Emak®

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

GB

2020 Annual Report

Annual report at 31 December 2020

These financial statements were approved by the Board of Directors on 16 March 2021.

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

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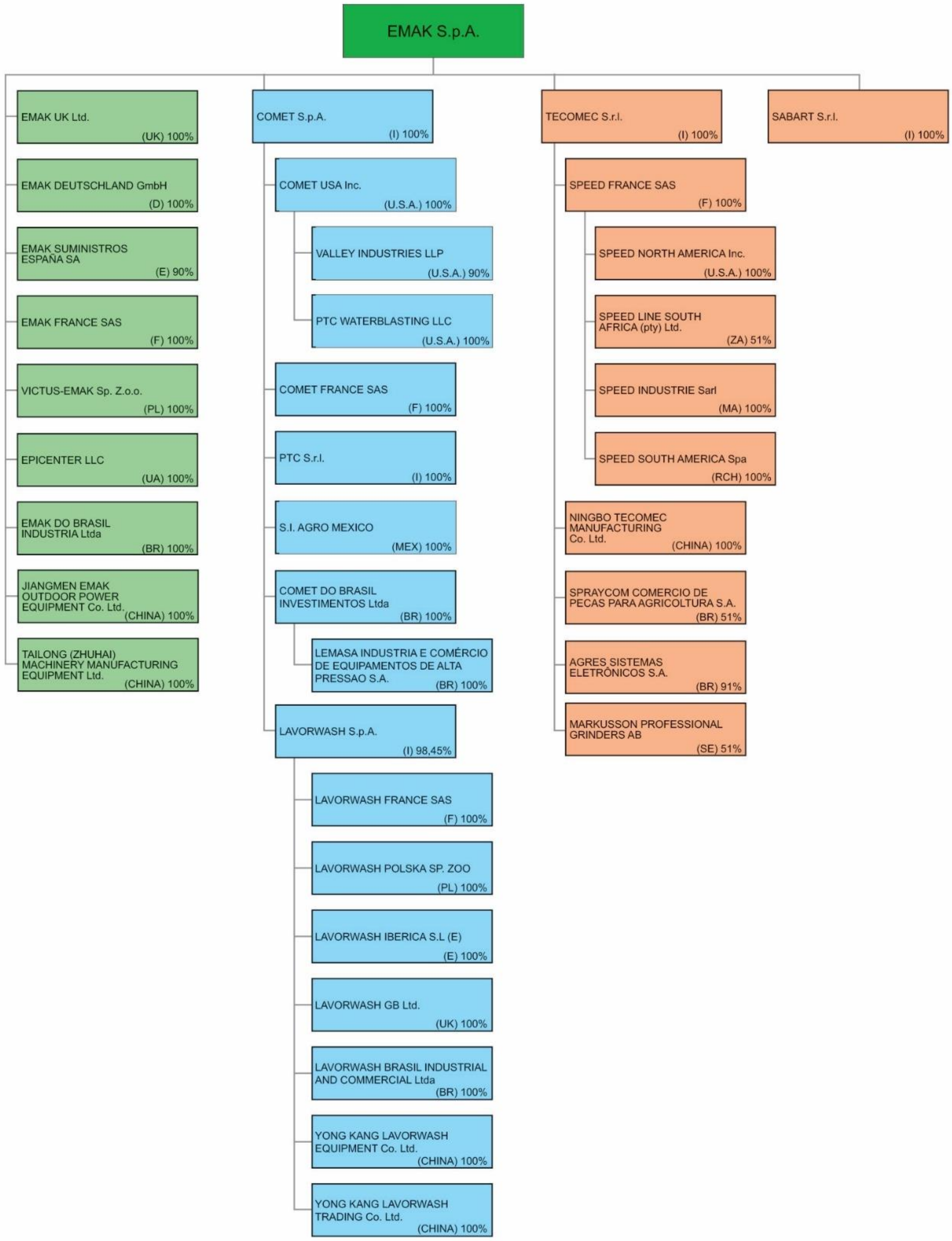
Organizational chart of Emak Group as at 31 December 2020

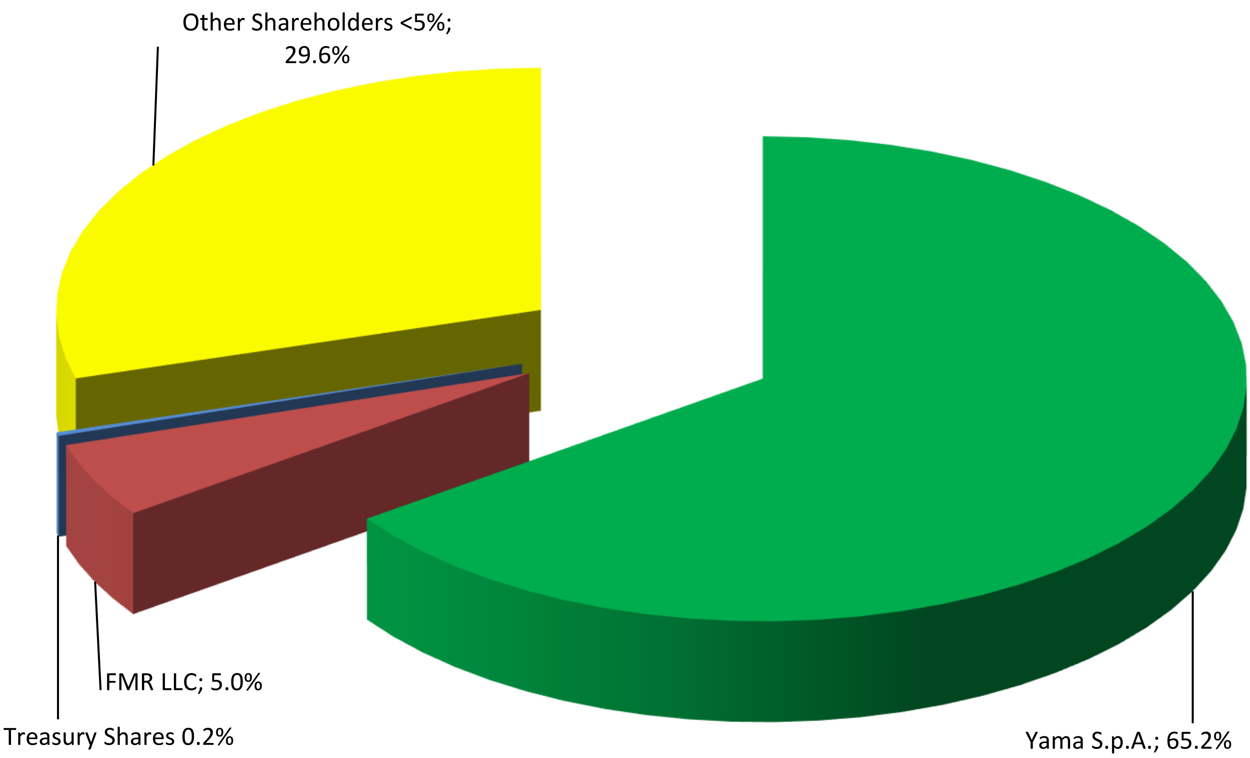


1. Valley Industries LLP is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 10%.
2. Comet do Brasil Investimentos Ltda is owned for 99.63% by Comet S.p.A. and 0.37% by P.T.C. S.r.l.
3. Emak do Brasil is owned for 99.98% by Emak S.p.A. and 0.02% by Comet do Brasil.
4. Lavorwash Brasil Ind. Ltda is owned for 99.99% by Lavorwash S.p.A. and 0.01% by Comet do Brasil LTDA.
5. S.I.Agro Mexico is owned for 97% by Comet S.p.A. and 3% by P.T.C. S.r.l.
6. Markusson Professional Grinders AB is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 49%.
7. Agres Sistemas Eletrônicos S.A. as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 9%.

Main shareholders of Emak S.p.A.

The share capital of Emak S.p.A. is represented by 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, 2020, 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 15 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., its subsidiaries and 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, limited to the French market, Staub. The Group's offer is directed to professionals and to private users. The Group mainly operates in the specialised dealer channel, characterized by a high level of pre- and post-sales service, distributing its products through its own sales branches and, where not present directly, through a network of 150 distributors in more than 115 countries throughout the world. In some countries the Group has commercial relations with the main large-scale distribution chains. Furthermore, over the last few years, a process has been undertaken aimed at developing the online channel, through a dedicated proprietary portal.

This segment represents approximately 34% of the Group's overall sales and almost 90% is developed in Europe, where the main commercial branches are based.

In this sector, the Group focuses its efforts mainly on product innovation (in terms of safety, reduction of emissions, new technologies, comfort) and development of the distribution network (both geographically and in terms of sales channels).

Worldwide the Group's reference market has an estimated value of approximately 8 billion Euros. In mature markets such as North America and Western Europe, demand is predominantly related 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.

The **Pumps and High Pressure Water Jetting** line brings together activities for the development,manufacture and marketing of three product lines: (i) agriculture, with a complete range of centrifugal pumps, diaphragm pumps, piston pumps and components for applications on spraying and weeding machines; (ii) industry, in which it offers a complete range of low, high and very high pressure piston pumps (up to 2,800 bar), hydrodynamic units and accessories for water blasting, and machines for urban cleaning; (iii) cleaning, with a complete offer of pressure washers, from home to professional use, 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. The Group serves its customers, directly or through independent distributors, in over 130 countries around the world: producers of spraying and weeding machines, OEM's customers and contractors, specialised dealers and the large-scale retail trade, marketplaces for online sales. This segment represents approximately 40% of the Group's overall sales.

In this sector, the Group focuses its efforts mainly on product innovation, on the expansion of its offer, both in terms of product and sectors of use, as well as on maximizing the synergies deriving from the acquisitions completed over the years.

The accessible market for the Group's products has an estimated value of around 3 billion Euros.
The demand for agricultural products is strongly connected to the trend of the economic cycle, demographic growth and the consequent increase in the demand for agricultural production, 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; automobile and engine manufacturing.
The demand for cleaning products is mainly linked to the economic cycle trend and the increase in hygienic standards.

The **Components and Accessories** segment includes activities for the development, manufacture and marketing of products for the gardening, forestry, agriculture and *cleaning* sectors. The most representative are line and heads for brush-cutters (which together form the cutting system), accessories for chainsaws (such as sharpeners for chains), pistols, valves and nozzles for high pressure cleaners and for agricultural applications, products and solutions for precision farming. In this segment the Group operates partly through its own brands Tecomec, Geoline, Agres, Mecline, Markusson and Sabart, and partly distributing products for third party brands. The Group sells its products to producers of gardening and forestry, agriculture and cleaning machinery (which together represent approximately 48% of turnover), through a network of specialized distributors (38% of turnover) and finally, in the large-scale distribution channel (14% of turnover). Overall, this segment represents approximately 26% of the Group's overall sales.
In this sector, the Group focuses its efforts mainly on product innovation, on strengthening partnerships with major manufacturers and on expanding its offer.

The accessible market for the Group's products has an estimated value of around 1.5 billion Euros.
The demand for components and accessories is mainly related to the performance of the reference sectors of the various applications for which the products offered are intended.

In general, the Group's activity is influenced by seasonality in demand. Sales of products intended for gardening, agriculture and cleaning are concentrated in the first half of the year, a period in which the activities of landscaping, tillage and cleaning of outdoor spaces are carried out. Less seasonal is the demand for products for industry, due to the diversity of the target sectors and the many applications for which they are intended.

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 which includes sheet metal stamping, welding and painting. The Chinese production facility of Jiangmen replicates that of the parent company, making products intended for both price sensitive markets such as the Far East, South-East Asia and South America, and mature markets to complete the offer. The second Chinese factory, in Zhuhai, is specialised in the production of cylinders for the two-stroke motors of the Group's portable products.

Pumps 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 mainly dedicated to the production of machines in the cleaning segment such as high-pressure water jet machines and vacuum cleaners aimed at serving the most competitive markets. The Brazilian factories are dedicated, one to the production of very high pressure pumps (up to 2,800 bars) and related accessories for various sectors such as the *oil & gas*, the trasformation of 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 carries out the production of sprayers and the assembly of agricultural products and accessories.

Components and Accessories

The Group has a total of nine 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, in the face of the need to have the production process close to the outlet markets. The production of monofilaments, 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 mainly dedicated to the production of heads for brush-cutters and pistols for high-pressure water jet machines. These products require high intensity of internal production, relating to the molding of plastic material and assembly processes.

The line of products intended for *precision farming* is produced in Italy and in Brazil and include the design of both mechanical and electronic parts and software development; the added value activities of the products, all carried out internally.
The significant products of the forest line are designed, developed and produced by the Group, which assembles the components, partly made externally, in the factories located in Italy and Sweden, making use of specific skills.

Overall, the production volumes are adjusted to the demand and needs of the market, thanks to the flexibility and functionality of the processes implemented in the various plants.

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

Segment	Company	Location	Output
OPE	Emak	Bagnolo in Piano (RE) – Italy	Chainsaws, brushcutters, power cutters, cultivators, flailmowers, battery products, motorpumps, blowers
		Pozzilli (IS) - Italy	Battery-powered and petrol lawnmowers, tranporters, sprayers, rider
	Emak Tailong	Zhuhai - China	Cylinders for two-stroke engine
	Emak Jiangmen	Jiangmen - China	Chainsaws and 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	Production of Sprayers and assembly of agricultural products and accessories
	P.T.C.	Rubiera (RE) - Italy	High pressure units and machines for urban cleaning
	Lemasa	Indaiatuba - Brazil	High and ultra 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	Indaiatuba - Brazil	High pressure washers for cleaning sector
C&A	Tecomec	Reggio Emilia - Italy	Accessories and components for gardening machinery, accessories for agricultural machinery for spraying and weeding, accessories and components for pressure washers
	Speed France	Arnas - France	Nylon line and heads for brushcutters
	Speed North America	Wooster, Ohio - USA	Nylon line and heads 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 chainsaws and brushcutters
	Markusson	Rimbo - Sweden	Accessories for chainsaws: professional sharpeners for chainsaw chains
	Agres	Pinhais - Brazil	Components and accessories for agricultural machinery: products and solutions for precision farming

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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 meetcustomer 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 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 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
Starting from 2018 the United States government through some regulatory measures imposed 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 performance 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 2020 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.

Tax risk management
The Emak Group operates in many countries and the tax management of each company is subject to complex national and international tax regulations that may change over time.
Compliance with the tax regulations of parent companies and subsidiaries is harmonized with the Group's tax policy through coordination and validation activities, which is expressed in homogeneously approaching issues such as tax consolidation, patent box, transfer pricing, the various forms of public incentives for businesses, as well as the choices relating to the management of any tax disputes.

In addition, the Group, with particular reference to its Italian subsidiaries, has also defined a tax risk control system coordinated with the provisions of Law 262/05 and Legislative Decree 231/01, to monitor activities with potential tax impacts on the main business processes and on the Group's results

Risks relating to information systems, cybercrime and personal data
For several years, the Emak Group has implemented most of the applications necessary to carry out its business on its IT systems, continuing a progressive and constant digitalization process, subsequent the exponential technological evolution in place. IT systems malfunction and crashes can have a direct impact on most business processes.
In the current economic and sociale context the risks of cyber security are increasing, especially because of cyber attacks
If successful, such attacks could adversely impact the Group's business operations, financial condition or reputation. Also due to the recent investment of the Group in new and updated information systems, the Group has started the necessary activities to keep the systems protected and to guarantee their recovery flollowing emergencies, as well as an adequate data storage capacity; furthermore, evaluations were started on the enhancement of skills in the field of IT security, as well as awareness and training on information security. In parallel with the provisions of the European Regulation (GDPR), the Group continuously works to protect the rights in relation to the personal data processed.

Risk arising from COVID-19
Starting in January 2020, the world has faced a very serious health emergency due to the rapid and global spread of the coronavirus pandemic. The virus initially affected China, then spreading pervasively in all the economies of the world, with impacts on the lives of people and businesses and significantly affecting Italy as well.
In this context, the Group's priority has been to ensure the continuity of activities by protecting the health and safety of its employees and the community of reference, promoting smart working, regulating access to production structures, adopting provisions for mobility and the social distancing of employees and implementing sanitization of the premises. The Group is still operating in all its offices and on all global markets, the interruption of activities, at the peak of the pandemic, was limited to a few days only to some specific areas of activity.
Given the uncertainty associated with the development of the pandemic and the possible effects on the company's activities, the situation is closely monitored and further remedial actions will be initiated should the situation change.

For a more detailed discussion of how the Group is responding to the risk, refer to the specific chapter n. 2 of the Report.

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 high standing 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.

1. Main economic and financial figures for Emak Group

Income statement (€/000)

	YEAR 2020	YEAR 2019
Revenues from sales	469,778	433,953
EBITDA before non ordinary expenses (*)	56,289	46,878
EBITDA (*)	55,634	46,090
EBIT	32,942	22,022
Net profit	19,612	13,126

Investment and free cash flow (€/000)

	YEAR 2020	YEAR 2019
Investment in property, plant and equipment	14,018	14,039
Investment in intangible assets	3,152	4,414
Free cash flow from operations (*)	44,448	37,194

Statement of financial position (€/000)

	31.12.2020	31.12.2019
Net capital employed (*)	348,852	358,467
Net debt (*)	(126,552)	(146,935)
Total equity	222,300	211,532

Other statistics

	YEAR 2020	YEAR 2019
EBITDA / Net sales (%)	11.8%	10.6%
EBIT / Net sales (%)	7.0%	5.1%
Net profit / Net sales (%)	4.2%	3.0%
EBIT / Net capital employed (%)	9.4%	6.1%
Net debt / Equity	0.57	0.69
Number of employees at period end	2,136	1,988

Share information and prices

	31.12.2020	31.12.2019
Earnings per share (€)	0.118	0.079
Equity per share (€) (*)	1.35	1.28
Official price (€)	1.098	0.91
Maximum share price in period (€)	1.13	1.42
Minimum share price in period (€)	0.56	0.81
Stockmarket capitalization (€ / million)	180	150
Average number of outstanding shares	163,537,602	163,537,602
Number of shares comprising share capital	163,934,835	163,934,835
Free cash flow from operations per share (€) (*)	0.259	0.227
Dividend per share (€)	0.045	0.000

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

2. Information about Covid-19 emergency

At the beginning of January 2020, the World Health Organization (WHO) announced the spread of Covid-19 infection in China, particularly in the Wuhan district, then declaring the state of emergency at the level on 30 January international. The spread of the virus in Europe and America occurred in February, which led to a generalized lockdown during the months of March and April. Since May, the modalities and times of the recovery of social life and economic activities are differentiated for the different countries.

Starting in October, due to the resumption of infections and the spread of variants of the virus, despite the launch of the vaccination campaign, in many countries some restrictive measures have been reintroduced that could have an impact on consumption, lengthening the exit times from a recession phase in many economic sectors.

The limitation of citizens' mobility, business operations and a general climate of uncertainty have had significant impacts on a global level, although with non-homogeneous effects and intensity across sectors and markets.

To this day, the risk of a lasting recession persists in many sectors, also in consideration of the uncertainty and rapid evolution of the situation at the health, regulatory, economic and social level, which makes it difficult to make assessments in the medium and long term.

In this context, the governments of the main world countries are adopting measures to support the sectors most affected by the pandemic and to encourage the recovery of the economy and support for businesses.

Group response to the epidemiological emergency

The Group companies are currently all operating: some, in the course of 2020, have temporarily used the social safety nets instrument and, only in a few limited cases and for limited periods, have resorted to the blocking of production and logistics activities. The Group has taken all the necessary measures to fight the virus and continues to monitor the evolution of the situation and to use the necessary measures to safeguard the health and safety of its employees and collaborators such as the sanitation of the premises, temperature measurement at the entrances, the adoption of distancing measures between people, the distribution of personal protective equipment and extension of smart working.

Measures undertaken by the Group aimed at containing Covid-19

All the Group's operating companies have set up ad hoc committees for emergency management, with the aim of implementing the requirements in terms of workplace safety regulations in the most effective way, as well as activities for the management of business risks emerging from the contingent situation, with the aim of limiting its impact on human resources, operating results and the financial balance of the Group.

In particular, the Group has focused on liquidity risk management, which consists in the ability to find the resources necessary for operations, applying the following strategies:

- Maintaining appropriate amounts of credit lines;
- Access to new loans;
- Request for suspension of the instalments relating to the loans in place with the banking system, expiring in the course of 2020;
- Increase in controls to monitor the solvency of the counterparties and compliance with the contractual terms of collection;
- Operating costs savings;
- Remodeling of the investment plan;
- Monitoring of the quality and level of warehouse stocks.

Management believes that the application of these strategies has allowed and will allow the Group to manage any additional short-term cash needs.

Economic effects of the epidemiological emergency and the Group's response

In strictly operational terms, the emergency from COVID-19 led to the incurrence of some direct costs, mainly related to the protection of the health and safety of workers. During the year the Group incurred costs of around € 613 thousand for the sanitation of the workplace and for the purchase of tools and devices aimed at containing the infection.
However, the Group has also been able to benefit from the economic and financial governmental measures made available by the various countries in support of production activities and employment. In particular, the Group benefited from social safety nets for the protection of employment for around € 1,653 thousand, and contributions for around € 1,106 thousand obtained against expenses incurred for sanitation and activities suitable for guaranteeing the safety of the workplace.

At the current date, there are no further significant costs relating to the management of the pandemic Emergency.

In April 2020 the effects of this context in terms of contraction in turnover were most evident.
However, the end of the *lockdown* in the main European countries together with the good trend in demand in the sectors in which the Group operates contributed to the recovery of sales in the following months, recording at 31 December an increase of 8.3% in the total turnover of the Group.

The result was affected by the particularly positive performance recorded in the second half compared to the same period of the previous year.
The emergence of new lifestyles and "*stay at home*" paradigms, to the detriment of people's mobility, has partly positively contributed to the Group's performance, in all segments in which it operates.

As regards the management of the *supply chain*, the pandemic has had effects on the market for raw materials and transport services: the measures of economic stimulus, the changes in the structure of the world economy and of global production have had an effect on the availability of basic raw materials and transport services. This trend has consequently also affected their cost, starting from the last quarter of 2020.

The Group monitors the forecast trend of the quotations and mitigates the risk through supply contracts, also stipulated at the Group level. The main objective of the Group is to avoid interruptions in supplies and rebalance the economic performance deriving from this impact.
To date, there are no supply chain problems or particular financial tensions of strategic suppliers for the Group.

Effects in financial terms of the epidemiological emergency and the Group's response

Some Italian companies of the Group obtained the suspension of the instalments falling due during 2020, relating to the loans already in place with the banking system, benefiting at December 31, 2020 from lower repayments of € 20,139 thousand.

In order to support the Group's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the prudential proposal by the Board of Directors not to distribute dividends on 2019 profits, allocate it to the reserve, while a dividend of € 7,359 thousand had been distributed during 2019. The choice was aimed at supporting the Group's capital solidity at a time of high uncertainty.

With reference to potential liquidity risks, it should be noted that during the 2020 financial year the Group's financial structure was further strengthened with new financial resources from credit institutions for € 69 million, aimed at rebalancing the financial exposure to medium-long term.

In addition, management believes that the credit lines currently not used equal to € 146 million, mainly short-term and guaranteed by trade receivables, in addition to the cash flows that will be generated by the exercise and financing activities, will allow the Group to meet the needs arising from investment, working capital management and debt repayment activities at their natural maturity.

With regard to credit risk specifically, to date there are no particular critical situations as customers have substantially met the commercial deadlines.

Monitoring activities, risks related to the spread of Covid-19 and considerations regarding accounting effects

From the outset, the Group has monitored - and will continue to constantly monitor - the evolution of the emergency situation connected to the spread of Covid-19, in consideration of both the changing regulatory framework of reference and the complex global economic context, in order to evaluate the possible adoption of additional measures to protect the health and welfare of its employees and collaborators, its customers and to protect its sources of income and its assets.

As previously illustrated, in the sectors in which the Group operates, the demand recorded positive signals, with growth effects on turnover.
However, the management takes into due consideration that the economic context is still characterized by profound uncertainty and medium-long term visibility that is affected by unpredictable variables such as the evolution of the pandemic and any measures that could have an impact on the economic context.
In this scenario the Group, also following the recommendations issued by the Italian and European regulators, it placed particular emphasis on the planning process, taking into account possible impacts on the objectives and business risks deriving from the pandemic.
This attention focused in particular on the process of drafting long-term plans for the purposes of the impairment test procedures for verifying the recoverability of goodwill and intangible assets, in application of the provisions of IAS 36 “Impairment of assets”.
It should be clarified that the estimates and prospective data relating to the aforementioned impairment tests are determined by the Group's management on the basis of past experience and expectations regarding developments in the markets in which the Group operates. For this purpose, it should be noted that the estimate of the recoverable value of the cash-generating unit requires discretion and the use of estimates by management, which are particularly complex in the current context of uncertainty caused by the known pandemic phenomenon. The Group cannot therefore ensure that there is no impairment of goodwill and other assets in future periods, even in the near future. In fact, several factors also linked to the evolution of the economic context may require a restatement of the value of goodwill and other activities. However, the circumstances and events that could cause further verification of the existence of impairment are constantly monitored by the Group.

There are no problems related to the consequences of COVID-19 on the other items in the financial statements and, in particular, on the valuation items regarding the recoverability of receivables and the obsolescence of inventories, on the items regarding financial assets and liabilities and the determination of the items attributable to the application of the IFRS 16 "Leasing" principle. Furthermore, the Group does not hold significant financial assets measured at fair value.

In consideration of the current demand scenario, the Group's Management does not expect to make significant changes to its business model in response to the pandemic, except to monitor the context and anticipate the response to any changes.

On this basis, the Management of the Group has assessed that, even in the presence of a difficult economic and financial context, there are no uncertainties about the going concern and not detecting the existence of indicators of a financial, managerial or operational nature that could signal critical issues regarding capacity of the Group to meet its obligations in the foreseeable future and in particular in the next 12 months.

With respect to the foreseeable evolution on operations, please refer to the specific chapter of this report.

3. Scope of consolidation

Compared to 31 December 2019, the Swedish company Markusson Professional Grinders AB joined the consolidation area, (of which the subsidiary Tecomec S.r.l. acquired 51% on January 31, 2020) and the company Agres Sistemas Eletrônicos SA, which passed from an associate to a subsidiary with the purchase of a further 58%, bringing the shareholding of Tecomec S.r.l. to 91%.

The consolidated financial statements at 31 December 2019 included only the economic data of the eleven-months of the company Geoline Electronic S.r.l., which was subject to a total spin-off on November 30, 2019.

4. Economic and financial results of Emak Group

Comments on economic figures

Revenues from sales

Emak Group achieved a consolidated turnover of € 469,778 thousand, compared to € 433,953 thousand of last year, increase of 8.3%. This increase is due to the change in the scope of consolidation for 1%, from organic growth for 9.6%, while it is penalized by the effect of translation changes for 2.3%.

EBITDA

Ebitda for the period amounts to € 55,634 thousand (an incidence of 11.8% on sales) compared to € 46,090 thousand in 2019 (an incidence of 10.6% on sales).
During the year, non-ordinary revenues were recorded for € 788 thousand (€ 185 thousand in 2019) and non-ordinary expenses for € 1,443 thousand (€ 973 thousand in 2019).
Ebitda before non-ordinary expenses and revenues is equal to € 56,289 thousand, an incidence of 12% on revenues, compared to € 46,878 thousand of last year, an incidence of 10.8% on revenues.

The application of the new IFRS 16 principle has resulted in a positive effect on the Ebitda for the year for € 6,273 thousand, against to a positive effect of € 5,966 thousand in 2019.

The result benefited from the increase in sales volumes, the segment mix effect in which the Group operates, the commercial cost savings containment of and the area variation effect for about € 800 thousand. There are also higher charges related to the safety of workplaces consequent to Covid-19 for about € 600 thousand.

Personnel costs increased of € 3,482 thousand compared to the previous year, due to the greater recourse to the use of temporary staff (€ 2,095 thousand), due to the change in the consolidation area (€ 577 thousand) and restructuring costs (€ 748 thousand). The Group achieved a benefit of approximately € 1,653 thousand, following the use of social safety nets activated for the Covid-19 emergency in the months of March and April. The average number of resources employed by the Group was 2,284 compared to 2,126 of the same period last year.

Operating result

Operating result for the year 2020 amounts to € 32,942 thousand with an incidence of 7% on revenues, compared to € 22,022 thousand (5.1% of sales) of 2019.

Amortization, depreciation and impairment losses are € 22,692 thousand compared to € 24,068 thousand of the previous year. The result for the year 2019 included € 2,074 thousand as a loss due to the reduction in the value of goodwill.

The ratio operating result on net capital employed is 9.4% compared to 6.1% of the previous year.

Net profit

Net profit for the year 2020 is € 19,612 thousand, against € 13,126 thousand for the last year.

The item "Financial income" amounts to € 727 thousand, compared to € 1,370 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 for the debt of a *Put & Call option* for a total of € 486 thousand.

The item "Financial charges" amounts to € 5,164 thousand, compared to € 5,366 thousand of the previous year. The data 2020 includes an amounts of € 377 thousand related to the greater amount paid to exercise the call option on the remaining 30% stake of the company Lemasa and an amounts of € 269 thousand related to the to the adjustment of the estimate of the debt for the purchase, through the exercise of the Put & Call option, of the remaining 10% of the company Valley LLP. The decrease in financial charges is affected by the lower discounting costs recorded and the fall in interest rates on existing loans.

The 2020 currency management is negative for € 3,547 thousand against a positive value of € 766 thousand of last year. The result was mainly affected by the negative trend of the Brazilian Real, and in general of the other South American currencies and the US dollar.

The item “Income from/(expenses on) equity investment” is negative for € 2,144 thousand and includes a capital loss for an amount of € 1,389 thousand deriving from the sale of 30% of the share capital of Cifarelli S.p.A., occurred through the exercise of a put option on the minority investment held and a capital loss of € 755 thousand for the adjustment of the 33% as a share of associates of the company Agres Sistemas Eletrônicos SA. at the fair value, consequent to the passage of the same to a controlling interest.

The tax rate for the year is 14% compared to 30.5% in the previous year, mainly due to tax benefits from "*Patent Box*" for € 1,234 thousand (with an effect on the tax rate of 5.4%) following the *ruling* process with the Revenue Agency. Further benefits derive from the application of the provisions set out in the former Legislative Decree 104/2020 (realignments, revaluations) which had a positive effect on the tax rate for a total value of € 2,443 thousand, net of the related substitute tax of € 294 thousand (with a positive effect on the tax rate of € 10, 7%).

Comment to consolidated statement of financial position

€/000	31.12.2020	31.12.2019
Net non-current assets (*)	183,197	186,989
Net working capital (*)	165,655	171,478
Total net capital employed (*)	**348,852**	**358,467**
Equity attributable to the Group	220,137	209,495
Equity attributable to non controlling interests	2,163	2,037
Net debt (*)	(126,552)	(146,935)

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

Net non-current assets

Net non-current assets at December 31, 2020 amount to € 183,197 thousand compared to € 186,989 thousand at December 31, 2019.

During 2020 Emak Group invested € 17,170 thousand in property, plant and equipment and intangible assets, as follows:

- € 7,857 thousand for product innovation, of which € 3,000 thousand by the subsidiary Speed France for the acquisition of a technology and systems for the production of polyester monofilaments and cables for agricultural applications;
- € 4,150 thousand for adjustment of production capacity and for process innovation;
- € 2,342 thousand for upgrading the computer network system;
- For a total of € 1,567 thousand for modernization of industrial buildings;
- € 1,254 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:
- € 8,893 thousand in Italy;
- € 4,551 thousand in Europe;
- € 2,281 thousand in the Americas;
- € 1,445 thousand in Asia, Africa and Oceania.

The decrease in net non-current fixed assets is also a consequence of the disposal of the investment in associate Cifarelli S.p.A., of the modification of the shareholding relationship in Agres Sistemas Eletrônicos SA, which became a subsidiary company (previously associated company), of the negative impact of the exchange rate effect on goodwill and of recognition of medium / long-term supply payables.

Net working capital

Net working capital moves from € 171,478 thousand at December 31, 2019 to € 165,655 thousand at December 31, 2020, a decrease of € 5,823 thousand. The ratio of net working capital to turnover is 35.3% compared to 39.5% of last year.

The following table reports the change in net working capital in 2020 compared with the previous year:

€/000	**Y 2020**	**Y 2019**
Opening Net working capital	**171,478**	**168,321**
Impact first application of Ifrs 16 to 1 January	-	(235)
Increase/(decrease) in inventories	4,029	1,658
Increase/(decrease) in trade receivables	3,094	(2,210)
(Increase)/decrease in trade payables	(13,972)	(949)
Change in scope of consolidation	2,461	-
Other changes	(1,435)	4,893
Closing Net working capital	**165,655**	**171,478**

Trade receivables are increasing as a result of the increase in turnover with particular reference to the last quarter of the year, while trade payables and inventories increase due to the increased purchases made in the last part of the year.

It should be noted that at 31 December 2019 some Group companies had resorted to the non-recourse factoring of trade receivables for an amount of € 1,854 thousand, while at 31 December 2020 no similar transactions were in progress.

Net financial position

Net negative financial position amounts to € 126,552 thousand at 31 December 2020 compared to € 146,935 thousand at 31 December 2019.

The following table shows the movements in the net financial position of 2020 compared with 2019:

€/000	2020	2019
Opening NFP	**(146,935)**	**(117,427)**
Effect first application IFRS 16	**-**	**(27,959)**
Ebitda	55,634	46,090
Financial income and expenses	(4,437)	(3,996)
Income from/(expenses on) equity investment	-	89
Exchange gains and losses	(3,547)	766
Income taxes	(3,202)	(5,755)
Cash flow from operations, excluding changes in operating assets and liabilities	**44,448**	**37,194**
Changes in operating assets and liabilities	671	(2,644)
Cash flow from operations	**45,119**	**34,550**
Changes in investments and disinvestments	**(13,802)**	**(20,167)**
Changes right of use IFRS 16	**(4,207)**	**(7,388)**
Dividends cash out	**(4)**	**(7,540)**
Other equity changes	**(53)**	**(542)**
Changes from exchange rates and translation reserve	**5,140**	**(462)**
Change in scope of consolidation	**(11,810)**	**-**
Closing NFP	**(126,552)**	**(146,935)**

"Income from/(expenses on) equity investment" at 31 December 2020 does not include the capital losses generated by the exercise of the Put option on the investment of 30% of Cifarelli S.p.A and by the fair value adjustment of the 33% stake in Agres Sistemas Eletrônicos SA which are included in the item "changes in investments and disinvestments".
Consequently, cash flow from operations is equal to € 44,448 thousand, compared to € 37,194 thousand in the same period.
Cash flow from operations is positive for € 45,119 thousand compared to € 34,550 thousand in the same period of the previous financial year.
In order to support the Group's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the proposals of the Board of Directors to allocate the profit for the year 2019 to the reserve, while a dividend of € 7,540 thousand had been distributed during 2019.
During 2020, the Group's financial position was affected by the change in the consolidation area for € 3,545 thousand following the acquisition of the company Markusson and for € 8,265 thousand for the acquisition of Agres Sistemas Eletrônicos SA.

Details of the net financial position is analyzed as follows:

	Thousand of Euro	31/12/2020	31/12/2019
A.	Cash and cash equivalents	99,287	47,695
B.	Other cash at bank and on hand (held-to-maturity investments)	-	-
C.	Financial instruments held for trading	-	-
D.	**Liquidity funds (A+B+C)**	**99,287**	**47,695**
E.	**Current financial receivables**	**735**	**766**
F.	Current payables to banks	(7,714)	(13,963)
G.	Current portion of non current indebtedness	(51,549)	(38,176)
H.	Other current financial debts	(8,605)	(22,101)
I.	**Current financial indebtedness (F+G+H)**	**(67,868)**	**(74,240)**
J.	**Current financial indebtedness, net (I+E+D)**	**32,154**	**(25,779)**
K.	Non-current payables to banks	(131,686)	(97,802)
L.	Bonds issued	-	-
M.	Other non-current financial debts	(27,828)	(25,777)
N.	**Non-current financial indebtedness (K+L+M)**	**(159,514)**	**(123,579)**
O.	**Net financial indebtedness (ESMA) (J+N)**	**(127,360)**	**(149,358)**
P.	Non current financial receivables	808	2,423
Q.	**Net financial position (O+P)**	**(126,552)**	**(146,935)**
	Effect IFRS 16	**28,874**	**30,385**
	Net financial position without effect IFRS 16	**(97,678)**	**(116,550)**

Net financial position at 31 December 2020 includes actualized financial liabilities related to the payment of future rental and rent payments, in application of IFRS 16 standard, equal to overall € 28,874 thousand, of which € 4,816 thousand falling due within 12 months while at 31 December 2019 they amounted to a total of € 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 2021;
- amounts due to other providers of finance falling due by 31 December 2021;
- debt for equity investments in the amount of € 2,325 thousand.

Net current financial indebtedness shows a positive net liquidity balance due to the significant increase in the "cash and cash equivalents" item mainly due to:

- Il *cash flow* achieved by the group during the year
- disbursement of new medium and long-term loans
- The postponement of some installments of mortgages expairing during the year

Financial liabilities for the purchase of the remaining minority shares and for the regulation of acquisition operations with deferred price subject to contractual constraints, are equal to € 6,035 thousand, of which € 3,710 thousand in the medium to long term, related to the following companies:
- Markusson for € 2,326 thousand;
- Agres for 2,109 thousand;
- Valley LLP for 1,600 thousand.

Equity

Equity at December 31, 2020 is € 222,300 thousand against € 211,532 thousand at December 31, 2019.

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	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Sales to third parties	159,761	148,243	189,357	181,250	120,660	104,460			**469,778**	**433,953**
Intersegment sales	585	518	2,290	1,693	8,444	7,007	(11,319)	(9,218)		
Revenues from sales	160,346	148,761	191,647	182,943	129,104	111,467	(11,319)	(9,218)	**469,778**	**433,953**
Ebitda	9,011	7,283	28,157	26,058	20,830	15,126	(2,364)	(2,377)	**55,634**	**46,090**
Ebitda/Total Revenues %	*5.6%*	*4.9%*	*14.7%*	*14.2%*	*16.1%*	*13.6%*			***11.8%***	***10.6%***
Ebitda before non ordinary expenses	9,348	7,507	28,535	26,079	20,770	15,669	(2,364)	(2,377)	**56,289**	**46,878**
Ebitda before non ordinary expenses/Total Revenues	*5.8%*	*5.0%*	*14.9%*	*14.2%*	*16.1%*	*14.1%*			***12.0%***	***10.8%***
Operating result	1,262	(2,287)	20,274	17,872	13,770	8,814	(2,364)	(2,377)	**32,942**	**22,022**
Operating result/Total Revenues %	*0.8%*	*-1.5%*	*10.6%*	*9.8%*	*10.7%*	*7.9%*			***7.0%***	***5.1%***
Net financial expenses (1)									**(10,128)**	**(3,141)**
Profit befor taxes									**22,814**	**18,881**
Income taxes									**(3,202)**	**(5,755)**
Net profit									**19,612**	**13,126**
Net profit/Total Revenues%									***4.2%***	***3.0%***
(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	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Net debt	10,780	29,304	87,031	98,863	28,741	19,071	0	(303)	**126,552**	**146,935**
Shareholders' Equity	178,820	176,334	66,031	62,460	55,096	50,295	(77,647)	(77,557)	**222,300**	**211,532**
Total Shareholders' Equity and Net debt	189,600	205,638	153,062	161,323	83,837	69,366	(77,647)	(77,860)	**348,852**	**358,467**
Net non-current assets (2)	130,336	137,483	86,970	94,433	41,397	30,577	(75,506)	(75,504)	**183,197**	**186,989**
Net working capital	59,264	68,155	66,092	66,890	42,440	38,789	(2,141)	(2,356)	**165,655**	**171,478**
Total net capital employed	189,600	205,638	153,062	161,323	83,837	69,366	(77,647)	(77,860)	**348,852**	**358,467**
(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	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Number of employees at period end	738	743	777	731	613	506	8	8	**2,136**	**1,988**
OTHER INFORMATIONS	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Amortization, depreciation and impairment losses	7,748	9,570	7,884	8,186	7,060	6,312			**22,692**	**24,068**
Investment in property, plant and equipment and in intangible assets	5,050	8,573	3,476	3,983	8,644	5,897			**17,170**	**18,453**

Comment on results by operating segment

The table below shows the breakdown of "sales to third parties" in 2020 by business segment and geographic area, compared with the same period last year.

	OUTDOOR POWER EQUIPMENT			POMPE E HIGH PRESSURE WATER JETTING			COMPONENTI E ACCESSORI			CONSOLIDATO		
€/000	**31.12.2018**	**31.12.2017**	**Var. %**	**31.12.2018**	**31.12.2017**	**Var. %**	**31.12.2018**	**31.12.2017**	**Var. %**	**31.12.2018**	**31.12.2017**	**Var. %**
Europa	134,722	129,738	3.8	99,515	93,708	6.2	68,123	61,053	11.6	302,360	284,499	6.3
Americas	6,094	6,342	(3.9)	65,103	63,979	1.8	34,682	29,416	17.9	105,879	99,737	6.2
Asia, Africa e Oceania	18,945	12,163	55.8	24,739	23,563	5.0	17,855	13,991	27.6	61,539	49,717	23.8
Totale	**159,761**	**148,243**	**7.8**	**189,357**	**181,250**	**4.5**	**120,660**	**104,460**	**15.5**	**469,778**	**433,953**	**8.3**

<u>Outdoor Power Equipment</u>

In 2020, sales in the *Outdoor Power Equipment* sector are up by 7.8% compared to the previous year. Sales on the European market are growing thanks to France, Poland, Italy, Spain. In the Americas area, sales are down in the US, but slightly up in Latin American countries. The growth in turnover in the Asia, Africa and Oceania area is mainly attributable to the excellent performance recorded on the Turkish market.

EBITDA is up compared to the previous year thanks to the increase in turnover and the containment of same operating expenses, despite being affected by a negative product and country mix.
During the year, non-recurring charges were recorded for € 337thousand (€ 224 thousand in 2019).

Net negative financial position is reduced compared to 31 December 2019 as a result of the cash flow generated, the reduction in net working capital, the collection deriving from the sale of the investment in Cifarelli and the non-distribution of dividends by the Parent Company.

Pumps and High Pressure Water Jetting

Sales are up by 4.5% compared to 2019.
In Europe, revenues marked a strong increase, after the contraction recorded in the first months of the year, driven by Italy, Poland, Spain and Germany. Sales through the online channel continued to rise sharply.
In the Americas area, the positive performance of the USA, Canada and Mexico was partially offset by the decrease in South America, mainly due to the strong devaluation suffered by the Brazilian currency which thwarted the excellent performances recorded by the companies operating in the country, which in local currency increased.
Sales in the rest of the world were up in Asia and Oceania, while there was a slight decrease in the African continent.

On the EBITDA was impacted by the increase in turnover which allowed for an adequate use of operating leverage resulting in a containment of overhead costs. The epidemic therefore had negative effects only in the first few months, while the following months recorded an excellent performance and the business unit was ready to accommodate this unexpected explosion of demand, increasing production rates without losing efficiency.

The Net Financial Position is improving as a consequence of the portion of cash flow generated by income management.

Components and Accessories

Sales are up by 15.5% compared to 2019. With the same consolidation area, ie excluding the turnover of Markusson and Agres (equal to € 4,385 thousand), the turnover is up by 11, 3% compared to 2019.
The growth in revenues recorded on the European market is attributable to higher sales of gardening products, mainly in Central European markets, in addition to the effect of the entry into the consolidation area of the Swedish company Markusson.
In the Americas area there was a strong growth linked to the sales of forestry and gardening products in the North American market. The good performance in the South American markets continued thanks to the subsidiaries, despite the negative impact of the devaluation of the respective local currencies. The effect of the consolidation of Agres and Markusson should also be highlighted.
In the Asia, Africa and Oceania area, the growth in sales is mainly attributable to the markets of China, Australia and Turkey.

The segment's EBITDA benefited from higher sales volumes, a positive customer / product mix, the favorable trend in the cost of raw materials and the effect of the change in the scope of consolidation for an amount of € 800 thousand.

The increase in the net negative financial position compared to 31 December 2019 is determined by the debt resulting from the acquisitions made and the increase in net working capital following the increase in turnover and the change in area.
The increase in investments in the period is linked for about € 3,000 thousand to the purchase of a technology for the production of polyester monofilaments and cables for agricultural applications, whose payment in installments is expected over the next five years.

5. Results of Group companies

5.1 Emak S.p.A. – Parent company

The Parent Company achieved net revenues of € 117,412 thousand against € 107,061 thousand in 2019, an increase of 9.7%. Turnover had an excellent performance on the European and Turkish market.

Ebitda of the year amounts to € 2,216 thousand, compared to € 1,885 thousand of last year thanks to the increase of turnover.

The operating result for the year is negative for € 5,784 thousand compared to a negative result of € 8,248 thousand in 2019. The 2020 result includes the write-downs of the investments and the future loss allowances of Emak Deutschland (for an amount of € 1,907 thousand) and of Emak do Brasil (for an amount of € 561 thousand). The 2019 result included 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 € 2,773 thousand compared to € 2,439 thousand in 2019.
The result benefited from the dividends received from subsidiaries for € 7,462 thousand (€ 9,022 thousand in 2019). Following the excercise of the Put option on the 30% investment in the share capital of Cifarelli S.p.A., capital losses on equity investment for € 500 thousand were recognized; the currency management was negative for € 492 thousand, compared to a positive value of € 789 thousand in 2019.

The net negative financial position is rising from € 22,247 thousand at 31 December 2019 to € 10,155 thousand at 31 December 2020.

The improvement derives from the higher cash flow generated, the reduction in net working capital and the sale of the minority stake in Cifarelli S.p.A, in addition to the non-distribution of dividends in the year 2020.

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5.2 Subsidiaries

At 31 December 2020 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 38 companies.

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

Company	Head office	31/12/2020		31/12/2019		
		Net sales	Net profit	Net sales	Net profit	
Parent company						
Emak S.p.A.	Bagnolo in Piano (Italy)	117,412	2,773	107,061	2,439	
Fully consolidated companies						
Emak France Sas	Rixheim (France)	26,234	429	24,016	10	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (China)	26,213	785	23,744	723	
Victus Emak Sp. Z o.o.	Poznam (Poland)	16,055	350	13,777	191	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germany)	5,998	(1,533)	6,965	(983)	
Emak Suministros Espana SA	Madrid (Spain)	7,947	435	7,632	326	
Emak U.K. LTD	Burntwood (UK)	3,614	33	3,655	(53)	
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (China)	2,977	153	3,033	68	
Epicenter LLC	Kiev (Ukraine)	3,381	331	3,755	419	
Emak Do Brasil Industria LTDA	Ribeirao Preto (Brazil)	938	(487)	941	(323)	
Tecomec Srl	Reggio Emilia (Italy)	52,122	2,249	46,309	2,215	
Speed France Sas	Arnas (France)	21,143	1,771	17,234	1,201	
Speed North America Inc.	Wooster, Ohio (USA)	17,506	1,983	16,886	1,225	
Speed Line South Africa (Pty) Ltd.	Pietermaritzburg (South Africa)	1,266	165	1,306	143	
Ningbo Tecomec Manufacturing Co. Ltd.	Ningbo City (China)	13,043	886	10,711	187	
Geoline Electronic S.r.l.	Poggio Rusco, Mantova (Italy)	-	-	501	(428)	1
Speed Industrie Sarl	Mohammedia (Morocco)	2,523	(354)	1,758	(200)	
Speed South America S.p.A.	Providencia (RCH)	3,350	543	2,605	146	
Comet Spa	Reggio Emilia (Italy)	67,947	3,910	60,757	7,624	
Comet France Sas	Wolfisheim (France)	7,209	361	6,430	378	
Comet USA	Burnsville, Minnesota (USA)	549	1,465	628	1,741	*
Valley Industries LLP	Paynesville, Minnesota (USA)	35,110	2,962	32,037	2,837	*
Ptc Waterblasting	Burnsville - Minnesota (USA)	79	(16)	144	(87)	
PTC Srl	Rubiera, Reggio Emilia (Italy)	10,228	647	9,504	280	
S.I. Agro Mexico	Guadalajara (Mexico)	5,767	244	5,586	210	
Comet do Brasil Investimentos LTDA	Indaiatuba (Brazil)	-	(1,114)	-	1,880	
Lemasa S.A.	Indaiatuba (Brazil)	10,059	1,640	13,942	1,292	
Sabart Srl	Reggio Emilia (Italy)	26,378	2,606	24,429	1,779	
Lavorwash S.p.a	Pegognaga, Mantova (Italy)	57,634	4,756	55,632	1,803	
Lavorwash France S.a.s.	La Courneuve (France)	8,465	35	9,180	(13)	
Lavorwash GB Ltd	St. Helens Merseyside (UK)	911	63	860	(65)	
Lavorwash Iberica S.l.	Tarragona (Spain)	1,317	165	1,415	177	
Lavorwash Polska SP ZOO	Bydgoszcz (Poland)	3,216	174	3,080	196	
Lavorwash Brasil Ind. E Com. Ltda	Indaiatuba (Brasile)	3,545	(1,062)	1,916	(493)	
Yong Kang Lavorwash Equipment Co. Ltd	Yongkang City (China)	25,865	1,979	22,800	1,422	
Yongkang Lavor Trading Co. Ltd.	Yongkang City (China)	3,115	203	2,035	120	
Spraycom S.A.	Catanduva, San Paolo (Brazil)	3,172	217	2,405	218	
Markusson Professional Grinders AB	Rimbo (Svezia)	2343	442	-	-	2
Agres Sistemas Eletrônicos S.A.	Pinais (Brasile)	2042	13	-	-	3

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

2 On January 31, 2020 the subsidiary Tecomec S.r.l. concluded the purchase of 51% of the Swedish company Markusson Professional Grinders AB, consequently the company's income statement entered the consolidation area with effect from 1 February 2020.

3 On 13 October 2020 the subsidiary Tecomec S.r.l. exercised the option to purchase an additional 58% stake in the Brazilian company, consequently the company's income statement for the last quarter entered the consolidation area.

** 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:

With regard to the results of the investment held in **Emak Deutschland**, it should be noted that the presence of the Outdoor Power Equipment segment on the German market has been subject to reorganization and that the investee has severely limited its business. Consequently, the separate financial statements of Emak Spa, in addition to the complete write-down of the investment for an amount equal to € 307 thousand, include a provision for future charges equal to the negative shareholders' equity of the subsidiary for an amount of € 1,600 thousand.

The company **Emak do Brasil**, despite the increase in turnover in local currency and in margins, has a worse net result than the previous year due to the strong negative impact due to the adjustment of the supply debt expressed in currencies other than Real.

Speed Industries Sarl, a sub-supplier of the Speed Group, will cease to be operational during 2021 following the changed logistical and production conditions that make it more convenient to transfer activities to other factories. The closure process, which began already in 2020, involved the disbursement of extraordinary charges for the retirement incentive of the staff for an amount of € 270 thousand.

The significant increase in the turnover of the company **Lavorwash Brasil**, compared to last year, was not sufficient to achieve a positive result for the company also for the impact of the result of currency management. Further activities are underway for the relaunch of the company.

6. 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 2020 the Group allocated a total of € 19.1 million to Research and Development, of which 12 million euros for product innovations and adaptation of production capacity and process innovation and 7.1 million euros for research costs charged directly to the income statement.

More details are available in the Non-Financial Statement.

7. Human resources

Below is shown the distribution of employees by country at 31 December 2020 compared to the previous year:

Employees at	31/12/2019	Change in scope of consolidation	Other movements	31/12/2020
Italy	962	-	26	988
France	129	-	17	146
UK	14	-	(2)	12
Spain	22	-	-	22
Germany	14	-	(14)	-
Poland	36	-	(1)	35
Sweden	-	4	-	4
China	406	-	23	429
Usa	155	-	17	172
Ukraine	27	-	(2)	25
South Africa	9	-	1	10
Brasil	149	74	4	227
Mexico	18	-	-	18
Morocco	29	-	-	29
Chile	18	-	1	19
Total	**1,988**	**78**	**70**	**2,136**

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.com, in the "Sustainability" section.

8. 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 financial 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, of a normal and recurring nature, falling within the ordinary exercise of industrial activity, constitute the preponderant part of activities carried out in the period by the Emak Group with related parties. All the above transactions are regulated under current market conditions, in compliance with framework resolutions approved periodically by the Board of Directors. Reference can be made to the notes to the accounts at paragraph 40.

During the year, no extraordinary operations with related parties have been carried out. If transactions of this nature had taken place, enforcement procedures 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/.

Emak S.p.A. a further updated edition of the procedures relating to transactions with related parties is in the process of being advanced and soon to be approved, in order to comply with CONSOB resolution no. 21624 of 10/12/2020, taken in implementation of the provisions of the new paragraph 3 of art. 2391-bis of the Italian Civil Code.

The new procedures will be effective from 1 July 2021 and will be published on the company website immediately after their approval.

* * * * * * *

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, available on the site www.emakgroup.it.
Given the conditions, Emak S.p.A. makes use of the procedural simplifications provided for in paragraphs 1 and 3, lett. b), in art. 13 of CONSOB Resolution no. 17221 of March 12, 2010 and related amendments and additions. The remuneration of Directors and Auditors and Managers with strategic responsibility in the subsidiaries is also regulated by suitable protection procedures that provide for the Parent Company to perform control and harmonization activities.

9. 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 29, 2020, the Shareholders' Meeting did not renew the authorization to purchase and dispose of treasury shares, following the entry into force of Legislative Decree n. 23 of 8 April 2020, in Official Gazette n. 94 in order not to preclude the possibility of access to credit to the Group, in the facilitated forms provided for by art. 1.
During the first part of the 2020 financial year, in force of the previous authorization, then revoked, and also subsequently, with regard only to the disposition operations, there were no movements in the purchase or sale of treasury shares, leaving at 31 December 2020 the balances at the beginning of the 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.

10. 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, still in force for the 2020 financial year, 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, illustrated 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 most recent update of the Code of Ethics, enriched and reorganized, compared to its previous version, was approved by the Board of Directors of EMAK on February 26, 2021.
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.

* * * * * * *

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.

* * * * * * *

Disclosure of consolidated non-financial information

The consolidated non-financial declaration of Emak S.p.A. for 2020, 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.com, in the "Sustainability" section.

11. 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.

12. Other information

Subsidiaries art 15. Market Regulations

With regard to the requirements of article 15 of the Market Rules - Consob Resolution No. 20249 dated December 28, 2017 and subsequent amendments and addition, Emak S.p.A.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);
- Agres Sistemas Eletrônicos 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.

European Single Electronic Format (ESEF)

In view of the difficulties facing businesses due to the crisis resulting from the pandemic, in December 2020, the European Parliament and the Council of Europe reached an agreement for the one-year extension of the regulation's entry into force. Within the national legal system, therefore, the law of conversion of Legislative Decree 183/2020 intervened which extended the provisions of the delegated regulation 2018/815 / EU to financial reports relating to the financial years started from 1 January 2021.

It should be noted that, in implementation of the extension envisaged by Legislative Decree. 183/2020, Emak has not published this Annual Financial Report through the European Single Electronic Format (ESEF), that is, through the computer language XHTML

.

It should be remembered that the delegated regulation of the EU Commission 2018/815 had established, in implementation of the delegation contained in directive 2004/109 / EC (so-called "transparency directive"), that listed European companies (including Italians) should have published financial reports annual 2020 through the "ESEF" format, also providing that listed companies mark the information presented therein using the XBRL markup language.

13. Business outlook

The very positive result for 2020 confirms the validity of the Group's strategy focused on product and process innovation, on the expansion and greater competitiveness of the range offered, on the strengthening and expansion of the distribution networks and on the synergies deriving from recent acquisitions.
Further support for growth came from the change in consumer habits with a greater propensity for outdoor activities and purchases through the online channel; this trend which presumably will consolidate during the current year.

The year 2021 opened with a significantly higher order comperated to the beginning of last year. The low level of stocks of gardening and cleaning products at retailers, the demand for agricultural products supported by the favorable trend in the price of agricultural commodities and the stimulus of government subsidies and the high demand for products for cleaning and sanitization suggest a double-digit growth in turnover for the first quarter.

Forecasts agree that 2021 will also be impacted by the pandemic and that only an effective vaccination plan will gradually improve the situation.
In this still uncertain context, to date the Group's activities continue on a regular basis with the adoption of all necessary measures in order to protect the health and safety of employees.

14. Significant events occurring during the period and positions or transactions arising from atypicaland 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.

15. Subsequent events

There are no noteworthy events.

16. 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 2020 and shareholders' equity at December 31, 2020 of the Group (Group share), with the corresponding values of the parent company Emak S.p.A.

€/000	Equity at 31.12.2020	Result for the year ending 31.12.2020	Equity at 31.12.2019	Result for the year ending 31.12.2019
Equity and result of Emak S.p.A.	**148,400**	**2,773**	**145,643**	**2,439**
Equity and result of consolidated subsidiaries	293,489	27,429	282,170	26,166
Effect of the elimination of the accounting value of shareholdings	(212,750)	3,321	(210,699)	3,224
Elimination of dividends	-	(12,654)	-	(19,121)
Elimination of intergroup profits	(6,839)	(368)	(6,471)	329
Evaluation of equity investment in associated	-	(889)	889	89
Total consolidated amount	**222,300**	**19,612**	**211,532**	**13,126**
Non controlling interest	**(2,163)**	**(312)**	**(2,037)**	**(177)**
Equity and result attributable to the Group	**220,137**	**19,300**	**209,495**	**12,949**

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

Dear Shareholders,
we submit for your approval the financial statements at 31 December 2020, which show a profit of € 2,773,307.00. We also propose the distribution of a dividend of € 0.045 for each outstanding share.

We therefore invite you to take this 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, 2020, closed with a net profit of € 2,773,307.00;

with regard to point 1.2 to the agenda

resolves

a) to allocate the net profit of € 2,773,307.00 as follows:
   - € 138.665,35 to the legal reserve;
   - to the Shareholders, as a dividend, the amount of € 0.015 gross of withholding taxes, for each share in circulation, with the exclusion of treasury shares held by the company;
   - to the extraordinary reserve for the entire residual amount;

b) to allocate to the Shareholders, as a dividend, the additional amount of € 4,906,128.06 assigning € 0.03, gross of withholding taxes, for each outstanding share, with the exclusion of treasury shares held by the company, by withdrawing it from the reserve "Retained earnings", which is therefore reduced from € 24,477,553.19 to € 19,571,425.13;

c) to authorize the Chairman, if the number of treasury shares changes before the coupon detachment date, to adjust the amount of the item "retained earnings" to take into account any treasury shares in the meantime sold;

d) to pay the total dividend of Euro 0.045 per share (coupon no. 23) on 9 June 2021, with detachment date 7 June, and record date 8 June.>>

Bagnolo in Piano (RE), 16 March 2021

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 expenses and revenues: 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", net of capital gains / losses on the realization of consolidated investments in equity.
- EQUITY PER SHARE: is obtained dividing the item "Group equity" by number of outstanding shares at period end.
- FREE CASH FLOW FROM OPERATIONS per SHARE: is obtained dividing the “Free cash flow from operations” 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 at 31 December 2020

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Consolidated financial statements

Consolidated Income Statement

Thousand of Euro

CONSOLIDATED INCOME STATEMENT	Notes	Year 2020	of which to related parties	Year 2019	of which to related parties
Revenues from sales	10	**469,778**	**958**	**433,953**	**695**
Other operating incomes	10	4,152		4,668	
Change in inventories		9,996		854	
Raw materials, consumables and goods	11	(258,006)	(2,704)	(230,213)	(3,322)
Personnel expenses	12	(84,588)		(81,106)	
Other operating costs and provisions	13	(85,698)	(2,518)	(82,066)	(2,377)
Amortization, depreciation and impairment losses	14	(22,692)	(1,698)	(24,068)	(1,695)
Operating result		**32,942**		**22,022**	
Financial income	15	727	19	1,370	22
Financial expenses	15	(5,164)	(380)	(5,366)	(346)
Exchange gains and losses	15	(3,547)		766	
Income from/(expenses on) equity investment	15	(2,144)		89	
Profit befor taxes		**22,814**		**18,881**	
Income taxes	16	(3,202)		(5,755)	
Net profit (A)		**19,612**		**13,126**	
(Profit)/loss attributable to non controlling interests		(312)		(177)	
Net profit attributable to the Group		**19,300**		**12,949**	
Basic earnings per share	17	**0.118**		**0.079**	
Diluted earnings per share	17	**0.118**		**0.079**	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	Year 2020	Year 2019
Net profit (A)		**19,612**	**13,126**
Profits/(losses) deriving from the conversion of foreign company accounts		(8,787)	989
Actuarial profits/(losses) deriving from defined benefit plans (*)		(64)	(245)
Income taxes on OCI (*)		18	68
Total other components to be included in the comprehensive income statement (B)		**(8,833)**	**812**
Total comprehensive income for the perdiod (A)+(B)		**10,779**	**13,938**
Comprehensive net profit attributable to non controlling interests		**(147)**	**(185)**
Comprehensive net profit attributable to the Group		**10,632**	**13,753**

(*) 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

Thousand of Euro

ASSETS	Notes	31.12.2020	of which to related parties	31.12.2019	of which to related parties
Non-current assets					
Property, plant and equipment	18	76,409		76,591	
Intangible assets	19	23,069		20,498	
Rights of use	20	27,925	10,444	29,716	12,142
Goodwill	21	67,464	12,523	63,844	12,590
Equity investments in other companies	22	8		8	
Equity investments in associates	22	-		7,399	
Deferred tax assets	32	9,063		8,106	
Other financial assets	27	808	186	2,423	1,223
Other assets	24	57		63	
Total non-current assets		**204,803**	**23,153**	**208,648**	**25,955**
Current assets					
Inventories	25	163,602		158,336	
Trade and other receivables	24	111,082	2,306	104,304	1,870
Current tax receivables	32	7,516		5,225	
Other financial assets	27	229	37	465	37
Derivative financial instruments	23	506		301	
Cash and cash equivalents	26	99,287		47,695	
Total current assets		**382,222**	**2,343**	**316,326**	**1,907**
TOTAL ASSETS		**587,025**	**25,496**	**524,974**	**27,862**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2020	of which to related parties	31.12.2019	of which to related parties
Shareholders' Equity					
Shareholders' Equity of the Group	28	220,137		209,495	
Non-controlling interests		2,163		2,037	
Total Shareholders' Equity		**222,300**		**211,532**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	30	135,456		98,153	
Liabilities for leasing	31	24,058	9,375	25,426	10,875
Deferred tax liabilities	32	6,465		8,337	
Employee benefits	33	7,608		8,110	
Provisions for risks and charges	34	2,382		2,304	
Other non-current liabilities	35	4,343		486	
Total non-current liabilities		**180,312**	**9,375**	**142,816**	**10,875**
Current liabilities					
Trade and other payables	29	110,554	2,926	90,477	1,349
Current tax liabilities	32	4,764		4,174	
Loans and borrowings due to banks and other lenders	30	62,032		68,373	
Liabilities for leasing	31	4,816	1,500	4,959	1,527
Derivative financial instruments	23	1,020		908	
Provisions for risks and charges	34	1,227		1,735	
Total current liabilities		**184,413**	**4,426**	**170,626**	**2,876**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**587,025**	**13,801**	**524,974**	**13,751**

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 31.12.2019 and at 31.12.2020

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 31.12.2018	**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					(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**
Profit reclassification			122					12,827	(12,949)	-	(4)	**(4)**
Other changes		(941)		3,215				(2,264)		**10**	(17)	**(7)**
Net profit for the period					(8,622)	(46)			19,300	**10,632**	147	**10,779**
Balance at 31.12.2020	**42,519**	**39,588**	**3,611**	**4,353**	**(7,889)**	**(1,320)**	**31,702**	**88,273**	**19,300**	**220,137**	**2,163**	**222,300**

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

Consolidated Cash Flow Statement

(€/000)	Notes	31.12.2020	31.12.2019
Cash flow from operations			
Net profit for the period		**19,612**	**13,126**
Amortization, depreciation and impairment losses	14	22,692	24,068
Financial expenses from discounting of debts	15	222	806
Income from/(expenses on) equity investment	15	2,144	(89)
Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	15	646	(549)
Capital (gains)/losses on disposal of property, plant and equipment		(54)	(191)
Decreases/(increases) in trade and other receivables		(9,768)	3,232
Decreases/(increases) in inventories		(9,694)	(761)
(Decreases)/increases in trade and other payables		18,053	(4,229)
Change in employee benefits		(501)	(656)
(Decreases)/increases in provisions for risks and charges		(322)	(39)
Change in derivative financial instruments		(80)	246
Cash flow from operations		**42,950**	**34,964**
Cash flow from investing activities			
Change in property, plant and equipment and intangible assets		(14,143)	(17,732)
(Increases) and decreases in financial assets		3,916	(2,405)
Proceeds from disposal of property, plant and equipment		54	191
Change in scope of consolidation		(4,596)	-
Cash flow from investing activities		**(14,769)**	**(19,946)**
Cash flow from financing activities			
Change in equity		(53)	(542)
Change in short and long-term loans and borrowings		29,951	(15,712)
Liabilities for leasing refund		(5,300)	(5,067)
Dividends paid		(4)	(7,540)
Cash flow from financing activities		**24,594**	**(28,861)**
Total cash flow from operations, investing and financing activities		**52,775**	**(13,843)**
Effect of changes from exchange rates and translation reserve		**2,516**	**(274)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**55,291**	**(14,117)**
OPENING CASH AND CASH EQUIVALENTS		**41,989**	**56,106**
CLOSING CASH AND CASH EQUIVALENTS		**97,280**	**41,989**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(€/000)	31.12.2020	31.12.2019
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Opening cash and cash equivalents, detailed as follows:	**41,989**	**56,106**
Cash and cash equivalents	47,695	62,602
Overdrafts	(5,706)	(6,496)
Closing cash and cash equivalents, detailed as follows:	**97,280**	**41,989**
Cash and cash equivalents	99,287	47,695
Overdrafts	(2,007)	(5,706)
Other information:		
Income taxes paid	(5,217)	(7,366)
Financial interest income	150	244
Financial expenses paid	(2,118)	(2,124)
Change in related party receivables and service transactions	(436)	(935)
Change in related party payables and service transactions	1,577	(2,274)
Change in trade and other receivables related to tax assets	(1,998)	818
Change in trade payables and other liabilities related to tax liabilities	257	(739)
Change in related party financial assets	1,037	(963)
Related party liabilities for leasing refund	(1,952)	(1,948)

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

Indice

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 the STAR segment.

Emak S.p.A. is controlled by Yama S.p.A., a non financial 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 S.p.A., 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 16, 2021 approved the Financial Report to December 31, 2020, 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 the allocation of the profit for the year submitted for approval by the Shareholders' Meeting convened for 29 April 2021.

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

1.1 Information about Covid-19 emergency

At the beginning of January 2020, the World Health Organization (WHO) announced the spread of Covid-19 infection in China, particularly in the Wuhan district, then declaring the state of emergency at the level on 30 January international. The spread of the virus in Europe and America occurred in February, which led to a generalized lockdown during the months of March and April. Since May, the modalities and times of the recovery of social life and economic activities are differentiated for the different countries.

Starting in October, due to the resumption of infections and the spread of variants of the virus, despite the launch of the vaccination campaign, in many countries some restrictive measures have been reintroduced that could have an impact on consumption, lengthening the exit times from a recession phase in many economic sectors.

The limitation of citizens' mobility, business operations and a general climate of uncertainty have had significant impacts on a global level, although with non-homogeneous effects and intensity across sectors and markets.

To this day, the risk of a lasting recession persists in many sectors, also in consideration of the uncertainty and rapid evolution of the situation at the health, regulatory, economic and social level, which makes it difficult to make assessments in the medium and long term.

In this context, the governments of the main world countries are adopting measures to support the sectors most affected by the pandemic and to encourage the recovery of the economy and support for businesses.

Group response to the epidemiological emergency

The Group companies are currently all operating: some, in the course of 2020, have temporarily used the social safety nets instrument and, only in a few limited cases and for limited periods, have resorted to the blocking of production and logistics activities. The Group has taken all the necessary measures to fight the virus and continues to monitor the evolution of the situation and to use the necessary measures to safeguard the health and safety of its employees and collaborators such as the sanitation of the premises, temperature measurement at the entrances, the adoption of distancing measures between people, the distribution of personal protective equipment and extension of smart working.

Measures undertaken by the Group aimed at containing Covid-19

All the Group's operating companies have set up ad hoc committees for emergency management, with the aim of implementing the requirements in terms of workplace safety regulations in the most effective way, as well as activities for the management of business risks emerging from the contingent situation, with the aim of limiting its impact on human resources, operating results and the financial balance of the Group.

In particular, the Group has focused on liquidity risk management, which consists in the ability to find the resources necessary for operations, applying the following strategies:

- Maintaining appropriate amounts of credit lines;
- Access to new loans;
- Request for suspension of the instalments relating to the loans in place with the banking system, expiring in the course of 2020;
- Increase in controls to monitor the solvency of the counterparties and compliance with the contractual terms of collection;
- Operating costs savings;
- Remodeling of the investment plan;
- Monitoring of the quality and level of warehouse stocks.

Management believes that the application of these strategies has allowed and will allow the Group to manage any additional short-term cash needs.

Economic effects of the epidemiological emergency and the Group's response

In strictly operational terms, the emergency from COVID-19 led to the incurrence of some direct costs, mainly related to the protection of the health and safety of workers. During the year the Group incurred costs of around € 613 thousand for the sanitation of the workplace and for the purchase of tools and devices aimed at containing the infection.
However, the Group has also been able to benefit from the economic and financial governmental measures made available by the various countries in support of production activities and employment. In particular, the Group benefited from social safety nets for the protection of employment for around € 1,653 thousand, and contributions for around € 1,106 thousand obtained against expenses incurred for sanitation and activities suitable for guaranteeing the safety of the workplace.

At the current date, there are no further significant costs relating to the management of the pandemic Emergency.

In April 2020 the effects of this context in terms of contraction in turnover were most evident.
However, the end of the *lockdown* in the main European countries together with the good trend in demand in the sectors in which the Group operates contributed to the recovery of sales in the following months, recording at 31 December an increase of 8.3% in the total turnover of the Group.

The result was affected by the particularly positive performance recorded in the second half compared to the same period of the previous year.
The emergence of new lifestyles and "*stay at home*" paradigms, to the detriment of people's mobility, has partly positively contributed to the Group's performance, in all segments in which it operates.

As regards the management of the *supply chain*, the pandemic has had effects on the market for raw materials and transport services: the measures of economic stimulus, the changes in the structure of the world economy and of global production have had an effect on the availability of basic raw materials and transport services. This trend has consequently also affected their cost, starting from the last quarter of 2020.

The Group monitors the forecast trend of the quotations and mitigates the risk through supply contracts, also stipulated at the Group level. The main objective of the Group is to avoid interruptions in supplies and rebalance the economic performance deriving from this impact.
To date, there are no supply chain problems or particular financial tensions of strategic suppliers for the Group.

Effects in financial terms of the epidemiological emergency and the Group's response

Some Italian companies of the Group obtained the suspension of the instalments falling due during 2020, relating to the loans already in place with the banking system, benefiting at December 31, 2020 from lower repayments of € 20,139 thousand.

In order to support the Group's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the prudential proposal by the Board of Directors not to distribute dividends on 2019 profits, allocate it to the reserve, while a dividend of € 7,359 thousand had been distributed during 2019. The choice was aimed at supporting the Group's capital solidity at a time of high uncertainty.

With reference to potential liquidity risks, it should be noted that during the 2020 financial year the Group's financial structure was further strengthened with new financial resources from credit institutions for € 69 million, aimed at rebalancing the financial exposure to medium-long term.

In addition, management believes that the credit lines currently not used equal to € 146 million, mainly short-term and guaranteed by trade receivables, in addition to the cash flows that will be generated by the exercise and financing activities, will allow the Group to meet the needs arising from investment, working capital management and debt repayment activities at their natural maturity.

With regard to credit risk specifically, to date there are no particular critical situations as customers have substantially met the commercial deadlines.

Monitoring activities, risks related to the spread of Covid-19 and considerations regarding accounting effects

From the outset, the Group has monitored - and will continue to constantly monitor - the evolution of the emergency situation connected to the spread of Covid-19, in consideration of both the changing regulatory framework of reference and the complex global economic context, in order to evaluate the possible adoption of additional measures to protect the health and welfare of its employees and collaborators, its customers and to protect its sources of income and its assets.

As previously illustrated, in the sectors in which the Group operates, the demand recorded positive signals, with growth effects on turnover.
However, the management takes into due consideration that the economic context is still characterized by profound uncertainty and medium-long term visibility that is affected by unpredictable variables such as the evolution of the pandemic and any measures that could have an impact on the economic context.
In this scenario the Group, also following the recommendations issued by the Italian and European regulators, it placed particular emphasis on the planning process, taking into account possible impacts on the objectives and business risks deriving from the pandemic.
This attention focused in particular on the process of drafting long-term plans for the purposes of the impairment test procedures for verifying the recoverability of goodwill and intangible assets, in application of the provisions of IAS 36 “Impairment of assets”.
It should be clarified that the estimates and prospective data relating to the aforementioned impairment tests are determined by the Group's management on the basis of past experience and expectations regarding developments in the markets in which the Group operates. For this purpose, it should be noted that the estimate of the recoverable value of the cash-generating unit requires discretion and the use of estimates by management, which are particularly complex in the current context of uncertainty caused by the known pandemic phenomenon. The Group cannot therefore ensure that there is no impairment of goodwill and other assets in future periods, even in the near future. In fact, several factors also linked to the evolution of the economic context may require a restatement of the value of goodwill and other activities. However, the

circumstances and events that could cause further verification of the existence of impairment are constantly monitored by the Group.

There are no problems related to the consequences of COVID-19 on the other items in the financial statements and, in particular, on the valuation items regarding the recoverability of receivables and the obsolescence of inventories, on the items regarding financial assets and liabilities and the determination of the items attributable to the application of the IFRS 16 "Leasing" principle. Furthermore, the Group does not hold significant financial assets measured at fair value.

In consideration of the current demand scenario, the Group's Management does not expect to make significant changes to its business model in response to the pandemic, except to monitor the context and anticipate the response to any changes.

On this basis, the Management of the Group has assessed that, even in the presence of a difficult economic and financial context, there are no uncertainties about the going concern and not detecting the existence of indicators of a financial, managerial or operational nature that could signal critical issues regarding capacity of the Group to meet its obligations in the foreseeable future and in particular in the next 12 months.

With respect to the foreseeable evolution on operations, please refer to the specific chapter of this report.

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 consolidated financial position: based on the distinction between current and non-current assets and current and non-current liabilities;
- Consolidated Income Statement and Consolidated Statement of other Comprehensive Income: 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 in conformity with IFRS requires the use of accounting estimates by the Directors.

The areas involving a higher degree of judgment or complexity and areas in which 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 the parent company Yama S.p.A. 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 identifiable 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.
In business combinations carried out in several phases, with the presence of previous parent-subsidiary relationship, full consolidation takes place from the date of acquisition of control and on the same date the re-measurement at fair value of the previously held investment takes place.

It should be 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 and Call Option Agreement*" which regulates the acquisition of the remaining 10% held by a company linked to the current General Director of the subsidiary;
- Markusson Professional Grinders AB, participated by Tecomec S.r.l., with a share of 51%, is consolidated at 100% on the basis of the "*Put and Call Option Agreement*" which regulates the purchase of the remaining 49%;
- Agres Sistemas Eletrônicos S.A., participated by Tecomec S.r.l., with a share of 91%, is consolidated at 100% on the basis of the "*Put and Call Option Agreement*" which regulates the purchase of the remaining 9%.

During 2020 the following were exercised:
- the option to purchase the remaining 30% of the share capital of the subsidiary Lemasa, in which Comet do Brasil LTDA holds a 70% stake, this operation has no effect on the consolidation process, which already took place for the 100% share precisely by virtue of the aforementioned "*Put and Call Option Agreement*".
- the Put option on the 14,67% of the stareholding of 14,67% in the share capital of Lavorwash S.p.A, bringing its shareholding to 98,45%, participated by Comet S.p.A.; also this operation has no effect on the consolidation process, which already took place for the 98,42%. share.

Compared to 31 December 2019, the Swedish company Markusson Professional Grinders AB joined the consolidation area, (of which the subsidiary Tecomec S.r.l. acquired 51% on January 31, 2020) and the company Agres Sistemas Eletrônicos SA, which passed from an associate to a subsidiary with the purchase of a further 58%, bringing the shareholding of Tecomec S.r.l. to 91%.

The consolidated financial statements at 31 December 2019 included only the economic data of the eleven-months of the company Geoline Electronic S.r.l., which was subject to a total spin-off on November 30, 2019.

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, 2020 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.	Pegognaga - MN (I)	3,186,161	€	98.45	Comet S.p.A.	98.45
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.S	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	€	100.00	Lavorwash S.p.A.	100.00
Markusson Professional Grinders AB (1)	Rimbo (SE)	50,000	SEK	100.00	Tecomec S.r.l.	51.00
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.	Indaiatuba (BR)	29,546,771	BRL	100.00	Comet do Brasil LTDA	100.00
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 (2)	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	Indaiatuba (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
Agres Sistemas Eletrônicos S.A. (3)	Pinais (BR)	1,047,000	BRL	100.00	Tecomec S.r.l.	91.00
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) Markusson Professional Grinders AB is consolidated at 100% as a result of the "*Put and Call Option Agreement*" which regulates the acquisition of the remaining 49%.
(2) Valley Industries LLP is consolidated at 100% as a result of the "*Put and Call Option Agreement*" which regulates the acquisition of the remaining 10%.
(3) Agres Sistemas Eletrônicos S.A. is consolidated at 100% as a result of the "*Put and Call Option Agreement*" which regulates the acquisition of the remaining 9%.

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 2020	31.12.2020	Average 2019	31.12.2019
GB Pounds (UK)	0.89	0.90	0.88	0.85
Renminbi (China)	7.87	8.02	7.74	7.82
Dollar (Usa)	1.14	1.23	1.12	1.12
Zloty (Poland)	4.44	4.56	4.30	4.26
Zar (South Africa)	18.77	18.02	16.18	15.78
Uah (Ukraine)	30.85	34.77	28.92	26.72
Real (Brazil)	5.89	6.37	4.41	4.52
Dirham (Morocco)	10.82	10.92	10.77	10.78
Mexican Pesos (Mexico)	24.52	24.42	21.56	21.22
Chilean Pesos (Chile)	903.14	872.52	786.89	844.86
Swedish krona (Sweden)	10.48	10.03	10.59	10.45

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 recognized in the income statement over the period required to match these grants with the related amortization plans and are treated as deferred income.

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 volumes 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 suspended 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.

Government grants obtained for investments in development costs are recognized in the income statement over the period necessary to correlate them with the related amortization plans and are treated as deferred income.

(b) Concessions, licenses and trademarks
Trademarks and licenses are valued at historical cost, except the trademarks acquired throught the transaction of *Business Combination* which are initially recorded at their *fair value*. 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, with the exception of the Customers Lists recognized following the acquisitions and inizially entered at their fair value. Other intangible assets are amortized on a systematic basis over their estimated useful lives, and in any case for a duration ranging from 10 to 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 at least annually for any impairment and whenever there are indications of possible losses in value. 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 derecognition, 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 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 can makes use of non-recourse sales of trade receivables. Following these possible 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 derecognised 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 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 in the case in which are the conditions that have determined the excerpt.
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 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 they are expected to become liquid, collectable and deductible at the same time, in relation to 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' meeting 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

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, 2020

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2020:

- On October 31, 2018, the IASB published the "**Definition of material (Amendments to IAS 1 and IAS 8)" document.** The document introduced a change in the definition of "relevant" contained in IAS

1 – Presentation of Financial statements and IAS 8 – Accounting Policies, changes in Accounting estimates and errors.This amendment aims to make the definition of “relevant” more specific and to introduce the concept of “obscured information” alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment makes it clear that information is “obscurated” if it has been described in such a way as to produce an effect for the primary readers of a budget similar to that which would have been produced if that information had been omitted or incorrect.
The adoption of this amendment did not affect the Group’s consolidated financial statement.

- On March 29, 2018, the IASB published an amendment to the “**References to the Conceptual Framework in international Financial Reporting Standards**”. The amendment is effective for periods beginning on 1 January 2020 or later, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial disclosure and guides the Council in developing international Financial Reporting Standards. The document helps to ensure that standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders, and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no international Financial Reporting Standards apply to a particular transaction and, more generally, helps stakeholders understand and interpret standards.
The amendment is not to be considered relevant to the Group's consolidated financial statement.

- On September 26, 2019, the IASB published the amendment entitled “**Amendments to international Financial Reporting Standards 9, IAS 39 and international Financial Reporting Standards 7: Interest Rate Benchmark reform**”. The same changes IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement in addition to IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements for the implementation ofhedge accountingby providing for temporary derogations from them in order to mitigate the impact of uncertainty in the reform of the IBOR on future cash flows in the period preceding its completion. The amendment also requires companies to provide further information on their hedging reports in the budget, which are directly affected by the uncertainties generated by the reform and to which they apply these derogations.
The adoption of this amendment did not affect the Group’s consolidated financial statement.

- On October 22, 2018, the IASB published the “**Definition of a Business (Amendments to international Financial Reporting Standards 3)” document.** The document provides some clarification on the definition of business for the proper application of international Financial Reporting Standards 3. In particular, the amendment makes it clear that while a business usually produces output, the presence of output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, at a minimum, substantial input and process that together contribute significantly to the ability to create an output. To do this, the IASB replaced the term "ability to create output" with "ability to help create output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced anoptional test (“concentration test”), which allows the presence of a business to be excluded if the price paid is essentially related to a single activity or group of activities. Changes apply to all business combinations and acquisitions after January 1, 2020, but early application is allowed.
The adoption of this amendment did not affect the Group’s consolidated financial statement.

- On May 28, 2020, the IASB published an amendment called "**Covid-19 related Rent Councils (Amendment to international Financial Reporting Standards)**". The document provides for lessees the right to account for the fee reductions associated with Covid-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 is complied with. Therefore, lessees who apply this option will be able to account for the effects of the reductions in rent charges directly on the income statement on the date of effectiveness of the reduction. This change applies to financial statements beginning on 1 June 2020.
  The adoption of this amendment did not affect the Group's consolidated financial statement.

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, 2020

- On May 28, 2020, the IASB published an amendment called "***Extension of the Temporary exemption from applying international Financial Reporting Standards 9 (Amendments to international Financial Reporting Standards 4)***". The amendments extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance. These amendments will enter into force on 1 January 2021. Directors do not expect a significant effect in the Group's consolidated financial statement since the adoption of this amendment.

- On August 27, 2020, the IASB published the"***Interest Rate Benchmark reform—phase 2***" document, which contains amendments to the following standards, in the light of the reform of interbank interest rates such as the IBOR:
  - IFRS 9 *Financial Instruments;*
  - IAS 39 *Financial Instruments Recognition and Measurement*;
  - IFRS 7 *Financial Instruments Disclosures;*
  - IFRS 4 *Insurance Contracts* and
  - IFRS 16 *Leases.*

  All changes will enter into force on 1 January 2021. Directors do not expect a significant effect in the Group's consolidated financial statement since the adoption of this amendment.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET APPROVED BY THE EUROPEAN UNION

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

- On May 18, 2017, IASB published **IFRS 17 – *Insurance contracts,*** which is intended to replace international Financial Reporting Standards (IFRS 4 – *Insurance contracts).*
  The aim of the new principle is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a *single, principle-based framework* to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds.
  The new principle also provides for presentation and reporting requirements to improve comparability between entities in this sector.
  The new principle measures an insurance contract based on *a General Model* or a simplified version of this, called *the Premium Allocation approach* ("PAA").
  The main features of *the General Model* are:
    - estimates and assumptions of future cash flows are always current cash flows;

- the measurement reflects the time value of the money;
- estimates provide for extensive use of market observable information;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and,
- the expected profit is recognized during the contractual period taking into account adjustments resulting from changes in the assumptions relating to the cash flows for each group of contracts.

The PAA approach is to measure the liability for the residual coverage of a group of insurance contracts, provided that, at the time of initial recognition, the entity expects that such liability is reasonably an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. Simplifications resulting from the application of the PAA method do not apply to the valuation of liabilities for *outstanding claims*, which are measured with *the General Model*. However, it is not necessary to discount those cash flows if the balance to be paid or cashed is expected to take place within one year of *the date on which the claim occurred*.

The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with *a discretionary participation feature* (DPF).
The Standard applies from 1 January 2023, but early application is permitted, only for entities applying IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from contracts with customers*. The directors are considering the possible effects of the introduction of this amendment on the Group's consolidated financial statement.

- On January 23, 2020, the IASB published an amendment called "***Amendments to IAS 1 Presentation of Financial statements: Classification of liabilities as current or non-current***". The document aims to clarify how to classify short- or long-term debts and other liabilities. The amendments shall enter into force on 1 January 2023; advance application is still permitted. At the moment, the directors are considering the possible effects of the introduction of this amendment on the Group's consolidated financial statement.

- On 14 May 2020, the IASB published the following amendments:
  - ***Amendments to international Financial Reporting Standards 3 Business Combination:*** the changes are designed to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without any changes to the requirements of international Financial Reporting Standards 3.
  - ***Amendments to IAS 16 property, plant and Equipment***: the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the material assets. These sales revenues and related costs will therefore be recognized in the profit and loss account.
  - ***Amendments to IAS 37 provisions, contingent liabilities and Contingent assets***: the amendment makes it clear that any costs directly attributable to the contract should be considered in the estimate of the possible onerousness of a contract. As a result, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has concluded the contract (such as: the share of the personnel costs and the depreciation of the equipment used for the performance of the contract).
  - ***Annual improvements 2018-2020***: changes were made to the IFRS 1 first-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative Examples of IFRS 16 leases.

All changes will enter into force on 1 January 2022. At the moment, the directors are considering the possible effects of the introduction of this amendment on the Group's consolidated financial statement.

- On January 30, 2014, IASB published ***IFRS 14 – Regulatory Defense Accounts***, which allows only those who adopt IFRS for the first time to continue to record the amounts relating to activities subject to regulated tariffs ("Rate Regulation Activities") according to the previous accounting principles adopted. Since the Group is not a *first-time adopter*, this principle 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, buy treasury shares, 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, except for the year 2020 in which no dividends were distributed due to the Covid 19 pandemic, has adopted "*dividend pay out*" policies for an amount equal to 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 derogated 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 2020 and 31 December 2019 are as follows:

€/000	**31.12.2020**	**31.12.2019**
Net financial position (Nfp) (note 9)	126,552	146,935
Total Equity	222,300	211,532
Ebitda before non ordinary expenses (1)	56,289	46,878
Nfp/Equity	**0.57**	**0.69**
Nfp/Ebitda before non ordinary expenses	**2.25**	**3.13**

(1) For more details please see the section "definitions of alternative performance indicators" in the Directors' 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 financial 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 2020, financings are, for the most part, 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, 2020 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 499 thousand (€ 258 thousand at December 31 2019). 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) Exchange rate risk
The Group carries out its business internationally and it 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 2020 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	15,043 thousand
Credit position in Mexican Pesos	14,559 thousand
Credit position in Zloty	3,188 thousand
Credit position in GB Pound	844 thousand
Debt position in Renminbi	165,602 thousand
Debt position in Euro	18,112 thousand
Debt position in Yen	16,477 thousand
Debt position in Taiwanese Dollars	81 thousand
Debt position in Swiss Francs	39 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 2020 financial period, the overall amount of revenues directly exposed to exchange risk represented around 8.8% of the Group's aggregate turnover (8.6% in the 2019 financial period), while the amount of costs exposed to exchange risk is equal to 20.3% of aggregate Group turnover (19.9% in the 2019 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/REAL, RMB/REAL and EUR/REAL, 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;
- USD/SEK and EUR/SEK, relating to purchases and sales on the Swedish 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, Sweden, 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, 2020, 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 € 1,180 thousand (€ 1,789 thousand at December 31 2019).

Other risks on derivative financial instruments
As described in Note 23, the Group holds a number of derivative financial instruments whose value is linked to the trend in exchange rates (forward currency purchase operations and options) 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 in exchange rates at December 31, 2020 as a result of a hypothetical unfavorable and immediate variation of 10% in underlying values would amount to around € 2,004 thousand (€ 431 thousand at December 31 2019).

(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, copper as well as semi-finished products such as engines.

(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 2020 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.

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, 2020 Trade receivables, equal to € 110,010 thousand (€ 103,997 thousand at 31 December 2019), include € 9,425 thousand (€ 12,314 thousand at 31 December 2019) 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, 2020 is € 20,985 thousand (€ 24,521 thousand at December 31, 2019).

At December 31, 2020 the first 10 customers account for 13.8% of total trade receivables (12.8% at December 31 2019), while the top customer represents 4% of the total (4.7% at December 31, 2019).

(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;
- maintenance of an adequate level of available 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 € 146 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, 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. Medium-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, cables for agricultural applications, 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	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Sales to third parties	159,761	148,243	189,357	181,250	120,660	104,460			**469,778**	**433,953**
Intersegment sales	585	518	2,290	1,693	8,444	7,007	(11,319)	(9,218)		
Revenues from sales	160,346	148,761	191,647	182,943	129,104	111,467	(11,319)	(9,218)	**469,778**	**433,953**
Ebitda	9,011	7,283	28,157	26,058	20,830	15,126	(2,364)	(2,377)	**55,634**	**46,090**
Ebitda/Total Revenues %	*5.6%*	*4.9%*	*14.7%*	*14.2%*	*16.1%*	*13.6%*			***11.8%***	***10.6%***
Ebitda before non ordinary expenses	9,348	7,507	28,535	26,079	20,770	15,669	(2,364)	(2,377)	**56,289**	**46,878**
Ebitda before non ordinary expenses/Total Revenues %	*5.8%*	*5.0%*	*14.9%*	*14.2%*	*16.1%*	*14.1%*			***12.0%***	***10.8%***
Operating result	1,262	(2,287)	20,274	17,872	13,770	8,814	(2,364)	(2,377)	**32,942**	**22,022**
Operating result/Total Revenues %	*0.8%*	*-1.5%*	*10.6%*	*9.8%*	*10.7%*	*7.9%*			***7.0%***	***5.1%***
Net financial expenses (1)									**(10,128)**	**(3,141)**
Profit befor taxes									**22,814**	**18,881**
Income taxes									**(3,202)**	**(5,755)**
Net profit									**19,612**	**13,126**
Net profit/Total Revenues%									***4.2%***	***3.0%***
(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	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Net debt	10,780	29,304	87,031	98,863	28,741	19,071	0	(303)	**126,552**	**146,935**
Shareholders' Equity	178,820	176,334	66,031	62,460	55,096	50,295	(77,647)	(77,557)	**222,300**	**211,532**
Total Shareholders' Equity and Net debt	189,600	205,638	153,062	161,323	83,837	69,366	(77,647)	(77,860)	**348,852**	**358,467**
Net non-current assets (2)	130,336	137,483	86,970	94,433	41,397	30,577	(75,506)	(75,504)	**183,197**	**186,989**
Net working capital	59,264	68,155	66,092	66,890	42,440	38,789	(2,141)	(2,356)	**165,655**	**171,478**
Total net capital employed	189,600	205,638	153,062	161,323	83,837	69,366	(77,647)	(77,860)	**348,852**	**358,467**
(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	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Number of employees at period end	738	743	777	731	613	506	8	8	**2,136**	**1,988**
OTHER INFORMATIONS	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Amortization, depreciation and impairment losses	7,748	9,570	7,884	8,186	7,060	6,312			**22,692**	**24,068**
Investment in property, plant and equipment and in intangible assets	5,050	8,573	3,476	3,983	8,644	5,897			**17,170**	**18,453**

For the comments of the economic part, reference should be made to chapter 4 of the Directors' Report.

7. Significant non-recurring events and transactions

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, 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 of 51% 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 which led to a registration of a debt of approximately € 2.3 million. In 2020 financial year, Markusson recorded a turnover of approximately SEK 25 million. The value of the debt is determined on the basis of the forecast economic and financial results, according to precise calculation formulas defined in the acquisition agreements.

The *fair value* of the assets and liabilities subject to partial acquisition determined on the basis of the last financial statements of January 31, 2020, the price paid and the financial disbursement are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets and liabilities
Non-current assets			
Property, plant and equipment	7		7
Intangible assets	-	1,600	1,600
Other financial assets	1		1
Current assets			
Inventories	438		438
Trade and other receivables	345		345
Current tax receivables	55		55
Cash and cash equivalents	470		470
Non-current liabilities			
Deferred tax liabilities	-	(330)	(330)
Current liabilities			
Trade and other payables	(158)		(158)
Current tax liabilities	(89)		(89)
Total net assets acquired	**1,069**	**1,270**	**2,339**
% consolidated			**100%**
Equity consolidated			**2,339**
Purchase price for 51% paid on January 31, 2020			**1,698**
Deferred price relating to the discounted debt for Put & Call on the 49% expiring in 2023			**2,318**
Total acquisition price of 100%			**4,016**
Goodwill			**1,677**
Cash and cash equivalents acquired			470
Net cash outflow			**1,228**

The difference between the acquisition price paid and the fair value of the assets, liabilities and contingent liabilities at the acquisition date was recognized as goodwill. The fair value adjustments refer for € 127 thousand to the brand and for € 1,473 thousand to the "customer list". The evaluation defined the estimated useful life to be attributed to the brand (10 years) and the "customer list" (14 years). Compared to the interim report on operations of March 31, 2020, the value of goodwill has been changed following of the update of the allocation initially defined as a result of the possibility received by IFRS 3 which allows modification over the twelve months the allocation of the acquisition price to the balance sheet items. The fair value of the assets and liabilities acquired was determined by following valuation methods recognized as best practice; in particular, the criterion of the *excess earning method* for the "customer list" and the *relief from royalty method* for the brand.

Acquisition of an additional 3% share of Agres Sistemas Electronicos SA

On March 16, 2020, the subsidiary Tecomec S.r.l., acquired an additional 3% share in the Brazilian company Agres, bringing its shareholding to 33%. The price for the acquisition of this share amounts to € 212 thousand.

Capital increase Lemasa

On June 9, a share capital increase of Lemasa was subscribed by converting the reserve of retained earnings of previous years, for an amount of 15,506 thousand of Reais.

Exercise Call option on 30% of Lemasa

On 11 June, the company Comet S.p.A., through the subsidiary Comet do Brasil, signed the agreement for the exercise of the Call option on the residual investment of 30% of the share capital of Lemasa.
Compared to what is recognized as payable for P&C in the financial statements at March 31, 2020, equal to 21,009 thousand of Reais, following negotiation between the parties of the application of the clauses relating to the calculations provided for in the contract, a greater debt was recorded, equal to approximately 2,221 thousand of Reais, which was accounted for as a capital loss under the item " financial expenses" for a countervalue of € 377 thousand.

Exercise Put option on 30% of Cifarelli

On 29 June, the parent company Emak S.p.A. exercised the Put option on the share of 30% of the share capital of Cifarelli S.p.A. for a countervalue of € 3,250 thousand. The transaction resulted in the recognition of a loss of € 1,389 thousand entered under the item "Income from/(expeses on) equity investment".

Purchase technology

The subsidiary Speed France has acquired a technology and systems for the production of polyester mono filaments and cables for agricultural applications for a total amount of € 3,000 thousand, with a deferred payment agreement over five years.

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 was underway.

Capital increase Speed South America

On July 1, 2020, the company Speed France subscribed and paid in a capital increase of the company Speed South America, for an amount of 460,090 thousand of Chilean Pesos, equal to € 500 thousand.

Exercise of the Put option on 14.67% of Lavorwash S.p.A.

On 5 October, the subsidiary Comet S.p.A. signed the contract for the acquisition of the 14.67% shareholding in the share capital of Lavorwash S.p.A.
The price paid for the acquisition of the share, defined following the exercise of the put option of the transferring shareholders, was equal to € 9,645 thousand.
There were no discrepancies with respect to what was recognized as a payable for P&C in the financial statements.

Early exercise of option on 58% of Agres Sistemas Eletrônicos SA

On October 15, the subsidiary Tecomec S.r.l. exercised in advance the option to purchase an additional shareholding of 58% of the share capital of Agres, bringing its shareholding to 91%, also considering the 3% acquired during the first half of the year.
The price paid for the purchase of 58% was 25.7 million of Reais, equal to approximately € 3.9 million.
In the 2020 financial year Agres recorded a turnover of 39.4 million Reais,up by approximately 50% compared previous year.
With this transaction, Tecomec will consolidate its presence in Brazil and will strengthen its position as a global supplier of products and solutions for precision agriculture. (c.d. *precision farming*).

The *fair value* of the assets and liabilities subject to partial acquisition determined on the basis of the last financial statements of September 30, 2020, 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	342	-	342
Intangible assets	830	1,505	2,335
Rights of use	41	-	41
Current assets			
Inventories	799	-	799
Trade and other receivables	2,469	-	2,469
Current tax receivables	238	-	238
Other financial assets	40	-	40
Cash and cash equivalents	21	-	21
Non-current liabilities			
Loans and borrowings due to banks and other lenders	(2,203)	-	(2,203)
Liabilities for leasing	(4)	-	(4)
Other non-current liabilities	(163)	-	(163)
Deferred tax liabilities	-	(512)	(512)
Current liabilities			
Trade and other payables	(1,387)	-	(1,387)
Current tax liabilities	(244)	-	(244)
Loans and borrowings due to banks and other lenders	(582)	-	(582)
Liabilities for leasing	(43)	-	(43)
Provisions for risks and charges	(6)	-	(6)
Total net assets	**148**	**993**	**1,141**
% consolidated			**100%**
Equity consolidated			**1,141**
Purchase price paid			**3,389**
Deferred acquisition price			**725**
Price of the share of the associates (30%) already paid in the previous years			**2,760**
Capital loss on share of associates			**(755)**
Actualized price for the Put and Call exercise			**1,380**
Value of the equity investment			**7,499**
Goodwill			**6,358**
Cash and cash equivalents acquired			**21**
Net cash outflow			**3,368**

The difference between the acquisition price paid and the fair value of the assets, liabilities and contingent liabilities at the acquisition date was recognized as goodwill. Net fair value adjustments refer for € 993 thousand to the "customer list". The evaluation defined in 10 years the estimated useful life to be attributed to the "customer list".
The fair value of the assets and liabilities acquired was determined by following valuation methods recognized as best practice; in particular, the criterion of the *excess earning method*.

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 2020. 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	31/12/2020	31/12/2019
A.	Cash and cash equivalents	99,287	47,695
B.	Other cash at bank and on hand (held-to-maturity investments)	-	-
C.	Financial instruments held for trading	-	-
D.	**Liquidity funds (A+B+C)**	**99,287**	**47,695**
E.	**Current financial receivables**	**735**	**766**
F.	Current payables to banks	(7,714)	(13,963)
G.	Current portion of non current indebtedness	(51,549)	(38,176)
H.	Other current financial debts	(8,605)	(22,101)
I.	**Current financial indebtedness (F+G+H)**	**(67,868)**	**(74,240)**
J.	**Current financial indebtedness, net (I+E+D)**	**32,154**	**(25,779)**
K.	Non-current payables to banks	(131,686)	(97,802)
L.	Bonds issued	-	-
M.	Other net non-current financial debts	(27,828)	(25,777)
N.	**Non-current financial indebtedness (K+L+M)**	**(159,514)**	**(123,579)**
O.	**Net financial indebtedness (ESMA) (J+N)**	**(127,360)**	**(149,358)**
P.	Non current financial receivables	808	2,423
Q.	**Net financial position (O+P)**	**(126,552)**	**(146,935)**
	Effect IFRS 16	**28,874**	**30,385**
	Net financial position without effect IFRS 16	**(97,678)**	**(116,550)**

Net financial position at December 31, 2020, includes € 6,035 thousand (€ 15,863 thousand at December 31, 2019), 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:

- Markusson for an amount of € 2,326 thousand;
- Agres for an amount of € 2,109 thousand;
- Valley LLP for an amount of € 1,600 thousand.

Non-current portion of the payables for the purchase of equity investments, recorded in the item Other net non-current financial debts, above is equal to € 3,710 thousand while the current portion of payables for the purchase of equity investments, recorded in the item Other current financial debts, is equal to to € 2,325 thousand.

Net financial position at December 31, 2020, includes, in the items referring to Other financial debts, financial liabilities for € 28,874 thousand (€ 30,385 thousand at December 31, 2019), of which € 4,816 thousand as a current portion (€ 4,959 thousand at Decemebr 31, 2019), deriving from the application of IFRS 16- Leases, adopted by the Group from January 1, 2019.

Net current financial indebtedness shows a positive net liquidity balance due to the significant increase in the "cash and cash equivalents" mainly for:

- Il *cash flow* achieved by the group during the year
- disbursement of new medium and long-term loans
- The postponement of some installments of mortgages expairing during the year

At 31 December 2020, the item Financial receivables includes receivables from related parties for an amount of € 222 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.

At December 31, 2019, net financial position included 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 2020 there were no non-recourse transfer of trade receivables.

10. Revenues from sales and other operating income

The Group's revenues amount to € 469,778 thousand, compared to € 433,953 thousand of last year, and are recorded net of returns for € 1,270 thousand, against € 824 thousand of last year.

Details of revenues from sales are as follows:

€/000	FY 2020	FY 2019
Net sales revenues (net of discounts and rebates)	466,650	430,471
Revenues from recharged transport costs	4,398	4,306
Returns	(1,270)	(824)
Total	**469,778**	**433,953**

The increase in "Revenues" refers to the growth recorded in all business segments and in particular by the Components and Accessories sector in all markets and to an effect of € 4,273 thousand linked to the entry into the consolidation area of the Markusson and Agres Companies.

Other operating income is analyzed as follows:

€/000	FY 2020	FY 2019
Capital gains on property, plant and equipment	110	243
Recovery of warrants costs	80	121
Insurance refunds	30	218
Advertising reimbursement	144	275
Grants related to income and assets	1,594	656
Recovery of administrative costs	144	222
Recovery of costs canteen	97	120
Revenues for rents	565	633
Other operating income	1,388	2,180
Total	**4,152**	**4,668**

The increase in the item “Grants related to income and assets” refers for approximately € 672 thousand to conversion into non-repayable subsidies of loans obtained from Speed North America provided for by the

Paycheck Protection Program (PPP) provision and guaranteed at federal level by the United States Small Business Administration (SBA), as part of the business support programs for address the pandemic crisis. The item "Grants related to income and assets" also refers to the Research and Development tax credit for a value of Euro 531 thousand booked by the company Emak S.p.A.

11. Cost of raw materials, consumable and goods

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

€/000	FY 2020	FY 2019
Raw materials, semi-finished products and goods	254,744	227,171
Other purchases	3,283	3,204
R&D costs capitalized	(21)	(162)
Total	**258,006**	**230,213**

The change in the item “raw materials, semi-finished products and goods” is related to the performance of revenues.

12. Personnel expenses

Details of these costs are as follows:

€/000	FY 2020	FY 2019
Wage and salaries	58,173	57,412
Social security charges	16,098	16,507
Employee termination indemnities	2,534	2,660
Other costs	2,639	1,994
R&D costs capitalized	(822)	(617)
Directors' emoluments	1,803	1,083
Temporary staff	4,163	2,067
Total	**84,588**	**81,106**

During the 2020 financial year, personnel costs for € 822 thousand, € 617 thousand in 2019, were capitalized under intangible fixed assets, referring to 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 € 783 thousand; mainly referring to retirement incentives paid by some Group companies, in the previous year these charges, amounted to € 489 thousand.

The details of personnel by country is shown in chapter 7 of the Directors’ Report.

13. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2020	FY 2019
Subcontract work	14,890	12,460
Maintenance	5,504	4,827
Trasportation and duties	23,220	20,008
Advertising and promotion	3,268	3,788
Commissions	8,478	7,752
Travel	1,415	3,307
Postals and telecommunications	818	916
Consulting fees	5,537	5,557
Driving force	2,484	2,506
Various utilities	1,141	1,307
Services and bank fees	733	908
Costs of after sales warranty	1,442	1,236
Insurances	1,521	1,460
Other services	7,157	7,328
R&D costs capitalized	(251)	(159)
Services	**77,357**	**73,201**
Rents, rentals and the enjoyment of third party assets	**3,106**	**3,237**
Increases in provisions (note 34)	**307**	**439**
Credit losses	89	175
Increases in provision for doubtful accounts (note 24)	1,143	902
Capital losses on property, plant and equipment	40	58
Other taxes (not on income)	1,367	1,371
Grants	193	171
Other costs	2,096	2,512
Other operating costs	**4,928**	**5,189**
Total	**85,698**	**82,066**

The reduction in “Travel” item is a consequence of cost management in the face of restrictions resulting from the COVID 19 emergency.

The increase in transport costs is also attributable to the greater use of deliveries by air linked to the lower availability of maritime transport found generally on the market and the need to cope with the increase in orders that occurred starting from the second quarter of 2020.

The increase in subcontract works is due to the increase in sales volumes, as well as to the maximization of flexibility and production efficiency.

Maintenance costs are growing due to higher HW and SW maintenance fees, as a result of the implementation by the Parent Company of the new Microsoft Dynamics 365 information system.

14. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2020	FY 2019
Amortization of intangible assets (note 19)	4,403	3,775
Depreciaton of property, plant and equipment (note 18)	12,720	12,792
Amortization of rights of use (note 20)	5,569	5,427
Impairment losses of goodwill (note 21)	-	2,074
Total	**22,692**	**24,068**

The amortization and depreciation at December 31, 2020 amounted to € 22,692 thousand.

The reduction in the value of goodwill amounted to € 2,074 thousand at 31 December 2019, as a loss due to the reduction in the value of goodwill referring to the ex Bertolini company, originally emerged from the merger by incorporation of the same in the parent company Emak S.p.A. recognized following 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*.
Amortization is calculated based on the duration of the contracts, taking into account the reasonableness of the probable renewals where they are contractually provided for.

15. Financial income and expenses

"**Financial income**" is analyzed as follows:

€/000	FY 2020	FY 2019
Income from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	420	376
Interest of trade receivables	152	101
Interest on bank and postal current accounts	69	158
Financial income of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	-	549
Capital gain on disposal of investments	-	27
Other financial income	86	159
Financial income	**727**	**1,370**

The "Capital gain on disposal of investments" recorded in 2019, refers to the capital gain deriving from the sale of the investment held in the company Netribe S.r.l.

The "Financial income of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries" recorded in the 2019 financial year, referred to the adjustment of the debt for the purchase of the shares regulated by Put&Call of the company Lemasa LTDA for € 486 thousand and of the company Valley LLP. for € 63 thousand.

“Financial expenses” are analyzed as follows:

€/000	FY 2020	FY 2019
Interest on medium long-term bank loans and borrowings	1,720	1,400
Interest on short-term bank loans and borrowings	252	516
Financial charges for final price adjustment for the purchase of remaining shares of subsidiaries	377	-
Financial charges of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	269	-
Costs from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	862	847
Financial charges from valuing employee terminations indemnities (note 33)	26	82
Financial charges from leases	945	959
Financial expenses from discounting debts	222	806
Other financial costs	491	756
Financial expenses	**5,164**	**5,366**

The increase in long-term loans to banks compared to short-term ones has led to an increase in "interest on medium / long-term banks loas and borrowings" at the expense of the decrease in short-term interest. Overall bank charges remain virtually unchanged compared to the previous year, in the face of the increase in bank debt also thanks to the decrease in interest rates.

The item “Financial charges for final price adjustment for the purchase of remaining shares of subsidiaries” refers to the higher price paid equal to approximately 2,221 thousand Reais, for the adjustment of the Put&Call agreement on the residual investment of 30% of the share capital of Lemasa. This change is the result of negotiation between the parties on the basis of the clauses and calculations provided for in the original agreements, which provided for an adjustment of the final price based on the company’s economic and financial performance (for more detail see note 7).

The “Financial charges of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries” refer to the adjustment of the debt for the purchase commitment of the remaining shares of Valley Industries LLP subject to *Put & Call option* for the purchase of the 10% remaining of the company.

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

The item “Financial expenses from discounting debts” refers to the implicit interest deriving from the discounting of debts, of which € 187 thousand referring to the purchase of equity investments to be settled in the future.

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

Details of “**exchange gains and losses”** are as follows:

€/000	FY 2020	FY 2019
Profit / (Loss) on exchange differences on trade transactions	(1,241)	(142)
Profit / (Loss) on exchange differences on trade transactions adjustments	(1,159)	339
Profit / (Loss) on exchange differences on financial transactions	(1,438)	335
Profit / (Loss) on exchange differences on valuation of hedging derivatives	291	234
Exchange gains and losses	**(3,547)**	**766**

The exchange rate management 2020 is negative for € 3,547 thousand against a positive value equal to € 766 thousand of the previous year.
Foreign exchange management was mainly affected by the negative performance of the Brazilian Real and, in general, of the South American currencies, which led to the recording of losses due to the adjustment of the

debts in local currency at the end of the period. and the trend of the US dollar which led to a devaluation of the credit items at the end of the period expressed in this currency.

The item referring to trade transactions also includes the effect of the valuation of currency risk hedging instruments at *fair value*, positive for € 291 thousand at December 31, 2020 and equal to € 234 thousand at December 31, 2019.

The item **"Income from/ (expenses on) equity investment"** equal to a negative value of € 2,144 thousand is related to:

- for € 1,389 thousand to the capital loss deriving from the exercise of the Put option on the 30% of investment in the share capital of Cifarelli S.p.A.;
- for € 755 thousand deriving from the adjustment of the 33% associates share at the fair value derived from the most recent purchase price of the controlling interest of 58% of the company Agres Sistemas Eletrônicos SA.

16. Income taxes

The tax charge in 2020 for current and deferred tax assets and liabilities amounts to € 3,202 thousand (€ 5,755 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2020	FY 2019
Current income taxes	7,897	5,500
Taxes from prior years	(1,318)	(297)
Deferred tax assets (note 32)	(1,078)	592
Deferred tax liabilities (note 32)	(2,299)	(40)
Total	**3,202**	**5,755**

Current income taxes include the cost of IRAP (regional company tax) to € 591 thousand, compared to € 666 thousand in 2019.

The reconciliation between the tax burden recorded in the financial statements and the theoretical tax charges, determined on the basis of the theoretical tax rates in force in Italy, is as follows:

€/000	FY 2020	% Rate	FY 2019	% Rate
Profit before taxes	**22,814**		**18,881**	
Theoretical tax charges	**6,365**	**27.9**	**5,268**	**27.9**
Effect of IRAP differences calculated on different tax base	235	1.0	251	1.3
Non-taxable income	(373)	(1.6)	(349)	(1.8)
Non-deductible costs	1,269	5.6	1,131	6.0
Differences in rates with other countries	(773)	(3.4)	(461)	(2.4)
Previous period taxes	(1,318)	(5.8)	(297)	(1.6)
Tax effect from realignment and revaluations	(2,443)	(10.7)	-	-
Taxes on financial charges concerning the discounting of payables for equity investments	47	0.2	214	1.1
Other differences	193	0.8	(2)	0.0
Effective tax charge	**3,202**	**14.0**	**5,755**	**30.5**

The effective tax rate is 14.0%, against 30.5%, at 31 December 2019.

The tax charge in 2020 benefited from the registration of:

- tax credits from the "*Patent Box*" for € 1,234 thousand, of which € 1,097 thousand for IRES (corporation tax) and € 137 thousand for IRAP (regional company tax) (with an effect on the tax rate of 5.4%) and recorded under previous years' taxes as referring to the period 2015-2019 and recognized in 2020;
- effects deriving from the realignment of the tax value to that of the recognition in the financial statements, due to the faculty granted by the Decree. 104/2020, and referring to some properties acquired through financial leasing contracts and to some company trademarks already recorded in the consolidated financial statements. The positive effect, emerging from the elimination of the tax liabilities for deferred taxes previously allocated to these assets, amounts to € 1,684 thousand, net of the cost of the substitute tax equal to € 237 thousand, with a positive effect on the tax rate 7.4%;
- tax assets for deferred taxes recognized against the registration of future tax benefits deriving from revaluation operations - pursuant to Legislative Decree. 104/2020 - of tangible and intangible assets performed by some subsidiaries of the Group even if not recognized as an adjustment to the value of individual assets in accordance with the application of IFRS principles. The positive effect on the tax charge for the year is equal to € 759 thousand (3.3% on the tax rate for the year), net of the cost for the substitute taxes incurred equal to € 57 thousand.

Without considering the positive effects previously illustrated, the tax rate for the year would have been 30.1%. The tax rate of the year was negatively affected by the unrecorded deferred tax assets on tax losses for an amount of € 949 thousand, against an effect of € 700 in 2019, and from the write-off of deferred tax assets previously allocated for € 312 thousand, with an overall negative effect on the tax rate of 5.4%.

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 (Note 39). The Parent company has only ordinary shares outstanding.

	FY 2020	FY 2019
Net profit attributable to ordinary shareholders in the parent company (€/000)	19,300	12,949
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
Basic earnings per share (€)	**0.118**	**0.079**

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	31.12.2019	Change in scope of consolidation Increase	Increases	Decreases	Exchange differences	Reclassification	31.12.2020
Lands and buildings	57,104	163	444		(443)		57,268
Accumulated depreciation	(20,303)	-	(1,601)		113		(21,791)
Lands and buildings	**36,801**	**163**	**(1,157)**	**-**	**(330)**	**-**	**35,477**
Plant and machinery	106,917	51	4,684	(1,228)	(2,535)	1,762	109,651
Accumulated depreciation	(82,687)	(21)	(5,722)	857	1,707	101	(85,765)
Plant and machinery	**24,230**	**30**	**(1,038)**	**(371)**	**(828)**	**1,863**	**23,886**
Other assets	127,867	202	3,949	(1,253)	(682)	755	130,838
Accumulated depreciation	(115,421)	(63)	(5,397)	1,178	505	(9)	(119,207)
Other assets	**12,446**	**139**	**(1,448)**	**(75)**	**(177)**	**746**	**11,631**
Advances and fixed assets in progress	**3,114**	**17**	**4,941**	**-**	**(72)**	**(2,585)**	**5,415**
Cost	**295,002**	**433**	**14,018**	**(2,481)**	**(3,732)**	**(68)**	**303,172**
Accumulated depreciation (note 14)	**(218,411)**	**(84)**	**(12,720)**	**2,035**	**2,325**	**92**	**(226,763)**
Net book value	**76,591**	**349**	**1,298**	**(446)**	**(1,407)**	**24**	**76,409**

€/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**	**-**	**636**	**-**	**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**	**-**	**(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**	**-**	**2,642**	**-**	**(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**	**-**	**76,591**

The increase in the item "Advances and fixed assets in progress" mainly refers to the acquisition, by Speed France, of the technology for the production of polyester mono filaments and cables for agricultural applications.

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.

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	31.12.2019	Change in scope of consolidation Increase	Increases	Amortizations	Exchange differences	Reclassification	31.12.2020
Development costs	3,036	786	1,234	(811)	26	89	4,360
Patents and software	2,778	44	888	(1,333)	(22)	100	2,455
Concessions, licences and trademarks	4,936	127	32	(604)	(170)	(1)	4,320
Other intangible assets	9,392	2,978	750	(1,655)	68	117	11,650
Advanced payments and fixed assets in progress	356	-	248	-	(2)	(318)	284
Net book value	20,498	3,935	3,152	(4,403)	(100)	(13)	23,069

€/000	31.12.2018	Demerger of Geoline	Increases	Amortizations	Exchange differences	Reclassification	31.12.2019
Development costs	1,468	-	952	(511)	-	1,127	3,036
Patents and software	2,726	-	1,124	(1,241)	-	169	2,778
Concessions, licences and trademarks	5,468	-	73	(597)	(8)	-	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	-	679	-	(46)	(2,926)	356
Net book value	20,195	(280)	4,414	(3,775)	(56)	-	20,498

Research costs directly recorded in the Group's income statement amount to € 7,051 thousand, net of the capitalization that took place during the year.
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 € 822 thousand of personnel costs incurred internally and capitalized under this item.

The increases from the change in the scope of consolidation refer to: Agres development costs and patents and software, the fair value adjustments attributed to customer list of the Agres company and the fair value adjustments attributed to the brand and customer list of the Markusson company during *Purchase Price Allocation.*

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.
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 € 418 thousand as at 31 December 2020.

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	31.12.2019	Change in scope of consolidation	Increases	Amortization	Decreases	Exchange difference	31.12.2020
Rights of use buildings	**28,242**	**18**	**4,549**	**(4,912)**	**(898)**	**(434)**	**26,565**
Rights of use other assets	**1,474**	**23**	**566**	**(657)**	**(12)**	**(34)**	**1,360**
Net book value (note 14)	**29,716**	**41**	**5,115**	**(5,569)**	**(910)**	**(468)**	**27,925**

The increases for the year are mainly related to the signing of new lease contracts, which expired during the year, for identical underlying assets. The decreases in the item "rights of use buildings" refer to the early termination of certain real estate lease contracts, due to a logistical reorganization action.

21. Goodwill

The goodwill of € 67,464 thousand reported at December 31, 2020 is detailed below:

Cash Generating Unit (CGU)	*Country*	**Description**	**31.12.2019**	**Change in scope of consolidation**	**Exchange differences**	**31.12.2020**
Victus	Poland	Goodwill from the acquisition of the business unit Victus IT	5,718	-	(380)	5,338
Tailong	China	Goodwill from the acquisition of Tailong Machinery Ltd.	2,676	-	(67)	2,609
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	12,971	-	(1,096)	11,875
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	12,104	-	(3,208)	8,896
Lavorwash	Italy	Goodwill from the acquisition of Lavorwash Group	17,490	-	-	17,490
Spraycom	Brazil	Goodwill from the acquisition of Spraycom	200	-	-	200
Markusson	Sweden	Goodwill from the acquisition of Markusson	-	1,677	80	1,757
Agres	Brazil	Goodwill from the acquisition of Agres	-	6,358	257	6,615
		Total	**63,844**	**8,035**	**(4,415)**	**67,464**

The difference, if compared to December 31, 2019, is mainly attributable to the change in consolidation exchange rates and to the acquisitions of the companies Markusson and Agres.

- Goodwill allocated to the CGU Victus, equal to € 5,338 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 € 2,609 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 € 11,875 thousand, include an amount of € 10,594 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 € 1,281 thousand arising from the acquisition of the company branch A1 Mist Sprayers Resoruces Inc., realized in the first months of 2017 by the same Valley.

- 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 continues 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 amount of € 8,896 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 exercised in 2020. 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. The contractual

agreements provided that the deferred acquisition price and the value of the Put & Call depend on the economic and 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. During 2020, the value of the deferred price and the Put & Call was definitively determined.

- 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 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. During 2020, the value of the *Put & Call* debt was defined and liquidated.

- 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 amount of € 1,757 thousand refers to the goodwill recognized as part of the acquisition of 51% of the Markusson company which took place in 2020, of which 49% regulated by a *Put & Call option,* to be exercised in 2023. The goodwill was determined as the difference between the fair value of the net assets and the acquisition price which, for the part subject to the Put & Call option, is valued according to future economic and financial results; the value of the goodwill, therefore, was recorded using the best estimate of the current value of the exercise price of the options, determined on the basis of the related business plan.

- The amount of € 6,615 thousand includes the value of the goodwill acquired from the consolidation of the Agres company which took place in 2020, of which 9% regulated by a *Put & Call option* agreement to be exercised for 70% from 31 December 2023 and for 30% from December 31, 2027. The goodwill was determined as the difference between the fair value of the net assets and the acquisition price which, for the part subject to the Put & Call option, is valued according to future economic and financial results, the value of the goodwill, therefore, was recorded using the best estimate of the current value of the exercise price of the options, determined on the basis of the related business plan.

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 2020 have been approved by the Board of Directors on March 16, 2021, 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 and of the reference sectors.

In order to carry out the impairment test on the recoverability of 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 in relation to the future operating performances 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 year;
- 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 the sum of a reference market rate in the country of Italy and an average effective "spread" applied to the actual loans held by the Group;
    - the cost of equity is determined using the value of beta levered and the financial structure of a panel of listed companies in the sector, applying a risk-free rate and a premium for the specific risk of individual countries.

- The terminal value was determined on the basis of a long-term growth rate (g) equal to the country's long-term inflation (source *International Monetary Fund*) 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 5.0% to a maximum of 6.8%;
- The WACC used to discount cash flows of the CGU located in Poland is 6.9%, for the CGU located in Sweden 5.3%, for the CGU located in China 7.7%, for the CGU located in Mexico 10.6%, for the CGU located in the USA 6.6%, while for the CGU located in Brazil has been used a WACC that ranges from a minimum of 11.1% to a maximum of 11.4%.
- 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.

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 longterm growth rate (g) of 50 bps and of 5% of the cash flows, the analyses would nevertheless indicate no losses in value.

Furthermore the Company's management has considered it appropriate to assess the recoverability of net capital employed referred to the CGU Emak S.p.A in the face of impairment indicator identified during the period, attributable to the achievement of a negative operating result for the period. Even such 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 5.9%; the terminal value was determined on the basis of a prudential long-term growth rate (g) equal to 2%, representative of long-term expectations for the industrial sector to which it belongs, considering the presumed inflationary impacts.
Also this impairment test, as well as the underlying multi-year plan, referring to the assets registered at 31 December 2020 was approved by the Board of Directors on March 16, 2021.

Finally, the Directors, finding that the Emak Group's shareholders' equity is higher than the market capitalization of the stock at 31 December 2020 (equal to € 180 millions), considered it appropriate to carry out a impairment test so-called “second level” on the basis of the Group's three-year economic and financial plan, updated and approved by the Board of Directors of the parent company on March 16, 2021. The impairment test has been prepared applying the same methodology previously illustrated, by applying a WACC of 5.9% and a growth rate of long-term "g" equal to 2%. The test did not detect any impairment.

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.

22. Equity investments and Investments in associates

The item "**Equity investments**" amounts to € 8 thousand and the same 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**" recorded a decrese equal to:

- € 4,640 thousand following the exercise of the Put option on the 30% stake in the share capital of Cifarelli S.p.A., for more detail see Note 7;
- € 2,759 thousand as the company Agres Sistemas Eletrônicos SA passed from an associate to a subsidiary with the purchase of a further 58%, bringing the shareholding of Tecomec S.r.l. to 91%; for more details, see Note 7.

23. Derivative financial instruments

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

All derivative financial instruments belonging to this heading are valued at fair value at the second hierarchical level: 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, 2020 is shown as follows:

€/000	31.12.2020	31.12.2019
Positive *fair value* assesment exchange rate hedge	267	140
Positive *fair value* assessment exchange rate options	239	76
Positive *fair value* assessment IRS and interest rate options	-	85
Total derivative financial instrument assets	**506**	**301**
Negative *fair value* assesment exchange rate hedge	186	135
Negative fair value assesment exchange rate options	129	-
Negative *fair value* assessment IRS and interest rate options	705	773
Total derivative financial instrument liabilities	**1,020**	**908**

At December 31, 2020 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 S.p.A.	Cnh	5,000	8.26	11/05/2021
Eur/Pln	Victus-Emak S.p. Z.o.o.	Euro	900	4.46	22/03/2021
Usd/Pln	Victus-Emak S.p. Z.o.o.	Usd	600	3.72	26/04/2021
Usd/Euro	Sabart S.r.l.	Usd	2,300	1.20	07/06/2021
Cnh/Euro	Tecomec S.r.l.	Cnh	24,000	8.35	15/12/2021
Cnh/Euro	Lavorwash S.p.A.	Cnh	57,000	8.20	13/12/2021
Usd/Cnh	Lavorwash Equipment	Usd	170	7.12	01/02/2021
Euro/Mxn	S.I. Agro Mexico	Euro	2,165	26.26	31/08/2021
Usd/Mxn	S.I. Agro Mexico	Usd	20	20.15	29/01/2021
Euro/Usd	Valley	Euro	990	1.20	11/05/2021
Forward contracts for foreign currencies purchases with collar options					
Cnh/Euro	Emak Spa	Cnh	102,000	8.13	16/12/2021

(*) The due date is indicative of the last contract.

Finally, on December 31, 2020 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 € 79,013 thousand; the expiration of the instruments is so detailed:

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Credit Agricole Cariparma	Emak S.p.A.	2,813	26/10/2017	11/05/2022
Credit Agricole Cariparma	Emak S.p.A.	2,500	24/05/2018	30/06/2023
MPS	Emak S.p.A.	5,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	5,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	4,500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	4,687	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.	5,250	02/08/2019	30/06/2024
MPS	Emak S.p.A.	6,750	16/06/2020	30/06/2025
Bper	Comet S.p.A.	5,900	20/09/2017	29/12/2023
Ubi Banca	Comet S.p.A.	2,950	20/09/2017	29/12/2023
UniCredit	Comet S.p.A.	5,000	14/06/2018	30/06/2023
Banca Nazionale del Lavoro	Comet S.p.A.	4,688	06/07/2018	06/07/2023
Bper	Comet S.p.A.	2,950	15/11/2018	29/12/2023
Ubi Banca	Comet S.p.A.	1,475	15/11/2018	29/12/2023
Banca Nazionale del Lavoro	Comet S.p.A.	7,500	02/08/2019	31/12/2024
Credit Agricole Cariparma	Tecomec S.r.l.	2,500	24/05/2018	30/06/2023
Ubi Banca	Tecomec S.r.l.	2,500	23/10/2018	31/07/2022
Total		**79,013**		

The average of the hedging interest rates resulting from the instruments is equal to 0.03% at December 31, 2020.

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, 2020 is an overall negative fair value of € 514 thousand.

24. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2020	31.12.2019
Trade receivables	110,010	103,997
Provision for doubtful accounts	(5,974)	(5,660)
Net trade receivables	**104,036**	**98,337**
Trade receivables from related parties (note 40)	485	409
Prepaid expenses and accrued income	1,764	1,783
Other receivables	4,797	3,775
Total current portion	**111,082**	**104,304**
Other non current receivables	57	63
Total non current portion	**57**	**63**

The increase recorded in the item "trade receivables" is attributable to the performance of the last quarter, an improvement over the previous year.
Furthermore 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. At 31 December 2020, there were no assignments of non-recourse receivables.

The item "**Other receivables**", for the current portion, includes:
- an amount of € 1,821 thousand, (€ 1,461 at 31 December 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 € 1,566 thousand as advances to suppliers for the supply of goods.

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	31.12.2020	31.12.2019
Opening balance	**5,660**	**5,952**
Change in scope of consolidation increase	53	-
Provisions (note 13)	1,143	902
Decreases	(679)	(1,191)
Exchange differences	(203)	(3)
Closing balance	**5,974**	**5,660**

The book value reported in the statement of financial position corresponds to its *fair value*.
With regard to credit risk specifically, to date there are no particular critical situations as customers have substantially met the commercial deadlines.

25. Inventories

Inventories are detailed as follows:

€/000	31.12.2020	31.12.2019
Raw, ancillary and consumable materials	51,953	47,548
Work in progress and semi-finished products	26,195	23,842
Finished products and goods	85,454	86,946
Total	**163,602**	**158,336**

Inventories at December 31, 2020 are stated net of provisions amounting to € 10,731 thousand (€ 10,226 thousand at December 31 2019) 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 2020	FY 2019
Opening balance	**10,226**	**9,946**
Change in scope of consolidation	12	-
Provisions	1,340	1,253
Exchange differences	(245)	2
Usage	(602)	(975)
Closing balance	**10,731**	**10,226**

26. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2020	31.12.2019
Bank and post office deposits	99,220	47,627
Cash	67	68
Total	**99,287**	**47,695**

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

€/000	31.12.2020	31.12.2019
Cash and cash equivalents	99,287	47,695
Overdrafts (note 30)	(2,007)	(5,706)
Total	**97,280**	**41,989**

27.Other financial assets

Other financial assets amount to € 808 thousand, which is non-current portion, and € 229 thousand as current portion and refer mainly to:

- an amount of € 353 thousand relating to guarantee deposits; entered under the non-current assets
- an amount of € 244 thousand relating to sureties, recorded under non-current assets
- an overall amount of € 223 thousand, of which the fixed asset part is € 186 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 2020 and amounts to € 42,623 thousand, remaining unchanged during the year under examination, and it is represented by 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
Total value of treasury shares held at 31 December 2020 amounts to € 2,029 thousand and has not undergone any changes compared to the previous year.
This sum was attributed for the nominal value (€ 104 thousand) as an adjustment to the share capital and for the corresponding premium (€ 1,925 thousand) to adjust the share premium reserve. The consistency of the treasury stock portfolio during the year remained unchanged.

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 2020, the share premium reserve amounts to € 39,588 thousand, and consists of premiums on newly issued shares, net of share premium paid at the time for the purchase of treasury shares held at December 31, 2020 amounted to € 1,925 thousand.
Part of this reserve (€ 941 thousand) was classified in the revaluation reserve as a result of the realignment of the tax and statutory values pursuant to Legislative Decree 104/2020.

The reserve is shown net of progress 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, 2020 of € 3,611 thousand (€ 3,489 thousand at December 31, 2019).

Revaluation reserve
At 31 December 2020 the revaluation reserve includes the reserves deriving from the revaluation as per Law 72/83 for € 371 thousand, as per Law 413/91 for € 767 thousand. and as per Law 342/00 (referred to by Legislative Decree 104/2020) for € 3,215 thousand.

Reserve for translation differences
At 31 December 2020 the reserve for translation differences for a negative amount of € 7,889 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.
The reserve recorded a negative adjustment of € 8,622 thousand mainly due to the performance of the REAL and US dollar currencies.

Reserve IAS 19
At 31 December 2020 the IAS 19 reserve is equal a negative amount of € 1,320 thousand, for the actuarial valuation differences of post-employment benefits to employees.

Other reserves
At 31 December 2020 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.

Due to the fact that the value of the market capitalization at December 31, 2020 is lower than the consolidated shareholders' equity, the Directors proceeded with the verification of recoverability by preparing the second level *impairment test* based on the expected cash flows derived from the Emak Group's multi-year plan, without recognizing impairment losses (see Note 21).

29. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2020	31.12.2019
Trade payables	90,317	75,469
Payables due to related parties (note 40)	976	1,137
Payables due to staff and social security institutions	12,104	9,665
Advances from customers	1,417	1,234
Accrued expenses and deferred income	828	434
Other payables	4,912	2,538
Total current portion	**110,554**	**90,477**

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

The item “Other payables” includes € 1,950 thousand, compared to € 212 thousand at 31 December 2019, for current IRES tax liabilities recorded by some companies of the Group towards the parent company Yama S.p.A. and arising from the relationships that govern the consolidated tax return, to which the same participating.

30. Loans and borrowings

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

€/000	31.12.2020	31.12.2019
Bank loans	57,213	46,377
Overdrafts (note 26)	2,007	5,706
Liabilities for purchase of equity investments	2,325	15,863
Financial accrued expenses and deferred income	73	63
Other loans	414	364
Total current portion	**62,032**	**68,373**

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

The item "**Bank loans**" includes an amount equal to € 268 thousand relating to the current portion of the loan disbursed to the American company Valley, provided by the *Paycheck Protection Program (PPP)* and guaranteed at federal level by the *United States Small Business Administration (SBA).* The program provides thatcompanies can access to concessional financing which are expected to be converted into non-repayable grants if they respect certain characteristics.

The item “**Liabilities for purchase of equity investments**” includes:

- an amount of € 1,600 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;
- an amount of € 725 thousand refers to the debt for the purchase of 58% of the Agres company, paid in January 2021.

The reduction in the item is attributable to the exercise of the *Put&Call* for the purchase of 30% of the Lemasa company (€ 4,790 thousand at 31 December 2019) and to the exercise of the *Put&Call* for the purchase of 14.67% of the share capital of Lavorwash S.p.A. (€ 9,599 thousand at 31 December 2019).

Long-term loans and borrowings are detailed as follows:

€/000	31.12.2020	31.12.2019
Bank loans	131,686	97,802
Liabilities for purchase of equity investments	3,710	-
Other loans	60	351
Total non current portion	**135,456**	**98,153**

During the 2020 financial year, the Group's financial structure was further strengthened with new financial resources from credit institutions for € 69 million.

The item "**Bank loans**" includes an amount equal to € 327 thousand relating to the non-current portion of the loan disbursed to the American company Valley, provided by the *Paycheck Protection Program (PPP)* and guaranteed at federal level by the *United States Small Business Administration (SBA).*

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

- € 2,326 thousand, relates to the discounted debt for the purchase price portion of 49% of Markusson shares and governed by the "*Put and Call option*" contract to be exercised in 2023;
- € 1.384 thousand relates to the discounted debt for the purchase price portion of 9% of Agres Sistemas Eletrônicos shares and governed by the "*Put and Call option*" contract to be exercised for the 70& from the 31 December 2023 and for the 30% from the 31 December 2027.

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

€/000	31.12.2019	Change in scope of consolidation Increase	Increases	Decreases	Exchange differences	Other movements	31.12.2020
Bank loans	97,802	1,188	51,739	(18,979)	(64)	0	131,686
Liabilities for purchase of equity investments	-	-	3,710	-	-	-	3,710
Other loans	351	-	60	(351)	-	0	60
Total	**98,153**	**1,188**	**55,509**	**(19,330)**	**(64)**	**-**	**135,456**

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, 2020 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	53,194	41,388	28,877	6,582	**130,041**	**1,645**
Liabilities for purchase of equity investments	-	3,191	-	-	**3,191**	**519**
Other loans	52	8	-	-	**60**	**-**
Total	**53,246**	**44,587**	**28,877**	**6,582**	**133,292**	**2,164**

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.

Some Italian companies of the Group have obtained the suspension of the installments due in 2020, relating to loans already in place with the banking system, benefiting at 31 December 2020 from lower repayments for € 20,139 thousand.

31. Liabilities derivig from *leases*

The item "**Liabilities derivig from *leases*"** which totals € 28,8874 thousand, of which € 24,058 thousand as non-current portion and € 4,816 thousand as current portion, refers to financial liabilities recorded in application of the IFRS 16 accounting standard - *Leases*. These liabilities are equal to the present value of the future residual payments provided by the contracts.
At 31 December 2020 these liabilities amounted to € 35,385 thousand, of which € 25,426 thousand as non-current portion and € 4,959 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	3,730	3,379	3,089	2,938	**13,136**	**10,922**
Total	**3,730**	**3,379**	**3,089**	**2,938**	**13,136**	**10,922**

32. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2019	Increases	Decreases	Other movements	Exchange differences	31.12.2020
Deferred tax on impairment losses of assets	314	-	(49)	-	(3)	262
Deferred tax on reversal of unrealized intercompany gains	2,423	133	-	-	-	2,556
Deferred tax on provision for inventory write-downs	1,972	302	(156)	-	(3)	2,115
Deferred tax on losses in past financial periods	579	98	(585)	-	(8)	84
Deferred tax on provisions for bad debts	543	135	(57)	-	(1)	620
Deferred tax on right of use IFRS 16	192	52	(16)	(13)	(4)	211
Deferred tax on tax realignment	-	816	-	-	-	816
Other deferred tax assets	2,083	619	(240)	(33)	(30)	2,399
Total (note 16)	**8,106**	**2,155**	**(1,103)**	**(46)**	**(49)**	**9,063**

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 2020.

As previously illustrated, as of 31 December 2020, deferred tax assets were allocated, for a value of € 816 thousand, against the revaluation of tangible and intangible assets, with tax relevance, carried out by some companies of the Group. Deferred tax assets, recorded under the item "Deferred tax assets on tax realignments", have been recorded in the consolidated financial statements in order to align the future taxation with the book values which, in application of the accounting principles adopted, do not incorporate the higher values on the individual assets deriving from the revaluation operations.

The recognition of deferred tax assets was carried out by assessing at the end of each year the existence of the conditions for their future recoverability on the basis of the updated strategic plans. Consequently, deferred tax assets for a value of € 312 thousand were written off in the current year in anticipation of the reorganization of the activity of the subsidiary Emak Deutschland.
The usability of deferred taxes on previous tax losses, equal to € 84 thousand, has an unlimited duration and are deemed to be 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	31.12.2019	Ch. in scope of consolidation	Increases	Decreases	Other movements	Exchange differences	31.12.2020
Deferred tax on property ex IAS 17	1,110	-	-	(1,006)	-	-	104
Deferred tax on depreciations	5,921	-	137	(1,407)	-	(340)	4,311
Other deferred tax liabilities	1,306	862	267	(304)	(46)	(35)	2,050
Total (note 16)	**8,337**	**862**	**404**	**(2,717)**	**(46)**	**(375)**	**6,465**

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

The increase from the change of the area refers to deferred tax liabilities relating to the *fair value* adjustments of the assets acquired through the two *business combinations* "Markusson" and "Agres", described in paragraph 7 "Significant non-recurring events and transactions" of these notes.

As illustrated in Note 16 Income taxes, the reduction in deferred tax liabilities on properties pursuant to former IAS 17 and on depreciation is attributable for € 1,921 thousand to the realignment pursuant to Legislative Decree. 104/2020 of the statutory and tax values of some buildings and trademarks already recorded in the consolidated financial statements. The assets for which the Group has made the tax realignment are recorded in the consolidated financial statements at 31 December 2020 for a total value of € 6,882 thousand.

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 2020, without considering the decrease due to the realignment of the values illustrated in the previous paragraph.

At December 31, 2020, 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 that may lead to taxation.

The **Current tax receivables** amount at December 31 2020 to € 7,516 thousand, against € 5,225 thousand at December 31 2019, and refer to VAT credits, surplus payments on account of direct tax and other tax credits.

The **Current tax liabilities** amount to € 4,764 thousand at December 31 2020, compared with € 4,174 thousand a year earlier, and they refer to payables for direct tax for the period, VAT and withholding taxes.

The main Italian companies of the Group participate with the parent company Yama S.p.A. in the tax consolidation pursuant to articles 117 and following of the Presidential Decree n. 917/1986: the positions for current IRES taxes of these companies are recorded under the item Other payables (Note 29) and Other receivables (Note 24).

33. Employee benefits

At December 31, 2020 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee’s working life, amounting to € 7,166 thousand against € 7,716 thousand at December 31, 2019. The valuation of the indemnity leaving fund (TFR), carried out according to the nominal debt method, in force at the closing date, would be € 6,399 thousand against € 6,943 at December 31, 2019.

Movements in this liability are as follows:

€/000	FY 2020	FY 2019
Opening balance	**8,110**	**8,764**
Current service cost and other provisions	151	-
Actuarial (gains)/losses	64	245
Interest cost on obligation (note 15)	26	82
Demerger of Geoline	-	(25)
Disbursements	(743)	(956)
Closing balance	**7,608**	**8,110**

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

	FY 2020	FY 2019
Annual inflation rate	0.80%	1.20%
Discount rate	-0.02%	0.37%
Dismissal rate	2.00%	3.00%

Demographic assumptions refer to the most recent statistics published by ISTAT.
In the 2021 financial year, payments are expected to be in line with 2020.

34. Provisions for risks and charges

Movements in these provisions are detailed below:

€/000	31.12.2019	Change in scope of consolidation	Increases	Decreases	Exchange differences	31.12.2020
Provisions for agents' termination indemnity	2,220	-	185	(80)	-	2,325
Other provisions	84	-	-	(20)	(7)	57
Total non current portion	**2,304**	**-**	**185**	**(100)**	**(7)**	**2,382**
Provisions for products warranties	1,109	-	29	(6)	(25)	1,107
Other provisions	626	6	93	(514)	(91)	120
Total current portion	**1,735**	**6**	**122**	**(520)**	**(116)**	**1,227**

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 € 185 thousand, was recorded under the provisions in the item "Other operating expenses" in the income statement.

"Other non-current provisions", equal to € 57 thousand refer to defense costs accrued in respect of the conduct of tax disputes on the part of Lemasa, 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 consider to mobilize additional funds to contingent liabilities.

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.

"Other provisions" item, for the current part, refers to the best possible estimate of probable liabilities and to some different objections and disputes and for which the Group does not intend to allocate additional provisions for liabilities.

The decreases in provisions refer for approximately € 475 thousand, equal to an equivalent value of approximately 11,644 thousand pesos, to the use of a fund allocated in previous years by the company S.I. Agro Mexico due to a customs dispute concerning the VAT treatment on goods entering the Mexican territory. The federal administrative court rejected the appeal brought by the company, withholding the payment of the disputed total that the company had paid in advance. The provision set aside in 2019 was large compared to what was determined at the time of closing the dispute.

35. Other non-current liabilities

The item **"Other non-current liabilities"** includes:

- € 3,524 thousand relating to the long-term debt for Speed France's acquisition of of the technology for the production of polyester mono filaments and cables for agricultural applications, payment is expected in 3 installments falling due in 2022, 2023 and 2025;
- € 453 thousand, against € 486 thousand at 31 December 2019, refers to the deferred income, of future competence, relating to capital grants received pursuant to Law 488/92 by Comag S.r.l., now merged

into Emak S.p.A.The part of the grant receivable within a year is recorded in current liabilities under other liabilities and amounts to € 33 thousand;

- € 225 thousand relating to the portions of future accruals of the grants for plant related to the costs for the development of new products as part of a multi-year project subject to subsidies by the Ministry of Economic Development. The portion of contributions that can be rediscovered within the year is included in current liabilities among other payables and amounts to € 64 thousand.

36. Contingent liabilities

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

Since February 2021 there has been a dispute related to a hypothesis of violation of industrial property rights concerning a subsidiary company.
The Group, supported by the opinion of its legal advisors, has carried out a preliminary analysis of these findings and believes that there are no objective elements to support the dispute initiated by the counterparty. However, in consideration of the complexity of the inherent matter and the fact that the issue has just arisen, the relative risk of losing is only considered possible and consequently no provision has been made in the financial statement.

37. Commitments

Fixed asset purchases.
The Group has commitments for the purchase of fixed assets not accounted for in the financial statements as of December 31, 2020 for an amount equal to € 49 thousand (€ 110 thousand at 31 December 2019).
These commitments mainly refer 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:

- Put and Call option for the remaining 10% of the share capital is contained in the contract for the acquisition of the subsidiary Valley Industries LLP, in favor of the *trust Savage Investments*, to be exercised without deadline;
- in the contract to acquire the subsidiary Markusson Professional Grinders AB, owned by Tecomec S.r.l. with a share of 51%, there is a "*Put & Call Option*" agreement which regulates the purchase of the remaining 49% to be exercised on March 31, 2023;
- in the contract to acquire the associated company Agres Sistemas Eletronicos S.A., owned by Tecomec S.r.l. with a share of 91%, there is a "Put and Call" agreement for the purchase of an additional 9% share to be exercised for 70% from 31 December 2023 and 30% from 31 December 2027.

38. Guarantees

The group has € 2,045 thousand in guarantees granted to third parties at December 31 2020, relating to guarantee policies for customs rights and bank guarantees.

39. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2020 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2020	31.12.2019
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**

During the 2020 financial year, no dividends were paid following the shareholders' meeting of Emak S.p.A. of 29 April 2020.

At December 31 2019 Emak S.p.A. held in portfolio 397,233 treasury shares for a value of € 2,029 thousand.
During 2020 no treasury shares were purchased or sold.
Therefore, at December 31, 2020 Emak S.p.A. held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2021 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 2020.

40. Related party transactions

The transactions entered into with related parties by the Emak Group in the year 2020 mainly relate to three different types of usual nature relations, within the ordinary course of business, adjusted to normal market conditions and the most significant of these are held 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, responding to a stringent production logic and purpose. On one side, 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.
In particular, significant amounts of rights of use, liabilities deriving from leases, amortization and depreciation and financial charges derive from the passive real estate lease relationships with the subsidiary Yama Immobiliare Srl, in compliance with the IFRS accounting standard. 16, properly identified in the financial statements.
On the other hand, certain companies of Yama Group bought from Emak Group products for the completion of their respective range of commercial offer.

Secondly, relations of a tax nature and usual character arise from the participation of the Parent Company Emak S.p.A. and of the subsidiaries Comet S.p.A., Tecomec S.r.l., Sabart S.r.l., P.T.C. S.r.l. and Lavorwash S.p.A. to the tax consolidation regime under Articles. 117 et seq., Tax Code, intercurrent with Yama S.p.A., 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. The amount of balances with related parties, relating to tax consolidation relationships, are shown in notes 24 and 29.
It should be noted that the company Cifarelli S.p.A. ceased to be a related company with on 29 June 2020, the date of the sale of the shareholding held.

A further area of relationships with "other related parties" is derived from the performance of professional services for legal and fiscal nature, provided by entities subject to significant influence by a non-executive director.

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.	825	460	-	460	-	-	-
Garmec S.r.l.	86	25	-	25	-	-	-
Yama S.p.A.	-	-	1,821	1,821	-	37	186
Cifarelli S.p.A.	46	-	-	-	-	-	-
Agres SA	1	-	-	-	19	-	-
Total (notes 24 and 27)	**958**	**485**	**1,821**	**2,306**	**19**	**37**	**186**

Purchase of goods and services, 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.	6	-	-	-	-
Euro Reflex D.o.o.	1,843	56	484	-	484
Garmec S.r.l.	32	-	24	-	24
Selettra S.r.l.	150	3	63	-	63
Yama Immobiliare S.r.l.	-	1,928	1	-	1
Yama S.p.A.	-	-	-	1,950	1,950
Cifarelli S.p.A.	649	-	-	-	-
Agres SA	24	-	-	-	-
Other related parties	-	531	404	-	404
Total (note 29)	**2,704**	**2,518**	**976**	**1,950**	**2,926**

With regard to values that arose in previous years from transactions with related parties, it should be noted that the assets still exhibit goodwill equal to € 12,523 thousand (€ 12,590 thousand at 31 December 2019). These values derive from the so-called Greenfield operation through which the Emak Group, on 23 December 2011, acquired from the parent company Yama S.p.A. the total control of the Tecomec Group, of the Comet Group, of Sabart S.r.l. and Raico S.r.l. (the latter subsequently alienated, with an excerpt of the relevant values).

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The remunerations of the Directors and Auditors of the Parent company for the financial year 2020, 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 2020 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
Ministry of Economic Development	Non-repayable grant	321	-	-	-	-	321
Fondirigenti	Contribution for training plans	30	-	17	-	-	47
MEF	Tax credit under Law 106/2014	2	-	-	-	-	2
MEF	Tax credit under Law 190/2014	227	-	-	-	-	227
MEF	Tax credit under Law 107/2015	2	-	-	-	-	2
MEF	Tax credit under Law 205/2017	49	-	-	-	-	49
Fondimpresa	Contribution for training plans	-	15	-	-	-	15
ICE - ITALIAN TRADE AGENCY	Cost contribution resolution 509/20 point B	-	6	-	-	-	6
Ministry for the Environment, Land and Sea	Tax credit for asbestos rehabilitation (L. 28 December 2015, n. 221)	-	-	-	-	5	5
Total		**631**	**21**	**17**	**-**	**5**	**674**

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, 2020, 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, 2020, 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 December 31, 2020 include goodwill of Euro 67,464 thousand, distributed for Euro 36,635 thousand in Europe, Euro 16,345 thousand in Latin America, Euro 11,875 thousand in North America and Euro 2,609 thousand in Asia. In the 2020 financial year, new goodwill was recorded referring to the Brazilian company Agres Sistema Eletronicos S.A. for Euro 6,615 thousand and to the Swedish company Markusson Professional Grinders AB for Euro 1,757 thousand. 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, no impairment losses were recorded during the year by the Group. 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, market conditions and the evolution of Covid-19 pandemic. Such circumstances lead to uncertainties especially for CGUs who operates in geographical area marked by economic instability or in the Outdoor Power Equipment operating segment characterized by low levels of profitability. 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 and the other assets allocated to CGUs to be a key audit matter of the audit of the consolidated financial statements of the Emak Group as of December 31, 2020. 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, as well as the information on goodwill, 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 of our network: • 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 by the Group 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; • understanding of the assumptions made regarding the potential effects related to the Covid-19 pandemic; • assessment of the reasonableness of the discount rates (WACC) and the long-term growth rate (g-rate), 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 that the carrying amount of the CGUs 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, 2020, 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, 2020 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, 2020 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 30, 2021

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 2020

Financial statements

Emak S.p.A. Income Statement

€	Notes	Year 2020	of which to related parties	Year 2019	of which to related parties
Revenues from sales	**8**	**117,411,865**	**24,998,351**	**107,060,957**	**23,664,483**
Other operating incomes	8	2,806,578	1,869,615	2,245,031	1,548,336
Change in inventories		276,352		(890,144)	
Raw materials, consumable and goods	9	(74,271,815)	(28,575,793)	(65,312,645)	(25,295,338)
Personnel expenses	10	(22,377,745)		(21,628,773)	
Other operating costs and provisions	11	(21,629,147)	(640,379)	(19,589,310)	(876,977)
Impairment gains and losses, Amortization and depreciation	12	(8,000,367)		(10,133,577)	
Operating result		**(5,784,279)**		**(8,248,461)**	
Financial income	13	8,099,164	7,994,183	9,731,250	9,573,536
Financial expenses	13	(957,490)	(1,749)	(803,287)	(829)
Exchange gains and losses	13	(491,919)		788,872	
Income from/(expenses on) equity investment	13	(500,000)		-	
Profit befor taxes		**365,476**		**1,468,374**	
Income taxes	14	2,407,831		970,636	
Net profit		**2,773,307**		**2,439,010**	

Statement of other comprehensive income

€	Notes	Year 2020	Year 2019
Net profit (A)		**2,773,307**	**2,439,010**
Actuarial profits/(losses) deriving from defined benefit plans (*)	**31**	**(23,000)**	**(98,000)**
Income taxes on OCI (*)		**7,000**	**27,000**
Total other components to be included in the comprehensive income statement (B)		**(16,000)**	**(71,000)**
Total comprehensive income for the perdiod (A)+(B)		**2,757,307**	**2,368,010**

(*) 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

€	Notes	31.12.2020	of which to related parties	31.12.2019	of which to related parties
Non-current assets					
Property, plant and equipment	16	28,688,953		30,213,047	
Intangible assets	17	5,588,971		5,402,568	
Goodwill	19	-	-	-	-
Rights of use	18	137,532		150,349	
Equity investments in other companies	20	89,708,583		94,326,609	
Deferred tax assets	30	1,756,128		1,693,051	
Other financial assets	22	15,160,901	15,143,758	15,835,150	15,680,864
Other assets	23	4,299		2,549	
Total non-current assets		**141,045,367**	**15,143,758**	**147,623,323**	**15,680,864**
Current assets					
Inventories	24	34,449,960		34,173,607	
Trade and other receivables	23	40,353,259	10,082,752	38,987,219	11,731,370
Current tax receivables	30	1,810,532		1,138,468	
Other financial assets	22	10,520,607	10,452,036	4,927,261	4,927,261
Derivative financial instruments	21	256,362		178,577	
Cash and cash equivalents	25	60,717,060		22,323,281	
Total current assets		**148,107,780**	**20,534,788**	**101,728,413**	**16,658,631**
TOTAL ASSETS		**289,153,147**	**35,678,546**	**249,351,736**	**32,339,495**

SHAREHOLDERS' EQUITY AND LIABILITIES

€	Notes	31.12.2020	of which to related parties	31.12.2019	of which to related parties
Capital and reserves					
Issued capital		42,519,776		42,519,776	
Share premium		39,587,765		40,529,032	
Other reserves		39,041,624		35,720,787	
Retained earnings		27,250,863		26,873,124	
Total Shareholders' Equity	**26**	**148,400,028**		**145,642,719**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	28	62,533,027	185,530	42,251,605	222,636
Liabilities for leasing	29	78,174		89,839	
Deferred tax liabilities	30	193,124		1,307,134	
Employee benefits	31	2,676,157		2,982,105	
Provisions for risks and charges	32	367,908		355,103	
Other non-current liabilities	33	677,847		486,245	
Total non-current liailities		**66,526,237**	**185,530**	**47,472,031**	**222,636**
Current liabilities					
Trade and other payables	27	37,177,285	8,582,343	31,935,206	7,202,229
Current tax liabilities	30	951,712		832,304	
Loans and borrowings due to banks and other lenders	28	33,701,318	1,581,962	22,790,578	1,745,825
Liabilities for leasing	29	62,668		64,985	
Derivative financial instruments	21	434,398		314,413	
Provisions for risks and charges	32	1,899,500		299,500	
Total current liabilities		**74,226,881**	**10,164,305**	**56,236,986**	**8,948,054**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**289,153,147**	**10,349,835**	**249,351,736**	**9,170,690**

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, 2019 and December 31, 2020

€/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 31.12.2018	**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**
Change in treasury shares									**0**
Payments of dividends									**0**
Reclassification of 2019 net profit			122				2,317	(2,439)	**0**
Other changes		(941)		3,215			(2,274)		**0**
Net profit for 2020					(16)			2,773	**2,757**
Total at 31.12.2020	**42,519**	**39,588**	**3,611**	**4,353**	**(625)**	**31,703**	**24,478**	**2,773**	**148,400**

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	2020	2019
Cash flow from operations			
Net profit for the period		**2,773**	**2,439**
Impairment gains and losses, Amortization and depreciation	12	8,000	10,134
Capital (gains)/losses on disposal of property, plant and equipment		(6)	15
Dividends income		(7,462)	(9,022)
Decreases/(increases) in trade and other receivables		(2,103)	1,740
Decreases/(increases) in inventories		(276)	890
(Decreases)/increases in trade and other payables		4,439	(883)
Change in employee benefits	31	(322)	(213)
Income from/(expenses on) equity investment	20	500	-
(Decreases)/increases in provisions for risks and charges	32	13	(126)
Change in derivate financial instruments		42	70
Cash flow from operations		**5,598**	**5,044**
Cash flow from investing activities			
Dividends income		7,462	5,022
Change in property, plant and equipment and intangible assets		(5,715)	(6,897)
(Increases) and decreases in financial assets		(69)	1,989
Proceeds from disposal of property, plant and equipment		6	(15)
Cash flow from investing activities		**1,684**	**99**
Cash flow from financing activities			
Dividends paid		-	(7,359)
Change in short and long-term loans and borrowings		31,433	(6,456)
Liabilities for leasing refund		(81)	(74)
Other changes in equity		-	-
Cash flow from financing activities		**31,352**	**(13,889)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**38,634**	**(8,746)**
OPENING CASH AND CASH EQUIVALENTS		**22,076**	**30,822**
CLOSING CASH AND CASH EQUIVALENTS		**60,710**	**22,076**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000	Notes	2020	2019
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents, detailed as follows:	25	**22,076**	**30,822**
Cash and cash equivalents		22,323	31,086
Overdrafts		(247)	(264)
Closing cash and cash equivalents, detailed as follows:	25	**60,710**	**22,076**
Cash and cash equivalents		60,717	22,323
Overdrafts		(7)	(247)
Other information:			
Income taxes paid		-	(136)
Financial expenses paid		(776)	(663)
Interest IFRS 16		(2)	(2)
Interest on financings to subsidiary companies		524	501
Interest on financings from subsidiary companies		(2)	(1)
Interest receivable on bank account		13	48
Interest receivable on trade receivables		80	35
Interest receivable on subsidiaries trade receivables		7	51
Effects of exchange rate changes		(204)	188
Change in related party financial assets		(4,988)	921
Change in related party financial loans and borrowings		(201)	(757)
Change in related party receivables and service transactions		1,649	4,066
Change in related party payables and service transactions		1,338	1,728
Change in trade and other receivables related to tax assets		(735)	457
Change in trade payables and other liabilities related to tax liabilities		(994)	(210)

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

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

Notes to the financial statement Emak S.p.A. - 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., non-financial 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 16, 2021 approved the Financial Statements for the year to December 31, 2020, 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 Shareholders’ Meeting convened for April 29, 2021.

Emak S.p.A., as the parent company, has also prepared the consolidated financial statements of the Emak Group at 31 December 2020, also approved by the Board of Directors of Emak S.p.A. in the meeting of 16 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.

1.2 Information about Covid-19 emergency

At the beginning of January 2020, the World Health Organization (WHO) announced the spread of Covid-19 infection in China, particularly in the Wuhan district, then declaring the state of emergency at the level on 30 January international. The spread of the virus in Europe and America occurred in February, which led to a generalized lockdown during the months of March and April. Since May, the modalities and times of the recovery of social life and economic activities are differentiated for the different countries.

Starting in October, due to the resumption of infections and the spread of variants of the virus, despite the launch of the vaccination campaign, in many countries some restrictive measures have been reintroduced that could have an impact on consumption, lengthening the exit times from a recession phase in many economic sectors.

The limitation of citizens' mobility, business operations and a general climate of uncertainty have had significant impacts on a global level, although with non-homogeneous effects and intensity across sectors and markets.

To this day, the risk of a lasting recession persists in many sectors, also in consideration of the uncertainty and rapid evolution of the situation at the health, regulatory, economic and social level, which makes it difficult to make assessments in the medium and long term.

In this context, the governments of the main world countries are adopting measures to support the sectors most affected by the pandemic and to encourage the recovery of the economy and support for businesses.

Company response to the epidemiological emergency

The Company is currently operating: in the course of 2020, has temporarily used the social safety nets instrument and, for a limited period, has resorted to the blocking of production activities. The company has taken all the necessary measures to fight the virus and continues to monitor the evolution of the situation and to use the necessary measures to safeguard the health and safety of its employees and collaborators such as the sanitation of the premises, temperature measurement at the entrances, the adoption of distancing measures between people, the distribution of personal protective equipment and extension of smart working.

Measures undertaken by the Company aimed at containing Covid-19

The Company has set up ad hoc committee for emergency management, with the aim of implementing the requirements in terms of workplace safety regulations in the most effective way, as well as activities for the management of business risks emerging from the contingent situation, with the aim of limiting its impact on human resources, operating results and the financial balance of the Company.

In particular, the Company has focused on liquidity risk management, which consists in the ability to find the resources necessary for operations, applying the following strategies:

- Maintaining appropriate amounts of credit lines;
- Access to new loans;
- Request for suspension of the instalments relating to the loans in place with the banking system, expiring in the course of 2020;
- Increase in controls to monitor the solvency of the counterparties and compliance with the contractual terms of collection;
- Operating costs savings;
- Remodeling of the investment plan;
- Monitoring of the quality and level of warehouse stocks.

Management believes that the application of these strategies has allowed and will allow the company to manage any additional short-term cash needs.

Economic effects of the epidemiological emergency and the Company's response

In strictly operational terms, the emergency from COVID-19 led to the incurrence of some direct costs, mainly related to the protection of the health and safety of workers. During the year the Company incurred costs of around € 200 thousand for the sanitation of the workplace and for the purchase of tools and devices aimed at containing the infection.
However, the Company has also been able to benefit from the economic and financial governmental measures made available in support of production activities and employment. In particular, the Company benefited from social safety nets for the protection of employment for around € 398 thousand, and contributions for around € 28 thousand obtained against expenses incurred for sanitation and activities suitable for guaranteeing the safety of the workplace.

At the current date, there are no further significant costs relating to the management of the pandemic Emergency. Also in 2021, the Company continues to maintain safeguards aimed at protecting the health of employees and the workplace that involve expenses in line with what was incurred in 2020.

In April 2020 the effects of this context in terms of contraction in turnover were most evident.
However, the end of the *lockdown* in the main European countries together with the good trend in demand in the sectors in which the Company operates contributed to the recovery of sales in the following months, recording at 31 December an increase of 9.7% in the turnover of the company.

The result was affected by the particularly positive performance recorded in the second half compared to the same period of the previous year.
The emergence of new lifestyles and "*stay at home*" paradigms, to the detriment of people's mobility, has partly positively contributed to the Company's performance, in all segments in which it operates.

As regards the management of the *supply chain*, the pandemic has had effects on the market for raw materials and transport services: the measures of economic stimulus, the changes in the structure of the world economy and of global production have had an effect on the availability of basic raw materials and transport services. This trend has consequently also affected their cost, starting from the last quarter of 2020.

The Company monitors the forecast trend of the quotations and mitigates the risk through supply contracts, also stipulated at the Group level. The main objective of the Company is to avoid interruptions in supplies and rebalance the economic performance deriving from this impact.
To date, there are no supply chain problems or particular financial tensions of strategic suppliers for the Company.

Effects in financial terms of the epidemiological emergency and the Company's response

The Company obtained the suspension of the instalments falling due during 2020, relating to the loans already in place with the banking system, benefiting at December 31, 2020 from lower repayments of € 9,800 thousand.

In order to support the Company's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the prudential proposal by the Board of Directors not to distribute dividends on 2019 profits, allocate it to the reserve, while a dividend of € 7,359 thousand had been distributed during 2019. The choice was aimed at supporting the Company's capital solidity at a time of high uncertainty.

With reference to potential liquidity risks, it should be noted that during the 2020 financial year the Company's financial structure was further strengthened with new financial resources from credit institutions for € 43,576 thousand, aimed at rebalancing the financial exposure to medium-long term.

In addition, management believes that the credit lines currently not used equal to € 52,673 thousand, mainly short-term and guaranteed by trade receivables, in addition to the cash flows that will be generated by the exercise and financing activities, will allow the Company to meet the needs arising from investment, working capital management and debt repayment activities at their natural maturity.

With regard to credit risk specifically, to date there are no particular critical situations as customers have substantially met the commercial deadlines.

Monitoring activities, risks related to the spread of Covid-19 and considerations regarding accounting effects

From the outset, the Company has monitored - and will continue to constantly monitor - the evolution of the emergency situation connected to the spread of Covid-19, in consideration of both the changing regulatory framework of reference and the complex global economic context, in order to evaluate the possible adoption of additional measures to protect the health and welfare of its employees and collaborators, its customers and to protect its sources of income and its assets.

As previously illustrated, in the sectors in which the Company operates, the demand recorded positive signals, with growth effects on turnover.
However, the management takes into due consideration that the economic context is still characterized by profound uncertainty and medium-long term visibility that is affected by unpredictable variables such as the evolution of the pandemic and any measures that could have an impact on the economic context.
In this scenario the Company, also following the recommendations issued by the Italian and European regulators, it placed particular emphasis on the planning process, taking into account possible impacts on the objectives and business risks deriving from the pandemic.
This attention focused in particular on the process of drafting long-term plans for the purposes of the impairment test procedures for verifying the recoverability of the value of the equity investments held in subsidiaries that show signs of impairment, or subject to previous write-downs., in application of the provisions of IAS 36 “Impairment of assets”.
It should be clarified that the estimates and prospective data relating to the aforementioned impairment tests are determined by the Company's management on the basis of past experience and expectations regarding developments in the markets in which the Company operates. For this purpose, it should be noted that the estimate of the recoverable value of the cash-generating unit requires discretion and the use of estimates by management, which are particularly complex in the current context of uncertainty caused by the known pandemic phenomenon. The Company cannot therefore ensure that there is no impairment of goodwill and

other assets in future periods, even in the near future. In fact, several factors also linked to the evolution of the economic context may require a restatement of the value of goodwill and other activities. However, the circumstances and events that could cause further verification of the existence of impairment are constantly monitored by the Company.

There are no problems related to the consequences of COVID-19 on the other items in the financial statements and, in particular, on the valuation items regarding the recoverability of receivables and the obsolescence of inventories, on the items regarding financial assets and liabilities and the determination of the items attributable to the application of the IFRS 16 "Leasing" principle. Furthermore, the Company does not hold significant financial assets measured at fair value.

In consideration of the current demand scenario, the Company's Management does not expect to make significant changes to its business model in response to the pandemic, except to monitor the context and anticipate the response to any changes.

With respect to the foreseeable evolution on operations, please refer to the specific chapter of this report.

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 amortization plans 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, volumes and expected price 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 suspended 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.

Government grants obtained for investments in development costs are recognized in the income statement over the period necessary to correlate them with the related amortization plans and are treated as deferred income.

(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 and in any case for a period not exceeding 10 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 it will generate future economic benefits and its costs can be measured reliably. Intangible assets are recorded at cost and amortized sistematically 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, compared to 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 " Impairment gains and losses, amortization and depreciation".

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 at least 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 <u>financial assets</u>:

- 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 derecognition, 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 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

In this items are to be classified as assets held for sale and disposal 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.

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 is charged to the income statement.

Factoring operations
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 any 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 derecognition 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 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 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, recognized during the financial year.

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 tax losses.
The carrying amount of deferred tax assets are 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 they are expected to become liquid, collectable and deductible at the same time, in relation to 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 in the statement of changes in comprehensive income 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 includedividends received from subsidiaries, exchange gains and losses and gains and losses on derivatives chargedto 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' meeting 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 numberof 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 JANUARY 1, 2020

The following IFRS accounting standards, amendments and interpretations were first adopted by the Company starting January 1, 2020:

- On October 31, 2018, the IASB published the "**Definition of material (Amendments to IAS 1 and IAS 8)" document.** The document introduced a change in the definition of "relevant" contained in IAS 1 – Presentation of Financial statements and IAS 8 – Accounting Policies, changes in Accounting estimates and errors.This amendment aims to make the definition of "relevant" more specific and to introduce the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment makes it clear that information is "obscurated" if it has been described in such a way as to produce an effect for the primary readers of a budget similar to that which would have been produced if that information had been omitted or incorrect.
  The adoption of this amendment did not affect the Company's financial statement.

- On March 29, 2018, the IASB published an amendment to the "**References to the Conceptual Framework in international Financial Reporting Standards**". The amendment is effective for periods beginning on 1 January 2020 or later, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial disclosure and guides the Council in developing international Financial Reporting Standards. The document helps to ensure that standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders, and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no international Financial Reporting Standards apply to a particular transaction and, more generally, helps stakeholders understand and interpret standards.
  The amendment is not to be considered relevant to the Company's financial statement.

- On September 26, 2019, the IASB published the amendment entitled "**Amendments to international Financial Reporting Standards 9, IAS 39 and international Financial Reporting Standards 7: Interest Rate Benchmark reform**". The same changes IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement in addition to IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements for the implementation ofhedge accountingby providing for temporary derogations from them in order to mitigate the impact of uncertainty in the reform of the IBOR on future cash flows in the period preceding its completion. The amendment also requires companies to provide further information on their hedging reports in the budget, which are directly affected by the uncertainties generated by the reform and to which they apply these derogations.
  The adoption of this amendment did not affect the Company's financial statement.

- On October 22, 2018, the IASB published the "**Definition of a Business (Amendments to international Financial Reporting Standards 3)" document.** The document provides some clarification on the definition of business for the proper application of international Financial Reporting Standards 3. In particular, the amendment makes it clear that while a business usually produces output, the presence of output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, at a minimum, substantial input and

process that together contribute significantly to the ability to create an output. To do this, the IASB replaced the term "ability to create output" with "ability to help create output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced anoptional test (“concentration test”), which allows the presence of a business to be excluded if the price paid is essentially related to a single activity or group of activities. Changes apply to all business combinations and acquisitions after January 1, 2020, but early application is allowed.
The adoption of this amendment did not affect the Company’s financial statement.

- On May 28, 2020, the IASB published an amendment called “**Covid-19 related Rent Councils (Amendment to international Financial Reporting Standards)**”. The document provides for lessees the right to account for the fee reductions associated with Covid-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 is complied with. Therefore, lessees who apply this option will be able to account for the effects of the reductions in rent charges directly on the income statement on the date of effectiveness of the reduction. This change applies to financial statements beginning on 1 June 2020. The adoption of this amendment did not affect the Company’s financial statement.

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, 2020

- On May 28, 2020, the IASB published an amendment called “***Extension of the Temporary exemption from applying international Financial Reporting Standards 9 (Amendments to international Financial Reporting Standards 4)***”. The amendments extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance. These amendments will enter into force on 1 January 2021. Directors do not expect a significant effect in the Company’s financial statement since the adoption of this amendment.

- On August 27, 2020, the IASB published the”***Interest Rate Benchmark reform—phase 2***” document, which contains amendments to the following standards, in the light of the reform of interbank interest rates such as the IBOR:
  - IFRS 9 *Financial Instruments;*
  - IAS 39 *Financial Instruments Recognition and Measurement*;
  - IFRS 7 *Financial Instruments Disclosures;*
  - IFRS 4 *Insurance Contracts* and
  - IFRS 16 *Leases.*

  All changes will enter into force on 1 January 2021. Directors do not expect a significant effect in the Company’s financial statement since the adoption of this amendment.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET APPROVED BY THE EUROPEAN UNION

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

- On May 18, 2017, IASB published **IFRS 17 – *Insurance contracts,*** which is intended to replace international Financial Reporting Standards (IFRS 4 – *Insurance contracts).*

The aim of the new principle is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a *single, principle-based framework* to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds.
The new principle also provides for presentation and reporting requirements to improve comparability between entities in this sector.
The new principle measures an insurance contract based on *a General Model* or a simplified version of this, called *the Premium Allocation approach* ("PAA").
The main features of *the General Model* are:

- estimates and assumptions of future cash flows are always current cash flows;
- the measurement reflects the time value of the money;
- estimates provide for extensive use of market observable information;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and,
- the expected profit is recognized during the contractual period taking into account adjustments resulting from changes in the assumptions relating to the cash flows for each group of contracts.

The PAA approach is to measure the liability for the residual coverage of a group of insurance contracts, provided that, at the time of initial recognition, the entity expects that such liability is reasonably an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. Simplifications resulting from the application of the PAA method do not apply to the valuation of liabilities for *outstanding claims*, which are measured with *the General Model*. However, it is not necessary to discount those cash flows if the balance to be paid or cashed is expected to take place within one year of *the date on which the claim occurred*.

The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with *a discretionary participation feature* (DPF).
The Standard applies from 1 January 2023, but early application is permitted, only for entities applying IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from contracts with customers.* The directors are considering the possible effects of the introduction of this amendment on the Company's financial statement.

- On January 23, 2020, the IASB published an amendment called "***Amendments to IAS 1 Presentation of Financial statements: Classification of liabilities as current or non-current***". The document aims to clarify how to classify short- or long-term debts and other liabilities. The amendments shall enter into force on 1 January 2023; advance application is still permitted. At the moment, the directors are considering the possible effects of the introduction of this amendment on the Company's financial statement.

- On 14 May 2020, the IASB published the following amendments:
  - ***Amendments to international Financial Reporting Standards 3 Business Combination:*** the changes are designed to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without any changes to the requirements of international Financial Reporting Standards 3.
  - ***Amendments to IAS 16 property, plant and Equipment***: the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of

the asset to be deducted from the cost of the material assets. These sales revenues and related costs will therefore be recognized in the profit and loss account.

- ***Amendments to IAS 37 provisions, contingent liabilities and Contingent assets***: the amendment makes it clear that any costs directly attributable to the contract should be considered in the estimate of the possible onerousness of a contract. As a result, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has concluded the contract (such as: the share of the personnel costs and the depreciation of the equipment used for the performance of the contract).
- ***Annual improvements 2018-2020***: changes were made to the IFRS 1 first-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative Examples of IFRS 16 leases.

All changes will enter into force on 1 January 2022. At the moment, the directors are considering the possible effects of the introduction of this amendment on the Company's financial statement.

- On January 30, 2014, IASB published ***IFRS 14 – Regulatory Defense Accounts***, which allows only those who adopt IFRS for the first time to continue to record the amounts relating to activities subject to regulated tariffs ("Rate Regulation Activities") according to the previous accounting principles adopted. Since the Company is not a *first-time adopter*, this principle 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

(i) Interest rate risk
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, 2020, the Company's bank loans and borrowings all carried variable interest and consequently, the company 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 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, 2020 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 222 thousand (€ 68 thousand at December 31, 2019). 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.

(ii) Exchange rate risk
The Company carries out its business internationally and it 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 2020 the overall amount of revenues directly exposed to exchange risk represented around 14.9% of the turnover (15.8% in 2019), while the amount of costs exposed to exchange risk is equal to 34.4% of turnover (32.7% % in 2019).

The main currency exchanges ratio 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, 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.

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, 2020, 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 € 24 thousand (€ 664 thousand at December 31, 2019).

Other risks on derivative financial instruments

The Company as of December 31,2020 holds some derivative financial instruments whose value is linked to the trend in exchange rates (forward currency purchase operations and options) 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 Company.

Sensitivity analysis
The potential loss of fair value of the exchange rate hedging derivative financial instruments outstanding at December 31, 2020, as a result of an instant hypothetical and unfavourable 10% change in the underlying values, would be approximately € 1.315 thousand (€ 687 thousand in 2019).

(iii) Price risk
The Company is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials.
The Company usually enters into medium-term contracts with certain suppliers for the purpose of managing and limiting the risk of fluctuations in the price of its main raw materials such as 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 generally obtains guarantees, both financial and otherwise, against credits granted for the supply of products addressed to some countries. Certain categories of credits to foreign customers are also covered by insurance with SACE.

The maximum theoretical exposure to credit risk for the Company at 31 December 2020 is the accounting value of financial assets shown in the financial statements.

Credit positions are subject to constant analysis and possible individual devaluation in the case of singularly significant positions that are in a objective 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, 2020, the allocation to doubtful accounts provision refers to the constant analysis of past due loans on a collective basis, in addition to the analysis of individual positions.

At December 31, 2020 "Trade receivables" equal to € 30,391 thousand (€ 27,924 thousand at December 31, 2019), include € 2,597 thousand (€ 4,961 thousand at December 31, 2019) 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		31.12.2020
Trade receivables due	0-90 days	19,131
	> 90 days	7,475
Trade Receivables due		**26,606**
Trade receivables overdue	0-90 days	1,188
	> 90 days	2,597
Trade Receivables Overdue		**3,785**
Total Trade Receivables		**30,391**

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	2020	2019
Trade receivables due from customers with SACE 1 rating	22,440	23,723
Trade receivables due from customers with SACE 2 e 3 rating	5,763	3,667
Trade receivables due from customers with non-insurable SACE	2,188	534
Total (Note 22)	**30,391**	**27,924**

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, 2020 is € 7,147 thousand.

At December 31, 2020 the 10 most important customers (not including companies belonging to the Emak Group) account for 41.2% of total trade receivables, while the top customer represents 14.4% of the total.

(c) Liquidity risk

Liquidity risk 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 liquidity risk management implies maintaining sufficient financial availability of cash 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 an adequate level of available 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 € 52,673 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 and interest rate 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. Medium-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 exchange 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 and equity investments 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 company 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 company 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:

d. Identify if a contract (or part of a contract) includes a lease;
e. Determine whether the exercise of the extension or termination option is reasonably certain;

f. Determine when variable payments are fixed in substance;
g. Determine if a contract includes multiple leases;
h. 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.

5. Significant non-recurring events and transactions

Exercise Put option on 30% of Cifarelli

On 29 June, Emak S.p.A. exercised the Put option on the share of 30% of the share capital of Cifarelli S.p.A. for a countervalue of € 3,250 thousand. The transaction resulted in the recognition of a loss of € 500 thousand entered under the item "Income from/(expeses on) equity investment".

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 was underway.

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 2020. 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	31/12/2020	31/12/2019
A. Cash and cash equivalents	60,717	22,323
B. Other cash at bank and on hand (held-to-maturity investments)	-	-
C. Financial instruments held for trading	-	-
D. Liquidity funds (A+B+C)	**60,717**	**22,323**
E. Current financial receivables	**10,777**	**5,106**
F. Current payables to banks	(3,036)	(269)
G. Current portion of non current indebtedness	(28,706)	(20,423)
H. Other current financial debts	(2,456)	(2,478)
I. Current financial indebtedness (F+G+H)	**(34,198)**	**(23,170)**
J. Current financial indebtedness, net (I+E+D)	**37,296**	**4,259**
K. Non-current payables to banks	(62,347)	(41,677)
L. Bonds issued	-	-
M. Other net non-current financial debts (derivatives + others)	(264)	(664)
N. Non-current financial indebtedness (K+L+M)	**(62,611)**	**(42,341)**
O. Net financial indebtedness ESMA (J+N)	**(25,315)**	**(38,082)**
P. Non current financial receivables	**15,161**	**15,835**
Q. Net financial position (O+P)	**(10,154)**	**(22,247)**

At December 31, 2020 the net financial position includes:

- under non-current financial receivables medium and long-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 14,958 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 € 186 thousand;
- under current financial receivables, short-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 10,415 thousand, of which € 815 thousand due to the subsidiary Comet USA, € 7,500 thousand relating to an intercompany current account agreement in favor of the subsidiary Comet S.p.A. and € 2,100 thousand due to the subsidiary Emak Deutschland Gmbh; finally, a financial receivable for equity reinstatement for a value of € 37 thousand to the parent company Yama S.p.A;
- under non-current financial payables, the financial payable for equity reinstatement due to the subsidiary Tecomec S.r.l., for an amount of € 186 thousand;
- under 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 € 1,545 thousand and the financial payable for the equity reinstatement due to the subsidiary Tecomec S.r.l., for € 37 thousand.

Net current financial indebtedness shows a positive net liquidity balance due to the significant increase in the "cash and cash equivalents" mainly for:

- Il *cash flow* achieved by the company during the year;
- disbursement of new medium and long-term loans;
- The postponement of some installments of mortgages expairing during the year.

At December 31, 2019 the net financial position included:

- under non-current financial receivables,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;
- under 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;

- under non-current financial payables, the financial payable for equity reinstatement due to the subsidiary Tecomec S.r.l., for an amount of € 223 thousand;
- under 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.

At December 31, 2019, net financial position included the positive effect relating to the non-recourse transfer of trade receivables for an amount of €1,188 thousand.
At 31 December 2020 there were no non-recourse transfer of trade receivables.

8. Revenues from sales and other operating income

Sales revenues amount to € 117,412 thousand, compared with € 107,061 thousand in the prior year. They are stated net of € 657 thousand in returns, compared with € 187 thousand in the prior year. Sales recorded a positive trend in most countries starting from the second quarter of the year, with particular reference to the Turkish market, in Italy and in Western Europe. Sales in the North American market are an exception.

The detail of the item is as follows:

€/000	FY 2020	FY 2019
Net sales revenues (net of discounts and rebates)	115,920	105,495
Revenues from recharged transport costs	2,149	1,753
Returns	(657)	(187)
Total	**117,412**	**107,061**

Other operating income is analysed as follows:

€/000	FY 2020	FY 2019
Grants related to income	685	495
Capital gains on property, plant and equipment	6	-
Insurance refunds	18	68
Other operating income	2,098	1,682
Total	**2,807**	**2,245**

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 € 531 thousand;
- the 4.0 Training tax credit envisaged pursuant to the Decree of 4 May 2018, of the 2019 Budget Law, for a value of € 31 thousand;
- the tax credit relating to the sanitation bonus and protective devices provided for in accordance with art. 125 of Legislative Decree 34/2020 for a value of € 28 thousand;
- the grant as per Law 488/92 for € 33 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 share pertaining to the non-repayable grant, equal to € 32 thousand (note 17), granted in relation to the Call of the Ministry of Economic Development "Sustainable Industry - ICT & Digital Agenda" (financing of interventions for the promotion of Major Projects R&D).

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 Dynamics 365.

9. Raw materials, consumable and goods

The heading is analyzed as follows:

€/000	FY 2020	FY 2019
Raw materials	54,384	49,176
Finished products	18,385	14,679
Consumable materials	318	316
Other purchases	1,185	1,142
Total	**74,272**	**65,313**

The increase in the raw materials, consumable and goods purchases, is depended by an increase of sale and production volumes**.**

10. Personnel expenses

Details of these costs are as follows:

€/000	FY 2020	FY 2019
Wage and salaries	15,159	15,386
Social security charges	4,908	4,954
Employee termination indemnities	1,018	1,108
Other costs	467	227
R&D costs capitalized	(822)	(617)
Directors' emoluments	643	366
Temporary staff	1,005	204
Total	**22,378**	**21,628**

In view of the closures imposed by the pandemic in the first half of the year, the Company had to resort to social safety nets which resulted in cost savings of € 398 thousand. Starting from the second quarter, the recovery in sales and consequent production volumes led to a greater need for workforce which explains the increase in the cost of temporary workers for € 801 thousand. The increase in the item "Other personnel costs" refers to expenses to incentivize the departure of some employees as part of an internal reorganization, as well as expenses incurred for the purchase of personal protective equipment.

During the 2020 financial year, personnel costs for € 822 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	
	2020	**2019**	**2020**	**2019**
Executives	16	16	14	16
Office staff	177	175	179	177
Factory workers	223	234	225	227
Total	**416**	**425**	**418**	**420**

11. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2020	FY 2019
Subcontract work	2,282	2,125
Transportation	7,354	5,963
Advertising and promotion	340	331
Maintenance	3,017	2,534
Commissions	1,339	1,230
Consulting fees	2,254	1,845
Costs for warranties and after sales service	360	412
Insurance	325	312
Travel	76	316
Postals and telecommunications	245	245
Other services	2,377	2,476
R&D costs capitalized	(251)	(159)
Services	**19,718**	**17,630**
Rents, rentals and the enjoyment of third party assets	**875**	**827**
Increases in provisions	**43**	**40**
Increases in provision for doubtful accounts (note 23)	50	198
Other taxes (not on income)	308	322
Other operating costs	635	572
Other costs	**993**	**1,092**
Total other operating costs	**21,629**	**19,589**

The increase in transport costs depends on higher sales and purchase volumes and a greater use of imports by air. At the end of the year there was also an increase in transport tariffs. Maintenance costs are growing due to higher HW and SW maintenance fees, as a result of the implementation of the new Microsoft Dynamics 365 information system. The increase in consultancy fees derives from the greater use of technical consultancy for the development of new products. Travel expenses contracted following the restrictions imposed by the COVID-19 pandemic which effectively blocked business travel starting in March.

12. Impairment gains and losses, Amortization and depreciation

Il dettaglio della voce è il seguente:

€/000	FY 2020	FY 2019
Depreciation of property, plant and equipment (note 16)	3,896	4,149
Amortization of intangible assets (note 17)	1,557	987
Amortization of rights of use (note 18)	79	74
Impairment losses and gains (note 20 and note 32)	2,468	4,924
Total	**8,000**	**10,134**

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 € 2,468 thousand (note 20).
Relative to the previous year, the data included the amount of 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 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.

13. Financial income and expenses

Financial income" is analyzed as follows:

€/000	FY 2020	FY 2019
Dividends from subsidiaries	7,462	9,022
Dividends from associates	-	-
Interest on trade receivables	91	35
Interest on loans to subsidiaries and other financial income (note 38)	532	552
Interest on financial assets granted to parent company (note 38)	-	-
Interest on bank and postal current accounts	13	48
Income from adjustment to fair value of derivates instruments for hedging interest rate risk	-	47
Other financial income	1	27
Financial income	**8,099**	**9,731**

The heading **"Dividends from subsidiaries"** refers to the dividends received from the subsidiaries Victus-Emak Sp.Z.o.o., Emak France S.a.s., Tecomec S.r.l., Sabart S.r.l., and Comet S.p.A (see note 38).

"Financial expenses" are analyzed as follows:

€/000	FY 2020	FY 2019
Interest on medium long-term bank loans and borrowings	691	512
Interest on short-term bank loans and borrowings	23	-
Interest on loans to related parties (note 38)	2	1
Financial charges from valuing employee termination ind. (note 31)	10	34
Financial charges from leases	2	2
Costs from adjustment to fair value and closure of derivates instruments for hedging interest rate risk	225	245
Other financial costs	4	9
Financial expenses	**957**	**803**

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 2020	FY 2019
Profit / (Loss) on exchange differences on trade transactions	(408)	43
Profit / (Loss) on exchange differences on trade transactions adjustments	(84)	277
Profit / (Loss) on exchange differences on financial transactions	(127)	337
Profit / (Loss) on exchange differences on valuation of hedging derivatives	127	132
Exchange gains and losses	**(492)**	**789**

Finally, with regard to financial management, the item "Income from/(expenses on) equity investment" refers to the sale of the associated company Cifarelli S.p.A. which resulted in the recognition of a capital loss of € 500 thousand (note 5).

14. Income taxes

This amount is made up as follows:

€/000	FY 2020	FY 2019
Current taxes	996	1,166
Taxes from prior years	242	34
Deferred tax liabilities (note 30)	56	(1)
Deferred tax assets (note 30)	1,114	(229)
Total	**2,408**	**970**

"Current income taxes", for the year 2020, amount to a positive net value of € 996 thousand and refers to:
- the right to receive in retrocession from the tax consolidation, to which the company participates ex. 117 TUIR, the sum of € 1,095 thousand, on basis of the contribution by Emak of the facility "ACE" and other benefits, usable by the Group to reduce its consolidated taxable income;
- to tax charges ex. art. 110, Law 104/2020, for the amount of € 99 thousand, corresponding to the substitute tax to be paid to obtain full tax recognition of the residual net book values relating to the plants in Via Fermi, recognized at fair value, at the of first time adoption (1/1/2015).

The value of the item "Income taxes for previous years" is given by a total positive effect of € 242 thousand, of which € 215 thousand relating to the subsidy provided for by the Patent Box regime for the years 2015 - 2019, made to the tax consolidation; the benefit accrued, during the first months of 2020, following the finalization of the ruling process with the Revenue Agency.

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

€/000	FY 2020	% rate	FY 2019	% rate
Profit before taxes	**365**		**1,468**	
Theoretical tax charges	**102**	**27.9**	**410**	**27.9**
Effect of IRAP differences calculated on different tax base	(14)	(3.8)	(56)	(3.8)
Dividends	(1,843)	(504.9)	(2,105)	(143.4)
Non-deductible costs	759	207.9	1,288	87.7
Previous period taxes	(242)	(66.3)	(34)	(2.3)
ACE facilitation	(140)	(38.4)	(134)	(9.1)
Other differences	(1,030)	(282.2)	(338)	(23.1)
Effective tax charge	**(2,408)**	**(659.8)**	**(970)**	**(66.1)**

The item "Other differences" mainly includes:
- the share of the benefit deriving from the increase in the fiscally recognized cost of new capital goods, acquired in the 2015-2019 period: these are the so-called "Super depreciation" (pursuant to art. 1 co. 91 - 94 and 97, Law 208/2015 and subsequent extension provisions) and "hyper depreciation" (art. 1, paragraphs 8-13, Law 232/2016 and subsequent provisions of extension);

- the release of the deferred tax provision, equal to € 897 thousand, following the realignment, ex. art. 110, Law 104/2020, of the values originally without tax recognition, recognized in first time adoption (note 30).

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	31.12.2019	Increases (Amortization)	Decreases	Other movements	31.12.2020
Lands and buildings	32,740	326	-	3	33,069
Accumulated depreciation	(12,487)	(822)	-	-	(13,309)
Lands and buildings	**20,253**	**(496)**	**-**	**3**	**19,760**
Plant and machinery	20,307	637	-	305	21,249
Accumulated depreciation	(15,702)	(916)	-	-	(16,618)
Plant and machinery	**4,605**	**(279)**	**-**	**305**	**4,631**
Other assets	64,186	1,326	(122)	185	65,575
Accumulated depreciation	(59,455)	(2,158)	121	-	(61,492)
Other assets	**4,731**	**(832)**	**(1)**	**185**	**4,083**
Advances and fixed assets in progress	**624**	**208**	**-**	**(617)**	**215**
Cost	**117,857**	**2,497**	**(122)**	**(124)**	**120,108**
Accumulated depreciation (note 12)	**(87,644)**	**(3,896)**	**121**	**-**	**(91,419)**
Net book value	**30,213**	**(1,399)**	**(1)**	**(124)**	**28,689**

€/000	31.12.2018	Increases (Amortization)	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 € 326 thousand;
- the plant and machinery category following the realization of new production lines and new test benches for € 503 thousand and for the new fire-fighting system of a production department in Bagnolo in Piano for a value of € 134 thousand;
- the **"Other fixed assets"** category mainly includes:
  - acquisitions of equipment and molds for the development of new products, for 875 thousand;
  - acquisitions of electronic machines and office equipment for 400 thousand;
  - acquisitions of office furniture and machines for 1 thousand;
  - acquisitions of testing and control instruments for 20 thousand;
  - purchases of internal means of transport for 30 thousand.

The item "Advances and fixed assets in progress" refers to advances for the construction of equipment and molds for production and specific plants.

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	31.12.2019	Increases (Amortization)	Decreases	Other movements	31.12.2020
Development costs	4,482	1,062	-	10	5,554
Accumulated amortization	(2,035)	(488)	-	1	(2,522)
Development costs	**2,447**	**574**	**-**	**11**	**3,032**
Patents and intellectual property rights	9,243	278	-	1	9,522
Accumulated amortization	(8,063)	(611)	-	-	(8,674)
Patents	**1,180**	**(333)**	**-**	**1**	**848**
Concessions, licences and trademarks	178	8	-	-	186
Accumulated amortization	(119)	(10)	-	-	(129)
Concessions, licences and trademarks	**59**	**(2)**	**-**	**-**	**57**
Other intangible assets	3,011	382	-	118	3,511
Accumulated amortization	(1,413)	(448)	-	-	(1,861)
Other intangible assets	**1,598**	**(66)**	**-**	**118**	**1,650**
Advanced payments	**118**	**13**	**-**	**(129)**	**2**
Cost	**17,032**	**1,743**	**-**	**-**	**18,775**
Accumulated depreciation (note 12)	**(11,630)**	**(1,557)**	**-**	**1**	**(13,186)**
Net book value	**5,402**	**186**	**-**	**1**	**5,589**

€/000	31.12.2018	Increases (Amortization)	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**

The increase in “Development costs” mainly refers to investments in a new development activity started as part of a multi-year project, which will end in the 2021 financial year, subject to facilitation by the Ministry of Economic Development. These costs include approximately € 1,870 thousand of personnel costs incurred internally and capitalized under this item.

The facilities provided for by art. 7 of the Ministerial Decree July 24, 2015, under the Fund for Sustainable Growth and the Revolving Fund for Supporting Businesses and Investments in Research, relate to:

- a maximum contribution to the expenditure for the total amount of 1,402 thousand euros, equal to 20% of the eligible costs;
- a maximum subsidized loan at a rate of 0.8%, approved by Cassa Depositi e Prestiti S.p.A., for the amount of 4,206 thousand of Euro, equal to 60% of the eligible costs of the project and lasting 11 years.

During the month of July 2020, the Company collected the first tranche of the non-repayable grant, equal to € 321 thousand; the grants disbursed are credited to the income statement gradually in relation to the residual possibility of use of the assets to which they refer and are shown in the balance sheet under deferred income (note 33).

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 € 3,979 thousand, net of capitalizations that took place during the year.

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	31.12.2019	Increases	Amortization	Decreases	31.12.2020
Rights of use other assets	150	67	(79)	-	138
Net book value (note 12)	**150**	**67**	**(79)**	**-**	**138**

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

19. Goodwill.

Goodwill was written off, during the previous year, following the impairment, equal to € 2,074 thousand (note 12), 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.

Furthermore, during the year, the Company's management has considered it appropriate to assess the recoverability of net capital employed referred to the Emak S.p.A. CGU, equal to € 158,555 thousand, in the face of of the impairment indicators recorded on the year 2020, attributable to the achievement of a negative operating result for the period. This check is carried out by calculating the recoverable value of the reference 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 Company operates.

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.

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 Company and reference sector.

In order to carry out the impairment test to verify the recoverability of the net invested capital referred to the Emak S.p.A. CGU, il *discounted cash flow* has been calculated in the basis of the following assumptions:

- the basic data used has been extracted from the company plan, approved by the Board of Directors, that represent management's best estimate in relation to the future operating performance of the company in the period in question;
- the future expected cash flows refer to the reference unit in current condition and exclude any operations of a non-ordinary nature and/or operations not yet defined at the year-end date
- The WACC used to discount future cash flows is determined on the basis of the following assumptions:
  - the cost of debt is the result of the sum of a reference market rate of the country of Italy and an average effective "spread" applied to the loans held by the Group;
  - the cost of equity is determined using the levered beta value and the financial structure of a panel of listed companies in the sector, applying a risk-free rate and a premium for the specific risk of Italy.

The WACC used to discount cash flows of the CGU Emak S.p.A. it was determined to be 5.9%, 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.

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 affect the value in use of the CGU. Also 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; these analyses do not lead to impairment losses.

This "impairment test", as well as the underlying multi-year plan, referring to the assets recorded at 31 December 2020 was approved by the Board of Directors on 16 March 2021.

20. Equity investments

Details of equity investments are as follows:

€/000	31.12.2019	Increases	Decreases	31.12.2020
Equity investments				
- in subsidiaries	90,574	-	(868)	89,706
- in associates	3,750	-	(3,750)	-
- in other companies	2	-	-	2
TOTAL	**94,326**	**-**	**(4,618)**	**89,708**

Equity investments in subsidiaries amount to € 89,706 thousand.
The decreases in the year are related to the subsidiary company Emak Deutschland Gmbh for € 307 thousand and for € 561 thousand to the subsidiary company Emak Do Brasil Industria Ltda.

The heading **equity investments in associated companies** has registred a decrease equal to € 3,750 thousand following the Put option excercise on the 30% stake in the share capital of Cifarelli S.p.A., for more details see note 5.

The values of investments in subsidiaries and associates are set out in detail in Annexes 1 and 2.

With regard to the valuation of the investment held in Emak Deutschland, it should be noted that the German market has been subject to reorganization and that the investee has severely limited its business. Consequently, in addition to the complete write-down of the investment for an amount equal to € 307 thousand, it incorporates an allocation to cover future losses equal to the negative shareholders' equity of the subsidiary for an amount of 1,600 thousand euros (note 32).

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, Sabart S.r.l., Victus Sp Z.o.o. and Epicenter LLC.
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 equity investment held in Emak Deutschland, the definition of the recoverable value for the purposes of the impairment test was made through the best estimate of the presumed realizable value.

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 16, 2021.

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:
- 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 2020, 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 cost of debt is the result of the sum of a reference market rate of the country of Italy and an average effective “spread” applied to the loans held by the Group;
- the cost of equity is determined using the levered beta value and the financial structure of a panel of listed companies in the sector, applying a risk-free rate and a risk premium for the individual countries.

The WACC used to discount cash flows were respectively 6.9% for Victus Sp Z.o.o. (Poland), 5.9% for Sabart S.r.l. (Italy), 14.2% for Epicenter Llc (Ukraine), while a WACC of 11.9% 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 2020 with the exception of the company Emak Do Brasil.
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 € 561 thousand.

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 affect the value in use of the investment. Also 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; these analyses do not lead to impairment losses, except for company already subject to 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: 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, 2020 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 S.p.A.	Cnh	5,000	8.26	11/05/2021
Forward contracts for foreign currencies purchases with collar options					
Cnh/Euro	Emak Spa	Cnh	102,000	8.13	16/12/2021

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 € 256 thousand and of a negative fair value of € 129 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 € 43,550 thousand.

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Credit Agricole Cariparma	Emak S.p.A.	2,813	26/10/2017	11/05/2022
Credit Agricole Cariparma	Emak S.p.A.	2,500	24/05/2018	30/06/2023
MPS	Emak S.p.A.	5,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	5,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	4,500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	4,687	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.	5,250	02/08/2019	30/06/2024
MPS	Emak S.p.A.	6,750	16/06/2020	30/06/2025
Total		**43,550**		

The recorded value of these contracts at December 31, 2020 shows a negative fair value of € 305 thousand.

The average interest rate resulting from the instruments is equal to 0.04%.

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 € 15,161 thousand, against € 15,835 thousand in the previous year and refer to loans quoted in Euros granted to subsidiaries amounting to € 14,958 thousand, of which €14,800 thousand due to the subsidiary Comet S.p.A., to a financial receivable of € 17 thousand relating to the withdrawal of the minority stake in Netribe S.r.l., which took place in 2019, as well as receivables from the parent company Yama S.p.A. for contractual indemnity for an amount of € 186 thousand.
"Other current financial assets" amounting to € 10,521 thousand refer to the U.S. Dollar loan granted to the controlled company Comet Usa for € 815 thousand, to the financial receivable of the subsidiary Comet SpA, regulated by an intercompany current account agreement, for a total amount of € 7,500 thousand, to the financial receivable of the subsidiary Emak Deutshland Gmbh for a value of € 2,100 thousand and, for the current part, to the receivable in favor of the parent company Yama SpA for € 37 thousand and to the receivable from shareholders of Netribe S.r.l. for € 69 thousand, both already mentioned in the previous paragraph.

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 e Libor);
- the currency of the loan granted.

23. Trade and other receivables

A breakdown of the heading is shown below:

€/000	31.12.2020	31.12.2019
Trade receivables	30,391	27,924
Provision for doubtful accounts	(2,569)	(2,656)
Net trade receivables	**27,822**	**25,268**
Receivables from related parties (note 38)	10,083	11,731
Prepaid expenses and accrued income	724	624
Other receivables	1,724	1364
Total current portion	**40,353**	**38,987**
Other non current receivables	4	3
Total non current portion	**4**	**3**

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 2020 amounted to € 1,453 thousand (€ 1,166 thousand at 31 December 2019).

Trade receivables have an average maturity of 90 days and there are no trade receivables due after one year.

The item includes amounts in foreign currency as detailed as follows:
- US dollars for 10,768,329;
- Renminbi yuan for 114,300.

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	13,709	8,919	7,763	**30,391**
Related parties receivables	1,063	7,002	2,018	**10,083**

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

€/000	FY 2020	FY 2019
Opening balance	**2,656**	**2,571**
Provisions (note 11)	51	198
Usage	(138)	(113)
Closing balance	**2,569**	**2,656**

The book value of this balance approximates its fair value.
The value of the allowance for doubtful accounts refers to € 2,376 thousand for receivables expired for over 90 days (91.5% of the total gross value of trade receivables overdue for more than 3 months) and for € 193 thousand to receivables expired from 0 to 90 days (16.2% of the total gross value of trade receivables expired within 3 months).

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2020	31.12.2019
Raw, ancillary and consumable materials	21,217	20,157
Work in progress and semi-finished products	6,135	4,949
Finished products and goods	7,098	9,067
Total	**34,450**	**34,173**

Inventories are stated net of a provision of € 2,666 thousand at December 31, 2020 (€2,191 thousand at December 31, 2019) 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 2020	FY 2019
Opening balance	**2,191**	**2,191**
Provisions	595	662
Usage	(120)	(662)
Closing balance	**2,666**	**2,191**

The inventories provision is a 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, 2020 act as security against its liabilities.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2020	31.12.2019
Bank and post office deposits	60,709	22,312
Cash	8	11
Total	**60,717**	**22,323**

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

€/000	31.12.2020	31.12.2019
Cash and cash equivalents	60,717	22,323
Overdrafts (note 28)	(7)	(247)
Total	**60,710**	**22,076**

26. Equity

Share capital
Share capital is fully paid up at 31 December 2020 and amounts to € 42,623 thousand, remaining unchanged during the year under examination, and it is represented by 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 2020 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 2020, the share premium reserve amounts to € 39,588 thousand, and consists of premiums on newly issued shares, net of share premium paid at the time for the purchase of treasury shares held at December 31, 2020. 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, 2020 of € 3,611 thousand (€ 3,489 thousand at December 31 2019).

Revaluation reserve
At 31 December 2020 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 and as per ex Law 104/2020 for 3,215 thousand; the latter value relates to the realignment applied to the higher real estate values recognized in first time adoption, as described in note 30. The newly registered component pursuant to ex law 104/2020 is subject, like the others included in this item, to the constraints set out in art. 2445, paragraphs 2 and 3, of the Italian Civil Code, and was fed in part through the full use of the first time adoption reserve, and, for the remaining part, with partial use of the share premium reserve.

Other reserves
The extraordinary reserve amounts to € 27,891 thousand at December 31 2020, inclusive of all allocations of earnings in prior years.

At 31 December 2020 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:

				Summary of uses in past three years	
Nature/Description (€/000)	**Amount**	**Possible use**	**Available portion**	**Coverage of losses**	**Distribution of profits**
Share capital	**42,519**				
Capital reserve					
Share premium reserve (§)	39,588	A-B-C	39,588	-	-
Revaluation reserve under Law 72/83 (#)	371	A-B-C	371	-	-
Revaluation reserve under Law 413/91 (#)	767	A-B-C	767	-	-
Revaluation reserve under Law 104/20 (#)	3,215	A-B-C	3,215		
Merger surplus reserve (£)	3,562	A-B-C	3,562	-	-
Other untaxed reserve (#)	122	A-B-C	122	-	-
Reserves formed from earnings					
Legal reserve	3,611	B	-	-	-
Extraordinary reserve	27,891	A-B-C	27,891	-	-
Untaxed reserve (#)	129	A-B-C	129	-	-
Profits brought forward in FTA	(238)		(238)	-	-
Valutation reserve	(625)		(625)	-	-
Retained earnings	24,715	A-B-C	24,715	-	5,724
Total	**103,108**		**99,497**	-	**5,724**
Undistributable portion (*)			**(7,808)**	-	-
Distributable balance			**91,689**	-	-
Net profit for the period (**)	**2,773**		**2,634**	-	-
Total equity	**148,400**				

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;
(*) the share of long-term costs not yet amortized (€ 3,032 thousand), in addition to the share of necessary future allocation to the legal reserve (€ 4,776 thousand). This bond bears specifically on the share premium reserve (§);
(**) Subject to obliged allocation to the legal reserve for € 139 thousand.

27. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2020	31.12.2019
Trade payables	24,464	21,503
Payables due to related parties (note 38)	8,582	7,202
Payables due to staff and social security institutions	3,295	2,758
Other payables	836	472
Total	**37,177**	**31,935**

The heading **"Other payables"** includes amounts payable to Directors and employees for € 397 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. and non-repayable contributions relating to the facility, registered during the year, by the Ministry of Economic Development (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 69 days.

The heading includes amounts in foreign currencies as follows:
- US dollars for 2,373,687;
- Japanese yen for 16,634,200;
- Taiwanese dollars for80,900;
- Chinese renminbi yuan for 74,505,909.

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

€/000	Italy	Europe	Rest of the world	Total
Trade payables	17,871	1,960	4,633	**24,464**
Related parties payables	458	687	7,437	**8,582**

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

28. Loans and borrowings

Loans and borrowings at December 31, 2020 do not include any secured payables.

Details of **current loans and borrowings** are as follows:

€/000	31.12.2020	31.12.2019
Overdrafts (note 25)	7	247
Bank loans	31,706	20,423
Financial accrued expenses and deferred income	54	23
Financial debts from related parties (note 38)	1,582	1,746
Other current loans	352	352
Total current portion	**33,701**	**22,791**

The heading "**Financial debts from related parties**" refers to the interest-bearing loan granted by the subsidiary, Sabart S.r.l., for € 1,545 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 loan granted by 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	20,049	11,657	**31,706**
Financial debts from related parties (note 38)	1,545	37	**1,582**
Total	**21,594**	**11,694**	**33,288**

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 and borrowings** is as follows:

€/000	31.12.2019	Increases	Decreases	31.12.2020
Bank loans	41,677	27,764	(7,094)	62,347
Financial debts from related parties (note 38)	223	-	(37)	186
Other financial loans	351	-	(351)	-
Total non current portion	**42,251**	**27,764**	**(7,482)**	**62,533**

The item "**Bank loans**" includes € 964 thousand relating to the first tranche of the subsidized rate loan approved by Cassa Depositi e Prestiti S.p.A., as part of the subsidy by the Ministry of Economic Development, already mentioned in note 17.

The heading "**Financial debts from related parties**" of € 186 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 overall residual balance as at 31 December 2020 is shown under the item "Other current loans".

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	27,442	21,581	10,215	2,507	**61,745**	**602**
Financial debts from related parties	38	37	37	37	**149**	**37**
Other financial loans	-	-	-	-	**-**	**-**
Total	**27,480**	**21,618**	**10,252**	**2,544**	**61,894**	**639**

The interest rates refer to 3-6 months Euribor plus an average spread of 0.922 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, 2020 the Company complied with all the benchmarks set by contract.

29. Liabilities derivig from leases

The item "Liabilities derivig from leases" which totals € 141 thousand, of which € 78 thousand as noncurrent portion and € 63 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.

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	47	22	9	-	**78**	**-**
Total	**47**	**22**	**9**	**-**	**78**	**-**

30. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2019	Increases	Decreases	Other movements	31.12.2020
Deferred tax on provision for inventory write-downs	526	114	-	-	640
Deferred tax on provisions for bad debts	184	-	(47)	-	137
Other deferred tax assets	983	125	(136)	7	979
Total (note 14)	**1,693**	**239**	**(183)**	**7**	**1,756**

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 2020.

The heading **"Other deferred tax assets"** mainly includes:
- a receivable of € 497 thousand, as tax benefits carried forward, corresponding to aid for economic growth (ACE, 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 € 84 thousand;
- deferred tax assets for € 74 thousand relating to the taxation of the product warranty provision, the use of which will become fiscally relevant in future years.

Deferred tax liabilities are detailed below:

€/000	31.12.2019	Increases	Decreases	31.12.2020
Deferred taxes on capital gains on disposals of fixed assets	4	2	(3)	3
Deferred tax on property IAS 17	1,109	-	(1,005)	104
Other deferred tax liabilities	194	87	(195)	86
Total (note 14)	**1,307**	**89**	**(1,203)**	**193**

The portion of the taxes which will reverse in the next 12 months amounted to about € 93 thousand.

The decrease in the item “Deferred tax on property IAS 17” mainly relates to the realignment referred to several times (pursuant to Article 110, paragraph 8, Legislative Decree 104/2020, conv.to) applied to real estate values, not recognized for tax purposes, recognized in 2005 at the time of first time adoption of the principles international accounting, relating to two industrial buildings and the related appurtenant land and grounds, located in Via Fermi, at nos. 6 and 8, in Bagnolo in Piano (RE).
The residual amount to be amortized at 31/12/2020 of the deemed cost then highlighted amounts to € 3,315 thousand. The substitute tax that makes possible the tax recognition of this residual value is equal to 99 thousand of Euro; it is shown under current taxes and will be paid to the tax authorities in three-year installments.

The **“Other deferred tax liabilities”** heading refers to the active exchange differences pertaining to the financial year 2020, but not realized in the period and therefore destined for future taxation.

It should be noted that no deferred taxes were allocated in respect of the various stratifications of revaluation reserves, which are reserves in suspension of the tax, as it is unlikely that the conditions that could determine taxation will arise in the future. The theoretical total amount of these taxes at December 31, 2020 is € 1,112 thousand.

The **current tax receivables** amount at December 31, 2020 to € 1,811 thousand, against € 1,138 thousand at December 31, 2019, 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 € 832 thousand;
- "Ecobonus" deduction credit due for energy saving measures for € 37 thousand;
- ”Training 4.0" tax credit, Law 205/17 for € 31 thousand;
- R&D tax credit L. 190/14 for € 531 thousand;
- Sanitation tax credit D.L. 34/20, for € 28 thousand;
- other minor tax receivables, for a total of € 8 thousand.

Current tax liabilities amount to € 952 thousand at December 31, 2020 and mainly refer to withholding taxes to be paid for € 853 thousand and to the substitute tax of € 99 thousand, already mentioned in the previous paragraph "**deferred tax liabilities**" (€ 832 thousand at 31 December 2019).

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 € 2,676 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 2,374 thousand.

Movements of the liability recorded in the balance sheet:

€/000	2020	2019
Opening balance	**2,982**	**3,124**
Actuarial (gains)/losses	23	98
Interest cost on obligation (note 13)	10	34
Disbursements	(339)	(274)
Closing balance	**2,676**	**2,982**

The principal economic and financial assumptions used are as follows:

	FY 2020	FY 2019
Annual inflation rate	0.80%	1.20%
Discount rate	-0.02%	0.37%
Dismissal rate	2.00%	3.00%

Demographic assumptions refer to the most recent statistics published by ISTAT.

Payments in 2021 are expected to be in line with 2020.

32. Provisions for risk and charges

Movements in this balance are analyzed below:

€/000	31.12.2019	Increases	Decreases	Other movements	31.12.2020
Provisions for agents' termination indemnit	330	43	(30)	-	343
Other provisions	25	-	-	-	25
Total non current portion	**355**	**43**	**(30)**	**-**	**368**
Provisions for products warranties	265	-	-	-	265
Other provisions	35	1,600	-	-	1,635
Total current portion	**300**	**1,600**	**-**	**-**	**1,900**

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 defense 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 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 item **"Other provisions"** for the current portion, equal to € 1,635 thousand, refers to:
- for a value of € 1,600 thousand to a provision to cover future losses, allocated in the financial year, related to investment in subsidiary Emak Deutschland Gmbh (note 20);
- for the residual part of € 35 thousand, to the best estimate of liabilities presently considered as probable:
  - in correspondence with 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 € 678 thousand (€ 486 thousand at December 31, 2019) 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, equal to € 453 thousand, and the non-repayable grant, obtained as part of a multi-year research and development project provided by the Ministry of Economic Development, amounting to € 225 thousand (note 17). The part of the grant receivable within one year is included in current liabilities under "Other payables" and amounts respectively to € 33 thousand and € 64 thousand.

34. Contingent liabilities

At the date of December 31, 2020 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
There are no contractual agreements referring to the purchase of further stakes held directly by the Company.

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 € 49 thousand.

36. Guarantees

Guarantees granted to *third parties*
They amount to € 1,418 thousand and are made up as follows:

- € 469 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 a surety policy in favour of the Campobasso customs office to guarantee customs duties;
- € 599 thousand for a surety policy in favour of Simest for loans.

Comfort letters, sureties and credit orders in favor of subsidiaries
These amount to € 88,476 thousand, and refer to the balance of credit line available or used as at December 31, 2020, broken down as follows:

€/000	Value of collateral	Amount guaranteed
Emak France SAS	668	668
Emak U.K. Ltd.	1,033	1,033
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	436	436
Tecomec S.r.l.	22,589	22,589
Comet S.p.A	30,000	28,785
Comet S.p.A. (operation Lavorwash)	33,750	22,500
Total	**88,476**	**76,011**

37. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2020 and amounts to € 42,623 thousand. It consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2020	31.12.2019
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**

During the 2020 financial year, no dividends were paid.

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

During 2020 no treasury shares were purchased or sold.

Therefore at December 31, 2020 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2021 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, 2020.

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 thresholds that previously qualified EMAK as "smaller issuer pursuant to CONSOB resolution no. 17221 of 2010.
EMAK S.p.A. a further updated edition of the procedures relating to transactions with related parties is in the process of being advanced and soon to be approved, in order to comply with CONSOB resolution no. 21624 of 10/12/2020, adopted in implementation of the provisions of the new paragraph 3 of art. 2391-bis of the Italian Civil Code.
The new procedures will be effective from 1 July 2021 and will also be published on the company website immediately after their approval.

The current procedure is available on the website www.emakgroup.it, in the "*Investor relations*" – "*Corporate governance*" – "Other information" section.

In the 2020 financial year, EMAK did not carry out any significant transactions of an unusual or recurring nature with related parties, or not falling within the ordinary business of the company.

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Related parties ordinary transactions in 2020 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 2020 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"), periodically approved by the Board of Directors, with the assistance and consent of the independent directors, meeting in the related parties transactions Committee.

The operations carried out in 2020 with related 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	33	2,100	-
Emak UK Ltd.	2	-	158
Comet S.p.A.	472	7,500	14,800
Comet USA Inc.	22	815	-
Tecomec S.r.l.	3	-	-
Total (note 13 and note 22)	**532**	**10,415**	**14,958**

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.	2	1,545	-
Tecomec S.r.l.	-	37	186
Total (note 28)	**2**	**1,582**	**186**

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	3,811	27	-	**3,838**	**818**
Emak Deutschland Gmbh	1,513	-	-	**1,513**	**118**
Emak UK Ltd.	996	-	-	**996**	**932**
Emak France SAS	8,301	-	500	**8,801**	**3,469**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	578	28	-	**606**	**349**
Victus Emak Sp. z.o.o.	7,427	31	198	**7,656**	**1205**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	4	-	-	**4**	**-**
Epicenter Llc.	836	-	-	**836**	**-**
Emak Do Brasil Industria Ltda	184	-	-	**184**	**1,462**
Comet S.p.A.	19	451	3,000	**3,470**	**215**
Comet USA Inc.	105	-	-	**105**	**207**
PTC S.r.l.	3	64	-	**67**	**43**
Sabart S.r.l.	313	183	1,764	**2,260**	**175**
Tecomec S.r.l.	28	841	2,000	**2,869**	**494**
Lavorwash S.p.A.	-	245	-	**245**	**133**
Total (C)	**24,118**	**1,870**	**7,462**	**33,450**	**9,620**

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	42	26	**68**	3
Emak Deutschland Gmbh	81	13	**94**	35
Emak UK Ltd.	-	12	**12**	7
Emak France SAS	101	96	**197**	20
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	22,853	11	**22,864**	7,052
Comet USA	1	130	**131**	44
Victus Emak Sp. z.o.o.	-	31	**31**	14
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	905	-	**905**	169
Epicenter Llc.	-	3	**3**	59
Emak Do Brasil Industria Ltda	-	61	**61**	42
Comet S.p.A.	461	29	**490**	193
Sabart S.r.l.	7	1	**8**	2
Tecomec S.r.l.	148	1	**149**	42
Ningbo Tecomec	974	-	**974**	130
Speed France SAS	576	-	**576**	78
Total (D)	**26,149**	**414**	**26,563**	**7,890**

* * * * * * *

Usual dealings with related parties external to the Emak Group occurring during 2020 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 2020 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 22 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 non-executive director.

Details of the transactions entered into in 2020 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
Euro Reflex D.o.o.	825	-	460
Garmec S.r.l.	9	-	3
Cifarelli S.p.A.	46	-	-
Total (E)	**880**	**-**	**463**
Total C+E (note 23)	**24,998**	**1,870**	**10,083**

Purchase of goods and services:

Releted parties (€/000)	Purchases of raw materials and finished products	Other costs	Total costs	Trade payables
Euro Reflex D.o.o.	1,802	54	**1,856**	**471**
Selettra S.r.l.	147	3	**150**	**62**
Cifarelli S.p.A.	478	-	**478**	**-**
Total (F)	**2,427**	**57**	**2,484**	**533**
Other related parties (G)	**-**	**169**	**169**	**159**
Totals D+F+G (note 27)	**28,576**	**640**	**29,216**	**8,582**

Relationships of financial nature and related income:

Releted parties (€/000)	Current financial assets	Non current financial assets
Yama S.p.A.	37	186
Total (note 22)	**37**	**186**

* * * * * * *

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 and, if all the conditions are met, they make use of the procedural simplification provisions provided for by art. 13, paragraphs 1 and 3, lett. b), of CONSOB resolution no. 17221/2010.

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 2020	FY 2019
Emoluments of directors and statutory auditors	716	417
Benefits in kind	31	10
Wage and salaries	724	640
Employee termination indemnities	48	46
Total	**1,519**	**1,113**

It should be noted that a variable incentive part of the remuneration destined for executive directors, included in the first item of the table, is provisionally established in a three-year projection, within the maximum amount limits established by the shareholders' meeting, and is definitively quantified only at the end of the council mandate.

The total debt for remuneration of Directors and Auditors of the Parent Company at December 31, 2020 amounted to € 382 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 2020 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.
Ministry of Economic Development	Non-repayable grant	321
Fondidirigenti	Contribution for training plans	15
Fondidirigenti	Contribution for training plans	15
MEF	Tax credit under Law 106/2014	2
MEF	Tax credit under Law 107/2015	2
MEF	Tax credit under Law 190/2014	227
MEF	Tax credit under Law 205/17	49
Total		**631**

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

	31.12.2019				Changes				31.12.2020			
	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.	-	-	-	-					-	-	-	-
Sabart S.r.l.	1 share	21,011	100	100					1 share	21,011	100	100
Tecomec S.r.l.	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	307	100	100				(307)	10,820	-	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	561	99.9	99.9				(561)	8,516,200	-	99.9	99.9
Total investments in subsidiaries		**90,574**						**(868)**		**89,706**		
Italy												
Cifarelli S.p.A.	216,000	3,750	30.0	30.0			(3,750)		-	-	-	-
Total associates		**3,750**								**-**		
Italy												
Equity in other companies	2 shares	2	-	-					2 shares	2	-	-
Total other companies		**2**								**2**		
Total		**94,326**					**(3,750)**	**(868)**		**89,708**		

Appendix 2

Details of equity investments

€/000	Registered office	Value in the financial statements	% Share	Share Capital	Equity (*)		Profit/(Loss) of the year (*)
					Total	Attributable to Emak S.p.A.	
Emak Suministros Espana SA	Madrid	572	90	270	4,408	3,967	435
Emak Deutschland Gmbh	Fellbach-Oeffingen	-	100	553	(1,587)	(1,587)	(1,533)
Emak UK Ltd	Burntwood	691	100	381	720	720	33
Emak France SAS	Rixheim	2,049	100	2,000	7,437	7,437	429
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	3,183	17,604	17,604	785
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	2,038	5,917	5,917	153
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,230	7,822	7,822	350
Epicenter LLC.	Kiev	1,690	100	547	2,130	2,130	331
Emak do Brasil Industria Ltda	Ribeirao Preto	-	99.9	3,696	(139)	(138)	(487)
Tecomec S.r.l.	Reggio Emilia	27,830	100	1,580	30,414	30,414	2,249
Comet S.p.A.	Reggio Emilia	27,232	100	2,600	43,714	43,714	3,910
Sabart S.r.l.	Reggio Emilia	21,011	100	1,900	8,566	8,566	2,606
Total investments in subsidiaries		**89,706**					

(*) 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	31.12.2019	31.12.2018
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	69,123	69,459
C) Current assets	12,474	18,110
D) Prepayment and accrued income	8	23
Total assets	**81,605**	**87,592**
Liabilities		
A) Equity:		
Share capital	14,619	14,619
Reserves	45,441	43,594
Net profit	3,691	4,673
B) Provisions for risks and charges	263	263
C) Employment benefits	12	11
D) Amounts payable	17,570	24,422
E) Accruals and deferred income	9	10
Total liabilities	**81,605**	**87,592**

INCOME STATEMENT	31.12.2019	31.12.2018
A) Revenues from sales	66	489
B) Production costs	(944)	(890)
C) Financial income and expenses	4,790	5,299
D) Adjustments to the value of financial assets	(370)	(330)
E) Extraordinary income and expenses	-	-
Profit before taxes	**3,542**	**4,568**
Income taxes	149	105
Net profit	**3,691**	**4,673**

Appendix 4

Schedule of fees relating to the 2020 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.	153
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.	39

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 31,2020.

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: 16 March 2021

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, 2020, 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, 2020, 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 December 31, 2020 report equity investments in subsidiaries of Euro 89,706 thousand, which are part of a net invested capital for Euro 158,555. The Company has verified the recoverability of the investments for which it has identified impairment indicators, as well as the net invested capital, as stated by IAS 36 – Impairment of Assets. Impairment tests are performed by comparing the recoverable values - determined depending on the case according to the method of value in use or method of fair value - and the related carrying amounts. As a result of impairment tests, the Company has recorded an impairment loss of Euro 561 thousand in relation to the investment held in the subsidiary Emak Do Brasil Industria Ltda and an impairment loss of Euro 1,907 thousand in relation to the investment held in the subsidiary Emak Deutschland Gmbh, following which the Company has recorded a complete write-down of the equity investment value and record a provision to cover losses equal to Euro 1,600 thousand within current liabilities as “Provision for risks and charges”. 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, market conditions and the evolution of Covid-19 pandemic that represent elements of uncertainty when making estimates. In view of the significance of the amount of the investments in subsidiaries and of the net invested capital 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 net invested capital to be a key audit matter of the separate financial statements of Emak S.p.A. as of December 31, 2020. 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 of our network: • examination of the approach adopted by Management to assess the recoverability of the investments in subsidiaries and the net invested capital, 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 and fair value, 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; • understanding of the assumptions made regarding the potential effects related to the Covid-19 pandemic; • assessment of the reasonableness of the discount rates (WACC) and the long-term growth rate (g-rate), 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, 2020, 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, 2020 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, 2020 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 30, 2021

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

Emak S.p.A.
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