Alone	Pro-forma Post merger			
Fime S.p.A.	23,907	-	-	-	-
Elica Group Polska S.p.zoo	13,796	22,276	-	-	22,276
Elicamex S.a. de C.V.	28,640	28,640	-	-	28,640
Leonardo Services S.a. de C.V.	4	4	73	-	77
Aria fina Co.Ltd	49	49	-	-	49
Airforce S.p.A.	1,212	1,212	-	-	1,212
Elica International S.à.r.l.	14,815	14,815	-	(14,815)	0
Exklusiv Hauben Gutmann GmbH	-	-	-	8,869	8,869
Elica India P.B.	-	-	366	-	366
Zhejiang Putian Electric Co. LTD	-	-	13,377	-	13,377
Total	82,423	66,996	13,816	(5,946)	74,866

Investments in subsidiary companies increased by a net amount on the Pro-forma Post Merger (Elica+Fime) data of Euro 7,840 thousand. This increase was due to the following operations:

- during the year Elica S.p.A. sold the assets of Elica International and subsequently acquired the investment in Gutmann;
- Elica spa subscribed to 51% of the share capital of the newly incorporated Indian company Elica India;
- Elica spa acquired 55% of the Chinese company Putian.

The recoverable value of the investment was 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 investment at the valuation date. Such calculations discount the cash flows projected by the business plans of the investments over a time horizon of five years, of which the first (2011) based on the updated budget and the subsequent years (2012-2015) pro-forma.

In particular, for the period 2012-2015 an extrapolation was carried out using a growth rate of revenues which varies between 4% and 10.5% annually. The terminal value was determined based on a growth rate between 1.8% and 3.8%. For the discount rate (WACC), the interval was estimated between 7.2% and 11.4%.

The valuations made on the investments did not result in the recognition of a loss in value in these investments.

In carrying out the above analyses, the Company utilised different assumptions, including estimates of future sales, of prices of raw materials and operating costs, of investments, of changes in working capital and the average weighted cost of capital. Naturally, a change in these assumptions could result in a different value in use.

The table below summarises the key figures derived from the subsidiary companies 2010 financial statements:

<i>(in Euro thousands)</i>	Registered Office	% direct	% indirect	Share capital	Net equity	Profit (loss)
Elicamex S.a.d. C.V.	Queretaro (Mexico)	98	2	31,003	22,749	1.276
Elica Group Polska Sp.z o.o	Wroklaw (Poland)	100	-	22,246	28,263	4.848
Airforce S.p.A.	Fabriano (AN)	60	-	103	2,038	143
Ariaфина	Sagamihara-Shi (Japan)	51	-	84	3,553	1.134
Leonardo	Queretaro (Mexico)	98	2	78	3	(41)
Exklusiv Hauben Gutmann GmbH	Muhlacker (Germany)	100	-	25	8,164	195
Elica Inc.	Chicago, Illinois (United States)		100	3	81	16
Airforce GE (*)	Stuttgart (Germany)		95	26	179	(20)
Elica PB India Private Ltd.	Pune (India)	51	-	719	(873)	(959)
Zhejiang Putian Electric Co. LTD	Shengzhou (China)	55	-	3,332	7,076	2.736

(*) Airforce Germany Hochleistungs-dunstabzugssysteme GmbH

<i>(in Euro thousands)</i>	% held	Book Value at Dec 31, 2010	Net result	Net Equity at Dec 31, 10	Share of Net Equity at 31.12.2010
Elicamex S.a.d. C.V.	98	28,640	1,276	22,749	22,294
Elica Group Polska Sp.z o.o	100	22,276	4,848	28,263	28,263
Airforce S.p.A.	60	1,212	143	2,038	1,223
Ariaфина	51	49	1,134	3,553	1,812
Leonardo	98	77	-41	3	3
Exklusiv Hauben Gutmann GmbH	100	8,869	195	8,164	8,164
Elica PB India Private Ltd.	51	366	-959	-873	-445
Zhejiang Putian Electric Co. LTD	55	13,377	2,736	7,076	3,892

As described in the paragraph "Events after December 31, 2010 and outlook" which should be referred to for further details, in March 2011 Elica S.p.A., further to a commitment undertaken, acquired a further 15% of the share capital of Putian.

4.19 Investments in associated companies

During the year, as detailed in the following table, no movements took place in investments in associated companies:

<i>(in Euro thousands)</i>	31/12/2009	Acquisi. & Sub.	Other changes	31/12/2010
Investments in associated companies	1,899	-	-	1,899
Total	1,899	-	-	1,899

These investments relate to:

<i>(Data in Euro thousands)</i>	Registered office	% direct	Book value at Dec. 31, 2010	Profit (loss)	Net equity at Dec. 31, 2010	Share of Net Equity at Dec. 31, 2010
<i>Local GAAP</i>						
I.S.M. Srl	Cerreto d'Esi (AN)	49.39	1,899	(479)	2,598	1,283

The Company did not consider it necessary to write-down the investment considering that the poor results in 2010 were exceptional as they related to a reorganisation of the company and considering also the unrealised gains on property.

4.20 Other financial assets

The amount of Euro 30 thousand refers to a policy signed with Carifac.

4.21 Other receivables (non- current)

The breakdown of the other receivables is as follows:

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Employees	158	158	138	(20)
Other receivables	9	35	14	(21)
Total	167	193	152	(41)

This account includes receivables beyond 5 years of Euro 85 thousand.

4.22 Tax receivables (non-current)

The breakdown of non-current tax receivables are as follows:

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Other tax receivables	1	6	6	(0)
Total	1	6	6	5

4.23 Deferred tax assets and liabilities

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		

Deferred tax assets	4,062	4,893	4,840	(53)
Deferred tax liabilities	(1,727)	(2,607)	(2,357)	250
Total	2,335	2,286	2,483	197

The account Deferred tax assets principally include the non deductible provisions, goodwill and employee bonuses. The account Deferred tax liabilities principally includes the latent taxes due on deferred gains, valuation exchange gains, employee leaving indemnity and merger adjustments.

The following table details deferred tax assets and liabilities:

<i>(in Euro thousands)</i>	31/12/2009		effect		Income statement effect		31/12/2010		Net Equity
	Stand Alone		Pro-forma Post Merger		Costs	Revenues	Assets	Liabilities	
	Assets	Liabilities	Assets	Liabilities					
Amortisation and Depreciation	105	0	86		0	(128)	319		
Provisions	1,394	0	47		391	(692)	1,742		
Costs ded. in future years	96	0	19		100	(25)	40		
Inventory write-down	398	0	189		83	(106)	611		
Exchange differences	90	(147)		(3)	242	(231)	82	(153)	
Gains, grants	0	(193)		(260)	0	(218)	0	(235)	
Restructuring charges	367	0	144		363	(202)	351		
Merger adjustments	0	(585)	46	(474)	46	(45)	-	(1,013)	
Set up and expansion costs	370	0			370	0	0		
R&D costs	0	0			0	0			
Other deferred charges	76	(1)			63	(1)	13	0	
Goodwill	732	0	300		148	0	884		
Others	0	(12)				(12)	0		
IRS Valuation	6	0						(22)	
Employee leaving indemnity	0	(789)		(145)	0	0		(934)	
Losses carried forward	428	0			455	(27)	(0)		
Employee bonuses	0	0	0	0	0	(799)	799		
Stock Grant	0	0			0	(519)			519
Total	4,062	(1,727)	830	(881)	2,261	(3,006)	4,840	(2,357)	519

The increase in deferred tax assets principally refers to the non deductible provisions and employee bonuses. The increase in deferred tax liabilities refers principally to Fime related to the merger with Elica and referred principally to employee leaving indemnity, merger adjustments and exchange gains.

4.24 Available-for-sale financial assets

This account regards investments held by Elica 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:

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Meccano S.p.A.	16	15	15	-
Fondazione Istud	0	0	25	25
Consorzio Energia	4	4	4	-
Acem s.r.l.		162	0	(162)
Other minor investments	4	6	6	-
Total	24	187	50	(137)

The above investments are recorded at cost in accordance with article 10 of Law 72/83 and no revaluations have been made pursuant to specific laws. The change principally concerns the sale of the investment in ACEM Srl at book value.

4.25 Trade receivables – third parties

The account consists of:

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
- receivables within one year	42,482	53,508	65,573	12,066
- receivables over one year	1,901	1,931	476	(1,456)
Total	44,383	55,439	66,049	10,610

Trade receivables increased by Euro 10,610 thousand; the increase is principally due to improved sales in the last two months of the year, and due also to the new Group organisation, described in note 4.1.

Doubtful receivables are covered by the doubtful debt provision based on 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 primary international insurance companies.

The realignment of receivables to their fair value is achieved through the bad debt provision. Management believes that the value approximates the fair value of the receivables.

The movements in the Doubtful Debt Provision are set out below:

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Opening balance	1,140	1,393	2,067	674
Provisions	1,177	1,239	1,273	34
Utilisations	(507)	(565)	(195)	370
Total	1,810	2,067	3,144	1,077

The doubtful debt provision was utilised in the year for Euro 195 thousand for credit positions that the Company believes, after prolonged attempts at recovery, will not be repaid and receivables from clients with whom insolvency procedures commenced during the year.

The allocation of the bad debt provision was carried out in line with the group Credit Policy.

4.26 Trade and financial receivables and loans – related parties

Receivables from related companies include both receivables of a commercial and financial nature from subsidiary and associated companies.

This account does not include any receivables due after more than five years at the year-end.

The details of the subdivision are shown in the table below:

31/12/2009				
(Data in Euro thousands)	Stand Alone	Pro-forma Post merger	31/12/2010	Changes
Receivables from subsidiaries	31,243	19,796	30,484	10,687
Receivables from related parties	35	46	39	(7)
Receivables from holding companies	1,017	1,015	1,013	(2)
Receivables from associated companies	7	7	7	(0)
Total	32,302	20,865	31,543	10,678

The account receivables from related parties refers to the receivable from Roal Electronics S.p.A. (associated company of the parent company Fintrack); in the previous year, the amount was Euro 46 thousand.

Receivables from subsidiary companies are composed of:

31/12/2009				
(Data in Euro thousands)	Stand Alone	Pro-forma Post merger	31/12/2010	Changes
Fime S.p.A.	17,917			-
Air Force S.p.A.	203	628	360	(268)
Elica Group Polska S.p.z.oo	6,037	11,311	13,857	2,546
Elicamex S.A. de C.V.	6,118	6,889	3,167	(3,722)
Ariafina Co Ltd	68	68	20	(48)
Elica International S.à.r.l.	900	900		(900)
Exklusiv Hauben Gutmann GmbH			12,021	12,021
Elica PB India Private Ltd.			1,019	1,019
Zhejiang Putian Electric Co. LTD			40	40
Total	31,243	19,796	30,484	10,688

The receivable from the company Exklusiv Hauben Gutmann GmbH amounts to Euro 12,000 thousand and is of a financing nature. This receivable was transferred to Elica Spa during 2010, following the liquidation of the subsidiary Elica International Sarl, previously holding the receivables from Exklusiv Hauben Gutmann GmbH.

The reduction in the receivable from Elicamex S.A. de C.V. is principally due to the full repayment by the company of the financial receivable during 2010.

The changes show the synergies created in order to optimise cash management.

The receivables from the associated company I.S.M. refer to normal operations of the company; these are

regulated at market conditions and are of a commercial nature.

This account does not include any receivables due after more than five years at the year-end.

The receivables from holding companies amount to Euro 1,013 thousand and refer to the receivable from the sale of the investment held in Roal Electronics to the Parent Company Fintrack S.p.A.
The amount includes interest calculated to December 31, 2010.

4.27 Inventories

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Raw material, ancillary and consumables	7,927	9,538	11,231	1,693
Raw materials obsolescence provision	(473)	(660)	(873)	(213)
Total	7,454	8,878	10,358	1,480
Products in work-in-progress and semi-finished	5,636	10,062	7,703	(2,359)
Work-in-progress obsolescence provision	(453)	(785)	(491)	293
Total	5,183	9,277	7,212	(2,065)
Finished products and goods for resale	8,793	9,652	9,485	(167)
Finished products obsolescence provision	(503)	(605)	(809)	(204)
Total	8,290	9,046	8,675	(371)
Total	20,927	27,202	26,245	(957)

The value of inventories decreased by approx. Euro 957 thousand.

Inventories are recorded net of the obsolescence provision which amounts to Euro 2,173 thousand (Euro 2,050 thousand at December 31, 2009), in order to provide for the effect of waste, obsolete and slow moving items.

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.

The quantification of the stock obsolescence provision of raw materials, semi finished and finished products is based on assumptions made by Management.

4.28 Other receivables (current)

The breakdown is as follows:

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Customs reimbursements	125	205	91	(114)
Deposits	173	253	196	(57)

Supplier advances	546	587	456	(131)
Other receivables	909	903	768	(135)
Insurance prepayments	103	103	79	(24)
Maintenance prepayments	30	36	45	9
Advertising prepayments	9	9	7	(2)
Rental prepayments	3	18	500	482
Other prepayments and accrued income	454	464	518	54
Total	2,352	2,578	2,661	83

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 "prepayments and accrued income" primarily includes accrued interest and charges on loans, consultancy and other services. The account Other receivables includes state grants and advance payments for hardware and autovehicle rental.

The account includes receivables beyond five years of Euro 218 thousand.

4.29 Tax receivables (current)

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

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
IRAP	252	252	-	(252)
IRES	3,801	3,877	2,640	(1,237)
VAT	2,063	2,331	3,391	1,060
Other tax receivables	625	791	1,104	313
Total	6,741	7,252	7,135	(116)

The most significant changes refer to the increase in the VAT receivable considering increased domestic purchases and sales, the reduction in the IRES receivable due to the offsetting against other taxes for Euro 516 thousand and the offsetting with the IRES payable accrued at year-end.

4.30 Derivative financial instruments

<i>(in Euro thousands)</i>	31/12/2009				31/12/2010	
	Stand Alone Assets	Stand Alone Liabilities	Pro-forma Post merger Assets	Pro-forma Post merger Liabilities	Assets	Liabilities
Foreign exchange derivatives	464	288	464	288	434	143
Derivatives on interest rates	45	23	45	23	265	166

Total	509	311	509	311	699	310
of which						
Non-current	45	-	45	-	189	
Current	464	311	464	311	510	310
Total	509	311	509	311	699	310

For further information, reference should be made to paragraph 7 Information on risks.

4.31 Cash and cash equivalents

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Bank and postal deposits	2,992	3,474	4,788	1,314
Cash in hand and similar	-	4	7	3
Total	2,992	3,478	4,794	1,317

This account reflects positive balances held in bank current accounts and cash on hand.

For further information, reference should be made to the section on net funds/(debt) in the Directors' Report and to the Cash Flow Statement.

4.32 Liabilities for post-retirement benefits

The amount provisioned in the accounts of Euro 8,850 thousand is the current value of pension liabilities matured by employees at the year-end.

The most recent calculation of the present value of the provision was performed at December 31, 2010 by actuaries from Mercer Human Resource Consulting S.r.l.

The amounts recognised in the income statement may be summarised as follows:

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Costs relating to current employee services	1,813	2,105	2,873	768
Net actuarial losses recognised in the year	-	13	8	(5)
Financial charges	429	559	526	(33)
Total	2,242	2,677	3,407	730

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

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Opening balance	8,063	10,823	9,277	(1,546)
Costs relating to current employee services	1,739	2,031	2,873	842
Curtailment effect	74	87		(87)
Net actuarial losses recognised in the year	-		8	8

	1,813	2,118	2,881	763
Financial charges	429	559	526	(33)
Pension fund	(1,745)	(2,037)	(2,870)	(833)
Benefits provided	(1,622)	(2,186)	(964)	1,222
Total	6,938	9,277	8,850	(427)

The corridor method was utilised which permits the non recording of the component of the cost calculated in accordance with the above-mentioned method represented by actuarial gains or losses when these do not exceed 10% of the current value of the defined benefit obligation. Following the application of this method, actuarial losses at December 31, 2010 amounting to Euro 820 thousand have not been recorded (losses of Euro 981 thousand at December 31, 2009).

Lastly, the interest component of the charge relating to employee defined-benefit schemes is shown under financial charges, with a resulting increase of Euro 526 thousand in this item for the year. The cost of current retirement benefits and net actuarial losses were recorded under labour costs.

Assumptions adopted for the calculation:

	31/12/ 2009	31/12/ 2010
Discount rate to determine the obligation		
	5.00%	5.10%
Rate of inflation	2.00%	2.00%
Discount rate to determine pension cost	5.75%	5.00%

Number of employees

The average number of employees in 2010 was 1,469 (1,245 in 2009 and 1,566 in 2009 Pro-forma) as detailed in note 4.7.

4.33 Provisions for risks and charges

The composition and movements of the provisions are as follows:

	31/12/2009				31/12/ 2010
<i>(in Euro thousands)</i>	Stand Alone	Pro-forma Post merger	Provisions	Utilisation s	
Supplementary agent termination benefits	341	341	171	-	512
Directors' termination benefits	109	109	-	-	109
Product warranty provisions	241	241	190	(144)	287
Product disposal provision	456	456	22	(119)	359
Provisions for risks	2,426	2,535	857	(1,054)	2,338
Restructuring provision	1,335	1,860	736	(1,318)	1,278
Personnel provision	219	279	2,841	(215)	2,905
Total	5,127	5,821	4,817	(2,850)	7,788
of which					
Non-current	4,886	5,580			7,501
Current	241	241			287

The "Supplementary agent termination benefits" are intended to cover possible charges upon termination of relations with agents and sales representatives. Changes in the fund relate to adjustments in the indemnities.

The Directors' termination benefits regard the termination benefits for the 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 company as a percentage of sales still covered by warranty. The provision increased in the year by Euro 46 thousand.

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. For comments in relation to risk provisions, reference is made to paragraph "4.9 Other operational expenses and provisions".

The Restructuring Provision recorded against restructuring charges in the income statement relates to the company restructuring programme.

The Personnel Provision includes contractual indemnities and the performance based remuneration of employees provisioned in the year, not yet definitive and based on the best estimates according to the information available, which will be paid in the subsequent year.

4.34 Bank borrowings and mortgages

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Bank loans and mortgages	37,485	37,485	56,843	19,358
Total	37,485	37,485	56,843	19,358
Bank loans and mortgages have the following repayment schedules				
On demand or within one year	22,868	22,868	26,488	3,620
Within two years	3,403	3,403	10,330	6,927
Within three years	3,442	3,442	6,649	3,207
Within four years	3,482	3,482	6,369	2,887
Within five years	3,523	3,523	2,916	(607)
Beyond 5 years	766	766	4,090	3,324
Total	37,485	37,485	56,843	19,358
Less amounts to be repaid within one year	22,868	22,868	26,488	3,620
Due beyond one year	14,617	14,617	30,354	15,737

The majority of bank borrowings and mortgages are denominated in Euro. The only loans not in Euro comprise the loans with expiry within one year denominated in US Dollars for a value at December 31, 2010 of Euro 1,123 thousand.

The majority of borrowings indicated above carry a floating rate of interest. While it is exposed to interest rate risk, in 2010 the Company 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.

4.35 Amounts due under finance leases and other borrowings

Amounts due under finance leases and other loans <i>(in Euro thousands)</i>	Minimum payments due under finance lease agreements and other loans			Present value of minimum payments due under finance lease agreements and other loans		
	31/12/2009		31/12/2010	31/12/2009		31/12/2010
	Stand Alone	Pro-forma merger	Post merger	Stand Alone	Pro-forma merger	Post merger
Due within one year	1,370	2,092	-	1,302	1,881	-
Due within five years	-	2,389	-	-	2,331	-
Due over five years	-	-	-	-	-	-
	1,370	4,481	-	1,302	4,212	-
of which:						
- future financing costs	68	269	-	-	-	-
- present value of obligations under finance leases	1,302	4,212	-	1,302	4,212	-
of which:						
- within one year	-	-	-	1,302	1,881	-
- beyond one year	-	-	-	-	2,331	-

As indicated in the note concerning property, plant and equipment, in 2010 all of the leasing contracts in place were redeemed and therefore at December 31, 2010, the financial leasing payables amounted to zero.

4.36 Current and non-current tax liabilities Tax payables (non-current)

<i>(in Euro thousands)</i>	31/12/2009			31/12/2010	Changes
	Stand Alone	Pro-forma merger	Post merger		
ILOR (former local income tax) payable – earthquake suspension	218	218	218	201	(17)
Other taxes payables	-	-	-	183	183
Employee leaving indemnity payable – earthquake suspension	32	32	32	29	(3)
IRPEF (employees income tax) payable – earthquake suspension	198	198	198	-	(198)
Taxes on equity reserves – earthquake suspension	609	609	609	563	(46)
Flat tax	1	1	1	1	0
Total	1,058	1,058	1,058	978	(80)

The movements in non-current tax payables concern the monthly movements of the repayment of earthquake suspension payables following the earthquake in 1997. These payables were discounted. This account includes payables beyond 5 years for Euro 576 thousand.

Tax payables (current)

31/12/2009				
(in Euro thousands)	Stand Alone	Pro-forma Post merger	31/12/2010	Changes
Other taxes	314	314	334	20
IRPEF withheld	1,825	2,164	1,929	(235)
Substitute tax	64	172	-	(172)
Total	2,203	2,650	2,263	(387)

The reduction in the account "Current tax payables" refers principally to the payment of the second substitute tax instalment as per article 1, paragraph 33 and 34 of the 2008 Finance Act relating to the redemption as well as the reduction of the IRPEF payable due to changes in personnel costs.

4.37 Sundry and Other Payables (non-current)

Other Payables (non-current)

31/12/2009				
(Data in Euro thousands)	Stand Alone	Pro-forma Post fusione	31/12/2010	Changes
Other payables	1	60	229	169
INAIL contributions – earthquake suspension 1997	94	94	87	(7)
INPDAI contributions – earthquake suspension 1997	51	51	47	(4)
Employee INPS contributions – earthquake 1997	1,170	1,170	1,076	(94)
Freelance INPS contributions – earthquake 1997	-	-	-	-
Total	1,316	1,375	1,439	64

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

Other payables (current)

31/12/2009				
(Data in Euro thousands)	Stand Alone	Pro-forma Post merger	31/12/2010	Changes
Payments to social security institutions	1,934	2,464	1,902	(562)
Other payables	61	65	55	(10)
Payables to personnel for remuneration	2,495	3,276	3,924	648
Customers	64	146	109	(37)
Accruals and deferred income	122	154	159	5
Customer advances	207	244	200	(44)
Directors and Statutory Auditors	-	-	100	100
Total	4,883	6,349	6,448	99

The "Payables to personnel for remuneration" increased in line with the changes in personnel costs, while the "Payables to Social Security Institutions" decreased following redundancies. The present account includes payables beyond 5 years for Euro 22 thousand.

4.38 Trade payables

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Trade payables				
- payables within one year	51,554	65,263	64,139	(1,124)
- payables beyond one year	55	55	55	0
Total	51,609	65,318	64,194	(1,124)
Subsidiaries	2,879	1,271	16,969	15,698
Related companies	968	970	1,008	38
Associated companies	2,742	2,742	0	(2,742)
Total	6,589	4,983	17,977	12,994
Total	58,198	70,301	82,171	11,870

This mainly includes payables for trade purchases and other costs. The average payment days for the purchase of raw materials is approximately 105.

The payables to related parties (Euro 1,008 thousand) includes the payables at 31/12/2010 to Roal Electronics S.p.A. (Euro 1,003 thousand) and Fastnet S.p.A. (Euro 5 thousand).

Management believes that the book value of trade payables and other payables reflects their fair value.

4.39 Trade payables and other payables to related parties

Payable to subsidiaries

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
Fime S.p.A.	1,962			-
Elica Group Polska	263	617	16,037	15,420
Airforce	437	437	440	3
Elicamex S.A.	216	216	187	(29)
Aria fina Co Ltd	1	1	1	-
Zhejiang Putian Electric Co. LTD			299	299
Exklusiv Hauben Gutmann GmbH			5	5
Total	2,879	1,271	16,969	15,698

The amounts, of a commercial nature, refer principally to purchases carried out by Elica Group Polska of Euro 16,037 thousand in 2010 (Euro 617 thousand in 2009). The increase is as a result of the changed organisational structure adopted by the Group from 1/11/2010, according to which Elica Spa purchases all of its finished products from Elica Group Polska and then sells them on to the market.

The balance with Airforce S.p.A. includes tax payables based on the inclusion of the subsidiary in the tax consolidation for Euro 123 thousand.

Associated companies

These payables of an exclusive trade nature are composed of:

<i>(in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
I.S.M. S.r.l.	2,742	2,742	-	(2,742)
Total	2,742	2,742	0	(2,742)

Payables to the associated company were cancelled as in 2010 the company changed its corporate scope. Currently the company operates in the real estate sector, therefore no longer having commercial relations with the Company, previously carrying out mechanical processing, carpentry and finished product assembly.

4.40 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 thousand, consisting of 63,322,800 ordinary shares with a par value of Euro 0.20 each, fully subscribed and paid-in.

Capital reserves

The capital reserves amount to Euro 71,123 thousand and relate to the Share Premium Reserve.

Cash flow and stock grant reserve

The account amounts to Euro 57 thousand and refers to the change in cash flow hedges net of the tax effect; in the previous year, it amounted to a negative Euro 16 thousand.

The Stock Grant Plan reserve, approved by the shareholders' meeting of April 26, 2010, includes the 2010 share, net of the fiscal effect, and amounts to Euro 1,366 thousand.

Treasury shares

	Number	Book value (in '000 of Euro)
Beginning 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

<i>(in Euro thousands)</i>	31/12/ 2009	31/12/ 2010	Changes
Legal reserve	2,533	2,533	-
IAS transition reserve	1,675	1,675	-
Extraordinary reserve	53,437	52,564	(873)
Reserve restricted under Law 488/92	3,875	3,875	-
Total	61,520	60,648	(873)

The Legal Reserve amounts to Euro 2,533 thousand.

The IAS Transition Reserve amounts to Euro 1,675 thousand: it is unchanged on the previous year.

The change in the Extraordinary Reserve of Euro 873 thousand relates to the allocation of the 2009 loss of Euro 6,550 thousand net of the Merger Reserve of Fime of Euro 5,677 thousand.

Information on distributable reserves

The following table shows net equity accounts divided by origin, the possibility of utilisation and distribution, as well as any utilisations in the previous three years. The amounts are in units of Euro.

Description:	Amount	Poss. of utilisation	Quota available	Util. in past 3 years to cover losses	Util. in past 3 years for other reasons
I Share capital	12,664,560	=		-	
II Share premium reserve	71,123,336	A,B,C	71,123,336	-	-
IV Legal reserve	2,532,912	B		-	
VII Other reserves					
Treasury shares	(17,629,065)				
Extra. Reserve	52,621,738	A,B,C	52,621,738	-	-
Reserve Law 488/92	3,875,493	B	-		-
IAS transition reserve	1,675,096	A,B,C	1,675,096		
Reserve stock option/Grant	1,366,059	A,B,C	-		
Total	128,230,129		125,420,170	-	-
Non-distributable quota	-		18,962,246		
Residual distributable	-		106,457,924		

A: for share capital increase

B - coverage of losses

C: for distribution to shareholders

The account Extraordinary Reserve is not distributable for an amount of Euro 18,962 thousand, corresponding to the value of the treasury shares held as set out in article 2357 of the civil code for Euro 17,629 thousand and for the residual part research and development expenses to be amortised of Euro 1,332 thousand. This amount is included in the non distributable reserves.

4.41 Net Financial Position

(Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006)

<i>(in Euro thousands)</i>	31/12/ 2009	31/12/2009 Pro-forma post merger	31/12/ 2010	Changes
Cash and cash equivalents	2,992	3,478	4,794	1,317
Loans to related parties	19,197	1,810	12,001	10,190
Bank loans and mortgages - current	(22,868)	(22,868)	(26,488)	(3,620)
Finance leases and other lenders - current	(1,302)	(1,881)	-	1,881
Short-term net debt	(1,982)	(19,461)	(9,693)	9,768
Bank loans and mortgages – non-current	(14,617)	(14,617)	(30,354)	(15,737)
Finance leases and other lenders – non-current	-	(2,331)	-	2,331
Long-term net debt	(14,617)	(16,948)	(30,354)	(13,406)
Net Debt	(16,599)	(36,409)	(40,048)	(3,638)

At December 31, 2010 the net debt amounted to Euro 40,048 thousand, a decrease of Euro 3,638 thousand on the previous year principally following investments in the year. For further comment, reference is made to the Directors' Report.

5. Significant non-recurring events and operations

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

<i>(in Euro thousands)</i>	Net equity		Net Profit	
	Amount	%	Amount	%
As per accounts	129,825		1,594	
a) restructuring charges	534	0.4%	534	33.5%
b) Whirlpool options	(689)	(0.5%)	(689)	(43.2%)
Notional value of financial statements	129,670		1,439	

a) The account refers to the industrial reorganisation charges;

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.

6. Guarantees, commitments and contingent liabilities

a) Contingent liabilities

Elica is 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.

Prudent provisions were also made concerning contingent risks from pending legal disputes; At December 31, 2010, the risks and charges provision for disputes amounted 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

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.oz.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.

Commitments with suppliers for fixed asset purchases at December 31, 2010 amount to approx. Euro 1,627 thousand, principally relating to investments in the productive capacity such as equipment, machinery and software.

Commitments in place at 31/12/2010 undertaken for the purchase of raw materials amount to Euro 2,354 thousand.

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. The account other operating leases concerns commitments for a new operating lease contract, signed by the Company in the present year, concerning photovoltaic panels. Future payments due against lease contracts are summarised in the following table:

<i>(Euro thousands)</i>	31/12/2009			31/12/2010
	Stand Alone	Pro-forma merger	Post merger	
Property rentals	1,128	1,128	1,128	932
Car and fork lift rental	1,730	2,110	2,110	2,680
Hardware operating leases	1,693	1,844	1,844	1,776
other operating leases				4,411
Total	4,551	5,082	5,082	9,799

<i>(Euro thousands)</i>	31/12/2010	Within 1 year	1-5 years	Over 5 years
Property rentals	932	454	478	
Car and fork lift rental	2,680	1,195	1,484	
Hardware operating leases	1,776	614	1,146	17
other operating leases	4,411	371	1,481	2,560
Total	9,799	2,634	4,589	2,577

7. Risk management policy

Introduction

Elica'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 Company. Within this policy, the Company 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 Company 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 Elica 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, Elica uses derivative instruments to hedge its risks and 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 Company's operating currency is the Euro. However, the Group companies trade also in American Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss Francs (CHF), Russian Roubles (RUB) Polish Zloty (PLN) and Chinese Yuan (CNY). In all of these currencies, except for the Swiss Franc, the Company has higher revenues than costs; therefore changes in the exchange rates between the Euro and these currencies impact the Company 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 Company 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:

<i>(In Euro thousands)</i>	2010		2009	
Currency	Assets	Liabilities	Assets	Liabilities
CHF	-	(299)	-	(311)
GBP	551	(29)	51	(2)
JPY	112	(1)	332	(1)
PLN	3,786	(406)	-	-
Rub	44	(2)	22	(8)
USD	3,561	(1,526)	5,584	(296)
Total	8,054	(2,263)	5,989	(618)

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the EUR/CHF, EUR/GBP, EUR/JPY, EUR/PLN, EUR/RUB and EUR/USD 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:

<i>In Euro thousands</i>				
Currency	2010		2009	
	Depreciation of foreign currencies 5%	Appreciation of foreign currencies 5%	Depreciation of foreign currencies 5%	Appreciation of foreign currencies 5%
CHF	14	(16)	15	(16)
GBP	(25)	28	(12)	13
JPY	(5)	6	(9)	10
PLN	(161)	178	(1)	1
Rub	(2)	2	(2)	2
USD	(97)	107	(192)	212
Total	(276)	305	(201)	222

The hedging operations of Elica as at December 31, 2010 with financial counterparties have a total positive Fair Value of Euro 290.5 thousand.

The table below shows the details of the notional and Fair Values:

FOREIGN EXCHANGE DERIVATIVES

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	-	-	-	-
JPY				
Options	75,000	6	-	-
Total		291		176

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the EUR/USD, EUR/GBP, EUR/JPY and the rate curves of the Euro exchange rates 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 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 reasonably possible movements in the exchange rates and the rate curves, maintaining all other variables unchanged, of the Fair Value of the operations in foreign currencies at December 31, 2019 (compared with December 31, 2009):

<i>in Euro</i>	2010		
	USD	GBP	JPY
	Notional 10,650 USD/000	Notional 730 GBP/000	Notional 75,000 JPY/000
Depreciation of foreign currencies	212,667	24,712	9,837
Currency depreciation EURO	5,629	853	(44)
Currency depreciation	(2,418)	(338)	(5)
Sensitivity to Depreciation	215,878	25,227	9,788
Appreciation of foreign currencies	(185,371)	(26,241)	(4,412)
Currency appreciation EURO	(4,671)	(856)	(44)
Currency appreciation	2,424	337	5
Sensitivity to Appreciation	(187,618)	(26,760)	(4,451)

<i>in Euro</i>	2009	
	USD	GBP
	Notional 13,300 USD/000	Notional 500 GBP/000
Depreciation of foreign currencies 5%	298,419	27,007
Curr. depreciation EURO 25%	6,389	1,211
Currency depreciation 25 %	(2,510)	(816)
Sensitivity to Depreciation	302,298	27,402
Appreciation of foreign currencies 5%	(247,173)	(29,429)
Currency appreciation EURO 25%	(2,694)	(816)
Currency appreciation 25 %	6,198	1,211
Sensitivity to Appreciation	(243,669)	(29,034)

Commodity risk

Elica is subject to market risk deriving from fluctuations in commodity prices used in the production process. The raw materials purchased by the Company are affected by the trends of the principal markets. The Company 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, Elica 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 Company 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 Elica 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 Company's debt mainly carries a floating rate of interest.

Relating to the Company 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 40 thousand, while a change of 10 bps in the same interest rate curve converts into higher financial charges of Euro 40 thousand.

The Company 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

Instrument	31/12/2010		31/12/2009	
	Notional	Fair Value	Notional	Fair Value
In Euro thousands				
Interest Rate Swap	12,969	79	915	(23)
CAP	10,573	20	6,550	40
Total	23,542	99	7,465	18

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 showed that 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 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 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 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 Elica 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 Company only deals with well known and reliable clients. It is Company 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 Company 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 from third parties, of Euro 66.0 million (Euro 44.7 million at December 31, 2009), include approx. Euro 3.4 million (Euro 3.4 million at December 31, 2009) concerning overdue receivables.

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 Company utilises insurance coverage to guarantee against the non payment 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 Company and its own financial needs.

The principal factors which determine the liquidity of the Company 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	-	-	-
Bank loans and mortgages	26,488	26,264	4,090
Trade and other payables	88,619	1,439	-
Total	115,107	27,703	4,090

Data at December 31, 2009

(in Euro thousands)	within 12 months	1-5 years	Over 5 years
Finance leases and other lenders	1,302	-	-
Bank loans and mortgages	22,868	13,851	766
Trade and other payables	65,283	2,374	-
Total	89,453	16,225	766

During the year, the Company 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 covenants on some of the loans do not immediately determine default of the line through non respecting of the limits, but in the first instance impose 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.

For details on the net financial position, reference should be made to note 4.41 of the notes.

Classification of the Financial instruments

<i>(in Euro thousands)</i>	31/12/2010	31/12/2009
Other financial assets	30	30
Financial assets available-for-sale	50	24
Derivative financial instruments	189	
Non-current assets	269	54
Derivative financial instruments	509	509
Cash and cash equivalents	4,794	2,992
Current assets	5,303	3,501
Finance leases and other lenders	-	-
Bank loans and mortgages	30,354	14,617
Non-current liabilities	30,354	14,617
Finance leases and other lenders	-	1,302
Bank loans and mortgages	26,488	22,868
Derivative financial instruments	310	311
Current liabilities	26,798	24,481

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 Company 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 Company 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 discretionary element, although not significant, where in accordance with IFRS, the Company 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.

<i>in Euro</i>			
	Notional Value		Book Value
	Maturity within 1 year	Maturity over 1 year	
Interest rate risk			
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	19
Total derivatives on interest rates	4,621	18,921	98

<i>in Euro</i>			
	Notional Value		Book Value
	Maturity within 1 year	Maturity over 1 year	
Interest rate risk			
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	19
Total derivatives on interest rates	4,621	18,921	98

	Notional Value				Book Value
	Maturity within 1 year		Maturity over 1 year		
Foreign currency risks	sales	purchases	sales	purchase s	
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	-	430
- On financial operations					
Total derivatives on foreign exchange	8,478	4,943	977	-	430

The situation at December 31, 2009 is outlined below:

<i>in Euro</i>			
	Notional Value		Book Value
	Maturity within 1 year	Maturity over 1 year	
Interest rate risk			
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
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<i>in Euro</i>			
	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	19
Total derivatives on interest rates	4,621	18,921	98

	Notional Value				Book Value
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	-	112	-	176
- On financial operations					
Total derivatives on foreign exchange	9,698	-	112	-	176

8. Disclosure on management compensation and related-party transactions

As required by law, the total remuneration of Directors, Statutory Auditors and Managers with strategic roles also in other companies are reported below.

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
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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. 2011	app	53		
Stefano Marasca	Statutory Auditor	Acc. 2011	app	34		
Gilberto Casali	Statutory Auditor	Acc. 2011	app	37		
Franco Borioni	Alternate Auditor	Acc. 2011	app	-		
Daniele Capecci	Alternate Auditor	Acc. 2011	app	-		
Total				124	-	-

8.2 Management and direction activity

Elica S.p.A. is indirectly controlled by the Casoli Family through Fintrack S.p.A. of Fabriano (AN).

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.

Gianna Perialisi 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.

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

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.

Subsidiaries - highlights:

<i>(in Euro thousands)</i>	Assets	Liab.	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 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. The details are shown below:

<i>(Data in Euro thousands)</i>	31/12/2009		31/12/2010	Changes
	Stand Alone	Pro-forma Post merger		
<i>Financial receivables from holding companies:</i>				
Fintrack Spa	1,017	1,017	1,013	(4)
<i>Loans to subsidiaries</i>				
Fime SpA	17,386	-	-	-
Elicamex S.A. de C.V.	793	793	1	(793)
Exklusiv Hauben Gutmann GmbH	-	-	12,000	12,000
Total	18,180	793	12,001	11,207
Total	19,197	1,810	13,014	11,204

The table below summarises the transactions and balances with related parties in 2010:

Related parties	Payables	Fin/Trade receivables	Costs	Revenues
<i>Subsidiary Companies</i>				
Elicamex S.a.d. C.V.	187	3,167	253	7,724
Ariafina Co.Ltd	1	20	0	477
Elica Polska S.p.zoo	16,037	13,857	16,627	30,144
Air Force S.p.A.	440	360	1,954	1,677
Zhejiang Putian Electric Co. LTD	299	40	439	29
Exklusiv Hauben Gutmann GmbH	5	12,021	16	121
Elica PB India Private Ltd.		1,019	2	1,093
Elica International				480
<i>Associated company</i>				
I.S.M. S.r.L.	-	7		
<i>other related parties</i>				
Fintrack Spa		1,013	-	13
Fastnet SpA	5		16	-
Roal Electronics Srl	1,003	39	2,558	48

Transactions with other related parties

Transactions with other related parties (Fastnet S.p.A., Roal Electronics and Fintrack S.p.A.) are exclusively of a trading and financial nature.

Transactions of a commercial and financial nature

The table above 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) and financial transactions with Fintrack S.p.A. (company that indirectly controls Elica S.p.A.).

The operating and financial balances arise from trading transactions conducted to purchase goods and services on an arm's length basis.

The transactions 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. relates to the receivable from the sale of the investments held in Roal Electronics S.p.A. in June 2007.

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 thousand)
Audit	Deloitte & Touche S.p.A.	Elica S.p.A.	260
Total			260

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.

Declaration of the Separate 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 financial statements for 2010.

It is also declared that:

- the 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 balance sheet, financial situation and result for the year of the issuer.
- 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.

March 22, 2011

The Chief Executive Officer
Andrea Sasso

Executive responsible for the preparation
of corporate accounting documents
Vincenzo Maragliano

Financial Statements compared with December 31, 2009 Pro-forma post merger by incorporation of the former subsidiary Fime Spa, with effect from January 1, 2010:

	2010	31/12/2009 Pro-forma post merger	2009
<i>In Euro thousands</i>			
Revenues - third parties	218,914,825	211,955,843	181,683,745
Revenues - related parties	36,273,891	32,821,853	21,509,832
Other operating revenues	1,698,070	2,768,694	1,967,847
Changes in inventories of finished and semi-finished goods	(1,116,582)	(4,779,697)	(3,371,406)
Increase in internal work capitalised	2,365,581	2,623,843	1,794,275
Raw materials and consumables – third parties	(109,014,842)	(114,255,114)	(80,392,957)
Raw materials and consumables – related parties	(21,459,109)	(7,079,642)	(21,882,420)
Services – third parties	(54,019,758)	(41,253,207)	(34,713,526)
Services – related parties	(383,931)	(10,341,548)	(10,642,446)
Labour costs	(57,268,101)	(53,896,780)	(43,820,883)
Amortisation and Depreciation	(9,850,684)	(11,823,457)	(8,514,139)
Other operating expenses and provisions	(7,303,648)	(7,754,716)	(6,995,221)
Restructuring charges	(736,000)	(1,939,549)	(1,335,000)
Write-down of Goodwill for loss of value	-	(2,771,011)	-
EBIT	(1,900,288)	(5,724,488)	(4,712,299)
Share of profit/(loss) from associates	4,916,369	(871,639)	(871,639)
Financial income	1,809,023	1,040,603	1,262,924
Financial charges	(2,377,079)	(2,808,421)	(2,406,777)
Exchange gains/(losses)	230,620	(508,714)	(531,345)
Profit/(loss) before taxes	2,678,645	(8,872,659)	(7,259,136)
Income taxes	(1,084,259)	1,353,446	709,554
Net profit/(loss) from continuing operations	1,594,386	(7,519,213)	(6,549,582)
Net profit/(loss) from discontinued operations	-	-	-
Net profit/(loss) for the year	1,594,386	(7,519,213)	(6,549,582)

	31/12/2010	31/12/2009 Pro-forma post merger	31/12/2009
<i>In Euro thousands</i>			
Property, plant & equipment	41,659,875	43,682,335	29,998,284
Goodwill	23,342,460	23,342,461	3,445,953
Other intangible assets	13,298,850	9,688,065	9,405,150
Investments in subsidiary companies	74,866,075	66,995,712	82,423,417
Investments in associated companies	1,899,162	1,899,162	1,899,162
Other financial assets	30,000	30,000	30,000
Other receivables	152,129	192,292	166,633
Tax receivables	5,982	5,879	570
Deferred tax assets	4,840,462	4,892,544	4,062,277
Financial assets available-for-sale	50,293	186,831	23,803
Derivative financial instruments	189,358		
Total non-current assets	160,334,646	150,915,282	131,455,249
Trade receivables	66,048,778	55,438,819	44,383,066
Trade receivables - related parties	19,542,664	19,056,428	13,105,183
Financial receivables - related parties	12,000,646	1,808,581	19,196,502
Inventories	26,245,314	27,203,909	20,927,418
Other receivables	2,660,722	2,577,844	2,352,277
Tax receivables	7,135,413	7,251,848	6,740,815
Derivative financial instruments	509,610	508,915	508,915
Cash and cash equivalents	4,794,370	3,477,554	2,992,385
Current assets	138,937,517	117,323,898	110,206,561
Total assets	299,272,163	268,239,180	241,661,810
Liabilities for post-employment benefits	8,849,931	9,277,324	6,938,427
Provisions for risks and charges	7,501,473	5,579,838	4,886,225
Deferred tax liabilities	2,357,220	2,606,767	1,727,429
Finance leases and other lenders	-	2,331,073	-
Bank loans and mortgages	30,354,291	14,617,038	14,617,038
Other payables	1,439,246	1,375,277	1,316,085
Tax payables	977,923	1,058,140	1,058,139
Derivative financial instruments	-	-	-
Non-current liabilities	51,480,084	36,845,457	30,543,343
Provisions for risks and charges	286,664	240,968	240,968
Finance leases and other lenders	-	1,881,633	1,302,340
Bank loans and mortgages	26,488,319	22,868,197	22,868,124
Trade payables	64,193,827	65,318,888	51,609,396
Trade payables - related parties	17,977,310	4,982,574	6,588,273
Other payables	6,448,375	6,348,766	4,882,743
Tax payables	2,263,236	2,649,610	2,202,628
Derivative financial instruments	309,834	310,884	310,884
Current liabilities	117,967,565	104,601,520	90,005,356
Share Capital	12,664,560	12,664,560	12,664,560
Capital reserves	71,123,335	71,123,335	71,123,335
Hedging and stock option reserve	1,423,519	(16,317)	(16,317)
Treasury shares	(17,629,065)	(17,629,065)	(17,629,065)
Profit reserves	60,647,779	68,168,903	61,520,180
Net profit/(loss) for the year	1,594,386	(7,519,213)	(6,549,582)
Shareholders' Equity	129,824,514	126,792,203	121,113,111
Total liabilities and equity	299,272,163	268,239,180	241,661,810

