Elica S.p.A.

2011 PARENT COMPANY FINANCIAL STATEMENTS

CONTENTS

The Elica Group today

The Elica Group has been present in the cooker hood market since the 1970s, is chaired by Francesco Casoli and led by Andrea Sasso and today is the world leader in terms of units sold. It is also a European leader in the design, manufacture and sale of motors for central heating boilers. With approx. 3,000 employees and an annual output of over 18 million units, the Elica Group has 9 plants - of these, four are in Italy, one is in Poland, one in Mexico, one in Germany, one in India and one in China. With many years' experience in the sector, Elica has combined meticulous care in design, judicious choice of material and cutting edge technology guaranteeing maximum efficiency and reducing consumption making the Elica Group the prominent market figure it is today. The Group has revolutionised 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 2011 and Outlook 2012

In the **Eurozone**, in 2011 the sovereign debt issue took centrestage. This issue was particularly relevant in the second half of the year. In the first six months of 2011 the situation was entirely different with the Euro strengthening against the US Dollar, contained government spreads and interest in risky assets. The opposing trends in the year were in part related to the ending of the second Fed[1] asset purchase program in June. The reawakening of the sovereign risk issue in the last months of the year was due to the difficulties in reaching an agreement within the Eurozone to expand the powers and recourse to the EFSF[2].
In 2011 Eurozone GDP[3] grew by 1.6% on the previous year, driven in particular by German GDP expanding by 3%. Italy and Spain respectively report growth of 0.4% and 0.7%. The consumer price index increased in the Eurozone by 2.7% on 2010.
The most recent IMF[4] estimates indicate a contraction in Eurozone GDP in 2012 of 0.5% following the restrictive measures introduced by the European Authorities in order to contain the sovereign risk in the countries which were impacted greatest in 2011. Inflation is expected at 2.3%.

In the **United States**, GDP grew 1.8% against a rise in consumer prices of 3.2%. This data highlights that the US real estate sector was not substantially improved by the two rounds of Quantitative Easing which overall totalled USD 2,300 billion. The drop in property values was the principal reason behind a further contraction in the so-called Owners' equity - the value of property net of the mortgage cost due. The equities sector was the recipient of the greatest benefit.
In 2012 GDP growth of 1.8% is forecast with the consumer price index increasing 2%.

The events in March 2011 led to a contraction in **Japanese** GDP of 0.9% on 2010. In the second half of 2011, a significant recovery took hold in Japan, which should continue also in 2012.

In **China**, GDP in 2011 grew by 9.2%; a slight slowdown is expected in 2012.

In relation to the **emerging countries**, expansionary policies have already been partly introduced in larger countries such as Brazil. In 2011, the GDP of the emerging countries as a whole grew by 6.2%. The latest IMF estimates predict growth in 2012 of approx. 5.4%.

In relation to **Commodities**, the start of 2011 saw a general increase for the principal sectors, reaching a peak in April with the announcement of the imminent conclusion of QE2[5]. This sparked a contraction in all sectors (with the exception of precious metals) fed by increased concerns in the Eurozone, signs of a slowdown in the principal geographic areas (Europe and the emerging markets, in particular China) and a pullback from speculative positions at the end of the QE2. In the final part of the year, a recovery in energy assets took place (thanks to WTI[6]), following the lowering of industrial metal and agricultural prices, with weakness also for precious metals. In 2012, prices are expected to increase in the first half of the year, with a possible consolidation/correction towards the end of the year.

The **currency markets** saw two opposing trends in 2011. The first part, in which the concerns in the Eurozone were not entirely apparent, the principal currencies strengthened significantly against the US Dollar, both in relation to developed and emerging economy currencies. The Euro in particular benefited from the record growth of Germany in the first two quarters and the restrictive monetary policy of the ECB[7]. The climate of greater optimism encouraged operators to implement carry trade operations in order to benefit from the high yields offered by emerging economy currencies due to the interest rate increases adopted in order to offset inflationary pressures.

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[1] Federal Reserve System
[2] European Financial Stability Fund
[3] Gross Domestic Product
[4] International Monetary Fund
[5] Quantitative Easing 2
[6] West Texas Intermediate
[7] European Central Bank

The second part, which coincided with the end of QE2 (June 2011), saw a significant decline in investor confidence. The worsening of the global economic data, together with a heightening of the Eurozone crisis which impacted the single currency, led investors to seek safe haven currencies.

In 2011, the **global range hood market** contracted by 4.6% on 2010[8].
The European market remained stable on the previous year, however with opposing performances: a significant drop in demand in Western Europe (approx. -6%) offset by growth in Eastern Europe (+7%). The principal Western European markets (Italy, Spain and the United Kingdom) saw contractions of up to 10/15%, with the exception of France (stable) and Germany (slight growth). The strong performance in Eastern Europe was driven particularly by the Russian market (+30%).
Demand in North America (United States and Canada) also contracted significantly in 2011 (-5%) while the Central and South American markets continued to show signs of vibrancy (+5%).
2011 in fact was the first year in which a slowdown was seen in China, the principal global range hood market, with a drop of 10% on 2010.

Currency markets

In 2011, the Euro reports weakness only against the Japanese yen, while the currency strengthened against all the other currencies in which the Group carries out commercial transactions in comparison to the average exchange rate in 2010.

(in Euro)	Average 2011	Average 2010	%	31/12/2011	31/12/2010	%
USD	1.39	1.33	4.7%	1.29	1.34	-3.4%
GBP	0.87	0.86	0.9%	0.84	0.86	-2.9%
JPY	110.96	116.24	-4.5%	100.20	108.65	-7.8%
PLN	4.12	3.99	3.3%	4.46	3.98	12.2%
MXN	17.29	16.74	3.3%	18.05	16.55	9.1%
INR	64.89	60.59	7.1%	68.71	59.76	15.0%
CNY	9.00	8.97	0.3%	8.16	8.82	-7.5%
RUB	40.88	40.26	1.6%	41.77	40.82	2.3%

IAS/IFRS and 2011-2010 comparability

The financial statements of Elica S.p.A. for the year ended December 31, 2011 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, 2010.

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.

[8] in Volumes

Financial Highlights

In Euro thousands	2011	2010	Change 11 Vs 10
Revenues	295,393	255,189	15.75%
EBITDA	**9,080**	**7,950**	**14.22%**
revenue margin	3.07%	3.12%	
EBIT	**1,281**	**(1,900)**	**n/a**
revenue margin	0.43%	-0.74%	
Write down of equity investments	(28,363)	-	n/a
revenue margin	-9.60%	n/a	
Interest charge/(income)	(3,342)	(568)	488.43%
revenue margin	-1.13%	-0.22%	
Exchange gains	(1,824)	231	-889.82%
revenue margin	-0.62%	0.09%	
Net profit/(loss) for the year	**(26,853)**	**1,594**	**-1784.64%**
revenue margin	-9.09%	0.62%	

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.

In Euro thousands	31/12/11	31/12/10	Change 11 Vs 10
Cash and cash equivalents	**2,193**	**4,794**	**(2,601)**
Loans to related parties	10,902	12,001	(1,099)
Bank loans and mortgages - current	(41,210)	(26,488)	(14,722)
Finance leases and other lenders - current	-	-	-
Short-term debt	**(30,308)**	**(14,487)**	**(15,821)**
Bank loans and mortgages – non-current	(45,016)	(30,354)	(14,662)
Finance leases and other lenders – non-current	-	-	-
Long-term debt	**(45,016)**	**(30,354)**	**(14,662)**
Net debt	**(73,131)**	**(40,047)**	**(33,084)**

In Euro thousands	31/12/11	31/12/10
Trade receivables	62,189	66,049
Trade receivables - related parties	12,605	19,543
Inventories	29,170	26,245
Trade payables	(59,980)	(64,194)
Trade payables - related parties	(18,875)	(17,977)
Managerial Working Capital	**25,109**	**29,666**
revenue margin	8.5%	11.6%
Other net receivables/payables	4,417	798
Net Working Capital	**29,527**	**30,463**
revenue margin	10.0%	11.9%

2011 operating performance

In 2011, revenues grew by 15.8% on the previous year (+17.5% from third parties, +5.4% from related parties). Revenue growth took place both in the Cooking and Motors areas. In the Cooking BU, revenues grew both for "own brand products", where growth was stronger, and also for third party brands. The increase in revenues is due also to a reallocation of Group revenues following a reorganisation of the distribution structure.

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

In 2011, following the impairment test on the investment in the Chinese subsidiary Putian[9], a write-down was recognised for Euro 27,841 thousand.
The Group forecasts that the contraction of Chinese household appliance demand will continue also in 2012 as the real estate sector continues to contract following the strategy introduced in 2011 by the Chinese government to stave off the possible development of a property bubble. Therefore the Group prudently reduced the sales forecasts for the Chinese subsidiary. In such a contracting market, competition among the local players has intensified, in particular through actions taken to improve their penetration into distribution channels and geographic areas previously untapped. In order to preserve the competitive position, in particular the awareness of the "Puti" brand - a principal driver of future sales growth of the subsidiary - the Group decided to increase investments on those previously earmarked for commercial and product development, dedicating significant amounts of the operating margin to be generated by the Chinese company in the coming years. Considering the market outlined above and the actions taken by the Group to protect future development of the Chinese investment, with impacts both for the balance sheet and income statement, the future cash flow estimates of Putian are therefore lower than those estimated on acquisition.

In 2011, the Temporary Lay-off Scheme[10] 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 0.2 million relating to labour costs compared to Euro 0.7 million provisioned in 2010.

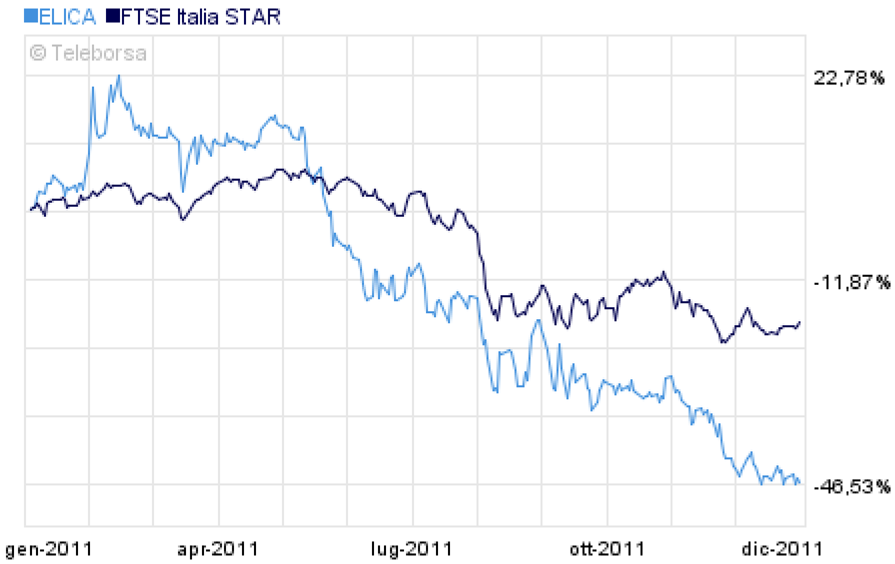
Gross interest expense, including the financial component of IAS 19, increased significantly (Euro 3.8 million in 2011 compared to Euro 0.6 million in 2010), due to a higher average debt.

The Managerial Working Capital significantly reduced on December 2010 following the restructuring of the client portfolio based on an analysis of clients with below average credit ratings.

The Net Debt increased from Euro 40.0 million at December 31, 2010 to Euro 73.1 million at December 31, 2011. The increase in the debt is principally due to the acquisition of a further 15% of the Chinese subsidiary Putian in April 2011.

[9] Zhejiang Putian Electric Co. Ltd
[10] Temporary Lay-off Scheme

Elica S.p.A. and the financial markets



The graph shows the performance of the Elica S.p.A. share price in 2011 in comparison to the average performance of other companies listed on the STAR segment (performance of the FTSE Italia STAR index indicated).

The Share Capital consists of 63,322,800 ordinary voting shares. At December 31, 2011, the shareholders of Elica S.p.A. were as follows:

Shareholder	Number of shares held	Percentage holding
F.A.N. S.r.l.	33,440,445	52.81%
Whirlpool Europe S.r.l.	6,332,280	10.00%
Elica S.p.A.(treasury shares)	3,166,140	5.00%
First Capital S.p.a.	1,955,041	3.09%
IMMI Invest Srl	1,266,456	2.00%
S.A.F.E. S.a.p.a.	116,245	0.18%
Francesco Casoli	70,000	0.11%
Gianna Pieralisi	52,000	0.08%
Others	16,924,193	26.73%
Total	**63,322,800**	**100.00%**

Significant events in 2011

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 12,664,560.00.

The Board of Directors of Elica S.p.A. on February 14, 2011 approved the 2010 Fourth Quarter Report, prepared in accordance with IFRS accounting standards.
Also 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.
On March 19, 2011, Elica S.p.A. signed an agreement to acquire a further 15% holding in the Chinese company Zhejiang Putian Electric Co. Ltd. Elica S.p.A. signed, among other agreements, an equity transfer agreement with the 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, in accordance with the new equity transfer agreement, the Company is committed to acquire a further 15% holding of Putian, for consideration of Renminbi 278,312,573 (corresponding to Euro 29,983,148 at the Euro/Renminbi exchange rate of March 18, 2011). This new equity transfer agreement, until April 2011, remained 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. Since April 2011 Elica holds 70% of the share capital of Putian, while the remaining 30% is held by Mr. Renyao Du.

On March 22, 2011, the Board of Directors of Elica S.p.A. approved the 2010 annual accounts, prepared in accordance with IFRS accounting standards. The appointments of Mr. Bruno Assumma as Chairman and of Messrs Glauco Vico and Massimo Enrico Ferri were also confirmed as members of the Supervisory Board until the approval of the 2013 annual accounts.

On April 28, 2011, the Extraordinary Shareholders' Meeting amended the By-Laws and the Shareholders' Meeting Regulation in line with the Directors' Report to the Shareholders' Meeting on the By-Law amendments, which is available on the company internet site. The Shareholders' Meeting also noted the 2010 consolidated results, approved the 2010 Financial Statements of Elica S.p.A., in addition to the distribution of a dividend of Euro 00.0251 per share (gross of withholding taxes). The Shareholders' Meeting also appointed Luca Pacces to the Board, who will remain in office until the Shareholders' Meeting called for the approval of the financial statements at December 31, 2011. On the same date, the Board of Directors of Elica S.p.A. met and confirmed the independence of the new director Luca Pacces and appointed him as a member of the Remuneration Committee. The Board of Directors also established the 2011 performance objective concerning the 2010 Stock Grant plan and included two further Beneficiaries, updating therefore the Disclosure Document - available on the internet site of the Company. The Board also noted the resignation of the Internal Control System Manager, who also was a member of the Supervisory Board and the Internal Audit Manager, Massimo Ferri.

On May 12, 2011, the Board of Directors of Elica S.p.A. approved the Interim Report at March 31, 2011.

In June, Elica incorporated the new company Elica Trading LLC in the Russian Federation.

On August 25, 2011, the Board of Directors of Elica S.p.A. approved the Half-Year Report at June 30, 2011. At the same date the Board of Directors of Elica S.p.A., following the resignation of the Independent Director Fiorenzo Busso during the board meeting with immediate effect, appointed as his replacement Giuseppe Perrucchetti as an Independent Director until the next Shareholders' Meeting.

On November 14, 2011, the Board of Directors of Elica S.p.A. approved the Third Quarter Interim Report 2011 and appointed Cristiano Babbo as the Internal Control Manager, the Internal Auditing Manager and as a member of the Supervisory Board.

On December 19, 2011 the Board of Directors of Elica S.p.A. approved the utilisation of treasury shares held in portfolio by the Company. Elica S.p.A. therefore sold 1,266,456 shares, comprising 2% of the share capital, to IMMI Invest Srl, the Agarini family holding company, at a price of Euro 1.049 per share.

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 SAP project, 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 4,054 thousand.

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 focused on increasing security levels at the plant, reducing and monitoring risks and training personnel for more conscientious behaviour and prudency in the workplace, further improving the already low staff turnover levels and accidents.

Exposure to risks and uncertainty and financial risk factors

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 on 27/04/09.

Andrea Sasso
Chief Executive Officer, born in Rome on 24/8/1965, appointed a director on 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 on 27/04/2009.

Giuseppe Perrucchetti
Independent Director, born in Varese (VA) on 30/10/1958, appointed a director on 25/08/2011.

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

Luca Pacces
Independent Director, born in Rome on 16/02/1940, appointed by resolution dated 28/04/2011.

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 on 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 03/04/72, appointed by resolution dated 27/4/2009.

Internal Control Committee
Stefano Romiti
Gennaro Pieralisi
Giovanni Frezzotti

Remuneration Committee
Stefano Romiti
Gennaro Pieralisi
Giovanni Frezzotti
Luca Pacces

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
Codice Fiscale e numero di iscrizione al Registro delle Imprese: 00096570429
Ancona REA No. 63006 – VAT Number 00096570429

Investor Relations Manager
Laura Giovanetti
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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.

Subsidiary companies at December 31, 2011

- Elica Group Polska Sp.zo.o – Wroclaw – (Poland) (in short EGP). This wholly-owned 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) (in short Elicamex). The company was incorporated at the beginning of 2006 (The Parent Company owns 98% directly and 2% through Elica Group Polska). 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) (in short Leonardo). 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) (in short Ariafina). Incorporated in September 2002 as an equal Joint Venture with Fuji Industrial of Tokyo, the Japanese range hood market leader, Elica S.p.A. acquired control in May 2006 (51% holding) to provide further impetus to the development of the important Japanese market, where high-quality products are sold;

- Airforce S.p.A. – Fabriano (AN) (in short Airforce). 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) (in short Airforce 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) (in short Gutmann) - a German company entirely held by Elica S.p.A. 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 short Elica India), in 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 production and sale of Group products.

- Zhejiang Putian Electric Co. Ltd – Shengzhou (China) (in short Putian), a Chinese company held 70% 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 main 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.
- Elica Trading LLC – St. Petersberg (Russian Federation) (in short Elica Trading), a Russian

company held 70%, incorporated on June 28.

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 2011, 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.

Subsidiaries – 2011 Financial Highlights

In Euro thousands	Assets	Liabilities	Net equity	Revenues	Net result
Elicamex S.a.d. C.V.	33,772	10,917	22,855	35,418	2,082
Elica Group Polska Sp.z o.o	40,024	14,993	25,031	74,038	5,262
Airforce S.p.A.	8,409	6,185	2,224	18,419	249
Ariafina CO. LTD	7,972	3,172	4,800	20,571	1,432
Leonardo Services S.A. de C.V.	301	355	(54)	3,845	(59)
Exklusiv Hauben Gutmann GmbH	24,015	14,849	9,166	24,097	921
Elica Inc.	438	333	105	701	19
Airforce Germany (*)	101	17	84	9	(49)
Elica PB India Private Ltd.	4,600	6,983	(2,383)	7,539	(1,696)
Zhejiang Putian Electric Co. Ltd	10,849	2,861	7,988	12,290	(233)
Elica Trading LLC	4,635	4,635	-	3,363	(97)

(*) Airforce Germany Hochleistungs-dunstabzugssysteme Gmbh

For details on transactions with the present subsidiaries and other related parties, reference should be made to the following notes.

Corporate governance and ownership 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 the 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 21, 2012, 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 Relations/Corporate Governance section.

Remuneration Report

In accordance with Article 123-*ter* of Legislative Decree 58/98 and Article 84-*quater* of the Consob Resolution No. 11971/1999 and subsequent amendments, Elica S.p.A. prepares a remuneration report in accordance with the indications at Attachment 3A, Table 7-*bis* of the same Consob Resolution No. 11971/1999 and subsequent amendments. This report is available on the Company internet site www.elicagroup.com in the Investor Relations/Corporate Governance section.

Events after December 31, 2011 and outlook

On January 9, 2012, the Board of Directors of Elica S.p.A. accepted the resignation of Mr. Vincenzo Maragliano from his role as CFO and Executive Responsible for the preparation of corporate accounting documents of Elica S.p.A. for personal reasons and with immediate effect.
The Board subsequently appointed Mr. Alberto Romagnoli as the Executive responsible for the preparation of corporate accounting documents of Elica S.p.A., while the Chief Executive Officer Mr. Andrea Sasso will for the interim period assume the role of Chief Financial Officer.
The Group closely monitors market demand on an ongoing basis, which in the initial months of 2012 was generally in line with forecasts on the Group's principal markets.
The ongoing focus continues on innovation and efficiency pursued by the Elica Group to strengthen further its global leadership footprint.
The Board of Directors of Elica S.p.A. on February 14, 2012 approved the 2011 Fourth Quarter Report, prepared in accordance with IFRS accounting standards.

2012 Policies

Considering the economic outlook for 2012, the Elica Group will pursue two principal policies to maintain and strengthen its leadership position and its role as a global player. Investment in ongoing innovation across all product lines and constant cost control and containment, particularly thanks to production process efficiencies.

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 the Regulation enacting Legs. 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 pursuant to IAS 24 on management compensation and related-party transactions"

Proposal for the allocation of the result

Dear Shareholders,
the Financial Statements for the year 2011 which we present for your approval report a net loss of Euro 26,853,241 and a net equity of Euro 106,893,817.

Therefore we invite you to:

1) approve the Directors' Report on operations for the year 2011 and the Parent Company Financial Statements at December 31, 2011, as a whole and of the individual items;
2) approve the coverage of the loss through utilisation of the "Retained Earnings Reserve".

We thank you for your assistance.

Fabriano, March 21, 2012

For the Board of Directors
THE EXECUTIVE 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

Parent Company Financial Statements at 31/12/2011

Income statement *in Euro*	***Note***	**2011**	**2010**
Revenues - third parties	**4.1**	257,155,899	218,914,825
Revenues - related parties	**4.1**	38,237,586	36,273,891
Other operating revenues	**4.2**	6,107,122	1,698,070
Changes in inventories of finished and semi-finished goods	**4.3**	1,992,815	(1,116,582)
Increase in internal work capitalised	**4.4**	1,971,099	2,365,581
Raw materials and consumables – third parties	**4.5**	(110,604,327)	(109,014,842)
Raw materials and consumables – related parties	**4.5**	(75,491,864)	(21,459,109)
Services – third parties	**4.6**	(48,230,630)	(54,019,758)
Services – related parties	**4.6**	(1,124,110)	(383,931)
Labour costs	**4.7**	(54,129,406)	(57,268,101)
Amortisation and Depreciation	**4.8**	(7,799,065)	(9,850,684)
Other operating expenses and provisions	**4.9**	(6,604,014)	(7,303,648)
Restructuring charges	**4.10**	(200,000)	(736,000)
EBIT		**1,281,105**	**(1,900,288)**
Write-downs of equity investments	**4.11**	(28,363,236)	**-**
Investment income	**4.11**	6,370,586	4,916,369
Financial income	**4.12**	457,217	1,809,023
Financial charges	**4.13**	(3,799,525)	(2,377,079)
Exchange gains	**4.14**	(1,824,494)	230,620
Profit/(loss) before taxes		**(25,878,347)**	**2,678,645**
Income taxes	**4.15**	(974,894)	(1,084,259)
Net profit/(loss) from continuing operations		**(26,853,241)**	**1,594,386**
Net profit from discontinued operations		-	-
Net profit/(loss)		**(26,853,241)**	**1,594,386**

Comprehensive Income Statement		
in Euro	**2011**	**2010**
Net profit/(loss)	**(26,853,241)**	**1,594,386**
Other comprehensive income statement items:		
Net change in cash flow hedge and stock option reserves	(330,989)	101,762
Income taxes on other comprehensive income statement items	71,898	(27,985)
Total other comprehensive income statement items, net of tax effects:	**(259,091)**	**73,777**
Total comprehensive profit/(loss)	**(27,112,332)**	**1,668,163**

Balance sheet

In Euro	*Note*	31/12/2011	31/12/2010
Property, plant and equipment	**4.17**	43,810,415	41,659,875
Goodwill	**4.18**	23,342,460	23,342,460
Other intangible assets	**4.18**	14,575,283	13,298,850
Investments in subsidiary companies	**4.19**	76,880,421	74,866,075
Investments in associated companies	**4.20**	1,376,926	1,899,162
Other financial assets		-	30,000
Other receivables	**4.21**	131,370	152,129
Tax receivables	**4.22**	5,982	5,982
Deferred tax assets	**4.23**	5,578,689	4,840,462
AFS financial assets	**4.24**	155,293	50,293
Derivative financial instruments	**4.30**	29,360	189,358
Total non-current assets		**165,886,199**	**160,334,646**
Trade receivables	**4.25**	62,189,372	66,048,778
Trade receivables from related parties	**4.26**	12,605,225	19,542,664
Financial receivables from related parties	**4.26**	10,902,158	12,000,646
Inventories	**4.27**	29,169,801	26,245,314
Other receivables	**4.28**	4,773,106	2,660,722
Tax receivables	**4.29**	8,066,611	7,135,413
Derivative financial instruments	**4.30**	813,245	509,610
Cash and cash equivalents	**4.31**	2,192,668	4,794,370
Current assets		**130,712,186**	**138,937,517**
Total assets		**296,598,385**	**299,272,163**
Liabilities for post-employment benefits	**4.32**	8,502,894	8,849,931
Provisions for risks and charges	**4.33**	2,248,166	7,501,473
Deferred tax liabilities	**4.23**	2,190,301	2,357,220
Bank loans and mortgages	**4.34**	45,016,285	30,354,291
Other payables	**4.36**	1,307,312	1,439,246
Taxes payable	**4.35**	887,541	977,923
Derivative financial instruments	**4.30**	60,303	-
Non-current liabilities		**60,212,802**	**51,480,084**
Provisions for risks and charges	**4.33**	1,023,204	286,664
Bank loans and mortgages	**4.34**	41,210,031	26,488,319
Trade payables	**4.37**	59,980,022	64,193,827
Trade payables - related parties	**4.37**	18,874,934	17,977,310
Other payables	**4.36**	5,372,133	6,448,375
Taxes payable	**4.35**	2,027,055	2,263,236
Derivative financial instruments	**4.30**	1,004,387	309,834
Current liabilities		**129,491,766**	**117,967,565**
Share capital		12,664,560	12,664,560
Capital reserves		71,123,335	71,123,335
Hedging and stock option reserve		2,380,213	1,423,519
Treasury shares		(8,814,532)	(17,629,065)
Retained earnings		56,393,482	60,647,779
Net profit/(loss) for the year		(26,853,241)	1,594,386
Shareholders´Equity	**4.38**	**106,893,817**	**129,824,514**
Total liabilities and shareholders´ equity		**296,598,385**	**299,272,163**

Cash Flow Statement *In Euro*	**31/12/2011**	**31/12/2010**
Opening cash and cash equivalents	**4,794,369**	**2,992,000**
EBIT- Operating profit	1,281,105	(1,900,288)
Amortisation, depreciation and write-downs	7,799,065	9,850,684
EBITDA	9,080,170	7,950,396
Trade working capital	4,577,619	1,732,075
Other working capital accounts	(7,277,258)	176,743
Income taxes paid	(1,020,193)	(1,467,456)
Change in provisions	(5,349,068)	1,013,938
Other changes	1,188,542	1,436,638
Cash flow from operating activity	**1,199,812**	**10,842,334**
Net increases	(34,814,699)	(14,256,465)
Intangible assets	(4,063,150)	(6,076,108)
Property, plant & equipment	(7,163,125)	(5,362,902)
Equity investments and other financial assets	(23,588,424)	(2,817,455)
Cash flow from investments	**(34,814,699)**	**(14,256,465)**
(Acquisition)/Sale of treasury shares	4,443,461	-
Other movements in share capital	-	-
Dividends	(1,478,000)	-
Increase (decrease) financial payables	30,482,842	5,619,682
Net changes in other financial assets/liabilities	529,493	-
Interest paid	(2,964,610)	(888,351)
Cash flow from financing activity	**31,013,186**	**4,731,331**
Change in cash and cash equivalents	**(2,601,701)**	**1,317,200**
Cash and cash equivalents relating to the merger	**-**	**485,169**
Closing cash and cash equivalents	**2,192,668**	**4,794,369**

Statement of changes in Shareholders' Equity In Euro thousands	**Share Capital**	***Share premium reserve***	**Treasury shares**	***Retained earnings***	**Hedging and stock option reserve**	**Net profit/(loss) for the year**	**Total NE**
Balance at December 31, 2009	**12,665**	**71,123**	**(17,629)**	**61,520**	**(16)**	**(6,550)**	**121,113**
Allocation of 2009 net profit							
Dividends							-
Other allocations				(6,550)		6,550	-
Income components recorded directly to equity							-
Recognition of stock grant					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**
Allocation of 2010 net profit							
Dividends						(1,478)	(1,478)
Other allocations				116		(116)	-
Income components recorded directly to equity							-
Recognition of stock grant					1,216		1,216
Changes in hedging reserve					(259)		(259)
Other changes							-
Sale of treasury shares			8,814	(4,371)			4,443
Net loss for the year						(26,853)	(26,853)
Balance at December 31, 2011	**12,665**	**71,123**	**(8,815)**	**56,393**	**2,380**	**(26,853)**	**106,894**

Notes to the 2011 Parent Company Financial Statements

1. Accounting principles and policies
2. Accounting principles, amendments and interpretations applicable from January 1, 2011 and not yet applied by the Company.
3. Significant accounting estimates
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
7. Risk management policy
8. Disclosure on management compensation and related-party transactions
9. Positions or transactions arising from exceptional and/or unusual transactions
10. Events after the year-end

1. Accounting principles and policies

1.1 General information

Elica S.p.A. is a company incorporated under Italian law, with its registered office in Fabriano (AN), via Dante 288.
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.

1.2 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, 2011 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, 2010 and December 31, 2011. Furthermore, neither the International Accounting Standards Board (IASB) nor the International Financial Reporting Interpretation Committee (IFRIC) have revised or issued standards or interpretations due to take effect on January 1, 2011 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.

1.3 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.

1.4 Accounting principles and policies

The main accounting principles and policies adopted in the preparation of the separate financial statements are described below.

Property, plant and 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:

	31/12/2011	31/12/2010
Buildings	3%	3%
lightweight buildings	10%	10%
plant and machinery	6-10%	10-15%
industrial and commercial equipment	16%	25%
office furniture and equipment	12%	12%
EDP	20%	20%
commercial vehicles	20%	20%
automobiles	25%	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.

During the year, within the analysis of the suitability of the useful life of property, plant and equipment, the useful life of assets related to industrial production (the "Plant and machinery" and "Industrial equipment" categories) was reviewed. In particular, the strategic vision of Elica S.p.A. and of the Group over recent years was considered, based on the international expansion policy and the altered market conditions, in relation to which the production relocation was critical, enabling the Group to gradually change its productive facilities. The lesser use of productive assets of Elica S.p.A., together with their regular maintenance, justifies the lengthening of their useful life. In order to verify the new estimates made by our technical management in relation to the useful life of these assets and therefore to support the new depreciation rates through an independent external source, the company Praxi S.p.A. was appointed to analyse a representative sample of assets belonging to the categories in which the residual useful life was altered. The analysis of Praxi S.p.A. confirmed the estimates of our technical management.

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. Currently the Group only holds intangible assets with definite useful life.

Impairment Tests

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.

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 1 January 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 the present value when the effect is significant.

Revenues and income

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

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

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

Leases and lease agreements

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

Assets held under finance leases are recorded as assets of the 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 taxes

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 standards, amendments and interpretations applicable from January 1, 2011 and not yet applied by the Company.

2.1 Accounting standards, amendments and interpretations applied after January 1, 2011

The only new accounting standard applied for the first time by the Group from January 1, 2011 was the

revised version of IAS 24 – Related party disclosures, issued on November 4, 2009 by the IASB, 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 adoption of this amendment does not have any effect in relation to the valuation of the financial statement items and has limited effects on the disclosure of transactions with related parties.
The following amendments, improvements and interpretations, with effect from January 1, 2011, concern facts and events not applicable to Elica S.p.A. at the date of the present Report but which may have accounting effects on future transactions or agreements:

- Amendment to IAS 32 - Financial Instruments: Disclosure: Classification of rights issued;
- Amendment to IFRIC 14 – Minimum funding requirements;
- IFRIC 19 – Extinguishing financial liabilities with equity instruments;
- Improvements to IAS/IFRS (2010).

2.2 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.

At the date of the present Annual Report, the relevant bodies of the European Union have not yet concluded the process necessary for the adoption of the following accounting standards and amendments, with the exception of the amendments of October 7, 2010 to IFRS 7 - *Financial instruments: Disclosure*, which is explained below:

- On November 12, 2009, the IASB published IFRS 9 – Financial instruments, which was subsequently amended. The standard, applicable from January 1, 2015 in a retrospective manner 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. 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.
- On December 20, 2010, the IASB issued a minor amendment to IAS 12 – *Income taxes* which clarifies the calculation of deferred taxes on investment property valued at fair value. The amendment introduces the requirement that deferred taxes relating to investments property valued at fair value according to IAS 40 must be calculated based on the presumption that the book value of these assets will be recovered through sale. Following this amendment SIC-21 – Income taxes – Recovery of revalued non-depreciable assets will no longer be applicable. The amendment is effective in a retrospective manner from January 1, 2012.
- On May 12, 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* which will replace SIC-12 *Consolidation – Special Purpose Entities* and parts of IAS 27 – *Consolidated and Separate Financial Statements* (to be renamed Separate Financial Statements) and will govern the inclusion of investments in the separate financial statements. The new standard is based on existing standards, identifying control as the determining factor for the consolidation of a company in the consolidated financial statements of the parent company. It provides also a guide for the determination of control in cases in which it is difficult to ascertain. The standard is effective in a retrospective manner from January 1, 2013.
- On May 12, 2011, the IASB issued IFRS 11 – *Joint arrangements* which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly controlled entities – non monetary contributions by ventures.* The new standard establishes the criteria for the classification of joint arrangements based on the rights and obligations of the agreements rather than on the legal form and establishes the net equity method as the only method to be applied to holdings in joint ventures in the

consolidated financial statements. The standard is effective in a retrospective manner from January 1, 2013. Following the issue of IAS 28 – *Investments in associates,* IFRS 11 was amended to include in its application, from the date of efficacy of the standard, also holdings in joint ventures.

- On May 12, 2011, the IASB issued IFRS 12 – *Disclosure of interests in other entities* which is a new and complete standard on additional information to be provided on all types of investments, including those in subsidiaries, joint arrangements, associated companies, special purpose entities and other non consolidated vehicle companies. The standard is effective in a retrospective manner from January 1, 2013.
- On May 12, 2011 the IASB issued IFRS 13 – *Fair value measurement* which clarifies how the fair value is calculated for the purposes of the financial statements and is applied to all IFRS standards which require or permit the calculation of the fair value or the presentation of information based on the fair value. The standard is effective in a prospective manner from January 1, 2013.
- On June 16, 2011 the IASB published this amendment which requires the grouping of items presented in Other Comprehensive Income based on whether they are potentially reclassifiable to profit or loss subsequently. The amendment was applicable from periods beginning July 1, 2012.
- On June 16, 2011, the IASB issued an amendment to IAS 19 – *Employee benefits* which removes the option to defer recognition of gains or losses under the corridor method, requiring presentation in the balance sheet of the deficit or surplus of the relevant provision and the separate recognition to the income statement of the labour cost components and net financial charges and the recognition of the gains or losses which derive from the recalculation in each period of the assets and liabilities under Other Comprehensive Income. In addition the income from the assets included under net financial charges must be calculated based on the discount rate of the liability and no longer on the expected income. The amendment finally introduces new additional information to be provided in the notes to the financial statements. The amendment is applicable in retrospective manner from periods beginning January 1, 2013.
- On December 16, 2011, the IASB issued a number of amendments to IAS 32 – Financial instruments: *disclosure*, to clarify the application of a number of criteria for the composition of the assets and liabilities present in IAS 32. The amendments are applicable in retrospective manner from the periods beginning January 1, 2014.
- On December 16, 2011, the IASB issued a number of amendments to IFRS 7 – Financial instruments: disclosure. The amendment requires information on the effects or potential effects of remuneration contracts on the financial assets and liabilities in the balance sheet. The amendments are applicable for the periods beginning January 1, 2013 and the interim periods subsequent to this date. The information must be provided in retrospective manner.
- Finally, 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 (derecognition), 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 near the end of an accounting period. The adoption of the amendment will not have any impact on the valuation of any accounts in the financial statements.

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

INCOME STATEMENT

4.1 Revenues

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

In Euro thousands	2011	2010	Changes
Revenues from product sales	293,734	253,918	39,816
Service revenues	1,659	1,271	388
Total	**295,393**	**255,189**	**40,204**

The account increased by approx. 13.61% on the previous year. This change relates also to the alteration in the Group organisation in the final months of 2010, 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.

In Euro thousands	2011	2010	Changes
third parties	257,156	218,915	38,241
related parties	38,237	36,274	1,963
	295,393	**255,189**	**40,204**

Revenues from related parties amount to Euro 38,238 thousand; these amounts principally refer to the sale of components and finished products to the subsidiary Airforce S.p.A. for Euro 1,578 thousand (Euro 1,626 thousand in 2010), to the subsidiary Ariafina for Euro 432 thousand (Euro 63 thousand in 2010), to the subsidiary Elica Group Polska Sp.zo.o. for Euro 24,629 thousand (Euro 25,979 thousand in 2010), to the subsidiary Elica Mex Sa CV for Euro 8,165 thousand (Euro 7,398 thousand in 2010), to the subsidiary Gutman for Euro 538 thousand, to Elica India for Euro 1,177 thousand (Euro 1,090 thousand in 2010), to the Chinese subsidiary Putian for Euro 269 thousand (Euro 29 thousand in 2010) and to the new Russian subsidiary Elica Trading for Euro 1,414 thousand. The remaining revenues from related parties concern the associated company ISM Srl and Roal Electronics, an associated company of our parent company Fintrack. 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:

In Euro thousands	2011	2010	Changes
Europe + CSI	271,771	231,875	39,896
Other countries	13,174	13,095	79
The Americas	10,448	10,219	229
Total	**295,393**	**255,189**	**40,204**

Clients who comprise more than 10% of total revenues constituted 26% of revenues in 2011 compared to 29.3% in 2010).

4.2 Other operating income

In Euro thousands	2011	2010	Changes
Rental income	2	-	2
Operating grants	2,234	16	2,218
Ordinary gains on disposal	471	272	199
Claims and insurance payouts	386	260	126
Expenses recovered	494	539	(45)
Other revenues and income	2,520	611	1,909
Total	**6,107**	**1,698**	**4,409**

The account increased by Euro 4.4 million, between "Operating grants" and "Other revenues and income". The increase in the account "Operating grants" is principally due to the Industry 2015 project and the photovoltaic project.

The increase in "Other revenues and income" includes various items including the reversal of provisions.

4.3 Changes in inventories of finished and semi-finished goods

Changes in inventories of finished and semi-finished goods was negative for Euro 1,117 thousand at December 31, 2010; at December 31, 2011 the account was positive for Euro 1,993 thousand due to the increase in inventories.

4.4 Increases on internal work capitalised

The account amounted to Euro 1,971 thousand (Euro 2,366 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:

In Euro thousands	2011	2010	Changes
Purchases of consumable materials	992	748	244
Purchases of supplies	492	650	(158)
Purchase of raw materials and semi-finished	106,986	99,652	7,334
Change in inventory of raw materials, consumables and goods for re-sale	(932)	(197)	(735)
Purchase of finished goods	77,560	22,513	55,047
Packaging	473	6,549	(6,076)
Other purchases	160	212	(52)
Shipping expenses on purchases	365	346	19
Total	**186,096**	**130,473**	**55,623**

The balance is broken down as follows:

In Euro thousands	2011	2010	Changes
Third parties	110,604	109,015	1,589
Related parties	75,492	21,459	54,033
	186,096	**130,474**	**55,623**

Raw materials and consumables increased in total by Euro 55,575 thousand in 2011 compared to 2010; 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 75,492 thousand (Euro 21,459 thousand in 2010). The most significant item relates to the purchases of finished products and goods from the subsidiary Elica Group Polska Sp.z o.o. for Euro 71,461 thousand (Euro 16,186 thousand in 2010) and the amount concerning this subsidiary represents almost the entire movement in this account.
All transactions are regulated at prices in line with market conditions applied to third parties.

4.6 Service expenses

In Euro thousands	2011	2010	Changes
Outsourcing expenses	22,440	26,483	(4,043)
Transport	4,311	3,816	495
Finished goods inventories	3,525	3,442	83
Consulting	4,382	6,005	(1,623)
Maintenance	2,363	1,913	450
Utilities	2,783	2,861	(78)
Commissions	632	590	42
Travel expenses	1,700	1,719	(19)
Advertising	692	579	113
Insurance	784	901	(117)
Directors & Statutory Auditor fees	857	922	(65)
Trade fairs and promotional events	361	544	(183)
Industrial services	315	405	(90)
Banking commissions and charges	291	255	36
Other services	3,919	3,968	(49)
Total	**49,355**	**54,403**	**(5,048)**

Service expenses decreased by over Euro 5 million on the previous year (-9.3%). The principal decreases relate to the accounts outsourcing expenses for Euro 4,043 thousand and consulting for Euro 1,623 thousand, in particular commercial. Consultants' fees principally include commercial consultants for Euro 276 thousand, legal and administrative consultants for Euro 2,331 thousand, industrial technical consultants for Euro 575 thousand and IT consultancy services of Euro 1,033 thousand.
The account other services in 2011 includes communication services (Euro 690 thousand), technical assistance costs (Euro 847 thousand), canteen costs (Euro 339 thousand), cleaning costs (Euro 320 thousand), vehicle expenses (Euro 338 thousand), training courses (Euro 221 thousand), medical visits (Euro 93 thousand) and personnel recruitment research (Euro 125 thousand).

The balance is comprised of:

In Euro thousands	2011	2010	Changes
Third parties	48,231	54,020	(5,788)
Related parties	1,124	384	740
	49,355	**54,404**	**(5,048)**

The decrease of the service costs relates principally to third parties. Services from related parties in fact increased due to the new services offered by the Polish subsidiary, again due to the change in the Group organisational structure described previously.

4.7 Labour costs

Labour costs incurred in 2011 and 2010 were as follows:

In Euro thousands	2011	2010	Changes
Wages and salaries	36,912	39,230	(2,318)
Social security expenses	11,590	12,549	(959)
Post-employment benefit provisions	3,225	2,881	344
Other costs	2,402	2,608	(206)
Total	**54,129**	**57,268**	**(3,139)**

Labour costs in total decreased by Euro 3,139 thousand, partly due to the Group's performance based targets not being met by the company.
The account "other costs" principally includes stock grant plan costs for Euro 0.7 million (only the Retention portion matured, with the performance targets not met) and leaving incentive costs for over Euro 1 million. The residual refers to other employee expenses and temporary staff costs.
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, 2011 and December 31, 2010:

In Euro thousands	2011	2010	Changes
Executives	22	21	1
White-collars	313	307	6
Blue-collars	1,018	1,092	(74)
Others	58	50	8
	1,411	**1,470**	**(59)**

The contraction in the workforce is principally due to the corporate restructuring.

4.8 Amortisation and depreciation

Depreciation & amortisation amounted to Euro 7,799 thousand, a decrease on 2010 of Euro 9,851 thousand. This decrease is principally due (for approx. Euro 1.6 million) to the fact that the parent company Elica S.p.A., within the analysis of the estimate of the residual useful life of the fixed assets, reviewed the "Plant and machinery" and "Industrial equipment" categories. This analysis was carried out by the technical management of the company and supported by an independent company (Praxi S.p.A.). For further information reference should be made to the accounting principles (Property, Plant and Equipment) and to the account "Depreciation & Amortisation" for the movements in the year at point 4.17 of these Notes.

4.9 Other operating expenses and provisions

The details of the account are as follows:

In Euro thousands	2011	2010	Changes
Leasing and rental	370	401	(31)
Rental of vehicles and industrial equipment	1,961	1,515	446
Expenses for hardware, software and patents licenses	861	950	(89)
Other taxes	524	431	93
Magazine and newspaper subscriptions	52	53	(1)
Prior year and other charges	2,156	1,024	1,132
Various equipment	124	84	40
Catalogues and brochures	147	526	(379)
Losses and Doubtful Debts	-	1,273	(1,273)
Provisions for risks and charges	409	1,047	(638)
Total	**6,604**	**7,304**	**(700)**

Overall, the account decreased by Euro 700 thousand. The principal decrease concerned the fact that during the year no bad debts arose not covered by the relative doubtful debt provision. Provisions for risks and charges also decreased, while "Prior year and other charges" increased principally due to the expenses and damages paid to third parties. The account "Prior year and other charges" principally includes free samples for Euro 659 thousand, Euro 1,504 thousand for repayments of expenses and penalties to third parties, in addition to other various costs.

4.10 Restructuring charges

The Restructuring charges account, totalling Euro 200 thousand, principally relates to the provision for current restructuring.

4.11 Share of profit/(loss) from associates

Write-downs of equity investments

The account "write-down of investments" concerns for Euro 27,841 thousand, the impairment recorded at December 31, 2011 on the investment in the Chinese company Zhejiang Putian Electric Co. Ltd.. Reference should be made to paragraph 4.19 Investment in subsidiaries for further details. This account also includes for Euro 522 thousand the write-down of the investment in I.S.M. S.r.l., as the cost was not considered fully recoverable.

Investment income

In Euro thousands	2011	2010	Changes
Investment income from subsidiaries			
Dividends	6,074	4,587	1,487
Other income from subsidiaries	-	329	(329)
Investment income from associated companies			
Dividends	296	-	296
	6,370	**4,916**	**1,454**

Dividends from subsidiaries were distributed in the year by the subsidiaries Airforce S.p.A. for Euro 30 thousand, Ariafina for Euro 303 thousand and Elica Group Polska Sp.z o.o. for Euro 5,741 thousand.

The associated company I.S.M also distributed to Elica S.p.A. dividends for Euro 296 thousand.

4.12 Financial income

Details of financial income are shown below:

In Euro thousands	2011	2010	Changes
Interest income from parent company and subsidiaries	365	583	(218)
Bank interest	84	5	79
Other financial income	8	1,221	(1,213)
Total	**457**	**1,809**	**(1,352)**

The decrease principally relates to the "Other financial Income" account, which in the preceding year included 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.

4.13 Financial charges

In Euro thousands	2011	2010	Changes
Financial charges:			
on overdrafts and bank loans	3,265	1,684	1,581
on other borrowings	50	167	(117)
on post-employment benefit provisions	485	526	(41)
Total	**3,800**	**2,377**	**1,423**

The increase in financial charges of Euro 1,423 thousand is principally due to the company debt relating to the acquisition of the Zhejiang Putian Electric Co. Ltd. holding.

4.14 Exchange gains/(losses)

In Euro thousands	2011	2010	Changes
Exchange losses	(1,935)	(1,761)	(174)
Exchange gains	2,080	2,234	(154)
Gains/losses on derivatives	(1,969)	(243)	(1,726)
Total	**(1,824)**	**230**	**(2,054)**

Net exchange losses in the year amounted to Euro 1,824 thousand compared to gains of Euro 230 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 65 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 1,969 thousand in 2011 compared to a net charge of Euro 243 thousand in 2010, 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. For this reason, they were recognised at their fair value and recognised in the income statement.

4.15 Income taxes

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

In Euro thousands	**2011**	**2010**	**Changes**
Current income taxes	(1,264)	(1,830)	566
Deferred tax income	289	745	(456)
	(975)	**(1,085)**	**110**

The decrease in current taxes is essentially due to the decrease in IRES taxes for Euro 386 thousand and IRAP for Euro 76 thousand.
Deferred tax assets were recorded on tax losses carried forward, fulfilling the conditions outlined in the accounting principles concerning future tax benefit, in particular the reasonable certainty that in the future the company will incur assessable income such as to absorb these losses.

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

	2010	2011
IRES rate	27.50	27.50
IRAP rate	4.13	4.13

						2011				
	Assessable	**IRES**	**Regional taxes**	**Total**	**% of IRES on pre-tax result**	**Assessable**	**IRES**	**Regional taxes**	**Total**	**% of IRES pre-tax result**
Income taxes										
- Current		292	1,537	1,829			-200	1,463	1,263	
- Deferred – cost (income)		-815	70	-745			-330	41	-289	
[A] TOTAL INCOME TAXES		**-523**	**1,607**	**1,085**	**-19.52%**		**-530**	**1,504**	**975**	
PRE-TAX RESULT	2,679					-25,878				
Tax calculated using local tax rate		737			27.50%		-7,117			27.50%
Tax effect of exempt income	-5,961	-1639			-61.19%	-7,096	-1950			7.54%
Tax effect of expenses not deductible	1,485	408			15.24%	29,927	8,231			-31.81%
Decrease/increase in deferred tax assets/liabilities due to changes in tax rates	0	0			0.00%	0	0			0.00%
Other differences	- 102	-28			-1.05%	1,112	306			
[B] Effective tax charge and tax rate net of substitute tax	**-1,899**	**-522**			**-19.49%**	**-1,935**	**-530**			**2.05%**
Substitute Tax effect		0			0.00%		0			
[C] Effective tax charge and tax rate		**-523**			**-19.49%**		**-530**			**2.05%**

4.16 Other information about income statement items

The research and development costs capitalised and expensed in 2011 are summarised in the table below:

In Euro thousands	**2011**	**2010**	**Changes**
R&D costs expensed	3,542	3,368	174
Amortisation of capitalised R&D costs	512	494	18
Total R&D costs	**4,054**	**3,862**	**192**
R&D costs capitalised during the year	**689**	**430**	**259**

BALANCE SHEET

4.17 Property, plant and equipment

The table below shows details of the changes in property, plant and equipment in 2010 and 2011.

Property, plant and equipment	31/12/2009		Increases	Disposals & Reclass.	31/12/2010
In Euro thousands	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**

	31/12/2009		Deprec.	Disposals & Reclass.	31/12/2010
In Euro thousands	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**	**144,848**	**7,386**	**(5,115)**	**147,117**

	31/12/2009		Increases	Disposals & Reclass.	Deprec.	31/12/2010
In Euro thousands	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 movements in 2011 were as follows:

In Euro thousands	31/12/2011	Increases	Disposals & Reclass.	31/12/2011
Historical cost				
Land and buildings	39,562	269	(2)	39,829
Plant and machinery	64,676	3,731	(2,183)	66,225
Commercial and industrial equipment	76,837	3,366	(1,947)	78,255
Other assets	7,244	311	(132)	7,423
Assets in progress and advances	458	372	(189)	641
Total	**188,777**	**8,049**	**(4,452)**	**192,374**

In Euro thousands	31/12/2010	Deprec.	Disposals & Reclass.	31/12/2011
Accumulated depreciation				
Land and buildings	13,473	1,233	(2)	14,704
Plant and machinery	55,607	1,862	(1,972)	55,497
Commercial and industrial equipment	71,844	1,617	(1,474)	71,987
Other assets	6,193	301	(120)	6,374
Total	**147,117**	**5,013**	**(3,568)**	**148,562**

In Euro thousands	31/12/2010	Increases	Disposals & Reclass.	Deprec.	31/12/2011
Net value					
Land and buildings	26,089	269	-	(1,233)	25,125
Plant and machinery	9,069	3,731	(211)	(1,862)	10,727
Commercial and industrial equipment	4,993	3,366	(473)	(1,617)	6,269
Other assets	1,051	311	(12)	(301)	1,049
Assets in progress and advances	458	372	(189)	-	641
Total	**41,660**	**8,049**	**(885)**	**(5,013)**	**43,811**

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 advances of Euro 641 thousand refer to new equipment and expansion of 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.

The financial statements include assets acquired under finance lease agreements which by the end of 2010 had all been redeemed.

The table highlights a decrease in depreciation in the year from Euro 7,385 thousand to Euro 5,013 thousand. Reference should be made to the accounting principles and to Note 4.8 for further details.

4.18 Goodwill and other intangible assets

Goodwill

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

In Euro thousands	**31/12/2010**	**Acquisitions/(write-downs)**	**31/12/2011**
Goodwill	23,342	-	23,342
Total book value of goodwill	**23,342**	**-**	**23,342**

The account "Goodwill" amounts to Euro 23,342 thousand, in line with 2010.
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.
In line with the new Group strategic vision, which centres on international expansion, and the altered market conditions in which our market and sales channel leadership is paramount, Elica S.p.A. over time has forged a new path for the business and established new organisational and disclosure policies with the historical *Range Hood* and *Motors Cash Generating Units* becoming increasingly integrated. For this reason in 2011 it was considered necessary to establish new Cash Generating Units, which better reflect the current Group situation and the International Accounting Standards (IAS 36); the new CGU's are the Cash Generating Unit Europe, the Cash Generating Unit Asia and the Cash Generating Unit America. Elica S.p.A. is included in the CGU Europe and in particular the cash flows utilised for the impairment test to measure the recoverability of assets of Elica S.p.A. 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 (2012) based on the updated budget and the subsequent years (2013-2016) estimated as follows.
The years 2013-2016 were extrapolated from the 2012 budget, utilising an annual average growth rate of revenues of 3% in line with the best estimates available. The percentage of raw material costs of revenues remains stable.
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 2.4% in the 2012 budget, in line with inflation.
The working capital absorbed is expected to remain constant in terms of revenues at around 6%, substantially 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 2016 and at a growth rate of 2.4%.
The discount rate (WACC) was estimated net of taxes (in line with the cash flows to be discounted) at 8.7% (9.0% in 2010).
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, 2011.
Coverage of the book value against the value in use is 1.0 times.

The change in these assumptions could give rise to a significantly different value in use and thus difficulties of "impairment". For this reason, and considering the uncertainties which currently pervade the market, management will monitor periodically the circumstances and the events which affect the above-mentioned assumptions and future trends.

Other intangible assets

The table below shows details of changes in other intangible assets in 2010 and 2011.

In Euro thousands	**31/12/2009** Stand Alone	Pro-forma Post merger	**Increases**	**Disposals & Reclass.**	**Amort.**	**31/12/2010**
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**

In Euro thousands	**31/12/2010**	**Increases**	**Disposals & Reclass.**	**Amort.**	**31/12/2011**
Net value					
Development costs	1,333	689	270	(512)	1,780
Industrial patents and intellectual property rights	9,186	1,331	(285)	(2,153)	8,079
Concessions, licenses, trade marks & similar rights	93	3	-	(26)	70
Other intangible assets	196	120	-	(96)	220
Intangible assets in progress and advances	2,490	2,793	(856)	-	4,427
Total	**13,298**	**4,936**	**(871)**	**(2,787)**	**14,576**

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

The assets in progress and advances of Euro 4,427 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.

4.19 Investments in subsidiary companies

In Euro thousands	31/12/2010	Acquisi. & Sub.	Write-downs	Other changes	31/12/2011
Investments in subsidiary companies	74,866	29,856	(27,841)	-	76,881
Total	**74,866**	**29,856**	**(27,841)**	**-**	**76,881**

The details of investments in subsidiary companies are shown below:

In Euro thousands	31/12/2010	Acquisi. & Sub.	Write-downs	Other changes	31/12/2011
Elica Trading LLC	-	71	-	-	71
Elica Group Polska S.p.zoo	22,276	-	-	-	22,276
Elicamex S.a. de C.V.	28,640	-	-	-	28,640
Leonardo Services S.a. de C.V.	77	-	-	-	77
Ariafina Co.Ltd	49	-	-	-	49
Airforce S.p.A.	1,212	-	-	-	1,212
Elica International S.à.r.l.	-	-	-	-	-
Exklusiv Hauben Gutmann Gmbh	8,869	-	-	-	8,869
Elica India P.B.	366	-	-	-	366
Zhejiang Putian Electric Co. Ltd	13,377	29,785	(27,841)	-	15,321
Total	**74,866**	**29,856**	**(27,841)**	**-**	**76,881**

Investments in subsidiary companies increased by a net amount of Euro 2,015 thousand. This change is due to the following operations carried out in 2011:

- Elica spa subscribed 70% of the share capital of the newly incorporated Russian company Elica Trading LLC for an amount of Euro 71 thousand;
- Elica spa acquired a further 15% holding in the Chinese company Zhejiang Putian Electric Co. Ltd., for consideration of Euro 29,785 thousand;
- a write-down was made on the investment in the subsidiary Zhejiang Putian Electric Co. Ltd for Euro 27,841 thousand.

The recoverable value of the investments 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 various investments 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 (2012) based on the updated budget and the subsequent years (2013-2016) pro-forma.

In particular, for the period 2013-2016 an extrapolation was carried out using a growth rate of revenues which varies between 3% and 3.6% annually. The terminal value was determined based on a growth rate between 1.8% and 4.1%. For the discount rate (WACC), the interval was estimated between 7.2% and 11.3%.

The valuations on investments resulted in recognition of an impairment only on the Chinese company Putian for Euro 27,841 thousand. The Group forecasts that the contraction of Chinese household appliance demand will continue also in 2012 as the real estate sector continues to contract following the strategy introduced in 2011 by the Chinese government to stave off the possible development of a property bubble. Therefore the

Group prudently reduced the sales forecasts for the Chinese subsidiary. In such a contracting market, competition among the local players has intensified, in particular through actions taken to improve their penetration into distribution channels and geographic areas previously untapped. In order to preserve the competitive position, in particular the awareness of the "Puti" brand - a principal driver of future sales growth of the subsidiary - the Group decided to increase investments on those previously earmarked for commercial and product development, dedicating significant amounts of the operating margin to be generated by the Chinese company in the coming years. Considering the market outlined above and the actions taken by the Group to protect future development of the Chinese investment, with impacts both for the balance sheet and income statement, the future cash flow estimates of Putian are therefore lower than those estimated on acquisition.

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 2011 financial statements:

In Euro thousand	**Registered office**	**% direct**	**% indirect**	**Share capital**	**Net equity**	**Profit/(loss)**
Elicamex S.a.d. C.V.	Queretaro (Mexico)	98	2	31,003	22,856	2,082
Elica Group Polska Sp.z o.o	Wroklaw (Poland)	100	-	22,246	25,031	5,262
Airforce S.p.A.	Fabriano (AN)	60	-	103	2,224	249
Ariafina Co.Ltd	Sagamihara – Shi (Japan)	51	-	84	4,799	1,432
Leonardo Services S.a. de C.V.	Queretaro (Mexico)	98	2	78	(54)	(59)
Exklusiv Hauben Gutmann GmbH	Muhlacker (Germany)	100	-	25	9,166	921
Elica Inc.	Chicago, Illinois (United States)	-	100	3	105	19
Airforce GE (*)	Stuttgart (Germany)	-	95	26	83	(49)
Elica PB India Private Ltd.	Pune (India)	51	-	719	(2,383)	(1,696)
Zhejiang Putian Electric Co. Ltd	Shengzhou (China)	70	-	3,332	7,989	(233)
Elica Trading LLC	Sankt Peterburg (Russia)	70	-	101	-	(97)

In Euro th	**% held**	**Book value at 31/12/2011**	**Net result**	**Net Equity**	**Share of Net Equity at 31/12/2011**
Elicamex S.a.d. C.V.	98	28,640	2,082	22,856	22,399
Elica Group Polska Sp.z o.o	100	22,276	5,262	25,031	25,031
Airforce S.p.A.	60	1,212	249	2,224	1,334
Ariafina Co.Ltd	51	49	1,432	4,799	2,448
Leonardo Services S.a. de C.V.	98	77	(59)	(54)	(53)
Exklusiv Hauben Gutmann GmbH	100	8,869	921	9,166	9,166
Elica PB India Private Ltd.	51	366	(1,696)	(2,383)	(1,215)
Zhejiang Putian Electric Co. Ltd	70	15,321	(233)	7,989	5,592
Elica Trading LLC	70	71	(97)	-	-

4.20 Investments in associated companies

During the year, the following movements in investments in associated companies took place:

In Euro thousands	31/12/2010	Acquisi. & Sub.	Write-downs	Other changes	31/12/2011
Investments in associated companies	1,899	-	(522)		1,377
Total	**1,899**	**-**	**(522)**		**1,377**

These investments relate to:

In Euro thousands	Registered office	% held	Book value at 31/12/2011	Profit/(loss)	Net Equity	Share of Net Equity at 31/12/2011
I.S.M. Srl	Cerreto d'Esi (AN)	49.39%	1,377	(88)	2,788	1,377

At December 31, 2011, the Company wrote down the investment in I.S.M. Srl to align the cost value with the amount considered recoverable through the real estate activities of the company.

4.21 Other receivables (non-current)

The breakdown of the other receivables is as follows:

In Euro thousands	31/12/2011	31/12/2010	Changes
Employees	118	138	**(20)**
Other receivables	13	14	**(1)**
Total	**131**	**152**	**(21)**

This account includes receivables beyond 5 years of Euro 65 thousand.

4.22 Tax Receivables (non-current)

Non-current tax receivables amounted to Euro 6 thousand, unchanged from 2010.

4.23 Deferred tax assets and liabilities

In Euro thousands	31/12/2011	31/12/2010	Changes
Deferred tax assets	5,578	4,840	738
Deferred tax liabilities	(2,190)	(2,357)	167
	3,388	**2,483**	**905**

The account Deferred tax assets principally include the non deductible provisions, goodwill and the tax loss. 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:

In Euro thousands	31/12/2010 Assets	Liabilities	Net Equity	Income statement effect Deferred tax liab.	Deferred tax assets	31/12/2011 Assets	Liabilities	Net Equity
Amortisation and Depreciation	319	-	-	-	176	450	-	-
Provisions	1,742	-	-	(555)	161	1,348	-	-
Costs ded. in future years	40	-	-	(42)	7	7	-	-
Inventory write-down	611	-	-	(27)	65	647	-	-
Exchange diff.	82	(153)	-	(401)	478	325	(319)	-
Gains, grants	-	(235)	-	-	142	-	(94)	-
Restructuring charges	351	-	-	(351)	55	55	-	-
Merger adjustments	-	(1,013)	-	-	-	-	(968)	-
Set up and expansion costs	-	-	-	-	-	-	-	-
R&D costs	-	-	-	-	-	-	-	-
Other multi-year costs	13	-	-	(4)	-	9	-	-
Goodwill	884	-	-	(129)	-	756	(1)	-
Other	-	-	-	-	-	-	-	-
IRS Valuation	-	(22)	-	-	-	-	76	-
Post-employment benefit provision	-	(934)	-	-	51	-	(884)	-
Losses carried forward	-	-	-	-	-	-	-	-
Loss	-	-	-	-	1,865	1,865	-	-
Employee bonuses	799	-	-	(799)	116	116	-	-
Stock option	-	-	519	-	-	-	-	(519)
Total	**4,841**	**(2,357)**	**519**	**(2,308)**	**3,116**	**5,578**	**(2,190)**	**(519)**

The increase in deferred tax assets principally refers to the tax loss. The reduction in liabilities principally relates to the change in gains, employee benefit provision and merger adjustments. The regulatory changes introduced by Ministerial Decree of June 8, 2011 were recognised to the Stock Grant reserve.

4.24 AFS financial assets

This account relates to 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:

In Euro thousands	31/12/2011	31/12/2010	Changes
Meccano S.p.A.	15	15	-
Unifabriano Soc. S.r.l.	2	2	-
Consorzio Energia	4	4	-
Ceced	2	2	-
Other minor investments	132	27	105
Total	**155**	**50**	**105**

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 changes principally related to the investment in the "Magna Carta" foundation (Euro 100 thousand) recorded under "Other minor investments".

4.26 Trade receivables – third parties

The account consists of:

In Euro thousands	31/12/2011	31/12/2010	Changes
- receivables within one year	61,941	65,573	(3,632)
- receivables over one year	248	476	(228)
	62,189	**66,049**	**(3,860)**

Trade receivables decreased overall by Euro 3,860 thousand; this change is principally due to more restrictive credit policy applied during the year.
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:

In Euro thousands	31/12/2011	31/12/2010	Changes
Opening balance	3,144	2,067	1,077
Provisions	-	1,273	(1,273)
Utilisation and release	(589)	(195)	(394)
Total	**2,555**	**3,145**	**(590)**

Compared to December 31, 2010, the doubtful debt provision decreased by Euro 590 thousand. The reduction is due to both utilisations and release of provisions.

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

4.26 Trade and financial receivables from related parties

Receivables from related companies include both receivables of a commercial and financial nature from related parties.
This account does not include any receivables due after more than five years at the year-end.
The details are shown in the table below:

In Euro thousands	31/12/2011	31/12/2010	Changes
Receivables from subsidiaries	22,554	30,484	(7,930)
Receivables from other related parties	86	39	47
Receivables from holding companies	766	1,013	(247)
Receivables from associated companies	101	7	94
Total	**23,507**	**31,543**	**(8,036)**

The account receivables from other related parties of Euro 86 thousand 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 39 thousand.

Receivables from subsidiary companies are composed of:

In Euro thousands	31/12/2011	31/12/2010	Changes
Elica Trading LLC	2,844	-	2,844
Air Force S.p.A.	459	360	99
Elica Group Polska S.p.z.oo	2,643	13,857	(11,214)
Elicamex S.A. de C.V.	4,391	3,167	1,224
Ariafina Co Ltd	238	20	218
Exklusiv Hauben Gutmann Gmbh	10,028	12,021	(1,993)
Elica PB India Private Ltd.	1,827	1,019	808
Zhejiang Putian Electric Co. Ltd	124	40	84
Total	**22,554**	**30,484**	**(7,930)**

The account includes financial receivables from subsidiary companies, respectively for Euro 9,500 thousand from the company Exklusiv Hauben Gutmann Gmbh and Euro 1,402 thousand from the newly incorporated Russian company Elica Trading LLC.

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

The receivables from the associated company I.S.M. for Euro 99 thousand relate to dividends not yet received and for the remainder to ordinary operations of the company.

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 765 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, 2011.

4.27 Inventories

In Euro thousands	31/12/2011	31/12/2010	Changes
Raw material, ancillary and consumables	12,094	11,231	863
Raw materials obsolescence provision	(805)	(873)	68
Total	**11,289**	**10,358**	**931**
Products in work-in-progress and semi-finished	7,885	7,703	182
Semi-finished obsolescence provision	(569)	(491)	(78)
Total	**7,316**	**7,212**	**104**
Finished products and goods for resale	11,514	9,485	2,029
Finished products obsolescence provision	(949)	(809)	140
Total	**10,565**	**8,675**	**1,890**
Book value	**29,170**	**26,245**	**2,925**

The value of inventories reports a gross increase of approx. Euro 3,075 thousand.

Inventories are recorded net of the obsolescence provision which amounts to Euro 2,323 thousand (Euro 2,173 thousand at December 31, 2010), 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, consignment stock, or for examination.

The stock obsolescence provision of raw materials, semi-finished and finished products is based on assumptions made by Management and amounts to 8% of the net value of inventories.

4.28 Other receivables (non-current)

The breakdown is as follows:

In Euro thousands	**31/12/2011**	**31/12/2010**	**Changes**
Customs reimbursements	60	91	(31)
Deposits	188	196	(8)
Supplier advances	318	456	(138)
Other receivables	3,044	768	2,113
Insurance prepayments	81	79	2
Maintenance prepayments	13	45	(32)
Advertising prepayments	6	7	(1)
Rental prepayments	461	500	(39)
Other prepayments and accrued income	602	518	84
Totale	**4,773**	**2,660**	**2,113**

The increase in the account of approx. Euro 2 million principally relates to the "Other receivables" account and is due for Euro 1.7 million to the Elica grant under the "2015 Industry" project and for Euro 451 thousand to the photovoltaic grant.
The account includes receivables beyond five years of Euro 286 thousand.

4.29 Tax receivables (current)

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

In Euro thousands	**31/12/2011**	**31/12/2010**	**Changes**
IRES	2,548	2,640	(92)
VAT	4,325	3,391	934
Other tax receivables	1,194	1,104	90
	8,067	**7,135**	**932**

The most significant change relates to the increase in the VAT receivable concerning increased purchases in the year for Euro 934 thousand.

4.30 Derivative financial instruments

In Euro thousands	31/12/2011 Assets	Liabilities	31/12/2010 Assets	Liabilities
Derivatives on foreign exchange	774	726	434	143
Derivatives on interest rates	69	338	265	166
Total	**842**	**1,064**	**699**	**310**
of which				
Non-current	29	60	189	-
Current	813	1,004	510	310
Total	**842**	**1,064**	**699**	**310**

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

4.31 Cash and cash equivalents

In Euro thousands	31/12/2011	31/12/2010	Changes
Bank and post office deposits	2,181	4,788	(2,607)
Cash in hand and similar	12	7	5
	2,193	**4,795**	**(2,602)**

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 8,503 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, 2011 by actuaries from Mercer Human Resource Consulting S.r.l.

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

In Euro thousands	31/12/2011	31/12/2010	Changes
Costs relating to current employee services	3,037	2,873	164
Net actuarial losses recognised in the year	-	8	(8)
Curtailment effect	188	-	188
Financial charges	485	526	(41)
	3,710	**3,407**	**303**

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

In Euro thousands	31/12/2011	31/12/2010	Changes
Opening balance	**8,850**	**9,277**	**(427)**
Costs relating to current employee services	3,037	2,873	164
Curtailment effect	188	-	188
Net actuarial losses recognised in the year	-	8	(8)
	3,225	**2,881**	**344**
Financial charges	485	526	(41)
Pension fund	(2,767)	(2,870)	103
Benefits provided	(1,290)	(964)	(326)
Total	**8,503**	**8,850**	**(347)**

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, 2011 amounting to Euro 1,001 thousand have not been recorded (losses of Euro 820 thousand at December 31, 2010).
Lastly, the interest component of the charge relating to employee defined-benefit schemes is shown under financial charges, with a resulting increase of Euro 485 thousand in this item for the year. The cost of current retirement benefits, the curtailment effect and net actuarial losses were recorded under labour costs.

Assumptions adopted for the calculation:

	31/12/2011	31/12/2010
Discount rate to determine the obligation	4.55%	5.1%
Rate of inflation	2.00%	2.0%
Discount rate to determine pension cost	5.10%	5.00%

Number of employees

The average number of employees in 2011 was 1,411 (1,470 in 2010) as outlined in note 4.7.

4.33 Provisions for risks and charges

The composition and movements of the provisions are as follows:

In Euro thousands	31/12/2010	Provisions	Utilis./Reclass.	31/12/2011
Supplementary agent termination benefits	512	84	(112)	484
Directors' termination benefits	109			109
Product warranty provisions	287	259	(146)	400
Product disposal provision	359	16	(156)	219
Provisions for risks	2,338	150	(1,051)	1,437
Restructuring provision	1,278	200	(1,278)	200
Personnel provision	2,905	424	(2,906)	423
Total	**7,788**	**1,133**	**(5,649)**	**3,272**
of which				
Non-current	7,501			2,249
Current	287			1,023
	7,788			**3,272**

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 and the relative utilisations.

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 113 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.

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

The Personnel Fund includes contractual indemnities 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

In Euro thousands	31/12/2011	31/12/2010	Changes
Bank loans and mortgages	86,226	56,843	29,383
Total	**86,226**	**56,843**	**29,383**
Bank loans and mortgages have the following repayment schedules			
On demand or within one year	41,210	26,488	14,722
Within two years	11,571	10,331	1,240
Within three years	11,405	6,649	4,756
Within four years	8,070	6,369	1,701
Within five years	6,857	2,916	3,941
Beyond 5 years	7,113	4,090	3,023
Total	**86,226**	**56,843**	**29,383**
Less amounts to be repaid within one year	41,210	26,488	14,722
Due beyond one year	**45,016**	**30,355**	**14,661**

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 and UK Sterling for a value at December 31, 2011 of Euro 852 thousand.

The majority of borrowings indicated above carry a floating rate of interest. While it is exposed to interest rate risk, in 2011 the Company did not systematically hedge its exposure as, particularly concerning short-term debt, 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 Current and non-current tax liabilities

Tax payables (non-current)

In Euro thousands	31/12/2011	31/12/2010	Changes
ILOR (former local income tax) payable – earthquake suspension	183	201	(18)
Other taxes payables	166	183	(17)
Employee leaving indemnity payable – earthquake suspension	27	29	(2)
Taxes on equity reserves – earthquake suspension	511	563	(52)
Flat tax	1	1	-
Total	**888**	**977**	**(89)**

The movements in non-current tax payables relate to the monthly payments of the earthquake suspension payables following the earthquake in 1997. This account includes payables beyond 5 years for Euro 488 thousand.

Tax payables (current)

In Euro thousands	31/12/2011	31/12/2010	Changes
Other taxes	170	334	(164)
IRPEF withheld	1,857	1,929	(72)
Total	**2,027**	**2,263**	**(236)**

The reduction in the account "Current tax payables" principally refers to the reduction in the IRPEF payable due to lower labour costs in addition to the reduction in the IRAP payable in the account "Other tax payables".

4.36 Sundry and Other Payables (non-current)

Other Payables (non-current)

In Euro thousand	31/12/2011	31/12/2010	Changes
Other payables	217	229	(12)
INAIL contributions – earthquake suspension 1997	79	87	(8)
INPDAI contributions – earthquake suspension 1997	43	47	(4)
Employee INPS contributions – earthquake 1997	968	1,076	(108)
	1,307	**1,439**	**(132)**

The decrease in the present account principally relates to suspension payables following the earthquake in 1997, which reduced following repayments. The balance includes Euro 599 thousand to be paid beyond 5 years.

Other payables (current)

In Euro thousands	31/12/2011	31/12/2010	Changes
Payables to social security institutions	944	1,902	(958)
Other payables	60	55	5
Payables to personnel for remuneration	3,786	3,924	(138)
Customers	81	109	(28)
Accrued expenses and deferred income	289	159	130
Customer advances	212	200	12
Directors and Statutory Auditors	-	100	(100)
	5,372	**6,449**	**(1,077)**

The account decreased by over Euro 1 million. This decrease principally relates to the "Payables to Social security institutions" following the payments by INPS relative to the usage of the extraordinary temporary lay-off scheme by the company. The present account includes payables beyond 5 years for Euro 22 thousand.

4.37 Trade payables to third parties and trade and other payables to related parties

In Euro thousands	31/12/2011	31/12/2010	Changes
Trade payables			
- payables within one year	59,929	64,139	(4,210)
- payables beyond one year	55	55	0
Total	**59,984**	**64,194**	**(4,210)**
Accounts payable to subsidiaries	18,549	16,969	1,580
Payables to other related companies	326	1,008	(682)
Associated companies	-	-	-
Total	**18,875**	**17,977**	**898**
Total	**78,859**	**82,171**	**(3,312)**

This mainly includes payables for trade purchases and other costs. The average payment days for the purchase of raw materials is approximately 91.

The balance of the payables to other related companies (Euro 326 thousand) includes the payables at December 31, 2011 to Roal Electronics S.p.A. (Euro 316 thousand) and Fastnet S.p.A. (Euro 10 thousand) concerning commercial transactions.

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

Subsidiary payables are detailed below.

In Euro thousand	31/12/2011	31/12/2010	Changes
Elica Trading LLC	3	-	3
Elica Group Polska S.p.z.oo	18,097	16,037	2,060
Air Force S.p.A.	117	440	(323)
Elicamex S.A.	26	187	(161)
Ariafina Co Ltd	1	1	-
Zhejiang Putian Electric Co. Ltd	46	299	(253)
Elica PB India Private Ltd.	114	-	114
Exklusiv Hauben Gutmann GmbH	145	5	140
Total	**18,549**	**16,969**	**1,580**

The amounts, of a commercial nature, refer principally to purchases carried out by Elica Group Polska of Euro 18,097 thousand in 2011 (Euro 16,037 thousand in 2010).
The payables to Airforce S.p.A. includes the tax balance deriving from the inclusion of the subsidiary in the tax consolidation.

4.38 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, 2011 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

In Euro thousand	31/12/2010	Cost for stock options	Changes in hedging reserve	Other movements	31/12/2011
Hedge reserve	57	-	(258)	-	(201)
Stock option reserve	1,366	698	-	518	2,582
	1,423	**698**	**(258)**	**518**	**2,381**

The hedge reserve contains Euro 201 thousand which represents the negative fair value of hedging derivatives (cash flow hedges) net of the tax effect; in the previous year positive for Euro 57 thousand.

The Stock Grant Plan reserve was impacted by the cost in the year concerning Retention rights and for "other movements" due to the change in the relative tax regulation.

Treasury shares

	Number	Book value(in ´ooo of Euro)
Beginning balance at January1, 2011	6,332,280	17,629
Changes	(3,166,140)	(8,814)
Closing balance at December 31, 2011	3,166,140	8,815

At December 31, 2011, the treasury shares in portfolio represent 5% of the Share Capital.
During the year, as described in the Directors' Report, treasury shares were sold in two tranches, the first of which in February, under which 3% were sold (1,899,684 shares) at a unitary price of Euro 1.64 and the second in December, under which 2% were sold (1,266,456 shares) at a price of Euro 1.049. The book value of the shares in portfolio at December 31, 2010 was Euro 2.78.

Retained earnings

In Euro thousands	31/12/2011	31/12/2010	Changes
Legal reserve	2,533	2,533	-
IAS transition reserve	1,675	1,675	-
Extraordinary reserve	48,310	52,564	(4,254)
Reserve restricted under Law 488/92	3,875	3,875	-
Total	**56,393**	**60,647**	**(4,254)**

The decrease in the Extraordinary Reserve of Euro 4,254 thousand relates to the reduction in the market value of treasury shares sold in the year for Euro 4,371 thousand, net of the allocation of the portion not distributed as dividends of the 2010 results for Euro 116 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	(8,814,532)				
Extra. reserve	48,108,351	A,B,C	48,108,351	-	4,513,387
Reserve Law 488/92	3,875,493	B	-		-
IAS transition reserve	1,675,096	A,B,C	1,675,096		
Reserve stock option	2,581,844	A,B,C	-		
Total	**133,747,059**		**120,906,783**	**-**	**4,513,387**
Non-distributable quota	-		10,594,456		
Residual distributable	-		110,312,327		

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 10,594 thousand, corresponding to the value of the treasury shares held as set out in article 2357 of the civil code for Euro 8,814 thousand and for the residual part research and development expenses to be amortised of Euro 1,780 thousand. These values are included in the "Non distributable reserves".

4.39 Net financial position

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

In Euro thousands	31/12/2011	31/12/2010	Changes
Cash and cash equivalents	**2,193**	**4,794**	**(2,601)**
Loans to related parties	10,902	12,001	(1,099)
Bank loans and mortgages - current	(41,210)	(26,488)	(14,722)
Finance leases and other lenders - current	-	-	-
Short-term debt	**(30,308)**	**(14,487)**	**(15,821)**
Bank loans and mortgages – non-current	(45,016)	(30,354)	(14,662)
Finance leases and other lenders – non-current	-	-	-
Long-term debt	**(45,016)**	**(30,354)**	**(14,662)**
Net debt	**(73,131)**	**(40,047)**	**(33,084)**

At December 31, 2011 the net debt amounted to Euro 73,131 thousand, an increase of Euro 33,084 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.

In Euro thousands	Net Equity Amount	%	Amount	Net result %
As per accounts	106,894		(26,853)	
a) restructuring charges	145	0.14%	145	-0.54%
b) Write-down of investment in Putian	27,841	26.05%	27,841	-103.68%
Notional value of financial statements	**134,880**		**1,133**	

a) The account refers to the industrial reorganisation charges, net of the tax effect;

b) This account includes the amount concerning the write-down to the investment in the Chinese subsidiary Zhejiang Putian Electric Co. Ltd.. For further details reference should be made to the Directors' Report and to note 4.19.

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, 2011, the risks and charges provision for disputes amounted to Euro 969 thousand (Euro 1,564 thousand at December 31, 2010).
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 S.A. (now "FAN S.r.l."), the parent company of Elica S.p.A., and Whirlpool signed a shareholder agreement (the "Shareholder Agreement"). Under the Shareholder Agreement, Whirlpool and the Company signed a Share Option Agreement (the "Share Option Agreement").
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, among other issue, 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 Agreement had been renewed for a further 3-year period and without amendment.
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 Ownership Structure 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 Relations/Corporate Governance section, which reports the extracts of the Agreement published in accordance with law on the site www.consob.it.

Elica S.p.A. is committed to the following guarantees:
- two sureties in favour of Bank DnB Nord for a value of Euro 3,000 thousand and PLN 15,000 for credit lines granted to the subsidiary Elica Group Polska S.p.zo.o; these sureties will expire in 2012.
- a guarantee in favour of a supplier of the Mexican subsidiary for the purchase of plant up to a maximum amount of Euro 72 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, 2011 amount to approx. Euro 305 thousand, principally relating to investments in the productive capacity such as equipment, machinery and software.
Commitments in place at 31/12/2011 undertaken for the purchase of raw materials amount to Euro 13,748 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 contracts, signed by the Company concerning photovoltaic panels. Future payments due against lease contracts are summarised in the following table:

In Euro thousands	**31/12/2011**	**31/12/2010**
Property rentals	631	932
Car and fork lift rental	2,331	2,680
Hardware operating leases	2,195	1,776
Other operating leases	4,853	4,411
Total	**10,010**	**9,799**

In Euro thousands	**31/12/2011**	**Within 1 year**	**1-5 years**	**Over 5 years**
Property rentals	631	386	245	-
Car and fork lift rental	2,331	1,264	1,067	-
Hardware operating leases	2,195	1,057	1,138	-
Other operating leases	4,853	434	1,757	2,662
Total	**10,010**	**3,141**	**4,207**	**2,662**

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), Indian Rupees (INR) 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, 2011 of the balance sheet accounts in foreign currencies for the most significant currencies:

	2011		**2010**	
Divisa	**Assets**	**Liabilities**	**Assets**	**Liabilities**
CHF	-	(300)	-	(299)
CNY	52	(29)	-	-
GBP	285	(60)	551	(29)
JPY	253	(1)	112	(1)
PLN	9,750	(801)	3,786	(406)
RUB	2,874	(6)	44	(2)
USD	4,697	(1,172)	3,561	(1,526)
INR	105	(102)	-	-
Total	**18,016**	**(2,471)**	**8,054**	**(2,263)**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the Euro/CHF, Euro/CNY, Euro/GBP, Euro/YEN, Euro/PLN, Euro/RUB, Euro/USD and EUR/INR rates were analysed.

The following table shows the sensitivity to reasonably possible movements in the exchange rates, maintaining all other variables unchanged, of the pre tax profit, due to changes in the value of current assets and liabilities in foreign currencies:

In Euro thousands	**2011**		**2010**	
Currency	**Depreciation of foreign currencies 5%**	**Appreciation of foreign currencies 5%**	**Depreciation of foreign currencies 5%**	**Appreciation of foreign currencies 5%**
CHF	14	(16)	14	(16)
CNY	(1)	1		
GBP	(11)	12	(25)	28
JPY	(12)	13	(5)	6
PLN	(426)	471	(161)	178
RUB	(137)	151	(2)	2
USD	(168)	186	(97)	107
INR	-	-	-	-
Total	**(740)**	**818**	**(276)**	**305**

The hedging operations of Elica as at December 31, 2011 with financial counterparties have a total positive Fair Value of Euro 48 thousand.
The table below shows the details of the notional and fair values:

Exchange rate	31/12/2011		31/12/2010	
	Notional	**Fair Value**	**Notional**	**Fair Value**
	(in foreign currency/000)	**(in Euro thousands)**	**(in foreign currency/000)**	**(in Euro thousands)**
USD				
Forward	3,180	(62)	2,000	28
Options	9,435	174	8,650	241
GBP				
Forward	590	(6)	730	16
PLN				
Forward	173,468	(533)	6,014	12
Options	107,265	373	14,145	127
JPY				
Options	55,000	1	75,000	6
RUB				
Forward	42,000	14	-	-
Options	167,000	87	-	-
Total		**48**		**430**

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the EUR/USD, EUR/GBP, EUR/PLN, EUR/JPY and EUR/RUB and the EUR and foreign exchange interest rate curves were analysed.
In the stress testing we have stressed, as well as the spot to spot exchange rate, also the monetary curve rates at December 31, 2011 in order to show the effect of changes in the rate curve.
For this purpose, the maximum change in the interval between the beginning of November 2011 and the first week of January 2012 was considered.
For the EUR/USD exchange rates a stress of 4.5% was applied, for the EUR/GBP 2.5%, for EUR/PLN 4.0%, for EUR/JPY 5% and for EUR/RUB 3%.
For the interest rates, variable based on forward exchange contracts, a stress of 17% was applied for the Eurozone, 15% for the USA, 1% for the Polish and Japanese rates and 5% for the UK rates.
The following table shows the sensitivity to the movements in the exchange rates and the rate curves indicated, maintaining all other variables unchanged, of the Fair Value of the operations in foreign currencies at December 31, 2011 (compared with December 31, 2010):

in Euro			**2011**		
	USD Notional 12,615 USD/000	**GBP Notional 590 GBP/000**	**PLN Notional 280,733 PLN/000**	**JPY Notional 55,000 JPY/000**	**RUB Notional 209,000 RUB/000**
Depreciation of foreign currencies	214,431	17,237	(753,363)	2,511	59,787
Currency depreciation EURO	8,311	1,109	(25,868)	15	3,523
Currency depreciation	(4,071)	(309)	78,107	-	(13,789)
Sensitivity to Depreciation	**218,671**	**18,037**	**(701,124)**	**2,526**	**49,521**
Appreciation of foreign currencies	(189,186)	(18,121)	955,623	(645)	(54,984)
Currency appreciation EURO	(8,226)	(1,115)	32,341	(14)	(4,515)
Currency appreciation	4,095	308	(76,296)	-	14,192
Sensitivity to Appreciation	**(193,317)**	**(18,928)**	**911,668**	**(659)**	**(45,307)**

in Euro	2010 USD Notional 10,650 USD/000	GBP Notional 730 GBP/000	PLN Notional 20,159 PLN/000	JPY Notional 75,000 JPY/000
Depreciation of foreign currencies	212,667	24,712	(163,196)	9,837
Currency depreciation EURO	5,629	853	(847)	(44)
Currency depreciation	(2,418)	(338)	1,337	(5)
Sensitivity to Depreciation	**215,878**	**25,227**	**(162,706)**	**9,788**
Appreciation of foreign currencies	(185,371)	(26,241)	254,145	(4,412)
Currency appreciation EURO	(4,671)	(856)	881	(44)
Currency appreciation	2,424	337	(2,624)	5
Sensitivity to Appreciation	**(187,618)**	**(26,760)**	**252,402**	**(4,451)**

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 -25 bps in the interest rate curve in the short-term incurs lower financial charges of Euro 172 thousand, while a change of 25 bps in the same interest rate curve converts into higher financial charges of Euro 172 thousand.

The Company hedges the interest rate risk through the utilisation of two Interest Rate Swaps and through CAP options against specific medium-long term loans at variable rate.
The table below shows the details of the notional and fair values:

Derivatives on interest rates

	31/12/2011		31/12/2010	
Instrument	***Notional***	***Fair Value***	***Notional***	***Fair Value***
In Euro thousand				
Interest Rate Swap	16,272	(278)	12,969	79
CAP	22,072	8	10,573	19
Total	***38,344***	***(270)***	***23,542***	***99***

Also the interest rate risk is measured through sensitivity analysis, in accordance with IFRS 7. The changes in the interest rate curve utilised for the sensitivity analysis were based on the volatility of the market rates.
The analysis shows that a change of the interest rate curve (both short-term and medium/long-term) of -25 bps results in a decrease in the Fair Value of the Interest Rate Swap at December 31, 2011 of Euro 124 thousand.
An increase however of 25 bps on the interest rate curve would cause an increase in the fair value of the Interest Rate Swap of Euro 123 thousand.

With reference to the CAP options the sensitivity analysis carried out on the interest rate curve shows against a change in the curve (both short and medium/long-term) of -25 bps, the Fair Value of the CAP decreases by Euro 6 thousand.
A change in the interest rate curve of 25 basis point prompts an increase in the CAP fair value of Euro 10 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, 2011 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, 2011, trade receivables from non-Group clients of Euro 62.2 million (Euro 66.0 million at December 31, 2010), included approx. Euro 4.0 million (Euro 3.4 million at December 31, 2010) 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:

	31/12/2011		
In Euro thousand	**Within 1 year**	**1-5 years**	**Over 5 years**
Bank loans and mortgages	41,210	37,903	7,113
Trade and other payables	84,205	708	621
Total	**125,415**	**38,611**	**7,734**

	31/12/2010		
In Euro thousand	**Within 1 year**	**1-5 years**	**Over 5 years**
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**

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, 2011 the level of the covenants in question were comfortably complied with both in relation to the increase in the cost of the loan and the level of default of the credit line.

For details on the net financial position, reference should be made to note 4.39 of the notes.

Classification of the Financial instruments

In Euro thousand	**31/12/2011**	**31/12/2010**
Other financial assets	-	30
AFS financial assets	155	50
Derivative financial instruments	29	189
Non-current assets	**184**	**269**
Derivative financial instruments	813	509
Cash and cash equivalents	2,193	4,794
Current assets	**3,006**	**5,303**
Bank loans and mortgages	45,016	30,354
Non-current liabilities	**45,016**	**30,354**
Bank loans and mortgages	41,210	26,488
Derivative financial instruments	1,004	310
Current liabilities	**42,214**	**26,798**

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 discretional 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, 2011 and December 31, 2010 belong to level 2 of the fair value hierarchy.

Derivative instruments at December 31, 2011

The table below shows the following information on derivative instruments at December 31, 2011:

- The notional value of the derivative contracts, broken down by maturity;
- The book value of these contracts, represented by their fair value.

In Euro	Notional Value				Book Value
Interest rate risk					
	Maturity within 1 year		Maturity over 1 year		
Cash Flow hedge as per IAS 39	2,712		13,560		(278)
Fair Value hedge as per IAS 39					
Not considered hedges under IAS 39	4,592		17,480		8
Total derivatives on interest rates	**7,304**		**31,040**		**(270)**
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	27,242	49,620	673	1,447	48
- On financial operations					
Total derivatives on foreign exchange	**27,242**	**49,620**	**673**	**1,447**	**48**

The situation at December 31, 2010 is outlined below:

in Euro	Notional Value				Book Value
Interest rate risk					
	Maturity within 1 year		Maturity over 1 year		
Cash Flow hedge as per IAS 39	1,853		11,116		79
Fair Value hedge as per IAS 39					
Not considered hedges under IAS 39	2,768		7,805		20
Total derivatives on interest rates	**4,621**		**18,921**		**99**
Foreign currency risks	Maturity within 1 year		Maturity over 1 year		
	sales	purchases	sales	purchases	
Considered hedges under IAS 39					
- On commercial operations					
- On financial operations					
Not considered hedges under IAS 39					
- On commercial operations	8,478	4,943	977	-	431
- On financial operations					
Total derivatives on foreign exchange	**8,478**	**4,943**	**977**	**-**	**431**

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 persons in total amounted to Euro 4,144 thousand. The details are reported in the "Remuneration Report". This report is available on the Company internet site www.elicagroup.com, in the Investor Relations/Corporate Governance section.

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 a shareholder and Sole Director of Fintrack S.p.A., a holding company that does not carry out management and coordination activities.
Gianna Pieralisi Casoli holds a life-time right of usufruct on 68.33% of the shares of Fintrack S.p.A., thus exercising control over the Issuer, pursuant to article 93 of the Consolidated Finance Act.

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, 2011.

Subsidiaries – 2011 Highlights

In Euro thousand	**Assets**	**Liabilities**	**Net equity**	**Revenues**	**Net profit/(loss)**
Elicamex S.a.d. C.V.	33,772	10,917	22,856	35,418	2,082
Elica Group Polska Sp.z o.o	40,024	14,993	25,031	74,038	5,262
Airforce S.p.A.	8,409	6,185	2,224	18,419	249
Ariafina	7,972	3,172	4,799	20,571	1,432
Leonardo	301	355	(54)	3,845	(59)
Exklusiv Hauben Gutmann GmbH	24,015	14,849	9,166	24,097	921
Elica Inc.	438	333	105	701	19
Airforce GE	101	17	83	9	(49)
Elica PB India Private Ltd.	4,600	6,983	(2,383)	7,539	(1,696)
Zhejiang Putian Electric Co. Ltd	10,849	2,861	7,989	12,290	(233)
Elica Trading	4,635	4,634	0	3,363	(97)

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:

In Euro thousand	**31/12/2011**	**31/12/2010**	**Changes**
Financial receivables from holding companies			
Fintrack Spa	765	1,013	(248)
Total	**765**	**1,013**	**(248)**
Loans to subsidiaries			
Elicamex S.A. de C.V.	-	1	(1)
Elica Trading LLC	1,402	-	1,402
Exklusiv Hauben Gutmann GmbH	9,500	12,000	(2,500)
Total	**10,902**	**12,001**	**(1,099)**

Total	**11,667**	**13,014**	**(1,347)**

The table below summarises the transactions and balances with related parties in 2011:

Related parties *In Euro thousand*	**Payables**	**Fin./Trade receivables**	**Costs**	**Revenues and income**
Subsidiary Companies				
Elicamex S.a.d. C.V.	26	4,391	38	8,468
Ariafina Co.Ltd	1	239	-	432
Elica Polska S.p.zoo	18,097	2,643	72,256	24,778
Air Force S.p.A.	117	460	574	1,582
Zhejiang Putian Electric Co. Ltd	46	124	1,518	325
Exklusiv Hauben Gutmann GmbH	145	10,028	154	884
Elica PB India Private Ltd.	114	1,827	112	1,305
Elica Trading LLC	3	2,844	14	1,435
Associated company				
I.S.M. S.r.L.	-	101	-	2
other related parties				
Fintrack Spa	-	765	-	15
Fastnet SpA	10	-	32	-
Roal Electronics Srl	316	86	2,014	84

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

In 2011, no operations classifiable in this category were recorded.

10. Events after the year-end

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

Fabriano, March 21, 2012

For the Board of Directors
THE EXECUTIVE CHAIRMAN
Francesco Casoli

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 2011 for audit and other services carried out by the audit firm and entities associated with the audit firm.

Type of services	Party providing the service	Company	Remuneration *In Euro thousand*
Audit	Deloitte & Touche S.p.A.	Elica S.p.A.	275
Other Services	Deloitte & Touche S.p.A.	Elica S.p.A.	13
Total			**288**

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 Alberto Romagnoli, 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 2011.

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 21, 2012

The Chief Executive Officer
Andrea Sasso

Executive responsible for the preparation
of corporate accounting documents
Alberto Romagnoli