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




2019 Annual Report

our power, your passion

Annual report at
31 December 2019

These financial statements were approved by the Board of Directors on 13 March 2020.

This report is available on the Internet at the address www.emakgroup.com

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our power, your passion

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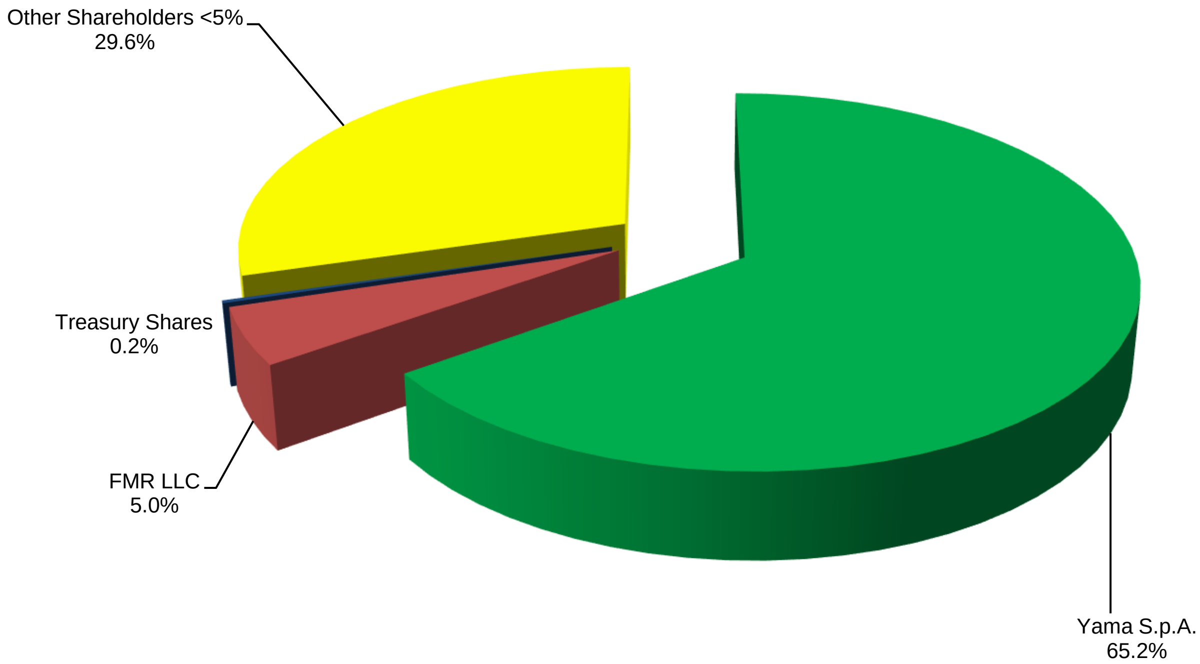
Organizational chart of Emak Group as at 31 December 2019

1. Valley Industries LLP is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 10%.
2. Lemasa is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 30%.
3. Comet do Brasil Investimentos Ltda is owned for 99.63% by Comet S.p.A .and 0.37% by P.T.C. S.r.l.
4. Lavorwash S.p.A is consolidated at 98.42% as a results of the "Put and Call Option Agreement" that governs the purchase of the 14.67% remaining
5. Emak do Brasil is owned for 99.98% by Emak S.p.A. and 0.02% by Comet do Brasil.
6. Lavorwash Brasil Ind. Ltda is owned for 99.99% by Lavorwash S.p.A. and 0.01% by Comet do Brasil.
7. S.I.Agro Mexico is owned for 97% by Comet S.p.A. and 3% by P.T.C. S.r.l.

Main shareholders of Emak S.p.A.

The share capital of Emak S.p.A. consists of 163,934,835 shares with a par value of 0.26 euros per share. The Company has been listed on the Milan Stock Exchange since June 25, 1998. Since September 2001 the stock has been included in the Segment of Equities with High Requirements (STAR).

At the closing date of December 31, 2019, on the basis of notifications received pursuant to Article 120 of Legislative Decree 58/1998, the shareholder structure of the Company is as follows:



Corporate Bodies of Emak S.p.A.

The Ordinary General Meeting of the Shareholders of the Parent Company, Emak S.p.A. on 30 April 2019 appointed the Board of Directors and the Board of Statutory Auditors for the financial years 2019-2021.

Board of Directors	
Chairman and Chief Executive Officer	Fausto Bellamico
Deputy Chairman and Executive Director	Aimone Burani
Executive Director	Luigi Bartoli
Lead Independent Director	Massimo Livatino
Independent Directors	Alessandra Lanza
	Elena Iotti
Directors	Francesca Baldi
	Ariello Bartoli
	Paola Becchi
	Giuliano Ferrari
	Vilmo Spaggiari
	Guerrino Zambelli
	Marzia Salsapariglia
Audit Committee, Remuneration Committee, Related Party Transactions Committee, Nomination Committee	
Chairman	Massimo Livatino
Components	Alessandra Lanza
	Elena Iotti
Financial Reporting Officer	Aimone Burani
Supervisory Body as per Legislative Decree 231/01	
Chairman	Sara Mandelli
Acting member	Roberto Bertuzzi
Board of Statutory Auditors	
Chairman	Stefano Montanari
Acting auditors	Gianluca Bartoli
	Francesca Benassi
Alternate auditor	Maria Cristina Mescoli
	Federico Cattini
Independent Auditor	Deloitte & Touche S.p.A.

Emak Group Profile

The Emak Group operates on the global market with a direct presence in 14 countries and a distribution network covering 5 continents.

The Group offers a wide range of products with recognised trademarks and refers to a target clientele highly diversified into three business segments:

- Outdoor Power Equipment (OPE): Emak S.p.A. and its commercial and productive subsidiaries operates in this segment;
- Pumps and High Pressure Water Jetting (PWJ): this segment is managed by Comet S.p.A. and its subsidiaries, including Lavorwash S.p.A. and its subsidiaries;
- Components and Accessories (C&A): this segment is managed by Tecomec S.r.l. and its subsidiaries, Sabart S.r.l.

The **Outdoor Power Equipment** segment includes activities for the development, manufacture and marketing of products for gardening and forestry activities and small machines for agriculture, such as brush cutters, lawnmowers, garden tractors, chainsaws, motor hoes and walking tractors. The Group distributes its own products with the main trademarks: Oleo-Mac, Efco, Bertolini, Nibbi and Staub (the latter only to the French market). The Group's offer is directed to professionals and to private users with high expectations. The Group mainly operates in the specialised dealer channel, distributing its products through its own sales branches and, where not present directly, through a network of 150 distributors in more than 100 countries throughout the world.

The Group's reference market (considered as the channel of specialised dealers, excluding the large-scale retail trade) has an estimated value of 7-8 billion Euros. In mature markets such as North America and Western Europe, demand is predominantly relates to replacement: the main driver is the trend of the economy and of the "gardening" culture. In emerging markets, such as the Far East, Eastern Europe and South America, demand is predominantly for the "first buy": the main driver in these areas is economic growth, the evolution of agricultural mechanisation and the relative policies of support. A further factor that influences demand is the price of commodities: the trend in the price of agricultural commodities, for example, influences investments in agricultural machinery.

Weather conditions are a factor that can influence the trend in demand for products in the segment (brush-cutters, lawnmowers and garden tractors in spring-summer and chainsaws in autumn-winter).

The **Pumps and High Pressure Water Jetting** line brings together activities for the development, manufacture and marketing of products (i) for agriculture, such as centrifugal and diaphragm pumps for spraying and weeding; (ii) for industry, including industrial pumps, high-pressure systems and machines for urban cleaning; (iii) for cleaning, that is, professional and semi-professional pressure washers, floor washing-drying machines and vacuum cleaners. The Group distributes its own products with the Comet, HPP, Lemasa, PTC Waterjetting Equipment, PTC Urban Cleaning Equipment and Lavor brand names. Customers of the Group include producers of spraying and weeding machines with regards to pumps for agriculture; builders and contractors in the industrial sector; specialised dealers and the large-scale retail trade for washing products.
The addressable market has a global value estimated at between 3 billion Euros.
The pumps market for agriculture is mainly composed of Italian operators. The demand is strongly driven by the trend of the economic cycle, demographic growth and the consequent increase in the demand for agricultural products; in developing countries demand is linked to the development of agricultural mechanisation and relative policies of support.
The market of products for the industrial sector is continuously growing and demand is linked to the trend of several sectors/fields of application in which the systems are used, such as: hydro-demolition; water-washing and ship repairs; refineries; mines and quarries; the petroleum industry; underwater washing; the iron and steel industry; foundries; chemical processing plant; energy production; paper mills; transport; municipalities; food; automobile and engine manufacturing.
The demand for cleaning products is mainly linked to the economic cycle trend, the increase in hygienic standards, especially in emerging countries, and the development of the “do-it-yourself” culture in mature markets.

The **Components and Accessories** segment includes activities for the development, manufacture and marketing of products the most representative of which are line and heads for brush-cutters, accessories for chainsaws (e.g. sharpeners), pistols, valves and nozzles for high pressure cleaners and for agricultural applications, precision farming (sensors and computers). In this segment the Group operates partly through its own brands, Tecomec, Geoline, Mecline, Sabart, and partly distributing products for third party brands. The main customers of the Group are producers in the Outdoor Power Equipment segment, of spraying and weeding machines, of high-pressure cleaners, high pressure washing systems and specialised distributors.
The reference market has a global value estimated at around 1.5 billion Euros.
The demand for components and accessories is linked to the economic cycle (business OEM) and the intensity of use of machines (aftermarket). The high pressure water jetting segment is linked to the economic cycle, to investments in the end markets for applications and hydrodynamic units. For products intended for the agricultural sector, demand is strongly linked to the growth of the economic cycle and in particular to the trend of agricultural commodity prices, demographic growth and the consequent increase in demand for agricultural products.

In general, the Group’s activity is influenced by seasonal fluctuations in demand. Products for gardening follow the end customer’s purchase model: most sales are concentrated in spring-summer, the period in which gardening activities are concentrated. The demand for forestry products is higher in the second part of the year while the demand for products in the Pumps and High Pressure Water Jetting segment is concentrated in the first half-year (marked seasonality in the demand for pumps for agriculture). The demand for products for industry and cleaning, on the other hand, is evenly distributed throughout the year.

Productive structure

The Group concentrates its investments on phases of high added value in the manufacture of its products. From the point of view of economic efficiency and value creation, the Group focuses on Research and Development, engineering, industrialization and assembly activities. The supply chain is strongly integrated and involved in the development of its products according to the principles of the extended factory.

The production plants have been subject to specific rationalization projects over the years, with a revision of the production layouts based on a “lean manufacturing” approach, and the involvement of all the employees taking part in various ways in the product creation process, from development to manufacture.

Outdoor Power Equipment

The Group utilises four production sites: two in Italy and two in China. The parent company plant deals with the production of portable products, such as semi-professional and professional brush-cutters and chainsaws. The production model is focused on assembly: the products are entirely developed and designed internally; the components are produced according to the technical specifications provided by the Group and are assembled internally in the Group’s facilities. The Pozzilli factory is dedicated to the production of wheel-based products such as lawnmowers and small tractors. The production model for this range of products provides for the purchase of the motor from leading world producers and its assembly inside the machine. With particular reference to the lawn-mower range, the shell is produced internally with a vertical process that goes from the processing of the sheet metal to the painting. The Chinese production facility of Jiangmen replicates that of the parent company, making products intended mainly for price-sensitive markets such as the Far East, South-East Asia and South America. The second Chinese factory, in Zhuhai, is specialised in the production of cylinders for the two-stroke motors of the Group’s portable products.

Pump and High Pressure Water Jetting

The manufacture of products in this segment is carried out in three Italian factories: one Chinese, two Brazilian and one in the United States. The plants are specialized in the production of specific product lines. Pumps for the agricultural sectors, those for industrial applications up to 1,200 bars, machines in the cleaning sector such as semi-professional and professional high-pressure water jet machines and urban cleaning equipment are manufactured in Italy. The Chinese plant is dedicated to the production of low-pressure industrial pumps and machines in the cleaning segment such as high-pressure water jet machines and vacuum cleaners aimed at serving the Asian and South American markets. The Brazilian factories are dedicated, one to the production of very high pressure pumps (up to 2,800 bars) and plant for various sectors such as the oil & gas, sugar cane, shipbuilding and automotive sectors, and the other to the manufacture of machines in the cleaning segment (such as high-pressure water jet machines) for the South American market. The American plant assembles (on a small scale) products for agriculture intended for the local market.

Components and Accessories

The Group has a total of eight factories for manufacturing the products of this segment, located in different countries, focused on specific products and with different production processes.
Most of the facilities (France, USA, Chile, Morocco, South Africa) are dedicated to the production of nylon thread for the brush-cutters. The reason for localised facilities is the need to have production near the end markets, considering the production process followed. This product, in fact, follows an entirely vertical process, from the purchase of the raw material to processing to the packaging of the final product.
The Chinese factory is dedicated to the production of heads for brush-cutters and pistols for high-pressure water jet machines. These products require the internal production of plastic moulds, followed by the assembly of the mechanical components.
The precision farming line is produced in Italy, with the design of electric parts and the development of software, the added value parts of the products, all carried out internally, as well as the final assembly. The most important products of the forestry line are designed and developed by the Group, which assembles the externally manufactured components in Italy.

Overall, the production volumes can be easily adjusted to match fluctuations in demand through flexible management of the plants, so that seasonal peaks can be accommodated through overtime or additional shifts, without requiring additional investments.

The following table shows the Group's production structure divided by business segment.

Segment	Company	Location	Output
OPE	Emak	Bagnolo in Piano (RE) – Italy	Chaisaws, brushcutters, power cutters, cultivators, flailmowers, transporters
		Pozzilli (IS) - Italy	Lawnmowers and rotary tillers
	Emak Tailong	Zhuhai - China	Cylinders for internal combustion engine
	Emak Jiangmen	Jiangmen - China	Chainsaws, bruscutters for price sensitive segment
PWJ	Comet	Reggio Emilia - Italy	Pumps, motor pumps and control units for agriculture and industry and pressure washers for the cleaning sector
	Valley	Paynesville, Minnesota - USA	Components and accessories for industrial and agricultural sector
	P.T.C.	Rubiera (RE) - Italy	High and ultra high pressure units and machines for urban cleaning
	Lemasa	Indaiatuba - Brazil	High pressure pumps
	Lavorwash	Pegognaga (MN) – Italy	High pressure washers, vacuum cleaners, industrial and professional cleaning systems
	Yong Kang Lavorwash Equipment	Yongkang – China	High pressure washers and vacuum cleaners for price sensitive segment
	Lavorwash Brasil	Ribeirao Preto - Brazil	High pressure washers for cleaning sector
C&A	Tecomec	Reggio Emilia - Italy	Accessories for agricultural machinery for spraying and weeding and accessories and components for pressure washers
	Speed France	Arnas - France	Nylon line and heads for brushcutters
	Speed North America	Wooster, Ohio - USA	Nylon line for brushcutters
	Speed Line South Africa	Pietermaritzburg - South Africa	Nylon line for brushcutters
	Speed Industrie	Mohammedia - Morocco	Nylon line for brushcutters
	Speed South America	Providencia, Santiago - Chile	Nylon line for brushcutters
	Ningbo	Ningbo - China	Accessories and components for high pressure washing and chain saws and brushcutters

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Main strategic lines of action

The main goal of the Emak Group is the creation of value for its stakeholders.

In order to achieve this objective, the Group focuses on:

1. Innovation, with continuous investments in research and development, focused on new technologies, safety, comfort and emission control, in order to create new products that meet customer needs;
2. Distribution, to consolidate the Group's position in the market where it has a direct presence and to further expand distribution by entering new markets with high growth potential;
3. Efficiency, by implementing the lean manufacturing approach in its plants, exploiting synergies with the supply chain;
4. Acquisitions, with the aim of entering new markets, improving its competitive position, completing the product range and accessing strategic technologies that take a long time for internal development.

Policy of analysis and management of risks related to the Group's business

Group believes that an effective management of risks is a key factor for the maintenance of value over time. For the purpose of achieving its strategic objectives, the Group establishes guidelines for its risk management policy through its governance structure and Internal Control System.

As part of its industrial activity, Emak Group is exposed to a series of risks, the identification, assessment and management of which are assigned to Managing Directors, also in the role of Executives Directors appointed pursuant to the self-regulatory Code of *Borsa Italiana S.p.A.*, to business area managers and the Audit Committee.

The Directors responsible for the internal control system oversee the risk management process by implementing the guidelines defined by the Board of Directors in relation to risk management and by verifying their adequacy.

With the aim of preventing and managing more significant risks, the Group has a risk classification model, subdividing them on the basis of the company department from which that may derive or from which they can be managed, which provides for an assessment of the risks on the basis of an estimate of economic-financial impacts and the probability of occurrence.

The Board of Directors attributes the Committee the tasks of assisting it, giving advice and making proposals, in the performance of its takes regarding the internal control system and risk management and, in particular, in the definition of the guidelines for the internal control system and the periodic evaluation of its suitability, efficiency and effective functioning. The Committee supervises Internal Audit activities and examines, more generally, problems relating to the internal control system and risk management.

In addition to the above activities are those performed by the Internal Audit department, which evaluates the suitability of the internal control system and risk management, of which it is an integral part, with respect to the reference context in which the Group operates. In this sense, in the exercise of their role, Internal Audit checks the functioning and appropriateness of the risk management system, with particular attention to continuous improvement and management policies.

As part of this process, different types of risk are classified on the basis of the assessment of their impact on the achievement of the strategic objectives, that is to say, on the basis of the consequences that the occurrence of the risk may have in terms of compromised operating or financial performance, or of compliance with laws and/or regulations.

The main strategic-operating risks to which the Emak Group is subject are:

Competition and market trends

The Group operates on a global scale, in a sector characterized by a high level of competition and in which sales are concentrated mainly in mature markets with moderate or low rates of growth in demand.
Performances are closely correlated to factors such as the level of prices, product quality, trademarks and technology, which define the competitive positioning of operators on the market. The competitive position of the Group which compares with global players that often have greater financial resources as well as greater diversification in terms of geography, makes particularly significant the exposure to risks typically associated with market competitiveness.
The Group mitigates the country risk by adopting a business diversification policy by product and geographic area, such as to allow risk balancing.
The Group also constantly monitors the positioning of its competitors in order to intercept any impacts on its commercial offer.
In order to reduce the risk of saturation of the segments / markets in which it operates, the Group is progressively expanding its product range, also paying attention to "price sensitive" segments.

Risks associated with consumer purchasing behavior

Over the last few years, social (for example e-commerce) and technological trends have emerged which could have, in the medium to long term, a significant impact on the market in which the Group operates. The ability to grasp the emerging expectations and needs of consumers is therefore an essential element for maintaining the Group's competitive position.
The Group seeks to capture emerging market trends to renew its range of products and adapt its value proposition based on consumer purchasing behaviour.

International expansion strategy

The Group adopts international expansion strategy, and this exposes it to a number of risks related to economic conditions and local policies of individual countries and by fluctuations in exchange rates. These risks may impact on consumption trends in the different markets and may be relevant in emerging economies, characterized by greater socio- political volatility and instability than mature economies.
Investments made in a number of countries, therefore, could be influenced by substantial changes in the local macro-economic context, which could generate changes in the economic conditions that were present at the time of making the investment. The Group’s performances are therefore more heavily influenced by this type of risk than in the past. The Group coordinates all the M&A activity profiles for the purpose of mitigating the risks. In addition, the management of the Group has set up constant monitoring in order be able to intercept possible socio-political or economic changes in such countries so as to minimize any consequent impact.

Weather conditions

Weather conditions may impact on the sales of certain product families. Generally, weather conditions characterized by drought can cause contractions in the sale of gardening products such as lawnmowers and garden tractors, while winters with mild climate adversely affect sales of chainsaws.
The Group is able to respond quickly to changes in demand by leveraging on flexible production.

Technological products evolution

The Group operates in a sectors where product development (for example the spread of battery products in the OPE sector) in terms of quality and functionality is an important driver for the maintenance and growth of its market share.
The Group responds to this risk with continuous investment in research and development and in the use of appropriate skills in order to continue to offer innovative and competitive products compared to those of its main competitors in terms of price, quality, and functionality.

Environment, Health and Safety management

The Group is exposed to risks associated with health and safety at work and the environment, which could involve the occurrence work-related accidents and illness, environmental pollution phenomena or the failed compliance of specific legal regulations. The risks associated with such phenomena may lead to penal and/or administrative sanctions or pecuniary disbursements against the Group. The Group manages these types of risks through a system of procedures aimed the systematic control of risk factors as well as to their reduction within acceptable limits. All this is organized by implementing different management systems required by the standards of different countries and international standards of reference.

Customers performances

The Group's results are influenced by the actions of a number of large customers, with which there are no agreements involving minimum purchase quantities. As a result, the demand of such customers for fixed volumes of products cannot be guaranteed and it is impossible to rule out that a loss of important customers or the reduction of orders made by them could have negative effects on the Group's economic and financial results.
Over the last few years, the Group has increasingly implemented a policy of diversifying customers, including through acquisitions.

Raw material and components price trend

The Group's economic results are influenced by the trend in the price of raw materials and components. The main raw materials used are copper, steel, aluminum and plastic materials. Their prices can fluctuate significantly during the year since they are linked to official commodity prices on the reference markets.
The Group does not use raw material price hedging instruments but mitigates risk through supply contracts. The Group has also created a system for monitoring the economic-financial performance of suppliers in order to mitigate the risks inherent in possible supply disruptions and has set up a management relationship with suppliers that guarantees flexibility of supply and quality in line with the policies of the Group.

Liability to customers and third parties

The Group is exposed to potential liability risks towards customers or third parties in relation to product liability due to possible design and/or manufacturing defects in the Group's products, also attributable to third parties such as suppliers and assemblers. Moreover, in the event that products are defective or do not meet technical and legal specifications, the Group, also by order of control authorities, could be obliged to withdraw such products from the market. In order to manage and reduce these risks, the Group has entered into a master group insurance coverage that minimizes risks only to insurance deductibles.

Risks associated with the recoverability of assets, in particular goodwill

As part of the development strategy, the Group has implemented acquisitions of companies that have enabled it to increase its presence on the market and seize growth opportunities. With reference to these investments, specified in the financial statements also as goodwill, there is no guarantee that the Group will be able to reach the benefits initially expected from these operations. The Group continuously monitors the performance against the expected plans, putting in place the necessary corrective actions if there are unfavourable trends which, when assessing the congruity of the values recorded in the financial statements, lead to significant changes in the expected cash flows used for the impairment tests.

Risks associated with the application of import tariffs

In 2018 the United States government introduced a number of legislative measures to impose a series of customs tariffs on the importation of steel and aluminium originating from Europe and on a number of categories of "made in China" finished products.
The impacts of these measures, on the trend of the economy, do not significantly affect the Group's performance.

Risks related to climate change

In the short to medium term, there are no significant risks relating to the production processes or markets in which the Group operates. The Group pays attention to the risk associated with climate change with regard to the potential impacts in the medium to long term. These risks are assessed in terms of potential impacts due to extreme events (climate change could impact the performance of some product families) but also as an external risk driver linked both to the choices of the regulator (reduction of emission thresholds) and to the consumer choices, which may have an effect on the business model. The Group is able to respond quickly to changes in demand by leveraging the flexibility of its production structure and to quickly direct its research and development on the basis of any new regulations. The Group also communicates these issues through the 2019 consolidated non-financial declaration, to which reference is made, which also indicates the methods for managing and mitigating ESG risks - Environmental, Social, Governance - (Environmental compliance risks, Physics risks related to climate change, Transition risks related to climate change, Risks related to health and safety in the workplace, Risks related to the crime of corruption).

Risks associated with the Brexit

The Group's turnover in the United Kingdom market represents less than 2% of consolidated revenues. It is therefore not considered that there can be significant and direct impacts on the Group's performance.
Instead, future policies associated with the Brexit may influence the performance of European economy, affecting market demand.

Risk arising from COVID-19

The spread of the Covid-19 virus began in January 2020. The virus initially affected China, then spreading to other countries, including Italy as the most affected at the date of this document. The risk to human health and the rapid spread of the virus led WHO to declare Covid-19 a pandemic. The Group has adopted, for Italian companies, the necessary measures to protect the safety of its employees, for example by promoting smart working, and towards external personnel, prohibiting, as far as possible, access to its facilities. The Group is still operating today. Management will continue to monitor the evolution of the situation in order to put in place all the necessary measures both to preserve the health of its employees and to adapt its operations.

Financial risks

In the ordinary performance of its operating activities, the Emak Group is exposed to various risks of a financial nature. For detailed analysis, reference should be made to the appropriate section of the Notes to Annual Financial Statements in which the disclosures as per IFRS no. 7 are set out.

Risk management process

With the aim of reducing the financial impact of any harmful event, Emak has arranged to transfer residual risks to the insurance market, when insurable.
In this sense, Emak, as part of its risk management, has taken steps to customize insurance coverage in order to significantly reduce exposure, particularly with regard to possible damages arising from the manufacturing and marketing of products.
All companies of the Emak Group are today insured, with policies of international programs such as Liability, Property all risks, D&O, Crime and EPL, against major risks considered as strategic, such as: product liability and product recall, general civil liability, certain catastrophic events and related business interruption. Other insurance coverage has been taken out at the local level in order to respond to regulatory requirements or specific regulations.
The analysis and insurance transfer of the risks to which the Group is exposed is carried out in collaboration with an insurance broker who, through an international network, is also able to assess the adequacy of the management of the Group's insurance programs on a global scale.

First application of IFRS 16 accounting standard.

Starting January 1, 2019 the Emak Group adopted the newly accounting standard **IFRS 16 – Leases**.
The new standard replaced IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

For details on impacts deriving from IFRS 16 reference should be made to paragraph 2.29 of the explanatory notes.

1. Main economic and financial figures for Emak Group

Income statement (€/000)

	YEAR 2019	YEAR 2019 NO IFRS 16	YEAR 2018
Revenues from sales	433,953	433,953	452,825
EBITDA before non ordinary expenses (*)	46,878	40,912	50,763
EBITDA (*)	46,090	40,124	49,449
EBIT	22,022	21,483	33,976
Net profit	13,126	13,427	25,647

Investment and free cash flow (€/000)

	YEAR 2019	YEAR 2018
Investment in property, plant and equipment	14,039	14,699
Investment in intangible assets	4,414	3,495
Free cash flow from operations (*)	37,194	41,120

Statement of financial position (€/000)

	31.12.2019	31.12.2019 NO IFRS 16	31.12.2018
Net capital employed (*)	358,467	328,752	323,247
Net debt	(146,935)	(116,550)	(117,427)
Total equity	211,532	212,202	205,820

Other statistics

	YEAR 2019	YEAR 2019 NO IFRS 16	YEAR 2018
EBITDA / Net sales (%)	10.6%	9.2%	10.9%
EBIT / Net sales (%)	5.1%	5.0%	7.5%
Net profit / Net sales (%)	3.0%	3.1%	5.7%
EBIT / Net capital employed (%)	6.1%	6.5%	10.5%
Net debt / Equity	0.69	0.55	0.57
Number of employees at period end	1,988		1,999

Share information and prices

	31.12.2019	31.12.2018
Earnings per share (€)	0.079	0.155
Equity per share (€) (*)	1.28	1.25
Official price (€)	0.91	1.25
Maximum share price in period (€)	1.42	1.64
Minimum share price in period (€)	0.81	1.16
Stockmarket capitalization (€ / million)	150	205
Average number of outstanding shares	163,537,602	163,537,602
Number of shares comprising share capital	163,934,835	163,934,835
Cash flow per share: net profit + amortization/depreciation (€)	0.227	0.251
Dividend per share (€)	0.000	0.045

(*) See section "Definitions of alternative performance indicators"

2. Scope of consolidation

Compared to 31 December 2018, only the eleven-month economic data of Geoline Electronic S.r.l.was consolidated, following its total spin-off on 30 November 2019.
The consolidated financial statements as at 31 December 2018 included the first quarter of Raico S.r.l. (sold on March 30, 2018) and the Brazilian company Spraycom was consolidated from August 1, 2018.

Furthermore, it should be noted the change in the percentage of shares held in S.I.Agro Mexico, (increased from 85% to 100% following the exercise of the Call Option which took place on 4 June 2019) and in Lavorwash S.p.A. (increased from 98.40% to 98.42% following the purchase of shares from minority shareholders).

3. Economic and financial results of Emak Group

Comments on economic figures

Revenues from sales

Emak Group achieved a consolidated turnover of € 433,953 thousand, compared to € 452,825 thousand of last year, decrease of 4.2%. This variation is due to the contribution of the change in the scope of consolidation of Raico S.r.l. by 0.7%, to the positive effect of the exchange rate by 0.6% and to the reduction in sales volumes by 4.1%.

EBITDA

Ebitda for the period reached € 46,090 thousand (an incidence of 10.6% on sales) compared to € 49,449 thousand in 2018 (an incidence of 10.9% on sales). It should be noted that the application of the new IFRS 16 standard influenced the Ebitda of the year 2019 for € 5,966 thousand. The impact of the EBITDA on the revenues, before the effects relating to the new IFRS 16 principle, is 9.2%.

During the year, non-ordinary revenues were recorded for € 185 thousand (€ 1,182 thousand in 2018) and non-ordinary expenses for € 973 thousand (€ 2,496 thousand in 2018).
Ebitda before non-ordinary expenses and revenues is equal to € 46,878 thousand, an incidence of 10.8% on revenues, compared to € 50,763 thousand of last year, an incidence of 11.2% on revenues. The impact of the EBITDA on the revenues, before the effects relating to the new IFRS 16 principle, is 9.4%.

The result was negatively affected by the decrease in sales volumes.

Personnel costs are decreasing compared to the same period last year due to the actions of corporate reorganization completed during 2018 and to the lower use of temporary staff, related to lower production volumes. The number of resources employed on average by the Group was 2,126 (2,154 in 2018).

Operating result

Operating result for the year 2019 is € 22,022 thousand with an incidence of 5.1% on revenues, compared to € 33,976 thousand (7.5% of sales) for last year.

Depreciation and amortization are € 24,068 thousand, compared to € 15,473 thousand on last year. The application of the new IFRS 16 standard has increased amortization for € 5,427 thousand. The result for the year 2019 includes € 2,074 thousand as a loss due to the reduction in the value of the goodwill recorded, following the merger by incorporation of the Bertolini company into the parent company Emak S.p.A., booked in the second quarter of 2019. The figure for 2018 included the write-down of goodwill of Geoline Electronic Company in the amount of € 597 thousand.

The ratio operating result on net invested employed is 6.1% (6.5% excluding IFRS 16 effects), compared to 10.5% of the previous year.

Net result

The net profit for the year 2019 is € 13,126 thousand, against € 25,647 thousand for the last year.

The item "Financial income" amounts to € 1,370 thousand, compared to € 5,316 thousand for the same period. The amount for the 2019 financial year benefited from the income deriving from the recording of the adjustment of the estimate of the debt for *Put & Call option* of Lemasa subsidiary for a total of € 486 thousand, against an amount of € 2,074 thousand in 2018. The amount for the 2018 financial year also included the capital gain of € 2,472 thousand, realized for the sale of the subsidiary Raico Srl.

The item "Financial charges" amounts to € 5,366 thousand, compared to the 2018 figure of € 4,784 thousand. The increase in the item “Financial expenses” is due to the higher charges deriving from the application of the new standard IFRS 16.

The 2019 currency management is positive for 766 thousand of Euro against a positive value of 86 thousand of Euro of last year. The result is related to the trend of the currencies in which the Group operates, mainly the US dollar.

The tax rate for the year is 30.5% compared to 26.4% in the previous year.
The higher tax incidence compared to the previous year is mainly attributable to the accounting treatment of the reduction in the value of the "Ex Bertolini branch" goodwill, not fiscally significant for 2,074 thousand Euro (with a negative effect on the tax rate of 3.1%).
The tax rate, in 2018, was positively affected by the recognition of the capital gain from the sales of the company Raico S.r.l. and the adjustment the adjustment of the fair value of the debt for the P&C option, with an overall positive effect of approximately 4%.

Comment to consolidated statement of financial position

€/000	31.12.2019	31.12.2019 NO IFRS 16	31.12.2018
Net non-current assets (*)	186,989	157,081	154,926
Net working capital (*)	171,478	171,671	168,321
Total net capital employed (*)	**358,467**	**328,752**	**323,247**
Equity attributable to the Group	209,495	210,167	203,744
Equity attributable to non controlling interests	2,037	2,035	2,076
Net debt	(146,935)	(116,550)	(117,427)

(*) See section "Definitions of alternative performance indicators"

In the column as at 31.12.2019, in order to provide a homogeneous information, figures net of the application of IFRS 16 have been estimated.

Net non-current assets

Net non-current assets at 31 December 2019 include an amount of € 29,908 thousand following the recording of rights of use for future use of rental or hire assets, which emerge from the application of IFRS 16.

Net non-current assets at December 31, 2019 amount to € 186,989 thousand compared to € 154,926 thousand at December 31, 2018.

During 2019 Emak Group invested € 18,453 thousand in property, plant and equipment and intangible assets, as follows:

- € 4,502 thousand for product innovation and development;
- € 6,070 thousand for adjustment of production capacity and for process innovation;

- € 3,601 thousand for upgrading the computer network system and ongoing activities for implementation of the new ERP management system;
- € 3,385 thousand for ongoing works for the construction of the new parent company's R&D center and modernization of industrial buildings;
- € 895 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:
- € 12,082 thousand in Italy;
- € 2,299 thousand in Europe;
- € 1,812 thousand in the Americas;
- € 2,260 thousand in Asia, Africa and Oceania.

Net working capital

Net working capital moves from € 168,321 thousand at December 31, 2018 to € 171,478 thousand at December 31, 2019, an increase of € 3,157 thousand. The ratio of net working capital to turnover is 39.5% compared to 37.2% of last year.

The following table reports the change in net working capital in 2019 compared with the previous year:

€/000	**Y 2019**	**Y 2018**
Opening Net working capital	**168,321**	**161,837**
Impact first application of Ifrs 16 to 1 January	(235)	-
Increase/(decrease) in inventories	1,658	4,501
Increase/(decrease) in trade receivables	(2,210)	1,053
(Increase)/decrease in trade payables	(949)	6,412
Change in scope of consolidation	-	(4,016)
Other changes	4,893	(1,466)
Closing Net working capital	**171,478**	**168,321**

The increase in net working capital is mainly determined by the higher tax advances paid during the year.

It should be noted that at 31 December 2019 some Group companies had recourse to the non-recourse factoring of trade receivables for an amount of € 1,854 thousand.

Net financial position

Net financial position is € 146,935 thousand at December 31, 2019 against € 117,427 thousand at December 31, 2018.

The following table shows the movements in the net financial position of 2019:

€/000	**2019**	**2018**
Opening NFP	**(117,427)**	**(125,294)**
Effect first application IFRS 16	**(27,959)**	**-**
Ebitda	46,090	49,449
Financial income and expenses	(3,996)	(1,940)
Income from/(expenses on) equity investment	89	266
Exchange gains and losses	766	86
Income taxes	(5,755)	(9,213)
Cash flow from operations, excluding changes in operating assets and liabilities	**37,194**	**38,648**
Changes in operating assets and liabilities	(2,644)	(12,728)
Cash flow from operations	**34,550**	**25,920**
Changes in investments and disinvestments	**(20,167)**	**(18,058)**
Changes right of use IFRS 16	**(7,388)**	**-**
Dividends cash out	**(7,540)**	**(5,942)**
Other equity changes	**(542)**	**(519)**
Changes from exchange rates and translation reserve	**(462)**	**608**
Change in scope of consolidation	**-**	**5,858**
Closing NFP	**(146,935)**	**(117,427)**

Cash flow from operations net of taxes amounted to € 37,194 thousand, decreasing compared to € 38,648 thousand (net of the capital gain, included in the item “change in scope of consolidation”) for the same period in 2018.
Cash flow from operations was positive for € 34,550 thousand compared to € 25,920 thousand in the same period of the previous financial year.
During the year they were also distributed higher dividends than last year, and was made the financial investment of € 2,760 thousand for the acquisition of 30% of the Brazilian company Agres.

Details of the net financial position is analyzed as follows:

	Thousand of Euro	31/12/2019	31/12/2019 NO IFRS 16	31/12/2018
A.	Cash and cash equivalents	47,695	47,695	62,602
B.	Other cash at bank and on hand (held-to-maturity investments)	-	-	-
C.	Financial instruments held for trading	-	-	-
D.	**Liquidity funds (A+B+C)**	**47,695**	**47,695**	**62,602**
E.	**Current financial receivables**	**766**	**766**	**837**
F.	Current payables to banks	(13,963)	(13,963)	(18,086)
G.	Current portion of non current indebtedness	(38,176)	(38,176)	(46,152)
H.	Other current financial debts	(22,101)	(17,142)	(5,764)
I.	**Current financial indebtedness (F+G+H)**	**(74,240)**	**(69,281)**	**(70,002)**
J.	**Current financial indebtedness, net (I+E+D)**	**(25,779)**	**(20,820)**	**(6,563)**
K.	Non-current payables to banks	(97,802)	(97,802)	(99,817)
L.	Bonds issued	-	-	-
M.	Other non-current financial debts	(25,777)	(351)	(13,511)
N.	**Non-current financial indebtedness (K+L+M)**	**(123,579)**	**(98,153)**	**(113,328)**
O.	**Net indebtedness (ESMA) (J+N)**	**(149,358)**	**(118,973)**	**(119,891)**
P.	Non current financial receivables	2,423	2,423	2,464
Q.	**Net financial position (O+P)**	**(146,935)**	**(116,550)**	**(117,427)**

Net financial position at 31 December 2019 includes actualized financial liabilities related to the payment of future rental and rent payments, in application of IFRS 16 standard, equal to € 30,385 thousand, of which € 4,959 thousand falling due within 12 months.
Current financial indebtedness mainly consist of:
- account payables and self-liquidating accounts;
- loan repayments falling due by 31 December 2020;
- amounts due to other providers of finance falling due by 31 December 2020;
- debt for equity investments in the amount of € 15,863 thousand.

Actualized financial liabilities (short term) for the purchase of the remaining minority shares and for the regulation of acquisition operations with deferred price subject to contractual constraints, in the amount of € 15,863 thousand related to the following companies:
- Lemasa for € 4,790 thousand;
- Lavorwash Group for € 9,599 thousand;
- Valley LLP for € 1,474 thousand.

Current and non-current financial receivables mainly include deposits guaranteeing potential liabilities, loans to associated companies, Escrow accounts related to equity acquisition contracts and other forms of temporary liquidity investment.

Equity

Equity at December 31, 2019 is € 211,532 thousand against € 205,820 thousand at December 31, 2018.

Summary of annual consolidated figures broken down by operating segment

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Sales to third parties	148,243	165,770	181,250	183,111	104,460	103,944			**433,953**	**452,825**
Intersegment sales	518	1,694	1,693	1,649	7,007	7,988	(9,218)	(11,331)		
Revenues from sales	148,761	167,464	182,943	184,760	111,467	111,932	(9,218)	(11,331)	**433,953**	**452,825**
Ebitda	7,283	11,859	26,058	25,356	15,126	13,550	(2,377)	(1,316)	**46,090**	**49,449**
Ebitda/Total Revenues %	*4.9%*	*7.1%*	*14.2%*	*13.7%*	*13.6%*	*12.1%*			***10.6%***	***10.9%***
Ebitda before non ordinary expenses	7,507	13,599	26,079	25,855	15,669	13,748	(2,377)	(2,439)	**46,878**	**50,763**
Ebitda before non ordinary expenses/Total Revenues %	*5.0%*	*8.2%*	*14.2%*	*14.1%*	*14.1%*	*13.2%*			***10.8%***	***11.2%***
Operating result	(2,287)	5,882	17,872	20,255	8,814	9,155	(2,377)	(1,316)	**22,022**	**33,976**
Operating result/Total Revenues %	*-1.5%*	*3.5%*	*9.8%*	*11.0%*	*7.9%*	*8.2%*			***5.1%***	***7.5%***
Net financial expenses (1)									**(3,141)**	**884**
Profit befor taxes									**18,881**	**34,860**
Income taxes									**(5,755)**	**(9,213)**
Net profit									**13,126**	**25,647**
Net profit/Total Revenues%									***3.0%***	***5.7%***
(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment										
STATEMENT OF FINANCIAL POSITION	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Net debt	29,304	24,025	98,863	86,597	19,071	7,094	(303)	(289)	**146,935**	**117,427**
Shareholders' Equity	176,334	176,750	62,460	56,259	50,295	48,899	(77,557)	(76,088)	**211,532**	**205,820**
Total Shareholders' Equity and Net debt	205,638	200,775	161,323	142,856	69,366	55,993	(77,860)	(76,377)	**358,467**	**323,247**
Net non-current assets (2)	137,483	134,048	94,433	77,937	30,577	18,557	(75,504)	(75,616)	**186,989**	**154,926**
Net working capital	68,155	66,727	66,890	64,919	38,789	37,436	(2,356)	(761)	**171,478**	**168,321**
Total net capital employed	205,638	200,775	161,323	142,856	69,366	55,993	(77,860)	(76,377)	**358,467**	**323,247**
(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76,074 thousand Euro										
OTHER STATISTICS	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Number of employees at period end	743	764	731	736	506	490	8	9	**1,988**	**1,999**
OTHER INFORMATIONS	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**			**31.12.2019**	**31.12.2018**
Amortization, depreciation and impairment losses	9,570	5,977	8,186	5,101	6,312	4,395			**24,068**	**15,473**
Investment in property, plant and equipment and in intangible assets	8,573	8,100	3,983	5,997	5,897	4,097			**18,453**	**18,194**

Comment on results by operating segment

The table below shows the breakdown of "sales to third parties" in 2019 by business segment and geographic area, compared with the same period last year.

	OUTDOOR POWER EQUIPMENT			PUMPS AND HIGH PRESSURE WATER JETTING			COMPONENTS AND ACCESSORIES			CONSOLIDATED		
€/000	**31.12.2019**	**31.12.2018**	**Var. %**	**31.12.2019**	**31.12.2018**	**Var. %**	**31.12.2019**	**31.12.2018**	**Var. %**	**31.12.2019**	**31.12.2018**	**Var. %**
Europe	129,738	139,893	(7.3)	93,708	96,315	(2.7)	61,053	64,619	(5.5)	284,499	300,827	(5.4)
Americas	6,342	6,495	(2.4)	63,979	62,640	2.1	29,416	24,968	17.8	99,737	94,103	6.0
Asia, Africa and Oceania	12,163	19,382	(37.2)	23,563	24,156	(2.5)	13,991	14,357	(2.5)	49,717	57,895	(14.1)
Total	**148,243**	**165,770**	**(10.6)**	**181,250**	**183,111**	**(1.0)**	**104,460**	**103,944**	**0.5**	**433,953**	**452,825**	**(4.2)**

Outdoor Power Equipment

In 2019, sales in the Outdoor Power Equipment sector decreased by 10.6% compared to the previous year. Sales on the European market were penalized by the negative season for gardening products. In the Americas area, sales were substantially in line with the previous year, with growth on the North American market and a delay in some Latin American countries. The drop in turnover in the Asia, Africa and Oceania area is mainly attributable to the decrease recorded on the Turkish market.
It should be noted that from the third quarter of 2019 revenues for intra-group services were reclassified for an amount of € 758 thousand from the item "Revenues" to the item "Other operating revenues".

Ebitda was down compared to the same period due to lower sales volumes, a negative product / area / customer mix. During the year, non-recurring charges were recorded for 224 thousand Euros (€ 1,740 thousand in 2018).

The application of the IFRS 16 accounting principle had a positive effect on Ebitda of € 746 thousand.

The operating result is negative due to the higher amortization and the recognition of the loss due to the reduction in the value of the goodwill relating to the former company Bertolini, merged into Emak S.p.A., for € 2,074 thousand.

It should be noted that net of the effects resulting from the application of the new accounting standard IFRS 16, the "Net Financial Position" would have amounted to € 25,560 thousand (instead of € 29,304 thousand) and "Non-current assets" would amount to € 133,833 thousand (instead of € 137,483 thousand).

Pumps and High Pressure Water Jetting

The segment's sales decreased by 1% compared to 2018.
Sales on the European market were affected by the lower demand for cleaning products in the large-scale distribution channel. Sales in the Americas area performed positively on both the North American and Latin American markets.
Sales in the Asia, Africa and Oceania area suffered a concentrated decrease in the Middle East markets, in particular Turkey, heavily penalized by the currency crisis that hit the country.

The segment's EBITDA was affected by the increase in costs for raw materials and for marketing activities. The figure for the period includes non-ordinary income for € 185 thousand (€ 873 thousand in 2018) and non-ordinary charges for an amount of € 206 thousand (€ 1,372 thousand in 2018).

The application of the IFRS 16 accounting principle had a positive effect on Ebitda of € 2,836 thousand.

It should be noted that net of the effects resulting from the application of the new accounting standard IFRS 16, the "Net Financial Position" would have amounted to € 80,709 thousand (instead of € 98,863 thousand) and "Non-current assets" would amount to € 76,570 thousand (instead of € 94,433).

Components and Accessories

Le vendite del segmento sono in crescita dello 0,5% rispetto al 2018. A parità di area di consolidamento, ovvero escludendo il fatturato del primo trimestre 2018 di Raico S.r.l. (pari a 3.111 migliaia di Euro), il fatturato risulta in crescita del 3,6% rispetto al 2018.
The drop in sales recorded on the European market is due to the exit from the consolidation perimeter of Raico S.r.l. On an organic level, the turnover would have been substantially in line with the previous year, with a good performance in the countries of Eastern Europe of products for agriculture and cleaning.
Strong growth was recorded in the Americas area, mainly linked to the development of sales of gardening products both on the North American and Latin American markets.
In the Asia, Africa and Oceania the growth of sales of gardening products in the Chinese market has only partially offset the decline in the Far East and Oceania.

The segment's EBITDA benefited from higher sales volumes, a positive product / channel mix and partly the trend in the costs of some raw materials. The exit from the scope of consolidation of Raico S.r.l. had an impact of € 195 thousand.
During the period, non-ordinary expenses were recorded for € 543 thousand (compared to € 507 thousand of 2018 in non-ordinary costs and € 309 thousand of non-ordinary income).
The application of the IFRS 16 accounting principle had a positive effect on Ebitda of € 2,383 thousand.

It should be noted that net of the effects resulting from the application of the new accounting standard IFRS 16, the "Net Financial Position" would have amounted to € 10,544 thousand (instead of € 19,071 thousand) and "Non-current assets" would amount to € 22,182 thousand (instead of € 30,577 thousand).

4. Results of Group companies

4.1 Emak S.p.A. – Parent company

The Parent Company achieved net revenues of € 107,061 thousand against € 124,240 thousand in 2018, a decrease of 13.8%.
Turnover had a negative trend in all countries with the exception of sales in the North American market.

Ebitda of the year amounts to € 1,885 thousand (€ 1,809 thousand net of the new application of IFRS 16), compared to € 5,787 thousand of last year following the drop in turnover; the containment of personnel costs following the 2018 reorganization plan.

The operating result for the year is negative for € 8,248 thousand compared to a positive result of € 629 thousand in 2018. The 2019 result includes the impairment of goodwill (recorded following the merger by incorporation of the company Bertolini) for € 2,074 thousand and the write-downs of the investments of the company Emak do Brasil for an amount of € 610 thousand and of the company Emak Deutschland for an amount of € 2,240 thousand.

The company ended the year with a net profit of € 2,439 thousand compared to € 5,832 thousand in 2018. The result benefited from the dividends received from subsidiaries; the currency management was positive for € 789 thousand, compared to a positive value of € 874 thousand in 2018.

The net negative financial position is rising from € 18,967 thousand at 31 December 2018 to € 22,247 thousand at 31 December 2019. (€ 22,092 thousand net of the new application of IFRS 16).
The higher dividends distributed by subsidiaries and the reduction in net working capital had a positive impact on this figure; it had a negative impact on the change in tangible and intangible assets for € 6,909 thousand mainly linked to the completion of the new engineering center of Bagnolo in Piano, the change of the ERP system, investments in product development and higher dividends distributed to shareholders.

4.2 Subsidiaries

At 31 December 2019 the Emak Group was organized in a structure with Emak S.p.A. at the top, possessing direct and indirect controlling interests in the equity of 36 companies.

The economic figures of the subsidiary companies, drawn up in compliance with IAS/IFRS international accounting standards, are shown below:

Company	Head office	31/12/2019		31/12/2018		
		Net sales	Net profit	Net sales	Net profit	
Parent company						
Emak S.p.A.	Bagnolo in Piano (Italy)	107,061	2,439	124,240	5,832	
Fully consolidated companies						
Emak France Sas	Rixheim (France)	24,016	10	25,363	108	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (China)	23,744	723	23,439	881	
Victus Emak Sp. Z o.o.	Poznam (Poland)	13,777	191	13,561	381	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germany)	6,965	(983)	9,108	(802)	
Emak Suministros Espana SA	Madrid (Spain)	7,632	326	8,947	636	
Emak U.K. LTD	Burntwood (UK)	3,655	(53)	3,624	(118)	
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (China)	3,033	68	3,973	334	
Epicenter LLC	Kiev (Ukraine)	3,755	419	3,612	301	
Emak Do Brasil Industria LTDA	Ribeirao Preto (Brazil)	941	(323)	1,280	(1,115)	
Tecomec Srl	Reggio Emilia (Italy)	46,309	2,215	49,708	3,373	
Speed France Sas	Arnas (France)	17,234	1,201	16,998	1,560	
Speed North America Inc.	Wooster, Ohio (USA)	16,886	1,225	11,955	225	
Speed Line South Africa (Pty) Ltd.	Pietermaritzburg (South Africa)	1,306	143	1,421	148	
Ningbo Tecomec Manufacturing Co. Ltd.	Ningbo City (China)	10,711	187	10,838	113	
Geoline Electronic S.r.l.	Poggio Rusco, Mantova (Italy)	501	(428)	822	(219)	1
Speed Industrie Sarl	Mohammedia (Morocco)	1,758	(200)	2,188	(9)	
Speed South America S.p.A.	Providencia (RCH)	2,605	146	2,224	(64)	
Comet Spa	Reggio Emilia (Italy)	60,757	7,624	63,010	6,871	
Comet France Sas	Wolfisheim (France)	6,430	378	6,206	307	
Comet USA	Burnsville, Minnesota (USA)	628	1,741	1,405	1,424	*
Valley Industries LLP	Paynesville, Minnesota (USA)	32,037	2,837	29,630	2,672	*
Ptc Waterblasting	Burnsville - Minnesota (USA)	144	(87)	612	(40)	
PTC Srl	Rubiera, Reggio Emilia (Italy)	9,504	280	10,669	337	
S.I. Agro Mexico	Guadalajara (Mexico)	5,586	210	5,481	34	
Comet do Brasil Investimentos LTDA	Indaiatuba (Brazil)	-	1,880	-	1,292	
Lemasa S.A.	Indaiatuba (Brazil)	13,942	1,292	12,237	1,561	
Sabart Srl	Reggio Emilia (Italy)	24,429	1,779	24,505	1,919	
Raico Srl	Reggio Emilia (Italy)	-	-	3,111	102	2
Lavorwash S.p.a	Pegognaga, Mantova (Italy)	55,632	1,803	56,867	7,743	
Lavorwash France S.a.r.l.	La Courneuve (France)	9,180	(13)	8,221	263	
Lavorwash GB Ltd	St. Helens Merseyside (UK)	860	(65)	908	1	
Lavorwash Iberica S.l.	Tarragona (Spain)	1,415	177	1,750	220	
Lavorwash Polska SP ZOO	Bydgoszcz (Poland)	3,080	196	3,741	315	
Lavorwash Brasil Ind. E Com. Ltda	Ribeirao Preto (Brazil)	1,916	(493)	1,861	(577)	
Yong Kang Lavorwash Equipment Co. Ltd	Yongkang City (China)	22,800	1,422	21,595	2,476	
Yongkang Lavor Trading Co. Ltd.	Yongkang City (China)	2,035	120	1,631	85	
Spraycom S.A.	Catanduva, San Paolo (Brazil)	2,405	218	989	150	3

1 On 30 November 2019 the subsidiary Tecomec S.r.l. concluded the total demerger of Geoline Electronic S.r.l.

2 On March 30, 2018, the parent company Emak S.p.A. concluded the total sale of the company Raico S.r.l.

3 On 20 July 2018 the subsidiary Tecomec S.r.l. has completed the acquisition of 51% of the Brazilian company Spraycom, consequently the income statement of the company has entered the area of consolidation starting from 1 August 2018.

** It should be noted that the net result of Comet USA includes income tax calculated on the result of its subsidiary, Valley Industries LLP. The latter company is, in fact, subject to a tax regime that provides for taxation of profits to be directly imposed on the shareholders.*

It should also be noted that the net profit of the individual companies includes any dividends received during each year, as well as any write-downs of intercompany investments.

The following elements are disclosed with reference to some companies in the Group.

The company **Emak Deutschland** closed the year with a significant drop in turnover compared to the previous year, resulting in a negative result in 2019. Consequently, the management decided to change the distribution model in the reference area, as reported more in detail in point 14 of this report, with the hope of developing a profitable alternative business model.

The **Emak do Brasil** company closed 2019 with a lower loss than last year, thanks to the lower impact of the impact of currency management. The entry into operation of the new commercial organization is hoped to favor a recovery of turnover and results.

The **Emak Uk** company achieved a turnover in line with the previous year. 2019 ended with a slight loss, lower than last year.

The Company **Geoline Electronic S.r.l**. was subject to a total demerger between Tecomec S.r.l. and third party shareholders, as widely referred to in paragraph 7 of the explanatory note. It is believed that the new organization will allow the Tecomec subsidiary (beneficiary of the share of the total spin-off) to recover profitability in the coming years.

The **Speed Industries Sarl** company, a sub-supplier of the Speed Group, reported a drop in sales and margins compared to the previous year, achieving a negative operating result. Management is considering adopting new organizational models.

The negative result and the drop in turnover compared to the previous year of **Ptc Waterblasting**, is related to the decrease in sales following the difficulties encountered in the development phase of the business by the company on the US market. The company's relaunch actions are under consideration by the management.

The slight increase in the turnover of the company **Lavorwash Brasil**, compared to last year, was not sufficient to achieve a positive result for the company. Reorganization activities are underway to contain costs and relaunch the business.

The **Lavorwash GB Ltd** company achieved a negative net result following a slightly decreasing turnover and an increase in costs compared to the previous year. Actions aimed at achieving future positive results have been planned.

The company **Lavorwash France S.a.r.l.** records a contraction result compared to 2018 as a result of the greater competitive pressure on sales prices. Actions aimed at achieving future positive results have been planned.

5. Research and development

Research and development is one of the fundamental pillars on which the Group's continuous growth and success strategy is based. The Group, in fact, considers that investing in research as a tool for obtaining a competitive advantage in national and international markets to be of strategic importance. Whenever possible, the Group covers its products with international patents.
R&D is geared towards improving the product in several respects: safety, comfort, ease of use, performance and environmental impact. Particular attention is also paid to the development of new technologies, which guarantee the product, without affecting its performance, greater efficiency, lower consumption and an overall lower environmental impact.
In addition, the Group for some years has set up partnerships with the academic world with the objective of an exchange of know-how with a view to continuous improvement of its products and performances.
In 2019 the Group allocated a total of 18 million Euros to Research and Development, of which 10.6 million in investments in tangible and intangible fixed assets and 7.4 million for research costs.
More details are available in the Non-Financial Statement.

6. Human resources

Below is shown the distribution of employees by country at 31 December 2019 compared to the previous year:

Employees at	31.12.2018	Ch. due to demerger of company branch	Other movements	31.12.2019
Italy	989	(10)	(17)	962
France	138	-	(9)	129
UK	13	-	1	14
Spain	23	-	(1)	22
Germany	19	-	(5)	14
Poland	35	-	1	36
China	415	-	(9)	406
Usa	118	-	37	155
Ukraine	30	-	(3)	27
South Africa	10	-	(1)	9
Brasil	146	-	3	149
Mexico	17	-	1	18
Morocco	31	-	(2)	29
Chile	15	-	3	18
Total	**1,999**	**(10)**	**(1)**	**1,988**

Further information on staff management policies and training can be found in the appropriate sections of the "Consolidated Non-financial Statement" available on the website www.emakgroup.it, in the "Sustainability" section.

7. Dealings with related parties

Emak S.p.A. is controlled by Yama S.p.A., which holds 65.181% of its share capital and which, as a non-operating holding company, is at the head of a larger group of companies operating mainly in the production of machinery and equipment for agriculture and gardening and of components for motors, and in real estate. The Emak Group has limited supply and industrial service dealings with such companies, as well as dealings of a financial nature deriving from the equity investment of a number of Italian companies in the Emak Group, including Emak S.p.A., in the tax consolidation headed by Yama S.p.A.
Professional services of legal and fiscal nature, provided by entities subject to significant influence of certain directors, are another type of related party transactions.

All of the above dealings carried out in the period by the Emak Group with related parties are of a normal and recurring nature, falling within the ordinary exercise of industrial activity. The above transactions are all regulated under current market conditions, in compliance with framework resolutions approved periodically by the Board of Directors. Reference can be made to the explanatory notes to the consolidated financial statements in paragraph 40.

During the year, no extraordinary operations with related parties have not been carried out. If transactions of this nature had taken place, enforcement procedures of protection approved by the Board of Directors with its resolution of 13 March 2020 in implementation to art. 4, Reg. Consob. 17221/2010, published on the company website at https://www.emakgroup.it/it-it/investor-relations/corporate-governance/altre-informazioni/ would be applied.

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The determination of the remuneration of Directors and Auditors and Managers with strategic responsibility in the Parent company occurs as part of the governance framework illustrated to the Shareholders and to the public through the report as per art. 123-ter of Leg. Dec. 58/98, which is submitted to the Assembly for approval and is available on the site www.emak.it. The remuneration of Directors and Auditors and Managers with strategic responsibility in the subsidiary companies is also regulated by suitable protection procedures that provide for the Parent Company to perform control and harmonization activities.

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

At December 31, 2019, the Company held 397,233 treasury shares in portfolio for an equivalent value of € 2,029 thousand.

On April 30, 2019, the Shareholders' Meeting renewed the authorization to purchase and dispose of treasury shares for the purposes laid down by it. During 2019 there were no purchases or sales of own shares, leaving the balances at beginning of year unchanged.
Even after the end of the period and until the date of approval by the Board of Directors of this report are no changes in the consistency of the portfolio of treasury shares.

9. Corporate governance and other information required by Issuers Regulations

Emak S.p.A. adopted the Code of Conduct, approved by the Committee established at the Italian Stock Exchange as reformulated in July 2018 and available on the website www.borsaitaliana.it. Details of Emak's compliance with the Code's provisions are set out in the "Report on corporate governance and ownership structures", provided for by arts. 123-bis of Legislative Decree 58/98, according to the "comply or explain" scheme.

As already mentioned, the "Remuneration Report" prepared pursuant to art. 123-ter of Legislative Decree 58/98, shows the remuneration policy adopted by the company to its directors and executives with strategic responsibilities. The document also describes in detail by type and quantified entities the fees paid to them, even by subsidiaries, as well as stocks and movements of Emak titles in their possession during the year.
Both reports are available to the public at the company's registered office and on the website: www.emakgroup.it, in the section "Investor Relations > Corporate Governance".

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D.Lgs 231/2001

It has to be underlined the adoption by the most important companies of the Group, of the Organization and Management Model, art. 6, Legislative Decree 231/01, calibrated on individual specific reality and periodically expanded in a modular form, in line with the extension of the liability of companies for ever new crimes.
The Model makes use, in the different companies of the Group, of Supervisory Committees, furnished with autonomous powers of action and control regarding its effective and efficient application.

* * * * * * *

Ethical Code

Emak Group has implemented and updated an Ethical Code, in which the company's chosen ethical principles are set out and which the Directors, Auditors, Employees, Consultants and Partners of the parent company, as well as of its subsidiary companies, are required to follow.
The model, as per art. 6, Leg. Dec. 231/01, and the Ethical Code are both available for consultation at the internet address web www.myemak.com, in the section Organization and certifications.

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Significant operations: derogation from disclosure obligations

The Company has resolved to make use, with effect from 31 January 2013, of the right to derogate from the obligation to publish the informative documents prescribed in the event of significant merger, demerger, share capital increase through the transfer of goods in kind, acquisition and disposal operations, pursuant to art. 70, paragraph 8, and art. 71, paragraph 1-bis of *Consob* Issuers Regulations, approved with resolution no. 11971 of 4/5/1999 and subsequent modifications and integrations

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Disclosure of consolidated non-financial information

The consolidated non-financial declaration of Emak S.p.A. for 2019, prepared in accordance with Legislative Decree. 254/16, constitutes a separate report ("Sustainability Report") with respect to this management report, as provided for by Art. 5 paragraph 3, letter b) of Legislative Decree 254/16, and is available on the website www.emakgroup.it, in the "Sustainability" section.

10. Disputes

There were no disputes in progress that might lead to liabilities in the financial statements other than those already described in note 36 of the consolidated financial statements.

11. Other information

With regard to the requirements of article 36 of the Market Rules - Consob Resolution No. 16191 dated October 29, 2007 and amended with Resolution No. 18214 of May 9, 2012, Emak reports to have currently the control of seven large companies, incorporated and regulated under the law of a state outside the European Union:

- Jiangmen Emak Outdoor Power Equipment Co. Ltd. (Republic of China);
- Comet Usa Inc. (United States of America);
- Valley industries LLP (United States of America);
- Comet do Brasil Investimentos LTDA (Brazil).
- Yong Kang Lavor Wash Equipment (Republic of China).
- Speed North America Inc. (United States of America)
- Lemasa industria e comércio de equipamentos de alta pressao S.A. (Brazil).

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

12. Business outlook

Following the D.P.C.M. 08.03.2020, the Group has adopted for its employees all the health precautions recommended by the authorities in order to preserve their health and reduce the spread of the Covid-19 infection. The Group remains vigilant and ready to activate any further measures that may become necessary according to the evolution of the situation. At the date of preparation of this report, there were no positive cases reported in the Group's factories.

However, the spread of the Covid-19 virus and the consequent precautionary operating restrictions represent extraordinary circumstances by nature and extent, and will have significant repercussions, direct and indirect, on economic activity in general and, consequently, will impact the Group's activities. We are faced with an unexpected and exogenous element in our sector that threatens to have consequences on demand: the current phase of uncertainty does not allow us to estimate neither the duration nor the extent of the contagion regarding the possible impact on the global economy and evolution of the Group's reference sector.

The Group purchases from a large number of suppliers in different countries, with an incidence of 64% in the EU and 36% outside the EU. The operations of the Group's Chinese production structures are currently on the whole regular. In Italy, the Group companies are regularly operational. The Group is also putting in place initiatives to minimize impacts due to possible logistical problems.

At present, it is presumable to believe that in 2020 there will be a decrease in sales compared to the previous year, but the extent of this decrease is not quantifiable to date and will depend on the duration and extent of the restrictive measures that will be adopted in the main countries of export of the Group's products, as well as the timing of extension and resolution of the emergency that will influence the severity of the effects that will be generated on world economies as a consequence of these phenomena.

The liquidity risk can be manifested by the inability to find, at economic conditions, the financial resources necessary for the Group's operations. The Group's funding sources are mainly concentrated on the Italian bank credit market and to date the credit lines currently not used are equal to 160 million Euros, mainly referring to lines guaranteed by commercial credits.
The emergency use of these credit lines, together with the negotiation in progress of further medium / long-term loans, allows the Group to be able to compensate in the short term for any lower cash generation deriving from ordinary activities, moreover, it could constrain the Group in its investment activity planned to support the growth assumed in the multi-year plans. Finally, it is not excluded that the current conditions of uncertainty may lead to an imbalance between short and medium / long-term debt and expose the Group to the risk of non-compliance with the parameters provided for by the covenants relating to loans.

The Directors highlight that the estimates made by them, in application of the international financial reporting standards (IFRS), for the evaluation of some assets and liabilities of the financial statements, for the purposes of preparing the Consolidated Annual Financial Report, could differ from the results that will be achieved in the years subsequent as a consequence of the aforementioned events. The company does not hold significant financial assets measured at fair value.

With reference to the impairment test of goodwill and other assets, the Directors, in consideration of the sensitivity analyzes conducted on the tests carried out at the end of the year, do not exclude that, based on the information currently available, the effects deriving from Covid-19 may imply the need to recognize lasting losses in value of the assets recorded in the financial statements during the next financial year.

13. Significant events occurring during the period and positions or transactions arising from atypical and unusual transactions, significant and non-recurring

The significant events that occurred during the period and positions or transactions arising from atypical and unusual transactions, significant and non-recurring are set out in notes 7 and 8 of consolidated financial statements.

14. Subsequent events

Acquisition of 51% of Swedish company Markusson Professional Grinders AB

On January 31, 2020, the controlled company Tecomec S.r.l. completed the purchase of 51% of the share capital of the Swedish company Markusson Professional Grinders AB ("Markusson"), active in the development and marketing of professional sharpeners for chainsaw chains.

The transaction is part of the Group's external growth strategy through the expansion and completion of its product range, in the specific case of the Components and Accessories segment.

The consideration paid for the acquisition amounts to SEK 17.8 million (equal to approximately € 1.7 million).
The agreements that regulate the operation also provide for a Put & Call Option on the remaining 49% to be exercised in 2023. The company develops a turnover of approximately € 2 million and an EBITDA of approximately € 0.5 million.

Distribution agreement for Germany and Austria

On January 31, 2020, effective April 1, 2020, an agreement was signed with two independent distributors for the exclusive marketing of Emak OPE products on the German and Austrian markets in order to improve their position on the reference markets, consequently the reorganization of the German subsidiary Emak Deutschland Gmbh is underway.

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

In accordance with the CONSOB Communication dated July 28 2006, the following table provides a reconciliation between net income for 2019 and shareholders' equity at December 31, 2019 of the Group (Group share), with the corresponding values of the parent company Emak S.p.A.

€/000	Equity at 31.12.2019	Result for the year ending 31.12.2019	Equity at 31.12.2018	Result for the year ending 31.12.2018
Equity and result of Emak S.p.A.	**145,643**	**2,439**	**150,639**	**5,832**
Equity and result of consolidated subsidiaries	282,170	26,166	268,121	32,888
Effect of the elimination of the accounting value of shareholdings	(210,699)	3,224	(206,940)	4,433
Elimination of dividends	-	(19,121)	-	(17,516)
Elimination of intergroup items and profits	(6,471)	329	(6,800)	(256)
Evaluation of equity investment in associated	889	89	800	266
Total consolidated amount	**211,532**	**13,126**	**205,820**	**25,647**
Non controlling interest	**(2,037)**	**(177)**	**(2,076)**	**(250)**
Equity and result attributable to the Group	**209,495**	**12,949**	**203,744**	**25,397**

16. Proposal for the allocation of profit for the financial year

Dear Shareholders,
taking into account the uncertain situation caused by the epidemiological crisis by Covid-19, the consequent recent measures taken by the Italian government (Prime Ministerial Decree of 8, 9 and 11 March) regarding the containment of the spread of the virus, as well as the difficult assessment of the significant effects on the economy that this unprecedented situation is potentially able to produce, the Board of Directors proposes to take the following resolution:

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

with regard to point 1.1 to the agenda

resolves

a) to approve the Directors' Report and the financial statements at December 31, 2019, closed with a net profit of € 2,439,010.00;

with regard to point 1.2 to the agenda

resolves

a) to allocate the net profit of € 2,439,010.00, as follows:

- €121,950.50 to the legal reserve;
- the entire remaining amount to retained earnings.>>

The Board of Directors will update its evaluations on the proposal for the allocation of the result for the year in the approach to the shareholders' meeting, set for April 29, 2020, in the hope that a general scenario more favourable to a dividend proposal will develop. It will promptly inform its Shareholders and the market through institutional channels about the decisions it has taken in this regard.

Bagnolo in Piano (RE), 13 March 2020

On behalf of the Board of Directors
The Chairman

Fausto Bellamico

Definitions of alternative performance indicators

The chart below shows, in accordance with recommendation ESMA/201/1415 published on October 5, 2015, the criteria used for the construction of key performance indicators that management considers necessary to the monitoring the Group performance.

- EBITDA before non-ordinary expanses: is obtained by deducting at EBITDA the impact of charges and income for litigation, expenses related to M&A transaction, and costs for staff reorganization and restructuring.

- EBITDA: calculated by adding the items "Operating result" plus "Amortization, depreciation and impairment losses".

- FREE CASH FLOW FROM OPERATIONS: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".

- EQUITY PER SHARE: is obtained dividing the item "Group equity" by number of outstanding shares at period end.

- CASH FLOW PER SHARE: is obtained dividing the sum of the items "Group Net Profit" + "Amortization, depreciation and impairment losses" by the average number of outstanding shares in the period.

- NET WORKING CAPITAL: include items “Trade receivables”, “Inventories”, current non-financial “other receivables” net of “Trade payables” and current non-financial “other payables”.

- NET NON-CURRENT ASSETS: include non-financial “Non current assets” net of non-financial “Non-current liabilities”.

- NET CAPITAL EMPLOYED: is obtained by adding the "Net working capital" and "Net non-current assets".

- NET FINANCIAL POSITION: It is obtained by adding the active financial balances and subtracting the passive financial balances, as well as identified according to the criteria of the Esma (according to Consob communication no. 6064293 of 28 July 2006).

Emak Group
Consolidated Financial Statements 2019

Consolidated financial statements

Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT	Notes	Year 2019	of which to related parties	Year 2018	of which to related parties
Revenues from sales	10	**433,953**	**695**	**452,825**	**778**
Other operating incomes	10	4,668		5,465	
Change in inventories		854		4,621	
Raw materials, consumable and goods	11	(230,213)	(3,322)	(243,182)	(4,545)
Personnel expenses	12	(81,106)		(83,310)	
Other operating costs and provisions	13	(82,066)	(2,377)	(86,970)	(2,361)
Amortization, depreciation and impairment losses	14	(24,068)		(15,473)	
Operating result		**22,022**		**33,976**	
Financial income	15	1,370	22	5,316	2
Financial expenses	15	(5,366)		(4,784)	
Exchange gains and losses	15	766		86	
Income from/(expenses on) equity investment	22	89		266	
Profit befor taxes		**18,881**		**34,860**	
Income taxes	16	(5,755)		(9,213)	
Net profit (A)		**13,126**		**25,647**	
(Profit)/loss attributable to non controlling interests		(177)		(250)	
Net profit attributable to the Group		**12,949**		**25,397**	
Basic earnings per share	17	**0.079**		**0.155**	
Diluted earnings per share	17	**0.079**		**0.155**	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	Year 2019	Year 2018
Net profit (A)		**13,126**	**25,647**
Profits/(losses) deriving from the conversion of foreign company accounts		989	(1,041)
Actuarial profits/(losses) deriving from defined benefit plans (*)		(245)	45
Income taxes on OCI (*)		68	(13)
Total other components to be included in the comprehensive income statement (B)		**812**	**(1,009)**
Total comprehensive income for the perdiod (A)+(B)		**13,938**	**24,638**
Comprehensive net profit attributable to non controlling interests		**(185)**	**(205)**
Comprehensive net profit attributable to the Group		**13,753**	**24,433**

(*) Items will not be classified in the income statement

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of transactions with related parties on the consolidated income statement are shown in the scheme and are further described and discussed in note 40.

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Statement of consolidated financial position

ASSETS	Notes	31.12.2019	of which to related parties	31.12.2018	of which to related parties
Non-current assets					
Property, plant and equipment	18	76,591		75,446	
Intangible assets	19	20,498		20,195	
Rights of use	20	29,716		-	
Goodwill	21	63,844	12,590	65,773	14,646
Equity investments in other companies	22	8		230	
Equity investments in associates	22	7,399		4,550	
Deferred tax assets	32	8,106		8,480	
Other financial assets	27	2,423	1,223	2,464	260
Other assets	24	63		65	
Total non-current assets		**208,648**	**13,813**	**177,203**	**14,906**
Current assets					
Inventories	25	158,336		156,678	
Trade and other receivables	24	104,304	1,870	108,328	935
Current tax receivables	32	5,225		6,043	
Other financial assets	27	465	37	554	37
Derivative financial instruments	23	301		283	
Cash and cash equivalents	26	47,695		62,602	
Total current assets		**316,326**	**1,907**	**334,488**	**972**
TOTAL ASSETS		**524,974**	**15,720**	**511,691**	**15,878**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2019	of which to related parties	31.12.2018	of which to related parties
Shareholders' Equity					
Shareholders' Equity of the Group	28	209,495		203,744	
Non-controlling interest		2,037		2,076	
Total Shareholders' Equity		**211,532**		**205,820**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	30	98,153		113,328	
Liabilities for leasing	31	25,426		-	
Deferred tax liabilities	32	8,337		8,355	
Employee benefits	33	8,110		8,764	
Provisions for risks and charges	34	2,304		2,173	
Other non-current liabilities	35	486		520	
Total non-current liabilities		**142,816**		**133,140**	
Current liabilities					
Trade and other payables	29	90,477	1,349	95,938	3,623
Current tax liabilities	32	4,174		4,913	
Loans and borrowings due to banks and other lenders	30	68,373		69,359	
Liabilities for leasing	31	4,959		-	
Derivative financial instruments	23	908		643	
Provisions for risks and charges	34	1,735		1,878	
Total current liabilities		**170,626**	**1,349**	**172,731**	**3,623**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**524,974**	**1,349**	**511,691**	**3,623**

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of related party transactions on the financial position are shown in the scheme and are further described and discussed in note 40.

Statement of changes in consolidated equity for the Emak Group at 31.12.2018 and at 31.12.2019

Thousand of Euro	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	Reserve IAS 19	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2017	**42,519**	**40,529**	**3,059**	**1,138**	**1,466**	**(1,305)**	**30,900**	**50,312**	**16,165**	**184,783**	**2,722**	**187,505**
Profit reclassification			138				168	10,135	(16,165)	**(5,724)**	(218)	**(5,942)**
Other changes					(695)	176		771		**252**	(633)	**(381)**
Net profit for the period					(996)	32			25,397	**24,433**	205	**24,638**
Balance at 31.12.2018	**42,519**	**40,529**	**3,197**	**1,138**	**(225)**	**(1,097)**	**31,068**	**61,218**	**25,397**	**203,744**	**2,076**	**205,820**
Effect first application IFRS 16								**(317)**		**(317)**	**(4)**	**(321)**
Opening at 01.01.2019	**42,519**	**40,529**	**3,197**	**1,138**	**(225)**	**(1,097)**	**31,068**	**60,901**	**25,397**	**203,427**	**2,072**	**205,499**
Profit reclassification			292					17,746	(25,397)	**(7,359)**	(181)	**(7,540)**
Other changes and reclassifications					(23)		634	(937)		**(326)**	(39)	**(365)**
Net profit for the period					981	(177)			12,949	**13,753**	185	**13,938**
Balance at 31.12.2019	**42,519**	**40,529**	**3,489**	**1,138**	**733**	**(1,274)**	**31,702**	**77,710**	**12,949**	**209,495**	**2,037**	**211,532**

The share capital is show n net of the nominal value of treasury shares in the portfolio amounted to € 104 thousand
The share premium reserve is stated net of the premium value of treasury shares amounting to € 1,925 thousand

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Consolidated Cash Flow Statement

(€/000)	Notes	31.12.2019	31.12.2018
Cash flow from operations			
Net profit for the period		**13,126**	**25,647**
Amortization, depreciation and impairment losses	**14**	24,068	15,473
Financial expenses from discounting of debts	**15**	806	1,194
Income from/(expeses on) equity investment	**22**	(89)	(266)
Capital (gains)/losses from change in scope of consolidation	**15**	-	(2,472)
Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	**15**	(549)	(2,074)
Capital (gains)/losses on disposal of property, plant and equipment		(191)	(140)
Decreases/(increases) in trade and other receivables		3,232	(2,411)
Decreases/(increases) in inventories		(761)	(5,411)
(Decreases)/increases in trade and other payables		(4,229)	(3,714)
Change in employee benefits		(656)	(905)
(Decreases)/increases in provisions for risks and charges		(39)	(628)
Change in derivative financial instruments		246	360
Cash flow from operations		**34,964**	**24,653**
Cash flow from investing activities			
Change in property, plant and equipment and intangible assets		(17,732)	(18,157)
(Increases) and decreases in financial assets		(2,405)	4,342
Proceeds from disposal of property, plant and equipment		191	140
Change in scope of consolidation		-	5,484
Cash flow from investing activities		**(19,946)**	**(8,191)**
Cash flow from financing activities			
Change in equity		(542)	(349)
Change in short and long-term loans and borrowings		(15,712)	18,018
Liabilities for leasing refund		(5,067)	-
Dividends paid		(7,540)	(5,942)
Cash flow from financing activities		**(28,861)**	**11,727**
Total cash flow from operations, investing and financing activities		**(13,843)**	**28,189**
Effect of changes from exchange rates and translation reserve		**(274)**	**149**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(14,117)**	**28,338**
OPENING CASH AND CASH EQUIVALENTS		**56,106**	**27,768**
CLOSING CASH AND CASH EQUIVALENTS		**41,989**	**56,106**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(€/000)	31.12.2019	31.12.2018
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Opening cash and cash equivalents, detailed as follows:	**56,106**	**27,768**
Cash and cash equivalents	62,602	40,812
Overdrafts	(6,496)	(13,044)
Closing cash and cash equivalents, detailed as follows:	**41,989**	**56,106**
Cash and cash equivalents	47,695	62,602
Overdrafts	(5,706)	(6,496)
Other information:		
Income taxes paid	(7,366)	(7,674)
Financial interest income	244	471
Financial expenses paid	(2,124)	(2,039)
Change in related party receivables and service transactions	(935)	292
Change in related party payables and service transactions	(2,274)	196
Change in trade and other receivables related to tax assets	818	(615)
Change in trade payables and other liabilities related to tax liabilities	(739)	407
Change in related party financial assets	(963)	449
Change in related party financial loans and borrowings	-	-

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of transactions with related parties on the consolidated cash flow statement are shown in the section Other information.

Explanatory notes to the consolidated financial statements of Emak Group

Contents

1. General Information

Emak S.p.A. (hereinafter "Emak" or the "Parent Company") is a public company, with registered offices in Via Fermi, 4 in Bagnolo in Piano (RE). It is listed on the Italian stock market (MTA) on the STAR segment.

Emak S.p.A. is controlled by Yama S.p.A., an industrial holding company, which holds the majority of its capital and appoints, in accordance with law and statute, the majority of the members of its governing bodies.
Emak S.p.A., nonetheless, is not subject to management or coordination on the part of Yama, and its Board of Directors makes its own strategic and operating choices in complete autonomy.

Values shown in these notes are in thousands of Euros, unless otherwise stated.

The Board of Directors of Emak S.p.A. on March 13, 2020 approved the Financial Report to December 31, 2019, and ordered his immediate notification under Art. 154-ter, paragraph 1-ter TUF, to the Board of Auditors and to the Auditing firm in order for them to carry out their relative duties. In connection with this communication, the company has issued an appropriate press release with the key figures of the financial statements and the proposal for tha allocation of the profit for the year submitted for approval by the Shareholders' Meeting.

The financial statements and consolidated financial statements are subject to statutory audit by Deloitte & Touche S.p.A.

1.1 Newly applied standards

Starting January 1, 2019 the Emak Group adopted the newly accounting standard *IFRS 16 – Leases* that replaces IAS 17 – *Leases*, as well as IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC- 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*
The application of the standard has had an impact on financial liabilities which, as of January 1, 2019, amounted to € 27,959 thousand while the amount of the right of use was equal to € 27,755 thousand.
At 31 December 2019, the application of the new IFRS 16 principle led to the recognition of financial liabilities of € 30,385 thousand and an amount of the right of use of € 29,716 thousand.
For full details of the treatment reference should be made to paragraph 2.6, 2.19 e 2.29.

2. Summary of principal accounting policies

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

2.1 General methods of preparation

The consolidated financial statements of the Emak Group (hereinafter “the Group”) have been prepared in accordance with the IFRS standards issued by the *International Accounting Standards Board* and adopted by the European Union at the date of preparing this report. The term IFRS also refers to all valid *International Accounting Standards* (IAS) still in force, as well as all interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC), previously known as the *Standing Interpretations Committee* (SIC).

The consolidated financial statements have been prepared under the historical cost method, except for those financial assets and liabilities (including derivative instruments) measured at *fair value*.

On the basis of information available and of the current and foreseeable income and financial situation, the directors have drawn up the financial statements according to the going concern assumption.
On the basis of factors known to us, that is, the current situation and future forecasts of key economic, statement of financial position and financial figures for the Group, and of an analysis of the Group’s risks, there are no significant uncertainties that may compromise the Group’s status as a going concern.

In accordance with the provisions of IAS 1, the consolidated statement of financial position is constituted by the following reports and documents:

- Statement of financial position: based on the distinction between current and non-current assets and current and non-current liabilities;

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

The preparation of financial statements under IFRS requires management to make use of accounting estimates. The matters involving a high degree of judgement or complexity and the areas in which the assumptions and estimates could have a significant impact on the consolidated financial statements are discussed in note 5.

With reference to Consob Resolution no. 15519 of 27 July 2006 regarding the presentation of financial statements, it should be noted that the income statement and the statement of financial position show dealings with related parties.

2.2 Methods of consolidation

Subsidiaries
The consolidated financial statements of the Emak Group include the financial statements of Emak S.p.A. and the Italian and foreign companies over which Emak exercises direct or indirect control by governing their financial and operating policies and receiving the related benefits, according to the criteria established by IFRS 10.

The acquisition of subsidiaries is accounted for using the purchase method ("*Acquisition method*"), except for those acquired in 2011 from Yama Group. The cost of acquisition initially corresponds to the fair value of the assets acquired, the financial instruments issued and the liabilities at the date of acquisition, ignoring any minority interests. The excess of the cost of acquisition over the group's share of the fair value of the net assets acquired is recognized as goodwill.

If the cost of acquisition is lower, the difference is directly expensed to income (note 2.7). The financial statements of subsidiaries are included in the consolidated accounts starting from the date of taking control to when such control ceases to exist. Minority interests and the amount of profit or loss for the period attributable to minorities are shown separately in the consolidated statement of financial position and income statement.

Subsidiaries are consolidated line-by-line from the date that the Group obtains control.

It is noted that:

- The subsidiary Valley LLP, owned by Comet Usa Inc with a share of 90%, is consolidated at 100% as a result of the "*Put & Call Option Agreement*" which regulates the acquisition of the remaining 10% held by a company linked to the current Managing Director of the subsidiary;
- The subsidiary Lemasa, owned by Comet do Brasil LTDA with a share of 70%, is consolidated at 100% as a result of the "*Put & Call Option Agreement*" which regulates the acquisition of the remaining 30%;
- The Lavorwash Group, headed by Lavorwash SpA, participated by Comet S.p.A. with a share of 83.75%, is consolidated at 98.42% on the basis of the "*Put & Call Option Agreement*" which regulates the purchase of the remaining 14.67%.

Compared to 31 December 2018, for the company Geoline Electronic S.r.l., have been consolidated only the economic data of the eleven-month, following its total demerger on 30 November 2019.

The consolidated financial statements at 31 December 2018 included only the economic results for the first quarter of the company Raico Srl. (sold on March 30, 2018) and the Brazilian company Spraycom S.A. was consolidated as from 1 August 2018.

Furthermore, it should be noted the change in the percentage of shares held in S.I.Agro Mexico, from 85% to 100% following the exercise of the Call Option on 4 June 2019 and the change in the percentage of shares of Lavorwash S.p.A. (increased from 98,40% to 98,42% following the purchase of shares from minority shareholders).
Intercompany transactions

Transactions, balances and unrealized profits relating to operations between Group companies are eliminated. Unrealized losses are similarly eliminated, unless the operation involves a loss in value of the asset transferred. The financial statements of the enterprises included in the scope of consolidation have been suitably adjusted, where necessary, to align them with the accounting principles adopted by the Group.

Associated companies
Associated companies are companies in which the Group exercises significant influence, as defined by IAS 28 - *Investments in Associates and joint venture*, but not control over financial and operating policies. Investments in associated companies are accounted for with the equity method starting from the date the significant influence begins, up to when such influence ceases to exist.

Scope of consolidation

The scope of consolidation at December 31, 2019 include the following companies consolidated using the full consolidation method:

Name	Head office	Share capitale	Currency	% consolidated	Held by	% of equity investment
Capogruppo						
Emak S.p.A.	Bagnolo in Piano - RE (I)	42,623,057	€			
Italia						
Comet S.p.A.	Reggio Emilia (I)	2,600,000	€	100.00	Emak S.p.A.	100.00
PTC S.r.l.	Rubiera - RE (I)	55,556	€	100.00	Comet S.p.A.	100.00
Sabart S.r.l.	Reggio Emilia (I)	1,900,000	€	100.00	Emak S.p.A.	100.00
Tecomec S.r.l.	Reggio Emilia (I)	1,580,000	€	100.00	Emak S.p.A.	100.00
Lavorwash S.p.A. (1)	Pegognaga - MN (I)	3,186,161	€	98.42	Comet S.p.A.	83.75
Europa						
Emak Suministros Espana SA	Getafe - Madrid (E)	270,459	€	90.00	Emak S.p.A.	90.00
Comet France SAS	Wolfisheim (F)	320,000	€	100.00	Comet S.p.A.	100.00
Emak Deutschland Gmbh	Fellbach - Oeffingen (D)	553,218	€	100.00	Emak S.p.A.	100.00
Emak France SAS	Rixheim (F)	2,000,000	€	100.00	Emak S.p.A.	100.00
Emak U.K. Ltd	Burntwood (UK)	342,090	GBP	100.00	Emak S.p.A.	100.00
Epicenter LLC	Kiev (UA)	19,026,200	UAH	100.00	Emak S.p.A.	100.00
Speed France SAS	Arnas (F)	300,000	€	100.00	Tecomec S.r.l.	100.00
Victus-Emak Sp. Z o.o.	Poznan (PL)	10,168,000	PLN	100.00	Emak S.p.A.	100.00
Lavorwash France S.A.R.L.	La Courneuve (F)	37,000	€	100.00	Lavorwash S.p.A.	100.00
Lavorwash GB Ltd	St. Helens Merseyside (UK)	900,000	GBP	100.00	Lavorwash S.p.A.	100.00
Lavorwash Polska SP.ZOO	Bydgoszcz (PL)	163,500	PLN	100.00	Lavorwash S.p.A.	100.00
Lavorwash Iberica S.L.	Tarragona (E)	80,000	€	99.00	Lavorwash S.p.A.	99.00
America						
Comet Usa Inc	Burnsville - Minnesota (USA)	231,090	USD	100.00	Comet S.p.A.	100.00
Comet do Brasil Investimentos LTDA	Indaiatuba (BR)	51,777,052	BRL	100.00	Comet S.p.A.	99.63
					PTC S.r.l.	0.37
Emak do Brasil Industria LTDA	Ribeirao Preto (BR)	23,557,909	BRL	100.00	Emak S.p.A.	99.98
					Comet do Brasil LTDA	0.02
Lemasa industria e comércio de equipamentos de alta pressao S.A. (2)	Indaiatuba (BR)	14,040,000	BRL	100.00	Comet do Brasil LTDA	70.00
PTC Waterblasting LLC	Burnsville - Minnesota (USA)	285,000	USD	100.00	Comet Usa Inc	100.00
S.I. Agro Mexico	Guadalajara (MEX)	1,000,000	MXN	100.00	Comet S.p.A.	97.00
					PTC S.r.l.	3.00
Speed South America S.p.A.	Providencia - Santiago (RCH)	444,850,860	CLP	100.00	Speed France SAS	100.00
Valley Industries LLP (3)	Paynesville - Minnesota (USA)	-	USD	100.00	Comet Usa Inc	90.00
Speed North America Inc.	Wooster - Ohio (USA)	10	USD	100.00	Speed France SAS	100.00
Lavorwash Brasil Ind. Ltda	Ribeirao Preto (BR)	8,305,769	BRL	100.00	Lavorwash S.p.A.	99.99
					Comet do Brasil LTDA	0.01
Spraycom comercio de pecas para agricoltura S.A.	Catanduva (BR)	533,410	BRL	51.00	Tecomec S.r.l.	51.00
Resto del mondo						
Jiangmen Emak Outdoor Power Equipment Co.Ltd	Jiangmen (RPC)	25,532,493	RMB	100.00	Emak S.p.A.	100.00
Ningbo Tecomec Manufacturing Co. Ltd	Ningbo City (RPC)	8,029,494	RMB	100.00	Tecomec S.r.l.	100.00
Speed Industrie Sarl	Mohammedia (MA)	1,445,000	MAD	100.00	Speed France SAS	100.00
Tai Long (Zhuhai) Machinery Manufacturing Ltd	Zhuhai (RPC)	16,353,001	RMB	100.00	Emak S.p.A.	100.00
Speed Line South Africa Ltd	Pietermaritzburg (ZA)	100	ZAR	51.00	Speed France SAS	51.00
Yongkang Lavorwash Equipment Co. Ltd	Yongkang City (RPC)	63,016,019	RMB	100.00	Lavorwash S.p.A.	100.00
Yongkang Lavorwash Trading Co. Ltd	Yongkang City (RPC)	3,930,579	RMB	100.00	Lavorwash S.p.A.	100.00

(1) Lavorwash S.p.A. is consolidated at 98.42% as a result of the "*Put & Call Option Agreement*" which regulates the acquisition of the remaining 14.67%.
(2) Lemasa is consolidated at 100% as a result of the "*Put & Call Option Agreement*" which regulates the acquisition of the remaining 30%.
(3) Valley Industries LLP is consolidated at 100% as a result of the "*Put & Call Option Agreement*" which regulates the acquisition of the remaining 10%.

The **associated company** Cifarelli S.p.A., based in Voghera (Italy) with a share capital of € 374,400, is owned at 30% by Emak S.p.A. and consolidated since 1 October 2016 with the equity method. Despite the presence of a Put & Call agreement for the acquisition of the remaining 70%, the Group does not hold control pursuant to IFRS 10.

The **associated company** Agres Sistemas Eletronicos S.A, based in Pinais (Brazil) with a share capital of 1,047,400 Reais, is owned at 30% by the subsidiary Tecomec S.r.l. and consolidated since 1 January 2019 with the equity method. Despite the presence of a Put & Call Agreement for the acquisition of the remaining 55%, the Group does not hold control pursuant to IFRS 10.

2.3 Translation differences

Functional currency and presentation currency
Transactions included in the financial statements of each group company are recorded using the currency of the primary economic environment in which the company operates (functional currency). The consolidated financial statements are presented in Euro, the functional and presentation currency of the Parent Company.

Transactions and balances
Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions. Gains and losses arising from foreign exchange receipts and payments in foreign currency and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income. Gains and losses realized on cash flow hedges whose hedged items are still unrealized are posted to the comprehensive income statement.

Consolidation of foreign companies financial statements
The financial statements of all Group companies are prepared in accordance with IAS / IFRS in accordance with the accounting principles of Emak S.p.A.

The financial statements with functional currency different from the presentation currency of the consolidated financial statements are translated as follows:
(i) assets and liabilities are translated at the closing rate on the statement of financial position date;
(ii) income and expenses are translated at the average rate for the period;
(iii) all translation differences are recognized as a separate reserve under equity ("cumulative translation adjustment").

The main exchange rates used for the translation in Euro of the financial statements expressed in foreign currencies are the following:

Amount of foreign for 1 Euro	Average 2019	31.12.2019	Average 2018	31.12.2018
GB Pounds (UK)	0.88	0.85	0.88	0.89
Renminbi (China)	7.74	7.82	7.81	7.88
Dollar (Usa)	1.12	1.12	1.18	1.15
Zloty (Poland)	4.30	4.26	4.26	4.30
Zar (South Africa)	16.18	15.78	15.62	16.46
Uah (Ukraine)	28.92	26.72	32.11	31.74
Real (Brazil)	4.41	4.52	4.31	4.44
Dirham (Morocco)	10.77	10.78	11.08	10.94
Peso Mexican (Mexico)	21.56	21.22	22.71	22.49
Peso Chilean (Chile)	786.89	844.86	756.94	794.37

2.4 Property, plant and equipment

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

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

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

- buildings, 33 years;
- light construction, 10 years;
- plant and machinery, 6-10 years;
- molds for the production, 4-6 years;
- other, 4-8 years.

The residual value and useful life of assets is reviewed and amended, if necessary, at the end of each financial year.

If the carrying amount of any asset is higher than the estimated recoverable amount, it is immediately reduced to realizable value.

Government grants obtained for investments in buildings and machinery are treated as deferred income, which is recognized in the income statement over the period required to match these grants with the related costs.

2.5 Intangible assets

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

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

An intangible asset, generated in the development phase of an internal project, is recorded as an asset if the Company is able to demonstrate:

- the technical possibility of completing the intangible asset, so that it becomes available for use or sale;
- the intention to complete the asset and its ability to use it or sell it;
- the means by which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the availability of adequate technical, financial and other types of resources to complete the development and to use or sell the asset;
- the ability to reliably evaluate the cost attributable to the asset during its development;
- the ability to use the intangible asset generated.

The amortisation of development costs, classified under the “Development costs” heading, accrues from the end of the development phase and when the relevant asset begins to generate economic benefits.
In the period in which capitalisable internal development costs are incurred, they may be posted in the income statement as a reduction of the cost items affected and classified under intangible fixed assets.
Capitalised development costs are amortised on the basis of an estimate of the period in which it is expected that the assets in question will generate cash flows and, in any case, for periods of not more than 5 years starting from the start of production of the products pertaining to the development activities.
All other development costs which do not meet the requirements for being capitalised are recorded in the income statement when incurred.

(b) Concessions, licenses and trademarks
Trademarks and licenses are valued at historical cost. Trademarks and licenses have a finite useful life and are stated after deducting accumulated amortization. Amortization is calculated on a straight-line basis so as to spread the asset's cost over its estimated useful life and in any case for a period not exceeding 10 years.

(c) Other intangible assets
Other intangible assets are recorded as prescribed by IAS 38 – *Intangible assets*, when it is identifiable, it is probable that it will generate future economic benefits and its cost can be measured reliably.

Intangible assets are recognized at purchase cost and amortized on a systematic basis over their estimated useful lives, which cannot exceed 10 years, except for the fair value of the customer list arisen during the acquisition of Lavorwash S.p.A, which is amortized in 14 years.

2.6 Rights of use

The right to use the leased asset (so-called "*right of use*") is classified in the balance sheet among non-current assets.
The *right of use asset* is initially recognized at cost, determined as the sum of the following components:

- initial value of the liability deriving from lease (paragraph 2.19);
- any payments made before the start date of the contract, net of any incentives received;
- initial direct costs incurred by the lessee;
- the estimate of the costs that the lessee expects to incur for the dismantling, removal and demolition of the underlying asset.

Following the initial recognition, the right of use is adjusted to take into account the accumulated depreciation rates, any impairment losses and related effects and any restatements of the liability.
Depreciation rates are recognized on a straight-line basis and are accounted in the income statement under the item " Amortization, depreciation and impairment losses".

The Group used the exemption granted to IFRS 16 for *short-term leases* and for *low-value asset,* recognizing the payments relating to these types of leases in the income statement as operating costs over the duration of the leasing contract

In relation to the renewal options, the Group proceeded to make an estimate of the duration of the related leasing contracts taking into account the reasonable certainty of exercising the option.

2.7 Goodwill

The goodwill deriving from the purchase of subsidiaries, classified under non-current assets, is initially recorded at cost value the excess of the consideration paid and the amount recorded for minority interests, recognized as of the acquisition date, compared to the net assets identifiable acquired and liabilities assumed by the Group. If the consideration is less than the fair value of net assets of the subsidiary acquired, the difference is recognized in the income statement.
Goodwill is considered by the Emak Group an asset with an indefinite useful life. Consequently, this asset is not amortized but is subject to regular checks to detect any impairment.
Goodwill is allocated to the business units that generate separately identifiable cash flows and monitored in order to allow the verification of impairment.
Goodwill relating to associates is included in the value of the investment.

2.8 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed annually for any impairment. Assets subject to amortization or depreciation are reviewed for impairment every time that events or changes in circumstances indicate that their carrying value might not be recoverable. The impairment loss recognized is the amount by which the carrying amount of an asset exceeds its recoverable amount, corresponding to the higher of the asset's net selling price and its value in use. For the purposes of measuring impairment, assets are classified together into the smallest identifiable groups that generate cash inflows (cash-generating units) as required by IAS 36.
The aforementioned impairment test necessarily requires making subjective valuations based on information available within the Group, on reference market prospects and on historical trends. In addition, if there appears to be a potential reduction in value, the Group makes a calculation of the value using what it considers to be suitable valuation techniques.
The same value checks and the same valuation techniques are applied to intangible and property, plant and equipment with a defined useful life when there are indicators that predict difficulties in recovering the relative net book value through use.
The correct identification of indicators of the existence of a potential reduction in value, as well as estimates for establishing values, mainly depend on factors and conditions that may vary over time, also to a significant degree, thereby influencing the valuations and estimates made by the directors.

2.9 Investment property

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

2.10 Financial assets

All recognised financial assets falling within the application of IFRS 9 are recognised at amortised cost or at fair value on the basis of the business model of the enterprise for the management of financial assets and the characteristics of the contractual cash flows of the financial asset.
Specifically, the Group has identified the following financial assets:

- financial assets held as part of a business model in which the objective is to collect contractual cash flows, represented uniquely by collections of principal and interest on the capital amount to be returned. Said assets are valued at amortised cost;
- financial assets held as part of a business model in which the objective is achieved both through the collection of contractual financial cash flows and through the sale of the asset: said assets are valued at fair value with variations recorded in profit (loss) (FVTPL);
- other financial assets are valued at fair value, with variations recorded in profit (loss) for the financial period (FVTPL);

With reference to financial assets valued at amortised cost, when the contractual cash flows of the financial asset are renegotiated or otherwise modified and the renegotiation or modification does not produce de-recognition, the gross accounting value of the financial asset is recalculated and the profit or loss deriving from the modification is recorded in the profit (loss) for the financial period.

Any cost or commission incurred adjust the accounting value of the modified financial asset and are amortised along the remaining term of the asset.

Financial assets are derecognised when the contractual rights on the cash flows expire or substantially all the risks and benefits connected with the holding of the asset are transferred (so-called *Derecognition*), or in the event that the item is considered as definitively unrecoverable after all the necessary recovery procedures have been completed.

Financial assets and liabilities are offset in the balance sheet when there is the legal right to offsetting in the period and when there is the intention to adjust the ratio on a net basis (or to realise the asset and simultaneously settle the liability).

Financial assets not carried at fair value through profit or loss for the period are initially valued at their fair value plus the operational costs directly attributable to the acquisition or issue of the asset.

With regards to the loss of value of financial assets, the Group applies a model based on expected losses on receivables at every balance sheet reference date in order to reflect the variations in credit risk occurring since the initial recognition of the financial asset.

2.11 Non-current assets and liabilities held for sale

In this items are to be classified as assets held for sale and disposal when:
a) the asset is available for immediate sale;
b) the sale is highly probable within one year;
c) management is committed to a plan to sell;
d) a reasonable sales price is available;
e) the plan for disposal is unlikely to change;
f) a buyer is being actively sought.

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

2.12 Shareholdings in associated companies

An associated company is a company over which the Group exercises significant influence. Significant influence is considered as the power to participate in the determination of the financial and operating policies of the associated company without having control or joint control.
Shareholdings of the Group in associated companies are valued with the equity method. With the equity method, the shareholding in an associated company is initially recognised at cost. The book value of the shareholding is increased or decreased to recognise the proportional share of the profits and losses of the associated company realised after the date of acquisition, taking into consideration any effect deriving from the elimination of non-realised intergroup margins.
The income statement reflects the share of the result for the financial period of the associated company pertaining to the Group.
The aggregate share of the result for the financial period of associated companies pertaining to the Group is recognised in the income statement and represents the result net of taxes and the share of results attributable to other shareholders of the associated company.
The financial statements of associated companies are drawn up at the same closing date as the financial statements of the Group. Where necessary, the financial statements are adjusted to be in line with the Group's accounting principles.

2.13 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw material costs, direct labor costs, general manufacturing costs and other direct and indirect costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined using prevailing selling prices less estimated costs of completion and sale.
Obsolete or slow-moving stocks are devalued on the basis of the presumed possibility of their use or of their future realizable value, by creating an appropriate provision that has the effect of reducing the inventories value.

2.14 Trade receivables

Financial instruments are definable. Initial recognition is at fair value; for trade receivables without a significant financial component the initial recognised value is the transaction price. The assessment of the collectability of receivables is made on the basis of the so-called Expected Credit Losses model provided for by IFRS 9.
Trade receivables are recognized initially at fair value and subsequently measured at depreciated cost, using the effective interest method. They are recorded net of a bad debt provision, deducted directly from accounts receivable to bring the evaluation at their estimated realizable value.
Expected losses on trade receivables are estimated using a provision matrix with aging bands of receivables, making reference to past experience regarding losses on credits, an analysis of debtors' financial positions, corrected to take account of specific factors regarding the debtor, and an assessment of the current and expected evolution of such factors at the balance sheet reference date.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the Group will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

Factoring operations

The Group can make use of the instrument of the transfer of a part of its trade receivables through factoring operations and in particular makes use of non-recourse sales of trade receivables. Following these disposals, which provide for the almost total and unconditional transfer of the risks and rewards relating to the assigned receivables to the assignee, the receivables themselves are reversed from the financial statements.

2.15 Trade payables

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

2.16 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term financial investment with original maturities of three months or less highly liquid, net of overdrafts. Bank overdrafts are classified in the statement of financial position under short-term loans and borrowings under current liabilities.

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

2.17 Share capital

Ordinary shares are classified under equity.

If a company of the Group purchases shares in the Parent company, the consideration paid, including any attributable transaction costs less the related tax, is deducted as treasury shares from the total equity pertaining to the Group until such time as these shares are cancelled or sold. Any proceeds from their sale, less directly attributable transaction costs and the related tax, are recognized in equity pertaining to the Group.

In accordance with the requirements of International accounting standard IAS 32, costs sustained for the increase in share capital (that is, registration costs or other charges due to regulation authorities, amounts paid to legal advisors, auditors or other professionals, printing costs, registration costs and stamp duty), are accounted for as a reduction in equity, net of any connected tax benefit, to the extent to which they are marginal costs directly attributable to the share capital operation and would have been avoided otherwise.

2.18 Loans and borrowings

Loans and borrowings are recognized initially at fair value, less the related transaction costs. They are subsequently measured at amortized cost; the difference between the amount received, less transaction costs, and the amount repayable is recognized in the income statement over the term of the loan, using the effective interest method.

In the event of non-substantial modifications in the terms of a financial instrument, the difference between the current value of cash flows as modified (determined using the effective interest rate of the instrument in force at the modification date) and the book value of the instrument is recorded in the income statement.

Loans and borrowings are classified as current liabilities if the Group does not have an unconditional right to defer the extinguishment of the liability to at least 12 months after the statement of financial position date.

Financial liabilities are removed from the balance sheet when the specific contractual obligation is discharged. Modification of the existing contractual terms is also treated as a discharge in the event the new conditions significantly change the original terms.

2.19 *Liabilities deriving from leases*

The liabilities for leasing is initially recognized at an amount equal to the present value of the payments due not paid at the effective date, discounted using the implicit interest rate of the leasing for each contract or, if it cannot be easily determined, using the marginal financing rate. The latter is defined taking into account the periodicity of payments, the duration of the payments provided for in the leasing contract, the country and the Business unit to which the lessee belongs.
Future payments considered in the calculation of the liability are as follows:

- Fixed payments, net of any incentives to be received;
- Variable payments;
- Estimate of the payment as guarantee of the residual value;
- Payment of the exercise price of the purchase option, if the lessee is reasonably certain to exercise it;
- Payment of contractual penalties for termination of the lease, if the lessee is reasonably certain that he is exercising this option.

Following initial recognition, the liabilities for leasing is subsequently increased by the interest that accrues, decreased by the payments due for the leasing and possibly revalued in case of modification of future payments in relation to:

- Change in the index or rate;

- Change in the amount that the Group expects to have to pay as a guarantee on the residual value;
- Modification of the estimate of the exercise or not of a purchase, extension or termination option.

The liabilities for leasing is considered by the Group to be of a financial nature and therefore is included in the calculation of the net financial position.

2.20 Taxes

Current taxes are the taxes accrued in accordance with the rules in force at the date of the financial statement in the various countries in which the Group operates; also include adjustments to prior years' taxes.
Deferred tax assets and liabilities are recorded to reflect all temporary differences at the reporting date between the carrying amount of an asset / liabilities for tax purposes and allocated according to the accounting principles applied.
Deferred tax assets and liabilities are calculated using tax rates established by current regulations.
Deferred tax assets are recognized on all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.
The same principle applies to the recognition of deferred tax assets on utilizable tax losses.
The carrying amount of deferred tax assets is reviewed at each statement of financial position date and possibly reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the deferred tax asset to be utilized. These assets are restored if the reasons for them no longer apply.
As a general rule, apart from specific exceptions, deferred tax liabilities must always be recognized.
The Group analyzes the uncertain tax treatments (individually or as a whole, depending on the characteristics) always assuming that the tax authority examines the tax position in question, having full knowledge of all the relevant information. In the event that it is considered unlikely that the tax authority will accept the tax treatment followed, the Group reflects the effect of uncertainty in measuring its current and deferred income taxes as required by IFRIC 23; see paragraph 2.29.

Income taxes (current and deferred) relating to items recognized directly in Equity are also recognized directly in Equity.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if the company is able to offset current tax assets against current tax liabilities and if the deferred taxes refer to income taxes levied by the same taxation authority.

2.21 Employee benefits

The employee termination indemnity comes within the sphere of defined benefit plans, subject to actuarial evaluations (deaths, the probability of terminations, etc.) and expresses the current value of the benefit, payable at the termination of employment, which employees have accrued up to the statement of financial position date.
The costs relating to the increase in the current value of the liability, arising as the time of payment approaches, are included among financial charges. All other costs included in the provision are posted to the income statement as a staff cost. Actuarial gains and losses are accounted for in the statement of changes in comprehensive income in the year in which they occur.

2.22 Provisions for risks and charges

Provisions for risks and charges are recognized when the Group has legal or constructive obligation arising from past events, is likely to be asked to pay the balance of the obligation and a reliable estimate can be made of the related amount.

2.23 Revenues

Revenues are recognized in the income statement on an accruals and temporal basis and are recognized to the extent that it is probable that the economic benefits associated with the sale of goods or the provision of services will flow to the Company and their amount can be reliably measured.
Revenues are accounted net of returns, discounts, rebates and taxes directly associated with the sale of goods or the provision of the service

Sales are recognized at the fair value of the consideration received for the sale of products and services, when there are the following conditions:

a) are substantially transferred the risks and rewards of ownership of the property;
b) the amount of revenue can be measured reliably;
c) it is probable that the economic benefits associated with the transaction will flow to the entity;
d) the costs incurred or to be incurred can be measured reliably and respect the principle of correlation with revenues.

Accounting for revenues involves following the passages provided for by IFRS 15:

- Identification of the contract with the customer;
- identification of the performance obligations provided for in the contract;
- determination of the price;
- allocation of the price to the performance obligations contained in the contract;
- recognition of the revenues when the enterprise satisfies each performance obligation.

Revenues are recognised upon the transfer of control of the goods to the customer, which coincides with the moment when the goods are delivered to the customer (at a point in time), in compliance with the specific contractual terms agreed with the customer.

The Group considers that the breakdown of revenues by operating segment is appropriate to meet required disclosure requirements since it is information regularly reviewed by management in order to assess the company’s financial performance.

2.24 Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grants will be received and all the conditions attaching to them have been satisfied.
Government grants related to costs (e.g. operating grants) are recognized as revenue on a systematic basis over a number of years so as to match the costs that the grant is intended to offset.
Government grants related to assets (e.g. facility grants) are recorded in non-current liabilities and gradually released to the income statement on a systematic basis over the useful life of the asset concerned.

2.25 Financial income and expenses

Financial income and expenses are recognized on an accrual basis using the effective interest rate and include exchange gains and losses and gains and losses on derivatives charged to the income statement.

2.26 Payment of dividends

Dividends on the Parent company's ordinary shares are reported as liabilities in the financial statements in the year in which the shareholders approve their distribution.

2.27 Earnings per share

Basic earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares outstanding during the period, excluding treasury shares.
Emak S.p.A. does not have any potential ordinary shares.

2.28 Cash flow statement

The cash flow statement has been prepared using the indirect method.
Cash and cash equivalents included in the cash flow statement comprise the cash-related balances at the reporting date. Interest income and expense, dividends received and income taxes are included in cash flow generated by operations.

2.29 Changes in accounting standards and new accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE JANUARY 1, 2019

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2019:

a. Starting January 1, 2019 the Emak Group adopted the newly accounting standard **IFRS 16 – *Leases.*** The new standard replaced IAS 17 – *Leases*, as well as IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the* Substance of *Transactions Involving the Legal Form of a Lease.*
The new standard provides a new definition of lease and introduces a criteria based on the control (right of use) of an asset to differentiate between lease and service agreements identifying which distinctive: asset identification, right of replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognizing and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases to be recognized in the statement of financial position as assets and lease financial liability.

During the first application of the standard, the Group has adopted the "modified retrospective (alternative 1)" approach, accounting the cumulative effect in equity at January 1st, 2019, in accordance with IFRS 16. In particular, the Group recorded, concerning the leases previously classified as operating:

- financial liability, equal to the present value of future payments on transition data, discounted for each contract the incremental borrowing rate applied at the transition date;
- right of use equal to the net book value it would have had in the case in which the Standard had been applied from the beginning of the contract, but using the discount rate defined at the transition date.

For these contracts, the amount of the right of use is equal to € 27,755 thousand against a financial liability of € 27,959 thousand.
It should be noted that the average weighted *incremental borrowing rate* applied to financial liabilities recorded since 1 January 2019 was equal to 3.4%; this determines an overall discounting effect of € 959 thousand.

The following table shows the impacts on the financial position from the adoption of IFRS 16 on the transition date:

ASSETS	31.12.2018 [(1)]	Impact of IFRS 16	01.01.2019 [(2)]
Non-current assets			
Property, plant and equipment	75,446		75,446
Intangible assets	20,195		20,195
Right of use		27,755	27,755
Goodwill	65,773		65,773
Equity investments in other companies	230		230
Equity investments in associates	4,550		4,550
Deferred tax assets	8,480	118	8,598
Other financial assets	2,464		2,464
Other assets	65		65
Total non-current assets	**177,203**	**27,873**	**205,076**
Current assets			
Inventories	156,678		156,678
Trade and other receivables	108,328	(244)	108,084
Current tax assets	6,043		6,043
Other financial assets	554		554
Derivative financial instruments	283		283
Cash and cash equivalents	62,602		62,602
Total current assets	**334,488**	**(244)**	**334,244**
TOTAL ASSETS	**511,691**	**27,629**	**539,320**

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2018 (1)	Impact of IFRS 16	01.01.2019 (2)
Shareholders' Equity			
Shareholders' Equity of the Group	203,744	(317)	203,427
Non-controlling interest	2,076	(4)	2,072
Total Shareholders' Equity	**205,820**	**(321)**	**205,499**
Non-current liabilities			
Loans and borrowings due to banks and other lenders	113,328		113,328
Liabilities for leasing		23,192	23,192
Deferred tax liabilities	8,355		8,355
Employee benefits	8,764		8,764
Provisions for risks and charges	2,173		2,173
Other non-current liabilities	520		520
Total non-current liabilities	**133,140**	**23,192**	**156,332**
Current liabilities			
Trade and other payables	95,938	(9)	95,929
Current tax liabilities	4,913		4,913
Loans and borrowings due to banks and other lenders	69,359		69,359
Liabilities for leasing		4,767	4,767
Derivative financial instruments	643		643
Provisions for risks and charges	1,878		1,878
Total current liabilities	**172,731**	**4,758**	**177,489**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**511,691**	**27,629**	**539,320**

(1) Statement of financial position at 31/12/2018

(2) Opening statement of financial position at 01/01/2019 with application of IFRS 16

In the income statement, the accrued costs to rentals, leases and enjoyment of third-party assets are no longer recorded in the item “Other operating costs and provisions”, the allocation of long-term costs (on a straight-line basis) of the right of use asset is recorded under the item "Amortization, depreciation and impairment losses", while the interest expenses that accrues on financial debts (variable according to the debt) are recorded in the item "Financial expenses". The tax effects are therefore accounted for in the item "Income taxes".

The following table shows the impacts on the income statement items resulting from the adoption of IFRS 16 at 31 December 2019:

Thousand of Euro

CONSOLIDATED INCOME STATEMENT	31/12/2019 no IFRS 16	Impact of IFRS 16	31/12/2019 IFRS 16
Revenues from sales	433,953		433,953
Other operating incomes	4,668		4,668
Change in inventories	854		854
Raw materials, consumable and goods	(230,213)		(230,213)
Personnel expenses	(81,106)		(81,106)
Other operating costs and provisions	(88,032)	5,966	(82,066)
Ebitda	**40,124**	**5,966**	**46,090**
Amortization, depreciation and impairment losses	(18,641)	(5,427)	(24,068)
Operating result	**21,483**	**539**	**22,022**
Financial income	1,370		1,370
Financial expenses	(4,407)	(959)	(5,366)
Exchange gains and losses	766		766
Income from/(expenses on) equity investment	89		89
Profit befor taxes	**19,301**	**(420)**	**18,881**
Income taxes	(5,874)	119	(5,755)
Net profit	**13,427**	**(301)**	**13,126**

The comparative income statements for the 2018 financial year have not been changed retrospectively as required from the IFRS 16 first-time simplifications; therefore the comparative income statements are shown in continuity with what is explained in the previous reports.

Furthermore, the adoption of IFRS 16 did not result in the recognition of effects in the Group's statement of other comprehensive income.

With reference to the application, the Group used the exemption granted by IFRS paragraph 16:5 (a) in relation to short-term leases.

Likewise, the Group used the exemption granted to IFRS 16 with regard to lease contracts for which the underlying asset is configured as a low-value asset. The contracts for which the exemption has been applied fall mainly in the following categories:

Computers, phones and tablets;
Printers;
Other electronic devices.

For these contracts, the introduction of IFRS 16 did not involve the recognition of the financial liability of the lease and the related right of use, but the lease installments are recorded in the income statement on a linear basis for the duration of the respective contracts, in continuity with the accounting practices previously adopted.

The Group used the following practical expedients allowed by IFRS 16:

- Classification of contracts that expire within 12 months from the transition date as a *short term lease*. For these contracts the lease instalments are recorded in the income statement on a linear basis;

- Use of information present at the transition date for the determination of the lease term, with particular reference to the exercise of extension options and early closure.

In order to provide an aid to understanding the impacts deriving from the first application of the standard, the following table provides a reconciliation between future commitments relating to lease contracts and the impact deriving from the adoption of IFRS 16 on 1 January 2019.

€/000

RECONCILIATION FOR LEASE COMMITMENTS	1 January 2019
Operating lease commitments as of December 31,2018	**30,415**
Rental fees for short term leases (exemption)	(1,287)
Rental fees for low value leases (exemption)	(462)
Undiscounted financial liabilities for leases as of January 1, 2019	**28,666**
Discounting effect	(707)
Financial liabilities for additional lease due to the transition to IFRS 16 to January 1, 2019	**27,959**

b. On 12 October 2017, the IASB published an amendment to **IFRS 9 "Prepayment Features with Negative Compensation**". The amendment clarifies instruments with prepayment features might also respect the Solely Payments of Principal and Interest ("SPPI") condition when the "reasonable additional compensation" payable in case of prepayment is a "negative compensation" for the lender. Adoption of this amendment did not produce any effect on the Group's consolidated financial statements.

c. On 7 June 2017, the IASB issued **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document addresses the issue of uncertainty over income tax treatments. In more detail, the Interpretation requires an entity to analyse uncertain tax treatments (individually or, as a whole, depending on their characteristics) always assuming that the tax authorities will examine the tax situation in question with full knowledge of all relevant information. If the entity believes it is improbable that the tax authorities will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty on the measurement of its current and deferred income taxes. The interpretation does not contain any new disclosure requirements but highlights that an entity should establish whether there will be a need to provide any disclosures based on management considerations relating to any uncertainty over the accounting treatment of taxation, in accordance with IAS 1.
The new interpretation has been applied with effect from 1 January 2019. Adoption of the amendment did not have any effects on the Group's consolidated financial statements.

d. On 12 December 2017, the IASB published the document "**Annual Improvements to IFRSs 2015-2017 Cycle**" which contains amendments to several standards as part of the annual improvement process. The main amendments regard:
   - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity gains control of a business that represents a joint operation, it shall remeasure the interest previously held in that business. This process does not apply when joint control is acquired.
   - IAS 12 Income Taxes: the amendment clarifies that all tax effects relating to dividends (including payments on financial instruments classified in equity) should be accounted for on the same basis as the transaction that generated the related profits (statement of profit or loss, OCI or equity).
   - IAS 23 Borrowing costs: the amendment clarifies that loans that remain in place even after the related qualifying asset is ready for use or sale shall become part of the total loans used to calculate borrowing costs.

   Adoption of these amendments did not have any effect on the Group's consolidated financial statements.

e. On 7 February 2018, the IASB published the document "**Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**". The document clarifies how an entity should record an amendment (i.e. a curtailment or a settlement) to a defined benefit plan. The amendment requires the entity to update its assumptions and to remeasure the net liability or asset resulting from the plan. The amendment clarifies that, after such an event, an entity shall use the updated assumptions to measure the current service cost and interest for the rest of the period after the event. Adoption of the amendment did not have any effect on the Group's consolidated financial statements.

f. On 12 October 2017, the IASB published the document "**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**". The document provides clarification on the need to apply IFRS 9, including requirements regarding impairment, to long-term interests in associates and joint ventures to which the equity method is not applied. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

ACCOUNTING STANDARD, AMENDMENTS AND IFRS/IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORY APPLICABLE AND NOT EARLY ADOPTED FROM THE GROUP ON DECEMBER 31ST, 2019

- On 31 October 2018, the IASB published the document "**Definition of Material (Amendments to IAS 1 and IAS 8)**". The document introduced a change to the definition of "material" contained in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendment aims to make the definition of "material" more specific and introduces the concept of "*obscured information*" alongside the concepts of omitted or erroneous information already present in the two standards amended. The amendment clarifies that information is "*obscured*" when it is described in such a way as to produce for primary users of financial statements an effect similar to that which would be produced if the information had been omitted or erroneous.
  The amendments introduced by the document are applicable to all operations after 1 January 2020. The Directors are currently assessing the possible effects of introduction of these amendments on the Group's consolidated financial statements.

- On March 29, 2018, the IASB published its revised "**Conceptual Framework for Financial Reporting**". The Amendments shall be applied for annual periods beginning on or after 1 January 2020. The revised Conceptual Framework includes a new chapter on measurement, a guidance on reporting financial performance, an improved definitions of an asset and a liability and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
  The document ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors and other creditors.
  The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

- On September 26, 2019, the IASB has published the amendment "**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**". The amendments modifies IFRS 9 - *Financial Instruments*, IAS 39 - *Financial Instruments: Recognition and Measurement* and IFRS 7 - *Financial Instruments: Disclosures.*
  The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements applying temporary exemptions as a result of the interest rate benchmark reform.
  The amendments require additional disclosures related to hedge accounting relationship that are directly impacted by the uncertainties generated by the reform and to which such exceptions apply. The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Directors are currently evaluating the possible effects of the introduction of this amendment on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the date of this Financial Report, the competent bodies of European Union had not yet completed the approval process necessary for the adoption of amendments and the principles described below.

- On May 18th, 2017 IASB issued the new principle **IFRS 17 – Insurance Contracts** that will replace IFRS 4 – *Insurance Contracts*. The objective of the Standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues. The IASB developed the Standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The Standard is applicable for annual reporting periods beginning on or after 1 January 2021. Early application is permitted for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The Directors are evaluating the effects on the Group's consolidated financial statements from the adoption of these amendments.

- On October 22nd, 2018, the IASB issued amendments to **IFRS 3 "*Business Combinations"*** which aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.change the definition of a business to enable entities to determine whether an acquisition is a business combination or an asset acquisition. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier adoption permitted.
  The IASB issued narrow-scope amendments to IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not.
  The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs, replacing the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.
  The amendments introduce an optional *concentration test* to permit a simplified assessment of qualified business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiableassets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3. As such, the concentration test never determines that a transaction is a business combination. The Board provided a series of illustrative examples to help constituents to apply the guidance in IFRS 3 on the definition of a business. Furthermore, any effects will be accounted in the consolidated financial statements for the year of the first time adoption.

- Amendments to **IFRS 10 and IAS 28 - *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*** (issued on 11 September 2014). The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. According to the provisions of IAS 28, the profit or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share limited to the share held in the joint venture or associate by other investors unrelated to the transaction. On the contrary, IFRS 10 provides for the recognition of the entire profit or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling share therein, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments clarify that in a disposal of an asset or a subsidiary to a joint venture or associate, determining a profit or loss to be recognized in the financial statements of the transferor depends on whether the assets or subsidiary companies sold / contributed constitute or not a business, according to the IFRS 3 requirements. In the event that the assets or the subsidiary company transferred / conferred represent a business, the entity must recognize the profit or loss on the entire quota previously held; while, otherwise, the share of profit or loss relating to the share still held by the entity must be eliminated.The IASB has suspended the application of these amendments for the time being. The Directors are evaluating the effects on the Group's consolidated financial statements from the adoption of these amendments.

- **IFRS 14– *Regulatory Deferral Accounts*** (issued on January 30, 2014): the Standard is available only for the first-time adopters of IFRSs who recognized regulatory deferral balances under their previous GAAP. IFRS 14 permits eligible fisrt-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies. As the Group is not a first-time adopter, this Standard is not applicable.

3. Capital management

The Group's objectives for managing capital are:

a) to safeguard the ability to continue operating as a going concern;
b) to provide an adequate return for shareholders.

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

The Group monitors its capital on the basis of the ratio between net financial position and equity, and between net financial position and Ebitda.
The Group's strategy is to maintain the relationship Net financial position (NFP) / Equity ratio to a value not greater than 1 and a value in the long term, not exceeding 3 for the ratio Net financial position (NFP) / EBITDA (considering the indicators net of the effects of IFRS 16), in order to ensure access to finance at a limited cost while maintaining a high credit rating. This debt target could be revised in case of changes in the macroeconomic situation or breached for a short period in case of “Mergers & Acquisitions” operations. Considering the seasonality of the business, this ratio is subject to change during the year.

The NFP / Equity and NFP / EBITDA before non ordinary expanses ratios at 31 December 2019 and 31 December 2018 are as follows:

€/000	**31.12.2019**	**31.12.2019 NO IFRS 16**	**31.12.2018**
Net financial position (Nfp) (note 9)	146,935	116,550	117,427
Total Equity	211,532	212,202	205,820
Ebitda before non ordinary expenses (1)	46,878	40,912	50,763
Nfp/Equity	**0.69**	**0.55**	**0.57**
Nfp/Ebitda before non ordinary expenses	**3.13**	**2.85**	**2.31**

(1) For more details please see the section "definitions of alternative performance indicators" in the Annual Report.

4. Financial risk management

4.1 Financial risk factors

The Group is exposed to a variety of financial risks associated with its business activities:

- market risks, with particular reference to exchange and interest rates and market price, since the Group operates at an international level in different currencies and uses financial instruments that generate interest;
- credit risk, regarding both normal commercial relations and to financing activities;
- liquidity risk, with particular reference to the availability of financial resources and to access to the credit market.

The Group's policies for managing and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the consolidated results. The Group uses derivative financial instruments to hedge certain risks.
Hedging of the Group's financial risks is managed by a head office function working in close collaboration with the individual operating units.
Qualitative and quantitative information is given below regarding the nature of such risks for the Emak Group.
The quantitative figures shown below have no value for forecasting purposes, specifically, the sensitivity analysis on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesized.

(a) Market risk

(i) Interest rate risk
The Group's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Group to the cash flow risk associated with interest rates. Fixed rate loans expose the Group to the fair value risk associated with interest rates.
The Group's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money.
At December 31 2019, financings are at variable rates and, consequently, the Group has set up hedging operations aimed at limiting the effects. Although these transactions are made for hedging purposes, if specific documentation certifying the hedging relationship is not formalized, the accounting standards will not allow hedge accounting treatment. Therefore, fluctuations in their values may affect the Company's financial results.

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

A hypothetical, instantaneous and unfavorable negative variation of 50 base points in annual interest rates in force at December 31 2019 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 258 thousand (€ 309 thousand at December 31 2018). The above calculation takes into consideration the total amounts of financial liabilities net of the total amount of IRS operations carried out for hedging purposes and liabilities for the purchase of minority shares of equity investments and of fixed rate financing.

(ii) Foreign exchange risk
The Group is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
The net balances at December 31 2019 for which the Group is exposed to exchange rate risk as a result of the use of a currency different from Group companies’ local reporting currency are as follows:

Credit position in US Dollars	17,036 thousand
Credit position in GB Pound	743 thousand
Debt position in Renminbi	118,739 thousand
Debt position in Euro	17,295 thousand
Debt position in Yen	15,468 thousand
Debt position in Swiss Francs	138 thousand
Debt position in Taiwanese Dollars	214 thousand

Specifically:
- in cases in which the companies in the Group incur costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result of such companies.
  In the 2019 financial period, the overall amount of revenues directly exposed to exchange risk represented around 8.6% of the Group’s aggregate turnover (10.1% in the 2018 financial period), while the amount of costs exposed to exchange risk is equal to 19.9% of aggregate Group turnover (19.1% in the 2018 financial period).

  The main currency exchanges to which the Group is exposed are the following:
  - EUR/USD, relating to sales in dollars made in the North American market and in other markets in which the Dollar is the reference currency for commercial exchanges, and to production/purchases in

the Euro zone;
- EUR/GBP, essentially in relation to sales in the UK market;
- EUR/RMB and USD/RMB, in relation to Chinese production activities and to relative import/export flows;
- EUR/YEN, relating to purchases in the Japanese market;
- EUR/PLN, relating to sales in the Polish market;
- EUR/UAH and USD/UAH, in respect of sales on the Ukrainian market;
- USD/REAIS and EUR/REAIS, in respect of sales on the Brazilian market;
- EUR/ZAR, relating to purchases in the South African market;
- EUR/MXR, relating of sales in the Mexican market;
- EUR/MAD, relating to purchases in the Moroccan market.

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

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

- With regards to commercial activities, the companies in the Group are able to hold commercial credits and debits expressed in currencies which are different from the currency in which they keep their accounts and the variation in exchange rates may result in the realization or ascertainment of exchange risks.

- A number of subsidiary companies in the Group are located in countries which are not members of the European Monetary Union, in particular, the United States, the United Kingdom, Poland, China, Ukraine, South Africa, Morocco, Mexico, Brazil and Chile. Since the reference currency for the Group is the Euro, the income statements for these companies are converted into Euro at the average exchange rate for the period and variations in exchange rates may affect the equivalent value of revenues, costs and results in Euro.

- Assets and liabilities of subsidiary companies in the Group, whose accounting currency is different from the Euro, may have different equivalent values in Euro depending on the trend in exchange rates. As provided for by the accounting principles adopted, the effects of such variations are recorded in the comprehensive income statement and directly in equity, under the heading "reserve for conversion differences" (see Note 28).
  At the statement of financial position date there was no hedging in force with regards to these exposures for conversion exchange risk.

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Group at December 31 2019, as a result of a hypothetical unfavorable and immediate variation of 10% in all relevant single exchange rates of functional currencies with foreign ones, would amount to around € 1,789 thousand (€ 2,258 thousand at December 31 2018).

Other risks on derivative financial instruments
As described in Note 23, the Group holds a number of derivative financial instruments whose value is linked to the trend in exchange rates (forward currency purchase and sales operations) and the trend in interest rates.

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

Sensitivity analysis
The potential loss of fair value of derivative financial instruments held by the Group at December 31 2019 as a result of a hypothetical unfavorable and immediate variation of 10% in underlying values would amount to around € 431 thousand (€ 1,685 thousand at December 31 2018).

(iii) Price risk
The group is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The raw materials of greatest use refer to aluminum, steel, brass, metal alloys, plastic and copper.

(b) Credit risk
The Group has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are are subject to risk hedging through leading insurance companies.
The maximum theoretical exposure to credit risk for the Group at 31 December 2019 is the accounting value of financial assets shown in the financial statements.

The credit granted to clients involves specific assessments of solvency and generally the Group obtains guarantees, both financial and otherwise, against credits granted for the supply of products addressed to some countries.

Some companies of the Group make use of non-recourse transfer of trade receivables.

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

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

At December 31 2019 Trade receivables, equal to € 103,997 thousand (€ 108,953 thousand at 31 December 2018), include € 12,314 thousand (€ 13,626 thousand at 31 December 2018) outstanding by more than 3 months. This value has been rescheduled according to repayment plans agreed with the clients.

The value of amounts receivable covered by insurance or by other guarantees at December 31 2019 is € 24,521 thousand (€ 24,158 thousand at December 31 2018).

At December 31 2019 the first 10 customers account for 12.8% of total trade receivables (11.1% at December 31 2018), while the top customer represents 4.7% of the total (2.9% at December 31 2018).

(c) Liquidity risk
Liquidity risk can occur as a result of the inability to obtain financial resources necessary for the Group's operations at acceptable conditions.
The main factors determining the Group's liquidity situation are, on the one hand, the resources generated or absorbed in its operating and activities and by investment, and on the other hand, by the expiry or renewal of debt or by the liquidity of financial commitments and market conditions.
Prudent liquidity risk management implies maintaining sufficient financial availability of cash and marketable securities, funding through an adequate amount of bank credit.
Consequently, the Group's treasury sets up the following activities:

- the monitoring of expected financial requirements in order to then take suitable action;
- the obtaining of suitable lines of credit;
- the optimization of liquidity, where feasible, through the centralized management of the Group's cash flows;
- the maintenance of sufficient liquidity;
- the maintenance of a balanced composition of net financial borrowing with respect to investments made;
- the pursuit of a correct balance between short-term and medium-long-term debt;
- limited credit exposure to a single financial institute;
- the monitoring of compliance with the parameters provided for by covenants associated with loans.

Counterparties to derivative contracts and operations performed on liquid funds are restricted to primary financial institutions.

The Group has maintained high reliability indices on the part of lenders.

The characteristics and nature of the expiry of debts and of the Group's financial activities are set out in Notes 26 and 30 relating respectively to Cash and Cash Equivalents and Loans and borrowings.

The management considers that currently unused funds and credit lines, amounting to € 160 million, mainly short-term and guaranteed by Trade Receivables, more than cash flow which will be generated from operating and financial activities, will allow the Group to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

4.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency and interest rate fluctuation. In line with its risk management policy, in fact, the Group does not carry out derivative operations for speculative purposes.
When such operations are not accounted for as hedging operations they are recorded as trading operations. As established by IFRS 9, derivative financial instruments may qualify for special hedge accounting only when the condition established by principle are met.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent statement of financial position dates.

On the basis of the above, and of contracts entered into, the accounting methods adopted are as follows:
1. *Fair value hedge*: the fair value variations of the hedging instrument are posted to the Income Statement together with variations in the fair value of the hedged transactions.
2. *Cash flow hedge*: the variations in fair value of the financial instruments to be effective for hedging future cash flows are posted to the Comprehensive Income Statement, while the ineffective portion is posted immediately to the Income Statement. If contractual commitments or planned hedging operations lead to the creation of an asset or liability, when this occurs the profits or losses on the derivative which have been posted directly to the Comprehensive Income Statement adjust the opening cost of acquisition or holding value of the asset or liability. For financial cash flow hedgings that do not lead to the creation of an asset or liability, the amounts which have been posted directly to the Comprehensive Income Statement are transferred to the Income Statement in the same period in which the contractual commitment or planned hedging operation are posted to the Income Statement.
3. Derived financial instruments not defined as hedging instruments: the variations in fair value are posted to the Income Statement.

The accounting method adopted for a hedge is applied until it expires, is sold, terminates, is exercised or is no longer defined as a hedge. Accumulated profits or losses from the hedging instrument recorded directly in the Statement of Comprehensive Income are maintained until the related operation effectively occurs. If the operation to which the hedge relates is no longer expected to occur, the accumulated profits or losses recorded directly in the Statement of Comprehensive Income are transferred to the Income Statement for the relevant period.

4.3 Measurement of fair value

The fair value of financial instruments with a quoted market price in an active market (such as publicly traded derivatives and securities held for trading and for sale) is based on the market price at the statement of financial position date. The market price used for the Group's financial assets is the bid price; the market price for financial liabilities is the offer price.

The fair value of financial instruments not quoted in an active market (for example, derivatives quoted over the counter) is determined using valuation techniques. The Group uses various methods and makes assumptions that are based on existing market conditions at the statement of financial position date. Long-term payables are valued using quoted market or trading prices for the specific or similar instruments. Other methods, such as estimating the present value of future cash flows, are used to determine the fair value of the other financial instruments. The fair value of forward currency contracts is determined using the forward exchange rates expected at the statement of financial position date.

It is assumed that the face value less estimated doubtful receivables approximates the fair value of trade receivables and payables. For the purposes of these notes, the fair value of financial liabilities is estimated by discounting contractual future cash flows at the current market rate available to the group for similar financial instruments.

5. Key accounting estimates and assumptions

The preparation of the consolidated financial statements and the related notes under IFRS has required management to make estimates and assumptions affecting the value of reported assets and liabilities and the disclosures relating to contingent assets and liabilities at the statement of financial position date. Actual results could differ from these estimates. Estimates are used for recording provisions for doubtful accounts receivable and inventory obsolescence, amortization and depreciation, write-downs to assets, post-employment benefits, taxes, other provisions, liabilities for leasing and right of use. Estimates and assumptions are reviewed periodically and the effects of any change are immediately reflected in the income statement.

The assessment that goodwill is recorded in the financial statements for a value not higher than their recoverable value (so-called impairment test) provides, first of all, to test the endurance of the value of the goodwill divided into the Cash Generating Unit (CGU). The calculation of the recoverable amount is carried out in accordance with the criteria established by IAS 36 and is determined in terms of value in use by discounting the expected cash flows from the use of the asset or of a CGU, as well as from the expected value of the asset at its disposal at the end of its useful life. This process involves the use of estimates and assumptions to determine both the amount of future cash flows and the corresponding discount rates. The future cash flows are based on the most recent economic-financial plans drawn up by the Management of each CGU, and approved by the Board of Directors of each sub-holding company headed by different operating sectors, in relation to the functioning of the production assets and the market context. With reference to the business in which the company operates, the factors that have the greatest relevance in the estimates of future cash flows are attributable to the intrinsic difficulty of formulating future forecasts, to the feasibility of market strategies in highly competitive contexts, as well as to the risks of macroeconomic nature related to the geographic areas in which the Emak Group operates. The discount rates reflect the cost of money for the period forecast and the specific risks of the activities and countries in which the Group operates and are based on observable data in the financial markets.

In this context, it should be noted that the situation caused by the persistent difficulties of the economic and financial scenario has implied the need to make assumptions regarding the future outlook which is characterized by uncertainty. As a result, it cannot be excluded that the actual results obtained will be different from the forecasts, and therefore adjustments, even of significant amounts, which obviously cannot today be estimated or foreseeable, to the book value of the relative items may be necessary.

The application of the new IFRS 16 standard requires to make estimates and assumptions.
Judgment elements required for the application of IFRS 16 include:

a) Identify if a contract (or part of a contract) includes a lease;
b) Determine whether the exercise of the extension or termination option is reasonably certain;
c) Determine when variable payments are fixed in substance;
d) Determine if a contract includes multiple leases;
e) Determine the stand alone sale price of the lease contract and the components excluded from the lease.

Main sources of uncertainty in the estimates deriving from the application of IFRS 16 can include:

a) Estimated lease term;
b) Determination of the appropriate discount rate for lease payments;
c) Assessment of impairment with reference to the right of use.

6. Segment information

IFRS 8 provides for information to be given for certain items in the financial statements on the basis of the operational segments of the company.

An operating segment is a component of a company:

a) that carries on business activities generating costs and revenues;
b) whose operating results are reviewed on a periodic basis at the highest executive levels for the purpose of taking decisions about resources to be allocated to the segment and for the evaluation of results;
c) for which separate reporting information is available.

IFRS 8 is based on the so-called “Management approach”, which defines sectors exclusively on the basis of the internal organizational and reporting structure used to assess performance and allocate resources.

According to these definitions, the operating segments of Emak Group are represented by three Divisions/ Business Units with which develops, manufactures and distributes its range of products:

- Outdoor Power Equipment (products for gardening, forestry and small agricultural equipment, such as brushcutters, lawnmowers, garden tractors, chainsaws, tillers and walking tractors);
- Pumps and High Pressure Water Jetting (membrane pumps for the agricultural sector - spraying and weeding - piston pumps for the industrial sector, professional and semi-professional high-pressure washers, hydrodynamic units and urban cleaning machines);
- Components and Accessories (line and heads for brushcutters, chainsaw accessories, guns, nozzles and valves for high pressure washers and agricultural applications, precision farming such as sensors and computers, technical seats and spare parts for tractors).

The directors separately observe the results by business segment in order to make decisions about resource allocation and performance verification.

The *performance* of the segment is evaluated on the basis of the measured result that is consistent with the result of the consolidated financial statements.

Below are the main economic and financial data broken down by operating segment:

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Sales to third parties	148,243	165,770	181,250	183,111	104,460	103,944			**433,953**	**452,825**
Intersegment sales	518	1,694	1,693	1,649	7,007	7,988	(9,218)	(11,331)		
Revenues from sales	148,761	167,464	182,943	184,760	111,467	111,932	(9,218)	(11,331)	**433,953**	**452,825**
Ebitda	7,283	11,859	26,058	25,356	15,126	13,550	(2,377)	(1,316)	**46,090**	**49,449**
Ebitda/Total Revenues %	*4.9%*	*7.1%*	*14.2%*	*13.7%*	*13.6%*	*12.1%*			***10.6%***	***10.9%***
Ebitda before non ordinary expenses	7,507	13,599	26,079	25,855	15,669	13,748	(2,377)	(2,439)	**46,878**	**50,763**
Ebitda before non ordinary expenses/Total Revenues %	*5.0%*	*8.2%*	*14.2%*	*14.1%*	*14.1%*	*13.2%*			***10.8%***	***11.2%***
Operating result	(2,287)	5,882	17,872	20,255	8,814	9,155	(2,377)	(1,316)	**22,022**	**33,976**
Operating result/Total Revenues %	*-1.5%*	*3.5%*	*9.8%*	*11.0%*	*7.9%*	*8.2%*			***5.1%***	***7.5%***
Net financial expenses (1)									**(3,141)**	**884**
Profit befor taxes									**18,881**	**34,860**
Income taxes									**(5,755)**	**(9,213)**
Net profit									**13,126**	**25,647**
Net profit/Total Revenues%									***3.0%***	***5.7%***
(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment										
STATEMENT OF FINANCIAL POSITION	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Net debt	29,304	24,025	98,863	86,597	19,071	7,094	(303)	(289)	**146,935**	**117,427**
Shareholders' Equity	176,334	176,750	62,460	56,259	50,295	48,899	(77,557)	(76,088)	**211,532**	**205,820**
Total Shareholders' Equity and Net debt	205,638	200,775	161,323	142,856	69,366	55,993	(77,860)	(76,377)	**358,467**	**323,247**
Net non-current assets (2)	137,483	134,048	94,433	77,937	30,577	18,557	(75,504)	(75,616)	**186,989**	**154,926**
Net working capital	68,155	66,727	66,890	64,919	38,789	37,436	(2,356)	(761)	**171,478**	**168,321**
Total net capital employed	205,638	200,775	161,323	142,856	69,366	55,993	(77,860)	(76,377)	**358,467**	**323,247**
(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76,074 thousand Euro										
OTHER STATISTICS	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Number of employees at period end	743	764	731	736	506	490	8	9	**1,988**	**1,999**
OTHER INFORMATIONS	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**			**31.12.2019**	**31.12.2018**
Amortization, depreciation and impairment losses	9,570	5,977	8,186	5,101	6,312	4,395			**24,068**	**15,473**
Investment in property, plant and equipment and in intangible assets	8,573	8,100	3,983	5,997	5,897	4,097			**18,453**	**18,194**

For the comments of the economic part, reference should be made to chapter 3 of the Directors Report.

7. Significant non-recurring events and transactions

<u>Acquisition of 30% of Agres Sistemas Eletrônicos SA</u>

On January 25, 2019 the subsidiary Tecomec S.r.l. has completed the purchase of 30% of the share capital of Agres Sistemas Eletrônicos S.A. ("Agres"), a Brazilian company based in Pinais (Paranà) active in the development and supply, mainly on the local market, of electronic systems (software, hardware and related services) for agricultural machines, in particular spraying and weeding machines and seeders.

The transaction is part of the Group's external growth strategy. With the entry into the capital of Agres the Emak Group will expand its offer of agricultural products, in particular electronic ones, in the Components and Accessories segment, where it already boasts an important position.

In 2018 the company achieved revenues of 21.7 million Reais (approximately € 5 million). The value of the transaction was 11.7 million Reais (approximately € 2.8 million). The agreements governing the transaction also provide for Put & Call Option on a further 55% stake to be exercised in 2023.

The *fair value* of the assets and liabilities subject to partial acquisition determined on the basis of the last approved financial statements of December 31, 2018, the price paid and the financial disbursement are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Property, plant and equipment	944	-	944
Intangible assets	141	-	141
Other financial assets	56	-	56
Current assets			
Inventories	726	-	726
Trade and other receivables	1,594	-	1,594
Current tax assets	96	-	96
Other financial assets	63	-	63
Cash and cash equivalents	135	-	135
Non-current liabilities			
Loans and borrowings due to banks and other lenders	(1,065)	-	(1,065)
Deferred tax liabilities	(390)	-	(390)
Current liabilities			
Trade and other payables	(661)	-	(661)
Current tax liabilities	(126)	-	(126)
Loans and borrowings due to banks and other lenders	(1,238)	-	(1,238)
Total net assets acquired	**275**	**-**	**275**
% interest held			**30%**
Net equity acquired			**83**
Goodwill			**2,678**
Purchase price paid			**2,760**

The difference between the price paid and the corresponding portion of shareholders' equity is provisionally due to goodwill: the company is valued in the consolidated financial statements using the equity method starting from 1 January 2019 and, consequently, this goodwill is reflected in the book value of the equity investment entered in the balance.

The turnover of the associated companies in 2019, amounting to 30.3 million Reais, is up compared to € 21.7 million Reais of the same period last year.

<u>Disposal of minority share of Netribe S.r.l.</u>
On 2 April 2019, the parent company Emak S.p.A, by mutual agreement with the remaining shareholders, exercised the withdrawal from Netribe s.r.l., a company operating in the I.T. sector, of which Emak held a share of 15.41%. The closing of the transaction took place on 10 May at a liquidation value of € 250 thousand, with deferred settlement. The realized capital gain amounts to € 27 thousand.

<u>Capital increase Emak Deutschland Gmbh</u>
On March 28, 2019, the parent company Emak S.p.A. deliberated and carried on a capital increase in the subsidiary Emak Deutschland, through conversion of a loan, for an amount of € 3,000 thousand.

<u>Subscription Capital increase Emak do Brasil Industria LTDA</u>
On June 19, 2019, the parent company Emak S.p.A. subscribed an increase in the share capital of the subsidiary Emak do Brasil, through conversion of receivables, for a nominal value of approximately 15 million Reais, entered in the balance sheet for € 2,338 thousand.

<u>S.I.Agro Mexico call option exercise</u>
On June 4, 2019, the subsidiary Comet S.p.A. exercised the *call option* for the acquisition of the remaining 15% of the capital of the subsidiary S.I.Agro Mexico, directly acquiring 12% and the remaining 3% through its

subsidiary P.T.C. Srl. The price for the acquisition of this portion totals € 529 thousand. Following this, the company S.I. Agro Mexico is now entirely owned by the Group.

New R&D centre of Emak S.p.A.
The new R&D center became fully operational in the last quarter of 2019, the total investment was € 7,425 thousand.

“*ERP Transformation”* project
In May the companies Emak S.p.A. and Tecomec S.r.l. have migrated to the new Microsoft Dynamics 365 ERP. Total investment recorded at December 31, 2019 among intangible assets amounted around € 3,700 thousand.

Demerger of Geoline Electronic S.r.l.
With effect from 30 November 2019, the company Geoline Electronic Srl, 51% controlled by Tecomec Srl, was subject to a total demerger following which the business unit "Control units, electric valves and flow meters" was transferred to the Tecomec company and the "Electronic Products" branch held by the minority shareholder, resulting in the dissolution of the company. The operation is justified for strategic-organizational reasons.

The book value of the assets and liabilities subject to total demerger are detailed below:

€/000	Book values subject to demerger	Book values demerged attributable to the Group	Book values demerged attributable to third parties
Non-current assets			
Property, plant and equipment	(67)	27	(40)
Intangible assets	(574)	294	(280)
Rights of use	(15)		(15)
Current assets			
Inventories	(107)	30	(77)
Trade and other receivables	(104)	97	(7)
Current tax receivables	(5)	4	(1)
Cash and cash equivalents	(16)		(16)
Non-current liabilities			
Employee benefits	(44)	19	(25)
Current liabilities			
Trade and other payables	(515)	221	(294)
Current tax liabilities	(7)	3	(4)
Loans and borrowings due to banks and other lenders	(200)	154	(46)
Liabilities for leasing	(15)		(15)
Equity subject to demerger	**(107)**	**55**	**(52)**

8. Balances or transactions arising from atypical and unusual operations

No events/operations as per Consob Communication DEM/6064293 of 28 July 2006 have been recorded during the financial period 2019. As indicated in this Communication “atypical and/or unusual operations are considered as operations that, due to their significance/materiality, the nature of the counterparties, the object of the transaction, the means for determining the transfer price and the time of the event (near the close of the period), may give rise to doubts with regards to: the correctness/completeness of the information in the financial statements, conflicts of interest, the protection of company assets, the safeguarding of minority interests.

9. Net financial positions

It is shown in the table below details of the net financial position, which includes the net financial debt determined according to ESMA criteria (based on the format required by Consob communication no. 6064293 of 28 July 2006).

	Thousand of Euro	31/12/2019	31/12/2019 NO IFRS 16	31/12/2018
A.	Cash and cash equivalents	47,695	47,695	62,602
B.	Other cash at bank and on hand (held-to-maturity investments	-	-	-
C.	Financial instruments held for trading	-	-	-
D.	**Liquidity funds (A+B+C)**	**47,695**	**47,695**	**62,602**
E.	**Current financial receivables**	**766**	**766**	**837**
F.	Current payables to banks	(13,963)	(13,963)	(18,086)
G.	Current portion of non current indebtedness	(38,176)	(38,176)	(46,152)
H.	Other current financial debts	(22,101)	(17,142)	(5,764)
I.	**Current financial indebtedness (F+G+H)**	**(74,240)**	**(69,281)**	**(70,002)**
J.	**Current financial indebtedness, net (I+E+D)**	**(25,779)**	**(20,820)**	**(6,563)**
K.	Non-current payables to banks	(97,802)	(97,802)	(99,817)
L.	Bonds issued	-	-	-
M.	Other non-current financial debts	(25,777)	(351)	(13,511)
N.	**Non-current financial indebtedness (K+L+M)**	**(123,579)**	**(98,153)**	**(113,328)**
O.	**Net indebtedness (ESMA) (J+N)**	**(149,358)**	**(118,973)**	**(119,891)**
P.	Non current financial receivables	2,423	2,423	2,464
Q.	**Net financial position (O+P)**	**(146,935)**	**(116,550)**	**(117,427)**

The net financial position at December 31, 2019, includes € 15,863 thousand (€ 17,256 thousand at December 31, 2018), referring to payables for the purchase of the remaining minority shareholding and for the settlement of purchase transactions with deferred price subject to contractual restrictions (Note 30). These debts refer to the purchase of investments in the following companies:
- Lemasa for an amount of € 4,790 thousand;
- Lavorwash Group for an amount of € 9,599 thousand;
- Valley LLP for an amount of € 1,474 thousand.

Net financial position at December 31, 2019, includes € 30,385 thousand of financial liabilities, of which € 4,959 thousand as a current portion, deriving from the application of IFRS 16- Leases, adopted by the Group from January 1, 2019. At the date of transition the application of this principle has led to the recognition of financial liabilities for € 27,959 thousand, of which € 4,767 thousand for current leases.

At 31 December 2019, financial receivables mainly include deposits to guarantee potential liabilities, loans to associated companies, *Escrow accounts* related to equity acquisition contracts and other forms of temporary liquidity investment.

At December 31, 2019, net financial position includes the positive effect relating to the non-recourse transfer of trade receivables made by some Group companies for an amount of €1,854 thousand.

At 31 December 2019, net financial position includes receivables from related parties for an amount of:
- € 260 thousand, of which € 37 thousand are a short-term, attributable to receivables from the parent company Yama S.p.A. for the guarantees included in the contract in favor of Emak S.p.A. as part of the so-called “Operazione Greenfield” through which Emak S.p.A. acquired in 2011 the companies Comet S.p.A., Tecomec S.r.l., Sabart S.r.l. and Raico S.r.l.
- € 1.000 thousand relating to a medium-long term loan granted by Tecomec to the associated company Agres Sistemas Eletronicos S.A.

10. Revenues from sales and other operating income

The Group's revenues amount to € 433,953 thousand, compared to € 452,825 thousand of last year, and are recorded net of returns for € 824 thousand, against € 1,807 thousand of last year.

Details of revenues from sales are as follows:

€/000	FY 2019	FY 2018
Net sales revenues (net of discounts and rebates)	430,471	450,063
Revenues from recharged transport costs	4,306	4,569
Returns	(824)	(1,807)
Total	**433,953**	**452,825**

The decrease in "Revenues" mainly refers to the general decline in the European markets, in particular the OPE operating sector and to an effect of € 3,111 thousand linked to the exit from the scope of consolidation of the company Raico. In more detail, the revenues of the "OPE" sector had a negative trend in all the countries; in particular, the most significant sales contractions are concentrated in Europe, in the Turkish market hit by the economic and geopolitical crisis and in the countries of Latin America. Sales in the North American market are an exception, showing a positive trend.

Other operating income is analyzed as follows:

€/000	FY 2019	FY 2018
Capital gains on property, plant and equipment	243	146
Recovery of warrants costs	121	101
Insurance refunds	218	40
Advertising reimbursement	275	287
Grants related to income and assets	656	964
Recovery of administrative costs	222	251
Recovery of costs canteen	120	126
Revenues for rents	633	559
Other operating income	2,180	2,991
Total	**4,668**	**5,465**

The item “Grants related to income and assets” mainly refers to tax credit for research and development.

The change in the item “Other operating income” includes € 185 thousand relating to the reversal of some trade payables that are no longer payable, against to € 873 thousand of last year.

11. Cost of raw materials, consumable and goods

The cost of raw materials, semi-finished products and goods is analyzed as follows:

€/000	FY 2019	FY 2018
Raw materials, semi-finished products and goods	227,171	238,984
Other purchases	3,204	4,198
R&D costs capitalized	(162)	-
Total	**230,213**	**243,182**

The change in the item is related to the performance of revenues.

12. Personnel expenses

Details of these costs are as follows:

€/000	FY 2019	FY 2018
Wage and salaries	57,412	57,690
Social security charges	16,507	16,509
Employee termination indemnities	2,660	2,689
Other costs	1,994	1,668
R&D costs capitalized	(617)	(431)
Directors' emoluments	1,083	1,884
Temporary staff	2,067	3,301
Total	**81,106**	**83,310**

The details of staff by country is shown in heading 6 of the Directors' Report.

During the 2019 financial year, personnel costs for € 617 thousand (€ 431 thousand in 2018) were capitalized under intangible fixed assets, referring to the costs for the development of new products in the context of a multi-year project subject to facilities by the Ministry of Economic Development.

The costs for the year include reorganization costs for € 489 thousand; in the previous year these charges, mainly refer to the Parent Company, amounted to € 1,398 thousand.

13. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2019	FY 2018
Subcontract work	12,460	13,039
Maintenance	4,827	4,285
Trasportation	20,008	19,065
Advertising and promotion	3,788	3,717
Commissions	7,752	7,623
Travel	3,307	3,562
Postals and telecommunications	916	927
Consulting fees	5,557	5,930
Driving force	2,506	2,369
Various utilities	1,307	1,171
Services and bank fees	908	975
Costs of after sales warranty	1,236	1,513
Insurances	1,460	1,555
Other services	7,328	7,917
R&D costs capitalized	(159)	(123)
Services	**73,201**	**73,525**
Rents, rentals and the enjoyment of third party assets	**3,237**	**8,533**
Increases in provisions (note 34)	**439**	**721**
Credit losses	175	86
Increases in provision for doubtful accounts (note 24)	902	1,222
Capital losses on property, plant and equipment	58	6
Other taxes (not on income)	1,371	1,359
Grants	171	133
Other costs	2,512	1,385
Other operating costs	**5,189**	**4,191**
Total	**82,066**	**86,970**

The values as at 31 December 2019 incorporate for the first time the application of the IFRS 16 - *leases* accounting principle which led to the recognition of lower costs for rents, rentals and enjoyment of third party assets for an amount of € 5,966 thousand.

The decrease in the item “Consulting fees” is linked to lower costs for M&A transactions compared to those incurred in 2018 financial year. This costs amounted to € 387 thousand at 31 December 2018 against an amount of € 71 thousand at 31 December 2019.

The change in “Other costs” is affected by the accounting of some non-ordinary items.

14. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2019	FY 2018
Amortization of intangible assets (note 19)	3,775	3,188
Depreciaton of property, plant and equipment (note 18)	12,792	11,688
Amortization of rights of use (note 20)	5,427	-
Impairment losses of goodwill (note 21)	2,074	597
Total	**24,068**	**15,473**

The amortization and depreciation at December 31, 2019 amounted to € 24,068 thousand, of which € 2,074 thousand recorded as a impairment loss due to the reduction in the value of goodwill referring to the ex-company Bertolini, originally emerged from the merger by incorporation of the same in the parent company Emak S.p.A. This loss was recognized following the application of the *impairment test* procedure, details of which can be found in Note 21.
At December 31, 2018 the reduction in the value of goodwill was equal to € 597 thousand as a partial impairment loss of goodwill allocated to the CGU Geoline Electronic S.r.l recognized after the *impairment test* procedure.

The item Amortization of rights of use includes the amortization of rights of use recognized among non-current assets in application of IFRS 16 - *Leases*, adopted from 1 January 2019. Amortization is calculated based on the duration of the contracts.

15. Financial income and expenses

Financial income" is analyzed as follows:

€/000	FY 2019	FY 2018
Capital gains from change in scope of consolidation	-	2,472
Income from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	376	71
Interest of trade receivables	101	201
Interest on bank and postal current accounts	158	171
Financial income of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	549	2,074
Capital gain on disposal of investments	27	-
Other financial income	159	327
Financial income	**1,370**	**5,316**

The item "Capital gains from change in the scope of consolidation", recorded in 2018 financial year, referred to the capital gain deriving from the deconsolidation of the subsidiary Raico S.r.l.

The item "Capital gain on disposal of investments" refers to the capital gain deriving from the sale of the investment held in the company Netribe S.r.l. (for more details, see note 7).

The "Financial income of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries" refers to the adjustment of the debt for the purchase of the shares of the company Lemasa LTDA and of the company Valley LLP.
During the 2019 financial year, the Group entered under the Financial income:

- € 486 thousand for the adjustment of the estimate of the debt for the purchase commitment of the remaining shares of the company Lemasa LTDA subject to *Put & Call option*, and the price of which is correlated to the results that the company has realized in the years 2017-2019.

- € 63 thousand for the adjustment of the estimate of the debt for the purchase commitment of the remaining shares of the company Valley LLP subject to *Put & Call option* for the purchase of the 10% remaining of the company.

During the 2018 financial year, the Group entered under the Financial income:
- € 1,880 thousand for the adjustment of the estimate of the debt for the purchase commitment of the remaining shares of the company Lemasa LTDA subject to *Put & Call option* following the update of the originally planned business plan;
- € 194 thousand for the reduction in the deferred price for the purchase of 70% of the company Lemasa LTDA, paid in April 2018, based on the 2015-2017 results as provided for by contract.

Financial expenses" are analyzed as follows:

€/000	FY 2019	FY 2018
Interest on medium long-term bank loans and borrowings	1,400	1,708
Interest on short-term bank loans and borrowings	516	378
Costs from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	847	750
Financial charges from valuing employee terminations indemnities (note 33)	82	72
Financial charges from leases	959	-
Financial expenses from discounting debts	806	1,194
Other financial costs	756	682
Financial expenses	**5,366**	**4,784**

The item "Financial charges from leases" refers to interest on financial liabilities recorded in accordance with accounting standard IFRS 16 – *Leases*.

The reduction in interest on bank loans compared to the previous year is due to the reduction in average interest rates applied to bank loans.

"Financial expenses from discounting debts" refer to charges due to the discounting on liabilities for the acquisition of equity investments which will be settled in the future.

Reference should be made to Note 23 for more details on derived instruments for hedging interest rate risk.

The breakdown of "**exchange gains and losses**" is as follows:

€/000	FY 2019	FY 2018
Profit / (Loss) on exchange differences on trade transactions	431	(95)
Profit / (Loss) on exchange differences on financial transactions	335	181
Exchange gains and losses	**766**	**86**

The exchange rate management 2019 is positive for € 766 thousand against a positive value equal to € 86 thousand of the previous year. The result is related to the trend of the currencies, mainly the US dollar, in which the relative transactional flows are denominated.

16. Income taxes

The tax charge in 2019 for current and deferred tax assets and liabilities amounts to € 5,755 thousand (€ 9,213 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2019	FY 2018
Current income taxes	5,500	10,105
Taxes from prior years	(297)	(171)
Deferred tax assets (note 32)	592	363
Deferred tax liabilities (note 32)	(40)	(1,084)
Total	**5,755**	**9,213**

Current income taxes include the cost of IRAP (regional company tax) to € 666 thousand, compared to € 1,089 thousand in 2018.

The reconciliation of the theoretical taxes calculated using the rate in force in the country where the Parent Company is located and the effective taxation is illustrated below:

€/000	FY 2019	% Rate	FY 2018	% Rate
Profit before taxes	**18,881**		**34,860**	
Theoretical tax charges	**5,268**	**27.9**	**9,726**	**27.9**
Effect of IRAP differences calculated on different tax base	251	1.3	190	0.5
Non-taxable income	(349)	(1.8)	(1,781)	(5.1)
Non-deductible costs	1,131	6.0	677	1.9
Differences in rates with other countries	(461)	(2.4)	(362)	(1.0)
Previous period taxes	(297)	(1.6)	(170)	(0.5)
Taxes on financial charges concerning the discounting of payables for equity investments	214	1.1	395	1.1
Other differences	(2)	0.0	538	1.5
Effective tax charge	**5,755**	**30.5**	**9,213**	**26.4**

The effective tax rate is 30.5%, against 26.4% at 31 December 2018.

The highest tax rate compared to previous year, is mainly attributable to the recognition of the reduction in the value of goodwill “Ex branch Bertolini”, which is not fiscally relevant for € 2,074 thousand (with a negative effect on the tax rate of 3.1%).
The tax rate for the same period of the previous year was influenced by the recognition of a non-taxable income arising from the capital gain from the deconsolidation of the company Raico S.r.l. (with an effect of 2% on the tax rate) and the adjustment of the fair value of the debt for *P&C* option (with a positive effect of 2% in the tax rate).

The tax rate of the year was negatively affected by the unrecorded deferred tax assets on tax losses for an amount of € 700 thousand, against an effect of € 846 in 2018.

17. Earnings per share

“Basic" earnings per share are calculated by dividing the net profit for the period attributable to the Parent company's shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased or held by the Parent company as treasury shares (see note 39). The Parent company has only ordinary shares outstanding.

	FY 2019	FY 2018
Net profit attributable to ordinary shareholders in the parent company (€/000)	12,949	25,397
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
Basic earnings per share (€)	**0.079**	**0.155**

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

18. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2018	Demerger of Geoline	Increases	Decreases	Exchange differences	Reclassification	31.12.2019
Lands and buildings	53,569		2,147		122	1,266	57,104
Accumulated depreciation	(18,773)		(1,511)		(19)		(20,303)
Lands and buildings	**34,796**	**0**	**636**	**0**	**103**	**1,266**	**36,801**
Plant and machinery	100,721		4,758	(465)	145	1,758	106,917
Accumulated depreciation	(77,152)		(5,727)	288	(98)	2	(82,687)
Plant and machinery	**23,569**	**0**	**(969)**	**(177)**	**47**	**1,760**	**24,230**
Other assets	123,881	(155)	4,492	(1,096)	125	620	127,867
Accumulated depreciation	(110,956)	115	(5,554)	1,029	(91)	36	(115,421)
Other assets	**12,925**	**(40)**	**(1,062)**	**(67)**	**34**	**656**	**12,446**
Advances and fixed assets in progress	**4,156**	**0**	**2,642**	**0**	**(2)**	**(3,682)**	**3,114**
Cost	**282,327**	**(155)**	**14,039**	**(1,561)**	**390**	**(38)**	**295,002**
Accumulated depreciation (note 14)	**(206,881)**	**115**	**(12,792)**	**1,317**	**(208)**	**38**	**(218,411)**
Net book value	**75,446**	**(40)**	**1,247**	**(244)**	**182**	**0**	**76,591**

€/000	31.12.2017	Change in scope of consolidation Increase	Change in scope of consolidation Decrease	Increases	Decreases	Exchange differences	Reclassification	31.12.2018
Lands and buildings	53,430	0	(15)	125	(1,666)	(142)	1,837	53,569
Accumulated depreciation	(18,968)	0	5	(1,508)	1,666	32	0	(18,773)
Lands and buildings	**34,462**	**0**	**(10)**	**(1,383)**	**0**	**(110)**	**1,837**	**34,796**
Plant and machinery	94,404	0	(311)	4,897	(1,513)	(350)	3,594	100,721
Accumulated depreciation	(73,762)	0	202	(5,101)	1,366	133	10	(77,152)
Plant and machinery	**20,642**	**0**	**(109)**	**(204)**	**(147)**	**(217)**	**3,604**	**23,569**
Other assets	121,337	36	(1,103)	4,809	(2,163)	(148)	1,113	123,881
Accumulated depreciation	(109,276)	(12)	968	(5,079)	2,073	109	261	(110,956)
Other assets	**12,061**	**24**	**(135)**	**(270)**	**(90)**	**(39)**	**1,374**	**12,925**
Advances and fixed assets in progress	**6,110**	**0**	**0**	**4,868**	**(11)**	**21**	**(6,832)**	**4,156**
Cost	**275,281**	**36**	**(1,429)**	**14,699**	**(5,353)**	**(619)**	**(288)**	**282,327**
Accumulated depreciation (note 14)	**(202,006)**	**(12)**	**1,175**	**(11,688)**	**5,105**	**274**	**271**	**(206,881)**
Net book value	**73,275**	**24**	**(254)**	**3,011**	**(248)**	**(345)**	**(17)**	**75,446**

During 2019, the new building that will occupy the new R&D center of the Parent Company was completed. € 1,200 thousand were therefore reclassified from the item "Advances and fixed assets in progress" to the item “Land and Buildings” and € 217 thousand to the item "Plant and machinery", relating to the plant already in use by the R&D department.

Increases refer mainly to investments:
1. in equipment for the development of new products and new technologies;
2. in renewal projects of the IT system;
3. in the upgrading and modernization of production lines;
4. in the upgrading of production systems and infrastructures;
5. in the cyclical renewal of production and industrial equipment;
6. for the completion of the construction project of the new R&D center.

No indicators of impairment of tangible assets were recorded.

There are no assets subject to restrictions following secured guarantees.

Over the years, the Group has benefited from a number of capital grants provided in accordance with Law 488/92 to the subsidiary Comag S.r.l. (from 1 January 2015 merged into the company Emak S.p.A.). The grants received are credited to income over its remaining useful life of the assets to which they relate and are shown in the statement of financial position as deferred income.
All receivables related to these contributions are received.

19. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2018	Demerger of Geoline	Increases	Amortizations	Exchange differences	Reclassification	31.12.2019
Development costs	1,468	0	952	(511)	0	1,127	3,036
Patents and software	2,726	0	1,124	(1,241)	0	169	2,778
Concessions, licences and trademarks	5,468	0	73	(597)	(8)	0	4,936
Other intangible assets	7,884	(280)	1,586	(1,426)	(2)	1,630	9,392
Advanced payments and fixed assets in progress	2,649	0	679	0	(46)	(2,926)	356
Net book value	20,195	(280)	4,414	(3,775)	(56)	0	20,498

€/000	31.12.2017	Change in scope of consolidation Increase	Change in scope of consolidation Decrease	Increases	Amortizations	Exchange differences	Reclassification	31.12.2018
Development costs	561	0	0	729	(303)	0	481	1,468
Patents	2,660	1	(174)	1,038	(1,040)	(12)	253	2,726
Concessions, licences and trademarks	6,058	0	0	68	(581)	(71)	(6)	5,468
Other intangible assets	9,209	0	(42)	63	(1,264)	(82)	0	7,884
Advanced payments and fixed assets in progress	1,839	0	(75)	1,597	0	(1)	(711)	2,649
Net book value	20,327	1	(291)	3,495	(3,188)	(166)	17	20,195

Research costs directly recorded in the Group's income statement amount to € 7,418 thousand.
The increase of the item "Development costs" mainly refer to the investment for the development of new products started by the Parent Company in the context of a multi-year project subject to facilities by the Ministry of Economic Development. These costs include approximately € 908 thousand of personnel costs incurred internally and capitalized under this item.

All intangible fixed assets have a defined residual life and are amortized at constant rates on the basis of their remaining useful life, except for the trade mark of the subsidiary Lemasa, allocated in occasion of the acquisition of the same company and recorded for a value of 2,664 thousand Reais, equal to € 590 thousand as at 31 December 2019.

Other intangible assets refer for € 6,034 thousand to the valuation of the "customer list" determined following the *Purchase Price Allocation* process of the consideration paid by the Group for the acquisition of the Lavorwash Group during 2017.The useful life of this asset has been estimated at 14 years and is still considered to be reliable.

20. Rights of use

The item "Rights of use" was introduced in application of the new accounting standard IFRS 16 - Leases adopted by the Group with the "retrospective modified" approach from 1 January 2019.
In compliance with this principle, with regard to leasing contracts, the Group recognized, during the first application, a right of use equal to the net book value that it would have had in the case in which the Standard had been applied from the start date of the contract using a discount rate defined at the transition date.

The movement of the item "Rights of use" is set out below:

€/000	1.1.2019	Demerger of Geoline	Increases	Amortization	Decreases	Exchange differences	31.12.2019
Rights of use buildings	27,057	(15)	5,922	(4,825)	0	103	28,242
Rights of use other assets	698	0	1,402	(602)	(30)	6	1,474
Net book value (note 14)	**27,755**	**(15)**	**7,324**	**(5,427)**	**(30)**	**109**	**29,716**

The increases for the year relate to the signing of new lease contracts, which expired during the year, for identical underlying assets.

21. Goodwill

The goodwill of € 63,844 thousand reported at December 31, 2019 is detailed below:

Cash Generating Unit (CGU)	*Country*	Description	31.12.2018	Change in scope of consolidation	Impairment losses (Note 14)	Exchange differences	31.12.2019
Victus	Poland	Goodwill from the acquisition of the business unit Victus IT	5,658	-	-	60	5,718
Emak	Italy	Goodwill from the merger of Bertolini S.p.A.	2,074	-	(2,074)	-	-
Tailong	China	Goodwill from the acquisition of Tailong Machinery Ltd.	2,658	-	-	18	2,676
Tecomec	Italy	Goodwill from the acquisition of Tecomec Group	2,807	-	-	-	2,807
Speed France	France	Goodwill from the acquisition of Speed France	2,854	-	-	-	2,854
Comet	Italy	Goodwill from the acquisition of Comet Group and merger of HPP	4,253	-	-	-	4,253
PTC	Italy	Goodwill from the acquisition of PTC	1,236	-	-	-	1,236
Valley	USA	Goodwill from the acquisition of Valley LLP and A1	12,727	-	-	244	12,971
Tecomec	Italy	Goodwill from the acquisition of Geoline Electronic S.r.l.	901	-	-	-	901
S.I.Agro Mexico	Mexico	Goodwill from the acquisition of S.I.Agro Mexico	634	-	-	-	634
Lemasa	Brazil	Goodwill from the acquisition of Lemasa LTDA	12,281	-	-	(177)	12,104
Lavorwash	Italy	Goodwill from the acquisition of Lavorwash Group	17,490	-	-	-	17,490
Spraycom	Brazil	Goodwill from the acquisition of Spraycom	200	-	-	-	200
		Total	**65,773**	**-**	**(2,074)**	**145**	**63,844**

The difference, if compared to December 31, 2018, is mainly attributable to the change in consolidation exchange rates and to the reduction in goodwill attributable to the CGU Emak S.p.A.that emerged following the acquisition from the parent company Yama S.p.A. and the subsequent merger by incorporation of the company Bertolini S.p.A. In particular:

- Goodwill allocated to the CGU Victus, equal to € 5,718 thousand, relates to the difference between the acquisition price for 100% of the company regulated by Polish law, Victus-Emak Sp. Z.o.o., and its equity at the date of acquisition, and relates to the acquisition of the company branch of Victus International Trading SA. Both acquisitions were finalized in 2005.

- The amount of € 2,676 thousand refers to the greater value emerging from the acquisition, from the Yama Group, of 100% of the company regulated by Chinese law, Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd., made in 2008.

- Goodwill relating to the acquisition of the Tecomec Group, the Comet Group and of the Speed France Group on the part of Tecomec S.r.l respectively for € 2,807 thousand, € 4,253 thousand and € 2,854 thousand arise from the Greenfield Operation (for details on the operation, reference should be made to the prospectus published on November 18, 2011); in compliance with the requirements of the reference accounting standards, the acquisition operations carried out between parties subject to common control are not regulated by IFRS 3, but are accounted for taking account of the requirements of IAS 8, that is, the concept of a reliable and faithful representation of the operation, and of the provisions of OPI 1 (Assirevi, Association of Italian Auditors, Preliminary Guidelines regarding IFRS), relating to the

"accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements". As more fully specified in the aforementioned accounting standards, the choice of the accounting standard for the operations in question must make reference to the above-described elements, which imply the application of the criterion of the continuity of the values of the net assets transferred. The principle of the continuity of values gives rise to the recognition in the financial statements of the acquiring company of values equal to those that would have been shown if the net assets subject to aggregation had always been aggregated. The net assets must therefore be recognized at the book values shown in the accounts of the acquired companies before the operation or, if available, at the values shown in the consolidated accounts of the common controlling company. Specifically, the company has chosen to account for the difference arising from the greater price paid for the acquisition of the stakes of the Tecomec Group and of the Comet Group only at the values already recognized in the consolidated accounts of the controlling company Yama at the time of the respective acquisitions.
Since the acquisition values of the shareholdings in the Greenfield Operation are greater than the equity values of the acquired companies at 31 December 2011, the excess of € 33,618 thousand has been eliminated by adjusting down equity in the consolidated financial statements.
The goodwill allocated to the CGU Comet, equal to € 4,253 thousand, includes the amount of € 1,974 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company HPP in Comet S.p.A., finalized in 2010.

- The goodwill allocated to the CGU PTC, equal to €1,236 thousand, refer to:

  - € 360 thousand relates to the goodwill of a business unit contributed in 2011 by minority shareholders in PTC S.r.l., a Comet Group company;

  - € 523 thousand relates to the goodwill arose upon the acquisition of the company, Master Fluid S.r.l., acquired in June 2014 by P.T.C. S.r.l. and subsequently merged by incorporation into it. The goodwill derives from the difference between the price of acquisition and its equity on 30 June 2014;

  - € 353 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company Acquatecnica S.r.l. in P.T.C. S.r.l., finalized in 2016.

- The goodwill allocated to the CGU Valley, equal to € 12,971 thousand, include an amount of € 11,572 thousand for the acquisition of Valley Industries LLP by Comet USA Inc in February 2012, resulting from the difference arising between the acquisition price and its net assets and an amount equal to € 1,399 thousand arising from the acquisition of the company branch A1 Mist Sprayers Resoruces Inc., realized in the first months of 2017.

- The goodwill recorded for € 901 thousand refers to the acquisition of the 51% of the company Geoline Electronic Srl, by Tecomec S.r.l. in January 2014.Following the total demerger operation, which took place at the end of 2019, the company was dissolved with the transfer of the business relating to the "Control units, electric valves and flow meters" business unit to the parent company Tecomec which will continue in this activity.

- The goodwill recorded for € 634 thousand refers to the difference arisen in 2014 between the acquisition price paid by Comet Spa for the 55% of the company S.I.Agro Mexico (with which was increased the shareholding from 30% to 85%) and the pro-share equity acquired. During the first half of 2019 the Group took its stake to 100% with the purchase of an additional 15%. The difference between the price paid and the pro-quota shareholders' equity acquired, amounting to € 353 thousand, was entered as a negative change in equity.

- The amount of € 12,104 thousand refers to the goodwill recorded in relation to the acquisition of the 100% of Lemasa during 2015 financial year, of which 30% regulated by a Put & Call option. The goodwill was calculated as the difference between the estimate of the current price of acquisition of 100% of the company and the fair value of its Net Equity at the date of acquisition. On the basis of the contractual agreements, part of the deferred acquisition price and the value of the Put & Call depend on the economic-financial results of the same CGU. The value of the goodwill was originally recorded using the best estimate of the current value of the deferred price for the exercise and the options, determined on the basis of the originally planned business plan. During 2016 financial year, as a result of the impairment test, this goodwill was partially reduced for € 4,811 thousand.

- The amount of € 17,490 thousand includes the value of the goodwill acquired from the consolidation of the Lavorwash Group for € 253 thousand and, for € 17,237 thousand, the portion of the price allocated at goodwill, referred to the acquisition of the 97.78% of the same Group, of which 14.67% regulated by a Put &Call Option Agreement to be exercised in 2020 and to be valued on the basis of the results of the period 2018-2019. The goodwill was calculated as the difference between the fair value of the net assets and the acquisition price that, for the portion regulated by Put & Call option, will be valued according to the future economic and financial results, with the forecast of a cap value; the value of the goodwill was, therefore, accounted for using the best estimate of the current value of the price for the exercise of the options, determined on the basis of the related business plan.

- The goodwill recorded for € 200 thousand in 2018, refers to the difference between the value of the capital increase subscribed by Tecomec S.r.l. for 51% of the company Spraycom and the pro-share equity acquired.

The Group checks the recoverability of goodwill at least once a year, or more frequently if there are indicators of loss in the value. This check is carried out by calculating the recoverable value of the relevant Cash Generating Unit (CGU), using the "Discounted cash flow" method.

The more relevant factors in the estimate of future cash flows are attributable to the intrinsic difficulty in the formulation of future forecasts, to the feasibility of market strategies in highly competitive contexts, and to macroeconomic risks connected to geographical areas in which the Emak Group operates.

All the impairment tests relating to goodwills recorded at 31 December 2019 have been approved by the Board of Directors on March 13, 2020, taking account of the opinion of the Risk Control Committee.

In the basic assumption, the discount rate used to discount the expected cash flows has been established by single market area. This rate (WACC) reflects the current market assessments of the time value of money over the period considered and the specific risks of Emak Group companies.

The discount rates used correspond to an estimate net of taxation calculated on the basis of the following main assumptions:

• risk-free rate equal to the average yield on reference ten-year government bonds;
• indebtedness in relation to the comparable financial structure.

For the purpose of carrying out the impairment test on goodwill values, the *Discounted cash flow* has been calculated in the basis of the following assumptions:

- The basic data used has been extracted from the company plans, approved by the Board of Directors of the sub-holding companies at the head of each operating sector, that represent management's best estimate of the future operating performance of single entities in the period in question;
- Expected future cash flows refer to reference units in their current state and exclude any operation of an extraordinary nature and/or operations not yet defined at the closing of the fiscal year. With regards to the goodwill arising from the merger of Bertolini S.p.A into Emak S.p.A., planned figures of the CGU, Emak S.p.A., have been considered since they represent the minimum level at which goodwill is monitored by management for internal purposes;
- The WACC used to discount future cash flows are calculated on the basis of the following assumptions:
  - the average cost of capital is the result of the weighted average cost of debt (calculated considering the reference rates plus a "spread");
  - the cost of equity is determined using the value of beta levered and the financial structure of a panel of industry comparatives, with the only exceptions of the risk-free rate and the risk premium, specific for each country;
- The terminal value was determined on the basis of a long-term growth rate (g) equal to the country's long-term inflation while a rate of 2% was used for CGUs located in Italy;
- The future expected cash flows have been forecast in the currencies in which they will be generated;

- The future expected cash flows refer to a period of 3/5 years and include a normalized terminal value used to express a synthetic estimate of future results beyond the timeframe explicitly considered;
- For the determination of the operating cash flow based on the last year of explicit forecast, was reflected, in order to project "in perpetuity" a stable situation, a balance between investments and amortization (in the logic of considering a level of investments necessary for the maintenance of the business) and change in working capital equal to zero;
- With regards to companies operating in the Euro area, the WACC used to discount expected future cash flows for the CGU ranges from a minimum of 6.16% to a maximum of 8.04%;
- The WACC used to discount cash flows of the CGU located in Poland is 8.13%, for the CGU located in China 8.97%, for the CGU located in Mexico 12.24%, for the CGU located in the USA 8.18%, while for the CGU located in Brazil has been used a WACC that ranges from a minimum of 12.42% to a maximum of 12.70%;
- The discounting rates used to discount cash flows prudentially include an execution risk in order to take into account the differences recorded in the past between actual results and budget.

As already anticipated, following the performance recorded in the first half of the year by the Parent Company Emak, and in consideration of the presumed contractions for the remaining portion of the exercise, the Directors considered appropriate to modify a multi-year plan, developed over five years, which had previously been used for the *impairment test* on the *goodwill* allocated to this CGU. A new *impairment test* was subsequently performed by applying a WACC of 8.01%, and a long-term growth rate "g" of 2%.
The *test* showed that the future cash flows did not allow recovering the value of the goodwill allocated to the Emak CGU, originally registred for € 2,074 thousand and referred to the acquisition and subsequent merger by incorporation of the company Bertolini S.p.A. in Emak S.p.A. This goodwill was therefore written down, already for the purpose of drafting of the half-year financial report, by recording an impairment loss of the same amount in the item "Amortization, depreciation and impairment losses" of the Income Statement.
An impairment test was also carried out on the activities of the Emak S.p.A. CGU also at 31 December 2019 in order to exclude any further impairment loss.

In particular, the Company's management has considered it appropriate to assess the recoverability of assets recognized in the separate financial statements of Emak S.p.A in the face of evidence of impairment recorded during the year, attributable to the achievement of a negative operating result, related to the significant decline in sales volumes.
This check is carried out by calculating the recoverable value of the reference Cash Generating Unit (CGU), using the "*Discounted cash flow*" method: the assumptions adopted in determining the discounted cash flow are the same as previously described.

Therefore, the plan data of the Emak S.p.A. CGU were considered, which represents the smallest set for the generation of cash flows according to the monitoring practices used by management for internal management purposes;

The WACC used to discount cash flows of the CGU Emak S.p.A. is 7.24%; the terminal value was determined on the basis of a prudential long-term growth rate (g) of 2%, representative of long-term expectations for the industrial sector to which it belongs, considering the presumed inflationary impacts.

This impairment test, as well as the underlying multi-year plan, referring to the assets registered at 31 December 2019, was approved by the Board of Directors, with the opinion of the Risk Control Committee.

The impairment test procedure, applied to the other CGU, in compliance with the provisions of IAS 36 and applying criteria issued by the Board of Directors, has not led others impairment losses on goodwill.
In addition, also on the basis of the indications contained in the joint document issued by the Bank of Italy, Consob and Isvap (supervisory body for private insurance) no. 4 of 3 March 2010, the Group has drawn up sensitivity analyses on the results of the test with respect to variations in the underlying assumptions effecting the use value of the CGU. Also in the event of a positive or negative variation of the WACC of 5%, of the long-term growth rate (g) of 50 bps and of 5% of the cash flows, the analyses would nevertheless indicate no losses in value.
Finally, the Directors, finding that the Emak Group's shareholders' equity is higher than the market capitalization of the stock at 31 December 2019, considered it appropriate to carry out a second level impairment test on the basis of the Group's three-year economic and financial plan, approved by the Board of Directors of the parent company on March 13, 2020.
The impairment test has been prepared applying the same methodology previously illustrated, by applying a WACC of 7.24% and a growth rate of long-term "g" equal to 2%. The test did not detect any impairment.

22. Equity investments and Investments in associates

The item "**Equity investments**" recorded a decrease of € 223 thousand following the disposal of the 15.41% of the share held in Netribe S.r.l., for the details, please refer to Note 7.
Residual investments are not subject to impairment losses; risks and benefits associated with the possession of the investment are negligible.

The item "**Equity investments in associated companies**", amounting to € 7,399 thousand (€ 4,550 thousand at 31 December 2018), refers to the value of the shares pertaining to the Group in associated companies obtained with the application of the equity method.
In particular, the item consists of € 4,640 thousand relating to the company Cifarelli S.p.A., which entered into the scope of consolidation starting from 1 October 2016 and € 2,759 thousand to the company Agres Sistemas Eletronicos S.A. entry into the scope of consolidation starting from 1 January 2019 (for more details, see Note 7).
The value of the investments in the associated companies was adjusted at December 31, 2019 for a value of € 89 thousand, recorded under the Income Statement in the item"Income from equity investments".

23. Derivative financial instruments

The financial statements values relate to changes in the fair value of financial instruments for:
- - hedging purchases and sales in foreign currency;
- - hedging the risk of changes in interest rates.

All derivative financial instruments belonging to this heading are valued at fair value at the second hierarchical level, that is, the estimate of their fair value has been carried out using variables other than prices quoted in active markets and which are observable (on the market) either directly (prices) or indirectly (derived from prices).

In the case in point, the fair value recorded is equal to the "market to market" estimation provided by the reference banks, which represents the current market value of each contract calculated at the closing date of the Financial Statements.

Accounting for the underexposed instruments is at fair value. According to the IFRS principles these effects were accounted in the income statement of the current year.

The current value of these contracts at December 31, 2019 is shown as follows:

€/000	**31.12.2019**	**31.12.2018**
Positive *fair value* assessment forward exchange rate hedge	140	278
Positive *fair value* assessment exchange rate options	76	-
Positive *fair value* assessment IRS and interest rate options	85	5
Total derivative financial instrument assets	**301**	**283**
Negative *fair value* assessment forward exchange rate hedge	135	30
Negative *fair value* assessment IRS and interest rate options	773	613
Total derivative financial instrument liabilities	**908**	**643**

At December 31, 2019 appear outstanding forward contracts of purchase in foreign currencies for:

	Company		Nominal value (€/000)	Forward exchange (average)	Due to (*)
Forward contracts for foreign currencies purchases					
Cnh/Euro	Emak Spa	Cnh	60,000	8.02	10/12/2020
Cnh/Usd	Emak Spa	Cnh	28,000	6.98	15/07/2020
Cnh/Euro	Lavorwash Spa	Cnh	24,000	8.074	10/08/2020
Usd/Euro	Sabart Srl	Usd	1,400	1.12	02/12/2020
Usd/Euro	Emak France	Usd	200	1.11	10/04/2020
Euro/Pln	Victus	€	1,860	4.31	18/05/2020
Euro/Gbp	Emak UK Ltd.	€	500	0.86	30/06/2020
Euro/Mxn	SI Agro Mexico	€	1,970	23.02	30/10/2020
Usd/Mxn	SI Agro Mexico	Usd	30	19.13	21/01/2020
Euro/Usd	Valley	€	840	1.12	30/04/2020
Forward contracts for foreign currencies purchases with collar options					
Cnh/Euro	Emak Spa	Cnh	24,000	8.115	10/08/2020
Forward contracts for foreign currencies sales					
Usd/Euro	Comet Spa	Usd	1,500	1.12	31/08/2020
Gbp/Euro	Lavorwash Spa	Gbp	200	0.86	20/10/2020

(*) The expiry date is indicative of the last contract

Finally, on December 31, 2019 IRS contracts and options on interest rates are also in force, with the aim of covering the risk of variability of interest rates on loans.

The Parent company Emak S.p.A. and the subsidiaries Tecomec S.r.l. and Comet S.p.A. have signed IRS contracts and options on interest rates for a total notional value of € 99,064 thousand; the expiration of the instruments is so detailed:

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Intesa Sanpaolo	Emak S.p.A.	278	24/09/2015	12/06/2020
Mediobanca	Emak S.p.A.	1,250	24/09/2015	31/12/2020
MPS	Emak S.p.A.	750	24/09/2015	31/12/2020
Banca Nazionale del Lavoro	Emak S.p.A.	1,000	29/09/2017	22/04/2020
Credit Agricole Cariparma	Emak S.p.A.	4,688	26/10/2017	11/05/2022
Credit Agricole Cariparma	Emak S.p.A.	3,500	24/05/2018	30/06/2023
MPS	Emak S.p.A.	7,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	7,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	6,500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	6,563	06/07/2018	06/07/2023
UniCredit	Emak S.p.A.	4,550	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	2,500	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	5,950	02/08/2019	30/06/2024
UniCredit	Comet S.p.A.	756	06/08/2015	20/03/2020
Banca Nazionale del Lavoro	Comet S.p.A.	356	06/08/2015	20/03/2020
Intesa Sanpaolo	Comet S.p.A.	278	24/09/2015	12/06/2020
Bper	Comet S.p.A.	7,500	20/09/2017	29/12/2023
Ubi Banca	Comet S.p.A.	3,750	20/09/2017	29/12/2023
UniCredit	Comet S.p.A.	7,000	14/06/2018	30/06/2023
Banca Nazionale del Lavoro	Comet S.p.A.	6,563	06/07/2018	06/07/2023
Bper	Comet S.p.A.	3,750	15/11/2018	29/12/2023
Ubi Banca	Comet S.p.A.	1,875	15/11/2018	29/12/2023
Banca Nazionale del Lavoro	Comet S.p.A.	7,500	02/08/2019	31/12/2024
Intesa Sanpaolo	Tecomec S.r.l.	278	24/09/2015	12/06/2020
MPS	Tecomec S.r.l.	500	24/09/2015	31/12/2020
Credit Agricole Cariparma	Tecomec S.r.l.	3,500	24/05/2018	30/06/2023
Ubi Banca	Tecomec S.r.l.	3,929	23/10/2018	31/07/2022
Total		**99,064**		

The average interest rate resulting from the instruments is equal to 0.10% at December 31, 2019.

All contracts, although having the purpose and characteristics of a hedging strategy, do not meet formal requirements to be recognized as such, so all changes in fair value are expensed in the income statement of the period.

The value of all these contracts (relating to interest and exchange rates) at December 31, 2019 is an overall negative fair value of € 607 thousand.

24. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2019	31.12.2018
Trade receivables	103,997	108,953
Provision for doubtful accounts	(5,660)	(5,952)
Net trade receivables	**98,337**	**103,001**
Trade receivables from related parties (note 40)	409	316
Prepaid expenses and accrued income	1,783	1,747
Other receivables	3,775	3,264
Total current portion	**104,304**	**108,328**
Other non current receivables	63	65
Total non current portion	**63**	**65**

At 31 December 2019, some Group companies had recourse to the non-recourse factoring of trade receivables for an amount of 1,854 thousand Euro, providing for the *derecognition* of the same.
The item "Other receivables", for the current portion, includes:
- an amount of € 1,461 thousand (€ 619 thousand at December 31 of the previous year) for receivables of certain Group companies towards the controlling company Yama S.p.A., emerging from the relationships that govern the tax consolidation in which they participate;
- an amount of approximately € 1,235 thousand as advances to suppliers for the supply of goods

Credit performance is linked to the decline in turnover.

The balance of "Trade receivables" as at 31 December 2019 is shown net of advances under guarantee received, previously classified under "Other payables".

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

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

€/000	31.12.2019	31.12.2018
Opening balance	**5,952**	**5,315**
Change in scope of consolidation	-	(124)
Provisions (note 13)	902	1,222
Decreases	(1,191)	(395)
Exchange differences	(3)	(66)
Closing balance	**5,660**	**5,952**

The book value reported in the statement of financial position corresponds to its fair value.

25. Inventories

Inventories are detailed as follows:

€/000	31.12.2019	31.12.2018
Raw, ancillary and consumable materials	47,548	46,918
Work in progress and semi-finished products	23,842	23,996
Finished products and goods	86,946	85,764
Total	**158,336**	**156,678**

Inventories at December 31, 2019 are stated net of provisions amounting to € 10,226 thousand (€ 9,946 thousand at December 31 2018) intended to align the obsolete and slow moving items to their estimated realizable value.

The inventories provision is an estimate of the loss in value expected by the Group, calculated on the basis of past experience, historic trends and market expectations.

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

€/000	FY 2019	FY 2018
Opening balance	**9,946**	**9,913**
Change in scope of consolidation	-	(565)
Provisions	1,253	1,589
Exchange differences	2	(65)
Usage	(975)	(926)
Closing balance	**10,226**	**9,946**

26. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2019	31.12.2018
Bank and post office deposits	47,627	62,529
Cash	68	73
Total	**47,695**	**62,602**

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

€/000	31.12.2019	31.12.2018
Cash and cash equivalents	47,695	62,602
Overdrafts (note 30)	(5,706)	(6,496)
Total	**41,989**	**56,106**

27. Other financial assets

Other financial instruments amount to € 2,423 thousand, which is non-current portion and € 465 thousand as current portion, and refer mainly to:

- an amount of € 366 thousand, recorded under current assets, corresponding to the residual amount of the sum originally paid through an *Escrow Account* contract as part of the Lemasa operation, to cover the Group against any potential liabilities deriving from the acquisition of 70% of the subsidiary;
- an amount of € 549 thousand recorded under fixed assets, paid by the company, S.I. Agro Mexico, by way of a guarantee in relation to a dispute arising on customs matters, in order to be able to proceed with the submission of the relative claim (see Note 34);
- a medium-long term loan granted by Tecomec to the associated company Agres Sistemas Eletronicos S.A. for € 1,000 thousand;
- an overall amount of € 260 thousand, of which the fixed asset part is € 223 thousand and the current asset part € 37 thousand, corresponding to the receivable due from the parent company, Yama S.p.A. by way of a capital replenishment made to the Group for expenses incurred by a number of companies and relating to the period on which Yama S.p.A. exercised control over them.

28. Equity

Share capital
Share capital is fully paid up at 31 December 2019 and amounts to € 42,623 thousand, remaining unchanged during the year under examination, and it consists of 163,934,835 ordinary shares of par value € 0.26 each. The share capital, shown net of the amount of the nominal value of the treasury shares in the portfolio, is equal to € 42,519 thousand.

All shares have been fully paid.

Treasury shares
The adjustment of the share capital for purchase of treasury shares, equal to € 104 thousand, represents the nominal value of treasury shares held at December 31, 2019 (Note 39).
Compared to the previous year, the overall amount paid by Emak S.p.A. to purchase on the market of own shares, fully exposed to the reduction of the share capital, has been attributed to an adjustment to the nominal value of the share capital and the share premium adjustment to the share premium reserve.

As for the sale and purchase of shares made during the period, please refer to the appropriate section of the Directors' Report.

Share premium reserve
At 31 December 2019, the share premium reserve amounts to € 40,529 thousand, and consists of premiums on newly issued shares, net of share premium treasury shares held at December 31, 2019 amounted to € 1,925 thousand. The reserve is shown net of charges related to the capital increase amounted to € 1,598 thousand and adjusted for the related tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31, 2019 of € 3,489 thousand (€ 3,197 thousand at December 31, 2018).

Revaluation reserve
At 31 December 2019 the revaluation reserve includes the reserves deriving from the revaluation as per Law 72/83 for € 371 thousand and as per Law 413/91 for € 767 thousand. No changes occurred during the year.

Reserve for conversion differences
At 31 December 2019 the reserve for conversion differences for a positive amount of € 733 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.

Reserve IAS 19
At 31 December 2019 the IAS 19 reserve is equal a negative amount of € 1,274 thousand, for the actuarial valuation difference of post-employment benefits to employees.

Other reserves
At 31 December 2019 the Other reserves include:
- the extraordinary reserve, amounts to € 27,890 thousand, inclusive of all allocations of earnings in prior years;
- the reserves qualifying for tax relief refer to tax provisions for grants and donations for € 129 thousand;
- the reserves for merger surpluses for € 3,561 thousand;
- the reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

Details of the restrictions and distributability of reserves are contained in the specific table in the notes to the financial statements of the Parent company Emak S.p.A.

29. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2019	31.12.2018
Trade payables	75,469	73,710
Payables due to related parties (note 40)	1,137	1,828
Payables due to staff and social security institutions	9,665	10,427
Advances from customers	1,234	3,551
Accrued expenses and deferred income	434	998
Other payables	2,538	5,424
Total	**90,477**	**95,938**

The book value reported in the statement of financial position corresponds to fair value.

The item "Other payables" includes € 212 thousand, against € 1,795 thousand at 31 December 2018, for current IRES (Italian corporate income tax) payable accounted for a number of Group companies to the parent company, Yama S.p.A., and arising from the relationships that govern the tax consolidation in which they participate.

30. Loans and borrowings

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

€/000	31.12.2019	31.12.2018
Bank loans	46,377	57,630
Overdrafts (note 26)	5,706	6,496
Liabilities for purchase of equity investments	15,863	4,448
Financial accrued expenses and deferred income	63	112
Other loans	364	673
Total current portion	**68,373**	**69,359**

The carrying amount of short-term loans and lease finance approximates their current value.

The item "**Liabilities for purchase of equity investments**" includes:

- an amount of € 9,599 thousand relating to the discounted debt for the portion of the purchase price of 14.67% of the Lavorwash Group shares and regulated by a "*Put and Call option*" contract to be exercised in 2020. The debt, determined and updated progressively on the basis of the economic and financial parameters of the target company, may undergo minimal changes as a result of the activity of final definition of the price between the parties, on the date of execution of the "Put and Call option" contract; to date, this debt represents the best possible estimate;
- an amount of € 4,790 thousand corresponding to approximately 21,679 thousand Reais, relating to the residual discounted amount due to the transferring shareholder of the company Lemasa following the "*Put and Call Option Agreement*" for the purchase of the remaining 30% of the company to be exercised from 2020. Even this debt, although currently representing the best possible estimate, may undergo changes during the closing phase of the "Put and Call option" contract following contractual negotiations;
- an amount of € 1,474 thousand refers to the debt towards the transferor shareholder of the company Valley Industries LLP following the agreement of "*Put and Call Option Agreement*" to purchase the remaining 10% of the company.

The item "**Other loans**" includes:

- an amount of € 352 thousand as current portion of a loan made by Simest S.p.A. to the parent company Emak S.p.A in accordance with Law 133/08, through which, the Italian companies, are accompanied in their internationalization process by loans at preferential interest rates.

Long-term loans and borrowings are detailed as follows:

€/000	31.12.2019	31.12.2018
Bank loans	97,802	99,817
Liabilities for purchase of equity investments	-	12,808
Other loans	351	703
Total non current portion	**98,153**	**113,328**

The item "**Other loans**" refers to the non-current portion of the granting at the parent company Emak S.p.A. of a subsidized loan on the part of Simest S.p.A. in accordance with Law 133/08, through which, the Italian companies, are assisted in their internationalization process through loans at preferential interest rates.

The items "**Liabilities for purchase of equity investments**" became payable in the short term and reclassified under current financial liabilities, in view of the imminent execution of the Put & Call contracts of the subsidiaries Lemasa and Lavorwash.

The changes in **medium and long term loans** are reported below:

€/000	31.12.2018	Increases	Decreases	Exchange differences	31.12.2019
Bank loans	99,817	37,856	(39,897)	26	97,802
Liabilities for purchase of equity investments	12,808		(12,808)		0
Other loans	703		(352)		351
Total	**113,328**	**37,856**	**(53,057)**	**26**	**98,153**

The other movements refer to the implicit interests accrued during the year and recorded as an increase of the discounted debts to pay in future fiscal years.

Some medium and long term loans are subjected to financial Covenants verified, mainly, on the basis of the consolidated ratios *Pfn/Ebitda* and *Pfn/Equity.* At December 31, 2019 the Group respects all the reference parameters foreseen by the contract.

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

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	34,853	32,118	23,058	7,148	**97,177**	**625**
Other loans	351	-	-	-	**351**	**-**
Total	**35,204**	**32,118**	**23,058**	**7,148**	**97,528**	**625**

The interest rates applied on short and medium-long term loans are as follows:

- on bank loans in Euro, Euribor plus a fixed spread is applied;
- on bank loans in British pounds, the "base rate" Bank of England plus a fixed spread is applied;
- bank loans in U.S. dollars, LIBOR plus a fixed spread is applied;
- on bank loans in Brazilian Reais, applies the CDI plus a fixed spread;
- on bank loans in Polish Zloty, WIBOR plus a fixed spread is applied.

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

31. Liabilities derivig from *leases*

The item "**Liabilities derivig from *leases*"** which totals € 30,385 thousand, of which € 25,426 thousand as non-current portion and € 4,959 thousand as current portion, refers to financial liabilities recorded in application of the new IFRS accounting standard 16 - Leases, adopted by the Group from 1 January 2019. These liabilities are equal to the present value of the future residual payments provided by the contracts. At the transition date these liabilities amounted to € 27,959 thousand, of which € 23,192 thousand as non-current portion and € 4,767 thousand as current portion.

The **Liabilities derivig from *leases*** a medium and long term**,** are reimbursed under the following repayment plans:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Liabilities for leasing	4,149	3,058	2,854	2,702	**12,763**	**12,663**
Total	**4,149**	**3,058**	**2,854**	**2,702**	**12,763**	**12,663**

32. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2018	IFRS 16 - FTA	Increases	Decreases	Other movements	Exchange differences	31.12.2019
Deferred tax on impairment losses of assets	362			(49)		1	314
Deferred tax on reversal of unrealized intercompany gains	2,545			(122)			2,423
Deferred tax on provision for inventory write-downs	1,938		310	(276)			1,972
Deferred tax on losses in past financial periods	785		121	(312)		(15)	579
Deferred tax on provisions for bad debts	555		53	(65)			543
Deferred tax on right of use IFRS 16	-	118	81	(7)			192
Other deferred tax assets	2,295		331	(657)	111	3	2,083
Total (note 16)	**8,480**	**118**	**896**	**(1,488)**	**111**	**(11)**	**8,106**

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2019.
The recognition of deferred tax assets depends on the existence of conditions for their future recovery on the basis of updated strategic plans.
The exploitation of past tax losses is of unlimited duration and is considered recoverable.

"Other deferred tax assets" mainly includes the benefits, accrued and not yet used, deriving from the facilitation "ACE", the tax effect related to the discounting of Employee Indemnities and other provisions subject to deferred taxation.

Deferred tax liabilities are detailed below:

€/000	31.12.2018	Increases	Decreases	Other movements	Exchange differences	31.12.2019
Deferred tax on property ex IAS 17	1,138		(28)			1,110
Deferred tax on depreciations	6,183	172	(430)	(26)	22	5,921
Other deferred tax liabilities	1,034	490	(244)	17	9	1,306
Total (note 16)	**8,355**	**662**	**(702)**	**(9)**	**31**	**8,337**

The other deferred tax liabilities refer mainly to revenues already accounted for, but which will acquire fiscal relevance, in the coming years.

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2019.

At December 31, 2019, no deferred tax liabilities for taxes on retained earnings of subsidiaries have been recognized as the Group does not believe, at the time, that these profits will be distributed in the foreseeable future.

It should be noted, moreover, that deferred taxes relating to the revaluation reserves, which are reserves in partial tax suspension, have not been allocated since it is unlikely that there will be any operations carried out giving rise to taxation.

The **Current tax receivables** amount at December 31 2019 to € 5,225 thousand, against € 6,043 thousand at December 31 2018, and refer to VAT credits, surplus payments on account of direct tax and other tax credits.

The **Current tax liabilities** amount to € 4,174 thousand at December 31 2019, compared with € 4,913 thousand a year earlier, and they refer to payables for direct tax for the period, VAT and withholding taxes.

A number of Group companies participate in the tax consolidation submitted by the parent company, Yama S.p.A., as per arts. 117 and following of Presidential Decree no. 917/1986: current IRES taxes payable by these companies are accounted for in the heading "Other payables" (Note 29).

33. Employee benefits

At December 31, 2019 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 7,716 thousand against € 8,180 thousand at December 31, 2018. The valuation of the indemnity leaving fund (TFR), carried out according to the nominal debt method, in force at the closing date, would be € 6,943 thousand against € 7,634 at December 31, 2018.

Movements in this liability are as follows:

€/000	FY 2019	FY 2018
Opening balance	**8,764**	**10,932**
Current service cost and other provisions	-	11
Actuarial (gains)/losses	245	(45)
Interest cost on obligation (note 15)	82	72
Change in area of consolidation	-	(1,262)
Demerger of Geoline	(25)	-
Disbursements	(956)	(944)
Closing balance	**8,110**	**8,764**

The principal economic and financial assumptions used, for the calculations of TFR, in accordance with IAS 19, are as follows:

	FY 2019	FY 2018
Annual inflation rate	1.2%	1.5%
Discount rate	0.4%	1.1%
Dismissal rate	3.0%	1.0%

Demographic assumptions refer to the most recent statistics published by ISTAT.
In the 2020 financial year, payments are expected to be in line with 2019.

34. Provisions for risks and charges

Movements in these provisions are detailed below:

€/000	31.12.2018	Increases	Decreases	Exchange differences	31.12.2019
Provisions for agents' termination indemnity	2,080	191	(51)		2,220
Other provisions	93	20	(29)		84
Total non current portion	**2,173**	**211**	**(80)**	**-**	**2,304**
Provisions for products warranties	1,252	54	(199)	2	1,109
Other provisions	626	174	(202)	28	626
Total current portion	**1,878**	**228**	**(401)**	**30**	**1,735**

The provision for agents' termination indemnity is calculated on the basis of agency relationships in force at the close of the financial year, it refers to the probable indemnity which will have to be paid to the agents at the time of the resolution of the respective report. The year allocation of € 191 thousand, was recorded under the provisions in the item "Other operating expenses" in the income statement.

Other non-current provisions", equal to € 84 thousand, have been allocated for:

- € 73 thousand in legal costs accrued in respect of the conduct of tax disputes on the part of some companies of the Lavorwash Group and of Bertolini S.p.A (Incorporated into Emak S.p.A. in year 2008) for which the Group, following the opinion expressed by its defenders, does not expect to mobilize additional funds to contingent liabilities;
- € 11 thousand as allocation effected against a tax assessment and other current disputes related to the company Lemasa.

The product warranty provision refers to future costs for repairs on warranty which will be incurred for products sold covered by the legal and/or contractual warranty period; the allocation is based on estimates extrapolated from the historic trend.

The "Other provisions", for the current part, refers to the best possible estimate of probable liabilities, details of which are given below:

- allocation for € 549 thousand, corresponding to approximately 11,644 thousand Pesos, carried out by the company S.I. Agro Mexico, on the basis of a dispute concerning customs relating the correct management of VAT on goods entering Mexican territory. The federal administrative court has demanded the preventive payment of the total of the disputed amount for an amount of 11,644 thousand pesos, equal to € 549 thousand, recorded among the "Other non-current financial assets". Following the confirmation in the appeal of the disputed findings, which took place in February 2020, the Group already in 2019 increased the liability to the extent shown by setting aside € 135 thousand, despite having proposed a further appeal in order to recover in part the taxes paid;
- allocation concerning various objections relating to various disputes and future costs for € 77 thousand.

The use of the provision registered during the year mainly refers to the closure of a commercial dispute for a controversy in place for some years with a former foreign distributor.

35. Other non-current liabilities

The entire amount of € 486 thousand (€ 520 thousand at 31 December 2018) refers to the deferred income relating to capital grants received pursuant to Law 488/92 by Comag S.r.l., now merged into Emak S.p.A., and allocated to subsequent financial periods. The part of the grant receivable within a year is recorded in current liabilities under accrued expenses and deferred income (note 29) and amounts to € 34 thousand.

36. Contingent liabilities

The Group has not further outstanding disputes in addition to those already discussed in these notes.

37. Commitments

Fixed asset purchases
The Group has commitments for purchases of fixed assets not accounted in the financial statements at December 31, 2019 for an amount of € 110 thousand (€ 3,830 thousand at December 31, 2018).
These commitments mainly relate to the purchase of equipment.

Purchases of additional shares of equity
Please note that with respect to shares held directly or indirectly by the Parent Company Emak S.p.A. the following contractual agreements are in force:

- a Put and Call option is contained in the contract for the acquisition of the subsidiary, Valley Industries LLP, for the remaining 10% of the share capital in favor of the trust Savage Investments LLC, to be exercised without any restriction of deadline;
- in the contract to acquire the subsidiary Lemasa LTDA, owned by Comet do Brasil with a share of 70%, there is an agreement of "Put & Call Option" that regulates the purchase of the remaining 30% to be exercised between April 1 2020 and April 1, 2021;
- as part of the contract for the acquisition of the Lavorwash Group a “Put & Call Option” was defined for the acquisition of the 14.67%, to be exercised in 2020;
- as part of the contract for the acquisition of the company Cifarelli S.p.A a “Put &Call Option” was defined for the acquisition of the 70%, to be exercised in the second quarter of 2020. To date, negotiations are still in progress between the parties aimed at defining future corporate interests;
- in the contract to acquire the associated company Agres Sistemas Eletronicos S.A., a “Put and Call Option” was defined for the acquisition of an additional 55% of share to be exercised in 2023.

38. Guarantees

The group has € 2,380 thousand in guarantees granted to third parties at December 31 2019, relating to guarantee policies for customs rights and bank guarantees.
The shares representing the capital of Comet do Brasil Investimentos LTDA, Lemasa and Lavorwash S.p.A. are subject to a lien in favor of credit institutions that provided the financing functional to the purchase of the same. It should be noted that the financing of Comet do Brasil, preliminary to the acquisition of the Lemasa company, was extinguished during 2019.

39. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2019 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2019	**31.12.2018**
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(397,233)	(397,233)
Total outstanding shares	**163,537,602**	**163,537,602**

The dividends for 2018 approved by the shareholders on April 30, 2019, totaling € 7,359 thousand, were paid during 2019.

At December 31 2018 the company held in portfolio 397,233 treasury shares for a value of € 2,029 thousand. During 2019 no treasury shares were purchased or sold.
Therefore, at December 31, 2019 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2020 no treasury shares were acquired or sold by Emak S.p.A., as a result, the holding and value of treasury shares is unchanged with respect to December 31 2019.

40. Related party transactions

The transactions entered into with related parties by the Emak Group in the year 2019 mainly relate to two different types of usual nature relations, within the ordinary course of business, adjusted to market conditions and with the parent Yama S.p.A. and certain subsidiary companies.

It is in first place for the exchange of goods and provision of services of industrial and real estate activities. Among the companies under the direct control of Yama, some have provided during the period to the Emak Group components, materials of production, as well as the leasing of industrial surfaces. On the other hand, certain companies of Yama Group bought from Emak Group products for the completion of their respective range of commercial offer. The conduct of these operations is responding to a compelling logic and industrial and commercial purposes.

Secondly, relations of a tax nature and usual character attain the equity investment of the Parent company Emak S.p.A. and of the subsidiaries Comet S.p.A., Tecomec S.r.l., Sabart S.r.l., Ptc S.r.l. and Lavorwash S.p.A. to the tax consolidation under Articles. 117 et seq., Tax Code, which involves Yama, as consolidating company. The criteria and procedures for the settlement of such transactions are established and formalized in agreements of consolidation, based on the principle of equal treatment between participants.

A further area of relationships with "related parties" is derived from the performance of professional services for legal and fiscal nature, provided by entities subject to significant influence of certain directors.

The nature and extent of the usual and commercial operations described above is shown in the following two tables.

Sale of goods and services, trade and other receivables and financial asset:

€/000	Net sales	Trade receivables	Other receivables for tax consolidation	Total trade and other receivables	Financial revenues	Current financial assets	Non current financial assets
Euro Reflex D.o.o.	571	347	-	347	-	-	-
Garmec S.r.l.	69	17	-	17	-	-	-
Selettra S.r.l.	5	-	-	-	-	-	-
Yama Immobiliare S.r.l.	-	18	-	18	-	-	-
Yama S.p.A.	-	-	1,461	1,461	-	37	223
Cifarelli S.p.A.	50	26	-	26	-	-	-
Agres SA	-	1	-	1	22	-	1,000
Total (notes 24 - 27)	**695**	**409**	**1,461**	**1,870**	**22**	**37**	**1,223**

Purchase of goods and services and trade and other payables:

€/000	Purchases of raw materials and consumables	Other operating costs	Trade payables	Other payables for tax consolidation	Total trade and other payables
SG Agro D.o.o.	27	-	3	-	3
Cofima S.r.l.	1	-	-	-	-
Euro Reflex D.o.o.	1,397	36	284	-	284
Garmec S.r.l.	4	-	7	-	7
Selettra S.r.l.	117	-	46	-	46
Yama Immobiliare S.r.l.	-	1,865	1	-	1
Yama S.p.A.	-	2	1	212	213
Cifarelli S.p.A.	1,774	-	485	-	485
Agres SA	2	4	9	-	9
Other related parties	-	470	301	-	301
Total (note 29)	**3,322**	**2,377**	**1,137**	**212**	**1,349**

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The remunerations of the Directors and Auditors of the Parent company for the financial year 2019, the different components of the total remuneration, the remuneration policy adopted, the procedures followed for their calculation and the shareholdings in the Group owned by the above officers, are set out in the "Remuneration report", drawn up pursuant to art. 123-ter, Leg. Dec. 58/98, that is submitted for approval by the shareholders' meeting and available on the company website www.emakgroup.it, in the section "Investor Relations > Corporate Governance >Remuneration reports".

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During the year there are no other significant intercompany transactions with related parties outside the Group, other than those described in these notes.

41. Grants received: obligations of transparency regarding public grants Law no.124/2017

In compliance with the transparency obligations regarding public grants provided for by article 1, paragraphs 125-129 of Law no. 124/2017, subsequently integrated by the "security" Decree Law (no. 113/2018) and by the "Simplification" Decree Law (no. 135/2018), information relating to public grants received by the Group during the 2019 financial year is given below.
It should be noted that a cash-based reporting criterion has been adopted, reporting the grants collected during the period in question.
Disbursements received as consideration for supplies and services provided have not been taken into consideration.

Lender	Description	Emak S.p.A.	Tecomec S.r.l.	Comet S.p.A.	Lavorwash S.p.A.	P.T.C. S.r.l.	Total
Emilia Romagna Region	Contribution for research and development projects (DGR 773/2015)	109					109
Lombardia Region	Contribution for Earthquake - Decree 41/2019				310		310
INAIL	Contribution to the ISI INAIL Call of 26 December 2016	70					70
Ministry for the Environment, Land and Sea	Tax credit for asbestos rehabilitation (L. 28 December 2015, n. 221)					5	5
Fondimpresa	Contribution for training plans	30	13	23	12		78
Fondirigenti	Contribution for training plans		1				1
MEF	Tax credit under Law 106/2014	2					2
MEF	Tax credit under Law 190/2014		19	61			80
MEF	Tax credit under Law 107/2015	2					2
Total		**213**	**33**	**84**	**322**	**5**	**657**

42 Subsequent events

For the description of subsequent events please refer to the note 14 of the Directors' report.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Emak S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Emak S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Emak S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test	
Description of the key audit matter	The consolidated financial statements of the Emak Group as of 31 December 2019 include goodwill of Euro 63,844 thousand, distributed for Euro 35,259 thousand in Europe, Euro 12,938 thousand in Latin America, Euro 12,971 thousand in North America and Euro 2,676 thousand in Asia.

Goodwill is not amortized, but is tested for impairment at least annually, as stated by IAS 36 – Impairment of Assets. Impairment tests are performed by comparing the recoverable values of the cash generating units (CGU) identified by the Group - determined according to the method of value in use - and the carrying amounts, which take into account both the goodwill and the other assets allocated to CGU.

As a result of the impairment test, the Group has recorded goodwill impairment losses of Euro 2,074 thousand in relation to the Emak S.p.A. cash-generating unit (CGU) representing the parent company operating in Outdoor Power Equipment operating segment, which had reported lower results than expected.

The evaluation process adopted by Management to identify possible impairment is based on assumptions about, among other matters, the forecast cash flows of the cash-generating units (CGUs), the appropriate discounting rate (WACC) and the long-term growth rate (g-rate). The assumptions reflected in the long-term plans of the CGUs concerned are influenced by future expectations and market conditions, which are affected by uncertainties especially for CGU who operates in geographical area marked by economic instability or in the Outdoor Power Equipment operating segment characterized by worsening results.

In view of the significance of the goodwill reported in the financial statements, the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model, and the many unpredictable factors that might influence the performance of the markets in which the Group operates, we considered the impairment test of goodwill to be a key audit matter of the audit of the consolidated financial statements of the Emak Group as of 31 December 2019.

The explanatory notes of consolidated financial statements in the paragraphs "2.7 Goodwill", "2.8 Impairment of assets", and "5. Key accounting estimates and assumptions", describe the Management assessment process and the note 21 reports the significant assumptions and disclosures on the items subject to impairment tests, including a sensitivity analysis that illustrates the effects deriving from changes in the key variables used to carry out the impairment tests.

Audit procedures performed

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts:

- examination of the approach adopted by Management to determine the value in use of the CGUs, and analysis of the methods and assumptions applied by management to carry out the impairment test;
- understanding and testing the operating effectiveness of the relevant controls implemented by the Emak Group over the impairment testing process;
- analysis of the reasonableness of the principal assumptions made in order to forecast cash flows, partly by analysing external data and obtaining information from Management that we deemed to be significant;
- analysis of actual values in comparison with the original plans, in order to assess the nature of variances and the reliability of the planning process;

Deloitte.

- assessment of the reasonableness of the discount rates (WACC) and the long-term growth rate (g-rate), partly via the appropriate identification of and reference to external sources that are normally used in professional practice and to key data for main comparables;
- verification of the mathematical accuracy of the model used to determine the value in use of the CGU;
- verification that the carrying amount of the CGU was determined properly;
- verification of the sensitivity analysis prepared by Management;
- examination of the adequacy of the information disclosed about the impairment tests and its consistency with the requirements of IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Emak S.p.A. has appointed us on April 22, 2016 as auditors of the Company for the years from December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Emak S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Emak Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Emak Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Emak Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of Emak S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
March 27, 2020

This report has been translated into the English language solely for the convenience of international readers.

Emak S.p.A.
Separate financial statements at 31 December 2019

Financial statements

Emak S.p.A. - Income Statement

€	Notes	Year 2019	of which to related parties	Year 2018	of which to related parties
Revenues from sales	**8**	**107,060,957**	**23,664,483**	**124,240,305**	**27,345,046**
Other operating incomes	8	2,245,031	1,548,336	825,384	2,380
Change in inventories		(890,144)		(1,744,433)	
Raw materials, consumable and goods	9	(65,312,645)	(25,295,338)	(73,648,027)	(26,607,686)
Personnel expenses	10	(21,628,773)		(24,225,205)	
Other operating costs and provisions	11	(19,589,310)	(876,977)	(19,661,085)	(610,493)
Impairment gains and losses, Amortization and depreciation	12	(10,133,577)		(5,158,035)	
Operating result		**(8,248,461)**		**628,904**	
Financial income	13	9,731,250	9,573,536	5,511,678	5,366,169
Financial expenses	13	(803,287)	(829)	(862,095)	(2,146)
Exchange gains and losses	13	788,872		873,670	
Profit befor taxes		**1,468,374**		**6,152,157**	
Income taxes	14	970,636		(319,751)	
Net profit		**2,439,010**		**5,832,406**	

Statement of other comprehensive income

€	Notes	Year 2019	Year 2018
Net profit (A)		**2,439,010**	**5,832,406**
Actuarial profits/(losses) deriving from defined benefit plans (*)	**31**	(98,000)	60,000
Income taxes on OCI (*)		27,000	(17,000)
Total other components to be included in the comprehensive income statement (B)		**(71,000)**	**43,000**
Total comprehensive income for the perdiod (A)+(B)		**2,368,010**	**5,875,406**

(*) Items will not be classified in the income statement

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of transactions with related parties on the income statement are shown in the scheme and are further described and discussed in note 38.

Statement of financial position

ASSETS

€	Notes	31.12.2019	of which to related parties	31.12.2018	of which to related parties
Non-current assets					
Property, plant and equipment	16	30,213,047		30,113,313	
Intangible assets	17	5,402,568		3,741,384	
Goodwill	19	-	-	2,074,305	2,074,305
Rights of use	18	150,349		-	
Equity investments	20	94,326,609		93,681,189	
Deferred tax assets	30	1,693,051		1,853,733	
Other financial assets	22	15,835,150	15,680,864	20,617,970	20,617,970
Other assets	23	2,549		3,350	
Total non-current assets		**147,623,323**	**15,680,864**	**152,085,244**	**22,692,275**
Current assets					
Inventories	24	34,173,607		35,063,752	
Trade and other receivables	23	38,987,219	11,731,370	44,908,272	15,797,327
Current tax assets	30	1,138,468		1,434,597	
Other financial assets	22	4,927,261	4,927,261	910,468	910,468
Derivative financial instruments	21	178,577		200,106	
Cash and cash equivalents	25	22,323,281		31,086,293	
Total current assets		**101,728,413**	**16,658,631**	**113,603,488**	**16,707,795**
TOTAL ASSETS		**249,351,736**	**32,339,495**	**265,688,732**	**39,400,070**

EQUITY AND LIABILITIES

€	Notes	31.12.2019	of which to related parties	31.12.2018	of which to related parties
Capital and reserves					
Issued capital		42,519,776		42,519,776	
Share premium		40,529,032		40,529,032	
Other reserves		35,720,787		34,865,509	
Retained earnings		26,873,124		32,724,349	
Total equity	**26**	**145,642,719**		**150,638,666**	
Non-current liabilities					
Loans and borrowings due to banks and other landers	28	42,251,605	222,636	46,762,042	259,742
Liabilities for leasing	29	89,839		-	
Deferred tax liabilities	30	1,307,134		1,306,127	
Employee benefits	31	2,982,105		3,124,136	
Provisions for risks and charges	32	355,103		1,935,342	
Other non-current liabilities	33	486,245		519,747	
Total non-current liailities		**47,472,031**	**222,636**	**53,647,394**	**259,742**
Current liabilities					
Trade and other payables	27	31,935,206	7,202,229	34,874,629	5,473,571
Current tax liabilities	30	832,304		1,042,986	
Loans and borrowings due to banks and other landers	28	22,790,578	1,745,825	24,753,268	2,465,962
Liabilities for leasing	29	64,985		-	
Derivative financial instruments	21	314,413		266,267	
Provisions for risks and charges	32	299,500		465,522	
Total current liabilities		**56,236,986**	**8,948,054**	**61,402,672**	**7,939,533**
TOTAL EQUITY AND LIABILITIES		**249,351,736**	**9,170,690**	**265,688,732**	**8,199,275**

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of transactions with related parties on the statement of financial position are shown in the scheme and are further described and discussed in note 38.

Emak S.p.A. - Statement of changes in equity at December 31, 2018 and December 31, 2019

€/000	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES				RETAINED EARNINGS		TOTAL
			Legal reserve	Revaluation reserve	Reserve IAS 19	Other reserves	Retained earnings	Net profit for the period	
Total at 31.12.2017	**42,519**	**40,529**	**3,059**	**1,138**	**(581)**	**30,900**	**30,164**	**2,759**	**150,487**
Change in treasury shares									**0**
Payment of dividends							(3,270)	(2,453)	**(5,723)**
Reclassification of 2017 net profit			138					(138)	**0**
Other changes						168		(168)	**0**
Net profit for 2018					43			5,832	**5,875**
Total at 31.12.2018	**42,519**	**40,529**	**3,197**	**1,138**	**(538)**	**31,068**	**26,894**	**5,832**	**150,639**
Effect first application IFRS 16							**(5)**		**(5)**
Opening at 01.01.2019	**42,519**	**40,529**	**3,197**	**1,138**	**(538)**	**31,068**	**26,889**	**5,832**	**150,634**
Change in treasury shares									**0**
Payments of dividends							(2,454)	(4,905)	**(7,359)**
Reclassification of 2018 net profit			292			635		(927)	**0**
Other changes									**0**
Net profit for 2019					(71)			2,439	**2,368**
Total at 31.12.2019	**42,519**	**40,529**	**3,489**	**1,138**	**(609)**	**31,703**	**24,435**	**2,439**	**145,643**

The share capital is shown net of the nominal value of treasury shares in the portfolio amounted to € 104 thousand

The share premium reserve is stated net of the premium value of treasury shares amounting to € 1,925 thousand

Cash Flow Statement Emak S.p.A.

€/000	Notes	2019	2018
Cash flow from operations			
Net profit for the period		**2,439**	**5,832**
Impairment gains and losses, Amortization and depreciation	12	10,134	5,158
Capital (gains)/losses on disposal of property, plant and equipment		15	(14)
Dividends income		(9,022)	(4,804)
Decreases/(increases) in trade and other receivables		1,740	(4,530)
Decreases/(increases) in inventories		890	1,744
(Decreases)/increases in trade and other payables		(883)	(631)
Change in employee benefits	31	(213)	(645)
Revaluation of equity investment	20	-	(1,020)
(Decreases)/increases in provisions for risks and charges	32	(126)	1,605
Change in derivate financial instruments		70	70
Cash flow from operations		**5,044**	**2,765**
Cash flow from investing activities			
Dividends income		5,022	4,804
Change in property, plant and equipment and intangible assets		(6,897)	(7,259)
(Increases) and decreases in financial assets		1,989	3,575
Proceeds from disposal of property, plant and equipment		(15)	14
Cash flow from investing activities		**99**	**1,134**
Cash flow from financing activities			
Dividends paid		(7,359)	(5,723)
Change in short and long-term loans and borrowings		(6,456)	27,135
Liabilities for leasing refund		(74)	-
Other change in equity		0	43
Cash flow from financing activities		**(13,889)**	**21,455**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(8,746)**	**25,354**
OPENING CASH AND CASH EQUIVALENTS		**30,822**	**5,467**
CLOSING CASH AND CASH EQUIVALENTS		**22,076**	**30,822**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2019	2018
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents, detailed as follows:	25	**30,822**	**5,467**
Cash and cash equivalents		31,086	8,337
Overdrafts		(264)	(2,870)
Closing cash and cash equivalents, detailed as follows:	25	**22,076**	**30,822**
Cash and cash equivalents		22,323	31,086
Overdrafts		(247)	(264)
Other information:			
Income taxes paid		(136)	(52)
Financial expenses paid		(663)	(518)
Interest IFRS 16		(2)	-
Interest on financings to subsidiary companies		501	539
Interest on financings to parent company		-	2
Interest on financings from subsidiary companies		(1)	(2)
Interest receivable on bank account		48	50
Interest receivable on trade receivables		35	74
Interest receivable on subsidiaries trade receivables		51	21
Effects of exchange rate changes		188	(24)
Change in related party financial assets		921	(1,573)
Change in related party financial loans and borrowings		(757)	1,951
Change in related party receivables and service transactions		4,066	(3,761)
Change in related party payables and service transactions		1,728	(965)
Change in trade and other receivables related to tax assets		457	107
Change in trade payables and other liabilities related to tax liabilities		(210)	149

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of transactions with related parties on the cash flow are shown in the section Other information..

Emak S.p.A. Explanatory notes to the financial statement

Contents

1. General information

Emak S.p.A. (hereinafter "Emak" or “the "Company") is a public limited company, listed on the Italian stock market on the STAR segment, with registered offices in Via Fermi, 4 Bagnolo in Piano (RE).

Emak S.p.A. is controlled by Yama S.p.A., an industrial holding company, which holds the majority of its capital and appoints, pursuant to the law and the company’s bylaws, the majority of the members of its governing bodies. Emak S.p.A., nonetheless, is not subject to management or coordination on the part of Yama, and its Board of Directors makes its own strategic and operating choices in complete autonomy.

The Board of Directors of Emak S.p.A. on March 13, 2020 approved the Financial Statements for the year to December 31, 2019, and ordered immediate notification under Art. 154-ter, paragraph 1-ter TUF, to the Board of Auditors and to the Auditing firm in order for them to carry out their relative duties. In connection with this communication, the company issued an appropriate press release with the key figures of the financial statements and and the proposal for the allocation of profit submitted for approval by the meeting formulated at the General Meeting of Shareholders.

The financial statements for the financial year will be submitted for approval by the General Meeting of Shareholders called for 29 April 2020.

Emak S.p.A., as the parent company, has also prepared the consolidated financial statements of the Emak Group at 31 December 2019, also approved by the Board of Directors of Emak S.p.A. in the meeting of 13 March 2020; both sets of financial statements are subject to statutory audit by Deloitte & Touche S.p.A.

Values shown in the notes are in thousands of Euros, unless otherwise stated.

1.1 Newly applied standards

Starting January 1, 2019 the Company adopted the newly accounting standard *IFRS 16 – Leases* that replaces IAS 17 – *Leases*, as well as IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC- 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*
The application of the standard has had an impact on financial liabilities which, as of January 1, 2019, amounted to € 160 thousand while the amount of the right of use was equal to € 155 thousand.
At 31 December 2019, the application of the new IFRS 16 principle led to the recognition of financial liabilities of € 155 thousand and an amount of the right of use of € 150 thousand.
For full details of the treatment reference should be made to paragraph 2.6, 2.18 e 2.29.

2. Summary of principal accounting policies

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

2.1 General methods of preparation

The financial statements have been prepared in accordance with the IFRS standards issued by the *International Accounting Standards Board* and adopted by the European Union at the date of preparing this report. The term IFRS also refers to all valid *International Accounting Standards* (IAS) still in force, as well as all interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC), previously known as the *Standing Interpretations Committee* (SIC).

The financial statements have been prepared under the historical cost method, except for those financial assets and liabilities (including derivative instruments) measured at *fair value*.

On the basis of information available and of the current and foreseeable income and financial situation, the directors have drawn up the financial statements according to the going concern assumption.

On the basis of factors known to us, that is, the current situation and future forecasts of key economic, statement of financial position and financial figures for Emak and for the Emak Group, and of an analysis of the risks, there are no significant uncertainties that may compromise the status as a going concern.

In accordance with the provisions of IAS 1, the statement of financial position is constituted by the following reports and documents:

- Statement of financial position: based on the distinction between current and non-current assets and current and non-current liabilities;
- Income Statement and Comprehensive Income Statement: classification of items of income and expense according to their nature;
- Cash flow Statement: based on a presentation of cash flows using the indirect method;
- Statement of Changes in Equity;
- Notes to the separate financial statements.

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

With reference to Consob Resolution n. 15519 of July 27 2006 on the financial statements, it should be noted that the income statement and statement of financial position show dealings with related parties.

2.2 Presentation currency

(a) The financial statements are presented in Euros, which is the functional currency of the company. The notes to the accounts show thousands of Euros unless where otherwise indicated.

(b) Transactions and balances
A foreign currency transaction is translated using the rate of exchange at the date of the transaction. Exchange gains and losses arising upon receipt and payment of the foreign currency amounts and upon translation at closing rates of monetary items denominated in a foreign currency are reported in the income statement. Gains and losses realized on cash flow hedges whose hedged items are still unrealized are posted to the comprehensive income statement.

2.3 Property, plant and equipment

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

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

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

- buildings, 33 years;
- light construction, 10 years;
- plant and machinery, 7-10 years;
- molds for producing, 4 years;
- other, 4-8 years.

The residual value and the useful life of assets are reviewed and modified, if necessary, at the end of each year.

If the carrying amount of any asset is higher than the estimated recoverable amount, it is immediately reduced to realizable value.

Government grants for investments in buildings and plant are recognized in the income statement over the period necessary to match them with relative costs and are treated as deferred income.

2.4 Intangible assets

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

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

An intangible asset, generated in the development phase of an internal project, is recorded as an asset if the Company is able to demonstrate:

- the technical possibility of completing the intangible asset, so that it becomes available for use or sale;
- the intention to complete the asset and its ability to use it or sell it;
- the means by which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the availability of adequate technical, financial and other types of resources to complete the development and to use or sell the asset;
- the ability to reliably evaluate the cost attributable to the asset during its development;
- the ability to use the intangible asset generated.

The amortisation of development costs, classified under the “Development costs” heading, accrues from the end of the development phase and when the relevant asset begins to generate economic benefits.
In the period in which capitalisable internal development costs are incurred, they may be posted in the income statement as a reduction of the cost items affected and classified under intangible fixed assets.
Capitalised development costs are amortised on the basis of an estimate of the period in which it is expected that the assets in question will generate cash flows and, in any case, for periods of not more than 5 years starting from the start of production of the products pertaining to the development activities.
All other development costs which do not meet the requirements for being capitalised are recorded in the income statement when incurred.

(b) Concessions, licenses and trademarks
Trademarks and licenses have a definite useful life and they are valued at historical cost and shown net of accumulated depreciation. Amortization is calculated on a straight-line basis so as to spread the asset's cost over its estimated useful life, which for this category is 10 financial years.

(c) Other intangible assets
Other intangible assets are recognized in accordance with IAS 38 - Intangible assets, when the asset is identifiable, it is probable that future economic benefits and its costs can be measured reliably. Intangible assets are recorded at cost and amortized over the period of estimated useful life and in any case for a period not exceeding 10 years.

2.5 Goodwill

Goodwill deriving from the acquisition of subsidiaries, classified among non-current assets, is initially recognized at cost, represented by the difference between the consideration paid and the amount recorded

for minority interests at the acquisition date, and the identifiable net assets acquired and liabilities taken on. If the consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized in the income statement.
Goodwill is considered as an asset with an indefinite useful life. As a result, this asset is not amortized, but is subject periodically to checks to identify any impairment.
Goodwill is allocated to the operating units that generate separately identifiable financial flows and which are monitored in order to allow for verification of any impairment.
Following the goodwill impairment emerged following the acquisition by the parent Yama S.p.A. and the subsequent merger by incorporation of Bertolini S.p.A., Emak S.p.A. does not record any goodwill.
Goodwill relating to associates is included in the value of the investment and is not amortized, but subject to impairment tests if indicators of loss in the value arise.

2.6 Rights of use

The right to use the leased asset (so-called "*right of use*") is classified in the balance sheet among non-current assets.
The *right of use asset* is initially recognized at cost, determined as the sum of the following components:

- initial value of the liability deriving from lease (paragraph 2.18);
- any payments made before the start date of the contract, net of any incentives received;
- initial direct costs incurred by the lessee;
- the estimate of the costs that the lessee expects to incur for the dismantling, removal and demolition of the underlying asset.

Following the initial recognition, the right of use is adjusted to take into account the accumulated depreciation rates, any impairment losses and related effects and any restatements of the liability.
Depreciation rates are recognized on a straight-line basis and are accounted in the income statement under the item " Amortization, depreciation and impairment losses".

The Company used the exemption granted to IFRS 16 for *short-term leases* and for *low-value asset,* recognizing the payments relating to these types of leases in the income statement as operating costs over the duration of the leasing contract

In relation to the renewal options, the Company proceeded to make an estimate of the duration of the related leasing contracts taking into account the reasonable certainty of exercising the option.

2.7 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed annually for any impairment and whenever there are indications of possible losses in value. Assets subject to depreciation or amortization are reviewed for impairment every time that events or changes in circumstances indicate that their carrying value might not be recoverable. The impairment loss recognized is the amount by which the carrying amount of an asset exceeds its recoverable amount, corresponding to the higher of the asset's net selling price and its value in use. For the purposes of measuring impairment, assets are classified together into the smallest identifiable groups that generate cash inflows (cash-generating units).
The aforementioned impairment test necessarily requires the making subjective valuations based on information available within the Group, on reference market prospects and historical trends. In addition, if there appears to be a potential reduction in value, the Company makes a calculation of the value using what it considers to be suitable valuation techniques. The same value checks and the same valuation techniques are applied to intangible and property, plant and equipment with a defined useful life when there are indicators that predict difficulties in recovering the relative net book value through use.
The correct identification of indicators of the existence of a potential reduction in value, as well as estimates for establishing values mainly depend on factors and conditions that may vary over time, also to a significant degree, thereby influencing the valuations and estimates made by the directors.

2.8 Investment property

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

2.9 Financial assets

All recognised financial assets falling within the application of IFRS 9 are recognised at amortised cost or at fair value on the basis of the business model of the enterprise for the management of financial assets and the characteristics of the contractual cash flows of the financial asset.
Specifically, Emak S.p.A. has identified the following financial assets:

- financial assets held as part of a business model in which the objective is to collect contractual cash flows, represented uniquely by collections of principal and interest on the capital amount to be returned. Said assets are valued at amortised cost;
- financial assets held as part of a business model in which the objective is achieved both through the collection of contractual financial cash flows and through the sale of the asset: said assets are valued at fair value with variations recorded in profit (loss) (FVTPL);
- other financial assets are valued at fair value, with variations recorded in profit (loss) for the financial period (FVTPL);

With reference to financial assets valued at amortised cost, when the contractual cash flows of the financial asset are renegotiated or otherwise modified and the renegotiation or modification does not produce de-recognition, the gross accounting value of the financial asset is recalculated and the profit or loss deriving from the modification is recorded in the profit (loss) for the financial period.

Any cost or commission incurred adjust the accounting value of the modified financial asset and are amortised along the remaining term of the asset.

Financial assets are derecognised when the contractual rights on the cash flows expire or substantially all the risks and benefits connected with the holding of the asset are transferred (so-called *Derecognition*), or in the event that the item is considered as definitively unrecoverable after all the necessary recovery procedures have been completed.

Financial assets and liabilities are offset in the balance sheet when there is the legal right to offsetting in the period and when there is the intention to adjust the ratio on a net basis (or to realise the asset and simultaneously settle the liability).

Financial assets not carried at fair value through profit or loss for the period are initially valued at their fair value plus the operational costs directly attributable to the acquisition or issue of the asset.

With regards to the loss of value of financial assets, Emak S.p.A. applies a model based on expected losses on receivables expected at every balance sheet reference date in order to reflect the variations in credit risk occurring since the initial recognition of the financial asset.

2.10 Non-current assets and liabilities held for sale

Assets held for sale are classified in this category when:

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

This condition is met only if the sale is considered highly probable and the asset (or group of assets) is available for an immediate sale in its current state. The first condition is met when the Management is committed to the selling, that should happen within twelve months from the classification date of this item.
These assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets reclassified to this category cease to be depreciated.

2.11 Shareholdings in subsidiaries

Emak S.p.A. controls a company when, during the exercise of the power it has over the company, it is exposed and entitled to its variable returns, through its involvement in its management and, at the same time, has the possibility of influencing the returns of the subsidiary.
Controlling interests are valued at cost, after initial recording at fair value, adjusted for any permanent losses emerging in subsequent financial periods.

2.12 Shareholdings in associated companies

An associated company is a company over which the Emak S.p.A. exercises significant influence. Significant influence is considered as the power to participate in the determination of the financial and operating policies of the associated company without having control or joint control.
Shareholdings of the Emak S.p.A. in associated companies are valued with the cost method.

2.13 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw material costs, direct labor costs, general manufacturing costs and other direct and indirect costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined using prevailing selling prices less estimated costs of completion and sale.
Obsolete or slow-moving stocks are devalued on the basis of the presumed possibility of their use or of their future realizable value, by creating an appropriate provision that has the effect of reducing the inventories value.

2.14 Trade receivables

Financial instruments are definable. Initial recognition is at fair value; for trade receivables without a significant financial component the initial recognised value is the transaction price. The assessment of the collectability of receivables is made on the basis of the so-called Expected Credit Losses model provided for by IFRS 9.

The Company can make use of the instrument of the transfer of a part of its trade receivables through factoring operations and in particular makes use of non-recurse sales of trade receivables. Following these disposals, which provide for the almost total and unconditional transfer of the risks and rewards relating to the assigned receivables to the assignee, the receivables themselves are reversed from the financial statements.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. They are recorded net of a bad debt provision, deducted directly from accounts receivable to bring the evaluation at their estimated realizable value. Expected losses on trade receivables are estimated using a provision matrix with aging bands of receivables, making reference to past experience regarding losses on credits, an analysis of debtors' financial positions, corrected to take account of specific factors regarding the debtor, and an assessment of the current and expected evolution of such factors at the balance sheet reference date. A provision for the impairment of trade receivables is recognized when there is objective evidence that the company will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

2.15 Trade payables

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

2.16 Cash and cash equivalents

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

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

2.17 Share capital

Ordinary shares are classified under equity.

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

In accordance with the requirements of International accounting standard IAS 32, costs sustained for the increase in share capital (that is, registration costs or other charges due to regulation authorities, amounts paid to legal advisors, auditors or other professionals, printing costs, registration costs and stamp duty), are accounted for as a reduction in equity, net of any connected tax benefit, to the extent to which they are marginal costs directly attributable to the share capital operation and would have been avoided otherwise.

2.18 Liabilities deriving from leases

The liabilities for leasing is initially recognized at an amount equal to the present value of the payments due not paid at the effective date, discounted using the implicit interest rate of the leasing for each contract or, if it cannot be easily determined, using the marginal financing rate. The latter is defined taking into account the periodicity of payments, the duration of the payments provided for in the leasing contract, the country and the Business unit to which the lessee belongs.
Future payments considered in the calculation of the liability are as follows:

- • Fixed payments, net of any incentives to be received;
- • Variable payments;
- • Estimate of the payment as guarantee of the residual value;
- • Payment of the exercise price of the purchase option, if the lessee is reasonably certain to exercise it;
- • Payment of contractual penalties for termination of the lease, if the lessee is reasonably certain that he is exercising this option.

Following initial recognition, the liabilities for leasing is subsequently increased by the interest that accrues, decreased by the payments due for the leasing and possibly revalued in case of modification of future payments in relation to:

- change in the index or rate;
- change in the amount that the Company expects to have to pay as a guarantee on the residual value;
- Modification of the estimate of the exercise or not of a purchase, extension or termination option.

The liabilities for leasing is considered by the Company to be of a financial nature and therefore is included in the calculation of the net financial position.

2.19 Loans and borrowings

Loans and borrowings are recognized initially at fair value, less the related transaction costs. They are subsequently measured at amortized cost; the difference between the amount received, less transaction costs, and the amount repayable is recognized in the income statement over the term of the loan, using the effective interest method.

In the event of non-substantial modifications in the terms of a financial instrument, the difference between the current value of cash flows as modified (determined using the effective interest rate of the instrument in force at the modification date) and the book value of the instrument is recorded in the income statement.

Loans and borrowings are classified as current liabilities if the company does not have an unconditional right to defer the extinguishment of the liability to at least 12 months after the statement of financial position date.

Financial liabilities are removed from the balance sheet when the specific contractual obligation is discharged. Modification of the existing contractual terms is also treated as a discharge in the event the new conditions significantly change the original terms.

2.20 Taxes

Current taxes are accrued in accordance with the rules in force at the date of the financial statement and include adjustments to prior years' taxes.
Deferred tax assets and liabilities are recorded to reflect all temporary differences at the reporting date between the carrying amount of an asset / liabilities for tax purposes and allocated according to the accounting principles applied.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.
Deferred tax assets are recognized on all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.
The same principle applies to the recognition of deferred tax assets on utilizable tax losses.
The carrying amount of deferred tax assets is reviewed at each statement of financial position date and possibly reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of that deferred tax asset to be utilized. Any such reductions are reversed if the reasons for them no longer apply. As a general rule, apart from specific exceptions, deferred tax liabilities must always be recognized.
Income taxes (current and deferred) relating to items recognized directly in equity are also recognized directly in equity.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if the company is able to offset current tax assets against current tax liabilities and if the deferred taxes refer to income taxes levied by the same taxation authority.

The Company analyzes the uncertain tax treatments (individually or as a whole, depending on the characteristics) always assuming that the tax authority examines the tax position in question, having full knowledge of all the relevant information. In the event that it is considered unlikely that the tax authority will accept the tax treatment followed, the Company reflects the effect of uncertainty in measuring its current and deferred income taxes as required by IFRIC 23.

Emak has renewed the option for consolidated IRES taxation for the three - year period 2019 - 2021 with its parent Yama (art. 117 et seq., TUIR). The tax assets and liabilities entries by virtue of the consolidation converge with the corresponding balances recorded by the consolidating company Yama. The credit and debit items are settled in accordance with the agreements founded on an equal treatment basis with respect to all the companies participating in the same regime, which include, with a clear predominance, the main Italian subsidiaries of EMAK.

2.21 Employee benefits

Employee termination indemnities fall into the category of defined benefit plans for valuation on an actuarial basis (death rates, expected changes in remuneration etc.) and reflect the present value of the benefit, payable at the end of employment, which employees have matured at the statement of financial position date.
The costs relating to the increase in the obligation's present value, arising as the time of payment approaches, are recorded as financial expenses. All other costs relating to the provision are reported as payroll costs in the income statement. All actuarial gains and losses are recognized in the period in which they occur.

2.22 Provisions for risks and charges

Provisions for risks and charges are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that a payment will be required to settle the obligation and a reliable estimate can be made of the related amount.

2.23 Revenues

Revenues are recognized in the Income Statement on an accruals and temporal basis and are recognized to the extent that it is probable that the economic benefits y associated with the sale of goods or the provision of services will flow to the Company and their amount can be reliably measured.
Revenues are accounted net of returns, discounts, rebates and taxes directly associated with the sale of goods or the provision of the service.

Sales are recognized at the fair value of the compensation received for the sale of products and services, when there are the following conditions:

- are substantially transferred the risks and rewards of ownership of the property;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the costs incurred or to be incurred can be measured reliably and respect the principle of correlation with revenues.
-

Accounting for revenues involves following the passages provided for by IFRS 15:

- Identification of the contract with the customer;
- identification of the performance obligations provided for in the contract;
- determination of the price;
- allocation of the price to the performance obligations contained in the contract;
- recognition of the revenues when the enterprise satisfies each performance obligation.

Revenues are recognised upon the transfer of control of the goods to the customer, which coincides with the moment when the goods are delivered to the customer (at a point in time), in compliance with the specific contractual terms agreed with the customer.

2.24 Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grants will be received and all the conditions attaching to them have been satisfied.
Government grants related to costs (e.g. operating grants) are recognized as revenue on a systematic basis over a number of years so as to match the costs that the grant is intended to offset.
Government grants related to assets (e.g. facility grants) are recorded in non-current liabilities and gradually released to the income statement on a systematic basis over the useful life of the asset concerned.

2.25 Financial income and expenses

Financial income and expenses are recognized on an accrual basis using the effective interest rate and include dividends received from subsidiaries, exchange gains and losses and gains and losses on derivatives charged to the income statement.

2.26 Payment of dividends

Dividends on ordinary shares are reported as liabilities in the financial statements in the year in which the shareholders approve their distribution.

2.27 Earnings per share

Basic earnings per share are calculated by dividing the Company's net profit by the weighted average number of shares outstanding during the period, excluding treasury shares.
The Company does not have any potential ordinary shares.

2.28 Cash flow statement

The cash flow statement has been prepared using the indirect method.
Cash and cash equivalents included in the cash flow statement comprise the cash-related balances at the reporting date. Interest income and expense, dividends received and income taxes are included in cash flow generated by operations.

2.29 Changes in accounting standards and new accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE 1 JANUARY 2019
The following IFRS accounting standards, amendments and interpretations were first adopted by the Company starting January 1, 2019:

g. Starting January 1, 2019 Emak S.p.A. adopted the newly accounting standard **IFRS 16 – Leases**.

The new standard replaced IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The new standard provides a new definition of lease and introduces a criteria based on the control (right of use) of an asset to differentiate between lease and service agreements identifying which distinctive: asset identification, right of replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognizing and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases to be recognized in the statement of financial position as assets and lease financial liability.

During the first application of the standard, the Company has adopted the "modified retrospective (alternative 1)" approach, accounting the cumulative effect in equity at January 1st, 2019, in accordance with IFRS 16.
In particular, the Company recorded, concerning the leases previously classified as operating:

- financial liability, equal to the present value of future payments on transition data, discounted for each contract the incremental borrowing rate applied at the transition date;

- right of use equal to the net book value it would have had in the case in which the Standard had been applied from the beginning of the contract, but using the discount rate defined at the transition date.

For these contracts, the amount of the right of use is equal to € 155 thousand against a financial liability of € 160 thousand.

The following table shows the impacts on the financial position from the adoption of IFRS 16 on the transition date:

Thousand of Euro

ASSETS	31.12.2018 (1)	Impact of IFRS 16	01.01.2019 (2)
Non-current assets			
Property, plant and equipment	30,113		30,113
Intangible assets	3,742		3,742
Right of use		155	155
Goodwill	2,074		2,074
Equity investments in other companies	93,681		93,681
Deferred tax assets	1,854	0	1,854
Other financial assets	20,618		20,618
Other assets	3		3
Total non-current assets	**152,085**	**155**	**152,240**
Current assets			
Inventories	35,064		35,064
Trade and other receivables	44,908	0	44,908
Current tax assets	1,435		1,435
Other financial assets	911		911
Derivative financial instruments	200		200
Cash and cash equivalents	31,086		31,086
Total current assets	**113,604**	**0**	**113,604**
TOTAL ASSETS	**265,689**	**155**	**265,844**

EQUITY AND LIABILITIES	31.12.2018 (1)	Impact of IFRS 16	01.01.2019 (2)
Total equity	**150,639**	**(5)**	**150,634**
Non-current liabilities			
Loans and borrowings due to banks and other lenders	46,762		46,762
Liabilities for leasing		89	89
Deferred tax liabilities	1,306		1,306
Employee benefits	3,124		3,124
Provisions for risks and charges	1,935		1,935
Other non-current liabilities	520		520
Total non-current liabilities	**53,647**	**89**	**53,736**
Current liabilities			
Trade and other payables	34,875	0	34,875
Current tax liabilities	1,043		1,043
Loans and borrowings due to banks and other lenders	24,753		24,753
Liabilities for leasing		71	71
Derivative financial instruments	266		266
Provisions for risks and charges	466		466
Total current liabilities	**61,403**	**71**	**61,474**
TOTAL EQUITY AND LIABILITIES	**265,689**	**155**	**265,844**

(1) Statement of financial position at 31/12/2018

(2) Opening statement of financial position at 01/01/2019 with application of IFRS 16

In the income statement, the accrued costs to rentals, leases and enjoyment of third-party assets are no longer recorded in the item “Other operating costs and provisions”, the allocation of long-term costs (on a straight-line basis) of the right of use asset is recorded under the item "Amortization, depreciation and impairment losses", while the interest expenses that accrues on financial debts (variable according to the debt) are recorded in the item "Financial expenses”. The tax effects are therefore accounted for in the item "Income taxes".

The following table shows the impacts on the income statement items resulting from the adoption of IFRS 16 at 31 December 2019:

Thousand of Euro

INCOME STATEMENT	31/12/2019 no IFRS 16	Impact of IFRS 16	31/12/2019 IFRS 16
Revenues from sales	107,061		107,061
Other operating incomes	2,245		2,245
Change in inventories	(890)		(890)
Raw materials, consumable and goods	(65,313)		(65,313)
Personnel expenses	(21,629)		(21,629)
Other operating costs and provisions	(19,665)	76	(19,589)
Ebitda	**1,809**	**76**	**1,885**
Impairment gains and losses, Amortization and depreciation	(10,060)	(74)	(10,134)
Operating result	**(8,250)**	**2**	**(8,248)**
Financial income	9,731		9,731
Financial expenses	(801)	(2)	(803)
Exchange gains and losses	789		789
Profit befor taxes	**1,468**	**0**	**1,468**
Income taxes	971	0	971
Net profit	**2,439**	**0**	**2,439**

The comparative income statements for the 2018 financial year have not been changed retrospectively as required from the IFRS 16 first-time simplifications; therefore the comparative income statements are shown in continuity with what is explained in the previous reports.

Furthermore, the adoption of IFRS 16 did not result in the recognition of effects in the Emak's statement of other comprehensive income.

With reference to the application, Emak used the exemption granted by IFRS paragraph 16:5 (a) in relation to short-term leases.

Likewise, Emak used the exemption granted to IFRS 16 with regard to lease contracts for which the underlying asset is configured as a low-value asset. The contracts for which the exemption has been applied fall mainly in the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices.

For these contracts, the introduction of IFRS 16 did not involve the recognition of the financial liability of the lease and the related right of use, but the lease installments are recorded in the income statement on a linear basis for the duration of the respective contracts, in continuity with the accounting practices previously adopted.

Emak S.p.A. used the following practical expedients allowed by IFRS 16:

- Classification of contracts that expire within 12 months from the transition date as a *short term lease*. For these contracts the lease instalments are recorded in the income statement on a linear basis;
- Use of information present at the transition date for the determination of the lease term, with particular reference to the exercise of extension options and early closure.

In order to provide an aid to understanding the impacts deriving from the first application of the standard, the following table provides a reconciliation between future commitments relating to lease contracts and the impact deriving from the adoption of IFRS 16 on 1 January 2019.

€/000

RECONCILIATION FOR LEASE COMMITMENTS	1 January 2019
Operating lease commitments as of December 31,2018	**374**
Rental fees for short term leases (exemption)	(132)
Rental fees for low value leases (exemption)	(80)
Undiscounted financial liabilities for leases as of January 1, 2019	**162**
Discounting effect	(2)
Financial liabilities for additional lease due to the transition to IFRS 16 to January 1, 2019	**160**

h. On 12 October 2017, the IASB published an amendment to **IFRS 9 "Prepayment Features with Negative Compensation".** The amendment clarifies instruments with prepayment features might also respect the Solely Payments of Principal and Interest ("SPPI") condition when the "reasonable additional compensation" payable in case of prepayment is a "negative compensation" for the lender. Adoption of this amendment did not produce any effect on the Company's financial statements.

i. On 7 June 2017, the IASB issued **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document addresses the issue of uncertainty over income tax treatments. In more detail, the Interpretation requires an entity to analyse uncertain tax treatments (individually or, as a whole, depending on their characteristics) always assuming that the tax authorities will examine the tax situation in question with full knowledge of all relevant information. If the entity believes it is improbable that the tax authorities will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty on the measurement of its current and deferred income taxes. The interpretation does not contain any new disclosure requirements but highlights that an entity should establish whether there will be a need to provide any disclosures based on management considerations relating to any uncertainty over the accounting treatment of taxation, in accordance with IAS 1.
The new interpretation has been applied with effect from 1 January 2019. Adoption of the amendment did not have any effects on the Company's financial statements.

j. On 12 December 2017, the IASB published the document "**Annual Improvements to IFRSs 2015-2017 Cycle**" which contains amendments to several standards as part of the annual improvement process. The main amendments regard:
   - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity gains control of a business that represents a joint operation, it shall remeasure the interest previously held in that business. This process does not apply when joint control is acquired.

- IAS 12 Income Taxes: the amendment clarifies that all tax effects relating to dividends (including payments on financial instruments classified in equity) should be accounted for on the same basis as the transaction that generated the related profits (statement of profit or loss, OCI or equity).
- IAS 23 Borrowing costs: the amendment clarifies that loans that remain in place even after the related qualifying asset is ready for use or sale shall become part of the total loans used to calculate borrowing costs.

Adoption of these amendments did not have any effect on the Company's financial statements.

k. On 7 February 2018, the IASB published the document "**Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**". The document clarifies how an entity should record an amendment (i.e. a curtailment or a settlement) to a defined benefit plan. The amendment requires the entity to update its assumptions and to remeasure the net liability or asset resulting from the plan. The amendment clarifies that, after such an event, an entity shall use the updated assumptions to measure the current service cost and interest for the rest of the period after the event. Adoption of the amendment did not have any effect on the Company's financial statements.

l. On 12 October 2017, the IASB published the document "**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**". The document provides clarification on the need to apply IFRS 9, including requirements regarding impairment, to long-term interests in associates and joint ventures to which the equity method is not applied. Adoption of this amendment did not have any effect on the Company's financial statements.

ACCOUNTING STANDARD, AMENDMENTS AND IFRS/IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORY APPLICABLE AND NOT EARLY ADOPTED FROM THE GROUP ON DECEMBER 31ST, 2019

- On 31 October 2018, the IASB published the document "**Definition of Material (Amendments to IAS 1 and IAS 8)**". The document introduced a change to the definition of "material" contained in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendment aims to make the definition of "material" more specific and introduces the concept of "*obscured information*" alongside the concepts of omitted or erroneous information already present in the two standards amended. The amendment clarifies that information is "*obscured*" when it is described in such a way as to produce for primary users of financial statements an effect similar to that which would be produced if the information had been omitted or erroneous.
  The amendments introduced by the document are applicable to all operations after 1 January 2020. The Directors are currently assessing the possible effects of introduction of these amendments on the Company's financial statements.

- On March 29, 2018, the IASB published its revised ***"References to the Conceptual Framework in IFRS Standards***". The Amendments shall be applied for annual periods beginning on or after 1 January 2020. The revised Conceptual Framework includes a new chapter on measurement, a guidance on reporting financial performance, an improved definitions of an asset and a liability and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
  The document ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors and other creditors.
  The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

- On September 26, 2019, the IASB has published the amendment "**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform"**. The amendments modifies IFRS 9 - Financial

Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures.
The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements applying temporary exemptions as a result of the interest rate benchmark reform.
The amendments require additional disclosures related to hedge accounting relationship that are directly impacted by the uncertainties generated by the reform and to which such exceptions apply. The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Directors are currently evaluating the possible effects of the introduction of this amendment on the Company's financial statements.]

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the date of this Financial Report, the competent bodies of European Union had not yet completed the approval process necessary for the adoption of amendments and the principles described below.

- On May 18th, 2017 IASB issued the new principle **IFRS 17 – Insurance Contracts** that will replace IFRS 4 – *Insurance Contracts*. The objective of the Standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues. The IASB developed the Standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The Standard is applicable for annual reporting periods beginning on or after 1 January 2021. Early application is permitted for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The Directors are evaluating the effects on the Company's financial statements from the adoption of these amendments.

- On October 22nd, 2018, the IASB issued amendments to **IFRS 3 “*Business Combinations”*** which aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.change the definition of a business to enable entities to determine whether an acquisition is a business combination or an asset acquisition. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier adoption permitted.
The IASB issued narrow-scope amendments to IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not.
The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant’s ability to replace missing elements, and narrow the definition of outputs, replacing the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.
The amendments introduce an optional *concentration test* to permit a simplified assessment of qualified business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiableassets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3. As such, the concentration test never determines that a transaction is a business combination. The Board provided a series of illustrative examples to help constituents to apply the guidance in IFRS 3 on the definition of a business.
Furthermore, any effects will be accounted in the consolidated financial statements for the year of the first time adoption.

- Amendments to **IFRS 10 and IAS 28 - *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*** (issued on 11 September 2014). The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. According to the provisions of IAS 28, the profit or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share limited to the share held in the joint venture or associate by other investors unrelated to the transaction. On the contrary, IFRS 10 provides for the recognition of the entire profit or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling share therein, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments clarify that in a disposal of an asset or a subsidiary to a joint venture or associate, determining a profit or loss to be recognized in the financial statements of the transferor depends on whether the assets or subsidiary companies sold / contributed constitute or not a business, according to the IFRS 3 requirements. In the event that the assets or the subsidiary company transferred / conferred represent a business, the entity must recognize the profit or loss on the entire quota previously held; while, otherwise, the share of profit or loss relating to the share still held by the entity must be eliminated.The IASB has suspended the application of these amendments for the time being. The Directors are evaluating the effects on the Company's financial statements from the adoption of these amendments.

- **IFRS 14– *Regulatory Deferral Accounts*** (issued on January 30, 2014): the Standard is available only for the first-time adopters of IFRSs who recognized regulatory deferral balances under their previous GAAP. IFRS 14 permits eligible fisrt-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies. As the Company is not a first-time adopter, this Standard is not applicable.

3. Financial risk management

3.1 Risk factors of a financial nature

The Company is exposed to a variety of financial risks associated with its business activities:
- market risks, with particular reference to exchange and interest rates, since the Company operates at an international level in different currencies and uses financial instruments that generate interest;
- credit risk, regarding both normal commercial relations and to financing activities;
- liquidity risk, with particular reference to the availability of financial resources and to access to the credit market.

The Company's policies for managing and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the financial results. The Company uses derivative financial instruments to hedge certain risks.
Hedging of the Company's financial risks is managed by a head office function working in close collaboration with the individual operating units of the Group.
Qualitative and quantitative information is given below regarding the nature of such risks for the Company.
The quantitative figures shown below have no value for forecasting purposes, specifically, the sensitivity analysis on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesized.

(a) Market risks

<u>(i) Interest rate risk</u>
The Company's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Company to the cash flow risk associated with interest rates. Fixed rate loans expose the Company to the fair value risk associated with interest rates.
The Company's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At December 31, 2019, the Company's bank loans and borrowings and finance leases all carried variable interest and consequently, the company has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

Although these transactions are made for hedging purposes, if specific documentation certifying the hedging relationship is not formalized, the accounting standards will not allow hedge accounting treatment. Therefore, fluctuations in their values may affect the Company's financial results.

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

A hypothetical, instantaneous and unfavorable negative variation of 50 base points in annual interest rates in force at December 31 2019 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 68 thousand (€ 90 thousand at December 31 2018). The above calculation takes into consideration the total amounts of financial liabilities net of the total amount of IRS operations carried out for hedging purposes.

<u>(ii) Exchange rate risk</u>
The Company is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
Specifically in cases in which the Company incurs costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result.
In 2019 the overall amount of revenues directly exposed to exchange risk represented around 15.8% of the turnover (13.5% in 2018), while the amount of costs exposed to exchange risk is equal to 32.7% of turnover (29.2% % in 2018).

The main currency exchanges to which the Company is exposed are the following:
- EUR/USD, relating to sales in dollars made mainly in the markets that use the dollar as preferential currency;
- EUR/RMB, relating to purchases in the Chinese market.

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

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

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Company at December 31, 2019, as a result of a hypothetical unfavorable and immediate variation of 10% in all relevant single exchange rates, would amount to around € 664 thousand (€ 723 thousand at December 31, 2018).

Other risks on derivative financial instruments

The Company as of December 31, 2019 holds any derivative financial instruments to hedge exchange rate (operations of currency purchases).

Although these operations have been entered into for hedging purposes, if specific documentation certifying the hedging relationship is not formalized, accounting principles do not permit their treatment using hedge accounting. As a result, changes in underlying values may affect the economic results of the Company.

Sensitivity analysis
The potential loss of fair value of the exchange rate derivative financial instruments outstanding at December 31, 2019, as a result of an instant hypothetical and unfavourable 10% change in the underlying values, would be approximately € 687 thousand (€ 1,408 thousand in 2018).

<u>(iii) Price risk</u>
The Company is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The Company usually enters into medium-term contracts with certain suppliers for the purpose of managing and

limiting the risk of fluctuations in the price of its main raw materials such as aluminum, sheet metal, plastic and copper, as well as semi-finished products such as motors.

(b) Credit risk

The Company has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured.
The maximum theoretical exposure to credit risk for the Company at 31 December 2019 is the accounting value of financial assets shown in the financial statements.

The credit granted to the clients involves specific assessments of solvency and generally the Company obtains guarantees, both financial and otherwise, against credits granted for the supply of products. Certain categories of credits to foreign customers are also covered by insurance with SACE.

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

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

At December 31, 2019, the provision for doubtful accounts refers to the constant analysis of past due loans on a collective basis, in addition to the analysis of individual positions.

At December 31, 2019 “Trade receivables” equal to € 27,924 thousand (€30,904 thousand at December 31, 2018), include € 4,691 thousand (€5,939 thousand at December 31, 2018) outstanding by more than 3 months. This value has been partially rescheduled according to repayment plans agreed with the clients.

The value of trade receivables by maturity band is shown below:

€/000		31.12.2019
Trade receivables due	0-90 days	11,181
	over 90 days	9,341
Trade Receivables due		**20,522**
Trade receivables overdue	0-90 days	2,711
	over 90 days	4,691
Trade Receivables Overdue		**7,402**
Total Trade Receivables		**27,924**

The maximum exposure to credit risk deriving from trade receivables at the end of the financial period, broken down by geographical area (using the SACE reclassification) is as follows:

€/000	2019	2018
Trade receivables due from customers with SACE 1 rating	23,723	23,825
Trade receivables due from customers with SACE 2 e 3 rating	3,667	4,087
Trade receivables due from customers with non-insurable SACE	534	2,992
Total (Note 22)	**27,924**	**30,904**

For all countries, regardless of the rating, the insurance covers 90% of the amounts receivable while, SACE provides no coverage for non-Insurable or suspended countries.

The value of amounts receivable covered by SACE insurance or by other guarantees at December 31, 2019 is € 10,525 thousand.

At December 31, 2019 the 10 most important customers (not including companies belonging to the Emak Group) account for 35.2% of total trade receivables, while the top customer represents 17.4% of the total.

(c) Rischio di liquidità

Liquidity problems can occur as a result of the inability to obtain financial resources necessary for the Company's operations at acceptable conditions.
The main factors determining the Company's liquidity situation are, on the one hand, the resources generated or absorbed in its operating and investment activities, and on the other hand, by the expiry or renewal of debt or by the liquidity of financial commitments and market conditions.
Prudent management of liquidity risk implies the maintenance of sufficient liquid funds and marketable securities, and the availability of funding through adequate credit lines.
Consequently, the treasury, in accordance with the general directives of the Group, carries out the following activities:

- the monitoring of expected financial requirements in order to then take suitable action;
- the obtaining of suitable lines of credit;
- the optimization of liquidity, where feasible, through the centralized management of the Group's cash flows;
- the maintenance of sufficient liquidity;
- the maintenance of a balanced composition of net financial borrowing with respect to investments made;
- the pursuit of a correct balance between short-term and medium-long-term debt;
- limited credit exposure to a single financial institute;
- the monitoring of compliance with the parameters provided for by covenants associated with loans.

Counterparties to derivative contracts and operations performed on liquid funds are restricted to primary financial institutions.

The company, through a financial management of the Group has maintained high levels of reliability on the part of banks.

The characteristics and nature of the expiry of debts and of the Company's financial activities are set out in Notes 25 and 28 relating respectively to "Cash and Cash Equivalents" and "Loans and borrowings".
The management considers that currently unused funds and credit lines, amounting to € 73,873 thousand, mainly short-term and guaranteed by Trade Receivables, more than cash flow which will be generated from operating and financial activities, will allow the Company to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

3.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency fluctuation. In line with its risk management policy, in fact, the Company does not carry out derivative operations for speculative purposes.
When such operations are not accounted for as hedging operations they are recorded as trading operations.
As established by IFRS 9, derivative financial instruments may qualify for special hedge accounting only when the condition established by principle are met.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent statement of financial position dates.

On the basis of the above, and of stipulated contracts, the accounting methods adopted are as follows:

1. *Fair value hedge*: the fair value variations of the hedging instrument are posted to the Income Statement together with variations in the fair value of the hedged transactions.

2. *Cash flow hedge:* the variations in fair value which are intended and proved to be effective for hedging future cash flows are posted to the Comprehensive Income Statement, while the ineffective portion is

posted immediately to the Income Statement. If contractual commitments or planned hedging operations lead to the creation of an asset or liability, when this occurs the profits or losses on the derivative which have been posted directly to the Comprehensive Income Statement adjust the opening cost of acquisition or holding value of the asset or liability. For financial cash flow hedging that do not lead to the creation of an asset or liability, the amounts which have been posted directly to the Comprehensive Income Statement are to be transferred to the Income Statement in the same period in which the contractual commitment or planned hedging operation are posted to the Income Statement.

3. *Derived financial instruments not defined as hedging instruments*: the variations in fair value are posted to the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. The cumulative gains or losses on the hedging instrument recognized directly in the Comprehensive Income Statement remain until the forecast transaction effectively occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognized directly in Comprehensive Income Statement are transferred to the Income Statement for the period.

3.3 Measurement of current value

The current value of financial instruments with a quoted market price in an active market (such as publicly traded derivatives and securities held for trading and for sale) is based on the market price at the statement of financial position date. The market price used for the company's financial assets is the bid price; the market price for financial liabilities is the offer price.

The current value of financial instruments not quoted in an active market (for example, derivatives quoted over the counter) is determined using valuation techniques. The company uses various methods and makes assumptions that are based on existing market conditions at the statement of financial position date. Long-term payables are valued using quoted market or trading prices for the specific or similar instruments. Other methods, such as estimating the present value of future cash flows, are used to determine the fair value of the other financial instruments. The current value of forward currency contracts is determined using the forward exchange rates expected at the statement of financial position date.

It is assumed that the face value less estimated doubtful receivables approximates the fair value of trade receivables and payables. For the purposes of these notes, the fair value of financial liabilities is estimated by discounting contractual future cash flows at the current market rate available to the company for similar financial instruments.

4. Key accounting estimates and assumptions

The preparation of the financial statements and the related notes under IFRS has required management to make estimates and assumptions affecting the value of reported assets and liabilities and the disclosures relating to contingent assets and liabilities at the statement of financial position date. Actual results could differ from these estimates. Estimates are used for recording provisions for doubtful accounts receivable and inventory obsolescence, amortization and depreciation, write-downs to assets, post-employment benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of any change are immediately reflected in the income statement.

The assessment that goodwill, as well as equity investments in subsidiaries, is recorded in the financial statements for a value not higher than their recoverable value (so-called impairment test) provides, first of all, to test the endurance of the value of the goodwill divided into the Cash Generating Unit (CGU). The calculation of the recoverable amount is carried out in accordance with the criteria established by IAS 36 and is determined in terms of value in use by discounting the expected cash flows from the use of a CGU, as well as from the expected value of the asset at its disposal at the end of its useful life. This process involves the use of estimates and assumptions to determine both the amount of future cash flows and the corresponding discount rates. The future cash flows are based on the most recent economic-financial plans drawn up by the Management of each CGU, and approved by the parent company's Board of Directors, in relation to the functioning of the production assets and the market context. With reference to the business in which the company operates, the factors that have the greatest relevance in the estimates of future cash flows are attributable to the intrinsic difficulty of formulating future forecasts, to the feasibility of market strategies in highly competitive contexts, as well as to the risks of macroeconomic nature related to the geographic areas in which the Emak Group operates. The discount rates reflect the cost of money for the period forecast and the specific risks of the activities and countries in which the Group operates and are based on observable data in the financial markets.

In this context, it should be noted that the situation caused by the persistent difficulties of the economic and financial scenario has implied the need to make assumptions regarding the future outlook which is characterized by uncertainty. As a result, it cannot be excluded that the actual results obtained will be different from the forecasts, and therefore adjustments, even of significant amounts, which obviously cannot today be estimated or foreseeable, to the book value of the relative items may be necessary. The financial statements heading most affected by the use of estimates is shareholdings in subsidiaries and associates included among non-current assets, where the estimates are used to establish any devaluations and recoveries of value. Any effects are not, however, particularly critical or material, considering their low significance in relation to the underlying account headings.

The application of the new IFRS 16 standard requires to make estimates and assumptions.
Judgment elements required for the application of IFRS 16 include:

f) Identify if a contract (or part of a contract) includes a lease;
g) Determine whether the exercise of the extension or termination option is reasonably certain;
h) Determine when variable payments are fixed in substance;
i) Determine if a contract includes multiple leases;
j) Determine the stand alone sale price of the lease contract and the components excluded from the lease.

Main sources of uncertainty in the estimates deriving from the application of IFRS 16 can include:

- Estimated lease term;
- Determination of the appropriate discount rate for lease payments;
- Assessment of impairment with reference to the right of use.

5. Significant non-recurring events and transactions

Disposal of minority share of Netribe S.r.l.
On 2 April 2019, the parent company Emak S.p.A, by mutual agreement with the remaining shareholders, exercised the withdrawal from Netribe s.r.l., a company operating in the I.T. sector, of which Emak held a share of 15.41%. The closing of the transaction took place on 10 May at a liquidation value of € 250 thousand, with deferred settlement. The realized capital gain amounts to € 27 thousand.

Capital increase Emak Deutschland Gmbh
On March 28, 2019, the parent company Emak S.p.A. deliberated and carried on a capital increase in the subsidiary Emak Deutschland, through conversion of a loan, for an amount of € 3,000 thousand.

Subscription Capital increase Emak do Brasil Industria LTDA
On June 19, 2019, the parent company Emak S.p.A. subscribed an increase in the share capital of the subsidiary Emak do Brasil, through conversion of receivables, for a nominal value of approximately 15 million Reais, entered in the balance sheet for € 2,338 thousand.

New R&D centre of Emak S.p.A.
The new R&D center became fully operational in the last quarter of 2019, the total investment was € 7,425 thousand.

"*ERP Transformation"* project

In May the companies Emak S.p.A. and Tecomec S.r.l. have migrated to the new Microsoft Dynamics 365 ERP. Investment recorded at December 31, 2019 among intangible assets amounted around € 2,300 thousand.

6. Balances or transactions arising from atypical and unusual operations

No events/operations as per Consob Communication DEM/6064293 of 28 July 2006 have been recorded during the financial period 2019. As indicated in this Communication "atypical and/or unusual operations are considered as operations that, due to their significance/materiality, the nature of the counterparties, the object of the transaction, the means for determining the transfer price and the time of the event (near the close of the period), may give rise to doubts with regards to: the correctness/completeness of the information in the financial statements, conflicts of interest, the protection of company assets, the safeguarding of minority interests".

7. Net financial position

In the table below are shown details of the net financial position, which includes the net financial debt determined according to ESMA criteria (based on the format required by Consob communication no. 6064293 of 28 July 2006):

€/000	31/12/2019	31/12/2019 NO IFRS 16	31/12/2018
A. Cash and cash equivalents	22,323	22,323	31,086
B. Other cash at bank and on hand (held-to-maturity investments)	-	-	-
C. Financial instruments held for trading	-	-	-
D. Liquidity funds (A+B+C)	**22,323**	**22,323**	**31,086**
E. Current financial receivables	**5,106**	**5,106**	**1,111**
F. Current payables to banks	(269)	(269)	(289)
G. Current portion of non current indebtedness	(20,423)	(20,423)	(21,645)
H. Other current financial debts	(2,478)	(2,413)	(3,086)
I. Current financial indebtedness (F+G+H)	**(23,170)**	**(23,105)**	**(25,020)**
J. Current financial indebtedness, net (I+E+D)	**4,259**	**4,324**	**7,177**
K. Non-current payables to banks	(41,677)	(41,677)	(45,799)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(664)	(574)	(963)
N. Non-current financial indebtedness (K+L+M)	**(42,341)**	**(42,251)**	**(46,762)**
O. Net indebtedness (J+N)	**(38,082)**	**(37,927)**	**(39,585)**
P. Non current financial receivables	**15,835**	**15,835**	**20,618**
Q. Net financial position (O+P)	**(22,247)**	**(22,092)**	**(18,967)**

At December 31, 2019 the net financial position includes:

- medium and long-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 15,458 thousand, of which € 14,800 thousand due to the subsidiary Comet S.p.A. and a financial receivable for equity reinstatement to the parent company Yama S.p.A. for a value of € 223 thousand, recorded under Non-current financial receivables;
- the short-term loan granted by Emak S.p.A. to the subsidiary Comet USA for € 890 thousand, a financial receivable for equity reinstatement for a value of € 37 thousand to the parent company Yama S.p.A, and finally a credit for dividends approved by the subsidiary Comet S.p.A. of € 4,000 thousand, recorded under Current financial receivables;
- the financial payable for equity reinstatement due to the subsidiary Tecomec S.r.l., for an amount of € 223 thousand, recorded under Other non-current financial payables;

- the financial payable to the subsidiary Sabart S.r.l., regulated by an intercompany current account agreement, for an overall amount of € 1,709 thousand and the financial payable for the equity reinstatement due to the subsidiary Tecomec S.r.l., for € 37 thousand, recorded under Other current financial payables.

At December 31, 2019, net financial position includes the positive effect relating to the non-recourse transfer of trade receivables for an amount of €1,188 thousand.

At December 31, 2018 the net financial position included:

- medium and long-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 20,358 thousand, of which € 14,800 thousand due to the subsidiary Comet S.p.A. and a financial receivable for equity reinstatement to the parent company Yama S.p.A. for a value of € 260 thousand, recorded under Non-current financial receivables;
- the short-term loan granted by Emak S.p.A. to the subsidiary Comet USA for € 873 thousand and a financial receivable for equity reinstatement for a value of € 37 thousand to the parent company Yama S.p.A., recorded under Current financial receivables;
- the financial payable for equity reinstatement due to the subsidiary Tecomec S.r.l., for an amount of € 260 thousand, recorded under Other non-current financial payables;
- the financial payable to the subsidiary Sabart S.r.l., regulated by an intercompany current account agreement, for an overall amount of € 2,017 thousand and the financial payable for the equity reinstatement due to the subsidiary Tecomec S.r.l., for € 449 thousand, recorded under Other current financial payables.

8. Revenues from sales and other operating income

Sales revenues amount to € 107,061 thousand, compared with € 124,240 thousand in the prior year. They are stated net of € 187 thousand in returns, compared with € 985 thousand in the prior year. Turnover had a negative trend in all countries; in particular, the most significant sales contractions are concentrated in Europe, in the Turkish market hit by the economic and geopolitical crisis and in the countries of Latin America. Sales in the North American market are an exception, showing a positive trend.

The detail of the item is as follows:

€/000	FY 2019	FY 2018
Net sales revenues (net of discounts and rebates)	105,495	122,851
Revenues from recharged transport costs	1,753	2,374
Returns	(187)	(985)
Total	**107,061**	**124,240**

Other operating income is analysed as follows:

€/000	FY 2019	FY 2018
Grants related to income	495	687
Capital gains on property, plant and equipment	-	15
Insurance refunds	68	3
Other operating income	1,682	120
Total	**2,245**	**825**

The heading **"Grants related to income"** refers mainly to:
- Research and Development tax credit provided for by art. 1, paragraph 35, of Law 23 December 2014, no. 190, for € 227 thousand;

- the non-refundable contribution collected in the year referring to the ISI INAIL Call of December 23, 2016 of the Emilia Romagna Region called "Incentives to companies for the implementation of interventions on health and safety at work" for € 70 thousand ;
- the contribution made by the Emilia Romagna Region referring to the second tranche of €109 thousand obtained as part of the Call for Tenders for research and development cooperation projects for Enterprises, as per DGR (Regional Executive Order) 773/2015 as amended;
- the grant as per Law 488/92 for € 59 thousand;
- the Executive training fund/Enterprise training fund grant, equal to € 30 thousand, granted to cover the costs incurred by the Company for staff training.

The increase in the item "Other operating income" mainly refers to recharge to subsidiaries for services provided by the Group's IT Corporate function, held by Emak SpA starting from 2019, with particular reference to the start of the new Microsoft AX information system.

9. Raw materials, consumable and goods

The heading is analyzed as follows:

€/000	FY 2019	FY 2018
Raw materials	49,176	44,955
Finished products	14,679	26,834
Consumable materials	316	226
Other purchases	1,142	1,633
Total	**65,313**	**73,648**

The decrease in purchases of finished products is attributable to the contraction in production volumes and the reduction in inventories. The decrease in the item "Other purchases" is due to lower expenses for packaging materials and for research and development.

10. Personnel expenses

Details of these costs are as follows:

€/000	FY 2019	FY 2018
Wage and salaries	15,386	16,718
Social security charges	4,954	5,107
Employee termination indemnities	1,108	1,133
Other costs	227	121
R&D costs capitalized	(617)	(431)
Directors' emoluments	366	793
Temporary staff	204	784
Total	**21,628**	**24,225**

During 2018, the company signed an agreement with trade unions. and corporate MSW mainly aimed at employees who would have accrued the right to retirement within 24 months following the termination of the employment relationship, on a voluntary basis, for 32 people; the drop in labor costs is essentially attributable to the reorganization plan which took place during the previous year.
In addition, to a lesser extent, the lower use of temporary staff for the lower production volumes recorded in the current year at the Bagnolo in Piano (RE) and Pozzilli (IS) plants contributed to the decrease in labor costs.

During the 2019 financial year, personnel costs for € 617 thousand were capitalized under intangible assets, referring to costs for the development of new products in the context of a multi-year project subject to facilities by the Ministry of Economic Development.

The breakdown of employees by grade is the following:

	Average number of employees in year		Number of employees at this date	
	2019	**2018**	**2019**	**2018**
Executives	16	15	16	14
Office staff	175	181	177	175
Factory workers	234	241	227	243
Total	**425**	**437**	**420**	**432**

11. Other operating costs and provisions

Details of these costs are as follows:

€/000	**FY 2019**	**FY 2018**
Subcontract work	2,125	1,638
Transportation	5,963	6,371
Advertising and promotion	331	574
Maintenance	2,534	1,854
Commissions	1,230	1,201
Consulting fees	1,845	2,025
Costs of after sales warranty	412	583
Insurance	312	342
Travel	316	366
Postals and telecommunications	245	188
Other services	2,476	2,509
R&D costs capitalized	(159)	(123)
Services	**17,630**	**17,528**
Rents, rentals and the enjoyment of third party assets	**827**	**765**
Increases in provisions	**40**	**55**
Increases in provision for doubtful accounts (note 23)	198	446
Other taxes (not on income)	322	317
Other operating costs	572	550
Other costs	**1,092**	**1,313**
Total other operating costs	**19,589**	**19,661**

The increase in subcontract work, compared to the previous year, depends on the different mix of products sold during the year. The increase in maintenance costs depends on higher charges for HW and SW maintenance fees, consequently to the implementation of the new Microsoft AX information system.

The decline in transport costs is a function of lower sales volumes and purchase. The expenses for commissions are in line with the previous year as they are related to sales on the traditional network of the

Italian market which reported values in line with the previous year. Last year had seen expenses for consultancy related to M&A operations that did not occur in the course of this financial year, this is the reason behind the drop in consultancy expenses.

The values as at 31 December 2019 reflect for the first time the application of the accounting standard IFRS 16 - leases which entailed the registration of lower costs for Rents, rentals and enjoyment of third party assets for an amount of € 76.

12. Impairment gains and losses, Amortization and depreciation

Details of these amounts are as follows:

€/000	FY 2019	FY 2018
Depreciation of property, plant and equipment (note 16)	4,149	4,066
Amortization of intangible assets (note 17)	987	492
Amortization of rights of use (note 18)	74	-
Impairment losses and gains (note 20 and note 32)	4,924	600
Total	**10,134**	**5,158**

The item Amortization of rights of use includes the amortization of rights of use recognized among non-current assets in application of IFRS 16 - Leases, adopted from 1 January 2019. Amortization is calculated based on the duration of the contracts.

The item "Impairment losses and gains" relates to the impairment of the investments in subsidiaries of the companies Emak Do Brasil Industria Ltda and Emak Deutschland for a total value of € 2,850 thousand (note 20) and to the total impairment of € 2,074 thousand of the goodwill that emerged following the acquisition from the parent company Yama SpA and the subsequent merger by incorporation of Bertolini S.p.A. in Emak S.p.A. (note 19).

In the course of 2018, the data included the full amount of the revaluation of the carrying amount of the subsidiary Epicenter LLC, previously impaired in 2014, with a positive economic effect of € 1,020 thousand and the value of € 1,620 thousand relating to investment writedowns in subsidiaries of Emak Do Brasil Industria Ltda and Emak Deutschland.

13. Financial income and expenses

Financial income" is analyzed as follows:

€/000	FY 2019	FY 2018
Dividends from subsidiaries	9,022	4,804
Dividends from associates	-	-
Interest on trade receivables	35	74
Interest on loans to subsidiaries and other financial income (note 38)	552	560
Interest on financial assets granted to parent company (note 38)	-	2
Interest on bank and postal current accounts	48	50
Income from adjustment to fair value of derivates instruments for hedging interest rate risk	47	9
Other financial income	27	13
Financial income	**9,731**	**5,512**

The heading **"Dividends from subsidiaries"** refers to the dividends received from the subsidiaries Emak Suministros Espana S.A, Victus-Emak Sp.Z.o.o., Tecomec S.r.l., Sabart S.r.l., and Comet S.p.A (see note 38).

"Financial expenses" are analyzed as follows:

€/000	FY 2019	FY 2018
Interest on medium long-term bank loans and borrowings	512	487
Interest on short-term bank loans and borrowings	-	2
Interest on loans to related parties (note 38)	1	2
Financial charges from valuing employee termination ind. (note 31)	34	30
Financial charges from leases	2	-
Costs from adjustment to fair value and closure of derivates instruments for hedging interest rate risk	245	334
Other financial costs	9	7
Financial expenses	**803**	**862**

The item "Financial charges from leases" refers to interest on financial liabilities recorded in accordance with accounting standard IFRS 16 – *Leases*.

The details of the **"Exchange gains and losses"** heading are as follows:

€/000	FY 2019	FY 2018
Exchange rate gains	1,705	1,276
Unrealized gains/(losses)	588	192
Exchange rate losses	(1,504)	(594)
Exchange gains and losses	**789**	**874**

14. Income taxes

This amount is made up as follows:

€/000	FY 2019	FY 2018
Current income taxes	1,166	19
Taxes from prior years	34	46
Deferred tax liabilities (note 30)	(1)	(39)
Deferred tax assets (note 30)	(229)	(345)
Total	**970**	**(319)**

"Current income taxes", for the year 2019, amount to a positive value of € 1,166 thousand and refers to retrocession from the benefits of consolidated tax to which the company participates ex art. 117 TUIR on the basis of the contribution by Emak of the facility "ACE" and other benefits, against a certain use at Group level.

The value of the item "Income taxes for previous years" is given by a positive effect of € 34 thousand concerning the retrocession of greater facilitation "ACE" for the tax consolidation pertaining the fiscal year 2018, but recognized in the following year.

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

€/000	FY 2019	% rate	FY 2018	% rate
Profit before taxes	**1,468**		**6,152**	
Theoretical tax charges	**410**	**27.9**	**1,716**	**27.9**
Effect of IRAP differences calculated on different tax base	(56)	(3.8)	(102)	(1.7)
Dividends	(2,105)	(143.4)	(1,095)	(17.8)
Non-deductible costs	1,288	87.7	330	5.4
Previous period taxes	(34)	(2.3)	(45)	(0.7)
ACE facilitation	(134)	(9.1)	(163)	(2.6)
Other differences	(338)	(23.1)	(322)	(5.2)
Effective tax charge	**(970)**	**(66.1)**	**319**	**5.2**

The item "Other differences" mainly includes the benefit deriving from the increase in the fiscally recognized cost of new capital goods, c.d. *super amortization*.

15. Earnings per share

"Basic" earnings per share are calculated by dividing the net profit for the period of the Group attributable to the Company's Shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held (see note 17 of the Consolidated Financial Statements).

16. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2017	Increases	Decreases	Other movements	31.12.2018
Lands and buildings	29,986	95	(1,666)	1,794	30,209
Accumulated depreciation	(12,588)	(805)	1,666	-	(11,727)
Lands and buildings	**17,398**	**(710)**	**-**	**1,794**	**18,482**
Plant and machinery	17,785	560	(903)	1,638	19,080
Accumulated depreciation	(14,821)	(885)	903	-	(14,803)
Plant and machinery	**2,964**	**(325)**	**-**	**1,638**	**4,277**
Other assets	60,758	2,214	(987)	249	62,234
Accumulated depreciation	(55,685)	(2,376)	986	-	(57,075)
Other assets	**5,073**	**(162)**	**(1)**	**249**	**5,159**
Advances and fixed assets in progress	**3,980**	**1,896**	**-**	**(3,681)**	**2,195**
Cost	**112,509**	**4,765**	**(3,556)**	**-**	**113,718**
Accumulated depreciation (note 12)	**(83,094)**	**(4,066)**	**3,555**	**-**	**(83,605)**
Net book value	**29,415**	**699**	**(1)**	**-**	**30,113**

€/000	31.12.2018	Increases	Decreases	Other movements	31.12.2019
Lands and buildings	30,209	1,331		1,200	32,740
Accumulated depreciation	(11,727)	(760)			(12,487)
Lands and buildings	**18,482**	**571**	-	**1,200**	**20,253**
Plant and machinery	19,080	1,033	(23)	217	20,307
Accumulated depreciation	(14,803)	(924)	23	2	(15,702)
Plant and machinery	**4,277**	**109**	-	**219**	**4,605**
Other assets	62,234	1,774	(102)	280	64,186
Accumulated depreciation	(57,075)	(2,465)	87	(2)	(59,455)
Other assets	**5,159**	**(691)**	**(15)**	**278**	**4,731**
Advances and fixed assets in progress	**2,195**	**126**	**-**	**(1,697)**	**624**
Cost	**113,718**	**4,264**	**(125)**	**-**	**117,857**
Accumulated depreciation (note 12)	**(83,605)**	**(4,149)**	**110**	**-**	**(87,644)**
Net book value	**30,113**	**115**	**(15)**	**-**	**30,213**

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

The increases relate to:

- land and buildings category for the completion of the new building which houses the R&D center for € 1,331 thousand;

- the plant and machinery category following the realization of new production lines and new test benches for € 1,033 thousand;
- the **"Other fixed assets"** category mainly includes:
  - acquisitions of equipment and molds for the development of new products, for € 1,076 thousand;
  - acquisitions of electronic machines and office equipment for € 287 thousand;
  - acquisitions of office furniture and machines for € 176 thousand;
  - acquisitions of testing and control instruments for € 166 thousand;
  - • purchases of internal means of transport for € 69 thousand.

Finally, following the closing of the works of the new R&D center, € 1,200 thousand under "Land and Buildings" and € 217 thousand under "Plant and machinery" were reclassified from the item "Advances and fixed assets in progress".

The item **"Advances and fixed assets in progress**" refers to advances for the construction of equipment and molds for production.

The decreases relate to:
- the category "**Plant and machinery**" for the disposal of fully depreciated operating machines;
- the category "**Other assets**" for the scrapping of electronic machines for which the useful life was essentially already over.

The Company does not hold goods that a subject to restrictions on entitlement and ownership.

Over the years the company, Comag S.r.l., merged into Emak S.p.A.in 2015 financial year, has benefitted from a number of capital grants paid in accordance with Law 488/92. The contributions paid are posted to the income statement according to the residual possibility of use of the fixed assets to which they refer and are recorded in the statement of financial position under deferred income.
All receivable relating to these contributions have been received.

17. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2018	Increases	Decreases	Other movements	31.12.2019
Development costs	2,916	936		630	4,482
Accumulated amortization	(1,873)	(162)			(2,035)
Development costs	**1,043**	**774**	**-**	**630**	**2,447**
Patents and intellectual property rights	8,640	575		28	9,243
Accumulated amortization	(7,527)	(540)		4	(8,063)
Patents	**1,113**	**35**	**-**	**32**	**1,180**
Concessions, licences and trademarks	160	18			178
Accumulated amortization	(109)	(10)			(119)
Concessions, licences and trademarks	**51**	**8**	**-**	**-**	**59**
Other intangible assets	1,258	1,103		650	3,011
Accumulated amortization	(1,138)	(275)			(1,413)
Other intangible assets	**120**	**828**	**-**	**650**	**1,598**
Advanced payments	**1,414**	**13**	**-**	**(1,309)**	**118**
Cost	**14,388**	**2,645**	**-**	**(1)**	**17,032**
Accumulated depreciation (note 12)	**(10,647)**	**(987)**	**-**	**4**	**(11,630)**
Net book value	**3,741**	**1,658**	**-**	**3**	**5,402**

€/000	31.12.2017	Increases	Decreases	Other movements	31.12.2018
Development costs	1,988	708	-	220	2,916
Accumulated amortization	(1,837)	(36)	-	-	(1,873)
Development costs	**151**	**672**	**-**	**220**	**1,043**
Patents and intellectual property rights	8,244	396	-	-	8,640
Accumulated amortization	(7,187)	(340)	-	-	(7,527)
Patents	**1,057**	**56**	**-**	**-**	**1,113**
Concessions, licences and trademarks	130	30	-	-	160
Accumulated amortization	(100)	(9)	-	-	(109)
Concessions, licences and trademarks	**30**	**21**	**-**	**-**	**51**
Other intangible assets	1,220	38	-	-	1,258
Accumulated amortization	(1,031)	(107)	-	-	(1,138)
Other intangible assets	**189**	**(69)**	**-**	**-**	**120**
Advanced payments	**911**	**723**	**-**	**(220)**	**1,414**
Cost	**12,493**	**1,895**	**-**	**-**	**14,388**
Accumulated depreciation (note 12)	**(10,155)**	**(492)**	**-**	**-**	**(10,647)**
Net book value	**2,338**	**1,403**	**-**	**-**	**3,741**

The increase in “Development costs” mainly refers to investments in a new development activity started as part of a multi-year project subject to facilitation by the Ministry of Economic Development. These costs include approximately € 908 thousand of personnel costs incurred internally and capitalized under this item.

The increase in the item "Patents and intellectual property rights" mainly refers to the assistance and consultancy activities of the project partner who oversaw the start-up of the new Group management system, necessary and functional to the Go-live of Microsoft Dynamics 365 .
The increase in the item "Other intangible assets" includes development activities on the new Group management system, in order to optimize the processes of the corporate information system.
All the intangible assets have a finite residual life and are amortized on a straight-line basis over the following periods:

• Development costs	5	years
• Intellectual property rights	3	years
• Concessions, licences, trademarks and similar rights	10/15	years
• Other intangible assets	3/5	years

Research and development costs directly posted to the income statement amount to € 4,527 thousand.

18. Rights of use

The item "Rights of use" was introduced in application of the new accounting standard IFRS 16 - Leases adopted by the Company with the "retrospective modified" approach from 1 January 2019.
In compliance with this principle, with regard to leasing contracts, the Company recognized, during the first application, a right of use equal to the net book value that it would have had in the case in which the Standard had been applied from the start date of the contract using a discount rate defined at the transition date.

The movement of the item "Rights of use" is set out below:

€/000	1.1.2019	Increases	Amortization	Decreases	31.12.2019
Rights of use other assets	**155**	86	(74)	(17)	**150**
Net book value (note 14)	**155**	**86**	**(74)**	**(17)**	**150**

The increases for the year relate to the signing of new lease contracts, which expired during the year, for identical underlying assets.

19. Goodwill

The decrease in the item **goodwill** recorded in the year 2019 is totally attributable to the impairment, equal to € 2,074 thousand, of the Emak S.p.A. CGU, a value that emerged following the acquisition from the parent company Yama S.p.A. and the subsequent merger by incorporation of Bertolini S.p.A.

Following the performance recorded in the first half of the year by the Company the Directors considered appropriate to modify a multi-year plan, developed over five years, which had previously been used for the impairment test on the goodwill allocated to this CGU.

A new *impairment test* was subsequently performed by applying a WACC of 8.01%, and a long-term growth rate "g" of 2%.
The *test* showed that the future cash flows did not allow recovering the value of the goodwill allocated to the Emak CGU, originally registred for € 2,074. This goodwill was therefore written down, already the purpose of preparing the Half-year financial report, by recording an impairment loss of the same amount in the item "Amortization, depreciation and impairment losses" of the Consolidated Income Statement.
Furthermore an impairment test was carried out on the activities of the Emak S.p.A. CGU also at 31 December 2019 in order to exclude any further impairment losses.

In particular, the Company's management has considered it appropriate to assess the recoverability of assets recognized in the separate financial statements of Emak S.p.A in the face of evidence of impairment recorded during the year, attributable to the achievement of a negative operating result, related to the significant decline in sales volumes.
This check is carried out by calculating the recoverable value of the reference Cash Generating Unit (CGU), using the “Discounted cash flow” method.
Therefore, the business plan data of the Emak S.p.A. CGU were considered, which represents the smallest set for the generation of cash flows according to the monitoring practices used by management for internal management purposes.
The impairment test, as well as the underlying multi-year plan, referring to the assets registered at 31 December 2019, was approved by the Board of Directors, with the opinion of the Risk Control Committee.
For the purpose of carrying out the impairment test on goodwill values, the *Discounted cash flow* has been calculated in the basis of the following assumptions:

- The basic data used has been extracted from the company plans, approved by the Board of Directors of the company, that represent management’s best estimate of the future operating performance of the company in the period in question;
- The future expected cash flows refer to a period of 5 years, refer to the reference unit in current conditions and exclude any operations of a non-ordinary nature and/or operations not yet defined at the year-end date;
- For the determination of the operating cash flow based on the last year of explicit forecast, was reflected, in order to project "in perpetuity" a stable situation, a balance between investments and amortization (in the logic of considering a level of investments necessary for the maintenance of the business) and change in working capital equal to zero;
- The WACC used to discount cash flows of the CGU Emak S.p.A. it was determined to be 7.24%, and in particular:
    - the terminal value was determined on the basis of a prudential long-term growth rate (g) of 2%, representative of long-term expectations for the industrial sector to which it belongs, considering the presumed inflationary impacts;
    - The beta levered value and the financial structure used for the impairment test are extrapolated from a reliable sector comparable panel.

Furthermore, also on the basis of the indications contained in the joint document of the Bank of Italy, Consob and Isvap no. 4 of 3 March 2010, the Company proceeded to draw up a sensitivity analysis on the results of the impairment test of the CGU Emak S.p.A., with respect to changes in the basic assumptions that affect the value in use of the investment. Also in the case of a positive or negative change of 5% of the WACC, half a percentage point of the growth rate "g" and 5% of the cash flows; these analyses do not lead to impairment losses.
The discount rate used to discount cash flows prudentially includes an execution risk in order to take into account the differences recorded in the past between actual results and budget.

20. Equity investments

Details of equity investments are as follows:

€/000	31.12.2018	Increases	Decreases	31.12.2019
Equity investments				
- in subsidiaries	89,706	5,338	(4,470)	90,574
- in associates	3,750	-	-	3,750
- in other companies	225	-	(223)	2
TOTAL	**93,681**	**5,338**	**(4,693)**	**94,326**

Equity investments in subsidiaries amount to € 90,574 thousand. The increase recorded during the year relates to:

- - the value of € 3,000 thousand, of the investment in the subsidiary Emak Deutschland Gmbh, due to the conversion of the non-current financial credit for capital reinstatement;
- - the total amount of € 2,338 thousand, of the investment in the subsidiary Emak Do Brasil Industria Ltda, due to the conversion of current trade receivables for capital reinstatement.

The decreases in the year are reported:

- for € 1,620 thousand to the provision for the coverage of future losses, already allocated in the previous year, and reclassified from the item other long-term provisions to adjust the value of the investment (note 30);
- for the residual amount as a provision to cover future losses made in the closing year and referred for 2,240 thousand Euros to the subsidiary Emak Deutschland Gmbh and for € 610 thousand to the subsidiary Emak Do Brasil Industria Ltda.

Changes in equity investments in **other companies** relate to the withdrawal of Emak S.p.A. from participation in Netribe S.r.l. (note 5).

The values of investments in subsidiaries and associates are set out in detail in Annexes 1 and 2.

The Company therefore carried out an impairment test of the equity investments that show indicators of impairment, or object of previous devaluations, in order to identify any losses and / or reversal of impairment losses to be recognized in the Income Statement, following the procedure set forth in IAS 36, and then comparing the book value of the individual equity investments with the value in use given by the current value of the estimated cash flows that are expected to derive from the continuous use of the asset subject to impairment test.
There is a connection between the subsidiaries and the cash generating units ("CGU") identified for implementing the aforementioned impairment tests.
The impairment test was therefore implemented for equity investments in Emak Do Brasil Ltda, Emak Deutschland GmbH, Sabart S.r.l., Epicenter Llc, and Victus Sp Z.o.o.
The factors that are most relevant in the estimates of future cash flows are attributable to the intrinsic difficulty of formulating future forecasts, to the feasibility of market strategies in highly competitive contexts, as well as to the macro-economic risks related to the geographical areas in which the Company operates.

For the tests was used the discounted cash flow method (Discounted Cash Flow Unlevered) deriving from the multiannual plans approved by the Board of Directors, with the opinion of the Risk Control Committee, prepared by the individual subsidiaries, as well as from the assumptions at the base of the forecasts, set out over a period of 3-5 years, relating to the individual CGU. These forecasts for the explicit period are in line with forecasts on the performance of the operating segment to which each company belongs and represent the best management estimate on the future operating performance of the individual subsidiaries during the period considered, and excluding any transactions of non-ordinary nature and / or transactions not yet defined at the end of the financial year.
The impairment tests were approved by the Company's Board of Directors on March 13, 2020.

The discount rates in the impairment tests were calculated using as baseline the risk-free rates and the market premiums relating to the different countries to which belong the equity investments under assessment.

The terminal value was calculated with the “perpetuity growth” formula, assuming a growth rate “g-rate” equal to the country's long-term inflation and considering an operating cash flow based on the last year of explicit forecast, adjusted to “perpetuity” project a stable situation, specifically by using the following main assumptions:
- a balance between investments and amortization (in the logic of considering a level of investments necessary for the maintenance of the business);
- change in working capital equal to zero.
The value obtained by summing the discounted cash flows of the explicit period and the terminal value ("Enterprise Value") is deducted the net financial debt at the reference date of the valuation, in this case on 31 December 2019, in order to obtain the economic value of the investments subject to assessment ("Equity Value").

The WACCs used for discounting future cash flows are determined based on the following assumptions:

- the average cost of capital is the result of the weighted average cost of debt (calculated considering the reference rates plus a "spread");
- the cost of equity is determined using the value of beta levered and the financial structure of a panel of comparable companies, with the only exceptions of the risk-free rate and the risk premium, specific for each country.

The WACC used to discount cash flows were respectively 8.13% for Victus Sp Z.o.o. (Poland), 7.55% for Emak Deutschland Gmbh (Germany), 7.24% for Sabart S.r.l. (Italy), 16.18% for Epicenter Llc (Ukraine), while a WACC of 13.14% was used for the CGU Emak Do Brasil Ltda located in Brazil. The discounting rates used to discount the cash flows prudently include an execution risk in order to take into account the differences recorded in the past between actual results and budget.

The impairment tests carried out on these subsidiaries did not show any impairment losses to be recognized in the income statement as at 31 December 2019 with the exception of the company Emak Do Brasil and Emak Deutschland Gmbh. Future cash flows derive from plans drawn up taking into account the critical and macroeconomic risks that distinguish the scope in which the subsidiaries operates and the impairment test showed impairment losses of € 610 thousand and € 2,240 thousand respectively.

Furthermore, also on the basis of the indications contained in the joint document of the Bank of Italy, Consob and Isvap no. 4 of 3 March 2010, the Company proceeded to draw up a sensitivity analysis on the results of the impairment test with respect to changes in the basic assumptions that may affect the value in use of the investment. Even in the case of a positive change of 5% of the WACC, or negative of half a percentage point of the growth rate "g" or of 5% of the cash flows, the analyses do not show any losses in value, except for companies already subject to impairment.

The heading **equity investments in associated companies** amounts to € 3,750 thousand and refers to the acquisition of 30% of Cifarelli S.p.A. carried out in the 2016; the company shows a positive profit for the year, in continuity with the past. The negative difference between the book value of the investment and the net equity is therefore not considered an indicator of impairment.

Investments in **other companies** relate to:

- one share for membership of the ECOPED Consortium as required by Decree 151/2005, with a value of € 1 thousand;
- one share for membership of the POLIECO Consortium as required by Decree 151/2006, with a value of € 1 thousand.

21. Derivative financial instruments

The financial statements values relate to changes in the fair value of financial instruments:

- hedging the risk of changes in debit interest rates;
- hedging purchases in foreign currencies.

All derivative financial instruments belonging to this heading are valued at fair value at the second hierarchical level, that is, the estimate of their fair value has been carried out using variables other than Prices quoted in active markets and which are observable (on the market) either directly (prices) or indirectly (derived from prices).

In the case in point, the fair value recorded is equal to the "market to market" estimation provided by the reference bank, which represents the current market value of each contract calculated at the closing date of the Financial Statements.

December 31, 2019 appear outstanding forward contracts of purchase in foreign currencies for:

	Company		Nominal value (€/000)	Forward exchange (average)	Due to (*)
Forward contracts for foreign currencies purchases					
Cnh/Euro	Emak Spa	Cnh	60,000	8.02	10/12/2020
Cnh/Usd	Emak Spa	Cnh	28,000	6.98	15/07/2020
Forward contracts for foreign currencies purchases with collar options					
Cnh/Euro	Emak Spa	Cnh	24,000	8.115	10/08/2020

(*) The expiry date is indicative of the last contract

The accounting for the overexposed instruments takes place at fair value. The current value of forward purchase contracts in foreign currency led to the recognition of a positive fair value of € 131 thousand.
In accordance with the reference accounting standards, these effects have been recognized in the income statement in the current period.

Emak S.p.A. has taken out a number of IRS contracts and options on interest rates, with the aim of covering the risk of variability of interest rates on loans, for a notional total of € 51,529 thousand.

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Intesa Sanpaolo	Emak S.p.A.	278	24/09/2015	12/06/2020
Mediobanca	Emak S.p.A.	1,250	24/09/2015	31/12/2020
MPS	Emak S.p.A.	750	24/09/2015	31/12/2020
Banca Nazionale del Lavoro	Emak S.p.A.	1,000	29/09/2017	22/04/2020
Credit Agricole Cariparma	Emak S.p.A.	4,688	26/10/2017	11/05/2022
Credit Agricole Cariparma	Emak S.p.A.	3,500	24/05/2018	30/06/2023
MPS	Emak S.p.A.	7,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	7,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	6,500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	6,563	06/07/2018	06/07/2023
UniCredit	Emak S.p.A.	4,550	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	2,500	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	5,950	02/08/2019	30/06/2024
Total		**51,529**		

The recorded value of these contracts at December 31, 2019 shows a negative fair value of € 314 thousand and a positive fair value of € 47 thousand.

The average interest rate resulting from the instruments is equal to 0.02%.

All the contracts, while having the purpose and characteristics of hedging operations, do not formally comply with the rules for being accounted for as such; for this reason all the changes in fair value have been recorded in the income statement in the relevant financial period.

22. Other financial assets

The **"Other non-current financial assets"** amounted to € 15,835 thousand, against € 20,618 thousand in the previous year and refer to loans quoted in Euros granted to subsidiaries amounting to € 15,458 thousand, of which €14,800 thousand due to the subsidiary Comet S.p.A. and receivables from the parent company Yama S.p.A. for contractual indemnity for an amount of € 223 thousand.

“Other current financial assets” amounting to € 4,927 thousand refer to the U.S. Dollar loan granted to the controlled company Comet Usa for € 890 thousand (€ 873 thousand at December 31, 2018), the 2019 dividend credit of the subsidiary Comet S.p.A. as well as, for the current portion, the credit in favor of the parent company Yama S.p.A., already mentioned in the previous paragraph, for € 37 thousand.

The interest rates applied to loans granted by Emak to the subsidiaries have been established in accordance with the framework resolutions that define the nature and terms of conduct. In general, the yield varies depending on:
- the type and duration of the loan granted;
- the performance of the financial markets in which Emak and its subsidiaries operate and the official reference rates (mainly Euribor and Libor);
- the currency of the loan granted.

23. Trade and other receivables

A breakdown of the heading is shown below:

€/000	31.12.2019	31.12.2018
Trade receivables	27,924	30,904
Provision for doubtful accounts	(2,656)	(2,571)
Net trade receivables	**25,268**	**28,333**
Receivables from related parties (note 38)	11,731	15,797
Prepaid expenses and accrued income	624	495
Other receivables	1,364	283
Total current portion	**38,987**	**44,908**
Other non current receivables	3	3
Total non current portion	**3**	**3**

The "**Trade receivables**" item decreased by € 2,300 thousand as a result of equal compensation, of advances received from customers and previously classified under the "Other payables" item, and € 680 thousand as a result of lower sales.
The item "**Receivables from related parties**" decreases mainly due to the conversion of trade receivables, increasing the value of the equity investment of the subsidiary Emak Do Brasil Ltda (note 20).
The item "**Other current receivables**" includes the credit deriving from the relationship that governs the tax consolidation with the parent company Yama S.p.A. and relating to the contribution to the Group of the benefits accrued for the year which at 31 December 2019 amounted to € 1,166 thousand (€ 163 thousand at 31 December 2018).

At 31 December 2019, the Company had recourse to the non-recourse transfer of trade receivables for an amount of € 1,188 thousand, providing for the derecognition of the same.

Trade receivables have an average maturity of 88 days and there are no trade receivables due after one year.

All non-current receivables mature within five years.

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

€/000	Italy	Europe	Rest of the world	Total
Trade receivables	13,177	8,508	6,239	**27,924**
Related parties receivables	1,077	7,030	3,624	**11,731**

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

€/000	FY 2019	FY 2018
Opening balance	**2,571**	**2,233**
Provisions (note 11)	198	446
Usage	(113)	(108)
Closing balance	**2,656**	**2,571**

The book value of this balance approximates its fair value.
The value of the allowance for doubtful accounts refers to € 2,607 thousand for receivables expired for over 90 days (55.5% of the total gross value) and for € 49 thousand to receivables expired from 0 to 90 days (1.8% of the total gross value).

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2019	31.12.2018
Raw, ancillary and consumable materials	20,157	18,678
Work in progress and semi-finished products	4,949	6,542
Finished products and goods	9,067	9,844
Total	**34,173**	**35,064**

Inventories are stated net of a provision of € 2,191 thousand at December 31, 2019 (€2,191 thousand at December 31, 2018) intended to align obsolete and slow-moving items to their estimated realizable value.

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

€/000	FY 2019	FY 2018
Opening balance	**2,191**	**1,626**
Provisions	662	788
Usage	(662)	(223)
Closing balance	**2,191**	**2,191**

The inventories provision is a management estimate of the loss in value expected, calculated on the basis of past experience, historic trends and market expectations.

None of the company's inventories at December 31, 2018 act as security against its liabilities.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2019	31.12.2018
Bank and post office deposits	22,312	31,075
Cash	11	11
Total	**22,323**	**31,086**

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

€/000	31.12.2019	31.12.2018
Cash and cash equivalents	22,323	31,086
Overdrafts (note 28)	(247)	(264)
Total	**22,076**	**30,822**

26. Equity

Share capital
Share capital is fully paid up at 31 December 2019 and amounts to € 42,623 thousand, remaining unchanged during the year under examination, and it consists of 163,934,835 ordinary shares of par value € 0.26 each. This amount is presented net of the nominal value of own shares owned at 31 December 2019, equal to € 104 thousand.

All shares have been fully paid.

Treasury shares
The total value of treasury shares held at 31 December 2019 amounted to € 2,029 thousand and has not changed compared to the previous year.
This sum was allocated for the nominal value (€ 104 thousand) to adjust the share capital and for the corresponding share premium (€ 1,925 thousand) to adjust the share premium reserve.
The consistency of the portfolio of treasury shares during the year remained unchanged.

Share premium reserve
At 31 December 2019, the share premium reserve amounts to € 40,529 thousand, and consists of premiums on newly issued shares, net of share premium treasury shares held at December 31, 2019. The reserve is shown net of charges related to the capital increase amounted to € 1,598 thousand and adjusted for the related tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31, 2019 of € 3,489 thousand (€ 3,197 thousand at December 31 2018).

Revaluation reserve
At 31 December 2019 the revaluation reserve includes the reserves deriving from the revaluation as per Law 72/83 for € 371 thousand and as per Law 413/91 for € 767 thousand. No changes occurred during the year.

Other reserves
The extraordinary reserve amounts to € 27,891 thousand at December 31 2019, inclusive of all allocations of earnings in prior years.

At 31 December 2019 other reserves also include:
- reserves qualifying for tax relief, referring to tax provisions for grants and donations for € 129 thousand;
- reserves for merger surpluses for € 3,562 thousand;
- reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

These reserves have remained unchanged compared to the previous year.

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

Nature/Description (€/000)	Amount	Possible use	Available portion	Summary of uses in past three years: Coverage of losses	Summary of uses in past three years: Distribution of profits
Share capital	**42,519**				
Capital reserve					
Share premium reserve (§)	40,529	A-B-C	40,529	-	-
Revaluation reserve under Law 72/83 (#)	371	A-B-C	371	-	-
Revaluation reserve under Law 413/91 (#)	767	A-B-C	767	-	-
Merger surplus reserve (£)	3,562	A-B-C	3,562	-	-
Other untaxed reserve (#)	122	A-B-C	122	-	-
Reserves formed from earnings					
Legal reserve	3,489	B	-	-	-
Extraordinary reserve	27,891	A-B-C	27,891	-	-
Untaxed reserve (#)	129	A-B-C	129	-	-
Profits brought forward in FTA	2,100	A-B	2,100	-	-
Valutation reserve	(609)		(609)	-	-
Retained earnings	22,334	A-B-C	22,969	-	5,089
Total	**100,685**		**97,831**	-	**5,089**
Undistributable portion (*)			**(9,461)**	-	-
Distributable balance			**88,370**	-	-
Net profit for the period (**)	**2,439**		**2,317**	-	-
Total equity	**145,643**				

A: for share capital increases
B: for covering losses
C: for distribution to shareholders

(#) Subject to tax payable by the company in the event of distribution;
(£) Subject to taxation of the company, in the event of distribution, for the value of € 394 thousand;
(*) Equal to the reserve First Time Adoption (€ 2,100 thousand), the share of long-term costs not yet amortized (€ 2,447 thousand) in addition to the share of necessary future allocation to the legal reserve (€ 4,910 thousand). This bond bears specifically on the share premium reserve (§);
(**) Subject to obliged allocation to the legal reserve for € 126 thousand.

27. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2019	31.12.2018
Trade payables	21,503	22,219
Payables due to related parties (note 38)	7,202	5,474
Payables due to staff and social security institutions	2,758	3,258
Other payables	472	3,924
Total	**31,935**	**34,875**

The heading **"Other payables"** includes amounts payable to Directors and employees for € 73 thousand, the current part of the contribution as per Law 488/92 of the company Comag S.r.l., merged by incorporation into Emak S.p.A. (note 33) and current payables for withholding tax to guarantee certain suppliers who contributed to the construction of the new R&D center.

Trade payables do not accrue interest and are normally settled at around 74 days.

The heading includes amounts in foreign currencies as follows:
- US dollars for 5,788,301;
- Japanese yen for 14,794,117;
- Taiwanese dollars for 166,330;
- Swiss Franc for 13,133;
- Chinese renminbi yuan for 56,311,309.

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

€/000	Italy	Europe	Rest of the world	Total
Trade payables	14,835	1,519	5,149	**21,503**
Related parties payables	648	434	6,120	**7,202**

The book value reported in the statement of financial position corresponds to fair value.

28. Loans and borrowings

Loans and borrowings at December 31, 2019 do not include any secured payables.

Details of **current loans and borrowings** are as follows:

€/000	31.12.2019	31.12.2018
Overdrafts (note 25)	247	264
Bank loans	20,423	21,645
Financial accrued expenses and deferred income	23	26
Financial debts from related parties (note 38)	1,746	2,466
Other current loans	352	352
Total current portion	**22,791**	**24,753**

The heading **“Financial debts from related parties”** refers to the interest-bearing loan granted by the subsidiary, Sabart S.r.l., for € 1,709 thousand and to the commitment to retrocess a contractual indemnity due to the subsidiary, Tecomec S.r.l., for the current portion of € 37 thousand.
The heading **"Other current loans"** refers to the granting of a subsidized loan on the part of Simest S.p.A. in accordance with Law 133/08.

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due within 6 and 12 months	Total
Bank loans	10,959	9,464	**20,423**
Financial debts from related parties (note 38)	1,709	37	**1,746**
Total	**12,668**	**9,501**	**22,169**

Interest rates applied to loans granted to Emak by subsidiaries have been established in accordance with the framework resolutions that define the nature and terms of conduct. Generally the yield varies depending on:
- the type and duration of the loan granted;
- the performance of the financial markets in which Emak and its subsidiaries operate and of the official reference rates (Euribor);
- the currency of the loan granted.

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

€/000	31.12.2018	Increases	Decreases	31.12.2019
Bank loans	45,799	13,800	(17,922)	41,677
Financial debts from related parties (note 38)	260	-	(37)	223
Other financial loans	703	-	(351)	351
Total non current portion	**46,762**	**13,800**	**(18,310)**	**42,251**

The heading **"Financial debts from related parties"** of € 223 thousand refers to the commitment to retrocess a contractual indemnity due to the subsidiary, Tecomec S.r.l., for the long-term portion.

The heading "Other financial loans" refers to a loan granted by Simest S.p.A. in accordance with Law 133/08, through which Italian companies are assisted in their internationalization processes through loans at subsidized rates. The short-term portion is shown under "Other current loans and borrowings".

Long and medium-term loans and borrowings are repayable as follows:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	16,565	14,707	7,781	2,624	**41,677**	**-**
Financial debts from related parties	37	37	37	37	**148**	**75**
Other financial loans	351	-	-	-	**351**	**-**
Total	**16,953**	**14,744**	**7,818**	**2,661**	**42,176**	**75**

The interest rates refer to 3-6 months Euribor plus an average spread of 0.90 percentage points.

A number of medium-long-term loans are subject to finance covenants assessed on the basis of consolidated Net financial position/Ebitda and Net financial position/Equity ratios. At December 31, 2019 the Company complied with all the benchmarks set by contract.

29. Liabilities derivig from leases

The item "**Liabilities derivig from *leases*"** which totals € 155 thousand, of which € 90 thousand as non-current portion and € 65 thousand as current portion, refers to financial liabilities recorded in application of the new IFRS accounting standard 16 - Leases, adopted by the Company from 1 January 2019. These liabilities are equal to the present value of the future residual payments provided by the contracts. At the transition date these liabilities amounted to € 160 thousand, of which € 89 thousand as non-current portion and € 71 thousand as current portion.

Liabilities deriving from medium and long-term leases are repayable according to the following repayment plan:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Liabilities for leasing	45	35	10	-	**90**	**-**
Total	**45**	**35**	**10**	**-**	**90**	**-**

30. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2018	Increases	Decreases	Other movements	31.12.2019
Deferred tax on provision for inventory write-downs	526	-	-	-	526
Deferred tax on provisions for bad debts	184	-	-	-	184
Other deferred tax assets	1,144	131	(360)	68	983
Total (note 14)	**1,854**	**131**	**(360)**	**68**	**1,693**

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2019.

The heading **"Other deferred tax assets"** mainly includes:
- a receivable of € 497 thousand, as tax benefits carried forward, corresponding to ACE (aid for economic growth pursuant to Article 1, Law 201/2011), accrued in previous years (2012 - 2015) and recognized as due by the Italian Revenue Agency in 2017, following a favourable response to the application not to apply presented by the Company.
- the deferred tax effect of accounting for post-employment benefits according to IAS 19, for € 113 thousand;
- deferred tax assets for € 64 thousand relating to the taxation of the product warranty provision, fiscally relevant in future years.

Deferred tax liabilities are detailed below:

€/000	31.12.2018	Increases	Decreases	31.12.2019
Deferred taxes on capital gains on disposals of fixed assets	5		(1)	4
Deferred tax on property IAS 17	1,137		(28)	1,109
Other deferred tax liabilities	164	220	(190)	194
Total (note 14)	**1,306**	**220**	**(219)**	**1,307**

The portion of the taxes which will reverse in the next 12 months amounted to about € 226 thousand.

The **"Other deferred tax liabilities"** heading refers to unrealized foreign exchange gains in 2019.

It should be noted that no deferred taxes were allocated in respect of the revaluation reserves, which are reserves in partial suspension of the tax, as it is likely that there will be no transactions that would give rise to taxation. The total amount of these taxes at December 31, 2019 is € 340 thousand.

The **current tax assets** amount at December 31, 2019 to € 1,138 thousand, against € 1,435 thousand at December 31, 2018, and refer to:
- credits at reimbursements relating to deductibility of IRES (Italian corporate income tax) from IRAP (regional corporate tax) for a total amount of € 344 thousand, concerning the appeal filed in previous years as per art. 2 Law no. 201/2011 for a value of € 156 thousand and as per art.6, Decree Law 185/2008 for a further € 188 thousand;
- VAT credits for € 317 thousand;
- "Ecobonus" deduction credit for energy saving measures for € 46 thousand;
- "Training 4.0" tax credit, Law 205/17 for € 49 thousand;
- R&D tax credit L. 190/14 for € 227 thousand;
- credit for IRAP advance payment of € 137 thousand;
- other minor tax receivables for € 18 thousand.

Current tax liabilities amount to € 832 thousand at December 31, 2019 and mainly refer to withholding taxes to be paid. The corresponding amount at December 31, 2018 was equal to € 1,043 thousand.

31. Employee benefits

The liability refers to the time-discounted debt for termination indemnity due at the end of an employee's working life, amounting to € 2,982 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 2,672 thousand.

Movements in this liability are as follows:

€/000	2019	2018
Opening balance	**3,124**	**3,769**
Actuarial (gains)/losses	98	(60)
Interest cost on obligation (note 13)	34	30
Disbursements	(274)	(615)
Closing balance	**2,982**	**3,124**

The principal economic and financial assumptions used are as follows:

	FY 2019	FY 2018
Annual inflation rate	1.2%	1.5%
Discount rate	0.4%	1.1%
Dismissal rate	3.0%	1.0%

Demographic assumptions refer to the most recent statistics published by ISTAT.

Payments in 2020 are expected to be in line with 2019.

32. Provisions for risk and charges

Movements in this balance are analyzed below:

€/000	31.12.2018	Increases	Decreases	Other movements	31.12.2019
Provisions for agents' termination indemnity	290	40	-	-	330
Other provisions	1,645	-	(1,620)	-	25
Total non current portion	**1,935**	**40**	**(1,620)**	**-**	**355**
Provisions for products warranties	431	-	(166)	-	265
Other provisions	35	-	-	-	35
Total current portion	**466**	**-**	**(166)**	**-**	**300**

The provision for agents' termination indemnity is calculated with reference to the agency contracts in existence at year end and refers to the indemnity that is likely to be paid to agents.

Other provisions in the long term refer to € 25 thousand, for legal costs provisioned in respect of the conduct of tax disputes pertaining to the company Bertolini S.p.A. (incorporated at the time) for which Emak, based on the opinion expressed by its defenders, does not expect to mobilize additional funds to incumbent liabilities;

The decrease in the total value of € 1,620 thousand refers to a provision to cover future losses related to investments in subsidiaries Emak Deutschland Gmbh and Emak Do Brasil Industria Ltda, allocated in the financial year 2018 (note 20). Following the capital reinstatement carried out by Emak S.p.A. during 2019 in favor of subsidiaries, this fund was reclassified to adjust the respective value of the equity investments recorded among non-current assets.

The product warranty provision relates to future costs for warranty repairs that will be supposedly incurred for products sold covered by the legal and/or contractual warranty period, the provision is based on estimates extrapolated from historical trends.

The current portion of item **"Other provisions"**, amounting to € 35 thousand, refers to the best estimate of liabilities presently considered as probable, in the face of provisions equal to the value of the relief on claims for product civil liability (€18 thousand) and other liabilities of a minor nature due to probable disputes.

33. Other non-current liabilities

The total amount of € 486 thousand (€ 520 thousand at December 31, 2018) refers to the deferred income relating to capital grants received as per Law 488/92 by Comag S.r.l., merged into Emak S.p.A. in the year 2015, and spread over subsequent financial periods. The part of the grant receivable within one year is included in current liabilities under "Other payables" and amounts to € 34 thousand.

34. Contingent liabilities

At the date of December 31, 2019 the Company does not have any disputes other than those referred to in these notes. In the Director's opinion, at the closing date, there were no reasonable grounds for the occurrence of additional future liabilities with respect to those already disclosed in these notes.

35. Commitments

Purchase of further equity interests

It should be noted that as part of the contract for the acquisition of the 30% of the company Cifarelli S.p.A was defined a "Put & Call Option" for the acquisition of the 70%, to be exercised in the second quarter of 2020. Negotiations are still ongoing between the parties aimed at defining future corporate interests.

Purchase of fixed assets

The Company has commitments for the purchase of fixed assets not recorded in the financial statements at 31 December 2019 for the amount of € 110 thousand.

36. Guarantees

Guarantees granted to *third parties*

They amount to € 1,893 thousand and are made up as follows:

- € 512 thousand for a insurance guarantee in favour of EPA (United Environmental Protection Agency) in compliance with an American regulation in force from 2010 regarding the emissions of combustion engines;
- € 350 thousand for surety policy in favour of the Naples Customs Office for guaranteeing customs duties;
- € 81 thousand for a surety policy in favour of the Campobasso customs office to guarantee customs duties;
- € 950 thousand for a surety policy in favour of Simest for loans.

Comfort letters, sureties and credit orders in favor of subsidiaries
These amount to € 94,269 thousand, and refer to the balance of credit line available or used as at December 31, 2019, broken down as follows:

€/000	Value of collateral	Amount guaranteed
Emak Deutschland GmbH	3,183	3,183
Emak France SAS	2,000	2,000
Emak U.K. Ltd.	1,844	1,844
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	154	154
Epicenter Limited	78	78
Victus Emak SP. Z.O.O.	1,309	1,309
Tecomec S.r.l.	18,612	18,612
Comet S.p.A	33,339	29,484
Comet S.p.A. (operation Lavorwash)	33,750	22,500
Total	**94,269**	**79,164**

37. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2019 and amounts to € 42,623 thousand. It consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2019	31.12.2018
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(397,233)	(397,233)
Total outstanding shares	**163,537,602**	**163,537,602**

The dividends for 2018 approved by the shareholders on 30 April 2019, totaling € 7,359 thousand, were paid during 2019.

At December 31, 2018 the Company held in portfolio 397,233 treasury shares for a value of € 2,029 thousand. During 2019 no treasury shares were purchased or sold by Emak S.p.A.

Therefore at December 31, 2019 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2020 no treasury shares were acquired or sold by Emak S.p.A.. As a result, the holding and value of treasury shares is unchanged with respect to December 31, 2019.

38. Related Party transactions

Related parties transactions not usual, neither the recurring, not coming under the ordinary scope of activity

Emak adopted in accordance with the law an assurance procedure for the operations typically extraordinary, entered into with related parties, which defines and governs all the potential relationships of this nature, to be applied to all entities of the Group. On 13 March 2020, this procedure was adjusted by the Board of Directors, following the exceeding of the dimensional thresholds that previously qualified EMAK as "smaller issuer pursuant to CONSOB resolution no. 17221 of 2010. As a result of the above , the company can no longer make use of the simplified protection procedure in the regulation of transactions of greater importance with related parties, but will apply in full, if any conditions are met, the provisions of article 8 of the aforementioned provision.

The procedure is available on the website www.emakgroup.com, in the "Investor relations" - "Corporate governance" - "Other information" section.

The company will update the procedures in question again, as soon as CONSOB has approved the regulation implementing the provisions envisaged for the aforementioned matter by art. 1 of Legislative Decree 49/2019.

* * * * * * *

Related parties ordinary transactions in 2019 within the Group controlled by Emak S.p.A.

With regards to the group of companies under its control, the active and passive supply relationships maintained by Emak correspond to the industrial and commercial supply chain relating to its normal business activity.
It should be noted that all transactions relating to the exchange of goods and the provision of services that occurred in 2019 in the group fall within ordinary business of Emak and have been adjusted based on market conditions (i.e. conditions equivalent to those that would be applied in relations between independent parties).These conditions correspond with aims strictly industrial and commercial and of Group financial management optimization. The execution of these transactions is governed by specific and analytical procedures and programmatic documents ("framework resolutions"), approved by the Board of Directors, with the assistance and consent of the independent directors, meeting in the Audit and Risk Committee.

The operations carried out in 2019 with parties belonging to the Emak Group and the values of such relations in force at the closing date of the financial year are shown below.

Receivables for loans and interest:

Companies belonging to Emak S.p.A. (€/000)	Financial income	Current financial assets	Non current financial assets
Emak Deutschland GmbH	15	-	500
Emak UK Ltd.	2	-	158
Comet S.p.A.	455	4,000	14,800
Comet USA Inc.	80	890	-
Raico S.r.l.	-	-	-
Epicenter Llc.	-	-	-
Total (note 13 and note 22)	**552**	**4,890**	**15,458**

Payables for loans and interests:

Companies belonging to Emak S.p.A. (€/000)	Financial expenses	Current financial liabilities	Non current financial liabilities
Sabart S.r.l.	1	1,709	-
Tecomec S.r.l.	-	37	223
Total (note 28)	**1**	**1,746**	**223**

Other reports related to financial nature concerning the relationship of the guarantee referred to in paragraph 34 above.

Sale of goods and services and receivables:

Companies belonging to Emak S.p.A. (€/000)	Net sales	Other operating incomes	Dividends	Total	Trade and other receivables
Emak Suministros Espana SA	3,302	27	270	**3,599**	**1,233**
Emak Deutschland Gmbh	2,219	16	-	**2,235**	**581**
Emak UK Ltd.	1,254	-	-	**1,254**	**914**
Emak France SAS	6,667	-	-	**6,667**	**1,918**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	514	28	-	**542**	**246**
Victus Emak Sp. z.o.o.	6,529	32	379	**6,940**	**1821**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	22	-	-	**22**	**20**
Epicenter Llc.	1,471	-	-	**1,471**	**215**
Emak Do Brasil Industria Ltda	544	-	-	**544**	**2,344**
Comet S.p.A.	5	361	4,000	**4,366**	**406**
Comet USA Inc.	226	-	-	**226**	**1,014**
PTC S.r.l.	-	45	-	**45**	**15**
Sabart S.r.l.	275	179	1,958	**2,412**	**184**
Raico S.r.l.	-	-	-	**-**	**-**
Tecomec S.r.l.	7	728	2,415	**3,150**	**406**
Geoline Elettronic S.r.l.	-	3	-	**3**	**-**
Lavorwash S.p.A.	1	129	-	**130**	**39**
Total (C)	**23,036**	**1,548**	**9,022**	**33,606**	**11,356**

Purchase of goods and services and payables:

Companies belonging to Emak S.p.A. (€/000)	Purchases of raw and finished products	Other costs	Total costs	Trade and others payables
Emak Suministros Espana SA	1	21	**22**	2
Emak Deutschland Gmbh	-	84	**84**	-
Emak UK Ltd.	-	11	**11**	3
Emak France SAS	6	84	**90**	29
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	20,240	20	**20,260**	4,801
Comet USA	1	222	**223**	117
Victus Emak Sp. z.o.o.	8	32	**40**	11
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	731	-	**731**	349
Epicenter Llc.	-	3	**3**	-
Emak Do Brasil Industria Ltda	-	84	**84**	615
Comet S.p.A.	437	39	**476**	239
Sabart S.r.l.	3	3	**6**	2
Tecomec S.r.l.	172	-	**172**	16
Ningbo Tecomec	809	-	**809**	237
Speed France SAS	699	1	**700**	115
Total (D)	**23,107**	**604**	**23,711**	**6,536**

* * * * * * *

Usual dealings with related parties external to the Emak Group occurring during 2019 regarding ordinary commercial and financial operations

Emak S.p.A. is part of the larger group of companies that are owned by Yama S.p.A., its parent company.

Firstly, the dealings entered into in the 2019 financial year with companies directly controlled by Yama are exclusively of an ordinary commercial nature, all coming under Emak's typical activities and all at arm's length. Some companies supply Emak with components and materials, others buy products from Emak to complete their respective commercial product range.

Secondly, dealings of a financial nature and of a usual character derive from Emak S.p.A.'s equity investment in the tax consolidation as per arts. 117 and following of the TUIR (the Consolidated Law on Income Tax) with the controlling company, Yama S.p.A., the latter in its capacity as consolidator. The criteria and means for regulating such dealings are established and formalised in consolidation agreements, based on the parity of treatment of the participants (note 23). The operations illustrated in paragraph 21 of these Notes are also of a financial nature.

Other dealings with "other related parties" consist in professional services of a legal and tax nature, provided by bodies subject to significant influence on the part of a number of directors.

Details of the transactions entered into in 2019 with Yama and with other related parties not controlled by Emak are shown below, as well as indications of the entity of such dealings in force at the closing date of the financial year.

Sale of goods and services and receivables:

Releted parties (€/000)	Net sales	Other operating incomes	Trade and other receivables
SG Agroo d.o.o.	-	-	-
Euro Reflex D.o.o.	570	-	347
Garmec S.r.l.	9	-	2
Mac Sardegna S.r.l.	-	-	-
Selettra S.r.l.	-	-	-
Cifarelli S.p.A.	49	-	26
Total (E)	**628**	**-**	**375**
Total C+E (note 23)	**23,664**	**1,548**	**11,731**

Purchase of goods and services:

Releted parties (€/000)	Purchases of raw materials and finished products	Other costs	Total costs	Trade payables
Cofima S.r.l.	1	-	**1**	**-**
Garmec S.r.l.	2	-	**2**	**3**
Euro Reflex D.o.o.	1,319	32	**1,351**	**276**
Mac Sardegna S.r.l.	-	-	**-**	**-**
Selettra S.r.l.	115	-	**115**	**46**
Cifarelli S.p.A.	751	-	**751**	**132**
Total (F)	**2,188**	**32**	**2,220**	**457**
Other related parties (G)	**-**	**241**	**241**	**209**
Totals D+F+G (note 27)	**25,295**	**877**	**26,172**	**7,202**

Relationships of financial nature and related income:

Releted parties (€/000)	Current financial assets	Non current financial assets
Yama S.p.A.	37	223
Total (note 22)	**37**	**223**

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Other transactions with related parties of a usual nature

Other significant dealings on the part of Emak with related parties are those concerning the remuneration of company officers, established in compliance with general meeting resolutions which have established, for the three-year period of office, maximum global remunerations and, with regards to the managing Directors, bonus schemes. The resolutions of the Board of Directors regarding the remuneration are taken with the opinion of the Committee, composed exclusively of independent Directors. More detailed information regarding the remuneration policy, the procedures used for its adoption and implementation, as well as a description of each of the headings making up remuneration, are disclosed in the report drawn up by the Company pursuant to art. 123-ter 58/98, which is submitted for approval to the Shareholders' Meeting and which is available on the website.

Costs incurred during the financial period for the remuneration of Emak S.p.A.'s directors and auditors are as follows:

(€/000)	FY 2019	FY 2018
Emoluments of directors and statutory auditors	417	890
Benefits in kind	10	9
Wage and salaries	640	687
Employee termination indemnities	46	47
Total	**1,113**	**1,633**

The variable incentive part of the remuneration allocated to the executive directors, included in the amounts shown in the table, is established on a three-year basis, corresponding to the expiry of the current Board mandate.

The total debt for remuneration of Directors and Auditors of the Parent Company at December 31, 2019 amounted to € 160 thousand.

In the ending year no other relationships of significant amount of current nature with related parties occurred.

39. Grants received: obligations of transparency regarding public grants Law no.124/2017

In compliance with the transparency obligations regarding public grants provided for by article 1, paragraphs 125-129 of Law no. 124/2017, subsequently integrated by the "security" Decree Law (no. 113/2018) and by the "Simplification" Decree Law (no. 135/2018), information relating to public grants received by the Company during the 2019 financial year is given below.
It should be noted that a cash-based reporting criterion has been adopted, reporting the grants collected during the period in question.
Disbursements received as consideration for supplies and services provided have not been taken into consideration.

€/000

Lender	Description	Emak S.p.A.
Emilia Romagna Region	Contribution for research and development projects (DGR 773/2015)	109
INAIL	Contribution to the ISI INAIL Call of 23 December 2016	70
Fondimpresa	Contribution for training plans	30
MEF	Tax credit under Law 104/2014	2
MEF	Tax credit under Law 107/2015	2
Total		**213**

40. Subsequent events

There are no noteworthy events except as already described in notes 12 and 14 of the Directors Report.

41. Proposal for the allocation of profit for the financial year and dividend

For the proposal of allocation of the net profit for the year and distribution of dividends, please refer to note 16 of the Directors Report.

Supplementary schedules

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

1. CHANGES IN EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES AND ASSOCIATES

2. DETAILS OF EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES AND ASSOCIATES

3. FINANCIAL HIGHLIGHTS OF THE ULTIMATE PARENT COMPANY

4. SCHEDULE OF FEES FOR AUDIT SERVICES AND OTHER SERVICES DIFFERENT THAN AUDITING

Appendix 1

Changes in equity investments

	31.12.2018				Changes				31.12.2019			
	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding	Subscriptions And acquisitions	Other movements	Sales	Revaluations (Depreciations)	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding
Italy												
Comet S.p.A.	5,000,000	27,232	100	100					5,000,000	27,232	100	100
Raico S.r.l. (note 19)	-	-	-	-					-	-	-	-
Sabart S.r.l.	1 share	21,011	100	100					1 share	21,011	100	100
Tecomec S.r.l. (note 19)	1 share	27,830	100	100					1 share	27,830	100	100
Spain												
Emak Suministros Espana SA	405	572	90	90					405	572	90	90
Germany												
Emak Deutschland Gmbh (note 20)	10,820	-	100	100	3,000			(2,693)	10,820	307	100	100
Great Britain												
Emak UK Ltd	342,090	691	100	100					342,090	691	100	100
France												
Emak France SAS	2,000,000	2,049	100	100					2,000,000	2,049	100	100
China												
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	-	2,476	100	100					-	2,476	100	100
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	-	2,550	100	100					-	2,550	100	100
Poland												
Victus Emak Sp. z.o.o.	32,800	3,605	100	100					32,800	3,605	100	100
Ukraine												
Epicenter	1 share	1,690	100	100					1 share	1,690	100	100
Brazil												
Emak do Brasil Industria Ltda (note 20)	8,516,200	-	99.9	99.9	2,338			(1,777)	8,516,200	561	99.9	99.9
Total investments in subsidiaries		**89,706**			**5,338**			**(4,470)**		**90,574**		

Italy												
Cifarelli S.p.A.	216,000	3,750	30.0	30.0					216,000	3,750	30.0	30.0
Total associates		**3,750**								**3,750**		

Appendix 2

Details of equity investments

€/000	Registered office	Value in the financial statements	% Share	Share Capital	Equity (*) Total	Equity (*) Attributable to Emak S.p.A.	Profit/(Loss) of the year (*)
Emak Suministros Espana SA	Madrid	572	90	270	3,974	3,577	326
Emak Deutschland Gmbh	Fellbach-Oeffingen	307	100	553	(55)	(55)	(983)
Emak UK Ltd	Burntwood	691	100	468	727	727	(53)
Emak France SAS	Rixheim	2,049	100	2,000	7,507	7,507	10
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	3,616	17,268	17,268	723
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	2,316	5,916	5,916	68
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,387	8,221	8,221	191
Epicenter LLC.	Kiev	1,690	100	727	2,389	2,389	419
Emak do Brasil Industria Ltda	Ribeirao Preto	561	99.9	1,976	439	435	(323)
Tecomec S.r.l.	Reggio Emilia	27,830	100	1,580	30,168	30,168	2,215
Comet S.p.A.	Reggio Emilia	27,232	100	2,600	42,826	42,826	7,624
Sabart S.r.l.	Reggio Emilia	21,011	100	1,900	7,727	7,727	1,779
Total investments in subsidiaries		**90,574**					
Cifarelli S.p.A.	Voghera (PV)	3,750	30	374	9,171	2,751	208
Total investments in associates		**3,750**					

(*) Amounts resulting from the reporting package of subsidiaries prepared in accordance with IAS / IFRS for the purpose of preparation of the consolidated financial statements

Appendix 3

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

(€/000) FINANCIAL POSITION	31.12.2018	31.12.2017
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	69,459	69,789
C) Current assets	18,110	21,438
D) Prepayment and accrued income	23	18
Total assets	**87,592**	**91,245**
Liabilities		
A) Equity:		
Share capital	14,619	16,858
Reserves	43,594	26,203
Net profit	4,673	21,245
B) Provisions for risks and charges	263	263
C) Employment benefits	11	6
D) Amounts payable	24,422	26,662
E) Accruals and deferred income	10	8
Total liabilities	**87,592**	**91,245**

INCOME STATEMENT	31.12.2018	31.12.2017
A) Revenues from sales	489	100
B) Production costs	(890)	(1,771)
C) Financial income and expenses	5,299	24,679
D) Adjustments to the value of financial assets	(330)	(1,768)
E) Extraordinary income and expenses	-	-
Profit before taxes	**4,568**	**21,240**
Income taxes	105	5
Net profit	**4,673**	**21,245**

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Appendix 4

Schedule of fees relating to the 2019 financial period for audit services and other services, subdivided by type.

Type of service	Entity providing the service	Beneficiary	Fees (€/000)
Audit	Deloitte & Touche S.p.A.	Emak S.p.A.	149
Audit	Deloitte & Touche S.p.A.	Italian controlled companies	171
Audit	Deloitte & Touche S.p.A. Network	Foreign controlled companies	62
Certification services	Deloitte & Touche S.p.A.	Emak S.p.A.	10
Other services	Deloitte & Touche S.p.A. Network	Emak S.p.A.	23

The above information is provided in accordance with art. 160, paragraph 1-bis of Legislative Decree 24 February 1998, no. 58 and with article 149-duodecies of the CONSOB Regulations contained in Consob resolution no. 19971 of 14 May 1999 and subsequent modifications.

Certification of financial statements and consolidated financial statements pursuant to art. 154-bis, paragraph 5 of the Decree. 58/1998 (Consolidated Law on Finance)

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

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

of administrative and accounting procedures for the preparation of the company's individual financial statements and the consolidated financial statements for the financial period ending December 31, 2019.

2. No factors of a significant nature have arisen.

3. It is certified, moreover, that:

3.1 the individual financial statements and consolidated financial statements for the financial period:

a) have been drawn up in conformity with the international accounting standards recognised by the European Community in accordance with EC regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002;

b) correspond to the accounting documents, ledgers and records;

c) appear to be suitable for providing a true and fair view of the statement of financial position, economic and financial situation of the issuer and of the entities included in the consolidation.

3.2 The Directors' Report contains a reliable analysis of operating trends and results, as well as of the current situation of the issuer and of the entities included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Data: 13 March 2020

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

The CEO:
Fausto Bellamico

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

**To the Shareholders of
Emak S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Emak S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test	
Description of the key audit matter	The separate financial statements of Emak S.p.A. as of 31 December 2019 report equity investments in subsidiaries of Euro 90,574 thousand, which are part of a net invested capital for Euro 167,890. The Company has verified the recoverability of the investments for which it has identified impairment indicators, as well as the net invested capital of the Company, as stated by IAS 36 – Impairment of Assets. Impairment tests are performed by comparing the recoverable values - determined according to the method of value in use - and the related carrying amounts.

As a result of impairment tests, the Company has recorded an impairment loss of Euro 610 thousand in relation to the investment held in the subsidiary Emak Do Brasil Industria Ltda and an impairment loss of Euro 2,240 thousand in relation to the investment held in the subsidiary Emak Deutschland Gmbh. Furthermore, the Company has recorded an impairment loss of Euro 2,074 thousand related to the goodwill deriving from a previous business combination with Bertolini S.p.A.

The evaluation process adopted by Management to identify possible impairment is complex and based on assumptions about, among other matters, the forecast cash flows of the cash-generating units (CGUs), the appropriate discounting rate (WACC) and the long-term growth rate (g-rate). The assumptions, reflected in the long-term plans of the CGUs concerned, are influenced by future expectations and market conditions, which represent elements of uncertainty when making estimates, with particular reference to the profitability of the Company, in relation to the negative operating result, as well as for equity investments already written down in previous years, Emak Do Brasil Ltda and Emak Deutschland Gmbh and for which the continuation of structural crises and adverse economic factors had previously contributed to departures from the forecasts made by Management.

In view of the significance of the amount of the investments in subsidiaries and of the goodwill reported in the financial statements, the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model, and the many unpredictable factors that might influence the performance of the market in which the companies operate, we considered the impairment test of the investments in subsidiaries and the goodwill to be a key audit matter of the separate financial statements of Emak S.p.A. as of 31 December 2019.

The explanatory notes of separate financial statements in the paragraphs “2.5 Goodwill”, “2.7 Impairment of assets”, “2.11 Shareholdings in subsidiaries” and “4. Key accounting estimates and assumptions”, describe the Management assessment process and the notes 19 and 20 report the significant assumptions and disclosures on the items subject to impairment tests, including a sensitivity analysis that illustrates the effects deriving from changes in the key variables used to carry out the impairment tests.

Audit procedures performed

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts:

- examination of the approach adopted by Management to assess the recoverability of the investments in subsidiaries and the goodwill, and analysis of the methods used and assumptions used to carry out the impairment tests;
- understanding and testing the operating effectiveness of the relevant controls implemented by the Company over the process of impairment testing and identifying the impairment indicators;
- analysis of the reasonableness of the principal assumptions made in order to forecast cash flows, partly by analysing external data and obtaining information from Management that we deemed to be significant;

- analysis of actual values in comparison with the original plans, in order to assess the nature of variances and the reliability of the budgeting process, giving particular attention to the subsidiaries Emak Do Brasil Ltda and Emak Deutschland Gmbh;

- assessment of the reasonableness of the discount rates (WACC) and the long-term growth rate (g-rate), partly via the appropriate identification of and reference to external sources that are normally used in professional practice and to key data for main comparables;

- verification of the mathematical accuracy of the model used to determine the value in use of the CGUs;

- verification of the sensitivity analysis prepared by Management;

- examination of the adequacy of the information disclosed by the Company about the impairment tests and its consistency with the requirements of IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Emak S.p.A. has appointed us on April 22, 2016 as auditors of the Company for the years from December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Emak S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Emak S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Emak S.p.A. as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Emak S.p.A. as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
March 27, 2020

This report has been translated into the English language solely for the convenience of international readers.

Emak

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