Emak®

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

GB

2021 Annual Report

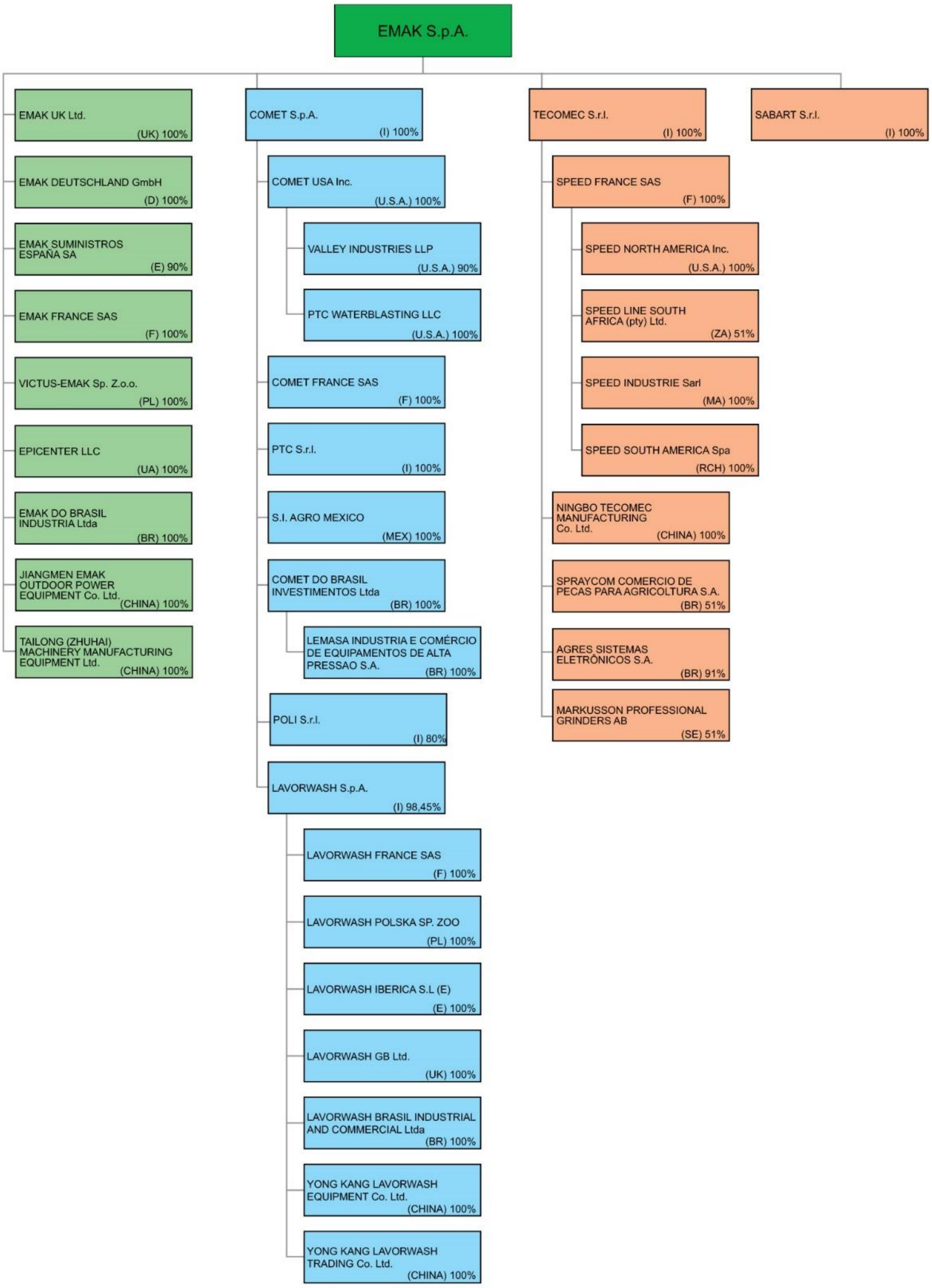
Annual report at 31 December 2021

These financial statements were approved by the Board of Directors on 16 March 2022.

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

Index

Organizational chart of Emak Group as at 31 December 2021

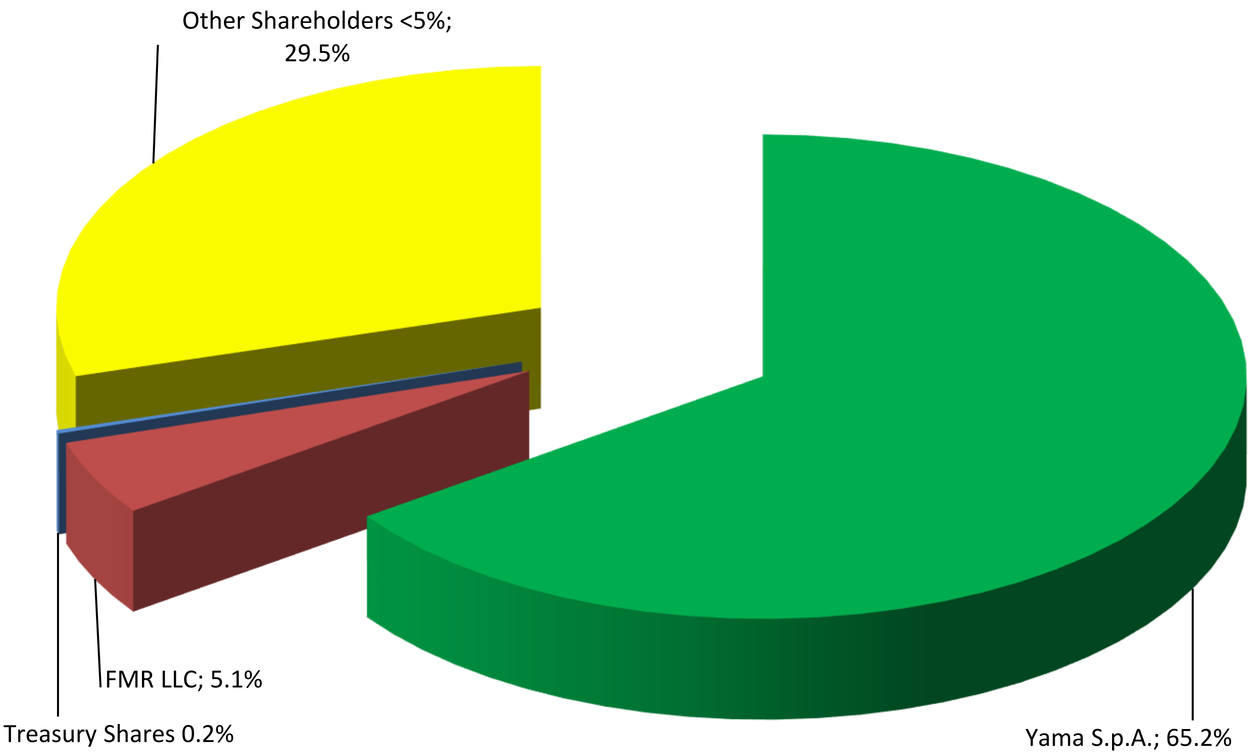


1. Valley Industries LLP is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 10%.
2. Comet do Brasil Investimentos Ltda is owned for 99.63% by Comet S.p.A. and 0.37% by P.T.C. S.r.l.
3. Emak do Brasil is owned for 99.98% by Emak S.p.A. 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 result of the "Put and Call Option Agreement" that governs the purchase of the remaining 49%.
7. Agres Sistemas Eletrônicos S.A. is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 9%.
8. Poli S.r.l. is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 20%.

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, 2021, 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
Secretary of the Board of Directors	Paolo Messarra
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 over 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 and agreements with market places in the sector.

This segment represents approximately 35% 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).

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 diaphragm pumps, centrifugal 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, Lavor and Poli 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 39% 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 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 outdoor power equipment, 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 47% of turnover), through a network of specialized distributors (40% of turnover) and finally, in the large-scale distribution channel (13% 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 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. 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 transformation 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, 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, transporters, sprayers, rider
	Emak Tailong	Zhuhai - China	Cylinders for two-stroke engine
	Emak Jiangmen	Jiangmen - China	Chainsaws and brushcutters 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
	Poli	Colorno (PR) - Italy	Motorsweepers for industrial and civil use
	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 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

2021 Annual Directors'report

Main strategic lines of action

The main goal of the Emak Group is the creation of value for its stakeholders, through sustainable growth.

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 reduction of emission, in order to create new products that meet customer needs;
2. Distribution, to consolidate the Group's position in the market where it has a direct presence and to further expand distribution by entering new markets with high growth potential;
3. Efficiency, by implementing the lean manufacturing solutions 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

The Group and its subsidiaries have an internal control system that is considered by the Board of Directors of Emak to be appropriate for the size and nature of the activity carried out, suitable for effectively overseeing the main risk areas typical of the activity, aimed at contribute to the sustainable success of the Group.

In fact, as part of the formalization of strategic plans, the Board of Directors of Emak takes into consideration the nature and level of risk compatible with the strategic objectives of the Issuer and, in this regard, has adopted a system of internal control consisting of the set of rules, resources, processes and procedures that aim to ensure:

- the containment of risk within the limits compatible with sustainable management of the business activity;
- the safeguarding of the value of the assets;
- the effectiveness and efficiency of business processes;
- the reliability and security of company information and IT procedures;
- the compliance of company operations with the law, policies, regulations and internal procedures.

Consequently, within the Group the following have been defined:
- the behaviors to keep;
- the assignment and separation of duties;
- the organizational dependencies;
- the responsibilities and levels of autonomy;
- the operating instructions;
- the controls to be applied within the activities.

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 Corporate Governance 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.

In order to prevent and manage the most significant risks of a strategic nature, of Compliance and of fairness of financial information, the Group has tools for mapping and managing the various types of risks, also through an assessment of the economic and financial impacts and the probability of occurrence.

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.

On the website www.emakgroup.com is published The Corporate Governance report prepared in accordance with the provisions of Art. 123-bis, Legislative Decree 58/98 which analytically describes the corporate governance structure of the group and the practices applied in terms of the Internal Control System and risk management.

In relation to the main risks, highlighted below, the Group constantly pays attention to and monitors the situations and developments in macroeconomic, market and demand trends in order to be able to implement any necessary and timely strategic assessments.

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, trends have emerged such as for example e-commerce and technologies 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, in the context of growth by external lines, implements and 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 sectors where product innovation represents an important driver for the maintenance and growth of its market share.
The Group monitors in advance any regulatory changes introduced in outlet countries in order to anticipate technological innovations and place compliant products on the market.

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 in line with market expectations.

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.

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, aluminium, 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
The Group's operations are subject to import and export duties for components and finished products. This impact is taken into account in the formulation of the sale price.
However, in some cases it may be difficult to pass these costs on to the market in a timely manner. In such cases the Group could be temporarily forced to bear these additional costs.
The Group has a supply chain and a production structure that is diversified in the various countries which allows partial mitigation of the risk following sudden changes in tariffs.

Climate Change
The Group has taken an evolutionary path aimed at strengthening its sustainability path and compliance with the regulatory requirements of non-financial disclosure, introduced by Legislative Decree no. 254/2016.
The Group manages the risks associated with climate change and monitors the increase in regulatory constraints in relation to the reduction of greenhouse gas emissions and, more generally, the growing interest

by civil society and the final consumer towards the development of products and industrial processes with a lower impact on the environment.
The attention to the issue of the risk inherent to the climate change has grown and various Group companies have adopted procedures and solutions aimed at monitoring and limiting energy consumption and the consequent reduction of climate-altering emissions. The Group is evaluating an in-depth analysis of the risk assessment methods associated with it.
The progressive affirmation of a low-carbon economy and the possible regulatory changes related to it could cause limitations on the emissions of some product categories of the Group, especially those powered by internal combustion engines. In order to always be in line with regulatory requirements, the Group focuses its research and development on the development of ever cleaner internal combustion engines, battery-powered products and specific components and accessories for the latter.
At the present moment, the Group does not see a high short-term risk profile in relation to climate change.

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, while taking into account local particularities, issues such as tax consolidation, facilitations for research and development., 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.

Information Technology
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 social 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 following emergencies, as well as an adequate data storage capacity; furthermore, activities were started on the enhancement of skills in the field of IT security, as well as awareness and training on information security. An intrusion event on the IT infrastructure of a foreign subsidiary did not generate any critical issues as it was adequately managed. In parallel with the provisions of the European Regulation (GDPR), the Group constantly monitors the protection of rights in relation to the personal data processed.

Risk arising from COVID-19
From the beginning, the Group has followed the developments of the pandemic very closely, setting up a dedicated task force and promptly adopting the necessary measures to prevent, control and contain the virus at its headquarters, globally, with the aim of protecting the health of employees and collaborators (modification of production layouts, sanitation of premises, personal protective equipment, temperature measurement, thermal cameras, serological tests, rules of hygiene and social distancing, smart working).
The people in change of the health and safety monitor the implementation, application and effectiveness of the measures adopted in relation to the provisions issued from time to time by the competent authorities and the trends of the pandemic in the various countries where the Group has operational headquarters. Although constantly reducing in terms of risk, the Group believes that, in the recent scenario, the following aspects have emerged or have assumed greater importance: (i) the risks connected to people's health; (ii) the risk deriving from the temporary reduction in the availability of personnel (iii) the risks associated with the availability of raw materials and the volatility of prices (iv) the risks associated with violent fluctuations in demand and non-compliance with the contractual agreements entered into with clients.
The Group promptly developed numerous counter and mitigation actions that made it possible to minimize the impact on the business. All the safeguards continue to be activated, as well as constant monitoring of any element that may change the risk factors related to the evolution of the pandemic and its direct and indirect effects on company activities.

Risks associated with the supply chain
A delay / block in deliveries or quality problems by a supplier can have negative consequences for the production of finished products. This risk is mitigated through policies of diversification of supplies and logistic integration with the main suppliers that have been strengthened also in consideration of the emerging war problems in Eastern Europe.

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, EPL and "legal protection", against major risks considered as strategic, such as: product liability and product recall, general civil liability, legal fees, 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 a 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 2021	YEAR 2020
Revenues from sales	588,299	469,778
EBITDA before non ordinary income/expenses (*)	77,436	56,289
EBITDA (*)	77,296	55,634
EBIT	52,904	32,942
Net profit	33,111	19,612

Investment and free cash flow (€/000)

	YEAR 2021	YEAR 2020
Investment in property, plant and equipment	13,338	14,018
Investment in intangible assets	4,223	3,152
Free cash flow from operations (*)	57,503	44,448

Statement of financial position (€/000)

	31.12.2021	31.12.2020
Net capital employed (*)	400,202	348,852
Net debt (*)	(144,269)	(126,552)
Total equity	255,933	222,300

Other statistics

	YEAR 2021	YEAR 2020
EBITDA / Net sales (%)	13.1%	11.8%
EBIT / Net sales (%)	9.0%	7.0%
Net profit / Net sales (%)	5.6%	4.2%
EBIT / Net capital employed (%)	13.2%	9.4%
Net debt / Equity	0.56	0.57
Number of employees at period end	2,225	2,134

Share information and prices

	31.12.2021	31.12.2020
Earnings per share (€)	0.199	0.118
Equity per share (€) (*)	1.55	1.35
Official price (€)	2.120	1.098
Maximum share price in period (€)	2.28	1.13
Minimum share price in period (€)	1.08	0.56
Stockmarket capitalization (€ / million)	348	180
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 (€) (*)	0.352	0.272
Dividend per share (€)	0.075	0.045

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

2. Scope of consolidation

Compared to 31 December 2020, the Italian company Poli S.r.l. joined the consolidation area, (of which the subsidiary Comet S.p.A. acquired 80% on October 4, 2021 and therefore included for the last quarter 21 in the consolidated financial statements).
In 2020, the results of the company Agres Sistemas Eletrônicos SA had been included in the consolidation area starting from the last quarter of the year, as the company had passed from an associate to a subsidiary, and the Swedish company Markusson Professional Grinders AB had been consolidated in the first eleven months of 2020 starting from January 31st.

3. Economic and financial results of Emak Group

Comments on economic figures

Revenues from sales

Emak Group achieved a consolidated turnover of € 588,299 thousand, compared to € 469,778 thousand of last year, an increase of 25.2%. This increase is due to the organic growth for 23.6%, from change in the scope of consolidation for 2.6%, while it is penalized by the negative effect of translation changes for 1%.

It should be noted that the same period of 2020 had been partially impacted by the advent of the Covid-19 pandemic; however, even in comparison with the year 2019 there is a growth of 30.9% (on a like-for-like basis).

Growth was very consistent in all segments in which the Group operates concentrated above all in the Europe and Americas areas. In general, in the countries where it has a direct presence, the Group has increased its market shares.

The change in consumption habits resulting from the post Covid-19 context, as well as the improvement of the offer in terms of innovation and breadth of range, have certainly contributed to the increase in sales.

The Group was able to cope with the increase in demand thanks to the high flexibility of the operating structure, the extraordinary commitment of the entire organization, including the supply chain.

EBITDA

Ebitda for the period amounts to € 77,296 thousand (an incidence of 13.1% on sales) compared to € 55,634 thousand in 2020 (an incidence of 11.8% on sales).
During the year, non-ordinary revenues were recorded for € 1,192 thousand (€ 788 thousand in 2020) and non-ordinary expenses for € 1,332 thousand (€ 1,443 thousand in 2020).
Ebitda before non-ordinary expenses and revenues is equal to € 77,436 thousand, an incidence of 13.2% on revenues, compared to € 56,289 thousand of last year, an incidence of 12% on revenues.

The application of the IFRS 16 principle has resulted in a positive effect on the Ebitda for the year for € 6,668 thousand, against to a positive effect of € 6,273 thousand in 2020.

The result benefited from the significant increase in sales volumes and the contribution made by the change in the consolidation area; it should be noted that the EBITDA is affected by the impact of a slight decrease in margins resulting from the generalized increase in the costs of raw materials and transports, partially offset by increases in the sales lists.

Personnel costs increased compared to last year by € 13,643 thousand, due to the greater recourse to the workforce to cope with the increase in production volumes. In the 2020 financial year social safety nets were used, activated during the lockdown period, for the Covid-19 emergency for an amount of approximately € 1,653 thousand.
The average number of resources employed by the Group, also considering temporary workers employed in the period and the different scope of consolidation, was 2,473 compared to 2,284 of the same period last year.

Operating result

Operating result for the year 2021 amounts to € 52,904 thousand with an incidence of 9% on revenues, compared to € 32,942 thousand (7% of sales) of 2020.

Amortization, depreciation and impairment losses are € 24,392 thousand compared to € 22,692 thousand of the previous year.

The ratio operating result on net capital employed is 13.2% compared to 9.4% of the previous year.

Net result

Net profit for the year 2021 is € 33,111 thousand, against € 19,612 thousand for the last year.

The item "Financial income" amounts to € 1,003 thousand, compared to € 727 thousand for the same period last year.

The item "Financial expenses" amounts to € 8,611 thousand, compared to € 5,164 thousand of the previous year. The 2021 figure includes € 4,569 thousand of charges for the adjustment of the Put and Call relating to the minority shares of the subsidiaries Markusson, Agres and Valley while the data 2020 included 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 adjustment of the estimate of the debt for the purchase, through the exercise of the Put & Call option, of the remaining share of the company Valley LLP.

The 2021 currency management is positive for € 589 thousand against a negative value of € 3,547 thousand of last year. The result was affected by the trend of the US dollar compared to Euro, of the Brazilian Real compared to US dollar, and in general of the South American currencies and the renminbi. The management of the hedges carried out mitigated the risk.

The item “Income from/(expenses on) equity investment” for the year 2020 was negative for € 2,144 thousand and included 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. 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 27.8%, compared to 14% in the previous year, significantly lower as it had benefited from the registration of tax benefits from the "Patent Box" referring to previous years for € 1,234 thousand (with a positive effect on the 2020 tax rate of 5.4%) and the effects deriving from the adjustment of deferred tax assets and liabilities attributable to the realignment and tax revaluation operations pursuant to Legislative Decree 104/2020 for € 2,443 thousand (with a positive effect on the 2020 tax rate of 10.7%).

Taxes for 2021 include the recognition of deferred tax assets for € 344 thousand deriving from the realignment of the tax value to the book value of certain goodwill values shown in the financial statements of some Italian companies of the Group, originally not fiscally recognized, while they include the release of deferred taxes for a negative balance of € 139 thousand. This change was necessary following the regulatory change introduced by Law 234/2021 which brought the fiscal amortization period of trademarks and goodwill subject to tax revaluation in 2020 to 50 years (for more information, see note 16 of the Explanatory Notes).

Net profit for the year 2021, without considering the negative effects of € 4,569 thousand deriving from the adjustment of the P&C options of the residual minority shares of some subsidiaries, would have been equal to € 37,680 thousand.

Comment to consolidated statement of financial position

€/000	31.12.2021	31.12.2020
Net non-current assets (*)	202,117	183,197
Net working capital (*)	198,085	165,655
Total net capital employed (*)	**400,202**	**348,852**
Equity attributable to the Group	253,183	220,137
Equity attributable to non controlling interests	2,750	2,163
Net debt (*)	(144,269)	(126,552)

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

Net non-current assets

Net non-current assets at December 31, 2021 amount to € 202,117 thousand compared to € 183,197 thousand at December 31, 2020.

During 2021 Emak Group invested € 17,561 thousand in property, plant and equipment and intangible assets, as follows:

- € 5,442 thousand for innovation, improvement and technological adaptation of products;
- € 6,241 thousand for adjustment of production capacity and for process innovation;
- € 2,887 thousand for upgrading the computer network system;
- € 1,742 thousand for modernization of industrial buildings;
- € 1,249 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:
- € 9,006 thousand in Italy;
- € 2,842 thousand in Europe;
- € 3,682 thousand in the Americas;
- € 2,031 thousand in Asia, Africa and Oceania.

Net working capital

Net working capital moves from € 165,655 thousand at December 31, 2020 to € 198,085 thousand at December 31, 2021, an increase of € 32,430 thousand. The ratio of net working capital to turnover is 33.7% compared to 35.3% of last year.

The following table reports the change in net working capital in 2021 compared with the previous year:

€/000	Y 2021	Y 2020
Opening Net working capital	**165,655**	**171,478**
Increase/(decrease) in inventories	52,809	4,029
Increase/(decrease) in trade receivables	15,312	3,094
(Increase)/decrease in trade payables	(29,720)	(13,972)
Change in scope of consolidation	1,173	2,461
Other changes	(7,144)	(1,435)
Closing Net working capital	**198,085**	**165,655**

Inventories are significantly increasing in preparation for the 2022 season and also to cope with the persistence of criticalities on the supply chain and the consequent increase in delivery times.

Trade receivables have increased in line with the growth trend in turnover also confirmed in the last quarter of 2021.

Net financial position

Net financial position is negative for € 144,269 thousand at 31 December 2021, compared to € 126,552 thousand at 31 December 2020.

The following table shows the movements in the net financial position of 2021 compared with 2020:

€/000	**2021**	**2020**
Opening NFP	**(126,552)**	**(146,935)**
Ebitda	77,296	55,634
Financial income and expenses	(7,608)	(4,437)
Income from/(expenses on) equity investment	-	-
Exchange gains and losses	589	(3,547)
Income taxes	(12,774)	(3,202)
Cash flow from operations, excluding changes in operating assets and liabilities	**57,503**	**44,448**
Changes in operating assets and liabilities	(31,691)	671
Cash flow from operations	**25,812**	**45,119**
Changes in investments and disinvestments	**(16,886)**	**(13,802)**
Changes rights of use IFRS 16	**(14,863)**	**(4,207)**
Dividends cash out	**(7,413)**	**(4)**
Other equity changes	**(168)**	**(53)**
Changes from exchange rates and translation reserve	**1,869**	**5,140**
Change in scope of consolidation	**(6,068)**	**(11,810)**
Closing NFP	**(144,269)**	**(126,552)**

Cash flow from operations is equal to € 57,503 thousand compared to € 44,448 thousand of the previous financial year.
"Income from/(expenses on) equity investment" at 31 December 2020 did 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".
Cash flow from operations is positive for € 25,812 thousand compared to € 45,119 thousand in the same period of the previous financial year, a decrease due to the increase, in absolute terms, of the net working capital.

During 2021, the Group distributed dividends for an amount of € 7,413 thousand, while in the previous year, following the measures taken to manage liquidity risk, the Shareholders' Meeting resolved not to proceed with the distribution of dividends.

Details of the net financial position is analysed as follows:

(€/000)	31.12.2021	31.12.2020
A. Cash	79,645	99,287
B. Cash equivalents	-	-
C. Other current financial assets	358	735
D. Liquidity funds (A+B+C)	**80,003**	**100,022**
E. Current financial debt	(19,938)	(16,319)
F. Current portion of non-current financial debt	(56,213)	(51,549)
G. Current financial indebtedness (E + F)	**(76,151)**	**(67,868)**
H. Net current financial indebtedness (G - D)	**3,852**	**32,154**
I. Non-current financial debt	(149,105)	(159,514)
J. Debt instruments	-	-
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I + J + K)	**(149,105)**	**(159,514)**
M. Total financial indebtedness (H + L) (ESMA)	**(145,253)**	**(127,360)**
N. Non current financial receivables	984	808
O. Net financial position (M-N)	**(144,269)**	**(126,552)**
Effect IFRS 16	**38,974**	**28,874**
Net financial position without effect IFRS 16	**(105,295)**	**(97,678)**

Net financial position at 31 December 2021 includes actualized financial liabilities related to the payment of future rental and rent payments, in application of IFRS 16 standard, equal to overall € 38,974 thousand, of which € 5,863 thousand falling due within 12 months while at 31 December 2020 they amounted to a total of € 28,874 thousand, of which € 4,816 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 2022;
- amounts due to other providers of finance falling due by 31 December 2022;
- debt for equity investments in the amount of € 3,506 thousand.

Financial liabilities for the purchase of the remaining minority shares and for the settlement of purchase transactions with deferred price subject to contractual restrictions are equal to € 12,259 thousand, of which € 8,753 thousand in the medium to long term, related to the following companies:
- Markusson for € 3,526 thousand;
- Agres for € 3,883 thousand;
- Valley LLP for € 2,368 thousand;
- Poli S.r.l. for € 2,482 thousand.

Equity

Equity at December 31, 2021 is € 255,933 thousand against € 222,300 thousand at December 31, 2020.

Highlights of the consolidated financial statement of the semester broken down by operating segment

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Sales to third parties	202,977	159,761	229,990	189,357	155,332	120,660			**588,299**	**469,778**
Intersegment sales	345	585	2,877	2,290	10,524	8,444	(13,746)	(11,319)		
Revenues from sales	203,322	160,346	232,867	191,647	165,856	129,104	(13,746)	(11,319)	**588,299**	**469,778**
Ebitda	16,221	9,011	33,991	28,157	30,913	20,830	(3,829)	(2,364)	**77,296**	**55,634**
Ebitda/Total Revenues %	*8.0%*	*5.6%*	*14.6%*	*14.7%*	*18.6%*	*16.1%*			***13.1%***	***11.8%***
Ebitda before non ordinary expenses	16,360	9,348	33,382	28,535	31,523	20,770	(3,829)	(2,364)	**77,436**	**56,289**
Ebitda before non ordinary expenses/Total Revenues %	*8.0%*	*5.8%*	*14.3%*	*14.9%*	*19.0%*	*16.1%*			***13.2%***	***12.0%***
Operating result	8,089	1,262	26,128	20,274	22,516	13,770	(3,829)	(2,364)	**52,904**	**32,942**
Operating result/Total Revenues %	*4.0%*	*0.8%*	*11.2%*	*10.6%*	*13.6%*	*10.7%*			***9.0%***	***7.0%***
Net financial expenses (1)									**(7,019)**	**(10,128)**
Profit befor taxes									**45,885**	**22,814**
Income taxes									**(12,774)**	**(3,202)**
Net profit									**33,111**	**19,612**
Net profit/Total Revenues%									***5.6%***	***4.2%***
(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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Net debt	6,778	10,780	96,092	87,031	41,399	28,741	0	0	**144,269**	**126,552**
Shareholders' Equity	186,501	178,820	83,830	66,031	63,454	55,096	(77,852)	(77,647)	**255,933**	**222,300**
Total Shareholders' Equity and Net debt	193,279	189,600	179,922	153,062	104,853	83,837	(77,852)	(77,647)	**400,202**	**348,852**
Net non-current assets (2)	128,424	130,336	95,854	86,970	53,233	41,397	(75,394)	(75,506)	**202,117**	**183,197**
Net working capital	64,855	59,264	84,068	66,092	51,620	42,440	(2,458)	(2,141)	**198,085**	**165,655**
Total net capital employed	193,279	189,600	179,922	153,062	104,853	83,837	(77,852)	(77,647)	**400,202**	**348,852**
(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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Number of employees at period end	758	738	837	775	622	613	8	8	**2,225**	**2,134**
OTHER INFORMATIONS	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Amortization, depreciation and impairment losses	8,132	7,749	7,863	7,883	8,397	7,060			**24,392**	**22,692**
Investment in property, plant and equipment and in intangible assets	4,266	5,050	5,229	3,476	8,066	8,644			**17,561**	**17,170**

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

Comments on interim results by operating segment

The table below shows the breakdown of “sales to third parties” in 2021 by business segment and geographic area, compared with the same period last year.

	OUTDOOR POWER EQUIPMENT			PUMPS AND HIGH PRESSURE WATER JETTING			COMPONENTS AND ACCESSORIES			CONSOLIDATED		
€/000	**31.12.2021**	**31.12.2020**	**Var. %**	**31.12.2021**	**31.12.2020**	**Var. %**	**31.12.2021**	**31.12.2020**	**Var. %**	**31.12.2021**	**31.12.2020**	**Var. %**
Europe	174,195	134,722	29.3	125,901	99,515	26.5	81,839	68,123	20.1	381,935	302,360	26.3
Americas	9,500	6,094	55.9	74,449	65,103	14.4	52,473	34,682	51.3	136,422	105,879	28.8
Asia, Africa and Oceania	19,282	18,945	1.8	29,640	24,739	19.8	21,020	17,855	17.7	69,942	61,539	13.7
Total	**202,977**	**159,761**	**27.1**	**229,990**	**189,357**	**21.5**	**155,332**	**120,660**	**28.7**	**588,299**	**469,778**	**25.2**

Outdoor Power Equipment

In 2021, sales in the Outdoor Power Equipment sector are up by 27.1% compared to the previous year. Sales on the European market recorded significant growth, driven by Italy, France, Poland.
In the Americas area, sales saw general growth with a strong increase in Latin American markets. In the Asia, Africa and Oceania area, sales increased in Far East and China, while were stable in Turkey.

EBITDA for the year 2021 is equal to € 16,221 thousand, growing by 80% compared to 2020 thanks to the increase on turnover, to the commercial policies implemented, together to a favourable market and product mix, partially compensating the increase in supply costs and higher transport costs.
During the year, non-recurring charges were recorded for € 139 thousand (€ 337 thousand in 2020).

Net negative financial position, equal to € 6,778 thousand, is improving compared to € 10,780 thousand at 31 December 2020, thanks to the cash flow generated by operating result.

Pumps and High Pressure Water Jetting

Sales are up by 21.5% compared to the 2020 financial year.

Europe is the geographical area that has contributed most to growth, driven by Italy, France, the United Kingdom, Poland, Spain and Russia. The increase in sales through the online channel is confirmed.
The good sales performance in the Americas area, partly penalized by the negative exchange rate trend, is attributable to the US and Brazilian subsidiaries and the good performance on the South American and Mexican markets.
Sales in Asia, Africa and Oceania are growing mainly in Israel, China, South Korea and Oceania.

EBITDA for the 2021 financial year amounted to € 33,991 thousand, up by 20.7% compared to 2020 thanks to the increase in turnover and the consequent operating leverage effect, partially mitigated by the effect of the increase in costs of raw materials and transport, which increased in the second half of the year and partly recovered through actions increasing sales prices.
The figure also benefited from the extraordinary income booked by the subsidiary Valley (USA) against the reversal of the loan for an equivalent value of € 620 thousand and recorded under non-recurring income, the request for which was initiated in 2020 as support for the Covid-19 pandemic.

Net negative financial position is equal to € 96,092 thousand, an increase compared to € 87,031 thousand at 31 December 2020, following the acquisition of Poli S.r.l., the increase in net working capital and the renewal of some contracts of rent which led to higher lease payables (IFRS16).
The good performance of cash flow from operations should be noted.

Components and Accessories

Sales are up by 28.7% compared to 2020.
The growth in revenues recorded on the European market is attributable to higher sales achieved in all product lines, in particular in the markets of Italy, France, Germany, Hungary and the United Kingdom.
In the Americas area, strong growth is recorded thanks to the performance of the subsidiaries that produce and distribute directly on the market, as well as the contribution deriving from the consolidation of the Brazilian company Agres.
In the Asia, Africa and Oceania area, the growth in sales is attributable to the markets of China, Australia and Japan.

EBITDA for 2021 equal to € 30,913 thousand, up by 48.4% compared to 2020, benefited from the increase in sales volumes and from the change in the scope of consolidation, while it was partially affected negatively due to the increase in the cost of raw materials and transport.

Net negative financial position, equal to € 41,399 thousand, is up compared to € 28,741 thousand at 31 December 2020, following the adjustment of the payables for Put & Call, the increase in the net working capital linked to the strong growth of the business and the renewal of some rental contracts which led to higher payables for leases (IFRS16).
The good performance of cash flow from operations should be noted.

4. Results of Group companies

4.1 Emak S.p.A. – Parent Company

The Parent Company achieved net revenues of € 155,927 thousand against € 117,412 thousand in 2020, an increase of 32.8%. The turnover has had a generalized growth and in particular in the European market.

Ebitda of the year amounts to € 3,423 thousand, compared to € 2,216 thousand of last year, the improvement is mainly attributable to the increase in sales.

The operating result for the year is negative for € 2,400 thousand compared to a negative result of € 5,784 thousand in 2020. The 2020 result included 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 Ltda (for an amount of € 561 thousand).

The company ended the year with a net profit of € 9,947 thousand compared to € 2,773 thousand in 2020.
The result benefited from the dividends received from subsidiaries for € 10,757 thousand (€ 7,462 thousand in 2020). In 2020 financial year, following the exercise 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 positive for € 1,034 thousand, compared to a negative value of € 492 thousand in 2020.

Net negative financial position is rising from € 10,154 thousand at 31 December 2020 to € 11,231 thousand at 31 December 2021. The change depends on a positive cash flow generated, the increase in net working capital, due to higher sales volumes and the policy of increasing inventories.

4.2 Subsidiaries

At 31 December 2021 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	31/12/2021		31/12/2020		
		Sales	Net profit	Sales	Net profit	
Parent company						
Emak S.p.A.	Bagnolo in Piano (Italy)	155,927	9,947	117,412	2,773	
Fully consolidated companies						
Emak France Sas	Rixheim (France)	38,352	1,735	26,234	429	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (China)	37,939	1,555	26,213	785	
Victus Emak Sp. Z o.o.	Poznam (Poland)	22,262	1,123	16,055	350	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germany)	-	(21)	5,998	(1,533)	
Emak Suministros Espana SA	Madrid (Spain)	8,402	410	7,947	435	
Emak U.K. LTD	Burntwood (UK)	4,208	164	3,614	33	
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (China)	4,309	342	2,977	153	
Epicenter LLC	Kiev (Ukraine)	4,171	528	3,381	331	
Emak Do Brasil Industria LTDA	Ribeirao Preto (Brazil)	1,161	(128)	938	(487)	
Tecomec Srl	Reggio Emilia (Italy)	66,371	1,985	52,122	2,249	
Speed France Sas	Arnas (France)	24,453	1,928	21,143	1,771	
Speed North America Inc.	Wooster, Ohio (USA)	16,954	1,221	17,506	1,983	
Speed Line South Africa (Pty) Ltd.	Pietermaritzburg (South Africa)	1,556	144	1,266	165	
Ningbo Tecomec Manufacturing Co. Ltd.	Ningbo City (China)	16,895	1,008	13,043	886	
Speed Industrie Sarl	Mohammedia (Morocco)	112	(121)	2,523	(354)	
Speed South America S.p.A.	Providencia (RCH)	3,849	620	3,350	543	
Comet Spa	Reggio Emilia (Italy)	83,070	5,515	67,947	3,910	
Comet France Sas	Wolfisheim (France)	9,604	787	7,209	361	
Comet USA	Burnsville, Minnesota (USA)	21	824	549	1,465	*
Valley Industries LLP	Paynesville, Minnesota (USA)	38,320	4,508	35,110	2,962	*
Ptc Waterblasting	Burnsville - Minnesota (USA)	26	(33)	79	(16)	
PTC Srl	Rubiera, Reggio Emilia (Italy)	11,653	734	10,228	647	
S.I. Agro Mexico	Guadalajara (Mexico)	7,174	540	5,767	244	
Comet do Brasil Investimentos LTDA	Indaiatuba (Brazil)	-	(345)	-	(1,114)	
Lemasa S.A.	Indaiatuba (Brazil)	11,249	1,996	10,059	1,640	
Sabart Srl	Reggio Emilia (Italy)	27,223	2,127	26,378	2,606	
Lavorwash S.p.a	Pegognaga, Mantova (Italy)	78,046	2,747	57,634	4,756	
Lavorwash France S.a.s.	La Courneuve (France)	11,069	6	8,465	35	
Lavorwash GB Ltd	St. Helens Merseyside (UK)	1,661	248	911	63	
Lavorwash Iberica S.l.	Tarragona (Spain)	1,318	139	1,317	165	
Lavorwash Polska SP ZOO	Bydgoszcz (Poland)	4,703	199	3,216	174	
Lavorwash Brasil Ind. E Com. Ltda	Indaiatuba (Brasile)	2,923	(554)	3,545	(1,062)	
Yong Kang Lavorwash Equipment Co. Ltd	Yongkang City (China)	36,335	1,963	25,865	1,979	
Yongkang Lavor Trading Co. Ltd.	Yongkang City (China)	3,078	152	3,115	203	
Spraycom S.A.	Catanduva, San Paolo (Brazil)	4,877	855	3,172	217	
Markusson Professional Grinders AB	Rimbo (Svezia)	4132	873	2,343	442	1
Agres Sistemas Eletrônicos S.A.	Pinais (Brasile)	14,686	2,375	2,042	13	2
Poli S.r.l.	Colorno, PR (Italy)	1,289	43	-	-	3

1 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.

2.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.

3 On 4 October 2021 the subsidiary Comet S.p.A. completed the acquisition of 80% of the company Poli S.r.l., 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 did not carry out operational activities in 2021.

The company **Emak do Brasil** continued the trend of increasing turnover and margins for the year, further improving its economic indicators, achieving in 2021 an operating result close to break even.

Speed Industries Sarl, a sub-supplier of the Speed Group, has ceased its operational activities 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 € 67 thousand (€ 270 thousand in the previous year).

Lavorwash Brasil continues to record a negative net result. Work is underway to improve the commercial proposal and the related distribution channels.

5. Research and development

Research and development is one of the fundamental pillars on which the Group's continuous growth and success strategy is based. The Group, in fact, considers that investing in research as a tool for obtaining a competitive advantage in national and international markets to be of strategic importance. Whenever possible, the Group covers its products with **international patents**.

R&D is geared towards improving the product in several respects: safety, comfort, ease of use, performance and environmental impact. Particular attention is also paid to the development of new technologies, which guarantee the product, without affecting its performance, greater efficiency, lower consumption and an overall lower environmental impact.
In addition, the Group for some years has set up **partnerships with the academic world** with the objective of an exchange of know-how with a view to continuous improvement of its products and their performances.
In 2021 the Group allocated a total of € 19.1 million to Research and Development, of which € 11.7 million for product innovations and adaptation of production capacity and process innovation and € 7.4 million for research costs charged directly to the income statement.

More details are available in the Non-Financial Statement.

6. Human resources

Below is shown the distribution of employees by country at 31 December 2021 compared to the previous year:

Employees at	31/12/2020	Change in scope of consolidation	Other movements	31/12/2021
Italy	988	22	30	1,040
France	146	-	21	167
UK	12	-	-	12
Spain	22	-	1	23
Poland	35	-	4	39
Sweden	4	-	1	5
China	411	-	10	421
Usa	178	-	(9)	169
Ukraine	25	-	-	25
South Africa	10	-	(1)	9
Brasil	237	-	36	273
Mexico	18	-	2	20
Morocco	29	-	(29)	-
Chile	19	-	3	22
Total	**2,134**	**22**	**69**	**2,225**

* Following a process of improvement of the reporting system, the figures relating to the number of employees in 2020 have been restated compared to those published in the previous financial report. The difference from the total is two people. For previously published data, please refer to the 2020 financial report.

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.

7. Dealings with related parties

Emak S.p.A. is controlled by Yama S.p.A., which holds 65.181% of its share capital and which, as a non financial holding company, is at the head of a larger group of companies mainly operating 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 by an director, 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. The transactions in question are all regulated under current market conditions, in compliance with framework resolutions approved periodically by the Board of Directors. Reference can be made to the 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/altri-documenti/.

On May 12, 2021 the Board of Directors of Emak S.p.A. has approved a further updated edition of the procedures relating to transactions with related parties, 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 have been in force since 1 July 2021 and are also published on the company website.

* * * * * * *

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.com.
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 responsibilities in the subsidiaries are also established on the basis of adequate protection procedures, that provide for the Parent Company to perform control and harmonization activities.

8. <u>Plan to purchase Emak S.p.A. shares</u>

At December 31, 2020, the Company held 397,233 treasury shares in portfolio for an equivalent value of € 2,029 thousand.

On April 29, 2021, the Shareholders' Meeting authorized the program for the purchase and sale of treasury shares for a period of 18 months starting from that date; the purchase is authorized up to a maximum of n. 9,000,000 shares, corresponding to 5.490% of the current share capital, taking into account the treasury shares already in the portfolio, currently 397,233 in number. The operations will comply with the operating procedures provided for by the regulations in force.

During the 2021 financial year and until the date of approval by the Board of Directors of this report, there were no changes in the consistency of the portfolio of treasury shares.

9. <u>Corporate governance and other information required by Issuers Regulations</u>

Emak S.p.A. adopted the Code of Corporate Governance, approved by the Committee established at the Italian Stock Exchange as reformulated in January 2020, in force from 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.com, in the section “Investor Relations > Corporate Governance”.

* * * * * * *

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.emakgroup.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 2021, 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".

10. Disputes

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

11. Other information

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)

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) must publish annual financial reports through the "ESEF" format, also providing that listed companies mark the information presented therein using the XBRL markup language.
In 2020 it was not applied in implementation of the extension envisaged by the Legislative Decree. 183/2020 which extended the provisions of the delegated regulation 2018/815 / EU to the financial reports relating to the years started from 1 January 2021.
Therefore, this Annual Financial Report is published in the European Single Electronic Format (ESEF), that is, through the computer language XHTML.
The accompanying financial statements of Emak S.p.A. and the consolidated financial statement of the Group constitutes a version which is In compliance with the “Regolamento Emittenti Consob 11971/99, Art. 65-quarter” and not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815 (i.e. European Single Electronic Format - ESEF). This report has been translated into the English language solely for the convenience of international readers.

12. Business outlook

The 2021 financial year was a record year with sales growth of 25% supported by strong demand in all segments in which the Group operates.
The year ended with a very robust order book; the flow of orders was also sustained in the first two months of 2022, providing the conditions for a good start with an increase in turnover in the first quarter compared to the same period.
With the gradual exit from the emergency of the pandemic, it was hoped for a return during the year to a normal economic cycle, even if conditioned by worrying inflationary pressures.
Unfortunately, the serious geopolitical crisis following the Russian military aggression in Ukraine has created, in addition to the terrible effects that a war brings with it, strong turbulence on international markets, further aggravating an already critical situation in the costs of energy and raw materials, transportation and the supply chain in general, and currency trends.
Despite this scenario of uncertainty, the Group will keep its investment plan unchanged to support growth in the medium term, putting in place every possible initiative to defend margins and a prudent approach to cost management.

13. 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.

14. Subsequent events

The military aggression of the Ukrainian territory by the Russian army starting in February is creating repercussions at an international level, both in terms of financial market trends and commodity prices.
As for Ukraine, the Group operates on this market mainly through the commercial branch in Kiev, 100% controlled by Emak S.p.A.
This company employs 25 people and in 2021 recorded a turnover of € 4.2 million with a profit for the year of approximately € 500 thousand. At the date of this report, the company suspended its activities following the known war events.
The value of the investment in the Ukrainian company is approximately € 1.7 million.

The 2021 turnover of the Group on the Ukrainian market was equal to € 5.2 million (of which 4.2 million through the subsidiary) equal to approximately 1% of the consolidated turnover, while the amount of trade receivables at the end February 2022 is equal to approximately € 280 thousand.
The Russian and Belarusian markets account for approximately 2% of the Group's 2021 turnover and exposure to customers on this market amounted to approximately € 3.2 million at the end of February 2022; the related commercial risk is partially covered by an insurance policy.
The geopolitical context of reference remains today characterized by significant uncertainties, therefore the situation is continuously monitored by the company management.
Considering that the above events occurred after the closing date of the financial statements, they do not entail any adjustments to the data and valuations relating to the financial statements as at 31 December 2021.

15. Reconciliation between shareholders' equity and net profit of the Parent Company Emak and consolidated equity and the results

In accordance with the CONSOB Communication dated July 28 2006, the following table provides a reconciliation between net income for 2021 and shareholders' equity at December 31, 2021 of the Group (Group share), with the corresponding values of the Parent Company Emak S.p.A.

€/000	Equity at 31.12.2021	Result for the year ending 31.12.2021	Equity at 31.12.2020	Result for the year ending 31.12.2020
Equity and result of Emak S.p.A.	**150,921**	**9,947**	**148,400**	**2,773**
Equity and result of consolidated subsidiaries	337,065	38,192	293,489	27,429
Effect of the elimination of the accounting value of shareholdings	(224,389)	8	(212,750)	3,321
Elimination of dividends	-	(14,211)	-	(12,654)
Elimination of intergroup profits	(7,664)	(825)	(6,839)	(368)
Evaluation of equity investment in associated	-	-	-	(889)
Total consolidated amount	**255,933**	**33,111**	**222,300**	**19,612**
Non controlling interest	**(2,750)**	**(603)**	**(2,163)**	**(312)**
Equity and result attributable to the Group	**253,183**	**32,508**	**220,137**	**19,300**

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

Dear Shareholders,
we submit for your approval the financial statements at 31 December 2021, which show a profit of € 9,946,581.00. We also propose the distribution of a dividend of € 0.075 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, 2021, closed with a net profit of € 9,946,581.00;

with regard to point 1.2 to the agenda

resolves

a) to allocate the net profit of € 9,946,581.00 as follows:

- € 497,329.05 to the legal reserve;
- to the Shareholders, as dividend, the amount of € 0.055 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 € 3,270,752.04 assigning € 0.02 gross of withholding taxes, for each outstanding share, with the exclusion of treasury shares held by the company, by withdrawing it from the "retained earnings" reserve, which is therefore reduced from € 19,571,425.13 to € 16,300,673.09.

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 0.075 per share (coupon no. 24) on 8 June 2022, with detachment date 6 June, and record date 7 June. >>

Bagnolo in Piano (RE), 16 March 2022

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 and grants, 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 FIXED ASSETS or 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.

It should be noted that alternative performance indicators are not identified as an accounting measure under the International Accounting Standards and, therefore, should not be considered a substitute measure for the evaluation of the performance of the Company and the Group. The criterion for determining these indicators applied by the Company and the Group may not be homogeneous with that adopted by other companies in the sector and, therefore, such data may not be comparable.

Emak Group
Consolidated Financial Statements at 31 December 2021

Consolidated financial statements

Consolidated Income Statement

Thousand of Euro

CONSOLIDATED INCOME STATEMENT	Notes	Year 2021	of which to related parties	Year 2020	of which to related parties
Revenues from sales	10	**588,299**	**1,592**	**469,778**	**958**
Other operating incomes	10	5,110		4,152	
Change in inventories		48,764		9,996	
Raw materials, consumables and goods	11	(354,737)	(3,283)	(258,006)	(2,704)
Personnel expenses	12	(98,231)		(84,588)	
Other operating costs and provisions	13	(111,909)	(578)	(85,698)	(2,518)
Amortization, depreciation and impairment losses	14	(24,392)	(1,705)	(22,692)	(1,698)
Operating result		**52,904**		**32,942**	
Financial income	15	1,003	1	727	19
Financial expenses	15	(8,611)	(341)	(5,164)	(380)
Exchange gains and losses	15	589		(3,547)	
Income from/(expenses on) equity investment	15	-		(2,144)	
Profit befor taxes		**45,885**		**22,814**	
Income taxes	16	(12,774)		(3,202)	
Net profit (A)		**33,111**		**19,612**	
(Profit)/loss attributable to non controlling interests		(603)		(312)	
Net profit attributable to the Group		**32,508**		**19,300**	
Basic earnings per share	17	**0.199**		**0.118**	
Diluted earnings per share	17	**0.199**		**0.118**	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	Year 2021	Year 2020
Net profit (A)		**33,111**	**19,612**
Profits/(losses) deriving from the conversion of foreign company accounts		8,102	(8,787)
Actuarial profits/(losses) deriving from defined benefit plans (*)		(232)	(64)
Income taxes on OCI (*)		65	18
Total other components to be included in the comprehensive income statement (B)		**7,935**	**(8,833)**
Total comprehensive income for the perdiod (A)+(B)		**41,046**	**10,779**
Comprehensive net profit attributable to non controlling interests		**(641)**	**(147)**
Comprehensive net profit attributable to the Group		**40,405**	**10,632**

(*) 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.

Statement of consolidated financial position

Thousand of Euro

ASSETS	Notes	31.12.2021	of which to related parties	31.12.2020	of which to related parties
Non-current assets					
Property, plant and equipment	18	78,558		76,409	
Intangible assets	19	24,853		23,069	
Rights of use	20	37,665	15,365	27,925	10,444
Goodwill	21	70,634	12,823	67,464	12,523
Equity investments in other companies	22	8		8	
Deferred tax assets	32	10,012		9,063	
Other financial assets	27	984	148	808	186
Other assets	24	59		57	
Total non-current assets		**222,773**	**28,336**	**204,803**	**23,153**
Current assets					
Inventories	25	217,316		163,602	
Trade and other receivables	24	127,984	1,066	111,082	2,306
Current tax receivables	32	10,076		7,516	
Other financial assets	27	72	37	229	37
Derivative financial instruments	23	286		506	
Cash and cash equivalents	26	79,645		99,287	
Total current assets		**435,379**	**1,103**	**382,222**	**2,343**
TOTAL ASSETS		**658,152**	**29,439**	**587,025**	**25,496**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2021	of which to related parties	31.12.2020	of which to related parties
Shareholders' Equity					
Shareholders' Equity of the Group	28	253,183		220,137	
Non-controlling interests		2,750		2,163	
Total Shareholders' Equity		**255,933**		**222,300**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	30	115,994		135,456	
Liabilities for leasing	31	33,111	14,146	24,058	9,375
Deferred tax liabilities	32	7,386		6,465	
Employee benefits	33	7,500		7,608	
Provisions for risks and charges	34	2,590		2,382	
Other non-current liabilities	35	2,197		4,343	
Total non-current liabilities		**168,778**	**14,146**	**180,312**	**9,375**
Current liabilities					
Trade and other payables	29	149,222	4,512	110,554	2,926
Current tax liabilities	32	6,182		4,764	
Loans and borrowings due to banks and other lenders	30	69,707		62,032	
Liabilities for leasing	31	5,863	1,726	4,816	1,500
Derivative financial instruments	23	581		1,020	
Provisions for risks and charges	34	1,886		1,227	
Total current liabilities		**233,441**	**6,238**	**184,413**	**4,426**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**658,152**	**20,384**	**587,025**	**13,801**

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 31.12.2020 and at 31.12.2021

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 31.12.2019	**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**
Profit reclassification			139				183	11,619	(19,300)	(7,359)	(54)	(7,413)
Other changes										-		-
Net profit for the period					8,064	(167)			32,508	**40,405**	641	**41,046**
Balance at 31.12.2021	**42,519**	**39,588**	**3,750**	**4,353**	**175**	**(1,487)**	**31,885**	**99,892**	**32,508**	**253,183**	**2,750**	**255,933**

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	31.12.2021	31.12.2020
Cash flow from operations			
Net profit for the period		**33,111**	**19,612**
Amortization, depreciation and impairment losses	**14**	24,392	22,692
Financial expenses from discounting of debts and other income/expenses from non-monetary transactions	**15**	(565)	222
Income from/(expenses on) equity investment	**15**	-	2,144
Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	**15**	4,569	646
Capital (gains)/losses on disposal of property, plant and equipment		(159)	(54)
Decreases/(increases) in trade and other receivables		(17,516)	(9,768)
Decreases/(increases) in inventories		(49,016)	(9,694)
(Decreases)/increases in trade and other payables		34,335	18,053
Change in employee benefits		(229)	(501)
(Decreases)/increases in provisions for risks and charges		863	(322)
Change in derivative financial instruments		(224)	(80)
Cash flow from operations		**29,561**	**42,950**
Cash flow from investing activities			
Change in property, plant and equipment and intangible assets		(17,046)	(14,143)
(Increases) and decreases in securities and financial assets		(16)	3,916
Proceeds from disposal of property, plant and equipment and other changes		159	54
Change in scope of consolidation		(2,735)	(4,596)
Cash flow from investing activities		**(19,638)**	**(14,769)**
Cash flow from financing activities			
Other changes in equity		(167)	(53)
Change in short and long-term loans and borrowings		(19,562)	29,951
Liabilities for leasing refund		(5,746)	(5,300)
Dividends paid		(7,413)	(4)
Cash flow from financing activities		**(32,888)**	**24,594**
Total cash flow from operations, investing and financing activities		**(22,965)**	**52,775**
Effect of changes from exchange rates and translation reserve		**2,514**	**2,516**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(20,451)**	**55,291**
OPENING CASH AND CASH EQUIVALENTS		**97,280**	**41,989**
CLOSING CASH AND CASH EQUIVALENTS		**76,829**	**97,280**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(€/000)	31.12.2021	31.12.2020
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Opening cash and cash equivalents, detailed as follows:	**97,280**	**41,989**
Cash and cash equivalents	99,287	47,695
Overdrafts	(2,007)	(5,706)
Closing cash and cash equivalents, detailed as follows:	**76,829**	**97,280**
Cash and cash equivalents	79,645	99,287
Overdrafts	(2,816)	(2,007)
Other information:		
Income taxes paid	(10,078)	(5,217)
Financial interest income	177	150
Financial expenses paid	(2,126)	(2,118)
Change in related party receivables and service transactions	1,240	(436)
Change in related party payables and service transactions	1,586	1,577
Change in trade and other receivables related to tax assets	(2,517)	(1,998)
Change in trade payables and other liabilities related to tax liabilities	1,015	257
Change in related party financial assets	38	1,037
Related party liabilities for leasing refund	(1,955)	(1,952)

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

Index

1. General Information

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

Emak S.p.A. is controlled by Yama S.p.A., 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, 2022 approved the Financial Report to December 31, 2021, also prepared according to the format required by the European Commission Regulation 2018/815 / EU (European Single Electronic Format) 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 2022.

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

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 remeasurement 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%;
- Poli S.r.l., participated by Comet S.p.A., with a share of 80%, is consolidated at 100% on the basis of the "*Put and Call Option Agreement*" which regulates the purchase of the remaining 20%.

Compared to 31 December 2020, the Italian company Poli S.r.l. joined the consolidation area, (of which the subsidiary Comet S.p.A. acquired 80% on October 4, 2021).
In 2020, the results of the company Agres Sistemas Eletrônicos SA had been included in the consolidation area starting from the last quarter of the year, as the company had passed from an associate to a subsidiary, and the Swedish company Markusson Professional Grinders AB had been consolidated in the first eleven months of 2020 starting from January 31st.

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, 2021 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
Poli S.r.l. (1)	Colorno - PR (I)	60,000	€	100.00	Comet S.p.A.	100.00
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	€	98.45	Lavorwash S.p.A.	100.00
Lavorwash GB Ltd	St. Helens Merseyside (UK)	900,000	GBP	98.45	Lavorwash S.p.A.	100.00
Lavorwash Polska SP.ZOO	Bydgoszcz (PL)	163,500	PLN	98.45	Lavorwash S.p.A.	100.00
Lavorwash Iberica S.L.	Tarragona (E)	80,000	€	98.45	Lavorwash S.p.A.	100.00
Markusson Professional Grinders AB (2)	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 (3)	Paynesville - Minnesota (USA)	-	USD	100.00	Comet Usa Inc	90.00
Speed North America Inc.	Wooster - Ohio (USA)	10	USD	100.00	Speed France SAS	100.00
Lavorwash Brasil Ind. Ltda	Indaiatuba (BR)	19,291,875	BRL	98.45	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. (4)	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	98.45	Lavorwash S.p.A.	100.00
Yongkang Lavorwash Trading Co. Ltd	Yongkang City (RPC)	3,930,579	RMB	98.45	Lavorwash S.p.A.	100.00

(1) Poli S.r.l. is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 20%.

(2) 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%.

(3) 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%.

(4) 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 2021	31.12.2021	Average 2020	31.12.2020
GB Pounds (UK)	0.86	0.84	0.89	0.90
Renminbi (China)	7.63	7.19	7.87	8.02
Dollar (Usa)	1.18	1.13	1.14	1.23
Zloty (Poland)	4.57	4.60	4.44	4.56
Zar (South Africa)	17.48	18.06	18.77	18.02
Uah (Ukraine)	32.26	30.92	30.85	34.77
Real (Brazil)	6.38	6.31	5.89	6.37
Dirham (Morocco)	10.63	10.48	10.82	10.92
Mexican Pesos (Mexico)	23.99	23.14	24.52	24.42
Chilean Pesos (Chile)	898.39	964.35	903.14	872.52
Swedish krona (Sweden)	10.15	10.25	10.48	10.03

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 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 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 5 to 14 years.

The agreements relating to the specific part of cloud technology, Software-as-a-Service (Saas), are accounted for in accordance with the interpretations published by the IFRIC, according to which the costs incurred for the customization of the application software to a supplier in an agreement Software-as-a-Service (SaaS) are capitalized only when the requisites envisaged by IAS 38 exist and in particular such personalization activities are carried out directly on the information systems under the control of the Group / Company. Alternatively, these costs are recorded directly in the income statement, similarly to software configuration costs.

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.
The financial liabilities initially measured at fair value also include the payables for the purchase of the residual minority shareholdings subject to the Put & Call Option.

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 analyses 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

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, 2021

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2021.

- On 31 March 2021, the IASB published an amendment called "**Covid-19-related rent concessions beyond 30 June 2021 (Amendments to International Financial Reporting Standards 16)**" extending by one year the period of application of the amendment issued in 2020, That provided for lessees the right to account for reductions in fees related to Covid-19 without having to assess, through the analysis of contracts, whether the lease modification definition of IFRS 16 was respected. The lessees who applied this option in 2020 therefore accounted for the effects of the reductions in rent directly to the income statement at the date of the reduction. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies from 1 April 2021 and can be adopted in advance. The adoption of this amendment did not have any effects on the consolidated financial statements of the Group.

- On 25 June 2020, the IASB published an amendment called "**Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)"**. The amendments allow the temporary exemption from the International Financial Reporting Standards 9 application to be extended until 1 January 2023 for insurance companies. The adoption of this amendment did not have any effects on the consoldated financial statements of the Group.

- On 27 August 2020, the IASB published, in the light of the reform on interbank interest rates such as IBOR, the document "**Interest Rate Benchmark reform—phase 2**" which contains amendments to the following standards:
  - 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 entered into force on 1 January 2021. The adoption of this amendment did not have any effects on the consolidated financial statements of the Group.

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, 2021

- On 14 May 2020, the IASB published the following amendments:
  - **Amendments to IFRS 3 Business combinations**: the purpose of the amendments is to update the reference in IFRS 3 to the revised conceptual framework, without any change to the provisions of the Standard.
  - **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 in the testing phase of the asset to be deducted from the cost of the tangible 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 clarifies that in the estimate of the possible onerousness of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible onerousness of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the portion of the depreciation of the machinery used for the performance of the contract).
  - **Annual improvements 2018-2020**: the 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 take effect on January 1, 2022. At the moment, the Directors are considering the possible effects of the introduction of this amendment on the consolidated financial statement of the Group.

- 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.

  At the moment, the Directors are considering the possible effects of the introduction of this amendment on the consolidated financial statement of the Group.

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 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 consolidated financial statement of the Group.

- On 12 February 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS practice Statement 2" and "Definition of Accounting estimates—Amendments to IAS 8**". The changes aim to improve disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but advance application is allowed.
  At the moment, the Directors are considering the possible effects of the introduction of this amendment on the consolidated financial statement of the Group.

- On 7 May 2021, the IASB published an amendment called "**Amendments to IAS 12 income taxes: Deposited Tax related to assets and liabilities raising from a Single Transaction**". The document clarifies how deferred taxes on certain transactions that may generate equal amounts of assets and liabilities, such as leasing and decommissioning obligations, should be accounted for. The amendments will apply from 1 January 2023, but advance application is allowed. At the moment, the Directors are considering the possible effects of the introduction of this amendment on the consolidated financial statement of the Group.

- On December 9, 2021, the IASB published an amendment called ***"Amendments to International Financial Reporting Standards 17 insurance contracts: Initial Application of International Financial Reporting Standards 17 and International Financial Reporting Standards 9 – Comparative Information"***. The amendment is a transition option for comparative information on financial assets submitted at the initial date of application of IFRS 17. The amendment seeks to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of the International Financial Reporting Standards 17 principle. At the moment, the Directors are considering the possible effects of the introduction of this amendment on the consolidated financial statement of the Group.

- 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 approximately 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 2021 and 31 December 2020 are as follows:

€/000	31.12.2021	31.12.2021 NO IFRS16	31.12.2020	31.12.2020 NO IFRS16
Net financial position (Nfp) (note 9)	144,269	105,295	126,552	97,678
Total Equity	255,933	257,123	222,300	223,167
Ebitda before non ordinary expenses (1)	77,436	70,768	56,289	50,017
Nfp/Equity	**0.56**	**0.41**	**0.57**	**0.44**
Nfp/Ebitda before non ordinary expenses	**1.86**	**1.49**	**2.25**	**1.95**

(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 2021, 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 analysed 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 unfavourable negative variation of 50 base points in annual interest rates in force at December 31, 2021 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 518 thousand (€ 499 thousand at December 31 2020). 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, 2021 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	13,817 thousand
Credit position in Mexican Pesos	14,599 thousand
Credit position in Zloty	4,803 thousand
Credit position in GB Pound	696 thousand
Debt position in Renminbi	179,512 thousand
Debt position in Euro	15,678 thousand
Debt position in Yen	19,014 thousand
Debt position in Taiwanese Dollars	36 thousand
Debt position in Swiss Francs	110 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 2021 financial period, the overall amount of revenues directly exposed to exchange risk represented around 8.1% of the Group's aggregate turnover (8.8% in the 2020 financial period), while the amount of costs exposed to exchange risk is equal to 22.7% of aggregate Group turnover (20.3% in the 2020 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, with the same revenues and margins in local currency, 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, 2021, 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 € 518 thousand (€ 1,180 thousand at December 31 2020).

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, 2021 as a result of a hypothetical unfavorable and immediate variation of 10% in underlying values would amount to around € 335 thousand (€ 2,004 thousand at December 31 2020).

(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.

The increase of raw materials' prices is connected to macroeconomic phenomena, driven by the increase in energy costs and basic necessities, as well as the tensions that characterize the Group's supply chain.
The increase in transport and distribution costs has an impact on the operating costs of the Group, with potential reduction in profitability, possible emergence of impairment indicators and a reduction in the net realizable value of the assets.
The risk is partially mitigated through the stipulation of purchase agreements with the main suppliers with prices locked with short-term time horizons to which is added constant monitoring of the cost of raw materials and logistics.
The Group uses policies to adjust the price of goods sold in case of significant changes in costs.

(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 2021 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, 2021 Trade receivables, equal to € 126,369 thousand (€ 110,010 thousand at 31 December 2020), include € 9,544 thousand (€ 9,425 thousand at 31 December 2020) 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, 2021 is € 32,109 thousand (€ 20,985 thousand at December 31, 2020).

At December 31, 2021 the first 10 customers account for 11.9% of total trade receivables (13.8% at December 31, 2020), while the top customer represents 2.4% of the total (4% at December 31, 2020).

(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 € 142 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, 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 IFRS 16 standard requires to make estimates and assumptions including the determination of the probability of exercising the option to extend or terminate the contract.

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);
- Pompe e 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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Sales to third parties	202,977	159,761	229,990	189,357	155,332	120,660			**588,299**	**469,778**
Intersegment sales	345	585	2,877	2,290	10,524	8,444	(13,746)	(11,319)		
Revenues from sales	203,322	160,346	232,867	191,647	165,856	129,104	(13,746)	(11,319)	**588,299**	**469,778**
Ebitda	16,221	9,011	33,991	28,157	30,913	20,830	(3,829)	(2,364)	**77,296**	**55,634**
Ebitda/Total Revenues %	*8.0%*	*5.6%*	*14.6%*	*14.7%*	*18.6%*	*16.1%*			***13.1%***	***11.8%***
Ebitda before non ordinary expenses	16,360	9,348	33,382	28,535	31,523	20,770	(3,829)	(2,364)	**77,436**	**56,289**
Ebitda before non ordinary expenses/Total Revenues %	*8.0%*	*5.8%*	*14.3%*	*14.9%*	*19.0%*	*16.1%*			***13.2%***	***12.0%***
Operating result	8,089	1,262	26,128	20,274	22,516	13,770	(3,829)	(2,364)	**52,904**	**32,942**
Operating result/Total Revenues %	*4.0%*	*0.8%*	*11.2%*	*10.6%*	*13.6%*	*10.7%*			***9.0%***	***7.0%***
Net financial expenses (1)									**(7,019)**	**(10,128)**
Profit befor taxes									**45,885**	**22,814**
Income taxes									**(12,774)**	**(3,202)**
Net profit									**33,111**	**19,612**
Net profit/Total Revenues%									***5.6%***	***4.2%***
(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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Net debt	6,778	10,780	96,092	87,031	41,399	28,741	0	0	**144,269**	**126,552**
Shareholders' Equity	186,501	178,820	83,830	66,031	63,454	55,096	(77,852)	(77,647)	**255,933**	**222,300**
Total Shareholders' Equity and Net debt	193,279	189,600	179,922	153,062	104,853	83,837	(77,852)	(77,647)	**400,202**	**348,852**
Net non-current assets (2)	128,424	130,336	95,854	86,970	53,233	41,397	(75,394)	(75,506)	**202,117**	**183,197**
Net working capital	64,855	59,264	84,068	66,092	51,620	42,440	(2,458)	(2,141)	**198,085**	**165,655**
Total net capital employed	193,279	189,600	179,922	153,062	104,853	83,837	(77,852)	(77,647)	**400,202**	**348,852**
(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	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Number of employees at period end	758	738	837	775	622	613	8	8	**2,225**	**2,134**
OTHER INFORMATIONS	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Amortization, depreciation and impairment losses	8,132	7,749	7,863	7,883	8,397	7,060			**24,392**	**22,692**
Investment in property, plant and equipment and in intangible assets	4,266	5,050	5,229	3,476	8,066	8,644			**17,561**	**17,170**

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

For the comments of the economic and financial data, reference should be made to chapter 3 of the Directors’ Report.

7. Significant non-recurring events and transactions

Acquisition of Poli S.r.l

On 4 October 2021 the subsidiary Comet S.p.A. has completed the acquisition of the 80% of the company Poli S.r.l., a company based in Colorno (PR), active in the production and marketing of sweepers.

With this operation, the Group acquires a competitive position on a specific market and a specific know-how that integrates perfectly into its range and expands its cleaning catalogue, further strengthening its position as a key supplier in the sector.
The company achieved sales in 2021 of around € 5 million and at the acquisition date it recored a positive net financial position of around € 1.5 million, comprehensive of liabilities for lease of around € 850 thousand.

The price defined for the purchase of 80% of the company, comprehensive of the adjustments calculated on the basis of the results of Poli S.r.l. as of December 31, 2021, as provided by the agreements, is equal to € 5,997 thousand. The agreements that regulates the operation also provide a Put&Call option on the remaining 20% stake to be exercised between 2024 and 2026 and it has resulted an entry of a financial liability of around € 1.6 million, estimated on the basis of the company's results provided in the plan.

The *fair value* of the assets and liabilities subject to partial acquisition determined on the basis of the last financial statements of September 30, 2021, 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	27		27
Intangible assets	256	2,778	3,034
Right of use	864		864
Current assets			
Inventories	905		905
Trade and other receivables	1,339		1,339
Current tax receivables	43		43
Deferred tax assets	51		51
Cash and cash equivalents	2,374		2,374
Non-current liabilities			
Liabilities for leasing	(713)		(713)
Deferred tax liabilities		(775)	(775)
Employee benefits	(121)		(121)
Current liabilities			
Trade and other payables	(711)		(711)
Current tax liabilities	(403)		(403)
Liabilities for leasing	(139)		(139)
Total net assets acquired	**3,772**	**2,003**	**5,775**
% consolidated			**100%**
Equity consolidated			**5,775**
Purchase price for 80% paid on September 30, 2021			**5,109**
Price adjustment to be paid within 60 working days of closing			**488**
Earn-out estimate			**400**
Deferred price relating to the discounted debt for Put & Call on the 20% exercisable between 2024 and 2026			**1,593**
Total acquisition price of 100%			**7,590**
Goodwill			**1,815**
Cash and cash equivalents acquired			2,374
Net cash outflow			**2,735**

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 to the so-called "Customer Relationship", valued at the Purchase Price Allocation in accordance with IFRS 3 and is attributable to the consolidated customer relationship of the target company. The fair value can be measured reliably given the possibility of identifying the economic benefits attributable to the asset in question by monitoring the revenues generated by individual customers and was valued following valuation methods recognized as best practices, applying the criterion of excess earning method.

The value attributed to it is equal to € 2,778 thousand, with a useful life of 14 years, also in consideration of the abandonment rate or the percentage of customers who historically interrupt commercial relations with the company at a given moment.
As of December 31, 2021, the Purchase Price Allocation process was completed.

Realignment of the tax values of certain intangible assets to the corresponding book values

During the first half year 2021, the Boards of Directors of the companies Tecomec S.r.l., Comet S.p.A. and PTC S.r.l. resolved to take advantage of the opportunity, offered by recent legislation, of realigning the tax value to the book value for certain goodwill values shown in their respective financial statements, which were originally not fiscally recognized.
The realignment, for a total amount of € 3,441 thousand, was subject to an option pursuant to art. 110, D.L. 104/2020, converted into law no. 126/2020, as supplemented by art. 1, paragraph 83, l. 178/2020, and with the application of substitute taxes for a total of € 103 thousand.
The realignment entails, in accordance with the law, in the affixing of a restriction on equity reserves for a total of € 3,338 thousand, as illustrated in the following table.

€

Company	Realigned value	Sobstitutive tax	Realignment reserve	Reserve used
TECOMEC s.r.l.	1,069,656	32,090	1,037,566	Extraordinary reserve
COMET s.p.a.	1,973,344	59,200	1,914,144	Extraordinary reserve
PTC s.r.l.	398,219	11,947	386,272	Retained earnings reserve
TOTAL	**3,441,219**	**103,237**	**3,337,982**	

Please note that any distribution of the realignment reserve pursuant to art. 110, Legislative Decree 104/2020 is subject to the procedures provided for by art. 2445 of the Italian Civil Code and involves the taxation of the same both for the company and for the recipient shareholder.

The effects on taxes and the tax rate for the year are illustrated in the paragraph "Net result" and in Note 16 of the Explanatory Notes.

Payment for future share capital increase Emak Deutschland

On November 12, 2021, the company Emak S.p.A. resolved and subsequently paid Emak Deutschland an amount of € 1,610 thousand as payment for a future share capital increase. Emak Deutschland is no longer operational, and following this payment, the company has fully repaid within the year 2021, the loan granted by Emak S.p.A.

Share capital increase Lavorwash do Brasil

On 15 December 2021, Lavorwash S.p.A. subscribed to a capital increase in Lavorwash do Brasil, through the conversion of loans and interest for an amount of € 1,702 thousand.

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 2021. 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

The table below shows the details of net financial position, which includes the net financial debt determined according to ESMA criteria (based on the format required by Consob communication no. 5/21 of 29 April 2021):

(€/000)	31.12.2021	31.12.2020
A. Cash	79,645	99,287
B. Cash equivalents	-	-
C. Other current financial assets	358	735
D. Liquidity funds (A+B+C)	**80,003**	**100,022**
E. Current financial debt	(19,938)	(16,319)
F. Current portion of non-current financial debt	(56,213)	(51,549)
G. Current financial indebtedness (E + F)	**(76,151)**	**(67,868)**
H. Net current financial indebtedness (G - D)	**3,852**	**32,154**
I. Non-current financial debt	(149,105)	(159,514)
J. Debt instruments	-	-
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I + J + K)	**(149,105)**	**(159,514)**
M. Total financial indebtedness (H + L) (ESMA)	**(145,253)**	**(127,360)**
N. Non current financial receivables	984	808
O. Net financial position (M-N)	**(144,269)**	**(126,552)**
Effect IFRS 16	**38,974**	**28,874**
Net financial position without effect IFRS 16	**(105,295)**	**(97,678)**

Net financial position at December 31, 2021, includes € 12,259 thousand (€ 6,035 thousand at December 31, 2020), 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:

- Agres for an amount of € 3,883 thousand;
- Markusson for an amount of € 3,526 thousand;
- Valley LLP for an amount of € 2,368 thousand;
- Poli S.r.l. for an amount of € 2,482 thousand.

Non-current portion of the payables for the purchase of equity investments, recorded in the item " I. Non current financial debt", above is equal to € 8,753 thousand while the current portion of payables for the purchase of equity investments, recorded in the item "E. Current financial debt", is equal to € 3,506 thousand.

Net financial position at December 31, 2021, includes financial liabilities for € 38,974 thousand (€ 28,874 thousand at December 31, 2020) deriving from the application of IFRS 16- Leases. Current portion of this financial liability is equal to € 5,863 thousand (€4,816 thousand at December 31, 2020) and non current portion is equal to € 33,111 thousand (€ 24,058 thousand at December 31, 2020).

Net current financial indebtedness as at 31 December 2021 has a positive balance. The financial policies adopted in the previous year, to cope with the uncertainty of the macroeconomic scenario, had resulted in a greater increase in cash and cash equivalents.

At 31 December 2021, the item financial receivables also includes receivables from related parties for an amount of € 185 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 favour of Emak S.p.A. as part of the so-called "Operazione Greenfield" carried out in 2011.

Net financial also includes liabilities for leasing to related parties for an amount of € 15,872 thousand, of which € 1,726 thousand as a short term attributable to the application of the IFRS 16 to the rental contracts that some Group companies enter into with the associated company Yama immobiliare S.r.l.

For the purposes of the debt declaration pursuant to Consob Communication no. 5/21 of April 29, 2021, there is no indirect debt or debt subject to conditions that has not been directly recognized in the consolidated financial statements, nor are there any significant differences with reference to the obligations arising and registered but whose final amount is not still been determined with certainty.

10. Revenues from sales and other operating income

The Group's revenues amount to € 588,299 thousand, compared to € 469,778 thousand of last year, and they are recorded net of returns for € 1,535 thousand, against € 1,270 thousand of last year.

Details of revenues from sales are as follows:

€/000	FY 2021	FY 2020
Net sales revenues (net of discounts and rebates)	583,120	466,650
Revenues from recharged transport costs	6,714	4,398
Returns	(1,535)	(1,270)
Total	**588,299**	**469,778**

The increase in "Revenues" refers to the growth recorded in all business segments in which the Group operates, mainly concentrated in the Europe and Americas areas. The entry into the consolidation area of the company Poli S.r.l. had an effect of € 1,289 thousand on revenues for the year.

Other operating income is analysed as follows:

€/000	FY 2021	FY 2020
Grants related to income and assets	2,023	1,594
Revenues for rents	558	565
Capital gains on property, plant and equipment	221	110
Advertising reimbursement	192	144
Recovery of canteen costs	123	97
Recovery of warrants costs	68	80
Insurance refunds	33	30
Recovery of administrative costs	82	144
Other operating income	1,810	1,388
Total	**5,110**	**4,152**

The item “Grants related to income and assets” includes:

- € 620 thousand resulting from the conversion of loans into non-repayable subsidies obtained from Valley 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;
- € 669 thousand as a accrual for non-repayable grant allowed to the Parent Company Emak S.p.A. for the tender of the Ministry of Economic Development “Sustainable Industry - ICT & Digital Agenda” (financing of interventions for the promotion of major R&D projects);
- Tax credits for € 423 thousand.

11. Cost of raw materials, consumable and goods

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

€/000	FY 2021	FY 2020
Raw materials, semi-finished products and goods	351,140	254,744
Other purchases	3,644	3,283
R&D costs capitalized	(47)	(21)
Total	**354,737**	**258,006**

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

12. Personnel expenses

Details of these costs are as follows:

€/000	FY 2021	FY 2020
Wage and salaries	65,560	58,173
Social security charges	18,506	16,098
Employee termination indemnities	2,663	2,534
Other costs	2,252	2,639
R&D costs capitalized	(1,219)	(822)
Directors' emoluments	2,208	1,803
Temporary staff	8,261	4,163
Total	**98,231**	**84,588**

Personnel expenses increased compared to the previous year mainly as a result of the increase in the average number of employees and the higher cost for temporary staff due to the increase in production volumes. Compared to the previous year, moreover, the cost of personnel includes higher costs and provisions for bonuses and indemnities for employees and directors based on the Group's results, while it does not reflect the use of social safety nets activated for the Covid-19 emergency which were on the other hand, they were activated in the months of March and April 2020.
During the 2021 financial year, personnel costs for € 1,219 thousand were capitalized under intangible fixed assets (€ 822 thousand at 31 December 2020), mainly referring to the costs for the development of new products in the context of a multi-year project subject to facilities by the Ministry of Economic Development.

The costs for the year include reorganization costs for € 144 thousand; mainly referring to retirement incentives paid by some Group companies. In the previous year these charges, amounted to € 763 thousand.

The detail of personnel by country is shown in chapter 6 of the Directors’ Report.

13. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2021	FY 2020
Subcontract work	18,300	14,890
Maintenance	6,595	5,504
Trasportation and duties	39,492	23,220
Advertising and promotion	4,158	3,268
Commissions	9,507	8,478
Travel	1,451	1,415
Postals and telecommunications	835	818
Consulting fees	6,146	5,537
Driving force	2,925	2,484
Various utilities	1,271	1,141
Services and bank fees	774	733
Costs of after sales warranty	1,454	1,442
Insurances	1,669	1,521
Other services	8,299	7,157
R&D costs capitalized	(52)	(251)
Services	**102,824**	**77,357**
Rents, rentals and the enjoyment of third party assets	**3,246**	**3,106**
Increases in provisions (note 34)	**1,000**	**307**
Credit losses	265	89
Increases in provision for doubtful accounts (note 24)	750	1,143
Capital losses on property, plant and equipment	64	40
Other taxes (not on income)	1,600	1,367
Grants	65	193
Other costs	2,095	2,096
Other operating costs	**4,839**	**4,928**
Total	**111,909**	**85,698**

The increase in subcontract works is due to the increase in sales volumes, as well as to the maximization of flexibility and production efficiency.
The increase in transport costs is attributable both to the increase in sales and purchase volumes, and to the increase in transport rates generally found on the market.
The other items on the rise are related to the increase in the volume of business.

14. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2021	FY 2020
Amortization of intangible assets (note 19)	5,361	4,403
Depreciaton of property, plant and equipment (note 18)	12,949	12,720
Amortization of rights of use (note 20)	6,082	5,569
Total	**24,392**	**22,692**

The amortization and depreciation at December 31, 2021 amounted to € 24,392 thousand.
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 analysed as follows:

€/000	FY 2021	FY 2020
Income from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	669	420
Interest of trade receivables	96	152
Interest on bank and postal current accounts	109	69
Other financial income	129	86
Financial income	**1,003**	**727**

"Financial expenses" are analysed as follows:

€/000	FY 2021	FY 2020
Interest on medium long-term bank loans and borrowings	1,852	1,720
Financial charges of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	4,569	269
Financial charges from leases	927	945
Costs from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	535	862
Interest on short-term bank loans and borrowings	136	252
Financial charges for final price adjustment for the purchase of remaining shares of subsidiaries	-	377
Financial charges from valuing employee terminations indemnities (note 33)	-	26
Financial expenses from discounting debts	25	222
Other financial costs	567	491
Financial expenses	**8,611**	**5,164**

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 the companies:

- Agres Sistemas Eletrônicos S.A, subject to Put & Call option for the purchase of the 9% remaining of the company with an adjustment in the year of € 2,483 thousand;
- Markusson, subject to Put & Call option for the purchase of the 49% remaining of the company with an adjustment in the year of € 1,478 thousand;
- Valley LLP subject to Put & Call option for the purchase of the 10% remaining of the company with an adjustment in the year of € 608 thousand.

The adjustment of these payables, included among financial liabilities, is a consequence of the better economic and financial results recorded by the target companies and the updating of the originally planned multi-year plans. The Price of the Put & Call options, in fact, is correlated to the future economic and financial indicators of the companies.

The item “Financial charges for final price adjustment for the purchase of remaining shares of subsidiaries” recorded in 2020 financial year, referred 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, on the basis of the company’s economic and financial performance.

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” of the previous year referred for € 129 thousand to the implicit interest relating to the debt deriving from the Put & Call option agreement on the residual share capital of Lemasa, exercised in 2020.

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

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

€/000	**FY 2021**	**FY 2020**
Profit / (Loss) on exchange differences on trade transactions	632	(1,241)
Profit / (Loss) on exchange differences on trade transactions adjustments	165	(1,159)
Profit / (Loss) on exchange differences on financial transactions	(157)	(1,438)
Profit / (Loss) on exchange differences on valuation of hedging derivatives	(51)	291
Exchange gains and losses	**589**	**(3,547)**

The exchange rate management 2021 is positive for € 589 thousand against a negative value equal to € 3,547 thousand of the previous year.

In 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, and the trend of the US dollar.

In the previous year, the item **"Income from/ (expenses on) equity investment"** equal to a negative value of € 2,144 thousand referred 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 2021 for current and deferred tax assets and liabilities amounts to € 12,774 thousand (€ 3,202 thousand in the previous year).

This amount is made up as follows:

€/000	**FY 2021**	**FY 2020**
Current income taxes	13,689	7,897
Taxes from prior years	(41)	(1,318)
Deferred tax assets (note 32)	(841)	(1,078)
Deferred tax liabilities (note 32)	(33)	(2,299)
Total	**12,774**	**3,202**

Current income taxes include the cost of IRAP (regional company tax) to € 1,282 thousand, compared to € 591 thousand in 2020.

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 2021	% Rate	FY 2020	% Rate
Profit before taxes	**45,885**		**22,814**	
Theoretical tax charges	**12,802**	**27.9**	**6,365**	**27.9**
Effect of IRAP differences calculated on different tax base	484	1.0	235	1.0
Non-taxable income	(330)	(0.7)	(373)	(1.6)
Non-deductible costs	566	1.2	1,269	5.6
Differences in rates with other countries	(641)	(1.4)	(773)	(3.4)
Previous period taxes	(41)	(0.1)	(1,318)	(5.8)
Tax effect from realignment and revaluations	(102)	(0.2)	(2,443)	(10.7)
Taxes on financial charges concerning the discounting and adjustment of payables for equity investments	1,114	2.4	47	0.2
Other differences	(1,078)	(2.3)	193	0.8
Effective tax charge	**12,774**	**27.8**	**3,202**	**14.0**

The effective tax rate is 27.8% against 14.0% at 31 December 2020.

The tax charge in 2021 was affected:

- from the recording of financial charges that are not fiscally relevant and related to the adjustment of debts for the purchase of residual shares of subsidiaries (Note 15), with a negative effect on the tax rate for the year equal to 2.4%;
- from the registration of deferred tax assets for € 344 thousand, resulting from the realignment of the tax value to the book value of certain goodwill values shown in the financial statements of some Italian companies of the Group, originally not fiscally recognized.
  Such realignment was carried out pursuant to Legislative Decree 104/2020, as amended by Law 234/2021, for a total value of € 3,441 thousand against the payment of substitute taxes equal to € 103 thousand;
- from the release of deferred taxes for a negative balance of € 139 thousand. This change was made necessary following the regulatory change introduced by Law 234/2021 which led to 50 years, compared to the previous 18 years, the tax amortization period of trademarks and goodwill subject to tax revaluation in 2020.

Compared to the previous year, given the improvement in the economic results of the companies, the tax burden of 2021 is not significantly affected by the non-recognition of deferred tax assets on tax losses of some Group companies which for the previous year had a negative impact on the tax rate for 5.4% (included in the item “Other differences” in the previous table).

The effective tax rate of the previous year was positively influenced by tax credits from "Patent Box" for € 1,234 thousand (with a positive effect on the tax rate of 5.4%) and by the effects deriving from the adjustment of deferred tax assets and liabilities attributable to the realignment and tax revaluation operations pursuant to Legislative Decree 104/2020 for € 2,443 thousand (with a positive effect on the tax rate of 10.7%).

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 2021	FY 2020
Net profit attributable to ordinary shareholders in the parent company (€/000)	32,508	19,300
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
Basic earnings per share (€)	**0.199**	**0.118**

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	31.12.2020	Change in scope of consolidation Increase	Increase/ (Amortizations)	Decreases	Exchange differences	Reclassification	31.12.2021
Lands and buildings	57,268		205	(177)	1,945	115	59,356
Accumulated depreciation	(21,791)		(1,613)	6	(551)	-	(23,949)
Lands and buildings	**35,477**	**-**	**(1,408)**	**(171)**	**1,394**	**115**	**35,407**
Plant and machinery	109,651	246	4,822	(1,381)	2,096	4,982	120,416
Accumulated depreciation	(85,765)	(232)	(5,989)	1,300	(1,688)	-	(92,374)
Plant and machinery	**23,886**	**14**	**(1,167)**	**(81)**	**408**	**4,982**	**28,042**
Other assets	130,838	330	4,775	(3,090)	1,487	271	134,611
Accumulated depreciation	(119,207)	(317)	(5,347)	2,951	(1,224)	104	(123,040)
Other assets	**11,631**	**13**	**(572)**	**(139)**	**263**	**375**	**11,571**
Advances and fixed assets in progress	**5,415**	**-**	**3,536**	**(10)**	**69**	**(5,472)**	**3,538**
Cost	**303,172**	**576**	**13,338**	**(4,658)**	**5,597**	**(104)**	**317,921**
Accumulated depreciation (note 14)	**(226,763)**	**(549)**	**(12,949)**	**4,257**	**(3,463)**	**104**	**(239,363)**
Net book value	**76,409**	**27**	**389**	**(401)**	**2,134**	**-**	**78,558**

€/000	31.12.2019	Change in scope of consolidation Increase	Increase/ (Amortizations)	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**

Tangible fixed assets of Poli S.r.l. at the date of entry into the consolidation area, they amounted to € 27 thousand.

The reclassification of fixed assets from the item "Advances and fixed assets in progress" to the item "Plant and machinery" 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 (investments in Industry 4.0);
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	31.12.2020	Change in scope of consolidation Increase	Increases	Decreases	Amortizations	Exchange differences	Reclassification	31.12.2021
Development costs	4,360	200	1,405	(5)	(1,411)	11	96	4,656
Patents and software	2,455	22	1,433	(4)	(1,438)	5	59	2,532
Concessions, licences and trademarks	4,320	-	41	0	(604)	3	-	3,760
Other intangible assets	11,650	2,812	476	0	(1,908)	(13)	5	13,022
Advanced payments and fixed assets in progress	284	-	868	(109)	-	n	(160)	883
Net book value	**23,069**	**3,034**	**4,223**	**(118)**	**(5,361)**	**6**	**-**	**24,853**

€/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**

Research costs directly recorded in the income statement amount to € 7,414 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 € 1,219 thousand of personnel costs incurred internally and capitalized under this item.
The increases from the change in the scope of consolidation refer to development costs, patents and software and the fair value adjustments attributed to customer list of the Poli S.r.l. company during *Purchase Price Allocation (PPA).* The value attributed to the “customer relationship” is equal to € 2,778 thousand, with an estimated useful life of 14 years.

Other intangible fixed assets include the value of the "customer list" determined following the Purchase Price Allocation process of the consideration recognized for the acquisitions of:

- Lavorwash Group, which took place in 2017, with a valuation of the customer list equal to a net value at 31 December 2021 of € 4,985 thousand and with an estimated useful life of 14 years, still considered reliable;
- Agres Sistemas Eletrônicos SA, which took place in 2020, with a valuation of the customer list equal to a net value at 31 December 2021 of €1,384 thousand and with an estimated useful life of 10 years starting from 2020;
- Markusson, which took place in 2020, with a valuation of the customer list of € 1,299 thousand at 31 December 2021. The useful life of the customer relationship was estimated at 10 years starting from 2020.

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 € 422 thousand as at 31 December 2021.

20. Rights of use

The item "Rights of use" was introduced in application of the 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	31.12.2020	Change in scope of consolidation	Increases	Amortization	Decreases	Exchange difference	31.12.2021
Rights of use buildings	26,565	864	14,273	(5,345)	(229)	89	36,217
Rights of use other assets	1,360	-	825	(737)	(5)	5	1,448
Net book value (note 14)	27,925	864	15,098	(6,082)	(234)	94	37,665

€/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 change in the scope of consolidation refers to the lease contracts in place at the acquisition date of the company Poli S.r.l.
The increases for the year are mainly related to the signing of new lease contracts, which expired during the year, for identical underlying assets.

21. Goodwill

The goodwill of € 70,634 thousand reported at December 31, 2021 is detailed below:

Cash Generating Unit (CGU)	*Country*	Description	31.12.2020	Change in scope of consolidation	Exchange differences	31.12.2021
Victus	Poland	Goodwill from the acquisition of the business unit Victus IT	5,338	-	(45)	5,293
Tailong	China	Goodwill from the acquisition of Tailong Machinery Ltd.	2,609	-	300	2,909
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	11,875	-	991	12,866
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	8,896	-	79	8,975
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	1,757	-	(37)	1,720
Agres	Brazil	Goodwill from the acquisition of Agres	6,615	-	66	6,681
Poli	Italy	Goodwill from the acquisition of Poli	-	1,815	-	1,815
		Total	**67,464**	**1,815**	**1,355**	**70,634**

The difference compared to December 31, 2020, is attributable to the change in consolidation exchange rates and to the acquisitions of the company Poli S.r.l.

- Goodwill allocated to the CGU Victus, equal to € 5,293 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 € 2,909 thousand refers to the greater value emerging from the acquisition, from the Yama Group, of 100% of the company regulated by Chinese law, Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd., made in 2008.

- Goodwill relating to the acquisition of the Tecomec Group, the Comet Group and of the Speed France Group on the part of Tecomec S.r.l respectively for € 2,807 thousand, € 4,253 thousand and € 2,854 thousand arise from the Greenfield Operation (for details on the operation, reference should be made to the prospectus published on November 18, 2011); in compliance with the requirements of the reference accounting standards, the acquisition operations carried out between parties subject to common control are not regulated by IFRS 3, but are accounted for taking account of the requirements of IAS 8, that is, the concept of a reliable and faithful representation of the operation, and of the provisions of OPI 1 (Assirevi, Association of Italian Auditors, Preliminary Guidelines regarding IFRS), relating to the "accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements". As more fully specified in the aforementioned accounting standards, the choice of the accounting standard for the operations in question must make reference to the above-described elements, which imply the application of the criterion of the continuity of the values of the net assets transferred. The principle of the continuity of values gives rise to the recognition in the financial statements of the acquiring company of values equal to those that would have been shown if the net assets subject to aggregation had always been aggregated. The net assets must therefore be recognized at the book values shown in the accounts of the acquired companies before the operation or, if available, at the values shown in the consolidated accounts of the common controlling company. Specifically, the company has chosen to account for the difference arising from the greater price paid for the acquisition of the stakes of the Tecomec Group and of the Comet Group only at the values already recognized in the consolidated accounts of the controlling company Yama at the time of the respective acquisitions.
  Since the acquisition values of the shareholdings in the Greenfield Operation are greater than the equity values of the acquired companies at 31 December 2011, the excess of € 33,618 thousand has been eliminated by adjusting down equity in the consolidated financial statements.
  The goodwill allocated to the CGU Comet, equal to € 4,253 thousand, includes the amount of € 1,974 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company HPP in Comet S.p.A., finalized in 2010.

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

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

  - € 523 thousand relates to the goodwill arose upon the acquisition of the company, Master Fluid S.r.l., acquired in June 2014 by P.T.C. S.r.l. and subsequently merged by incorporation into it. The goodwill derives from the difference between the price of acquisition and its equity on 30 June 2014;
  - € 353 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company Acquatecnica S.r.l. in P.T.C. S.r.l., finalized in 2016.

- The goodwill allocated to the CGU Valley, equal to € 12,866 thousand, include an amount of € 11,478 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 € 1,388 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 € 8,975 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 recognized 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. The goodwill was originally 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, was valued 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 € 1,720 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 € 6,681 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 50% from 1 January 2023 and for 50% from January 1, 2026. 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 goodwill recorded for € 1,815 thousand in 2021 emerges from the consolidation of the company Poli as the difference between the fair value of the net assets and the acquisition price referred to 100% of the company, based on the Put & Call agreement referring to the 20% to be valued on the basis of future economic and financial results. The price therefore includes the current value of the exercise price of the options, determined on the basis of the business plan of the Company Poli S.r.l.

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 2021 have been approved by the Board of Directors on February 28, 2022, taking account of the opinion of the Risk Control and Sustainability Committee.

The plans underlying the impairment tests were approved by the Board of Directors of the leading companies of the various operating segments.

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 cost of debt reflects a cost of debt at market values, determined as the sum of an IRS / SWAP rate of the reference area with a maturity of 10 years with an average yield of the 24 months prior to 31 December 2021 to which an observed differential is added between the Credit Default Swap (CDS) of the country of the CGU and that of the country of reference in the 24 months prior to the valuation date, as well as a spread determined on the basis of the actual cost of debt relating to the Group's current loans;
    - 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*);
- The future expected cash flows have been forecast in the currencies in which they will be generated;
- The future expected cash flows refer to a period of 3/5 years and include a normalized terminal value used to express a synthetic estimate of future results beyond the timeframe explicitly considered;
- For the determination of the operating cash flow based on the last year of explicit forecast, was reflected, in order to project "in perpetuity" a stable situation, a balance between investments and

amortization (in the logic of considering a level of investments necessary for the maintenance of the business) and change in working capital equal to zero;
- With regards to companies operating in the Euro area, the WACC used to discount expected future cash flows for the CGU ranges from a minimum of 6.2% to a maximum of 7.6%;
- The WACC used to discount cash flows of the CGU located in Poland is 7.7%, for the CGU located in Sweden 8.5%, for the CGU located in China 9%, for the CGU located in Mexico 10%, for the CGU located in the USA 7.2%, while for the CGU located in Brazil has been used a WACC that ranges from a minimum of 11.9% to a maximum of 12%.
- 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.

The impairment test procedure, in compliance with the provisions of IAS 36 and applying criteria issued by the Board of Directors, has not led 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.

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, 2021 is shown as follows:

€/000	**31.12.2021**	**31.12.2020**
Positive *fair value* assesment exchange rate hedge	-	267
Positive *fair value* assessment exchange rate options	234	239
Positive *fair value* assessment IRS and interest rate options	52	-
Total derivative financial instrument assets	**286**	**506**
Negative *fair value* assesment exchange rate hedge	145	186
Negative *fair value* assesment exchange rate options	213	129
Negative *fair value* assessment IRS and interest rate options	223	705
Total derivative financial instrument liabilities	**581**	**1,020**

At December 31, 2021 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					
Eur/Pln	Victus-Emak S.p. Z.o.o.	Euro	2,050	4.64	03/03/2022
Usd/Pln	Victus-Emak S.p. Z.o.o.	Usd	300	3.96	04/02/2022
Euro/Mxn	S.I. Agro Mexico	Euro	2,550	24.97	31/08/2022
Euro/Usd	Valley	Euro	600	1.17	29/07/2022
Forward contracts for foreign currencies purchases with collar options					
Cnh/Euro	Emak Spa	Cnh	54,000	7.41	08/12/2022
Forward contracts for foreign currencies purchases with nocking forward option					
Cnh/Usd	Emak Spa	Cnh	36,000	6.43	08/12/2022

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

Finally, on December 31, 2021 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 € 63,934 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.	938	26/10/2017	11/05/2022
Credit Agricole Cariparma	Emak S.p.A.	1,500	24/05/2018	30/06/2023
MPS	Emak S.p.A.	3,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	3,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	2,500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	2,813	06/07/2018	06/07/2023
UniCredit	Emak S.p.A.	3,250	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	1,875	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	3,850	02/08/2019	30/06/2024
MPS	Emak S.p.A.	5,250	16/06/2020	30/06/2025
UniCredit	Emak S.p.A.	10,000	06/08/2021	31/03/2025
Bper	Comet S.p.A.	4,200	20/09/2017	29/12/2023
Intesa San Paolo	Comet S.p.A.	2,100	20/09/2017	29/12/2023
UniCredit	Comet S.p.A.	3,000	14/06/2018	30/06/2023
Banca Nazionale del Lavoro	Comet S.p.A.	2,813	06/07/2018	06/07/2023
Bper	Comet S.p.A.	2,100	15/11/2018	29/12/2023
Intesa San Paolo	Comet S.p.A.	1,050	15/11/2018	29/12/2023
Banca Nazionale del Lavoro	Comet S.p.A.	5,625	02/08/2019	31/12/2024
Credit Agricole Cariparma	Tecomec S.r.l.	1,500	24/05/2018	30/06/2023
Intesa San Paolo	Tecomec S.r.l.	1,071	23/10/2018	31/07/2022
MPS	Tecomec S.r.l.	2,500	13/10/2021	28/06/2026
Totale		**63,934**		

The average of the hedging interest rates resulting from the instruments is equal to -0.05% at December 31, 2021.

For all contracts, despite having the purpose and characteristics of hedging transactions, the relative changes in fair value are recognized in the income statement in the period of competence in accordance with the hedge accounting rules established by IFRS 9.

The value of all these contracts (relating to interest and exchange rates) at December 31, 2021 is an overall negative fair value of € 295 thousand (negative fair value equal to € 514 thousand at 31 December 2020).

24. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2021	31.12.2020
Trade receivables	126,369	110,010
Provision for doubtful accounts	(6,008)	(5,974)
Net trade receivables	**120,361**	**104,036**
Trade receivables from related parties (note 40)	732	485
Prepaid expenses and accrued income	2,270	1,764
Other receivables	4,621	4,797
Total current portion	**127,984**	**111,082**
Other non current receivables	59	57
Total non current portion	**59**	**57**

The increase in trade receivables is attributable to the significant increase in sales volumes. The creditworthiness of customers is confirmed at good levels of reliability.

The item "Other receivables", for the current portion, includes:

- an amount of € 2,732 thousand as advances to suppliers for the supply of goods;
- an amount of € 334 thousand, (€ 1,821 at 31 December 2020), for receivables of Emak S.p.A. towards the controlling company Yama S.p.A., emerging from the relationships that govern the tax consolidation in which they participate.

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	31.12.2021	31.12.2020
Opening balance	**5,974**	**5,660**
Change in scope of consolidation increase	13	53
Provisions (note 13)	750	1,143
Decreases	(756)	(679)
Exchange differences	27	(203)
Closing balance	**6,008**	**5,974**

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	31.12.2021	31.12.2020
Raw, ancillary and consumable materials	70,283	51,953
Work in progress and semi-finished products	34,518	26,195
Finished products and goods	112,515	85,454
Total	**217,316**	**163,602**

Inventories at December 31, 2021 are stated net of provisions amounting to € 11,158 thousand (€ 10,731 thousand at December 31, 2020) 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 2021	FY 2020
Opening balance	**10,731**	**10,226**
Change in scope of consolidation	184	12
Provisions	645	1,340
Exchange differences	88	(245)
Usage	(490)	(602)
Closing balance	**11,158**	**10,731**

26. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2021	31.12.2020
Bank and post office deposits	79,566	99,220
Cash	79	67
Total	**79,645**	**99,287**

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

€/000	31.12.2021	31.12.2020
Cash and cash equivalents	79,645	99,287
Overdrafts (note 30)	(2,816)	(2,007)
Total	**76,829**	**97,280**

27. Other financial assets

Other financial assets amount to € 984 thousand, which is non-current portion, and € 72 thousand as current portion and refer mainly to:

- an amount of € 444 thousand relating to guarantee deposits; entered under the non-current assets
- an amount of € 375 thousand relating to sureties, recorded under non-current assets
- an overall amount of € 185 thousand, of which € 148 thousand as a non-current portion and € 37 thousand as a current portion, 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 2021 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 2021 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.

Dividends

On 29 April 2021 the Shareholders' Meeting of Emak S.p.A. resolved to allocate the profit for the year 2020 for € 139 thousand to the legal reserve for € 183 thousand to the extraordinary reserve and for the remainder to a dividend to shareholders.

Share premium reserve

At 31 December 2021, the share premium reserve amounts to € 39,588 thousand, and consists of premiums on newly issued shares, net of share premium treasury shares held at December 31, 2021 amounted to € 1,925 thousand. Part of this reserve at 31 December 2020 (€ 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 of the premium paid at the time for the purchase of treasury shares held at 31 December 2021 equal to € 1,925 thousand.
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, 2021 of € 3,750 thousand (€ 3,611 thousand at December 31, 2020).

Revaluation reserve

At 31 December 2021 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 104/2020 for € 3,215 thousand.

Reserve for translation differences

At 31 December 2021 the reserve for translation differences for an amount of € 175 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.
The reserve recorded a positive adjustment of € 8,064 thousand mainly due to the performance of the US dollar and Renminbi currencies.

Reserve IAS 19

At 31 December 2021 the IAS 19 reserve is equal a negative amount of € 1,487 thousand, for the actuarial valuation differences of post-employment benefits to employees.

Other reserves

At 31 December 2021 the Other reserves include:

- the extraordinary reserve, amounts to € 28,073 thousand, inclusive of all allocations of earnings in prior years;
- the reserves qualifying for tax relief refer to tax provisions for grants and donations for € 129 thousand;
- the reserves for merger surpluses for € 3,561 thousand;
- the reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

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

29. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2021	31.12.2020
Trade payables	121,114	90,317
Payables due to related parties (note 40)	951	976
Payables due to staff and social security institutions	16,750	12,104
Advances from customers	2,266	1,417
Accrued expenses and deferred income	1,496	828
Other payables	6,645	4,912
Total current portion	**149,222**	**110,554**

The book value reported in the statement of financial position corresponds to fair value.
The item "**Trade payables**" includes € 1,247 thousand related to the short term payable, with deadline in 2022, for the acquisition by the subsidiary Speed France of a technology and systems for the production of polyester monofilaments and cables for agricultural applications; non current portion is accounting in item "other non-current liabilities" (note 35).
The increase in this item is attributable to the rise in purchases in particular in the last part of the year.
The item "Other payables" includes € 3,561 thousand, compared to € 1,950 thousand at 31 December 2020, 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	31.12.2021	31.12.2020
Bank loans	63,185	57,213
Overdrafts (note 26)	2,816	2,007
Liabilities for purchase of equity investments	3,506	2,325
Financial accrued expenses	62	73
Other loans	138	414
Total current portion	**69,707**	**62,032**

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

The item "**Liabilities for purchase of equity investments**" includes:
- an amount of € 2,368 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 € 888 thousand referring to the deferred part of the price for the purchase of 80% of the company Poli S.r.l.

- an amount of € 250 thousand, as an estimated debt for the distribution of dividends to the shareholders of the Markusson company, as a current portion of the value of the price regulated by the Put & Call option.

Long-term loans and borrowings are detailed as follows:

€/000	31.12.2021	31.12.2020
Bank loans	107,237	131,686
Liabilities for purchase of equity investments	8,753	3,710
Other loans	4	60
Total non current portion	**115,994**	**135,456**

During the 2021 financial year, the Group obtained new financial resources from credit institutions for around € 40 million.

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

- € 3,276 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;
- € 3,883 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 50% from 1 January 2023 and the remaining 50% from 1 January 2026;
- € 1,594 thousand, relates to the discounted debt for the purchase price portion of 20% of Poli S.r.l. shares and governed by the "*Put and Call option*" contract to be exercised between 2024 and 2026.

During the year, the payables for the settlement of the Put & Call options of Markusson and Agres were adjusted for a higher value respectively of € 1,478 and 2,483 thousand as a consequence of the better economic and financial results compared to those planned at the time of initial valuation of the value of the Put & Call option.

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

€/000	31.12.2020	Increases	Decreases	Exchange differences	Other movements	31.12.2021
Bank loans	131,686	39,500	(62,738)	76	(1,287)	107,237
Liabilities for purchase of equity investments	3,710	5,554	(536)	-	25	8,753
Other loans	60	-	-	5	(61)	4
Total	**135,456**	**45,054**	**(63,274)**	**81**	**(1,323)**	**115,994**

Some loans are subjected to financial Covenants verified, mainly, on the basis of the consolidated ratios *Nfp/Ebitda* and *Nfp/Equity.* At December 31, 2021 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	49,221	36,429	13,579	6,638	**105,867**	**1,370**
Liabilities for purchase of equity investments	4,318	-	1,594	2,841	**8,753**	**-**
Other loans	4	-	-	-	**4**	**-**
Total	**53,543**	**36,429**	**15,173**	**9,479**	**114,624**	**1,370**

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 had 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 deriving from *leases*

The item "**Liabilities deriving from *leases*"** which totals € 38,974 thousand, of which € 33,111 thousand as non-current portion and € 5,863 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 € 28,874 thousand, of which € 24,058 thousand as non-current portion and € 4,816 thousand as current portion.

The **Liabilities deriving 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	5,450	4,968	4,576	4,541	**19,535**	**13,576**
Total	**5,450**	**4,968**	**4,576**	**4,541**	**19,535**	**13,576**

32. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2020	Ch. in scope of consolidation	Increases	Decreases	Other movements	Exchange differences	31.12.2021
Deferred tax on impairment losses of assets	262	-	-	(50)	-	3	215
Deferred tax on reversal of unrealized intercompany gains	2,556	-	278	-	-	-	2,834
Deferred tax on provision for inventory write-downs	2,115	51	201	(180)	-	9	2,196
Deferred tax on losses in past financial periods	84	-	81	(146)	-	(7)	12
Deferred tax on provisions for bad debts	620	-	12	(75)	11	4	572
Deferred tax on right of use IFRS 16	211	-	44	(18)	(7)	1	231
Deferred tax on tax realignment and revalutations	816	-	558	(177)	-	-	1,197
Other deferred tax assets	2,399	-	664	(351)	22	21	2,755
Total (note 16)	**9,063**	**51**	**1,838**	**(997)**	**26**	**31**	**10,012**

As previously illustrated, as of 31 December 2021, deferred tax assets were allocated, for a value of € 344 thousand, against of the realignment of the civil and fiscal values carried out by some companies of the Group. On the other hand, deferred tax assets for approximately € 139 thousand allocated in 2020 following the regulatory change introduced by Law 234/2021, which brought to 50 years the tax amortization period of trademarks and goodwill subject to revaluation pursuant to art. 110 of Legislative Decree 104/2020. These tax assets have been adjusted with reference to a recoverability period of 18 years.

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2021, without considering the reversal of deferred tax assets deriving from the regulatory change relating to tax revaluations, as illustrated above.

"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	31.12.2020	Ch. in scope of consolidation	Increases	Decreases	Exchange differences	31.12.2021
Deferred tax on property ex IAS 17	104	-	-	(6)	-	98
Deferred tax on depreciations	4,311	775	152	(277)	119	5,080
Other deferred tax liabilities	2,050	-	322	(224)	60	2,208
Total (note 16)	**6,465**	**775**	**474**	**(507)**	**179**	**7,386**

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 in scope of consolidation refers to the deferred tax liabilities emerging from the Purchase Price Allocation process as part of the business combination of Poli S.r.l., as described in paragraph 7 "Significant non-recurring events and transactions" of these notes. Deferred tax liabilities have been allocated against the current value attributed to the customer list.

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 2021.

At December 31, 2021, 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, they have not been allocated since it is unlikely that there will be any operations carried out that may lead to taxation.

Current tax receivables amount at December 31, 2021 to € 10,076 thousand, against € 7,516 thousand at December 31, 2020, and refer to VAT credits, surplus payments on account of direct tax and other tax credits.

Current tax liabilities amount to € 6,182 thousand at December 31, 2021, compared with € 4,764 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, 2021 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 7,000 thousand against € 7,166 thousand at December 31, 2020. The valuation of the indemnity leaving fund (TFR), carried out according to the nominal debt method, in force at the closing date, would be € 6,209 thousand against € 6,399 at December 31, 2020.

Movements in this liability recorded in the financial statement are as follows:

€/000	FY 2021	FY 2020
Opening balance	**7,608**	**8,110**
Current service cost and other provisions	173	151
Actuarial (gains)/losses	232	64
Interest cost on obligation (note 15)	-	26
Change in scope of consolidation	121	-
Disbursements	(634)	(743)
Closing balance	**7,500**	**7,608**

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

	FY 2021	FY 2020
Annual inflation rate	1.75%	0.80%
Discount rate	0.44%	-0.02%
Dismissal rate	3.00%	2.00%

Demographic assumptions refer to the most recent statistics published by ISTAT.
In the 2022 financial year, payments are expected to be in line with 2021.

34. Provisions for risks and charges

Movements in these provisions are detailed below:

€/000	31.12.2020	Increases	Decreases	Exchange differences	31.12.2021
Provisions for agents' termination indemnity	2,325	252	(111)	-	2,466
Other provisions	57	67	-	-	124
Total non current portion	**2,382**	**319**	**(111)**	**-**	**2,590**
Provisions for products warranties	1,107	215	(7)	-	1,315
Other provisions	120	466	(19)	4	571
Total current portion	**1,227**	**681**	**(26)**	**4**	**1,886**

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 € 252 thousand, was recorded under the provisions in the item "Other operating expenses" in the income statement.

"Other non-current provisions", equal to € 124 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); at the end of the year, the Group adjusted these provisions for approximately € 67 thousand and on the basis of the opinion expressed by its defenders, does not consider to mobilize additional funds to contingent liabilities.
On June 2021, the company S.I. Agro Mexico had allocated a fund for € 59 thousand equal to an equivalent value of approximately 1,403 thousand pesos, due to a customs dispute concerning the VAT treatment on goods entering the Mexican territory, paid during the second half of the year at the end of the dispute.

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", for the current portion, refers to the best possible estimate of probable liabilities and refer to:

- allocation in 2021 financial year of € 120 thousand by the company Speed France relating to a dispute of a commercial nature for the supply of some systems;
- allocation in 2021 financial year of € 287 thousand, equal to an equivalent value of approximately 325 thousand of dollars, of the company Speed North America relating to a dispute with some employees;
- allocation in 2021 financial year of € 37 thousand from the company Emak France for retirement incentives to be paid to an ex employee;
- allocations of € 127 thousand for some disputes and litigation of a different nature.

The Group, also on the basis of the information currently available and on the basis of the opinion of its consultants, does not believe it will allocate further provisions for contingent liabilities.

35. Other non-current liabilities

The item **"Other non-current liabilities"** equal to € 2,197 thousand includes:

- € 1,521 thousand (€ 3,524 thousand at 31 December 2020) relating to the long-term debt for Speed France's acquisition of the technology for the production of polyester mono filaments and cables for agricultural applications;
- € 428 thousand, against € 453 thousand at 31 December 2020, 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.
- € 170 thousand (€ 225 thousand in 2020) 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

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 an updated 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 the relative risk of losing is only considered possible and consequently no provision has been made in the financial statement, making provision for the sums to cover legal costs among the provisions for risks and charges, if the case is closed with compensation for legal expenses.

An access was also made to the Tecomec S.r.l. company of the group by the Revenue Agency of Reggio Emilia aimed at the tax audit on the 2017 annuality. At today, the audits are still in progress and it is not possible to make any consideration regarding the final outcome.

Investigations are currently being carried out by the French local authorities in relation to the management of the dismissal of two employees employed by the subsidiary Emak France SAS. At present, no convocation has been notified to the French subsidiary.

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

37. Commitments

Fixed asset purchases

The Group has commitments for the purchase of fixed assets not accounted for in the financial statements as of December 31, 2021 for an amount equal to € 1,701 thousand.
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, 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 50% from 1 January 2023 and and for the remaining 50% from 1 January 2026;
- in the contract to acquire the subsidiary Poli S.r.l., controlled by Comet S.p.A. with a share of 80%, a "Put and Call" agreement is included for the purchase of the remaining 20% to be exercised between 2024 and 2026.

38. Guarantees

The Group has € 1,702 thousand in guarantees granted to third parties at December 31, 2021, 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, 2021 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2021	31.12.2020
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 2021 financial year, the dividends approved in the shareholders' meeting of 29 April 2021 relating to the 2020 financial year were paid for a total of € 7,359 thousand.

At December 31, 2020 Emak S.p.A. held in portfolio 397,233 treasury shares for a value of € 2,029 thousand. During 2021 no treasury shares were purchased or sold.
Therefore, at December 31, 2021 Emak S.p.A. held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2022 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 2021.

40. Related party transactions

The transactions entered into with related parties by the Emak Group in the year 2021 mainly relate to three different types of usual nature relations, within the ordinary course of business, adjusted to normal market conditions.

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, carried out with the parent company YAMA S.p.A. and with certain companies controlled by it. 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 S.r.l., 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.

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.	1,460	700	-	700	1	-	-
Garmec S.r.l.	130	30	-	30	-	-	-
Selettra S.r.l.	2	2	-	2	-	-	-
Yama S.p.A.	-	-	334	334	-	37	148
Total (notes 24 and 27)	**1,592**	**732**	**334**	**1,066**	**1**	**37**	**148**

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	Financial charges	Current liabilities for leasing	Non current liabilities for leasing
Euro Reflex D.o.o.	3,064	73	660	-	660	-	-	-
Garmec S.r.l.	23	-	1	-	1	-	-	-
Selettra S.r.l.	196	2	102	-	102	-	-	-
Yama Immobiliare S.r.l.	-	-	1	-	1	341	1,726	14,146
Yama S.p.A.	-	-	-	3,561	3,561	-	-	-
Other related parties	-	503	187	-	187	-	-	-
Total (note 29)	**3,283**	**578**	**951**	**3,561**	**4,512**	**341**	**1,726**	**14,146**

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 € 12,823 thousand (€ 12,523 thousand at 31 December 2020). 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., Raico S.r.l. (the latter subsequently alienated, with an excerpt of the relevant values).and, before then, since the acquisition of the company Tailong, which took place in 2008.

****

The remunerations of the Directors and Auditors of the Parent Company for the financial year 2021, 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”.

****

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 2021 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.	Sabart S.r.l.	Comet S.p.A.	Lavorwash S.p.A.	P.T.C. S.r.l.	Poli S.r.l.	Total
Ministry of Economic Development	Non-repayable grant	624	-	-	-	-	-	-	624
Fondirigenti	Contribution for training plans	10	15	-	15	14	-	-	54
MEF	Tax credit under Law 106/2014	2	-	-	-	-	-	-	2
MEF	Tax credit under Law 160/2019 R&D	613	20	-	-	-	-	-	633
MEF	Tax credit under Law 205/2017	31	-	-	-	-	-	-	31
MEF	Tax credit "bonus earthquake"	-	22	-	-	-	-	-	22
MEF	Tax credit under Law 34/2020	28	-	-	-	4	-	-	32
MEF	Tax credit under Law 160/2019 Investments	16	-	-	-	-	-	-	16
MEF	Tax credit under Law 178/2020	4	-	-	-	26	-	-	30
MEF	Tax credit under Law 50/2017	-	-	-	-	2	-	-	2
SACE-Simest (Cdp)	Non-repayable grant	-	-	-	-	-	6	-	6
Fondimpresa	Contribution for training plans	-	6	-	-	13	2	-	21
Bilateral Trade Body Reggio Emilia	Contribution for Covid-19	-	-	10	25	-	-	-	35
CCIAA Parma	Contributions Law Decree No. 104.14 / 08/2020 art. 62 (Security)	-	-	-	-	-	-	1	1
Total		**1,328**	**63**	**10**	**40**	**59**	**8**	**1**	**1,509**

42. Subsequent events

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

Deloitte.

Deloitte & Touche S.p.A.
Piazza Malpighi, 4/2
40123 Bologna
Italia

Tel: +39 051 65811
Fax: +39 051 230874
www.deloitte.it

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 "Emak Group"), which comprise the consolidated statement of financial position as at December 31, 2021, 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 Emak Group as at December 31, 2021, 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 of goodwill	
Description of the key audit matter	The Emak Group includes in its consolidated financial statements as at December 31, 2021 goodwill of Euro 70,634 thousand, distributed for Euro 38,369 thousand in Europe, Euro 16,490 thousand in Latin America, Euro 12,866 thousand in North America and Euro 2,909 thousand in Asia. In the year ended December 31, 2021, a new goodwill was recorded referring to the newly acquired Poli S.r.l. for Euro 1,815 thousand. Goodwill is not amortized but is tested for impairment at least annually, as required by accounting standard IAS 36 - Impairment of Assets. Impairment tests are carried out by comparing the recoverable values of the cash generating units (CGUs) identified by the Emak Group, determined according to the value in use method, and the carrying amounts, which take into account both goodwill and other allocated assets to the CGUs. As a result of the impairment tests, the Emak Group has not recorded any impairment losses. Management's assessment process to ascertain possible impairment losses is based on assumptions concerning, among other things, the forecast of the expected cash flows of the CGUs, as well as the determination of an appropriate discount rate (WACC) and long-term growth period (g-rate). The assumptions reflected in the long-term plans of the CGUs concerned are influenced by future expectations and market conditions, which determine elements of physiological uncertainty in the estimate. In consideration of the importance of the amount of goodwill recorded in the consolidated financial statements, the subjectivity nature of the estimates relating to the determination of the cash flows of the CGUs and the key variables of the impairment model, as well as the many unpredictable factors that can influence the performance of the market in which the Emak Group operates, we considered the impairment test of goodwill and other assets allocated to the related CGUs as a key audit matter of the Emak Group's consolidated financial statements as at December 31, 2021. The explanatory notes to the consolidated financial statements in paragraphs "2.7 Goodwill", "2.8 Impairment of assets" and "5. Key accounting estimates and assumptions" describe the Management assessment process; note 21 reports the significant assumptions, as well as the information on goodwill, including a sensitivity analysis that illustrates the effects resulting 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, also through the involvement of experts belonging to our network: • identification and understanding of the controls put in place by the Management for the determination of the value in use of the CGU, analyzing the methods and assumptions used by the Management for the execution of the impairment test; • reasonableness analysis of the main assumptions adopted by the Emak Group for the determination of cash flow forecasts, also by analyzing data and obtaining information from the Management; • analysis of the actual values for 2021 compared to the original plans in order to assess the nature of the variances and the reliability of the budgeting process; • evaluation of the reasonableness of the discount rates (WACC) and long-term growth rates (g-rate) applied in the test, by identifying and observing external sources usually used in professional practice; • verification of the mathematical accuracy of the model used to determine the value in use of the CGUs; • verification of the correct determination of the carrying amount of the CGUs; • verification of the sensitivity analysis prepared by the Management; • examination of the adequacy of the disclosure provided on impairment tests and of its compliance with the provisions 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 Emak 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 Emak 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 Emak 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 Emak 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 Emak 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 Emak 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. 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 consolidated 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 on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Emak S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

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, 2021, 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, 2021 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, 2021 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.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

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
Stefano Montanari
Partner

Bologna, Italy
March 28, 2022

As disclosed by the Directors on page 29, the accompanying consolidated financial statements of Emak S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Emak S.p.A.
Separate financial statements at 31 December 2021

Financial statements

Emak S.p.A. Income Statement

€	Notes	Year 2021	of which to related parties	Year 2020	of which to related parties
Revenues from sales	**8**	**155,927,474**	**37,317,234**	**117,411,865**	**24,998,351**
Other operating incomes	8	3,268,736	2,096,615	2,806,578	1,869,615
Change in inventories		16,482,861		276,352	
Raw materials, consumable and goods	9	(112,540,934)	(41,831,584)	(74,271,815)	(28,575,793)
Personnel expenses	10	(26,980,090)		(22,377,745)	
Other operating costs and provisions	11	(32,734,817)	(780,750)	(21,629,147)	(640,379)
Amortization, depreciation and impairment losses	12	(5,822,857)		(8,000,367)	
Operating result		**(2,399,627)**		**(5,784,279)**	
Financial income	13	11,621,422	11,308,244	8,099,164	7,994,183
Financial expenses	13	(712,836)	-	(957,490)	(1,749)
Exchange gains and losses	13	1,033,674		(491,919)	
Income from/(expenses on) equity investment	13	-		(500,000)	
Profit befor taxes		**9,542,633**		**365,476**	
Income taxes	14	403,948		2,407,831	
Net profit		**9,946,581**		**2,773,307**	

Statement of other comprehensive income

€	Notes	Year 2021	Year 2020
Net profit (A)		**9,946,581**	**2,773,307**
Actuarial profits/(losses) deriving from defined benefit plans (*)	**31**	**(91,000)**	**(23,000)**
Income taxes on OCI (*)		**25,000**	**7,000**
Total other components to be included in the comprehensive income statement (B)		**(66,000)**	**(16,000)**
Total comprehensive income for the perdiod (A)+(B)		**9,880,581**	**2,757,307**

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

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

.

Statement of financial position

ASSETS

€	Notes	31.12.2021	of which to related parties	31.12.2020	of which to related parties
Non-current assets					
Property, plant and equipment	16	26,432,703		28,688,953	
Intangible assets	17	5,094,538		5,588,971	
Goodwill	19	-	-	-	-
Rights of use	18	146,034		137,532	
Equity investments in other companies	20	89,708,582		89,708,583	
Deferred tax assets	30	2,033,490		1,756,128	
Other financial assets	22	14,948,424	14,948,424	15,160,901	15,143,758
Other assets	23	2,550		4,299	
Total non-current assets		**138,366,321**	**14,948,424**	**141,045,367**	**15,143,758**
Current assets					
Inventories	24	50,932,820		34,449,960	
Trade and other receivables	23	46,172,909	13,335,083	40,353,259	10,082,752
Current tax receivables	30	2,347,548		1,810,532	
Other financial assets	22	7,495,711	7,478,568	10,520,607	10,452,036
Derivative financial instruments	21	279,317		256,362	
Cash and cash equivalents	25	32,071,534		60,717,060	
Total current assets		**139,299,839**	**20,813,651**	**148,107,780**	**20,534,788**
TOTAL ASSETS		**277,666,160**	**35,762,075**	**289,153,147**	**35,678,546**

SHAREHOLDERS' EQUITY AND LIABILITIES

€	Notes	31.12.2021	of which to related parties	31.12.2020	of which to related parties
Capital and reserves					
Issued capital		42,519,776		42,519,776	
Share premium		39,587,765		39,587,765	
Other reserves		39,295,867		39,041,624	
Retained earnings		29,518,008		27,250,863	
Total Shareholders' Equity	**26**	**150,921,416**		**148,400,028**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	28	37,467,194	148,424	62,533,027	185,530
Liabilities for leasing	29	76,193		78,174	
Deferred tax liabilities	30	297,804		193,124	
Employee benefits	31	2,522,394		2,676,157	
Provisions for risks and charges	32	422,990		367,908	
Other non-current liabilities	33	647,108		677,847	
Total non-current liailities		**41,433,683**	**148,424**	**66,526,237**	**185,530**
Current liabilities					
Trade and other payables	27	55,500,938	10,412,814	37,177,285	8,582,343
Current tax liabilities	30	972,496		951,712	
Loans and borrowings due to banks and other lenders	28	28,119,037	126,495	33,701,318	1,581,962
Liabilities for leasing	29	72,362		62,668	
Derivative financial instruments	21	291,728		434,398	
Provisions for risks and charges	32	354,500		1,899,500	
Total current liabilities		**85,311,061**	**10,539,309**	**74,226,881**	**10,164,305**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**277,666,160**	**10,687,733**	**289,153,147**	**10,349,835**

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, 2020 and December 31, 2021

€/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	
Opening at 01.01.2020	**42,519**	**40,529**	**3,489**	**1,138**	**(609)**	**31,703**	**24,435**	**2,439**	**145,643**
Change in treasury shares									-
Payments of dividends									-
Reclassification of 2019 net profit			122				2,317	(2,439)	-
Other changes		(941)		3,215			(2,274)		-
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**
Change in treasury shares									-
Payments of dividends							(4,907)	(2,452)	**(7,359)**
Reclassification of 2020 net profit			139			182		(321)	-
Other changes									-
Net profit for 2021					(66)			9,947	**9,881**
Total at 31.12.2021	**42,519**	**39,588**	**3,750**	**4,353**	**(691)**	**31,885**	**19,571**	**9,947**	**150,922**

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	2021	2020
Cash flow from operations			
Net profit for the period		**9,947**	**2,773**
Amortization, depreciation and impairment losses	12	5,823	8,000
Capital (gains)/losses on disposal of property, plant and equipment		23	(6)
Dividends income		(10,757)	(7,462)
Decreases/(increases) in trade and other receivables		(6,632)	(2,103)
Decreases/(increases) in inventories		(16,483)	(276)
(Decreases)/increases in trade and other payables		18,418	4,439
Change in employee benefits	31	(220)	(322)
Income from/(expenses on) equity investment	20	-	500
(Decreases)/increases in provisions for risks and charges	32	110	13
Change in derivate financial instruments		(166)	42
Cash flow from operations		**63**	**5,598**
Cash flow from investing activities			
Dividends income		10,757	7,462
Change in property, plant and equipment and intangible assets		(2,981)	(5,715)
(Increases) and decreases in financial assets		1,627	(69)
Proceeds from disposal of property, plant and equipment		(23)	6
Cash flow from investing activities		**9,380**	**1,684**
Cash flow from financing activities			
Dividends paid		(7,359)	-
Change in short and long-term loans and borrowings		(30,647)	31,433
Liabilities for leasing refund		(81)	(81)
Other changes in equity		-	-
Cash flow from financing activities		**(38,087)**	**31,352**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(28,644)**	**38,634**
OPENING CASH AND CASH EQUIVALENTS		**60,710**	**22,076**
CLOSING CASH AND CASH EQUIVALENTS		**32,066**	**60,710**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000	Notes	2021	2020
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Opening cash and cash equivalents, detailed as follows:	25	**60,710**	**22,076**
Cash and cash equivalents		60,717	22,323
Overdrafts		(7)	(247)
Closing cash and cash equivalents, detailed as follows:	25	**32,066**	**60,710**
Cash and cash equivalents		32,072	60,717
Overdrafts		(6)	(7)
Other information:			
Income taxes paid		-	-
Financial expenses paid		(710)	(776)
Interest IFRS 16		(2)	(2)
Interest on financings to subsidiary companies		550	524
Interest on financings from subsidiary companies		-	(2)
Interest receivable on bank account		42	13
Interest receivable on trade receivables		37	80
Interest receivable on subsidiaries trade receivables		-	7
Effects of exchange rate changes		303	(204)
Change in related party financial assets		3,169	(4,988)
Change in related party financial loans and borrowings		(1,494)	(201)
Change in related party receivables and service transactions		(3,252)	1,649
Change in related party payables and service transactions		1,830	1,338
Change in trade and other receivables related to tax assets		(814)	(735)
Change in trade payables and other liabilities related to tax liabilities		125	(994)

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, 2022 approved the Financial Statements for the year to December 31, 2021, also prepared according to the format required by the European Commission Regulation 2018/815 / EU (European Single Electronic Format) 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, 2022.

Emak S.p.A., as the Parent Company, has also prepared the consolidated financial statements of the Emak Group at 31 December 2021, also approved by the Board of Directors of Emak S.p.A. in the meeting of 16 March 2022; 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.

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 systematically over the period of estimated useful life and in any case for a period not exceeding 10 years.

The agreements relating to the specific part of cloud technology, Software-as-a-Service (Saas), are accounted for in accordance with the interpretations published by the IFRIC, according to which the costs incurred for the customization of the application software to a supplier in an agreement Software-as-a-Service (SaaS) are capitalized only when the requisites envisaged by IAS 38 exist and in particular such personalization activities are carried out directly on the information systems under the control of the Group / Company. Alternatively, these costs are recorded directly in the income statement, similarly to software configuration costs.

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 " Amortization, depreciation and impairment losses".

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

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

2.7 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed 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 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, 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.

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 analyses 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 include dividends received from subsidiaries, exchange gains and losses and gains and losses on derivatives charged to the income statement.

2.26 Payment of dividends

Dividends on ordinary shares are reported as liabilities in the financial statements in the year in which the Shareholders' 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 number of shares outstanding during the period, excluding treasury shares.
The Company does not have any potential ordinary shares.

2.28 Cash flow statement

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

2.29 Changes in accounting standards and new accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE JANUARY 1, 2021

The following IFRS accounting standards, amendments and interpretations were first adopted by the Company starting January 1, 2021.

- On 31 March 2021, the IASB published an amendment called "Covid-19-related rent concessions beyond 30 June 2021 (Amendments to International Financial Reporting Standards 16)" extending by one year the period of application of the amendment issued in 2020, That provided for lessees the right to account for reductions in fees related to Covid-19 without having to assess, through the analysis of contracts, whether the lease modification definition of IFRS 16 was respected. The lessees who applied this option in 2020 therefore accounted for the effects of the reductions in rent directly to the income statement at the date of the reduction. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies from 1 April 2021 and can be adopted in advance. The adoption of this amendment did not have any effects on the Company's financial statement.

- On 25 June 2020, the IASB published an amendment called "**Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)"**. The amendments allow the temporary exemption from the International Financial Reporting Standards 9 application to be extended until 1 January 2023 for insurance companies. The adoption of this amendment did not have any effects on the Company's financial statement.

- On 27 August 2020, the IASB published, in the light of the reform on interbank interest rates such as IBOR, the document “**Interest Rate Benchmark reform—phase 2**” which contains amendments to the following standards:
  - 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 entered into force on 1 January 2021. The adoption of this amendment did not have any effects on 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 COMPANY ON DECEMBER 31ST, 2021

- On 14 May 2020, the IASB published the following amendments:
  - **Amendments to IFRS 3 Business combinations**: the purpose of the amendments is to update the reference in IFRS 3 to the revised conceptual framework, without any change to the provisions of the Standard.
  - **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 in the testing phase of the asset to be deducted from the cost of the tangible 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 clarifies that in the estimate of the possible onerousness of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible onerousness of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the portion of the depreciation of the machinery used for the performance of the contract).
  - **Annual improvements 2018-2020**: the 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 take effect on January 1, 2022. At the moment, the Directors are considering the possible effects of the introduction of this amendment on the Company's financial statement.

- 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;
- 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.
At the moment, the Directors are considering the possible effects of the introduction of this amendment on the Company's financial statement.

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 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 12 February 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS practice Statement 2" and "Definition of Accounting estimates—Amendments to IAS 8**". The changes aim to improve disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but advance application is allowed.
At the moment, the Directors are considering the possible effects of the introduction of this amendment on the Company's financial statement.

- On 7 May 2021, the IASB published an amendment called "**Amendments to IAS 12 income taxes: Deposited Tax related to assets and liabilities raising from a Single Transaction**". The document clarifies how deferred taxes on certain transactions that may generate equal amounts of assets and liabilities, such as leasing and decommissioning obligations, should be accounted for. The amendments will apply from 1 January 2023, but advance application is allowed. At the moment, the Directors are considering the possible effects of the introduction of this amendment on the Company's financial statement.

- On December 9, 2021, the IASB published an amendment called ***"Amendments to International Financial Reporting Standards 17 insurance contracts: Initial Application of International***

Financial Reporting Standards 17 and International Financial Reporting Standards 9 – Comparative Information”. The amendment is a transition option for comparative information on financial assets submitted at the initial date of application of IFRS 17. The amendment seeks to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of the International Financial Reporting Standards 17 principle. 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 and market price, 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) <u>Interest rate risk</u>
The Company's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Company to the cash flow risk associated with interest rates. Fixed rate loans expose the Company to the fair value risk associated with interest rates.
The Company's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At December 31, 2021, the Company's bank loans and borrowings are, for the most part, all at 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 analysed 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, 2021 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 124 thousand (€ 222 thousand at December 31, 2020). 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 2021 the overall amount of revenues directly exposed to exchange risk represented around 13.2% of the turnover (14.9% in 2020), while the amount of costs exposed to exchange risk is equal to 39.1% of turnover (34.4% % in 2020).

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, 2021, 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 € 433 thousand (€ 24 thousand at December 31, 2020).

Other risks on derivative financial instruments

The Company as of December 31,2021 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, 2021, as a result of an instant hypothetical and unfavourable 10% change in the underlying values, would be approximately € 234 thousand (€ 1,315 thousand in 2020).

(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.

The increase of raw materials’ prices is connected to macroeconomic phenomena, driven by the increase in energy costs and basic necessities, as well as the tensions that characterize the Company's supply chain.

The increase in transport and distribution costs has an impact on the operating costs of the Company, with potential reduction in profitability, possible emergence of impairment indicators and a reduction in the net realizable value of the assets.
The risk is partially mitigated through the stipulation of purchase agreements with the main suppliers with prices locked with short-term time horizons to which is added constant monitoring of the cost of raw materials and logistics trend.
The Company uses policies to adjust the price of goods sold in case of significant changes in costs.

(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 2021 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, 2021, 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, 2021 "Trade receivables" equal to € 33,984 thousand (€ 30,391 thousand at December 31, 2020), include € 3,423 thousand (€ 2,597 thousand at December 31, 2020) 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		**31.12.2021**
Trade receivables due	0-90 days	20,014
	> 90 days	8,572
Trade Receivables due		**28,586**
Trade receivables overdue	0-90 days	1,975
	> 90 days	3,423
Trade Receivables Overdue		**5,398**
Total Trade Receivables		**33,984**

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	**2021**	**2020**
Trade receivables due from customers with SACE 1 rating	25,401	22,440
Trade receivables due from customers with SACE 2 e 3 rating	6,365	5,763
Trade receivables due from customers with non-insurable SACE	2,218	2,188
Total (Note 22)	**33,984**	**30,391**

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, 2021 is € 10,546 thousand.

At December 31, 2021 the 10 most important customers (not including companies belonging to the Emak Group) account for 31.3% of total trade receivables, while the top customer represents 8.7% 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 € 49,810 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 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:

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;
f. Assessment of impairment with reference to the right of use.

5. Significant non-recurring events and transactions

Payment for future share capital increase Emak Deutschland

On November 12, 2021, Emak S.p.A. resolved and subsequently paid Emak Deutschland an amount of € 1,610 thousand as payment for a future share capital increase. Emak Deutschland is no longer operational, and following this payment, the company has fully repaid within the year 2021, the loan granted by Emak S.p.A. classified under current financial receivables.

As of December 31, 2021, the value of the investment was canceled (note 20).

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 2021. 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

The table below shows the details of net financial position, which includes the net financial debt determined according to ESMA criteria (based on the format required by Consob communication no. 5/21 of 29 April 2021):

(€/000)	31/12/2021	31/12/2020
A. Cash	32,072	60,717
B. Cash equivalents	-	-
C. Other current financial assets	7,775	10,777
D. Liquidity funds (A+B+C)	**39,847**	**71,494**
E. Current financial debt	(578)	(5,492)
F. Current portion of non-current financial debt	(27,905)	(28,706)
G. Current financial indebtedness (E + F)	**(28,483)**	**(34,198)**
H. Net current financial indebtedness (G - D)	**11,364**	**37,296**
I. Non-current financial debt	(37,318)	(62,347)
J. Debt instruments	-	-
K. Non-current trade and other payables	(225)	(264)
L. Non-current financial indebtedness (I + J + K)	**(37,543)**	**(62,611)**
M. Total financial indebtedness (H + L) (ESMA)	**(26,179)**	**(25,315)**
N. Non current financial receivables	**14,948**	**15,161**
O. Net financial position (M-N)	**(11,231)**	**(10,154)**
Effect IFRS 16	**149**	**141**
Net financial position without effect IFRS 16	**(11,082)**	**(10,013)**

At December 31, 2021 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 € 14,948 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 € 148 thousand;
- under current financial receivables, short-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 7,478 thousand, of which € 441 thousand due to the subsidiary Comet USA, € 7,000 thousand relating to an intercompany current account agreement in favor of the subsidiary Comet S.p.A. and 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 € 148 thousand;
- under current financial payables, the financial payable due to the subsidiary Sabart S.r.l., regulated by an intercompany current account agreement, for an overall amount of € 89 thousand and the financial payable for the equity reinstatement due to the subsidiary Tecomec S.r.l., for € 37 thousand.

Net current financial indebtedness as at 31 December 2021 has a positive balance. The financial policies adopted in the previous year, to cope with the uncertainty of the macroeconomic scenario, had resulted in a greater increase in cash and cash equivalents.

At December 31, 2020 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 € 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 due 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;

8. Revenues from sales and other operating income

Sales revenues amount to € 155,927 thousand, compared with € 117,412 thousand in the prior year. They are stated net of €573 thousand in returns, compared with € 657 thousand in the prior year. Sales recorded a generalized growth trend, with particular reference to the Italian and Western European markets, in contrast only sales on the Turkish market.

The detail of the item is as follows:

€/000	FY 2021	FY 2020
Net sales revenues (net of discounts and rebates)	151,809	115,920
Revenues from recharged transport costs	4,691	2,149
Returns	(573)	(657)
Total	**155,927**	**117,412**

Other operating income is analysed as follows:

€/000	FY 2021	FY 2020
Grants related to income	1,037	685
Capital gains on property, plant and equipment	3	6
Insurance refunds	6	18
Other operating income	2,223	2,098
Total	**3,269**	**2,807**

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 € 243 thousand;
- the tax credit relating to the sanitation bonus and protective devices provided for in accordance with art. 32 of Legislative Decree 73/2021 for a value of € 4 thousand;
- the tax credit for investments in capital goods provided for in accordance with law no. 160 of 2019, for a value of € 29 thousand;
- the grant as per Law 488/92 for € 33 thousand;
- the Executive training fund/Enterprise training fund grant, equal to € 59 thousand, granted to cover the costs incurred by the Company for staff training;
- the accrual for the non-repayable grant, equal to € 669 thousand (note 17), allowed 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 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 analysed as follows:

€/000	FY 2021	FY 2020
Raw materials	68,400	54,384
Finished products	42,404	18,385
Consumable materials	370	318
Other purchases	1,367	1,185
Total	**112,541**	**74,272**

The increase in sales has led to higher volumes of purchases of raw materials, finished products and consumables. Starting from the second part of the financial year, the company has put in place actions to advance supplies and build up warehouse stocks to guarantee its customers adequate levels of service in the face of possible difficulties in finding the materials or delays in their delivery from supply chain.

10. Personnel expenses

Details of these costs are as follows:

€/000	FY 2021	FY 2020
Wage and salaries	16,881	15,159
Social security charges	5,244	4,908
Employee termination indemnities	1,039	1,018
Other costs	287	467
R&D costs capitalized	(846)	(822)
Directors' emoluments	1,438	643
Temporary staff	2,937	1,005
Total	**26,980**	**22,378**

The strong growth in production volumes has led to greater use of the services provided by the labor force. The financial results of the company have resulted an increase in the reward component of the cost of labor compared to the previous year.
The increase in the Directors' emoluments item is mainly attributable to the variable incentive portion of the remuneration intended for executive directors; this amount will be paid at the end of the council mandate.
At the beginning of the previous year, the company had resorted to social safety nets for the management of forced closures due to Covid, these actions were not necessary during 2021.

During the 2021 financial year, personnel costs for € 846 thousand (€ 822 thousand at 31 December 2020) 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	
	2021	2020	2021	2020
Executives	14	16	14	14
Office staff	184	177	187	179
Factory workers	223	223	222	225
Total	**421**	**416**	**423**	**418**

11. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2021	FY 2020
Subcontract work	3,170	2,282
Transportation	16,106	7,354
Advertising and promotion	554	340
Maintenance	3,323	3,017
Commissions	1,719	1,339
Consulting fees	2,185	2,254
Costs for warranties and after sales service	413	360
Insurance	382	325
Travel	42	76
Postals and telecommunications	276	245
Other services	2,595	2,377
R&D costs capitalized	-	(251)
Services	**30,765**	**19,718**
Rents, rentals and the enjoyment of third party assets	**990**	**875**
Increases in provisions	**110**	**43**
Increases in provision for doubtful accounts (note 23)	3	50
Other taxes (not on income)	314	308
Other operating costs	553	635
Other costs	**870**	**993**
Total other operating costs	**32,735**	**21,629**

To cope with the increase in production volumes, the company has had to bear higher costs for subcontract work; transport costs increased both due to the growth in volumes handled and to the increase in sea freight rates. To support the growth in sales, higher expenses were incurred for Commissions, Promotion and advertising and warranty costs.

12. Amortization, depreciation and impairment losses

Details of these item are as follows:

€/000	FY 2021	FY 2020
Depreciation of property, plant and equipment (note 16)	3,625	3,896
Amortization of intangible assets (note 17)	2,108	1,557
Amortization of rights of use (note 18)	80	79
Impairment losses and gains (note 20 and note 32)	10	2,468
Total	**5,823**	**8,000**

The item "**Impairment losses and gains**" relates to the full impairment of the investment in a subsidiary of the company Emak Deutschland for a value of € 10 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 € 2,468 thousand.

13. Financial income and expenses

Financial income" is analysed as follows:

€/000	FY 2021	FY 2020
Dividends from subsidiaries (note 38)	10,757	7,462
Dividends from associates	-	-
Interest on trade receivables	36	91
Interest on loans to subsidiaries and other financial income (note 38)	550	532
Interest on financial assets granted to parent company (note 38)	1	-
Interest on bank and postal current accounts	5	13
Income from adjustment to fair value of derivates instruments for hedging interest rate risk	272	-
Other financial income	-	1
Financial income	**11,621**	**8,099**

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

"Financial expenses" are analysed as follows:

€/000	FY 2021	FY 2020
Interest on medium long-term bank loans and borrowings	493	691
Interest on short-term bank loans and borrowings	34	23
Interest on loans to related parties (note 38)	-	2
Financial charges from valuing employee termination ind. (note 31)	-	10
Financial charges from leases	2	2
Costs from adjustment to fair value and closure of derivates instruments for hedging interest rate risk	183	225
Other financial costs	1	4
Financial expenses	**713**	**957**

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 2021	FY 2020
Profit / (Loss) on exchange differences on trade transactions	383	(408)
Profit / (Loss) on exchange differences on trade transactions adjustments	197	(84)
Profit / (Loss) on exchange differences on financial transactions	433	(127)
Profit / (Loss) on exchange differences on valuation of hedging derivatives	21	127
Exchange gains and losses	**1,034**	**(492)**

The item "**Income from/(expenses on) equity investment**" referred, in the previous year, to the sale of the associated company Cifarelli S.p.A. which had resulted in the recognition of a capital loss of € 500 thousand.

14. Income taxes

This amount is made up as follows:

€/000	FY 2021	FY 2020
Current taxes	223	996
Taxes from prior years	34	242
Deferred tax assets (note 30)	252	56
Deferred tax liabilities (note 30)	(105)	1,114
Total	**404**	**2,408**

“Current income taxes”, for the year 2021, amount to a positive net value of € 223 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 € 322 thousand, on basis of the contribution by Emak of the facility "ACE" and other items, usable by the Group to reduce its consolidated taxable income;
- the cost of IRAP (regional company tax) to € 99 thousand.

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

€/000	FY 2021	% rate	FY 2020	% rate
Profit before taxes	**9,543**		**365**	
Theoretical tax charges	**2,662**	**27.9**	**102**	**27.9**
Effect of IRAP differences calculated on different tax base	(286)	(3.0)	(14)	(3.8)
Dividends	(2,453)	(25.7)	(1,843)	(504.9)
Non-deductible costs	145	1.5	759	207.9
Previous period taxes	(34)	(0.4)	(242)	(66.3)
ACE facilitation	(126)	(1.3)	(140)	(38.4)
Other differences	(312)	(3.3)	(1,030)	(282.2)
Effective tax charge	**(404)**	**(4.2)**	**(2,408)**	**(659.8)**

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).

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	31.12.2020	Increase (Amortizations)	Decreases	Other movements	31.12.2021
Lands and buildings	33,069	135	-	115	33,319
Accumulated depreciation	(13,309)	(832)	-	-	(14,141)
Lands and buildings	**19,760**	**(697)**	**-**	**115**	**19,178**
Plant and machinery	21,249	328	-	-	21,577
Accumulated depreciation	(16,618)	(980)	-	-	(17,598)
Plant and machinery	**4,631**	**(652)**	**-**	**-**	**3,979**
Other assets	65,575	693	(193)	81	66,156
Accumulated depreciation	(61,492)	(1,813)	157	-	(63,148)
Other assets	**4,083**	**(1,120)**	**(36)**	**81**	**3,008**
Advances and fixed assets in progress	**215**	**249**	**-**	**(196)**	**268**
Cost	**120,108**	**1,405**	**(193)**	**-**	**121,320**
Accumulated depreciation (note 12)	**(91,419)**	**(3,625)**	**157**	**-**	**(94,887)**
Net book value	**28,689**	**(2,220)**	**(36)**	**-**	**26,433**

€/000	31.12.2019	Increases	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**

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 € 135 thousand;
- the plant and machinery category following the realization of new production lines and new test benches for € 197 thousand,for € 29 thousand relating to the new fire-fighting detection system at the Bagnolo in Piano (RE) site and the residual € 102 thousand mainly for generic plants upon completion of the new R&D building;

- the **“Other fixed assets”** category mainly includes:
  - acquisitions of equipment and molds for the development of new products, for € 480 thousand;
  - acquisitions of electronic machines and office equipment for € 46 thousand;
  - acquisitions of mobile phone for € 1 thousand;
  - acquisitions of testing and control instruments for € 57 thousand;
  - purchases of internal means of transport for € 109 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 "**Other assets**" for the scrapping of electronic machines and equipments for which the useful life were 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	31.12.2020	Increase (Amortizations)	Decreases	Other movements	31.12.2021
Development costs	5,554	846	-	-	6,400
Accumulated amortization	(2,522)	(914)	-	-	(3,436)
Development costs	**3,032**	**(68)**	**-**	**-**	**2,964**
Patents and intellectual property rights	9,522	533	-	2	10,057
Accumulated amortization	(8,674)	(685)	-	-	(9,359)
Patents	**848**	**(152)**	**-**	**2**	**698**
Concessions, licences and trademarks	186	34	-	-	220
Accumulated amortization	(129)	(12)	-	-	(141)
Concessions, licences and trademarks	**57**	**22**	**-**	**-**	**79**
Other intangible assets	3,511	201	-	-	3,712
Accumulated amortization	(1,861)	(497)	-	-	(2,358)
Other intangible assets	**1,650**	**(296)**	**-**	**-**	**1,354**
Advanced payments	**2**	**-**	**-**	**(2)**	**-**
Cost	**18,775**	**1,614**	**-**	**-**	**20,389**
Accumulated depreciation (note 12)	**(13,186)**	**(2,108)**	**-**	**-**	**(15,294)**
Net book value	**5,589**	**(494)**	**-**	**-**	**5,095**

€/000	31.12.2019	Increase (Amortizations)	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**

The increase in “Development costs” mainly refers to investments in a new development activity started as part of a multi-year project, which ended on 31 December 2021, subject to facilitation by the Ministry of Economic Development. These costs include approximately € 1,985 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, 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 maximum amount of € 4,206 thousand, equal to 60% of the eligible costs of the project and lasting 11 years.

During the month of April and September 2021, the Company collected the second and third tranche of the non-repayable grant, equal to a total value of € 624 thousand; the grants disbursed are credited to the income statement gradually in relation to capitalized costs 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 customization activities of the new management system adopted by the Company.
The increase in the item "Other intangible assets" includes development activities on the new Group management system, in order to optimize the processes of the corporate information system.

All the intangible assets have a finite residual life and are amortized on a straight-line basis over the following periods:

• Development costs	5	years
• Intellectual property rights	3	years
• Concessions, licences, trademarks and similar rights	10/15	years
• Other intangible assets	3/5	years

Research and development costs directly posted to the income statement amount to € 4,137 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 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	31.12.2020	Increases	Amortization	Decreases	31.12.2021
Rights of use other assets	138	88	(80)	-	146
Net book value (note 12)	**138**	**88**	**(80)**	**-**	**146**

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 2019 financial year, following the impairment, equal to € 2,074 thousand, of the Emak S.p.A. CGU, a value that emerged following the acquisition from the parent company Yama S.p.A. and the subsequent merger by incorporation of Bertolini S.p.A.

20. Equity investments

Details of equity investments are as follows:

€/000	31.12.2020	Increases	Decreases	31.12.2021
Equity investments				
- in subsidiaries	89,706	1,610	(1,610)	89,706
- in other companies	2	-	-	2
TOTAL	**89,708**	**1,610**	**(1,610)**	**89,708**

Equity investments in subsidiaries amount to € 89,706 thousand.

During the year, a payment was made for the future capital increase of the subsidiary Emak Deutschland Gmbh for € 1,610 thousand; in turn, the value of the investment was fully written-off, following the transposition and adjustment of the value in the assets of the future loss coverage fund, allocated in the previous year (notes 12 and 32).

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

The Company 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.
It should also be noted that the subsidiary Emak Deutschland Gmbh is no longer operational, therefore the Company has not carried out any impairment tests.

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 and Sustainability Committee, prepared by the individual subsidiaries, 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 February 28, 2022.

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 2021, 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 reflects a cost of debt at market values, determined as the sum of an IRS / SWAP rate of the reference area with a maturity of 10 years with an average yield of the 24 months prior to 31 December 2021 to which an observed differential is added between the Credit Default Swap (CDS) of the country of the CGU and that of the country of reference in the 24 months prior to the valuation date, as well as a spread determined on the basis of the actual cost of debt relating to the Group's current loans;
- 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 7.7% for Victus Sp Z.o.o. (Poland), 7.4% for Sabart S.r.l. (Italy), 19.5% for Epicenter Llc (Ukraine), while a WACC of 12.7% 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 2021.
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 not showed impairment losses.

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.
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, 2021 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 with collar options					
Cnh/Euro	Emak Spa	Cnh	54,000	7.41	08/12/2022
Forward contracts for foreign currencies purchases with nocking forward option					
Cnh/Usd	Emak Spa	Cnh	36,000	6.43	08/12/2022

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

The accounting for the overexposed instruments takes place at fair value. The current value of forward purchase contracts in foreign currency led to the recognition of a positive fair value of € 233 thousand and of a negative fair value of € 213 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 € 37,975 thousand.

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Credit Agricole Cariparma	Emak S.p.A.	938	26/10/2017	11/05/2022
Credit Agricole Cariparma	Emak S.p.A.	1,500	24/05/2018	30/06/2023
MPS	Emak S.p.A.	3,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	3,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	2,500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	2,813	06/07/2018	06/07/2023
UniCredit	Emak S.p.A.	3,250	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	1,875	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	3,850	02/08/2019	30/06/2024
MPS	Emak S.p.A.	5,250	16/06/2020	30/06/2025
UniCredit	Emak S.p.A.	10,000	06/08/2021	31/03/2025
Total		**37,975**		

The recorded value of these contracts at December 31, 2021 shows a positive fair value of € 46 thousand and a negative fair value of € 79 thousand.

The average interest rate resulting from the instruments is equal to -0.17%.

For all contracts, despite having the purpose and characteristics of hedging transactions, the relative changes in fair value are recognized in the income statement in the period of competence in accordance with the hedge accounting rules established by IFRS 9.

22. Other financial assets

The **"Other non-current financial assets"** amounted to € 14,948 thousand, against € 15,161 thousand in the previous year and refer to loans quoted in Euros granted to subsidiaries, of which €14,800 thousand due to the subsidiary Comet S.p.A., as well as receivables from the parent company Yama S.p.A. for contractual indemnity for an amount of € 148 thousand.
"Other current financial assets" amounting to € 7,496 thousand refer to the U.S. Dollar loan granted to the controlled company Comet Usa for € 441 thousand, to the financial receivable of the subsidiary Comet S.p.A, regulated by an intercompany current account agreement, for a total amount of € 7,000 thousand, to the financial receivable of € 18 thousand relating to the withdrawal of the minority stake in the company Netribe S.r.l and, as well as, to the receivable in favor of the parent company Yama SpA for € 37 thousand 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	**31.12.2021**	**31.12.2020**
Trade receivables	33,983	30,391
Provision for doubtful accounts	(2,514)	(2,569)
Net trade receivables	**31,469**	**27,822**
Receivables from related parties (note 38)	13,335	10,083
Prepaid expenses and accrued income	805	724
Other receivables	564	1,724
Total current portion	**46,173**	**40,353**
Other non current receivables	3	4
Total non current portion	**3**	**4**

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 2021 amounted to € 334 thousand (€ 1,453 thousand at 31 December 2020).

Trade receivables have an average maturity of 91 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 11,250,791;
- Renminbi yuan for 53,381.

All non-current receivables mature within five years.

“Trade receivables" are analysed by geographical area as follows:

€/000	**Italy**	**Europe**	**Rest of the world**	**Total**
Trade receivables	16,987	8,389	8,607	**33,983**
Related parties receivables	999	10,216	2,120	**13,335**

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

€/000	FY 2021	FY 2020
Opening balance	**2,569**	**2,656**
Provisions (note 11)	3	51
Usage	(58)	(138)
Closing balance	**2,514**	**2,569**

The book value of this balance approximates its fair value.
The value of the allowance for doubtful accounts refers to € 2,189 thousand for receivables expired for over 90 days (63.9% of the total gross value of trade receivables overdue for more than 3 months) and for € 325 thousand to receivables expired from 0 to 90 days (16.4% of the total gross value of trade receivables expired within 3 months).

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2021	31.12.2020
Raw, ancillary and consumable materials	28,335	21,217
Work in progress and semi-finished products	8,076	6,135
Finished products and goods	14,522	7,098
Total	**50,933**	**34,450**

Inventories are stated net of a provision of € 2,731 thousand at December 31, 2021 (€2,666 thousand at December 31, 2020) intended to align obsolete and slow-moving items to their estimated realizable value.

Faced with the increase in sales volumes and the difficult procurement conditions in the supply chain, the Company deemed it appropriate to build up more inventory to ensure adequate levels of service to the market.

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

€/000	FY 2021	FY 2020
Opening balance	**2,666**	**2,191**
Provisions	772	595
Usage	(707)	(120)
Closing balance	**2,731**	**2,666**

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, 2021 act as security against its liabilities.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2021	31.12.2020
Bank and post office deposits	32,061	60,709
Cash	11	8
Total	**32,072**	**60,717**

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

€/000	31.12.2021	31.12.2020
Cash and cash equivalents	32,072	60,717
Overdrafts (note 28)	(6)	(7)
Total	**32,066**	**60,710**

The changed financial needs of the Company led to less recourse to loans, while the pre-existing ones were repaid, drawing on cash and cash equivalents.

26. Equity

Share capital

Share capital is fully paid up at 31 December 2021 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 2021, equal to € 104 thousand.

All shares have been fully paid.

Treasury shares

The total value of treasury shares held at 31 December 2021 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 2021, 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, 2021. 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, 2021 of € 3,750 thousand (€ 3,611 thousand at December 31 2020).

Revaluation reserve

At 31 December 2021 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. The 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 the previous year, 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, included among other reserves, amounts to € 28,072 thousand at December 31 2021, inclusive of all allocations of earnings in prior years.

At 31 December 2021 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		-	-
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	3,750	B	-	-	-
Extraordinary reserve	28,072	A-B-C	28,072	-	-
Untaxed reserve (#)	129	A-B-C	129	-	-
Profits brought forward in FTA	(238)		(238)	-	-
Valutation reserve	(691)		(691)	-	-
Retained earnings	19,809	A-B-C	19,810	-	7,361
Total	**98,456**		**94,707**	-	**7,361**
Undistributable portion (*)			**(7,241)**	-	-
Distributable balance			**87,466**	-	-
Net profit for the period (**)	**9,947**		**9,450**	-	-
Total equity	**150,922**				

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 (€ 2,964 thousand), in addition to the share of necessary future allocation to the legal reserve (€ 4,277 thousand). This bond bears specifically on the share premium reserve (§);
(**) Subject to obliged allocation to the legal reserve for € 497 thousand.

27. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2021	31.12.2020
Trade payables	38,430	24,464
Payables due to related parties (note 38)	10,413	8,582
Payables due to staff and social security institutions	4,284	3,295
Other payables	2,374	836
Total	**55,501**	**37,177**

The heading **"Other payables"** mainly includes amounts payable to Directors and employees for € 1,841 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 residual portion of 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 70 days.

The heading includes amounts in foreign currencies as follows:
- US dollars for 4,271,524;
- Japanese yen for 1,310,268;
- Taiwanese dollars for 36,000;
- Chinese renminbi yuan for 90,345,531.

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

€/000	Italy	Europe	Rest of the world	Total
Trade payables	26,703	2,751	8,976	**38,430**
Related parties payables	442	879	9,092	**10,413**

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

28. Loans and borrowings

Loans and borrowings at December 31, 2021 do not include any secured payables.

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

€/000	31.12.2021	31.12.2020
Overdrafts (note 25)	6	7
Bank loans	27,905	31,706
Financial accrued expenses	45	54
Financial debts from related parties (note 38)	126	1,582
Other current loans	37	352
Total current portion	**28,119**	**33,701**

The heading "**Financial debts from related parties**" refers to the interest-bearing loan granted by the subsidiary, Sabart S.r.l., for € 89 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 a payable to shareholders who, on the record date, requested the postponement of the dividend collection. The previous year, the balance included a loan at a subsidized interest rate, disbursed by Simest S.p.A. pursuant to Law 133/08, for which its natural expiration occurred in 2021.

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due within 6 and 12 months	Total
Bank loans	13,950	13,955	**27,905**
Financial debts from related parties (note 38)	37	89	**126**
Total	**13,987**	**14,044**	**28,031**

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	31.12.2020	Increases	Decreases	31.12.2021
Bank loans	62,347	9,000	(34,028)	37,319
Financial debts from related parties (note 38)	186	-	(38)	148
Total non current portion	**62,533**	**9,000**	**(34,066)**	**37,467**

The item "**Bank loans**" includes € 2,837 thousand relating to 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 € 148 thousand refers to the commitment to retrocess a contractual indemnity due to the subsidiary, Tecomec S.r.l., for the long-term portion.

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	22,052	10,692	2,803	402	**35,949**	**1,370**
Financial debts from related parties	37	37	37	37	**148**	**-**
Total	**22,089**	**10,729**	**2,840**	**439**	**36,097**	**1,370**

The interest rates refer to 3-6 months Euribor plus an average spread of 0.966 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, 2021 the Company complied with all the benchmarks set by contract.

29. Liabilities deriving from leases

The item “Liabilities deriving from leases” which totals € 148 thousand, of which € 76 thousand as noncurrent portion and € 72 thousand as current portion, refers to financial liabilities recorded in application of the 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	7	-	**76**	-
Total	**47**	**22**	**7**	**-**	**76**	**-**

30. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2020	Increases	Decreases	Other movements	31.12.2021
Deferred tax on provision for inventory write-downs	640	15	-	-	655
Deferred tax on provisions for bad debts	137	-	(55)	11	93
Other deferred tax assets	979	399	(107)	14	1,285
Total (note 14)	**1,756**	**414**	**(162)**	**25**	**2,033**

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 2021.

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;
- deferred tax effect of accounting for post-employment benefits according to IAS 19, for € 87 thousand;
- deferred tax assets of € 97 thousand relating to exchange rate differences for the year 2021;
- deferred tax effect resulting from the misalignment between the civil and fiscal value of the value of the assets subject to amortization for € 131 thousand;
- deferred tax assets for € 89 thousand relating to the taxation of the product warranty provision, the use of which will become fiscally relevant in future years;
- deferred tax assets, for € 384 thousand, relating to negative income components subject to deferred taxation.

Deferred tax liabilities are detailed below:

€/000	31.12.2020	Increases	Decreases	31.12.2021
Deferred taxes on capital gains on disposals of fixed assets	3	-	(1)	2
Deferred tax on property IAS 17	104	-	(6)	98
Other deferred tax liabilities	86	179	(67)	198
Total (note 14)	**193**	**179**	**(74)**	**298**

The portion of the taxes which will reverse in the next 12 months amounted to about € 185 thousand.

The **"Other deferred tax liabilities"** heading mainly refers to the active exchange differences pertaining to the financial year 2021, 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, 2021 is € 1,112 thousand.

The **current tax receivables** amount at December 31, 2021 to € 2,348 thousand, against € 1,811 thousand at December 31, 2020, 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 € 1,692 thousand;
- "Ecobonus" deduction credit due for energy saving measures for € 32 thousand;
- Investment tax credit ex. Law 160/2019 and pursuant to Law 178/2020 for € 75 thousand;
- R&D tax credit L. 190/14 for € 162 thousand;
- Sanitation tax credit D.L. 34/20, for € 4 thousand;
- IRAP (regional company tax) tax credit, relating to the years 2015 - 2019, for a total value of € 34 thousand relating to the facility provided for by the Patent Box regime;
- other minor tax receivables, for a total of € 5 thousand.

Current tax liabilities amount to € 972 thousand at December 31, 2021 (€ 952 thousand at 31 December 2020) and mainly refer to withholding taxes to be paid for € 798 thousand, to the payable for current IRAP (regional company tax) for € 99 thousand and to the payable for substitute tax of € 66 thousand, relating to the realignment applied, in the previous year, to real estate values, fiscally not recognized, recognized at the first time adoption of the principles international accounting, relating to two buildings and the related appurtenant land and grounds, located in Via Fermi, at nos. 6 and 8, in Bagnolo in Piano (RE).

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 € 2,522 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 2,210 thousand.

Movements of the liability recorded in the balance sheet:

€/000	2021	2020
Opening balance	**2,676**	**2,982**
Actuarial (gains)/losses	91	23
Interest cost on obligation (note 13)	-	10
Disbursements	(245)	(339)
Closing balance	**2,522**	**2,676**

The principal economic and financial assumptions used are as follows:

	FY 2021	FY 2020
Annual inflation rate	1.75%	0.80%
Discount rate	0.44%	-0.02%
Dismissal rate	3.00%	2.00%

Demographic assumptions refer to the most recent statistics published by ISTAT.
Payments in 2022 are expected to be in line with 2021.

32. Provisions for risk and charges

Movements in this balance are analysed below:

€/000	31.12.2020	Increases	Decreases	Other movements	31.12.2021
Provisions for agents' termination indemnity	343	55	-	-	398
Other provisions	25	-	-	-	25
Total non current portion	**368**	**55**	**-**	**-**	**423**
Provisions for products warranties	265	55	-	-	320
Other provisions	1,635	-	(1,600)	-	35
Total current portion	**1,900**	**55**	**(1,600)**	**-**	**355**

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 € 35 thousand, refers to the best estimate of liabilities currently considered probable:

- in correspondence with relief on claims for product civil liability (€18 thousand);
- and other liabilities of a minor nature due to probable disputes.

The decrease in the short-term item "**Other provisions**" of € 1,600 thousand relates to the provision to cover future losses, set aside in the previous year, and reclassified, in 2021, in the balance sheet under the item "**Equity investments in other companies**", to adjustment of the value of the investment in the subsidiary Emak Deutschland Gmbh (note 20).

33. Other non-current liabilities

The total amount of € 647 thousand (€ 678 thousand at December 31, 2020) 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 € 428 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 € 170 thousand (note 17) and, finally, for 49 thousand Euros, to the portion relating to the investment tax credit pursuant to Law 160/2019 and pursuant to Law 178/2020, credited to the income statement gradually, according to the residual possibility of use of the assets to which it refers.The part of the grant receivable within one year is included in current liabilities under “Other payables” and amounts respectively to € 25 thousand, € 64 thousand and € 28 thousand.

34. Contingent liabilities

At the date of December 31, 2021 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 2021 for the amount of € 377 thousand.

36 Guarantees

Guarantees granted to *third parties*
They amount to € 1,105 thousand and are made up as follows:

- € 508 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;
- € 247 thousand for a surety policy in favour of Simest for loans (the debt related to this guarantee was fully extinguished on 13/09/2021).

Comfort letters, sureties and credit orders in favor of subsidiaries
These amount to € 81,997 thousand, and refer to the balance of credit line available or used as at December 31, 2021, broken down as follows:

€/000	Amount guaranteed
Emak France SAS	2,000
Emak U.K. Ltd.	1,093
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	10
Victus Emak SP. Z.O.O.	320
Tecomec S.r.l.	25,661
Comet S.p.A	35,213
Comet S.p.A. (operation Lavorwash)	17,700
Total	**81,997**

37. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2021 and amounts to € 42,623 thousand. It consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2021	31.12.2020
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 2021 financial year, the dividends approved in the shareholders' meeting of 29 April 2021 relating to the 2020 financial year were paid for a total of € 7,359 thousand.

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

During 2021 no treasury shares were purchased or sold.

Therefore at December 31, 2021 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2022 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, 2021.

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 May 12, 2021, the Board of Directors of Emak S.p.A. has approved an updated edition of the procedures relating to transactions with related parties, 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 have been in force since 1 July 2021 and are also published on the company website, at the address https://www.emakgroup.it/it-it/investor-relations/corporate-governance/altre-informazioni/

In the 2021 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.

* * * * * * *

Related parties ordinary transactions in 2021 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 2021 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 2021 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	7	-	-
Emak UK Ltd.	2	-	-
Comet S.p.A.	534	7,000	14,800
Comet USA Inc.	7	441	-
Tecomec S.r.l.	-	-	-
Total (note 13 and note 22)	**550**	**7,441**	**14,800**

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.	-	89	-
Tecomec S.r.l.	-	37	148
Total (note 28)	**-**	**126**	**148**

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	5,296	27	450	**5,773**	**1,072**
Emak Deutschland Gmbh	-	-	-	**-**	**-**
Emak UK Ltd.	1,443	-	-	**1,443**	**458**
Emak France SAS	15,265	-	2,500	**17,765**	**6,347**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	698	28	-	**726**	**224**
Victus Emak Sp. z.o.o.	10,909	37	352	**11,298**	**1,502**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	2	-	-	**2**	**-**
Epicenter Llc.	1,483	-	-	**1,483**	**138**
Emak Do Brasil Industria Ltda	406	-	-	**406**	**1,889**
Comet S.p.A.	21	512	3,000	**3,533**	**219**
Comet USA Inc.	(2)	-	-	**(2)**	**7**
PTC S.r.l.	4	122	-	**126**	**67**
Sabart S.r.l.	302	196	2,455	**2,953**	**191**
Tecomec S.r.l.	19	879	2,000	**2,898**	**449**
Lavorwash S.p.A.	1	296	-	**297**	**71**
Total (C)	**35,847**	**2,097**	**10,757**	**48,701**	**12,634**

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	2	28	**30**	6
Emak Deutschland Gmbh	-	-	**-**	-
Emak UK Ltd.	-	15	**15**	4
Emak France SAS	12	151	**163**	41
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	34,332	12	**34,344**	8,249
Comet USA	1	24	**25**	-
Victus Emak Sp. z.o.o.	-	196	**196**	8
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	1,445	-	**1,445**	484
Epicenter Llc.	-	3	**3**	-
Emak Do Brasil Industria Ltda	-	62	**62**	107
Comet S.p.A.	751	19	**770**	246
Sabart S.r.l.	8	-	**8**	1
Tecomec S.r.l.	88	-	**88**	28
Ningbo Tecomec	1,311	-	**1,311**	244
Speed France SAS	656	3	**659**	162
Speed North America INC	-	38	**38**	9
Total (D)	**38,606**	**551**	**39,157**	**9,589**

* * * * * * *

Usual dealings with related parties external to the Emak Group occurring during 2021 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 2021 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 2021 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.	1,460	-	700
Garmec S.r.l.	8	-	1
Selettra S.r.l.	2	-	-
Total (E)	**1,470**	**-**	**701**
Total C+E (note 23)	**37,317**	**2,097**	**13,335**

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.	3,038	71	**3,109**	**657**
Selettra S.r.l.	188	2	**190**	**98**
Total (F)	**3,226**	**73**	**3,299**	**755**
Other related parties (G)	**-**	**157**	**157**	**69**
Totals D+F+G (note 27)	**41,832**	**781**	**42,613**	**10,413**

Relationships of financial nature and related income:

Releted parties (€/000)	Financial income	Current financial assets	Non current financial assets
Yama S.p.A.	-	37	148
Euro Reflex D.o.o.	1	-	-
Total (note 13 and 22)	**1**	**37**	**148**

* * * * * * *

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 2021	FY 2020
Emoluments of directors and statutory auditors	1,374	716
Benefits in kind	31	31
Wage and salaries	1,182	724
Employee termination indemnities	37	48
Total	**2,624**	**1,519**

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, 2021 amounted to € 1,410 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 2021 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	624
Fondidirigenti	Contribution for training plans	10
MEF	Tax credit under Law 106/2014	2
MEF	Tax credit under Law 160/2019	629
MEF	Tax credit under Law 178/2020	4
MEF	Tax credit under Law 34/2020	28
MEF	Tax credit under Law 205/17	31
Total		**1,328**

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

	31.12.2020				Changes				31.12.2021			
	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
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	-	100	100		1,610		(1,610)	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	8,516,200	-	99.9	99.9					8,516,200	-	99.9	99.9
Total investments in subsidiaries		**89,706**				**1,610**		**(1,610)**		**89,706**		
Italy												
Equity in other companies	2 shares	2	-	-					2 shares	2	-	-
Total other companies		**2**								**2**		
Total		**89,708**				**1,610**		**(1,610)**		**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	4,318	3,886	410
Emak Deutschland Gmbh	Fellbach-Oeffingen	-	100	553	2	2	(21)
Emak UK Ltd	Burntwood	691	100	381	938	938	164
Emak France SAS	Rixheim	2,049	100	2,000	6,672	6,672	1,735
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	3,183	21,278	21,278	1,555
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	2,038	6,960	6,960	342
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,230	8,523	8,523	1,123
Epicenter LLC.	Kiev	1,690	100	547	2,946	2,946	528
Emak do Brasil Industria Ltda	Ribeirao Preto	-	99.9	3,696	(269)	(266)	(128)
Tecomec S.r.l.	Reggio Emilia	27,830	100	1,580	30,676	30,676	1,985
Comet S.p.A.	Reggio Emilia	27,232	100	2,600	46,200	46,200	5,515
Sabart S.r.l.	Reggio Emilia	21,011	100	1,900	8,224	8,224	2,127
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**	**31.12.2020**	**31.12.2019**
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	68,593	69,123
C) Current assets	9,497	12,474
D) Prepayment and accrued income	6	8
Total assets	**78,096**	**81,605**
Liabilities		
A) Equity:		
Share capital	14,619	14,619
Reserves	47,726	45,441
Net profit	657	3,691
B) Provisions for risks and charges	263	263
C) Employment benefits	3	12
D) Amounts payable	14,812	17,570
E) Accruals and deferred income	16	9
Total liabilities	**78,096**	**81,605**

INCOME STATEMENT	**31.12.2020**	**31.12.2019**
A) Revenues from sales	37	66
B) Production costs	(1,028)	(944)
C) Financial income and expenses	1,991	4,790
D) Adjustments to the value of financial assets	(520)	(370)
E) Extraordinary income and expenses	-	-
Profit before taxes	**480**	**3,542**
Income taxes	177	149
Net profit	**657**	**3,691**

Appendix 4

Schedule of fees relating to the 2021 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.	139
Audit	Deloitte & Touche S.p.A.	Italian controlled companies	180
Audit	Deloitte & Touche S.p.A. Network	Foreign controlled companies	61
Other services	Deloitte & Touche S.p.A	Italian controlled companies	38
Certification services	Deloitte & Touche S.p.A.	Emak S.p.A.	38

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.

our power, your passion

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 31,2021.

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 2022

The executive in charge of preparing the accounting statements:
Aimone Burani

The CEO:
Fausto Bellamico

Deloitte & Touche S.p.A.
Piazza Malpighi, 4/2
40123 Bologna
Italia

Tel: +39 051 65811
Fax: +39 051 230874
www.deloitte.it

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, 2021, 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, 2021, 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.

Deloitte.

Impairment of investment subsidiaries	
Description of the key audit matter	The Company records it in its financial statements as at December 31, 2021 equity investments in subsidiaries equal to Euro 89,706 thousand. The Company verified the recoverability of the equity investments for which Impairment indicators were found, in accordance with the provisions of accounting standard IAS 36 - Impairment of Assets. Impairment tests are carried out by comparing the recoverable values, determined according to the value in use method, and the related carrying amounts. As a result of the impairment tests, the Company has not recorded any impairment losses. Management's assessment process to ascertain possible impairment losses is based on assumptions concerning, among other things, the forecast of the expected cash flows of the CGUs, as well as the determination of an appropriate discount rate (WACC) and long-term growth period (g-rate). The assumptions reflected in the long-term plans of the CGUs concerned are influenced by future expectations and market conditions, which determine elements of physiological uncertainty in the estimate. In consideration of the importance of the amount of the investments in subsidiaries, the subjectivity nature of the estimates relating to the determination of the cash flows of the CGUs and the key variables of the impairment model, as well as the many unpredictable factors that can influence market trends in which the subsidiaries operate, we considered the impairment test of investments in subsidiaries to be a key audit matter of the Company's financial statements as at December 31, 2021. The explanatory notes to the financial statements in paragraphs "2.7 Impairment of assets", "2.11 Shareholdings in subsidiaries" and "4. Key accounting estimates and assumptions" describe the Management assessment process and note 20 reports the significant assumptions and information 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, also through the involvement of experts belonging to our network: • identification and understanding of the controls put in place by the Management for the recognition of the indicators of possible impairment losses and for the determination of the value in use of the CGU, analyzing the methods and assumptions used by the Management for the execution of the impairment test;

- reasonableness analysis of the main assumptions adopted for the determination of cash flow forecasts, also by analyzing data and obtaining information from Management;
- analysis of the actual values for 2021 compared to the original plans in order to assess the nature of the variances and the reliability of the budgeting process;
- evaluation of the reasonableness of the discount rates (WACC) and long-term growth rates (g-rate) applied in the test, by identifying and observing external sources usually used in professional practice;
- 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 the Management;
- examination of the adequacy of the disclosure provided on impairment tests and of its compliance 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. 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 on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Emak S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

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, 2021, 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, 2021 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, 2021 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
Stefano Montanari
Partner

Bologna, Italy
March 28, 2022

As disclosed by the Directors on page 29, the accompanying financial statements of Emak S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Emak S.p.A.
42011 Bagnolo in Piano (RE) Italy
www.emakgroup.com
www.linkedin.com/company/emak-s-p-a-