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

Annual report at 31 December 2016

These financial statements were approved by the Board of Directors on 16 March 2017.

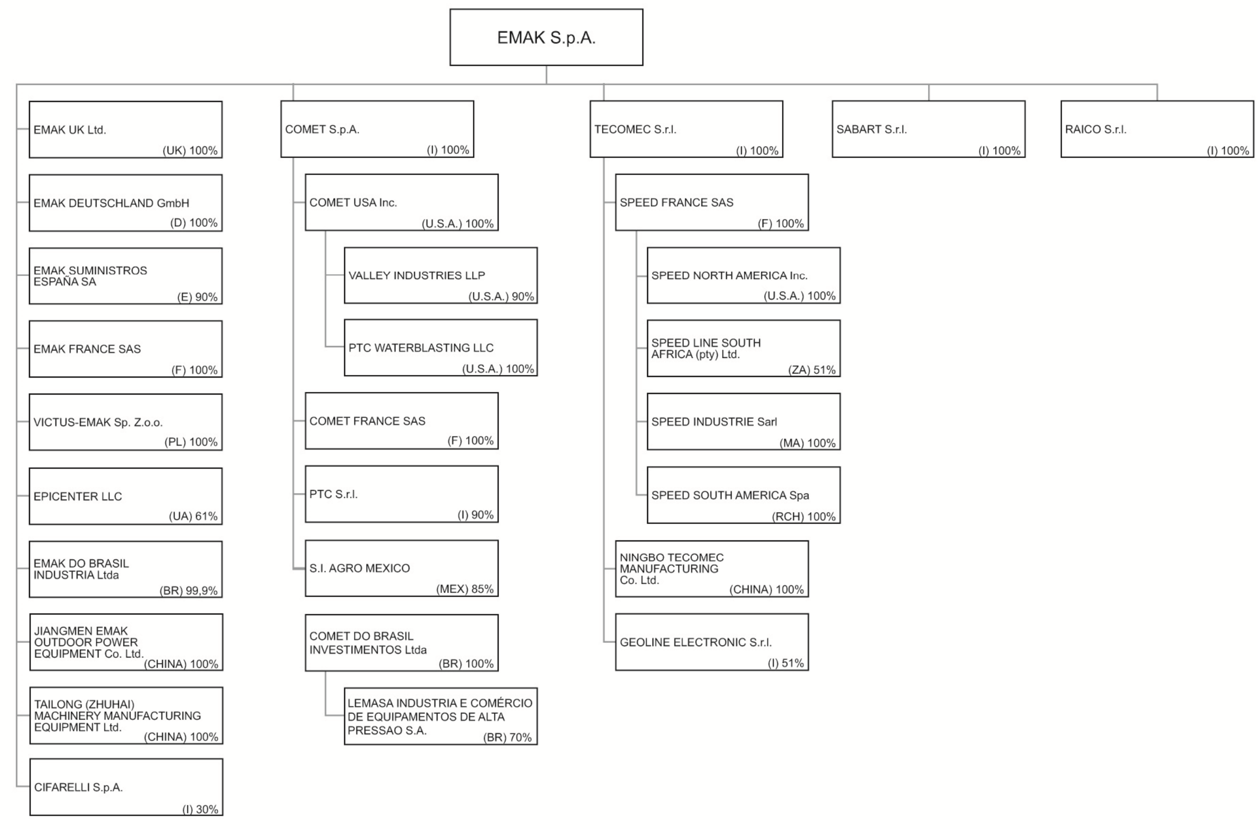
This report is available on the Internet at the address www.emak.it

Emak S.p.A. • Via Fermi, 4 • 42011 Bagnolo in Piano (Reggio Emilia) ITALY
Tel. +39 0522 956611 • Fax +39 0522 951555 - info@emak.it • www.emak.it
Capitale Sociale Euro 42.623.057,10 Interamente versato • Registro delle Imprese N. 00130010358 • R.E.A. 107563
Registro A.E.E. IT08020000000632 • Registro Pile/Accumulatori IT09060P00000161
Meccanografico RE 005145 • C/C Postale 11178423 • Partita IVA 00130010358 • Codice Fiscale 00130010358

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

Contents

Organizational chart of Emak Group as at 31 December 2016

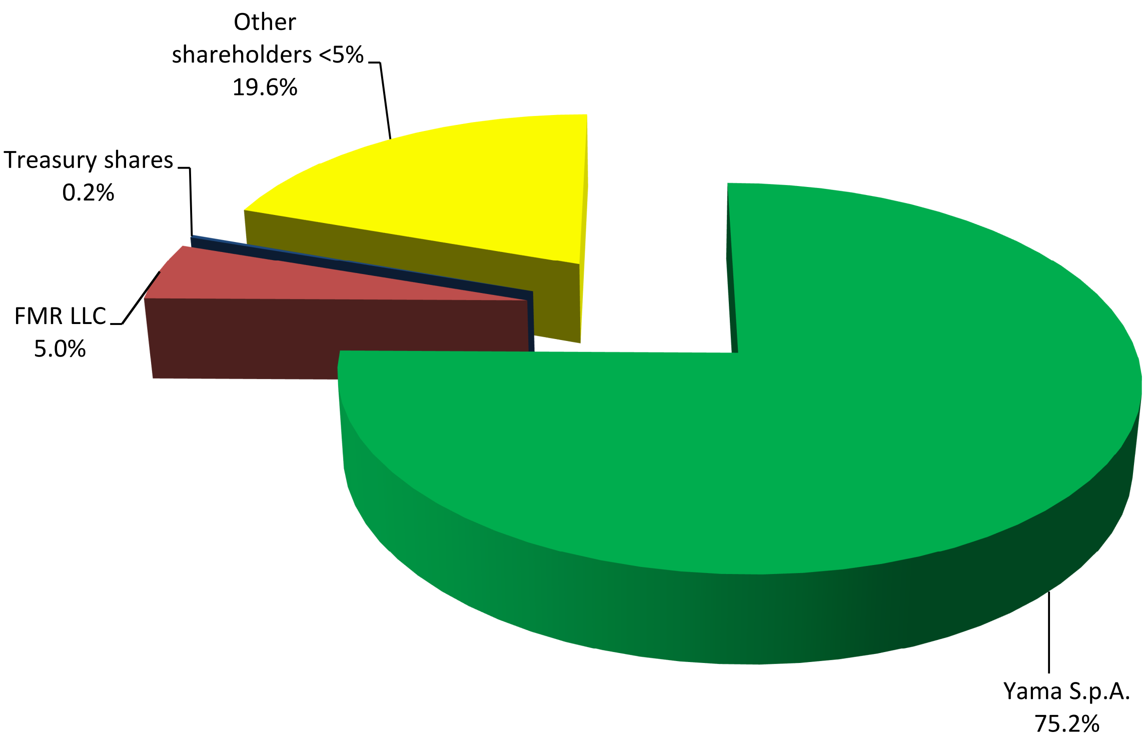


Valley Industries LLP is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 10%.
Lemasa is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 30%.
P.T.C. S.r.l. is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 10%.
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.

Main shareholders of Emak S.p.A.

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

At the time of publication of this report, 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 22 April 2016 appointed the Board of Directors and the Board of Statutory Auditors for the financial years 2016-2018 and conferred also the engagement for the independent audit for the financial years 2016-2024.

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

Emak Group profile

The Emak Group consists of 29 companies active in the development, production and marketing of a wide range of products for three business segments: Emak S.p.A. and its commercial and production subsidiaries (10 companies in total) in the Outdoor Power Equipment segment; Comet S.p.A. and its productive and commercial subsidiaries (9 companies in total) in the segment Pumps and High Pressure Water Jetting; Tecomec S.r.l. and its production and commercial subsidiaries (8 companies in total), Sabart S.r.l. and Raico S.r.l. in the segment Components and Accessories.

I. Outdoor Power Equipment, includes the development, manufacture and marketing of products for gardening, forestry and small agricultural equipment, such as brush cutters, lawnmowers, garden tractors, chainsaws, tillers and motor cultivators. The Group distributes its products under its main brands Oleo-Mac, Efco, Bertolini and Nibbi Staub (the latter only to the French market). The Group’s product range is intended for professional and high demanding private users. The Group operates mainly in the specialized dealer channel, distributing its products through its commercial subsidiaries and, where it hasn’t a direct presence, through a network of 135 distributors; it is estimated to serve around the world over 22,000 specialty dealers.
The reference market of the Group (considered to be the specialized dealer channel, excluding large-scale distribution) has an estimated value of 7-8 billion Euros. In mature markets such as North America and Western Europe, demand is mainly for replacement: the main driver is represented by economic and gardening trends. Weather conditions are a factor affecting the level of demand for some product families such as brush cutters, lawnmowers and garden tractors in the spring-summer and chainsaws in the autumn-winter. In emerging markets, such as the Far East, Eastern Europe and South America, demand is mainly for "first purchase": the main driver in these areas is economic growth, the evolution of agricultural mechanization and relative support policies. Another factor that influences the demand is the price of commodities: the trend in oil prices can affect the demand for alternative energy sources, such as wood for heating and consequently the demand for chain saws; the trend in the price of agricultural commodities influences investments in agricultural equipment.

II. Pumps and High Pressure Water Jetting, This category brings together the development, manufacture and marketing of diaphragm pumps intended for agriculture (spraying and weeding), piston pumps for the industrial sector, of professional pressure washers and hydrodynamic units and machines for urban cleaning. The Group distributes its products under the Comet, HPP, PTC and Master Fluid brands. Group customers are: manufacturers of machines for spraying and weeding with regard to agriculture pumps; builders of hydrodynamic units and pressure washers in relation to industrial pumps; specialized dealers and contractors respectively for pressure washers and hydrodynamic units.
The market has a value globally estimated at between 2.5 and 3.4 billion Euros.
The <u>pumps for agriculture</u> market consists mainly of Italian operators. The demand is strongly linked to economic cycles, population growth and the resulting increase in demand for agricultural production; in developing countries demand is linked to the evolution of the mechanization of agriculture and relative support policies.

The market for high pressure water jetting is constantly evolving, given the different fields of application of pumps and systems. There are several drivers of market demand, depending on the type of product:

a) *Industrial pumps*: demand is related to market performance of hydrodynamic units and pressure washers.
b) *Professional pressure washers*: economic trends; increase in hygiene standards (especially in developing countries).
c) *Hydrodynamic units*: demand is linked to the performance of sectors / fields of application such as: hydro demolition; hydro cleaning and ship repair; refineries; mines and quarries; oil industry; hydro cleaning underwater; iron and steel; foundries; chemical processes; energy production; paper mills; transport; municipalities; food; automotive and motor Industry.
d) *Urban cleaning:* the economic policies of local governments.

III. Components and Accessories, includes the development, manufacture and marketing of products the most representative of which are wire and heads for brushcutters; chainsaw accessories (eg. sharpeners); guns, valves and nozzles for pressure washers and agricultural applications; precision farming (sensors and computers); seats and technical parts for tractors. In this sector, the Group operates partly through its brands Tecomec, Geoline, Geoline Electronic, Mecline, Sabart, Raico, and partly by distributing products with third party brands. The Group's main customers are manufacturers of outdoor power equipment, machines for spraying and weeding, pressure washers and hydrodynamic units (high pressure washing systems) and specialized dealers. The demand for components and accessories is related to the economic cycle (OEM business) and the intensity of use of the machines (aftermarket). For products intended for the agricultural sector, demand is strongly linked to economic growth, population growth and the resulting increase in demand for agricultural production. The high pressure water jetting sector is tied to the economic cycle and to investments in market sectors for applications and hydrodynamic units.






The Group's business is affected by seasonal demand. Gardening machines and components, which represent the majority of the Group's sales, follow the purchase model of the end user. Most of the products are in fact sold in the spring and summer, seasons in which are concentrated the maintenance of the green. Whereas the principal Group's markets are in the northern hemisphere, sales are concentrated in the first and second quarters, in order to supply the network of specialized dealers in time to meet the demands of the end customer at the beginning of season. The demand for products aimed forest activity is usually higher in the second half. Demand for the products of the line Pumps and High Pressure Water Jetting sees a higher concentration in the first half given the more pronounced seasonality of sales of pumps for agriculture, while the product water jetting (industrial pumps, pressure washers and hydrodynamic units) are overall homogeneously distributed during the year.

Production structure

The production model is flexible and focused on high value added engineering, industrialisation and assembly phases. The production plant are directed towards “lean manufacturing”, with the involvement of the supply chain according to the extended factory model.
With specific reference to the *Outdoor Power Equipment* segment, in the hand-held products (such as brush-cutters and chain saws) the motor is integrated in the machine and is conceived and designed entirely by the Group. The components are then made by external suppliers and finally assembled internally. With regards to wheel-based products (lawnmowers, mini-tractors, rotary tillers and rotary cultivators), the motor is acquired from leading producers and the machine is then assembled internally. With reference to lawnmowers, the Group produces the shells for its own products internally with a vertical process that goes from the processing of the sheet metal to coating and final assembly.
With relation products in the *Pumps and High Pressure Water Jetting* segment, the pumps for agriculture and for industry are entirely designed in the Group’s Research and Development structure. The components are made externally by selected suppliers and then assembled internally. The pumps constitute the core of the high-pressure cleaning and hydrodynamic units, while the motor, other mechanical components and the frame are acquired externally and then assembled internally.
With regards to the *Components and Accessories* segment, the production model varies according to the product. The wire for brush-cutters follows an entirely vertical process, from the acquisition of the raw material to the processing and packaging of the finished product. The heads for brush-cutters and the pistols for hydro-cleaners involves are in part made internally, with regards to the moulding of the plastic, and then the mechanical components acquired from external suppliers are assembled. For the precision-farming line, the design of the electronic parts and the development of the software, which represent the added value part of the products, are carried out internally, as is the final assembly. The most significant products in the forestry line are designed and developed by the Group, which assembles the components made externally. Other products, considering the type of processing required, making internal production inefficient, are made and assembled by specific suppliers on the basis of the designs developed by the Group’s R&D structure.
Production volumes can be easily modified to adapt to fluctuations in demand through flexible management so that seasonal peaks in demand can be met through overtime or additional shifts, without the need for additional investments.

Each plant has specific characteristics that vary according to the products manufactured. The Group manufactures its products in 16 different facilities that have a combined surface area of around 160,000 m^2.

Company	Location	Output
Emak	Bagnolo in Piano (RE) - Italy Pozzilli (IS) - Italy	Chainsaws, brushcutters, power cutters, cultivators, cutter bar mowers, transporters Lawnmowers and rotary tillers
Emak Tailong	Zhuhai - China	Cylinders for combustion engines
Emak Jiangmen	Jiangmen - China	Chainsaws and brushcutters intended for the price sensitive segment
Tecomec	Reggio Emilia - Italy	Accessories for agricultural machinery for spraying and weeding and accessories and components for pressure washers
Speed France	Arnas - France	Nylon line and heads for brushcutters
Speed North America	Wooster, Ohio - USA	Nylon line for brushcutters
Speed Line South Africa	Pietermaritzburg - South Africa	Nylon line for brushcutters
Speed Industrie	Mohammedia - Marocco	Nylon line for brushcutters
Speed South America	Providencia, Santiago - Chile	Nylon line for brushcutters
Ningbo	Ningbo - China	Accessories and components for high pressure washing and chain saws and brushcutters
Geoline Electronic	Poggio Rusco (MN) - Italy	Computers, control units and electronic control systems for agricultural machines for spraying and weeding
Comet	Reggio Emilia - Italy	Pumps, motor pumps and control units for agriculture and industry and pressure washers for the cleaning sector
Valley	Paynesville, Minnesota - Usa	Components and accessories for industry and agriculture sectors
P.T.C.	Rubiera (RE) - Italy	Hydrodynamic units
Lemasa	Indaiatuba - Brazil	High pressure pumps

2016 Annual Directors' Report

Strategy

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

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

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

Main risks and uncertainties

The Group believes that effective risk management is a key factor for maintaining value over time: for this reason, in the conduct of its business, the Group through its governance structure and Internal Control System, defines its strategic and operative objectives and monitors, as well as manages, the risks that could compromise the achievement.

The effective management of risks is a key factor in the creation of the Group's value over time, especially in the light of the difficult macro-economic situation, and is a support to management in defining the most appropriate competitive strategies.

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

In order to prevent and manage the most significant risks, the Group uses a risk classification model, dividing risks according to the business function from which they may derive or through which they can be managed. Risk assessment is carried out on the basis of an estimate of the financial impact and the probability of occurrence.

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.

Internal Audit's task is to control the efficiency and effective functioning of the internal control and risk management system through risk assessment activities and the management of the results of this analysis, with particular attention to the continuous improvement of management policies.

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

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

Competition and market trends
The Group operates on a global scale, in a sector characterized by a high level of competition and in which sales are concentrated mainly in mature markets with moderate or low rates of growth in demand.
Performances are closely correlated to factors such as the level of prices, product quality, trademarks and technology, which define the competitive positioning of operators on the market. The competitive position of the Group. which compares with global players that often have greater financial resources as well as greater diversification in terms of geography, makes particularly significant the exposure to risks typically associated with market competitiveness.

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

Product innovation
The Group operates in an industry where product development in terms of quality and functionality is an important driver for the maintenance and growth of its market share.
The Group responds to this risk with continuous investment in research and development in order to continue to offer innovative and competitive products compared to those of its main competitors in terms of price, quality, functionality.

Environment, Health and Safety
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 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
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.

Raw material components
The Group’s economic results are influenced by the trend in the price of raw materials and components. The main raw materials used are copper, steel, aluminum and plastic materials. Their prices can fluctuate significantly during the year since they are linked to official commodity prices on the reference markets.

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.

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.

Impacts resulting from Brexit
The Group is present in the UK market through its own sales subsidiary for the distribution of products of the Outdoor Power Equipment segment, and independent distributors for the other segments. The turnover of the Emak Group on the British market represents less than 3% of consolidated revenues. The main risk for the Group is represented by the potential loss of profitability due to the fluctuation in the exchange rate of the British pound against the Euro. The Group manages this eventuality through hedging contracts in exchange rates and the adaptation of the commercial conditions applied to customers.

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 against major risks considered as strategic, such as: product liability and product recall, general civil liability and property all risks. Other insurance coverage has been taken out at the local level in order to respond to regulatory requirements or specific regulations.
The analysis and insurance transfer of the risks to which the Group is exposed is carried out in collaboration with an insurance broker who, through an international network, is also able to assess the adequacy of the management of the Group's insurance programs on a global scale.

1. Main economic and financial figures for the Group

Income statement (€/000)

	Y 2016	Y 2015
Revenues from sales	391,879	381,579
EBITDA before non ordinary expenses (*)	40,479	37,495
EBITDA (*)	39,469	35,814
EBIT	21,869	23,286
Net profit	17,683	8,992

Investment and free cash flow (€/000)

	Y 2016	Y 2015
Investment in property, plant and equipment	12,159	10,291
Investment in intangible assets	2,386	1,926
Free cash flow from operations (*)	35,283	21,520

Statement of financial position (€/000)

	31.12.2016	31.12.2015
Net capital employed	261,751	267,871
Net debt	(80,083)	(99,383)
Total equity	181,668	168,488

Other statistics

	Y 2016	Y 2015
EBITDA / Net sales (%)	10.1%	9.4%
EBIT / Net sales (%)	5.6%	6.1%
Net profit / Net sales (%)	4.5%	2.4%
EBIT / Net capital employed (%)	8.4%	8.7%
Debt / Equity	0.44	0.59
Number of employees at period end	1,686	1,693

Share information and prices

	31.12.2016	31.12.2015
Earnings per share (€)	0.108	0.054
Equity per share (€) (*)	1.10	1.02
Official price (€)	0.91	0.77
Maximum share price in period (€)	0.91	0.98
Minimum share price in period (€)	0.60	0.76
Stockmarket capitalization (€ / million)	149	126
Average number of outstanding shares	163,537,602	163,537,602
Number of shares comprising share capital	163,934,835	163,934,835
Cash flow per share: net profit + amortization/depreciation (€) (*)	0.216	0.132
Dividend per share (€)	0.035	0.025

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

2. Research and development activities

Research and development is one of the pillars on which the Group's growth is based, being a source of competitive advantage in international markets and often determining the success of an enterprise. For this reason, where possible, the Group protects its products with international patents.
The activity is focused on product innovation, considered as the development of new technologies that improve the performances of the products and which can further expand the fields of use of the components and accessories. The Group has for some years entered into partnerships with the academic world in order to develop new technologies that can be applied to its products.

Below is a list of the main activities carried on by the Group subdivided by business lines.

Outdoor Power Equipment

Besides consolidating the sales of products launched in the second part of 2015 (including, in particular, a line of 27cc and 30cc brush-cutters and a line of belt-drive rotary tillers for private use in small plots), 2016 also saw the launch of a series of important products for the company. These include, in particular, a new 25cc top handle professional chainsaw (developed for precision pruning of olive and fruit trees characterised by an excellent weight/power ratio), a 40cc brush-cutter for developing markets and a professional lawnmower in aluminium for maintenance staff working in urban green areas. 2016 was a very important year for the continuation of the development of new machines for future sale, such as another new model of professional chainsaws for pruning tall trees and a new line of rotary cultivators for professional users, besides the development of important technologies for the future, such as Electronic Motor Control and, most of all, battery power.

Pumps and High Pressure Water Jetting

In the range of pumps for agriculture, the range of high capacity pumps with a low pressure membrane was completed with the introduction of the last two models. Now all the cylinders requested by the market for this totally innovative design protected by an industrial patent are available for series production.
With regards to high pressure water jetting products, the Group has completed the development and placing into production of two new models of electric-powered hot water pressure washers: one is streamlined, intended for professional use and the other has a metallic frame for industrial use. In addition, two new pump models have been introduced, one at high pressure with a stainless steel head and one with a new design specifically for high-pressure cleaners with a combustion engine. Finally, the development of applications for pumps in the HPP range characterized by medium-high pressure has continued.
The completion of various activities that will bring onto the market other new products relating to all product families is planned for 2017.

Components and Accessories

The development and implementation of cutting systems for brush-cutters, electric and battery-operated trimmers has continued during the year, in collaboration with leading international manufacturers. The action taken has focused mainly on research on combinations between thread-heads and new generation plastic cutting blades and discs aimed at reducing energy consumption, noise and vibrations as required by new international standards. With regards to machines and accessories for chainsaw maintenance, worth noting is the completion of the development of a new range of products for the professional and consumer market.

With regards to the farming accessories line, research and development was most of all focused on projects for the integrated feeding/farming of electronic control systems. The objective aimed for with this new generation of products is to develop solutions for managing soil treatments according to the efficiency of the crops. Furthermore, the range of capacity metres and sensors intended or spraying and weeding machines has been further extended. Finally, with the support of a number of Italian universities, a research project for the collection of data useful for the generation of working maps for the development of applications for cloud platforms has been set up.

As part of the development of products for the industrial washing sectors, it is worth pointing out the further investments in research aimed at implementing a range of pressure regulation valves, which will make it possible to offer customers, in the next season, products with greater reliability and precision. This initiative has been carried out in collaboration with the University of Modena and Reggio Emilia, which has tested and supported in the study and experimental phase of the various technical solutions, which have also been registered with industrial patents. In addition, in 2016 development activities on the professional range continued with the introduction into the catalogue of new products for high pressure and capacity uses. The line dedicated to heads and rotating nozzles for industrials applications was also further extended.

3. Human resources

The breakdown of staff by country at 31 December 2016, with comparisons for last year, is shown in the table below:

	TOTAL GROUP		OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES	
Employees at	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Italy	**850**	838	**450**	444	**205**	208	**195**	186
France	**142**	140	**45**	46	**10**	7	**87**	87
UK	**10**	12	**10**	12	**-**	-	**-**	-
Spain	**20**	18	**20**	18	**-**	-	**-**	-
Germany	**23**	26	**23**	26	**-**	-	**-**	-
Poland	**38**	39	**38**	39	**-**	-	**-**	-
Ukraine	**34**	33	**34**	33	**-**	-	**-**	-
Usa	**92**	91	**-**	-	**50**	52	**42**	39
Brasil	**112**	109	**11**	9	**101**	100	**-**	-
Mexico	**13**	12	**-**	-	**13**	12	**-**	-
Chile	**9**	9	**-**	-	**-**	-	**9**	9
China	**307**	330	**175**	186	**-**	-	**132**	144
South Africa	**6**	6	**-**	-	**-**	-	**6**	6
Morocco	**30**	30	**-**	-	**-**	-	**30**	30
Total	**1,686**	1,693	**806**	813	**379**	379	**501**	501

The total number of staff in the Emak Group at December 31, 2016 was 1,686, so that allocated to the three segments: Outdoor Power Equipment 806 (7 of which are used in a Group-wide coordination functions), Pumps and High Pressure Water Jatting 379, Components and Accessories 501.

In the course of 2016 the Group companies have also used on average 146 temporary workers.

Within the OPE segment, during the year 2016 in Emak S.p.A. were carried out a total of 2,380 hours of specialist and managerial training, with 92 people involved, as well as additional 5,053 hours of training on the production lines and safety training, with the involvement of 125 production employees. In the context of the Parent Company was also completed a major project of management training that initially involved the managers and was subsequently extended to other senior executives. The parent company Emak S.p.A. ceased the solidarity agreement on 5 February 2016 (2,951 hours of solidarity carried out in 2016).

Regarding the PWJ segment, in Comet S.p.A. were performed 246 hours of management training (in addition to 615 hours of compulsory training). The company PTC srl has initiated a reorganization of production logistics process with the grouping of the structures of Genoa and Rubiera (RE) in a single new office in Rubiera (RE).

With regard to the C&A segment, Tecomec srl (399 units) has achieved 2,170 hours of specialist and managerial training involving 56 employees, in Sabart S.r.l. (55 units) and Raico srl (47 units) were carried out are a total of 440 hours (referred to in part related to the area of security). During the year Sabart and Raico started a commercial synergy project

With regard to company contracts within the Group at the end of 2016 expired the company agreements of Tecomec and Sabart (in Tecomec the negotiations for the renewal have not yet been launched, while in Sabart the platform was presented with the hypothesis of renewal at the end of February).
The company agreement of the Parent Company expires at the end of 2017, while that of Comet expires at the end of 2018.

During the year, some Group companies have supported the staff restructuring charges totaling € 248 thousand.

4. Economic and financial results of Emak Group

Economic results

Highlights of the 2016 consolidated income statement broken down by operating segment are summarized below:

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
Sales to third parties	177,006	174,805	102,916	99,974	111,957	106,800	-	-	**391,879**	**381,579**
Intersegment sales	1,522	4,836	1,411	1,511	6,674	6,735	- 9,607	- 13,082		
Revenues from sales	178,528	179,641	104,327	101,485	118,631	113,535	- 9,607	- 13,082	**391,879**	**381,579**
Ebitda	10,996	12,493	14,008	12,777	17,009	13,120	- 2,544	- 2,576	**39,469**	**35,814**
Ebitda/Total Revenues %	*6.2%*	*7.0%*	*13.4%*	*12.6%*	*14.3%*	*11.6%*			***10.1%***	***9.4%***
Operating profit	4,827	6,059	6,306	10,127	13,280	9,676	- 2,544	- 2,576	**21,869**	**23,286**
Operating profit/Totale Revenues %	*2.7%*	*3.4%*	*6.0%*	*10.0%*	*11.2%*	*8.5%*			***5.6%***	***6.1%***
Net financial expenses									**1,049**	**- 4,544**
Profit befor tax									**26,530**	**15,092**

Revenues from sales

Emak Group achieved a consolidated turnover of € 391,879 thousand, compared to € 381,579 thousand of last year, an increase of 2.7%. This increase is due of 3.2% for organic growth, 0.5% for the change in the scope of consolidation and by negative effect of currency for 1.0%.

As of this Annual Report, the Group, in line with the continuous improve of the management and control system followed by the management, reports its results by analyzing the data by business segment. In order to allow a comparison with the previous year, it has reclassified its revenues on the basis of what has been achieved by individual business units.

The following table shows an analysis of sales reported for 2016, broken down by business and geographic area, compared with the sales of the same period of the previous year:

	OUTDOOR POWER EQUIPMENT			POMPE E HIGH PRESSURE WATER JETTING			COMPONENTI E ACCESSORI			CONSOLIDATO		
€/000	**31.12.2016**	**31.12.2015**	**Var. %**	**31.12.2016**	**31.12.2015**	**Var. %**	**31.12.2016**	**31.12.2015**	**Var. %**	**31.12.2016**	**31.12.2015**	**Var. %**
Europa	148,692	144,203	3.1	44,560	43,039	3.5	72,167	69,415	4.0	265,419	256,657	3.4
Americas	7,192	10,476	(31.3)	47,784	46,115	3.6	28,717	27,033	6.2	83,693	83,624	0.1
Asia, Africa e Oceania	21,122	20,126	4.9	10,572	10,820	(2.3)	11,073	10,352	7.0	42,767	41,298	3.6
Totale	**177,006**	**174,805**	**1.3**	**102,916**	**99,974**	**2.9**	**111,957**	**106,800**	**4.8**	**391,879**	**381,579**	**2.7**

Outdoor Power Equipment

In Europe, the increase was due to the good performance achieved in the Italian market and the Mediterranean. On the Eastern European market sales were in line with last year. The negative result of the

Americas was mainly due to Latin American markets, which in 2015 had benefited from an extraordinary delivery. The increase in sales in the Asia, Africa and Oceania is linked in particular to the good results obtained in Turkey and India.

Pumps and High Pressure Water Jetting

The increase in sales in the markets of Western Europe has led to the growth in Europe. The good results achieved in South America, thanks to strong performance in Mexico and the contribution of sales in the first quarter of Lemasa, not included in the same period of 2015, were the main factor behind the growth in the Americas. In the Asia, Africa and Oceania sales were generally in line compared to the same period of last year.

Components and Accessories

The positive sales performance in Western Europe was the main contributor to growth in the European market. The increase in sales in the Americas has been determined by the increase in sales in the South American market and the good results obtained in the US from new gardening products. In the Asia, Africa and Oceania the Group recorded a positive performance, particularly in Japan, and to a lesser extent in Oceania.

EBITDA

Ebitda for the period reached € 39,469 thousand (an incidence of 10.1% on sales) compared to € 35,814 thousand in 2015 (an incidence of 9.4% on sales), with an increase of 10.2% (9.6% on an equal area).

The increase in personnel costs is related to the changes in the scope of consolidation, higher costs for temporary staff used in some production facilities of the Group in order to deal with the increased production volumes and minor use of social welfare compared to last year. Overall, the Group employed an average of 1,830 resources (1,809 in 2015).
Operating costs decreased compared to 2015 mainly due to the activities put in place to reduce service costs and the overall containment of the general operating costs.

During the year the Group incurred expenses of workforce reorganization and restructuring for 534 thousand, expenses for acquisitions for € 377 thousand and expenses related to disputes for € 99 thousand, for a total value of € 1,010 thousand (€ 1,681 thousand in 2015).

By adjusting the figure for both years from the costs mentioned above, EBITDA would be equal to € 40,479 thousands equal to 10.3% of revenues, compared to € 37,495 thousand in the previous year, with a margin of 9.8%.

Outdoor Power Equipment

The result of the segment is primarily due to the unfavorable sales mix in the market and higher costs for acquisitions, reorganization and litigation management. These effects were partly limited by the reduction of operating costs.

Pumps and High Pressure Water Jetting

The increase in EBITDA for the year was due to higher sales volumes, with the concomitant reduction in direct production costs and a favorable product mix. The increase in personnel costs is primarily due to the consolidation of the Brazilian subsidiary Lemasa for the entire year.

Components and Accessories

The improvement achieved was mainly due to a more favorable mix of revenues, both in terms of products and sales channels. The higher personnel expenses is directly linked to the strengthening of the structure and especially the increased use of temporary workers to meet production volumes.

EBIT

Ebit for 2016 amounted to € 21,869 thousand, with a margin on revenues of 5.6% compared to € 23,286 thousand (6.1% of revenues) of 2015, 6.1% down.

Amortization and depreciation provisions amount to € 17,600 thousand against € 12,528 thousand in the previous year. The figure includes the devaluation of the goodwill of Lemasa LTDA for an amount of € 4,811 thousand, recognized as a result of the impairment test procedure. For details reference should be made to the next note 20 of the consolidated financial statements.

Excluding charges for acquisitions, workforce reorganization and litigation recorded in both years and the impairment mentioned above, operating income would have been € 27,690 thousand (7.1% of revenues) compared to € 24,967 thousands (6.5% of revenues)

The ratio of operating profit to invested capital is 8.4% (10.6% excluding charges and impairment) compared to 8.7% of 2015 (9.3% excluding the abovementioned charges).

Net profit

The net profit for the year is € 17,683 thousand against € 8,992 thousand for the previous financial year

The increase in "Financial income" (€ 7,105 thousand compared to € 1,255 thousand in 2015) refers to the income arising from the estimate of the liability for the commitment to purchase the remaining stake in Lemasa for a total amount of € 5,115 thousand, as described in note 15 to the consolidated financial statements.

The item "Financial expenses" includes € 2,015 thousand relating to the discounting effect of the debts to sellers of Lemasa equity investment and € 360 thousand as a major consideration paid in settlement of the pro-rata price for the purchase of the shareholding in the subsidiary S.I.Agro Mexico.

Currency management of 2016 was positive for € 3,407 thousand, compared to a negative balance of € 3,650 thousand of last year.
Exchange gains for the year 2016 include the recognition of a foreign exchange gain of a financial nature for € 1,685 thousand emerging from the conversion into equity of intercompany loans previously granted by the company Comet S.p.A. to the subsidiary Comet do Brasil, amounting to € 9,240 thousand. The adjustment to the year-end rate of this loan led to the recognition in the previous year to a loss of from currency translation in the amount of approximately € 1,830 thousand. The result of currency management has also benefited from the appreciation of the USD against the Euro.

The tax rate amounted to 33.3% (32.1% excluding non-ordinary tax effects that have influenced the dynamics) compared to 40.4% in the previous year (33.1% net of no ordinary tax effects). For more details, please refer to the notes 16 of the consolidated financial statements.

Statement of financial position analysis

€/000	31.12.2016	31.12.2015
Net non-current assets (*)	116,128	113,363
Net working capital (*)	145,623	154,508
Total net capital employed	**261,751**	**267,871**
Equity attributable to the Group	180,173	166,992
Equity attributable to non controlling interests	1,495	1,496
Net debt	(80,083)	(99,383)

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

Net non-current assets

Net non-current assets at December 31, 2016 amount to € 116,128 thousand compared to € 113,363 thousand at December 31, 2015.

During 2016 Emak Group invested € 14,545 thousand in property, plant and equipment and intangible assets, as follows:

- € 3,887 thousand for product innovation;
- € 5,342 thousand for adjustment of production capacity and for process innovation;
- € 2,302 thousand for upgrading the computer network system and application software;
- € 720 thousand for acquisition of an industrial building;
- € 1,503 thousand for modernization of industrial buildings;
- € 791 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:

- € 9,845 thousand in Italy;
- € 2,041 thousand in Europe;
- € 1,582 thousand in the Americas
- € 1,077 thousand in Asia, Africa and Oceania

Net working capital

Net working capital moved from € 154,508 thousand at December 31, 2015 to € 145,623 thousand, with an decrease of € 8,885 thousand.

The following table reports the change in net working capital in 2016 compared with the previous year:

€/000	Y 2016	Y 2015
Net working capital at 1 January 2016	**154,508**	**148,575**
Increase/(decrease) in inventories	(11,281)	8,021
Increase/(decrease) in trade receivables	(131)	(592)
(Increase)/decrease in trade payables	2,166	(5,172)
Change in scope of consolidation (acquisition)	140	3,487
Other changes	221	189
Net working capital at 31 December 2016	**145,623**	**154,508**

The decrease in net working capital was consequent to the efficiencies obtained in the inventory management. The ratio of net working capital on sales moved from 40.5% to 37.2%.

Equity

Equity at December 31, 2016 is € 181,668 thousand against € 168,488 thousand at December 31, 2105.

Net financial position

Net financial position is € 80,083 thousand at December 31, 2016 against € 99,383 thousand at December 31, 2015.
The following table shows the movements in the net financial position of 2016:

€/000	Y 2016	Y 2015
Opening NFP	**(99,383)**	**(79,043)**
Ebtida	39,469	35,814
Financial income and expenses	1,254	(4,544)
Exchange gains and losses	3,407	(3,650)
Income taxes	(8,847)	(6,100)
Cash flow from operations, excluding changes in operating assets and liabilities	**35,283**	**21,520**
Changes in operating assets and liabilities	11,892	(3,477)
Cash flow from operations	**47,175**	**18,043**
Change in tangible and intangible assets	**(17,600)**	**(13,345)**
Other equity changes	**(4,313)**	**(3,397)**
Changes from exchange rates and translation reserve	**(5,450)**	**7,408**
Change in scope of consolidation	**(512)**	**(29,049)**
Closing NFP	**(80,083)**	**(99,383)**

The cash flow from operating activities is positive for 47,175 thousand Euro, compared to 18,043 thousand Euro for last year. The positive result was achieved thanks to the improvement in EBITDA, the favorable impact of foreign exchange and a more efficient management of working capital. The figure includes, in the item "Financial income and charges", the favorable effect debt reduction for the purchase of Lemasa to € 5,115 thousand. The item "Changes in investments and disposals" includes the consideration paid for the acquisition of 30% of Cifarelli S.p.A. equal to € 3,750 thousand.

Details of the net financial position is analyzed as follows:

	Net financial position	31/12/2016	31/12/2015
A.	Cash	32,545	42,518
B.	Other cash at bank and on hand (held-to-maturity investments	-	-
C.	Financial instruments held for trading	-	-
D.	**Liquidity funds (A+B+C)**	**32,545**	**42,518**
E.	**Current financial receivables**	**545**	**540**
F.	Current payables to banks	(11,833)	(17,073)
G.	Current portion of non current indebtedness	(32,862)	(37,876)
H.	Other current financial debts	(2,469)	(1,488)
I.	**Current financial indebtness (F+G+H)**	**(47,164)**	**(56,437)**
J.	**Current financial indebtness, net (I+E+D)**	**(14,074)**	**(13,379)**
K.	Non-current payables to banks	(63,249)	(78,696)
L.	Bonds issued	-	-
M.	Other non-current financial debts	(12,858)	(15,144)
N.	**Non-current financial indebtness (K+L+M)**	**(76,107)**	**(93,840)**
O.	**Net indebtness (J+N)**	**(90,181)**	**(107,219)**
P.	Non current financial receivables	10,098	7,836
Q.	**Net financial position (O+P)**	**(80,083)**	**(99,383)**

Long-term financial payables include, further the non-current portion of loan principal repayments, debt for the purchase of the remaining minority shares in the amount of € 11,976 thousand

Financial liabilities (short term and medium-long term) for the purchase of the remaining minority shares and for the regulation of acquisition operations with deferred price subject to contractual constraints, in the amount of € 13,535 thousand related to the following companies:
- Valley LLP for € 1,559 thousand;
- P.T.C S.r.l for € 201 thousand;
- Lemasa for € 11,775 thousand.

Short-term debt mainly includes:
- Bank overdrafts;
- Mortgage repayments due by December 31, 2017;
- Debts to other financial institutions due by December 31, 2017;
- Payables for acquisition of investments in the amount of € 1,559 thousand.

5. Results of Group companies

5.1 Emak S.p.A. – Parent Company

The Parent Company achieved net revenues of € 128,001 thousand against € 125,774 thousand in 2015, a increase of 1.8%.
Revenue growth was mainly related to higher sales in Europe, particularly in countries of the western and Mediterranean, and Asia, which more than offset the delay in the North and South America.

Ebitda in the year is € 4,590 thousand, against € 4,642 thousand in the last financial year. The result for the period was affected by costs not related to normal operation (acquisition operations, staffing reorganization, litigation) for an amount equal to € 583 thousand

Ebit in the year is negative for € 1,508 thousand, against a positive result of 259 thousand in 2015; this amount in is affected by the writing down of the equity interest in the Brazilian company Emak do Brasil and in the Germany company Emak Deutschland for overall € 1,725 thousand.

Net profit stands at € 7,010 thousand, against € 6,953 thousand in 2015. The result has been influenced by lower dividends received from subsidiary companies and lower financial charges.
Currency management has led to lower proceeds for € 328 thousand, moving from € 1,748 thousand in the previous year to € 1,420 thousand in 2016.

The result of the tax was a loss of € 162 thousand compared to a profit of € 539 thousand in the previous year. The change was mainly due to the fact that in 2015 benefited for the first time of the so called facilitation "ACE" following the favorable response to the ruling filed by the company with reference to the fiscal 2014 period, to assert the subsequent tax periods, amounting to € 1,062 thousand.

The net negative financial position has moved from € 25,014 thousand at 31 December 2015 to € 17,206 thousand, mainly thanks to significant efficiencies achieved in net working capital management.

5.2 Subsidiaries

At 31 December 2016 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 28 companies.

The economic figures of the subsidiary companies, drawn up in compliance with IAS/IFRS international accounting standards, are shown below, with the exception of P.T.C. Waterblasting, since it was dormant during the year 2016

		31/12/2016		31/12/2015		
Company	**Head office**	**Net sales**	**Net profit**	**Net sales**	**Net profit**	
Parent company						
Emak S.p.A.	Bagnolo in Piano (Italy)	128,001	7,010	125,774	6,953	
Fully consolidated companies						
Emak France Sas	Rixheim (France)	30,344	257	31,528	317	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (China)	23,474	43	23,479	(627)	
Victus Emak Sp. Z o.o.	Poznam (Poland)	12,954	359	13,616	466	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germany)	11,914	(843)	13,696	(243)	
Emak Suministros Espana SA	Madrid (Spain)	7,327	340	6,677	287	
Emak U.K. LTD	Burntwood (UK)	5,499	130	5,916	169	
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (China)	3,682	357	3,705	123	
Epicenter LLC	Kiev (Ukraine)	3,830	236	4,213	324	
Emak Do Brasil Industria LTDA	Curitiba (Brazil)	1,793	290	3,336	(2,287)	
Tecomec Srl	Reggio Emilia (Italy)	47,989	3,423	45,342	2,323	
Speed France Sas	Arnax (France)	21,593	2,877	19,836	1,613	
Speed North America Inc.	Wooster, Ohio (USA)	10,513	658	10,777	880	
Speed Line South Africa (Pty) Ltd.	Pietermaritzburg (South Africa)	1,154	144	1,136	225	
Ningbo Tecomec Manufacturing Co. Ltd.	Ningbo City (China)	11,754	375	13,019	732	
Geoline Electronic S.r.l.	Poggio Rusco, Mantova (Italy)	1,324	(139)	1,277	(211)	
Speed Industrie Sarl	Mohammedia (Marocco)	2,074	221	1,467	(10)	
Speed Line South America	Providencia (RCH)	936	(178)	386	(527)	
Comet Spa	Reggio Emilia (Italy)	58,702	1,077	57,069	2,620	
Comet France Sas	Wolfisheim (France)	5,238	242	4,968	268	
Comet USA	Burnsville, Minnesota (USA)	8,775	(1,049)	8,689	(1,506)	*
Valley Industries LLP	Paynesville, Minnesota (USA)	20,651	2,426	21,162	2,750	*
PTC Srl	Rubiera, Reggio Emilia (Italy)	8,018	287	7,763	300	
S.I. Agro Mexico	Guadalajara (Mexico)	5,084	197	4,098	282	
Comet do Brasil Investimentos LTDA	Indaiatuba (Brazil)	-	(380)	-	(3,207)	
Lemasa S.A.	Indaiatuba (Brazil)	9,726	1,038	8,076	1,612	
Sabart Srl	Reggio Emilia (Italy)	23,272	1,820	23,334	2,074	
Raico Srl	Reggio Emilia (Italy)	12,544	103	11,852	137	

* 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.

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

The company Emak Deutschland realized a lower turnover compared to the previous year, which combined with the trend of operating costs, including staff restructuring expenses, generated a loss at the end of the year.

Geoline Electronic S.r.l. and Speed South America S.p.A. being companies in the start-up phase and for which positive results are expected in future financial periods.

Comet do Brasil was incorporated as a financial holding company for the acquisition of the company, Lemasa. The loss for the year is attributable to fiscal management, in particular to the reversal of deferred taxes related to foreign exchange losses recorded in 2015 fully recovered in 2016.

6. Dealings with related parties

Emak S.p.A. is controlled by Yama S.p.A., which holds 75.2% of its share capital and which, as a non-operating holding company, is at the head of a larger group of companies operating mainly in the production of machinery and equipment for agriculture and gardening and of components for motors, and in real estate. The Emak Group has limited supply and industrial service dealings with such companies, as well as dealings of a financial nature deriving from the equity investment of a number of companies in the Emak Group in the tax consolidation headed by Yama S.p.A..

Professional services of legal and fiscal nature, provided by entities subject to significant influence of certain directors, are another type of related party transactions.

The majority of the above dealings carried out in the period by the Emak Group with related parties are of a normal and recurring nature, falling within the ordinary exercise of industrial activity. The above transactions are all regulated under current market conditions, in compliance with framework resolutions approved periodically by the Board of Directors. Reference can be made to the notes to the accounts at paragraph 38.

During the year, no extraordinary operations with related parties have not been carried out. If transactions of this nature had taken place, enforcement procedures approved by the Board of Directors in implementation to art. 4, Reg. Consob. 17221/2010, published on the company website at http://www.emak.it/wps/portal/emakit/it/Iinvestor-relations/documentazione-societaria/corporate-governance, would be applied.

* * * * * * *

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.emak. The remuneration of Directors and Auditors and Managers with strategic responsibility in the parent company is also regulated by suitable protection procedures that provide for the Parent Company to perform control and harmonization activities.

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

At December 31, 2016, the Company held 397,233 treasury shares in portfolio for an equivalent value of € 2,029 thousand.

On April 22, 2016, the Shareholders' Meeting renewed the authorization to purchase and dispose of treasury shares for the purposes laid down by it. During 2016 there were no purchases or sales of own shares, leaving the balances at beginning of year unchanged.
Even after the end of the period and until the date of approval by the Board of Directors, of this report are no changes in the consistency of the portfolio of treasury shares.

8. Corporate governance and other information required by Issuers Regulations

Emak S.p.A. adopted the Code of Conduct, approved by the Committee established at the Italian Stock Exchange as reformulated in July 2015 and available on the website www.borsaitaliana.it. Details of Emak's compliance with the Code's provisions are set out in the "Report on corporate governance and ownership structures", provided for by arts. 123-bis of Legislative Decree 58/98, according to the "comply or explain" scheme.

As already mentioned, the "Remuneration Report" prepared pursuant to art. 123-ter of Legislative Decree 58/98, shows the remuneration policy adopted by the company to its directors and executives with strategic responsibilities. The document also describes in detail by type and quantified entities the fees paid to them, even by subsidiaries, as well as stocks and movements of Emak titles in their possession during the year.

Both reports are available to the public at the company's registered office and on the website: www.emak.it under the section "Investor Relations > Documentazione Societaria > Corporate Governance"

* * * * * * *

Leg. Dec. 231/2001

It has to be underlined the adoption by the most important companies of the Group, of the Organization and Management Model, art. 6, Legislative Decree 231/01, calibrated on individual specific reality and periodically expanded in a modular form, in line with the extension of the liability of companies for ever new crimes.

The Model makes use, in the different companies of the Group, of Supervisory Committees, furnished with autonomous powers of action and control regarding its effective and efficient application.

* * * * * * *

Ethical Code

Emak Group has implemented and updated an Ethical Code, in which the company's chosen ethical principles are set out and which the Directors, Auditors, Employees, Consultants and Partners of the parent company, as well as of its subsidiary companies, are required to follow.
The model, as per art. 6, Leg. Dec. 231/01, and the Ethical Code are both available for consultation at the internet address http://www.emak.it, in the section Investor Relations > Modello di Organizzazione, Gestione e Controllo (Leg. Dec. 231/2001) of Emak S.p.A.

* * * * * * *

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

9. Disputes

There were no disputes in progress that might lead to liabilities in the financial statements other than those already described in note 34 of the consolidated financial statements.

10. Other information

With regard to the requirements of article 36 of the Market Rules - Consob Resolution No. 16191 dated October 29, 2007, Emak reports to have currently the control of four 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).

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.

11. Business outlook

The Group looks with cautious optimism the year 2017, for which it expects to achieve positive results, despite the difficulties due to the high volatility of global markets

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

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

13. Subsequent events

Acquisition of A1 Mist Sprayers Resoursces Inc. activities

On January 27, the US subsidiary Valley Industries LLP (segment Pumps and High Pressure Water Jetting) acquired assets, brand and client portfolio of A1 Mist Sprayers Resources for a consideration of $ 2 million.
The acquired business generated in 2016 about 3 million in revenue with an EBITDA of around 20%.
The expected contribution of the new business will be lower on the Group's revenues, considering the fact that Valley was already a major supplier of A1 Mist Sprayers Resources. Most significant will be the estimated intake on profitability.

With this transaction, Valley will expand its product offering with a new range of sprayers to apply to quad, and pick up the third point of small tractors. The company will also expand its distribution network from a territorial point of view and distribution channels as well as its technical expertise on the use of the sprayer.

14. 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 2016 and shareholders' equity at December 31, 2016 of the Group (Group share), with the corresponding values of the parent company Emak S.p.A.

€/000	Equity at 31.12.2016	Result for the year ending 31.12.2016	Equity at 31.12.2015	Result for the year ending 31.12.2015
Equity and result of Emak S.p.A.	**153,600**	**7,010**	**150,741**	**6,953**
Equity and result of consolidated subsidiaries	197,184	14,311	175,708	8,885
Effect of the elimination of the accounting value of shareholdings	(167,939)	3,917	(152,798)	-
Elimination of dividends	-	(7,722)	-	(6,804)
Elimination of other intergroup items and profits	(1,382)	(38)	(5,163)	(42)
Evaluation of equity investment in associated	205	205	-	-
Total consolidated amount	**181,668**	**17,683**	**168,488**	**8,992**
Non controlling interest	**(1,495)**	**(88)**	**(1,496)**	**(146)**
Equity and result attributable to the Group	**180,173**	**17,595**	**166,992**	**8,846**

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

Shareholders,
We submit for your approval the financial statements at December 31, 2016, which reports a profit of € 7,010,485.00. We also propose the distribution of a dividend of € 0.035 for each share outstanding.

We invite you to approve this resolution:

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

resolves

a) to approve the Directors' Report and the financial statements at December 31, 2016, showing a net profit of € 7,010,485.00;

b) to allocate the net profit of € 7,010,485.00, as follows:
   - € 350,524.25 to the statutory reserve;
   - to the Shareholders, in the form of dividends, the amount of € 0.035, gross of legal deductions, for each share outstanding, with the exclusion of treasury shares held by the company;
   - the entire remaining amount to retained earnings;

c) to pay the dividend (coupon no. 20) on 7 June 2017, with ex-dividend date June 5, and the *record date* June 6.>>

Bagnolo in Piano (RE), March 16, 2017

On behalf of the Board of Directors
The Chairman

Fausto Bellamico

Definitions of alternative performance indicators

The chart below shows, in accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used for the construction of key performance indicators that management considers necessary to the monitoring the Group performance.

- EBITDA before non ordinary expanses: is obtained by deducting at EBITDA the impact of charges for litigation, expenses related to M&A transaction, and revenue for government grants and restructuring charges.
- EBITDA: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".
- FREE CASH FLOW FROM OPERATIONS: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".
- EQUITY PER SHARE: is obtained dividing the item "Group equity" by number of outstanding shares at period end.
- CASH FLOW PER SHARE: is obtained dividing the sum of the items "Group Net Profit" + "Amortization/depreciation" by the average number of outstanding shares in the period.
- NET WORKING CAPITAL: include items "Trade receivables", "Inventories", current non financial "other receivables" net of "Trade payables" and current non financial "other payables".
- NET NON-CURRENT ASSETS: include non-financial "Non current assets" net of non-financial "Non-current liabilities"

Emak Group
Consolidated Financial Statements 2016

our power, your passion

Consolidated financial statements

Consolidated Income Statement

Thousand of Euro

CONSOLIDATED INCOME STATEMENT	Notes	Year 2016	of which to related parties	Year 2015	of which to related parties
Revenues from sales	**10**	**391,879**	**1,788**	**381,579**	**2,007**
Other operating incomes	10	2,589		2,451	
Change in inventories		(12,116)		8,004	
Raw materials, consumable and goods	11	(198,172)	(3,157)	(211,493)	(3,296)
Personnel expenses	12	(73,039)		(70,460)	
Other operating costs and provisions	13	(71,672)	(2,995)	(74,267)	(2,208)
Amortization, depreciation and impairment losses	14	(17,600)		(12,528)	
Operating profit		**21,869**		**23,286**	
Financial income	15	7,105	12	1,255	9
Financial expenses	15	(6,056)		(5,799)	
Exchange gains and losses	15	3,407		(3,650)	
Income from/(expenses on) equity investment	21	205		-	
Profit befor taxes		**26,530**		**15,092**	
Income taxes	16	(8,847)		(6,100)	
Net profit (A)		**17,683**		**8,992**	
(Profit)/loss attributable to non controlling interests		(88)		(146)	
Net profit attributable to the Group		**17,595**		**8,846**	
Basic earnings per share	**17**	**0.108**		**0.054**	
Diluted earnings per share	**17**	**0.108**		**0.054**	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	Year 2016	Year 2015
Net profit (A)		**17,683**	**8,992**
Profits/(losses) deriving from the conversion of foreign company accounts		(190)	2,583
Actuarial profits/(losses) deriving from defined benefit plans (*)		(137)	(81)
Income taxes on OCI (*)		1	25
Total other components to be included in the comprehensive income statement (B)		**(326)**	**2,527**
Total comprehensive income for the perdiod (A)+(B)		**17,357**	**11,519**
Comprehensive net profit attributable to non controlling interests		(88)	66
Comprehensive net profit attributable to the Group		17,269	11,585

(*) 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 38.

Statement of consolidated financial position

Thousand of Euro

ASSETS	Notes	31.12.2016	of whit related parties	31.12.2015	of whit related parties
Non-current assets					
Property, plant and equipment	18	61,651		60,236	
Intangible assets	19	8,380		8,118	
Goodwill	20	52,241	14,847	53,132	14,952
Equity investments in other companies	21	230		230	
Equity investments in associates	21	3,955		-	
Deferred tax assets	30	7,370		9,053	
Other financial assets	26	10,098	334	7,836	371
Other assets	23	63		69	
Total non-current assets		**143,988**	**15,181**	**138,674**	**15,323**
Current assets					
Inventories	24	127,362		138,359	
Trade and other receivables	23	96,940	1,681	97,006	1,375
Current tax receivables	30	4,791		5,324	
Other financial assets	26	468	449	452	450
Derivative financial instruments	22	77		88	
Cash and cash equivalents	25	32,545		42,518	
Total current assets		**262,183**	**2,130**	**283,747**	**1,825**
TOTAL ASSETS		**406,171**	**17,311**	**422,421**	**17,148**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2016	of whit related parties	31.12.2015	of whit related parties
Shareholders' Equity					
Shareholders' Equity of the Group	27	180,173		166,992	
Non-controlling interest		1,495		1,496	
Total Shareholders' Equity		**181,668**		**168,488**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	29	76,107		93,840	
Deferred tax liabilities	30	6,391		6,049	
Employee benefits	31	9,137		8,932	
Provisions for risks and charges	32	1,566		1,659	
Other non-current liabilities	33	668		835	
Total non-current liabilities		**93,869**		**111,315**	
Current liabilities					
Trade and other payables	28	77,849	3,425	80,848	2,798
Current tax liabilities	30	4,184		3,682	
Loans and borrowings due to banks and other lenders	29	46,770		55,936	
Derivative financial instruments	22	394		501	
Provisions for risks and charges	32	1,437		1,651	
Total current liabilities		**130,634**	**3,425**	**142,618**	**2,798**
TOTALE SHAREHOLDERS' EQUITY AND LIABILITIES		**406,171**	**3,425**	**422,421**	**2,798**

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 38.

Statement of changes in consolidated equity for the Emak Group at 31.12.2015 and at 31.12.2016

Thousand of Euro	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	Reserve IAS 19	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2014	**42,519**	**40,529**	**2,060**	**1,138**	**4,087**	**(776)**	**27,733**	**30,654**	**10,467**	**158,411**	**1,688**	**160,099**
Profit reclassification			301					6,078	(10,467)	**(4,088)**	(17)	**(4,105)**
Other changes							3,167	(2,083)		**1,084**	(109)	**975**
Net profit for the period					2,795	(56)			8,846	**11,585**	(66)	**11,519**
Balance at 31.12.2015	**42,519**	**40,529**	**2,361**	**1,138**	**6,882**	**(832)**	**30,900**	**34,649**	**8,846**	**166,992**	**1,496**	**168,488**
Profit reclassification			348					4,410	(8,846)	**(4,088)**	(89)	**(4,177)**
Other changes												
Net profit for the period					(190)	(136)			17,595	**17,269**	88	**17,357**
Balance at 31.12.2016	**42,519**	**40,529**	**2,709**	**1,138**	**6,692**	**(968)**	**30,900**	**39,059**	**17,595**	**180,173**	**1,495**	**181,668**

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

Consolidated Cash Flow Statement

(€/000)	Notes	2016	2015 (1)
Cash flow from operations			
Net profit for the period		**17,683**	**8,992**
Amortization, depreciation and impairment losses	**14**	17,600	12,528
Financial expenses from discounting of debts	**15**	2,023	1,482
Financial income from adjustment of estimated liabilities for outstanding commitment associates' shares	**15**	(5,115)	-
Capital (gains)/losses on disposal of property, plant and equipment		(115)	(61)
Decreases/(increases) in trade and other receivables		2,903	(406)
Decreases/(increases) in inventories		12,127	(8,129)
(Decreases)/increases in trade and other payables		(2,871)	5,468
Change in employee benefits		168	(179)
(Decreases)/increases in provisions for risks and charges		(320)	(228)
Change in derivative financial instruments		(102)	(224)
Cash flow from operations		**43,981**	**19,243**
Cash flow from investing activities			
Change in property, plant and equipment and intangible assets		(13,816)	(13,345)
(Increases) and decreases in financial assets		(4,350)	(8,124)
Proceeds from disposal of property, plant and equipment		115	61
Change in scope of consolidation		(443)	(14,181)
Cash flow from investing activities		**(18,494)**	**(35,589)**
Cash flow from financing activities			
Change in equity		(136)	919
Change in short and long-term loans and borrowings		(26,970)	39,221
Change in finance leases		(26)	(183)
Dividends paid		(4,177)	(4,105)
Cash flow from financing activities		**(31,309)**	**35,852**
Total cash flow from operations, investing and financing activities		**(5,822)**	**19,506**
Net exchange differences		**(2,172)**	**8,537**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(7,994)**	**28,043**
OPENING CASH AND CASH EQUIVALENTS		**35,014**	**6,971**
CLOSING CASH AND CASH EQUIVALENTS		**27,020**	**35,014**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(€/000)		2016	2015 (1)
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents, detailed as follows:	**25**	**35,014**	**6,971**
Cash and cash equivalents		42,518	13,238
Overdrafts		(7,504)	(6,267)
Closing cash and cash equivalents, detailed as follows:	**25**	**27,020**	**35,014**
Cash and cash equivalents		32,545	42,518
Overdrafts		(5,525)	(7,504)
Other information:			
Income taxes paid		(5,890)	(4,325)
Financial interest income		1,010	514
Financial expenses paid		(2,808)	(3,223)
Change in related party receivables and service transactions		254	108
Change in related party payables and service transactions		158	294
Change in trade and other receivables related to tax assets		2,216	(764)
Change in trade payables and other liabilities related to tax liabilities		832	617
Change in related party financial assets		38	(821)
Change in related party financial loans and borrowings		-	-

(1) Some items were homogeneously reclassified respect year 2015

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of related party transactions on the financial statements are identified in the section Other information.

Explanatory notes to the consolidated financial statements of Emak Group

Contents

1. General Information

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

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

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

The Board of Directors of Emak S.p.A. on March 16, 2017 approved the Financial Report to December 31, 2016, 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 dividend proposal made to the General Meeting of Shareholders.

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

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

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

2.2 Methods of consolidation

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

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

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

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

It is noted that:

- The subsidiary Valley LLP, owned by Comet Usa Inc with a share of 90%, is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 10% held by a company linked to the current Managing Director of the subsidiary;
- The subsidiary Lemasa, owned by Comet do Brasil LTDA with a share of 70%, is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 30%;
- The subsidiary P.T.C. S.r.l., owned by Comet S.p.A. 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%.

Intercompany transactions
Transactions, balances and unrealised profits relating to operations between Group companies are eliminated. Unrealised 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, 2016 following the acquisitions and mergers during the year include the following companies consolidated using the full consolidation method:

Name	Head office	Share capitale	Currency	% consolidated	Held by	% of equity investment
Parent company						
Emak S.p.A.	Bagnolo in Piano - RE (I)	42,623,057	€			
Italy						
Comet S.p.A.	Reggio Emilia (I)	2,600,000	€	100.00	Emak S.p.A.	100.000
PTC S.r.l. (1)	Rubiera - RE (I)	55,556	€	100.00	Comet S.p.A.	90.000
Raico S.r.l.	Reggio Emilia (I)	20,000	€	100.00	Emak S.p.A.	100.000
Sabart S.r.l.	Reggio Emilia (I)	1,900,000	€	100.00	Emak S.p.A.	100.000
Tecomec S.r.l.	Reggio Emilia (I)	1,580,000	€	100.00	Emak S.p.A.	100.000
Geoline Electronic S.r.l.	Poggio Rusco - MN (I)	100,000	€	51.00	Tecomec S.r.l.	51.00
Europe						
Emak Suministros Espana SA	Getafe - Madrid (E)	270,459	€	90.00	Emak S.p.A.	90.000
Comet France SAS	Wolfisheim (F)	320,000	€	100.00	Comet S.p.A.	100.000
Emak Deutschland Gmbh	Fellbach - Oeffingen (D)	553,218	€	100.00	Emak S.p.A.	100.000
Emak France SAS	Rixheim (F)	2,000,000	€	100.00	Emak S.p.A.	100.000
Emak U.K. Ltd	Burntwood (UK)	342,090	GBP	100.00	Emak S.p.A.	100.000
Epicenter LLC	Kiev (UA)	19,026,200	UAH	61.00	Emak S.p.A.	61.000
Speed France SAS	Arnax (F)	300,000	€	100.00	Tecomec S.r.l.	100.000
Victus-Emak Sp. Z o.o.	Poznan (PL)	10,168,000	PLN	100.00	Emak S.p.A.	100.000
America						
Comet Usa Inc	Burnsville - Minnesota (USA)	231,090	USD	100.00	Comet S.p.A.	100.000
Comet do Brasil Investimentos LTDA	Indaiatuba (BR)	51,777,052	BRL	99.63	Comet S.p.A.	100.000
				0.37	PTC S.r.l.	
Emak do Brasil Industria LTDA	Curitiba (BR)	8,518,200	BRL	99.98	Emak S.p.A.	99.980
Lemasa industria e comércio de equipamentos de alta pressao S.A. (2)	Indaiatuba (BR)	14,040,000	BRL	100.00	Comet do Brasil LTDA	70.000
PTC Waterblasting LLC	Burnsville - Minnesota (USA)	-	USD	100.00	Comet Usa Inc	100.000
S.I. Agro Mexico	Guadalajara (MEX)	1,000,000	MXM	85.00	Comet S.p.A.	85.000
Speed South America S.p.A.	Providencia - Santiago (RCH)	444,850,860	CLP	100.00	Speed France SAS	100.000
Valley Industries LLP (3)	Paynesville - Minnesota (USA)	-	USD	100.00	Comet Usa Inc	90.000
Speed North America Inc.	Wooster - Ohio (USA)	10	USD	100.00	Speed France SAS	100.000
Rest of the World						
Jiangmen Emak Outdoor Power Equipment Co.Ltd	Jiangmen (RPC)	25,532,493	RMB	100.00	Emak S.p.A.	100.000
Ningbo Tecomec Manufacturing Co. Ltd	Ningbo City (RPC)	8,029,494	RMB	100.00	Tecomec S.r.l.	100.000
Speed Industrie Sarl	Mohammedia (MA)	1,445,000	MAD	100.00	Speed France SAS	100.000
Tai Long (Zhuhai) Machinery Manufacturing Ltd	Zhuhai (RPC)	16,353,001	RMB	100.00	Emak S.p.A.	100.000
Speed Line South Africa Ltd	Pietermaritzburg (ZA)	100	ZAR	51.00	Speed France SAS	51.000

(1) P.T.C. S.r.l. is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 10%.
(2) Lemasa is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 30%.
(3) Valley Industries LLP is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 10%.

The **associated company** Cifarelli S.p.A., based in Voghera (Italy) with a share capital of € 374,400, is owned at 30% by Emak S.p.A. and consolidated since 1 October 2016 with the equity method.

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 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").

I principali tassi di cambio utilizzati per la conversione in Euro dei bilanci espressi in valute estere sono i seguenti:

Amount of foreign for 1 Euro	Average 2016	31.12.2016	Average 2015	31.12.2015
GB Pounds (UK)	0.82	0.86	0.73	0.73
Renminbi (China)	7.35	7.32	6.97	7.06
Dollar (Usa)	1.11	1.05	1.11	1.09
Zloty (Poland)	4.36	4.41	4.18	4.26
Zar (South Africa)	16.26	14.46	14.17	16.95
Uah (Ukraine)	28.28	28.74	24.28	26.16
Real (Brazil)	3.86	3.43	3.70	4.31
Dirham (Morocco)	10.85	10.66	10.81	10.79
Peso Mexican (Mexico)	20.67	21.77	17.62	18.91
Peso Chilean (Chile)	748.48	704.95	726.41	772.71

2.4 Property, plant and equipment

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

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

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

- buildings, 33 years;
- light construction, 10 years;
- plant and machinery, 7-10 years;
- molds for the production, 4 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.

Assets held under finance leases, which substantially transferred to the Group all the risks and rewards of ownership, are recognized in the financial position as Group assets at their fair value determined according to the value of future payments to be made. The principal element of repayments to be made is recorded as financial liabilities. The interest element is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases for which the lessor retains a significant portion of the risks and rewards incident to ownership are classified as operating leases, whose payments are recognized as an expense in the income statement over the lease term on a straight-line basis.

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

2.5 Intangible assets

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

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

Development costs include only that expenditure which can be attributed directly to the development process and do not include costs for internal resources.
Development costs are amortized on the base of an estimate of the period in which it is expected that such activities generate cash flows and for any period not exceeding 5 years from commencement of production of the developed products.
All other development costs are charged to the income statement as incurred.

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

(c) Other intangible assets
Other intangible assets are recorded as prescribed by IAS 38 – *Intangible assets*, when it is identifiable, it is probable that it will generate future economic benefits and its cost can be measured reliably.
Intangible assets are recognized at purchase cost and amortized on a systematic basis over their estimated useful lives, which cannot exceed 10 years.

2.6 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.

2.7 Impairment of assets

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

2.8 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 and equity investments

The Group classifies financial assets and investments into the following categories: financial assets at fair value (with changes reported through the income statement), loans and receivables, held-to-maturity investments and financial assets held for sale. The classification depends on the purpose for which the investment has been made. The classification is made upon the asset's initial recognition and is reviewed at every statement of financial position date.

(a) Marketable financial assets at fair value (with the value of fluctuations posted in the income statement)

This category includes securities that have been acquired principally for the purpose of generating a profit from short-term fluctuations in price (or for temporarily investing surplus cash balances), this category is classified in current assets on the basis of the period-end price, with gains and losses recognized directly in the income statement. Unless derivative financial instruments are also classified as held for trading, if not defined as hedging instruments.

(b) Other financial assets

This balance includes loans given, securities held to maturity and other receivables deriving from financial activities that the Group has the intention and ability to hold to maturity. They are classified as non-current assets except those falling due within 12 months which are reclassified to current assets.
These financial assets are characterized by determinable payments with fixed maturities. These assets are valued using the amortized cost method, with gains recognized directly in the income statement using the effective yield method.

(c) Equity investments

Investments in associates are accounted for using the equity method in accordance with IAS 28.
The item also includes minority interests in corporations, valued at amortized cost, adjusted for any impairment losses.

(d) Financial assets available-for-sale

Financial assets available-for-sale is a residual category relating to those assets not belonging to the previous three categories. They are reported as non-current assets unless management intends to sell them within 12 months of the statement of financial position date.
Purchases and sales of these assets are recognized on the transaction date, which is the date on which the Group commits to purchase or sell the asset.
Unrealized gains and losses arising on changes in the fair value of non-monetary securities classified as available for sale are recorded in the comprehensive income statement. When these instruments are sold or written down, the cumulative fair value adjustments are recorded in the income statement as gains or losses on investments in securities.
Investments in all financial assets not recorded at fair value through the income statement are recognized initially at fair value plus the related transaction costs. An investment is eliminated from the accounting records when the right to its cash flows is extinguished or when the Group has transferred substantially all the risks and rewards of its ownership to third parties.

The fair value of listed investments is determined with reference to the market price reported at the close of trading on the statement of financial position date. In the absence of an active market for a financial asset or if the securities have been suspended from listing, the Group establishes fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, bearing in mind the issuer's specific characteristics.

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists for the available-for-sale assets, the amount of the loss – measured as the difference between the asset's acquisition cost and current fair value less any impairment loss previously recognized in net profit or loss – is removed from equity and posted to the income statement. Impairment losses recognized in the income statement for equity instruments are not recovered through subsequent credits to the income statement.

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.

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.

2.11 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.

2.12 Trade receivables

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.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the Group will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

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.

2.17 Taxes

Current taxes are the taxes accrued in accordance with the rules in force at the date of the financial statement in the various countries in which the Group operates; also include adjustments to prior years' taxes.

Deferred tax assets and liabilities are recorded to reflect all temporary differences at the reporting date between the carrying amount of an asset / liabilities for tax purposes and allocated according to the accounting principles applied.
Deferred tax assets and liabilities are calculated using tax rates established by current regulations.
Deferred tax assets are recognized on all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.
The same principle applies to the recognition of deferred tax assets on utilizable tax losses.
The carrying amount of deferred tax assets is reviewed at each statement of financial position date and possibly reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the deferred tax asset to be utilized. These assets are restored if the reasons for them no longer apply.
As a general rule, apart from specific exceptions, deferred tax liabilities must always be recognized.
Income taxes (current and deferred) relating to items recognized directly in Equity are also recognized directly in Equity.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if the company is able to offset current tax assets against current tax liabilities and if the deferred taxes refer to income taxes levied by the same taxation authority.

2.18 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.

2.19 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.

2.20 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:

- 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.

2.22 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 (eg. 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 (eg. 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.

2.22 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.

2.23 Payment of dividends

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

2.24 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.

2.25 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.

2.26 Changes in accounting standards and new accounting standards

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2016:

Amendments to **IAS 19 "Defined Benefit Plans: Employee Contributions"** (issued on November 21, 2013) concerning the recognition of contributions from employees or third parties to defined benefit plans.

Amendments to **IFRS 11 Joint Arrangements – "Accounting for acquisitions of interests in joint operations"** (issued on May 6, 2014) concerning the accounting for acquisitions of interests in a joint operation when the operation constitutes a business.

Amendments to **IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization"** (issued on May 12, 2014) establishing that a depreciation method based on revenue is not appropriate, because the revenue arising from the operation of a business of which the asset under depreciation or amortization is part reflects a different pattern from the mere use of the economic benefits arising from the asset, which is a pre-requisite for depreciation or amortization.

Amendments to **IAS 1 – "Disclosure Initiative"** (issued on December 18, 2014): the goal of the amendments is to provide some clarifications on disclosures and other elements that may be perceived as hindrance to a clear and intelligible presentation of financial statements.

Amendments to **IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"** (issued on December 18, 2014), containing amendments related to issues that arise from the application of the consolidation exception, allowed to investment entities.

Finally, as part of the annual process of improvement of the principles, on December 12, 2013, the IASB published document **"Annual Improvements to IFRSs: 2010-2012 Cycle"** (including IFRS 2 Share Based Payments – Definition of vesting condition, IFRS 3 Business Combination – Accounting for contingent

consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and – on September 25, 2014 – document "**Annual Improvements to IFRSs: 2012-2014 Cycle"** (including: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits) partly amending existing standards.
The adoption of this amendments had no impact on the financial statements of the Group.

Regarding the separate financial statements of Emak S.p.A. it should be noted, in addition to what previously reported, the following modification applied for the first time since January 1, 2016.
Amendments to **IAS 27– "Equity Method in Separate Financial Statements"** (issued on August 12, 2014): introduces the option of using, in the separate financial statements of an entity, the equity method for valuation of investments in subsidiaries, jointly ventures and associates.

Accounting standards, amendments and IFRS/IFRIC interpretations endorsed by the European Union, but not yet mandatory applicable and not early adopted from the Group on 31 December 2016

IFRS 15 – Revenue from Contracts with Customers (issued on May 28, 2014 and supplemented with further clarifications published on April 12, 2016) bound to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard provides for a new revenue recognition model, which will be applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IAS/IFRSs such as leases and insurance policy contracts and financial instruments. The main steps for revenue recognition according to the new model are:
- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

This standard is applicable as of January 1, 2018, though early adoption is allowed. Changes to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, issued on April 12, 2016, have not yet been endorsed by the European Union instead. It is not possible provide a reasonable estimate of the effect until the Group has completed a detailed analysis of contracts with customers.

Final version of **IFRS 9 – Financial instruments** (issued on July 24, 2014). The standard includes the results of the IASB project pending the replacement of IAS 39:
- it introduces new criteria to classify and measure financial assets and liabilities;
- with reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced, available free of charge or without unreasonable effort and including historic, current and forecast data;
- a new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

The new standard must be applied to reporting periods beginning on January 1, 2018 and thereafter. It is not possible provide a reasonable estimate of the effect until the Group has completed a detailed analysis.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union

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

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

On January 13, 2016, the IASB issued **IFRS 16 – Leases** which is to replace IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognizing and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases – to be recognized in the statement of financial position as assets and lease financial liabilities. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 months within the scope of this standard. No significant changes are introduced for lessor accounting.
The standard applies for reporting periods beginning on or after January 1, 2019. Early application is only allowed for early adopters of IFRS 15 - Revenue from Contracts with Customers.

On January 19, 2016 the IASB issued the document **"Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)"**. The document aims at providing some clarifications on the recognition of deferred tax assets on tax losses carried forward upon the occurrence of certain circumstances as well as on the measurement of taxable income for future years. The amendments apply as of January 1, 2017, though early adoption is allowed.

On January 29, 2016 the IASB published the document **"Disclosure Initiative (Amendments to IAS 7)"**. The document aims at clarifying and improving disclosures on financial liabilities. In particular, the amendments require to disclose information that enables users of the financial statements to understand the changes in liabilities arising from financing transactions. The amendments apply as of January 1, 2017, though early adoption is allowed. No comparative information relating to prior years is required.

On June 20, 2016 the IASB published the document **"Classification and measurement of share-based payment transactions (Amendments to IFRS 2)"** that contains some clarifications in relation to the accounting of the effects coming from vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the recognition of changes to the terms and conditions of a share-based payment which modify its classification from cash-settled to equity-settled. The amendments apply as of January 1, 2018, though early adoption is allowed.

Document **"Annual Improvements to IFRSs: 2014-2016 Cycle"**, issued on December 8, 2016 (among which IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard), which partially integrate the existing principles.

IFRIC 22 interpretation "Foreign Currency Transactions and Advance Consideration" (issued on December 8, 2016). The interpretation aims to provide guidelines for foreign exchange transactions, for advance payments or non-monetary payments if recognized on financial statement before the recognition of the related asset, costs or revenue. This document provides guidance on how an entity should determine the date of a transaction, and as a result, the spot exchange rate to be used when there are foreign currency transactions in which the payment is made or received in advance. IFRIC 22 is applicable from January 1, 2018, but earlier application is allowed.

Amendments to **IAS 40 "Transfers of Investment Property"** (issued on December 8, 2016). These changes clarify the transfer of a property to, or from, investment property. In particular, an entity shall reclassify a property of, or from, investment property only when there is evidence that there has been a property change of use. The change must be traced to a specific event that happened and should not therefore be limited to a change of intention by the management of an entity. This changes are applicable from January 1, 2018, but earlier application is allowed.

Amendments to **IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"** (issued on September 11, 2014). The document was published in order to solve the conflict between IAS 28 and IFRS 10 related to profit or loss valuation resulting from the sale or contribution of non-monetary asset to a joint venture or associate in exchange for a share in the capital. At the time, the IASB has suspended the application of this amendment.

With reference to IFRS 9, IFRS 15 and IFRS 16 principles described above, the Group is assessing the implementation of policies and impacts on the consolidated financial statements, while in reference to the other standards and interpretations detailed above, it is not expected that the adoption will have significant impacts the valuation of assets, liabilities, costs and revenues of the Group.

3. Capital management

The Group's objectives for managing capital are:

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

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

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

The NFP / Equity and NFP / EBITDA ratios at 31 December 2016 and 31 December 2015 are as follows.

€/000	Dec. 31 16	Dec. 31 15
Net financial position (note 9)	80,083	99,383
Total equity	181,668	168,488
Ebitda (1)	40,479	37,495
Nfp/Equity	**0.44**	**0.59**
Nfp/Ebitda	**1.98**	**2.65**

(1) EBITDA has been calculated excluding costs for disputes, M&A operations and restructuring and workforce reorganization, as detailed in Note 4 of the Directors' Report

4. Financial risk management

4.1 Financial risk factors

The Group's business is exposed to a number of different financial risks: market risk (including interest rate risk, exchange rate risk and market prices risk), credit risk and liquidity risk. The Group's policies for managing and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the consolidated results. The Group uses derivative financial instruments to hedge certain risks.
Hedging of the Group's financial risks is managed by a head office function working in close collaboration with the individual operating units.

(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 2016, financings with banking institutions and financial leasing companies are at variable rates and, consequently, the Group has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

(ii) Foreign exchange risk
The Group conducts its business internationally and is exposed to exchange risk arising from currency used, mainly U.S. dollars, Japanese yen, British pound, Chinese renminbi, Polish zloty, South African rand, Ukrainian hryvnia and Brazilian reais. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and the net investments in foreign companies.

The Group's policy is based on the research of natural hedging receivables and payables and is limited to partially covering the net positions in foreign currencies mainly using forward contracts.

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

(b) Credit risk
The Group has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured. Historically, the Group did not suffer significant losses on receivables.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient financial availability of cash and marketable securities, funding through an adequate amount of bank credit.
Consequently, the treasury of the Group carries out the following activities:

- verification of financial requirements in order to take necessary actions;
- obtaining adequate lines of credit;
- optimization of liquidity, where feasible, through structures of centralized management of cash flows of the Group;
- maintaining a balanced composition of net financial debt to investments;
- achievement of a proper balance between short-term, medium and long term debt;
- limited credit exposure to individual financial institutions;
- monitoring of compliance with the parameters set by covenants relating to medium-long term loans.

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

The Group has maintained its high level of creditworthiness on the part of credit institutes and analysts; credit lines already abundantly exceed requirements.

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 IAS 39, derivative financial instruments may qualify for special hedge accounting only if at the inception of the hedge the hedging relationship is formally designated and documented, the hedge is expected to be highly effective and the effectiveness of the hedge can be measured reliably.
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 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 hedgings that do not lead to the creation of an asset or liability, the amounts which have been posted directly to the Comprehensive Income Statement are transferred to the Income Statement in the same period in which the contractual commitment or planned hedging operation are posted to the Income Statement.
3. Derived financial instruments not defined as hedging instruments: the variations in fair value are posted to the Income Statement.

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

4.3 Measurement of fair value

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

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

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

5. Key accounting estimates and assumptions

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

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.

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 sector 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.

Following the progressive enhancement of the reporting and planning models adopted by the Group Management, the 2016 Consolidated Financial Statements for the first time shows the information by business segment: based on the criteria of IFRS 8. The Group identified according to logic of the "management approach" the three operating segments, with which develops, manufactures and distributes its range of products:

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

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

The performance of the sectors 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	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Sales to third parties	177,006	174,805	102,916	99,974	111,957	106,800	-	-	**391,879**	**381,579**
Intersegment sales	1,522	4,836	1,411	1,511	6,674	6,735	- 9,607	- 13,082		
Revenues from sales	178,528	179,641	104,327	101,485	118,631	113,535	- 9,607	- 13,082	**391,879**	**381,579**
Ebitda	10,996	12,493	14,008	12,777	17,009	13,120	- 2,544	- 2,576	**39,469**	**35,814**
Ebitda/Total Revenues %	*6.2%*	*7.0%*	*13.4%*	*12.6%*	*14.3%*	*11.6%*			***10.1%***	***9.4%***
Operating profit	4,827	6,059	6,306	10,127	13,280	9,676	- 2,544	- 2,576	**21,869**	**23,286**
Operating profit/Totale Revenues %	*2.7%*	*3.4%*	*6.0%*	*10.0%*	*11.2%*	*8.5%*			***5.6%***	***6.1%***
Net financial expenses									**1,049**	**- 4,544**
Profit befor tax									**26,530**	**15,092**
Income taxes									**8,847**	**6,100**
Net profit									**17,683**	**8,992**
Net profit/Total Revenues%									***4.5%***	***2.4%***
STATEMENT OF FINANCIAL POSITION										
Net debt	24,595	33,479	43,929	49,021	12,385	17,774	- 826	- 891	**80,083**	**99,383**
Shareholders' Equity	180,308	179,359	38,428	31,146	45,361	40,272	- 82,429	- 82,289	**181,668**	**168,488**
Total Shareholders' Equity and Net debt	204,903	212,838	82,357	80,167	57,746	58,046	- 83,255	- 83,180	**261,751**	**267,871**
Net non-current assets (*)	133,224	130,746	44,938	44,925	19,377	19,082	- 81,411	- 81,390	**116,128**	**113,363**
Net working capital	71,679	82,092	37,419	35,242	38,369	38,964	- 1,844	- 1,790	**145,623**	**154,508**
Total net capital employed	204,903	212,838	82,357	80,167	57,746	58,046	- 83,255	- 83,180	**261,751**	**267,871**
OTHER STATISTICS										
Number of employees at period end	799	806	379	379	501	501	7	7	**1,686**	**1,693**
OTHER INFORMATIONS										
Amortization, depreciation and impairment losses	6,169	6,434	7,702	2,650	3,729	3,444			**17,600**	**12,528**
Investment in property, plant and equipment and in intangible assets	6,010	5,247	3,951	2,130	4,584	4,840			**14,545**	**12,217**

(*) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 81,150 thousand Euro

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

7. Significant non-recurring events and transactions

Acquisition of Acquatecnica S.r.l.

On January 28, 2016, the subsidiary P.T.C. S.r.l. signed the act of purchasing a stake of 100% of the share capital of Acquatecnica S.r.l., based in Cremosano (CR), a company active in the production of applications for the "Water Jetting", for an amount of € 447 thousand, of which € 252 thousand paid at closing and € 195 thousand paid in the month of November 2016.

On March 4, 2016 was signed the merger act by incorporation of Acquatecnica S.r.l. in P.T.C. S.r.l., which became effective for accounting and fiscal purposes from January 1, 2016 and those civil law from April 1, 2016.

The revenues of the company acquired during the year 2015 amounted to € 500 thousand, while shareholders' equity at December 31, 2015 amounted to € 94 thousand.

Through this operation, P.T.C. can reinforce its presence in the hydrodynamic unit sector and in general the Group will extend its range in the Pumps and High Pressure Water Jetting sector.

The fair value of assets and liabilities subject to business combination with effect of 1 January 2016, the price paid and the financial cost are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Other financial assets	2	-	2
Current assets			
Inventories	284	-	284
Trade and other receivables	57	-	57
Cash and cash equivalents	4	-	4
Non-current liabilities			
Employee benefits	(36)	-	(36)
Current liabilities			
Trade and other payables	(189)	-	(189)
Current tax liabilities	(12)	-	(12)
Loans and borrowings	(16)	-	(16)
Total net assets acquired	**94**	**-**	**94**
% interest held			**100%**
Net equity acquired			**94**
Goodwill			**353**
Purchase price paid			**252**
Deferred price			**195**
Cash and cash equivalents			4
Net cash outflow			**248**

Based on the provisions of IFRS 3, the difference between the price paid and the corresponding share of equity has been allocated as goodwill given the coincidence between the fair value and book value of the merged company.

Price adjustment of S.I.Agro Mexico
Pursuant to the agreement signed on January 9, 2014 by Comet S.p.A., for the acquisition of 55% share of company S.I.Agro Mexico (by which the shareholding was increased from 30% to 85%), it is noted that following the results achieved in the year 2015 it was given an additional consideration of € 360 thousand, in settlement of the price per share already paid in 2014, which amounted to € 694 thousand.

In the consolidated financial statements at December 31, 2016, in accordance with IFRS 3, this amount was recorded under financial expenses.

Capital increase Comet do Brasil Investimentos LTDA.
During the month of August the company Comet S.p.A. has fully subscribed the capital increase of the subsidiary Comet do Brasil, through conversion of intercompany loan, for an amount of 9,240 thousand Euro. Consequently, the share capital of Comet do Brasil has increased from 19,000 to 51,777 thousands of Brazilian Reais. The company P.T.C. LTD waived its right to subscribe for shares and therefore now owns 0.37% of the Brazilian company; while the remaining 99.63% is held by Comet S.p.A..

Acquisition of 30% of Cifarelli S.p.A.
On October 12, the parent company Emak S.p.A. has completed the closing for the acquisition of a 30% share of Cifarelli S.p.A., based in Voghera (PV), a company active in the production and marketing of professional machines for agriculture and gardening such as mistblowers, olive shakers for olives blowers.
The company Cifarelli closed the financial year 2016 (IFRS data) with sales of € 10,960 thousand, a net profit of € 700 thousand and a net financial position of € 3,716 thousand.
The price paid for the acquisition of the 30% amounts to € 3,750 thousand, fully paid during the year.

On the remaining 70% were agreed a call option and a put option to be exercised on the date of approval of the financial statements at 31/12/2019, for which the exercise price will be based on the results that will be achieved by Cifarelli in the period 2017-2019. With the same occasion and in case of failure to achieve certain minimum future results, the agreement includes a put option in favor of Emak and a call option in favor of Cifarelli family on the acquired share of 30%.
With the confirmation of Cifarelli family, current shareholders, to run the company, the transaction sees as fundamental aspect for future value creation for the benefit of both parties, the implementation of a plan of commercial, industrial and new products development synergies.

The fair value of assets and liabilities subject to business combination with effect of month of October 2016, the price paid and the financial cost are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Property, plant and equipment	1,340	-	1,340
Intangible assets	176	-	176
Deferred tax assets	136	-	136
Other financial assets	1	-	1
Other assets	22	-	22
Current assets			
Inventories	3,748	-	3,748
Trade and other receivables	732	-	732
Current tax receivables	256	-	256
Cash and cash equivalents	2,747	-	2,747
Non-current liabilities			
Loans and borrowings	(152)	-	(152)
Employee benefits	(653)	-	(653)
Provisions for risks and charges	(254)	-	(254)
Current liabilities			
Trade and other payables	(1,642)	-	(1,642)
Current tax liabilities	(377)	-	(377)
Loans and borrowings	(45)	-	(45)
Total net assets acquired	**6,035**	**-**	**6,035**
% interest held			**30%**
Net equity acquired			**1,811**
Goodwill			**1,940**
Purchase price paid			**3,750**

The difference between the price paid and the corresponding share of shareholders' equity is attributable to goodwill: the company is valued in the Consolidated Financial Statements using the equity method as of October 1, 2016 and, consequently, the goodwill was reflected in the book value recorded in the financial statement.

Increase in share capital of Speed South America S.p.A.
During the last quarter of 2016, the company Speed France SAS has fully subscribed and paid a capital increase of the subsidiary Speed South America S.p.A. for € 510 thousand.

Constitution P.T.C. Waterblasting LLC
On 30 November 2016, the company Comet USA Inc., a subsidiary of Comet S.p.A., has established a new company called P.T.C. Waterblasting LLC, based in Burnsville (USA), in which it holds the entire share capital.
The start of production activities is expected in the first quarter of 2017.

The operation is part of the plan of PTC development and expansion of the Group's business that will allow to directly approach the US market of hydrodynamic units (waterjetting / waterblasting).

The subsidiary at the closing date is not yet operational, and consequently the related figures have not been consolidated as not significant.

The new R&D center
In July, began the work to build the new R&D center at the headquarters of the Parent company: the project aims to make available to the team engaged in the development of new products, modern and vanguard equipment that support a fundamental activity for the future growth of the Group. The total estimated investment for the completion of the work is approximately € 5,500 thousand over the next two years.

ERP Transformation Project
During 2016 Emak S.p.A. started the project of changing the ERP system for the Group; after a thorough ERP selection, the Group has chosen one of the best international players, Microsoft Dynamics 365.
The project includes several phases, with the aim of bringing all the legal entities of the Emak Group to the new ERP. The first project phase, lasting about two years, will lead the transition to the new ERP of Emak S.p.A., of a Business Unit of the Group and two Chinese production plants. The total estimated investment for the next two years amounts to a value of about € 2 million.
The ERP transformation project is an important step, where integrated information and Group-level standardized processes will become an opportunity to evolve continuously in more complex business scenarios.

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 2016. As indicated in this Communcation “atypyical and/or unusual operations are considered as operations that, due to their significance/materiality, the nature of the counterparties, the object of the transaction, the means for determining the transfer price and the time of the event (near the close of the period), may give rise to doubts with regards to: the correctness/completeness of the information in the financial statements, conflicts of interest, the protection of company assets, the safeguarding of minority interests”.

9. Net financial positions

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

	Net financial position	31/12/2016	31/12/2015
A.	Cash	32,545	42,518
B.	Other cash at bank and on hand (held-to-maturity investments	-	-
C.	Financial instruments held for trading	-	-
D.	**Liquidity funds (A+B+C)**	**32,545**	**42,518**
E.	**Current financial receivables**	**545**	**540**
F.	Current payables to banks	(11,833)	(17,073)
G.	Current portion of non current indebtedness	(32,862)	(37,876)
H.	Other current financial debts	(2,469)	(1,488)
I.	**Current financial indebtness (F+G+H)**	**(47,164)**	**(56,437)**
J.	**Current financial indebtness, net (I+E+D)**	**(14,074)**	**(13,379)**
K.	Non-current payables to banks	(63,249)	(78,696)
L.	Bonds issued	-	-
M.	Other non-current financial debts	(12,858)	(15,144)
N.	**Non-current financial indebtness (K+L+M)**	**(76,107)**	**(93,840)**
O.	**Net indebtness (J+N)**	**(90,181)**	**(107,219)**
P.	Non current financial receivables	10,098	7,836
Q.	**Net financial position (O+P)**	**(80,083)**	**(99,383)**

Financial debts at 31 December 2016 include € 13,535 thousand, of which € 1,559 thousand are short-term, payables arising with relation to acquisition operations for the control of a number of companies in the Group (Note 29). To guarantee current and future liabilities for the acquisition of equity interests, 29,716 thousand Brazilian reais, for a total value of € 8,662 thousand, have been deposited in Escrow Account, registered in the accounts under the heading “Other medium-long-term financial assets”.

At 31 December 2016, net financial debts include amounts receivable from related parties for the amount of € 783 thousand, of which € 449 thousand are short-term, attributable to the receivable from Yama S.p.A. for the guarantees included in the contract in favor of Emak S.p.A. as part of the so-called “Operazione Greenfield” through which Emak S.p.A. acquired in 2011 the companies Comet S.p.A., Tecomec S.r.l., Sabart S.r.l. and Raico S.r.l.

10. Revenues from sales and other operating income

The Group's revenues amount to € 391,879 thousand, compared to € 381,579 thousand of last year, and are recorded net of returns for € 1,528 thousand, against € 2,525 thousand of last year.

The increase in sales was driven by the good performance of all operating segments, primarily in the European market and in the "Asia Africa Oceania" area, while the 2015 volumes of sales in the area "Americas" was confirmed.

Details of revenues from sales are as follows:

€/000	FY 2016	FY 2015
Net sales revenues (net of discounts and rebates)	389,182	379,830
Revenues from recharged transport costs	4,225	4,274
Returns	(1,528)	(2,525)
Total	**391,879**	**381,579**

Other operating income is analyzed as follows:

€/000	FY 2016	FY 2015
Capital gains on property, plant and equipment	113	118
Recovery of warrants costs	107	102
Insurance refunds	117	269
Advertising reimbursement	239	296
Government grants	170	387
Recovery of administrative costs	209	178
Recovery of costs canteen	102	96
Revenues for rents	346	-
Other operative income	1,186	1,005
Total	**2,589**	**2,451**

The "Revenues for rent" refers to income from the rents of the production building located in Jiangmen (China), leased from the month of April 2016.

11. Cost of raw materials, consumable and goods

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

€/000	FY 2016	FY 2015
Raw materials, semi-finished products and goods	194,767	206,901
Other purchases	3,405	4,592
Total	**198,172**	**211,493**

The decrease of the item "Raw materials, semi-finished products and goods" is attributable to the higher utilization of inventories in view of more efficient management of working capital.

12. Personnel expenses

Details of these costs are as follows:

€/000	FY 2016	FY 2015
Wage and salaries	49,550	47,572
Social security charges	14,451	13,908
Employee termination indemnities	2,390	2,312
Other costs	1,545	2,052
Directors' emoluments	1,218	1,466
Temporary staff	3,885	3,150
Total	**73,039**	**70,460**

The details of staff by country is shown in heading 3 of the Directors’ Report. The increase in staff costs is mainly attributable to the extension of the scope of consolidation, to the greater production volumes recorded in a number of companies in the Group and to the lower used social welfare. The costs for the year include non-recurring costs relating to the restructuring of the workforce in a number of Group companies for the amount of € 248 thousand.

13. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2016	FY 2015
Subcontract work	11,589	12,410
Maintenance	3,745	3,647
Trasportation	15,002	16,507
Advertising and promotion	3,362	3,228
Commissions	5,923	5,647
Travel	3,090	2,887
Postals and telecomunications	903	917
Consulting fees	3,828	4,283
Driving force	2,240	2,307
Various utilities	1,004	1,377
Services and bank fees	967	1,034
Costs of after sales warranty	1,151	1,129
Insurances	1,344	1,353
Other services	6,331	5,561
Services	**60,479**	**62,287**
Rents, rentals and the enjoyment of third party assets	**7,454**	**7,273**
Increases in provvisions (note 32)	**285**	**164**
Credit losses	54	372
Increases in provision for doubtful accounts (note 23)	1,062	927
Capital losses on property, plant and equipment	2	55
Other taxes (not on income)	1,185	1,095
Grants	140	252
Other costs	1,011	1,842
Other expenses	**3,454**	**4,543**
Total Other operating costs	**71,672**	**74,267**

The reduction in service costs is a result of continuous policy implemented by the Group in order to improve production efficiency. The transportation costs and those for subcontract work decrease in relation to the lower purchases of raw materials and components.

In 2016 the service expanses includes € 377 thousand as costs M&A; in the previous year these costs amounted to € 708 thousand.

Last year, the item "Other operating expenses" included € 615 thousand as costs arising from legal disputes.

14. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2016	FY 2015
Amortization of intangible assets (note 19)	2,542	2,568
Depreciaton of property, plant and equipment (note 18)	10,247	9,960
Impairment losses	4,811	-
Total	**17,600**	**12,528**

The depreciation and amortization at December 31, 2016 amounted to € 17,600 thousand of which € 4,811 thousand as an impairment loss of goodwill allocated to the CGU Lemasa LTDA recognized after the impairment test for which details are provided in Note 20.

The item "Depreciation of property, plant and equipment" includes, for the amount of € 387 thousand, the effect of the reduction of the remaining useful life of certain buildings because of the imminent construction of the "The new R&D center."

15. Financial income and expenses

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

€/000	FY 2016	FY 2015
Income from adjustment to fair value of derived instruments for hedging interest rate risk	225	150
Interest of trade receivables	258	310
Interest on bank and postal current accounts	237	140
Financial income of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	5,115	-
Other financial income	1,270	655
Financial income	**7,105**	**1,255**

"Financial income of debt estimate adjustment for purchase commitment of remaining shares of subsidiaries" refer to the reduction of the deferred value of the put and call option on the purchase commitments of the shares of the company Lemasa LTDA. The acquisition of Lemasa, which took place in 2015, has provided for the subscription for the deferred portion of the price for the remaining shares subject to put and call options, purchase agreements whose value is related to the results that the company will realize in subsequent years. At December 31, 2016 it has been updated the business plan originally expected, registering as financial income the positive adjustment of the price value deferred and put & call option.

"Other financial income" includes € 1,210 thousand (€ 602 thousand in the previous year) as interest income accrued on the escrow account with the escrow account contract part of the acquisition of company Lemasa and accrual to the Group .

"Financial expenses" are analyzed as follows:

€/000	FY 2016	FY 2015
Interest on medium-term bank loans and borrowings	2,427	3,072
Interest on short-term bank loans and borrowings	284	370
Costs from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	428	405
Financial charges from valuing employee terminations indemnities (note 31)	103	154
Financial expenses from discounting debts	2,023	1,482
Other financial costs	791	316
Financial expenses	**6,056**	**5,799**

The reduction in interest on bank loans compared to the previous year is due to the reduction in average interest rates applied to bank loans and the improvement in the net financial position as a result of net working capital reduction policy.

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

The item "Other financial costs" includes € 360 thousand for the amount paid in settlement of the pro-rata price for the purchase of the investment in the subsidiary S.I.Agro Mexico, following the best results achieved by it in the course of 2015.

Reference should be made to Note 22 for more details on derived instruments for hedging interest rate risk.

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

€/000	FY 2016	FY 2015
Profit / (Loss) on exchange differences on trade transactions	8	(1,838)
Profit / (Loss) on exchange differences on financial assets	3,399	(1,812)
Exchange gains and losses	**3,407**	**(3,650)**

The heading referring to trade transactions also includes the effect of the valuations of currency hedging at fair value.

In 2016 the item "Profit / (Loss) on exchange difference on financial transactions" include the recording of valuation profits for an amount of around € 1,685 thousand deriving from the adjustment to the exchange rate at the end of the period of the loan granted in Euros by Comet S.p.A. to Comet do Brasil for the principal amount of € 9,240 thousand. The adjustment to the year end exchange rate of this loan led to the recognition in the previous year of a loss from currency translation in the amount of approximately € 1,830 thousand.

"Income from investments revaluation in associated companies" amounting to € 205 thousand, refers to the result of the equity valuation of the associated company Cifarelli S.p.A., included in the scope of consolidation from October 1, 2016.

16. Income taxes

The estimated tax charge in 2016 for current and deferred tax amounts to € 8,847 thousand (€ 6,100 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2016	FY 2015
Current income taxes	7,333	6,040
Taxes from prior years	(252)	461
Deferred tax assets (note 30)	1,747	(649)
Deferred tax liabilities (note 30)	19	248
Total	**8,847**	**6,100**

Current income taxes include the cost of IRAP (regional company tax) to € 735 thousand, compared to € 645 thousand in 2015.

Tax calculated on the gross income differs from the theoretical amount that would be determined using the rate of the country where the headquarters of the Parent company are, for the following reasons:

€/000	FY 2016	% Rate	FY 2015	% Rate
Profit before taxes	**26,530**		**15,092**	
Theoretical tax charges	**8,330**	**31.4**	**4,739**	**31.4**
Effect of IRAP differences calculated on different tax base	178	0.7	(15)	(0.1)
Non-taxable income	(1,961)	(7.4)	(160)	(1.1)
Non-deductible costs	2,109	8.0	455	3.0
Differences in rates with other countries	(255)	(1.0)	(466)	(3.1)
Previous period tax	(252)	(0.9)	461	3.1
Taxes on financial charges concerning the discounting of payables for for investments	685	2.6	407	2.7
Other differences	11	0.0	679	4.5
Effective tax charge	**8,847**	**33.3**	**6,100**	**40.4**

The effective tax rate is 33.3%, against 40.4% at 31 December 2015.

The tax rate for the year was affected negatively by the recording of higher costs posted with reference to disputes of a tax nature (Note 32) for € 200 thousand and positively as a result of lower taxes for previous years for € 456 thousand.
Non-taxable income includes the amount of € 1,739 thousand referring to the tax effect of revenues arising from the adjustment of the estimate of commitments for the acquisition of equity interests (with a positive effect of 6.5% on the tax rate).
Non-deductible costs for tax purposes include € 1,636 thousand referring to the tax effect of the reduction in the value of goodwill (with a negative effect of 6.2% on the tax rate).
Without considering the tax liabilities from disputes, the lower taxes for previous years and the recording of non-taxable revenues and costs previously commented upon, the tax rate for 2016 would have been 32.1%.

In addition, the recording of costs relating to tax disputes for € 845 thousand had a negative effect on the tax rate for the previous year (5.6% on the 2015 tax rate) and the failed recording for prudent purposes of prepaid tax on accumulated tax losses for an amount of € 750 thousand (with an effect of 5% on the 2015 tax rate). The recording of accumulated tax benefits for € 497 thousand had, instead, a positive effect (3.3%on the 2015 tax rate).
Without considering such effects, the tax rate for 2015 would have been 33.1%.

17. Earnings per share

“Basic" earnings per share are calculated by dividing the net profit for the period attributable to the Parent company's shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased or held by the Parent company as treasury shares (see note 37). The Parent company has only ordinary shares outstanding.

	FY 2016	FY 2015
Net profit attributable to ordinary shareholders in the parent company (€/000)	17,595	8,846
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
Basic earnings per share (€)	**0.108**	**0.054**

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	31.12.2015	Change in scope of consolidation	Increases	Decreases	Exchange differences	Reclassification	Other movements	31.12.2016
Lands and buildings	45,269	-	1,121	-	(372)	-	-	46,018
Accumulated depreciation	(15,926)	-	(1,591)	-	80	-	-	(17,437)
Lands and buildings	**29,343**	**-**	**(470)**	**-**	**(292)**	**-**	**-**	**28,581**
Plant and machinery	79,495	115	3,789	(1,797)	450	2,758	197	85,007
Accumulated depreciation	(62,011)	(115)	(4,468)	1,185	(310)	(146)	9	(65,856)
Plant and machinery	**17,484**	**-**	**(679)**	**(612)**	**140**	**2,612**	**206**	**19,151**
Other assets	93,657	518	4,577	(1,228)	149	(1,244)	606	97,035
Accumulated depreciation	(82,564)	(518)	(4,188)	1,116	180	118	(9)	(85,865)
Other assets	**11,093**	**-**	**389**	**(112)**	**329**	**(1,126)**	**597**	**11,170**
Advances and fixed assets in progress	**2,316**	**-**	**2,672**	**(7)**	**(13)**	**(1,416)**	**(803)**	**2,749**
Cost	**220,737**	**633**	**12,159**	**(3,032)**	**214**	**98**	**-**	**230,809**
Accumulated depreciation (note 14)	**(160,501)**	**(633)**	**(10,247)**	**2,301**	**(50)**	**(28)**	**-**	**(169,158)**
Net book value	**60,236**	**-**	**1,912**	**(731)**	**164**	**70**	**-**	**61,651**

€/000	31.12.2014	Change in scope of consolidation	Increases	Decreases	Exchange differences	Reclassification	Other movements	31.12.2015
Lands and buildings	44,466	-	227	(79)	655	-	-	45,269
Accumulated depreciation	(14,643)	-	(1,241)	79	(121)	-	-	(15,926)
Lands and buildings	**29,823**	**-**	**(1,014)**	**-**	**534**	**-**	**-**	**29,343**
Plant and machinery	73,061	2,195	3,455	(1,025)	477	1,319	13	79,495
Accumulated depreciation	(57,029)	(1,235)	(4,270)	905	(388)	-	6	(62,011)
Plant and machinery	**16,032**	**960**	**(815)**	**(120)**	**89**	**1,319**	**19**	**17,484**
Other assets	88,286	2,274	4,033	(1,305)	102	85	182	93,657
Accumulated depreciation	(78,754)	(268)	(4,449)	1,264	(392)	14	21	(82,564)
Other assets	**9,532**	**2,006**	**(416)**	**(41)**	**(290)**	**99**	**203**	**11,093**
Advances and fixed assets in progress	**1,449**	**1**	**2,576**	**(121)**	**37**	**(1,418)**	**(208)**	**2,316**
Cost	**207,262**	**4,470**	**10,291**	**(2,530)**	**1,271**	**(14)**	**(13)**	**220,737**
Accumulated depreciation (note 14)	**(150,426)**	**(1,503)**	**(9,960)**	**2,248**	**(901)**	**14**	**27**	**(160,501)**
Net book value	**56,836**	**2,967**	**331**	**(282)**	**370**	**-**	**14**	**60,236**

Increases refer mainly to investments:

- in equipment for the development of new products;
- in the upgrading and modernization of production lines;
- in the upgrading of production systems and infrastructures;
- in the cyclical renewal of production and industrial equipment.
- in acquisition of industrial buildings;
- for the start of the construction project of the new R&D center.

The decreases relate mainly to the sale of equipment and obsolete production facilities.

There were no indicators of impairment of fixed assets.

There were no assets subject to restrictions as a result of collateral provided.

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.

Contributions disbursed and received definitively were as follows:

- € 1,615 thousand in 1998 for investments worth € 4,532 thousand;
- € 636 thousand in 2002 for investments made in 2001 and 2002 worth around € 4,250;
- € 1,856 thousand in 2014 and 2016 for investments made in the period 2004-2008 worth around € 7,950, amount definitely liquidated in respect of the eligible investment.

At December 31, 2016 all receivable relating to those contributions are received (Note 23).

19. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2015	Increases	Amortizations	Exchange differences	Reclassification	Other movements	31.12.2016
Development costs	896	75	(417)	-	-	-	554
Patents	2,237	1,692	(1,304)	6	56	57	2,744
Concessions, licences and trademarks	763	18	(25)	155	(70)	-	841
Other intangible assets	3,671	88	(796)	325	39	180	3,507
Advanced payments and fixed assets in progress	551	513	-	-	(95)	(235)	734
Net book value	8,118	2,386	(2,542)	486	(70)	2	8,380

€/000	31.12.2014	Change in scope of consolidation	Increases	Decreases	Amortizations	Exchange differences	Reclassification	Other movements	31.12.2015
Development costs	746	-	226	-	(576)	-	500	-	896
Patents	1,986	35	1,284	-	(1,166)	21	136	(59)	2,237
Concessions, licences and trademarks	131	784	67	-	(56)	(162)	-	(1)	763
Other intangible assets	2,352	2,373	107	-	(770)	(396)	-	5	3,671
Advanced payments and fixed assets in progress	955	-	242	(10)	-	-	(636)	-	551
Net book value	6,170	3,192	1,926	(10)	(2,568)	(537)	-	(55)	8,118

Research and development costs directly recorded in the Group's income statement amount to € 6,671 thousand.

All intangible fixed assets have a defined residual life and are amortized at constant rates on the basis of their remaining useful life

The increase in "Patents" refers to the investment made by some companies of the Group within the project of implementation of the new ERP system started during the year.

20. Goodwill

The goodwill of € 52,241 thousand reported at December 31, 2016 is detailed below:

€/000	31.12.2015	Change in scope of consolidation	Impairment losses (Note 14)	Exchange differences	31.12.2016
Goodwill from the acquisition of Victus-Emak Sp. z o.o.	874	-	-	(29)	845
Goodwill from the acquisition of company branch Victus IT	4,834	-	-	(160)	4,673
Goodwill from the merger of Bertolini S.p.A.	2,074	-	-	-	2,074
Goodwill from the acquisition of Tailong Machinery Ltd.	2,964	-	-	(105)	2,859
Goodwill from the acquisition of Gruppo Tecomec	2,807	-	-	-	2,807
Goodwill from the acquisition of Gruppo Comet	2,279	-	-	-	2,279
Goodwill from the acquisition of Speed France	2,854	-	-	-	2,854
Goodwill from the merger of HPP	1,974	-	-	-	1,974
Goodwill from transfer of the business PTC	360	-	-	-	360
Goodwill from the acquisition of Master Fluid	523	-	-	-	523
Goodwill from the acquisition of Valley LLP	11,941	-	-	392	12,333
Goodwill from the acquisition of Geoline Electronic S.r.l.	2,088	-	-	-	2,088
Goodwill from the acquisition of S.I.Agro Mexico	634	-	-	-	634
Goodwill from the acquisition of Lemasa LTDA	16,926	-	(4,811)	3,470	15,585
Goodwill from the acquisition of Acquatecninca S.r.l.	-	353	-	-	353
Total	**53,132**	**353**	**(4,811)**	**3,568**	**52,241**

- Goodwill on the purchase of Victus-Emak Sp. Z.o.o. for € 845 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, while an amount of € 4,673 thousand relates to the acquisition of the company branch of Victus International Trading SA. Both acquisitions were finalized in 2005.

- Goodwill of € 2.074 thousand refers to the positive difference arising from the acquisition from the parent company Yama S.p.A. and further to the absorption of the company Bertolini S.p.A into Emak S.p.A. in 2008.

- The amount of € 2,859 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, € 2,279 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 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 amount of € 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.

- The goodwill recorded for € 523 thousand 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.

- The amount of 12,333 thousand relates to 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.
-
- The goodwill recorded for € 2,088 thousand refers to the acquisition of the company, Geoline Electronic Srl, by Tecomec S.r.l. in January 2014, deriving from the difference between the price for the acquisition of 51% of the company and its equity.

- The goodwill recorded for € 634 thousand refers to the acquisition of the company, S.I.Agro Mexico, by Comet Spa in January 2014, deriving from the difference between the acquisition price for 55% of the company and its equity (with which was the increased shareholding from 30% to 85).

- The amount of € 15,585 thousand refers to the goodwill recorded with relation to the acquisition of Lemasa. The goodwill, initially recorded for € 16,926 thousand, was calculated as the difference between the estimation of the current price of acquisition of 100% of the company, to be recognised in the coming financial years on the basis of its economic and financial results, and the fair value of its Net Equity at the date of acquisition. At 31 December 2016 the impairment procedure revealed for this CGU a partial loss of value of goodwill for € 4,811 thousand, accounted for as a reduction in the value of goodwill. The increase in the Brazilian Real compared to the previous financial year led to an increase in the value of goodwill for € 3,470 thousand.

- The amount of € 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 the first month of 2016.

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

All the impairment tests relating to goodwills recorded at 31 December 2016 have been approved by the Board of Directors taking account of the opinion of the Risk Control Committee.

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

The discount rates used correspond to an estimate net of taxation calculated on the basis of the following main assumptions:
• risk-free rate equal to the average yield on reference ten-year government bonds;
• indebtedness in relation to the Comparable financial structure.

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

- The basic data used has been extracted from the company plans that represent management’s best estimate of the future operating performance of single entities in the period in question.
- Expected future cash flows refer to reference units in their current state and exclude any operation of an extraordinary nature. With regards to the goodwill arising from the merger of Bertolini S.p.A into Emak S.p.A., planned figures of the CGU, Emak S.p.A., have been considered since they represent the minimum level at which goodwill is monitored by management for internal purposes.
- With regards to companies operating in the Euro area, the WACC used to discount expected future cash flows for the CGU ranges from a minimum of 5.50% to a maximum of 6.97%.

- The WACC used to discount cash flows of the CGU located in Poland is 8.16%, for the CGU located in China 8.05%, for the CGU located in Mexico 10.74%, for the CGU located in the USA 6.85%, while for the CGU located in Brazil a WACC of 16.72% has been used.
- The future expected cash flows have been forecast in the currencies in which they are 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.
- The terminal value has been established on the basis of a prudent long-term growth rate (g) of 2%, representing long-term forecasts for the relevant industrial sector. For the start-ups of the CGUs located in Brazil a growth rate of 4.5% has been used, being representative of the long-term inflation of the country.

On the basis of the agreements entered into for the acquisition of Lemasa, part of the deferred price and the value of the put & call to be regulated in future financial years will be valued with relation to the economic-financial results that the CGU achieves; the value of goodwill was originally recorded using the best estimate of the current value of the deferred exercise price and options price, established on the basis of the originally prepared business plan.
On a date previous to the approval of the financial statements for the year ending 31 December 2016, a review of the multi-year business plan of Lemasa LTDA originally used for the calculation of the future acquisition price of the equity interest was approved. The plan was updated on the basis of the results recorded by the company in the latest financial year, penalised by the general slowdown of the company's reference market, characterised by a significant level of geopolitical instability and a slowdown in demand. This business plan was the basis used by the Group for carrying out the impairment test on the goodwill allocated to this CGU.
The impairment test was performed applying to the forecasts a WACC of 16.72%, which takes account of the specific tax rate relating to the CGU, and a long-term growth rate, "g", of 4.5%.
As a result of this valuation, a partial reduction of € 4,811 thousand has been fully attributed to the goodwill.
The losses for reduction in value have been posted under the heading "Write-downs and Amortisation and Depreciation Provisions" in the Income Statement.

The impairment test procedure, in compliance with the provisions of IAS 36 and applying criteria issued by the Board of Directors, has not led others impairment losses on goodwill.
In addition, also on the basis of the indications contained in the joint document issued by the Bank of Italy, Consob and Isvap (supervisory body for private insurance) no. 4 of 3 March 2010, the Group has drawn up sensitivity analyses on the results of the test with respect to variations in the underlying assumptions effecting the use value of the CGU. Also in the event of a positive or negative variation of the WACC of 5%, of the long-term growth rate (g) of 50 bps and of 5% of the cash flaws, the analyses would nevertheless indicate no losses in value.

21. Equity investments and Investments in associates

The amount of the balance of "Equity Investments" is € 230 thousand and it refers mainly to the 15.41% percentage of equity investment in Netribe S.r.l., a company operating in the sector I.T.
This investment is valued at its cost of € 223 thousand.
Investments are not subject to impairment losses; risks and benefits associated with the possession of the investment are negligible.

"Investments in associates" amounting to € 3,955 thousand, refers to the proportionate interest in the value of the Group in the company Cifarelli S.p.A., obtained by applying the equity method. The associate is included in the scope of consolidation as of October 1, 2016 and the value of acquisition, amounting to € 3,750 thousand, was adjusted to 31 December 2016 to € 205 thousand, recorded under the Income Statement "Income from equity investments revaluation in associated companies".

22. 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, that is, the estimate of their fair value has been carried out using variables other than prices quoted in active markets and which are observable (on the market) either directly (prices) or indirectly (derived from prices).

In the case in point, the fair value recorded is equal to the “market to market” estimation provided by independent sources, which represents the current market value of each contract calculated at the date 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, 2016 is shown as follows:

€/000	**31.12.2016**	**31.12.2015**
Positive *fair value* assesment exchange rate hedge	77	57
Positive fair value assesment exchange rate options	-	31
Total derivative financial instrument	**77**	**88**
Negative *fair value* assesment exchange rate hedge	91	141
Negative *fair value* assesment IRS and interest rate options	303	360
Total derivative financial instrument liabilities	**394**	**501**

At December 31, 2016 appear outstanding purchases of foreign currencies with forward contracts for:

	Company		**Nominal value (€/000)**	**Exchange rate (average)**	**Due to (*)**
Forward contracts for foreign currencies purchases					
Euro/Pln	Victus	€	1,150	4.33	10/04/2017
Usd/Pln	Victus	Usd	150	3.81	13/02/2017
Euro/Gbp	Emak UK Ltd.	€	1,000	0.85	30/06/2017
Euro/Mxn	SI Agro Mexico	€	1,310	21.82	31/08/2017
Euro/Usd	Comet U.S.A. Inc.	€	2,600	1.10	22/12/2017

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

Finally, on December 31, 2016 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., Comet S.p.A. and Comet USA Inc. have signed IRS contracts and options on interest rates for a total notional value of € 36,049 thousand; the expiration of the instruments is so detailed:

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Banca Popolare di Verona	Emak S.p.A.	830	28/03/2013	30/09/2017
UniCredit	Emak S.p.A.	1,250	22/05/2013	31/03/2018
Banca Popolare Comm. Industria	Emak S.p.A.	3,000	30/06/2015	31/12/2019
Carisbo	Emak S.p.A.	1,944	24/09/2015	12/06/2020
Mediobanca	Emak S.p.A.	5,000	24/09/2015	31/12/2020
Banca Monte dei Paschi di Siena	Emak S.p.A.	3,000	24/09/2015	31/12/2020
Banca Popolare Comm. Industria	Comet S.p.A.	2,000	09/05/2012	28/04/2017
UniCredit	Comet S.p.A.	1,500	22/05/2013	29/03/2018
UniCredit	Comet S.p.A.	5,289	06/08/2015	20/03/2020
Banca Nazionale del Lavoro	Comet S.p.A.	2,489	06/08/2015	20/03/2020
Carisbo	Comet S.p.A.	1,944	24/09/2015	12/06/2020
UniCredit	Tecomec S.r.l.	409	11/04/2012	31/07/2017
Carisbo	Tecomec S.r.l.	1,944	24/09/2015	12/06/2020
MPS	Tecomec S.r.l.	2,000	24/09/2015	31/12/2020
Intesa San Paolo	Comet USA Inc	3,450	27/02/2013	19/02/2019
Total		**36,049**		

The average interest rate resulting from the instruments is equal to 0.47%.

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

Derivative contracts on interest rate and currency stipulated to hedge future cash flows associated with investments and which meet the requirements of IAS 39 are recognized according to the criteria of "hedge accounting".

The value of all these contracts (relating to interest and exchange rates) at December 31, 2016 is an overall negative fair value of € 317 thousand.

23. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2016	31.12.2015
Trade receivables	96,728	95,853
Provision for doubtful accounts	(4,676)	(3,963)
Net trade receivables	**92,052**	**91,890**
Trade receivables from related parties (note 38)	628	882
Prepaid expenses and accrued income	1,132	971
Other receivables	3,128	3,263
Total current portion	**96,940**	**97,006**
Other non current receivables	63	69
Total non current portion	**63**	**69**

The item "Other short-term receivables" includes:

- an amount of € 1,053 thousand for receivables of certain Group companies towards the controlling company Yama S.p.A., emerging from the relationships that govern the tax consolidation in which they participate, of which € 456 thousand referring to the instance of reimbursement submitted in 2012 by the consolidating company in order to obtain the tax benefit associated with the deductibility of IRAP relating to personnel costs, for employees and other workers, from taxable IRES, as per Article 2, paragraph 1-c of the Decree-law no. 201/2011, and of which € 550 thousand relating to the tax benefits accrued by a Emak S.p.A. and transferred as part of the consolidation contract;
- an amount of approximately € 1,274 thousand as advances to suppliers for the supply of goods.
-

At 31 December 2015, the item "Other current receivables" included the credit for the contribution under Law 488/92 (Note 18) received in the month of October 2016 for the full amount previously considered recoverable.

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

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

€/000	31.12.2016	31.12.2015
Opening balance	**3,963**	**3,686**
Change in scope of consolidation	2	145
Provisions (note 13)	1,062	927
Decreases	(375)	(763)
Exchange differences	24	(32)
Closing balance	**4,676**	**3,963**

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

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2016	31.12.2015
Raw, ancillary and consumable materials	35,566	39,096
Work in progress and semi-finished products	21,232	20,693
Finished products and goods	70,564	78,570
Total	**127,362**	**138,359**

Inventories at December 31 2016 are stated net of provisions amounting to € 6,578 thousand (€ 5,806 thousand at December 31 2015) 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 2016	FY 2015
Opening balance	5,806	5,489
Change in scope of consolidation	-	136
Provisions	1,249	543
Effect of exchange differences	20	(18)
Uses	(497)	(344)
Closing balance	**6,578**	**5,806**

The decreases in the provision refer to obsolete material disposed of during the year.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2016	31.12.2015
Bank and post office deposits	32,413	42,464
Cash	132	54
Total	**32,545**	**42,518**

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

€/000	31.12.2016	31.12.2015
Cash and cash equivalents	32,545	42,518
Overdrafts (note 29)	(5,525)	(7,504)
Total	**27,020**	**35,014**

26. Other financial assets

The item "Other non-current financial assets" amount to € 10,098 thousand, € 7,836 thousand at 31 December 2015
The value shown at 31 December 2016 mainly includes:

- an amount of 29,716 thousand of Brazilian Reais, € 8,662 thousand, as the amount paid by Comet do Brasil LTDA, through an escrow account contract, part of the acquisition of the shareholdings of the company Lemasa LTDA to guarantee the deferred portion of the purchase price to be paid the financial year 2018;
- an amount of € 902 thousand, being interest receivable accrued at 31 December 2016 on the aforementioned escrow account;
- an amount of € 334 thousand, being the medium-long-term portion of the receivable due from the parent company, Yama S.p.A., by way of the reinstatement of equity recognized by Yama to the Group in relation to costs sustained by a number of companies and relating to the period in which Yama S.p.A. exercised control over them. The right emerges from agreements and guarantees issued upon the transfer of the affiliated companies and led to the recognition of an overall equity reinstatement of € 1,237 thousand, of which € 454 thousand have already be settled.

"Other current financial assets", amounting to € 468 thousand, includes € 449 thousand as short-term portion of the loan owed by Yama S.p.A. as shown in the previous paragraph.

27. Equity

Share capital
Share capital is fully paid up at 31 December 2016 and amounts to € 42,623 thousand, remaining unchanged during the year under examination, and it consists of 163,934,835 ordinary shares of par value € 0.26 each.
All shares have been fully paid.

Treasury shares
The adjustment of the share capital for purchase of treasury shares, equal to € 104 thousand, represents the nominal value of treasury shares held at December 31, 2016 (Note 37).
Compared to the previous year, the overall amount paid by Emak S.p.A. to purchase on the market of own shares, fully exposed to the reduction of the share capital, has been attributed to an adjustment to the nominal value of the share capital and the share premium adjustment to the share premium reserve.

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

Share premium reserve
At 31 December 2016, the share premium reserve amounts to € 40,529 thousand, and consists of premiums on newly issued shares, net of share premium treasury shares held at December 31, 2016 amounted to € 1,925 thousand. The reserve is shown net of charges related to the capital increase amounted to € 1,598 thousand and adjusted for the related tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31 2016 of € 2,709 thousand (€ 2,361 thousand at December 31 2015).

Revaluation reserve
At 31 December 2016 the revaluation reserve includes the reserves deriving from the revaluation as per Law 72/83 for € 371 thousand and as per Law 413/91 for € 767 thousand. No changes occurred during the year.

Reserve for conversion differences
At 31 December 2016 the reserve for conversion differences for a positive amount of € 6,692 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency

Reserve IAS 19
At 31 December 2016 the IAS 19 reserve is equal a negative amount of € 968 thousand, for the actuarial valuation difference of post-employment benefits to employees

Other reserves
At 31 December 2016 Other reserves include:
- the extraordinary reserve, amounts to € 27,088 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.

"Retained Earnings" in the consolidated accounts is subject to a non-distributable restriction amounting to € 6,340 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..

28. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2016	31.12.2015
Trade payables	59,720	62,090
Payables due to related parties (note 38)	1,553	1,244
Payables due to staff and social security institution	9,779	9,763
Advances from customers	2,741	2,634
Accrued expense and deffered income	225	615
Other payables	3,831	4,502
Total	**77,849**	**80,848**

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

The heading. “Other payables” includes € 1,872 thousand, against € 1,554 thousand at 31 December 2015, for current IRES (Italian corporate income tax) payable accounted for a number of Group companies to the parent company, Yama S.p.A., and arising from the relationships that govern the tax consolidation as per art. 117 and following of Presidential Decree no. 917/1986, in which they participate.

29. Loans and borrowings

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

€/000	31.12.2016	31.12.2015
Bank loans	38,841	46,943
Overdrafts (note 25)	5,525	7,504
Liabilities for purchase of equity investments	1,559	600
Financial accrued expense and deffered income	329	503
Other loans	516	360
Finance leases	-	26
Total current	**46,770**	**55,936**

The carrying amount of short-term loans and lease finance approximates their current value.
The item “Liabilities for purchase of equity investments” refers to the debt to the shareholder of the transferor company Valley Industries LLP following the agreement of "Put and Call Option Agreement" to purchase the remaining 10% of the company to be exercised in 2017.
The figure "Other loans" includes:

- € 206 thousand to the debt as a loan made by the minority shareholders in relation to the company Geoline Electronic S.r.l.
- € 217 thousand, refers to the granting of a subsidized loan on the part of SIMEST S.p.A. in accordance with Law 133/08, through which, the Italian companies, are accompanied in their internationalization process by loans at preferential interest rates.

Long-term loans and borrowings are repayable as follows:

€/000	31.12.2016	31.12.2015
Bank loans	63,250	78,696
Liabilities for purchase of equity investments	11,976	14,210
Other loans	881	934
Total non current portion	**76,107**	**93,840**

"Liabilities for purchase of equity investments" refers to debts outstanding at the end of the year for the purchase of minority equity investments. This item includes:

- 4,584 thousand, corresponding to approximately 15,727 thousand Reais, related to the deferred price discounted to the purchase of 70% of the company Lemasa payable to the selling shareholder of Lemasa and maturing in 2018.
- €7,191 thousand, corresponding to approximately 24,666 thousand Reais on the remaining debt actualized to the selling shareholder of company Lemasa following the "Put and Call Option Agreement" for purchase the remaining 30% of the company to be exercised by 2020.
  These liabilities represent the best estimate of the discounted debt relating to the deferred price and the Put and Call Option to be paid to the sellers members and are subject to change based on the trend of some economic-financial parameters set out in the purchase contract. The adaptation of such debt at December 31, 2016 led to the recognition in the income statement in finance costs due to the discounting of such debt for € 2,015 thousand.
  In addition, at December 31, 2016, the Management has revised the long-term plans originally used for the deferred price estimate, equity investment and the put and call options adjusting the value of the debt. In accordance with IFRS 3, changes in the liability on the present value of the future should have been recognized in the income statement. This adjustment led to the recognition of financial income of € 5,115 thousand.
- € 201 thousand relating to the residual debt actualized to the selling shareholder of the company PTC S.r.l. following the agreement of "Put and Call Option Agreement" to purchase the remaining 10% of the company to be exercised in 2019.

"Other loans" includes € 870 thousand as non-current portion of the loan from Simest S.p.A. illustrated previously.

A number of medium-long-term loans are subject to finance covenants assessed on the basis of consolidated Nfp/Ebitda and Nfp/Equity ratios. At 31 December 2016 the Group complied with all benchmarks required 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	25,592	23,106	12,703	1,845	**63,246**	**4**
Liabilities for purchase of equity investments	4,584	201	7,191	-	**11,976**	**-**
Other loan	230	217	217	217	**881**	**-**
Total	**30,406**	**23,524**	**20,111**	**2,062**	**76,103**	**4**

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;
- on 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 finance leases is applied, according to the area, a spread on "base rate" reference.

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

30. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2015	Increases	Decreases	Other movements	Exchange differences	31.12.2016
Deffered tax on impairment of assets	475	8	(51)	-	-	432
Reversal of unrealized intercompany gains	2,197	199	(402)	-	-	1,994
Provision for inventory obsolescence	1,272	170	(77)	-	-	1,365
Losses in past financial periods	1,383	102	(506)	-	9	988
Provisions for bad debts	284	82	(7)	-	-	359
Other deferred tax assets	3,442	548	(1,813)	1	54	2,232
Total (note 16)	**9,053**	**1,109**	**(2,856)**	**1**	**63**	**7,370**

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 2016.
The recognition of deferred tax assets depends on the existence of conditions for their future recovery on the basis of updated strategic plans.
The exploitation of past tax losses is of limited duration except for losses that can be used by Comet USA, and referred to the merged company Emak USA Inc., for which it will start to lose the benefits of the tax credit starting in 2026.

"Other deferred tax assets" mainly includes receivables for 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	31.12.2015	Increases	Decreases	Exchange differences	31.12.2016
Deferred tax on property IAS 17	1,222	2	(25)	-	1,199
Deffered tax on depreciations	2,846	433	(196)	302	3,385
Deffered tax on valutation of provision for employee termination indemnities under IAS 19	3	-	(3)	-	-
Other deferred tax liabilities	1,978	581	(773)	21	1,807
Total (note 16)	**6,049**	**1,016**	**(997)**	**323**	**6,391**

Other deferred tax liabilities refers mainly to revenues that will be fiscally recognized in future financial periods.

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 2016.

At December 31, 2016, no deferred tax liabilities for taxes on retained earnings of subsidiaries have been recognized as the Group does not believe, at the time, that these profits will be distributed in the foreseeable future.

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

Tax assets and liabilities relating to deferred tax assets and liabilities have been adjusted on the basis of the lower IRES (Italian corporate income tax) rate applicable from the 2017 financial year.

The tax credits amount at December 31 2016 to € 4,791 thousand, against € 5,324 thousand at December 31 2015, and refer to VAT credits, surplus payments on account of direct tax and other tax credits.

Current tax liabilities amount to € 4,184 thousand at December 31 2016, compared with € 3,682 thousand a year earlier, and they refer to payables for direct tax for the period, VAT and withholding taxes.

A number of Group companies participate in the tax consolidation submitted by the parent company, Yama S.p.A., as per arts. 117 and following of Presidential Decree no. 917/1986: current IRES taxes payable by these companies are accounted for in the heading "Other payables" (Note 28).

31. Employee benefits

At December 31 2016 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 8,513 thousand against € 8,478 thousand at December 31 2015. The valuation of the indemnity leaving fund (TFR) at the closing date, carried out according to the nominal debt method in force would be € 8,250 thousand against € 8,328 at December 31 2015.

Movements in this liability are as follows:

€/000	FY 2016	FY 2015
Opening balance	**8,932**	**9,112**
Current service cost and other provision	345	197
Actuarial (gains)/losses	137	81
Interest cost on obligation (note 15)	103	154
Change from area of consolidation	36	-
Disbursements	(416)	(612)
Closing balance	**9,137**	**8,932**

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

	FY 2016	FY 2015
Annual inflation rate	0.4%	0.6%
Rising discount rate	1.1%	1.3%
Rate of dismissal	1.0%	1.0%

Demographic assumptions refer to the most recent statistics published by ISTAT.
In the 2017 financial year, payments are expected to be in line with 2016.

32. Provisions for risks and charges

Movements in these provisions are detailed below:

€/000	31.12.2015	Increase	Decrease	Exchange differences	31.12.2016
Provisions for agents' termination indemnity	1,576	134	(242)	-	1,468
Other provisions	83	-	-	15	98
Total non current portion	**1,659**	**134**	**(242)**	**15**	**1,566**
Provisions for products warranties	435	50	(4)	(1)	480
Other provisions	1,216	301	(559)	(1)	957
Total current	**1,651**	**351**	**(563)**	**(2)**	**1,437**

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.
The year allocation of € 134 thousand, was recorded under the provisions in the item "Other operating expenses" in the income statement.

Other non-current provisions, equal to € 98 thousand, have been allocated for:

- € 25 thousand in legal costs accrued in respect of the conduct of tax disputes on the part of Tecomec S.r.l. and Bertolini S.p.A. (Incorporated into Emak S.p.A. in year 2008) for which the Group, following the opinion expressed by its defenders, does not expect to mobilize additional funds to contingent liabilities;
- € 73 thousand against possible currency liabilities impending on society Lemasa.

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

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

- allocations for € 604 thousand (including legal defense costs € 33 thousand), relating to an assessment, carried out by the Tax Authorities of Bologna, section large contributors, against Emak S.p.A. during the year 2013, concerning the annual 2008-2009-2010.
  On the basis of the minutes, the Agency has determined, by way of adjustment of prices of certain cross-border intra-group transactions, for all three years concerned by the audit, taxes and interest for a total of € 835 thousand (the amounts assessed penalties do not match art. 1, paragraph 2-ter of Legislative Decree 471/97).
  In the face of all the investigations, initiated a unsuccessfully attempt to membership, they have been proposed remedies; for which there is an ongoing attempt to court to settlement, encouraged by the Tax Court. Emak, convinced of the correctness of his actions and of the validity of their reasons, also on the basis of the assessments of their defenders, has adjusted during the year, this fund through the provision of an additional € 200 thousand.
  The current prudent reserves recorded is sufficient to all involved annuity, whatever the outcome of which dispute will arrive;
- some objections concerning various disputes for about € 255 thousand;
- charges related to administrative penalties that may be charged to the Group for about € 81 thousand;
- reimbursement of deductibles on claims for product liability for € 17 thousand.

The decrease in the item Other provisions is mainly due, for € 545 thousand, to the use of the fund previously allocated reported to risks inherent grants for capital 488/92 (Note 18). This credit has been paid in the course of 2016, net of the fund as at 31 December of the previous year.

33. Other non-current liabilities

The entire amount of € 668 thousand (€ 835 thousand at 31 December 2015) refers to the deferred income relating to capital grants received pursuant to Law 488/92 by Comag S.r.l., now merged into Emak S.p.A., and allocated to subsequent financial periods. The part of the grant receivable within a year is recorded in current liabilities under accrued expenses and deferred income (note 28) and amounts to € 98 thousand.

34. Potential liabilities

At 31 December 2016, Against Comet, following an audit of the Revenue Agency ended October 12, 2012, was issued a formal notice of assessment in respect of the tax year 2010. The pads currently pending in litigation concerning the IRES and IRAP for about € 70 thousand, plus interest. The company pending a decision on appeal.

It is noted that liabilities that might emerge from this relate to a period when control of Comet S.p.A. was exercised by Yama S.p.A., transferring to Emak the corresponding shareholding. Under the contractual guarantees, every liability, which may have to be defined, will be subject to comprehensive recasting to the Group by Yama S.p.A.

35. Information on financial risks

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

- 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;
- market risks, with particular reference to exchange and interest rates, since the Group operates at an international level in different currencies and uses financial instruments that generate interest.

As described in the section "Management of financial risk", the Emak Group constantly monitors the financial risks to which it is exposed, so as to minimize potential negative effects on financial results.

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.

Credit risk
The maximum theoretical exposure to credit risk for the Group at 31 December 2016 is the accounting value of financial assets shown in the financial statements.

It should be pointed out that 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. Certain categories of credits to foreign customers are also covered by insurance with primary companies.

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 2016 there were no significant positions of insolvency subject to individual devaluation.
At December 31 2016 Trade receivables and Other receivables, equal to € 96,940 thousand (€ 97,006 thousand at 31 December 2015), include € 11,450 thousand (€ 14,857 thousand at 31 December 2015) 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 2016 is € 19,665 thousand (€ 14,086 thousand at December 31 2015).

At December 31 2016 the first 10 customers account for 20% of total trade receivables (19.6% at December 31 2015), while the top customer represents 5.4% of the total (4.9% at December 31 2015).

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.
Consequently, the Group's treasury sets up the following activities:

- the monitoring of expected financial requirements in order to then take suitable action;
- the obtaining of suitable lines of credit;
- the optimization of liquidity, where feasible, through the centralized management of the Group's cash flows;

- the maintenance of sufficient liquidity;
- the maintenance of a balanced composition of net financial borrowing with respect to investments made;
- the pursuit of a correct balance between short-term and medium-long-term debt;
- limited credit exposure to a single financial institute;
- the monitoring of compliance with the parameters provided for by covenants associated with medium-long-term loans.

The characteristics and nature of the expiry of debts and of the Group's financial activities are set out in Notes 25 and 29 relating respectively to Cash and Cash Equivalents and Loans and borrowings.

The management considers that currently unused funds and credit lines, amounting to € 134 million, as well as those which will be generated from operating and financial activities, will allow the Group to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

Exchange risk
The Group is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
The net balances at December 31 2016 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	30,463,594
Debt position in Yen	29,554,423
Debt position in Taiwanese Dollars	1,724,853
Debt position in Renminbi	45,451,510
Debt position in Euro	8,408,927
Debt position in Swiss Francs	82,828
Debt position in Brazilian Reais	31,000

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 2016 financial period, the overall amount of revenues directly exposed to exchange risk represented around 9% of the Group's aggregate turnover (9.2% in the 2015 financial period), while the amount of costs exposed to exchange risk is equal to 18.1% of aggregate Group turnover (20.2% in the 2015 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, 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, in respect of sales on the Ukrainian market;
  - USD/REAIS, in respect of sales on the Brazilian market;
  - EUR/ZAR, relating to purchases in the South African market;
  - EUR/MXR, relating of sales in the Mexican market;
  - EUR/MAD, relating to purchases in the Moroccan market.

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

  The Group's policy is to cover net currency flows, typically through the use of forward contracts, 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 realisation or ascertainment of exchange risks.
The Group's policy is to partly cover, after appropriate evaluation of exchange rate trends, exposed positions resulting from credits and debits expressed in a currency different from that in which the company keeps its accounts.

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

- Assets and liabilities of subsidiary companies in the Group, whose accounting currency is different from the Euro, may have different equivalent values in Euro depending on the trend in exchange rates. As provided for by the accounting principles adopted, the effects of such variations are recorded directly in equity, under the heading "reserve for conversion differences" (see Note 27).
  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 2016, as a result of a hypothetical unfavorable and immediate variation of 10% in all relevant single exchange rates, would amount to around € 3,075 thousand (€ 2,522 thousand at December 31 2015).

Interest rate risk
The companies of the Group utilize external financial resources in the form of debt and invest liquid funds in monetary and financial market instruments. Variations in market interest rates influence the cost and return of the various forms of financing and utilization, affecting the level of the Group's financial expenditure and income.

The Group uses derivative financial instruments to cover interest rate risk

Although these transactions are made for hedging purposes, the accounting standards will not allow hedge accounting treatment. Therefore, fluctuations in their values may affect the Company's financial results.

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

A hypothetical, instantaneous and unfavorable negative variation of one base point in annual interest rates in force at December 31 2016 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 727 thousand (€ 853 thousand at December 31 2015). 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.

Other risks on derivative financial instruments
As described in Note 22, the Group holds a number of derivative financial instruments whose value is linked to the trend in exchange rates (forward currency purchase and sales operations) and the trend in interest rates.

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

Sensitivity analysis
The potential loss of fair value of derivative financial instruments held by the Group at December 31 2016 as a result of a hypothetical unfavorable and immediate variation of 10% in underlying values would amount to around € 628 thousand (€435 thousand at December 31 2015).

36. Commitments

Fixed asset purchases
The Group has commitments for purchases of fixed assets not accounted in the financial statements at December 31 2016 for an amount of € 3,289 thousand (€ 1,188 thousand at December 31 2015).
These commitments relate to the purchase of equipment, plant and machinery and the new R&D center under construction.

Guarantees granted
The group has € 3,719 thousand in guarantees granted to third parties at December 31 2016, relating to guarantee policies for customs rights and bank guarantees.
The shares representing the capital of Comet do Brasil Investimentos LTDA and Lemasa are subject to a lien in favor credit institutions that provided the financing functional of the purchase Lemasa.

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

- a Put and Call option is contained in the contract for the acquisition of the subsidiary, Valley Industries LLP, for the remaining 10% of the share capital in favor of the trust Savage Investments LLC, to be exercised before 2017;
- as part of the contract for the acquisition of the Maxican company, S.I.Agro Mexico, the subsidiary, Comet S.p.A., has entered into a supplementary agreement that provides for a call option in favor of Comet for the acquisition of the remaining 15% of the share capital, to be exercised in 2019;
- In the contract to acquire the subsidiary Lemasa LTDA, owned by Comet do Brasil with a share of 70%, there is an agreement of "Put and Call Option" that regulates the purchase of the remaining 30% to be exercised between April 1 2020 and April 1, 2021;
- The subsidiary Comet S.p.A. has in place an agreement providing for a put and call option to purchase the remaining 10% of PTC S.r.l. to be exercised in 2020.

37. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31 2016 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2016	31.12.2015
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(397,233)	(397,233)
Total outstanding shares	**163,537,602**	**163,537,602**

The dividends for 2015 approved by the shareholders on April 22 2016, totaling € 4,088 thousand, were paid during 2016.

At December 31 2015 the company held in portfolio 397,233 treasury shares for a value of € 2,029 thousand.
During 2016 no treasury shares were purchased or sold.
Therefore, at December 31 2016 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand

In January and February 2017 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 2016.

38. Related party transactions

The transactions entered into with related parties by the Emak Group in the year 2016 mainly relate to two different types of usual nature relations, within the ordinary course of business, adjusted to market conditions and with the parent Yama S.p.A. and certain subsidiary companies.

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

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

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

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

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

€/000	Net sales	Trade receivables	Other receivables for tax consolidation	Total trade and other receivables	Financial revenues	Current financial asset	Non current financial asset
SG Agro D.o.o.	288	67	-	67	-	-	-
Euro Reflex D.o.o.	626	238	-	238	-	-	-
Garmec S.r.l.	140	12	-	12	-	-	-
Mac Sardegna S.r.l.	691	294	-	294	-	-	-
Selettra S.r.l.	1	1	-	1	-	-	-
Yama S.p.A.	-	12	1,053	1,065	12	449	334
Cifarelli S.p.A.	42	4	-	4	-	-	-
Total (notes 23 - 26)	**1,788**	**628**	**1,053**	**1,681**	**12**	**449**	**334**

Purchase of goods and services and trade and other payables:

€/000	Purchases of raw and finished products	Other costs	Trade payables	Other payables for tax consolidation	Total trade and other payables
SG Agro D.o.o.	31	-	-	-	-
Cofima S.r.l.	960	531	779	-	779
Euro Reflex D.o.o.	1,756	14	354	-	354
Garmec S.r.l.	2	18	11	-	11
Mac Sardegna S.r.l.	-	6	2	-	2
Selettra S.r.l.	390	-	210	-	210
Yama Immobiliare S.r.l.	-	1,821	1	-	1
Yama S.p.A.	-	-	-	1,872	1,872
Cifarelli S.p.A.	18	-	45	-	45
Other related parties	-	605	151	-	151
Total (note 28)	**3,157**	**2,995**	**1,553**	**1,872**	**3,425**

****

The remunerations of the Directors and Auditors of the Parent company for the financial year 2016, 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 and available on the company website http://www.emak.it, in the section "Investor Relations > Documentazione Societaria > Corporate Governance".

****

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

39. Subsequent events

For the description of subsequent events please refer to the note 13 of the Directors' report.

Deloitte.

Deloitte & Touche S.p.A.
Centro Direzionale Eurotorri
Piazza Italo Pinazzi, 67/A
43122 Parma
Italia

Tel: +39 0521 976011
Fax: +39 0521 976012
www.deloitte.it

INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Emak S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying 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, 2016, the consolidated income statement, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these 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 n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Emak Group as at December 31, 2016, and of its financial performance and 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 n° 38/05.

Other matter

The consolidated financial statements of Emak Group for the period ended as of December 31, 2015 have been audited by other auditors that on March 25, 2016 expressed an unmodified opinion on those consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Emak S.p.A., with the consolidated financial statements of the Emak Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Emak Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
March 29, 2017

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

Emak S.p.A.
Separate financial statements at 31 December 2016

Emak S.p.A. – Income Statement

€	Notes	Year 2016	of which to related parties	Year 2015	of which to related parties
Revenues from sales	**8**	**128,001,224**	**29,161,036**	**125,773,619**	**33,077,189**
Other operating incomes	8	428,182		331,102	
Change in inventories		(9,104,367)		690,469	
Raw materials, consumable and goods	9	(71,708,995)	(26,566,710)	(78,073,057)	(26,762,532)
Personnel expenses	10	(23,742,074)		(23,119,073)	
Other operating costs and provisions	11	(19,284,347)	(990,059)	(20,960,767)	(624,599)
Amortization, depreciation and impairment losses	12	(6,097,790)		(4,383,605)	
Operating profit		**(1,508,167)**		**258,688**	
Financial income	13	7,957,235	7,762,974	5,710,724	5,483,337
Financial expenses	13	(696,216)	(15,928)	(1,303,084)	(14,305)
Exchange gains and losses	13	1,420,012		1,748,297	
Profit befor taxes		**7,172,864**		**6,414,625**	
Income taxes	14	(162,379)		538,648	
Net profit		**7,010,485**		**6,953,273**	

Other comprehensive income statement

€	Notes	Year 2016	Year 2015
Net profit (A)		**7,010,485**	**6,953,273**
Profits/(losses) deriving from defined benefit plans (*)	**29**	(61,000)	(5,000)
Tax effect relating to other components (*)		(2,000)	2,000
Total other components to be included in the comprehensive income statement (B)		**(63,000)**	**(3,000)**
Other comprehensive net profit (A)+(B)		**6,947,485**	**6,950,273**

* Items can 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 36.

Emak S.p.A. – Statement of financial position

ASSETS

€	Notes	31.12.2016	of which to related parties	31.12.2015	of which to related parties
Non-current assets					
Property, plant and equipment	16	27,250,824		27,215,391	
Intangible assets	17	1,581,974		991,714	
Goodwill	18	2,074,305	2,074,305	2,074,305	2,074,305
Equity investments	19	98,176,874		96,152,288	
Deferred tax assets	28	1,656,373		2,406,321	
Other financial assets	21	5,725,026	5,725,026	5,353,882	5,353,882
Other assets	22	2,400		1,887	
Total non-current assets		**136,467,776**	**7,799,331**	**134,195,788**	**7,428,187**
Current assets					
Inventories	23	33,373,760		42,478,126	
Trade and other receivables	22	45,940,835	12,089,075	47,759,384	13,773,598
Current tax assets	28	2,260,201		2,237,878	
Other financial assets	21	1,405,916	1,398,025	2,561,959	2,561,959
Derivative financial instruments	20	-		31,488	
Cash and cash equivalents	24	21,425,447		26,374,821	
Total current assets		**104,406,159**	**13,487,100**	**121,443,656**	**16,335,557**
TOTAL ASSETS		**240,873,935**	**21,286,431**	**255,639,444**	**23,763,744**

EQUITY AND LIABILITIES

€	Notes	31.12.2016	of which to related parties	31.12.2015	of which to related parties
Capital and reserves					
Issued capital		42,519,776		42,519,776	
Share premium		40,529,032		40,529,032	
Other reserves		34,314,615		34,029,951	
Retained earnings		36,237,037		33,662,656	
Total equity	**25**	**153,600,460**		**150,741,415**	
Non-current liabilities					
Loans and borrowings due to banks and other landers	27	28,157,517	333,954	36,343,887	371,060
Deferred tax liabilities	28	1,675,545		1,888,470	
Employee benefits	29	3,777,006		3,852,224	
Provisions for risks and charges	30	311,292		403,005	
Other non-current liabilities	31	667,530		834,670	
Total non-current liailities		**34,588,890**	**333,954**	**43,322,256**	**371,060**
Current liabilities					
Trade and other payables	26	33,150,925	8,827,699	36,287,641	7,279,544
Current tax liabilities	28	876,632		899,165	
Loans and borrowings due to banks and other landers	27	17,472,098	1,956,523	22,747,209	3,156,522
Derivative financial instruments	20	132,917		244,810	
Provisions for risks and charges	30	1,052,013		1,396,948	
Total current liabilities		**52,684,585**	**10,784,222**	**61,575,773**	**10,436,066**
TOTAL EQUITY AND LIABILITIES		**240,873,935**	**11,118,176**	**255,639,444**	**10,807,126**

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 36.

Emak S.p.A. – Statement of changes in equity at December 31, 2015 and December 31, 2016.

€/000	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES				RETAINED EARNINGS		TOTAL
			Legal reserve	Revaluation reserve	Reserve IAS 19	Other reserves	Retained earnings	Net profit for the period	
Total at 31.12.2014	**42,519**	**40,529**	**2,060**	**1,138**	**(366)**	**27,733**	**25,089**	**6,010**	**144,712**
Change in treasury shares									-
Payment of dividends								(4,088)	**(4,088)**
Reclassification of 2014 net profit			301				1,621	(1,922)	-
Other changes						3,167			**3,167**
Net profit for 2015					(3)			6,953	**6,950**
Total at 31.12.2015	**42,519**	**40,529**	**2,361**	**1,138**	**(369)**	**30,900**	**26,710**	**6,953**	**150,741**
Change in treasury shares									-
Payments of dividends								(4,088)	**(4,088)**
Reclassification of 2015 net profit			348				2,517	(2,865)	-
Others									-
Net profit for 2016					(63)			7,010	**6,947**
Total at 31.12.2016	**42,519**	**40,529**	**2,709**	**1,138**	**(432)**	**30,900**	**29,227**	**7,010**	**153,600**

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

Emak S.p.A. – Cash flow statement

€/000	Notes	2016	2015
Cash flow from operations			
Net profit for period		**7,010**	**6,953**
Amortization, depreciation and impairment losses	12	6,098	4,384
Capital (gains)/losses on disposal of property, plant and equipment		(7)	(11)
Dividends income		(7,550)	(5,141)
Decreases/(increases) in trade and other receivables		2,546	1,451
Decreases/(increases) in inventories		9,104	(4,826)
(Decreases)/increases in trade and other payables		(3,539)	5,606
Change in provisions for employee benefits	29	(75)	42
(Decreases)/increases in provision for liabilities	30	(437)	550
Change in derivate financial instruments		(80)	216
Cash flow from operations		**13,070**	**9,224**
Cash flow from investing activities			
Dividend income		7,550	5,141
Increases in property, plant and equipment and intangible assets		(6,723)	(12,326)
(Increases) and decreases in financial assets		(1,240)	7,028
Gainsfrom disposal of property, plant and equipment		7	11
Cash flow from investing activities		**(406)**	**(146)**
Cash flow from financing activities			
Dividends paid		(4,088)	(4,088)
Change in short and long-term loans and borrowings		(13,360)	18,334
Change in equity		(63)	3,164
Cash flow from financing activities		**(17,511)**	**17,410**
Net increase/(decrease) in cash and cash equivalents		**(4,847)**	**26,488**
Opening cash and cash equivalents		**26,273**	**(216)**
Closing cash and cash equivalents		**21,425**	**26,273**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2016	2015
Reconciliation of cash and cash equivalents			
Opening cash and cash equivalents, detailed as follows:	24	**26,273**	**(216)**
Cash and cash equivalents		26,375	2,283
Overdrafts		(102)	(2,499)
Closing cash and cash equivalents, detailed as follows:	24	**21,425**	**26,273**
Cash and cash equivalents		21,425	26,375
Overdrafts		-	(102)
Other information:			
Tax paid		(40)	-
Interest paid		(592)	(1,116)
Interest on financings to subsidiary companies		201	334
Interest on financings to parent company		12	7
Interest on financings from subsidiary companies		(16)	(14)
Interest receiveable on bank account		82	39
Interest receiveable on trade receivables		66	104
Effects of exchange rate changes		292	251
Change in related party financial assets transactions		792	508
Change in trade receivables and others toward related parties		1,685	1,904
Change in trade payables and others toward related parties		1,456	(3,460)
Change in trade receivables and others for fiscal assets		728	(1,212)
Change in payables and others for fiscal liabilities		(236)	81

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 section Other information.

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

Contents

1. General information

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

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

The Board of Directors of Emak S.p.A. on March 16, 2017 approved the Financial Statements for the year to December 31, 2016, 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 the dividend proposal made to the General Meeting of Shareholders.

The financial statements for the financial year will be submitted for approval by the General Meeting of Shareholders called for 28 April 2017.

Emak S.p.A., as the parent company, has also prepared the consolidated financial statements of the Emak Group at 31 December 2016, also approved by the Board of Directors of Emak S.p.A. in the meeting of 16 March 2017; 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 standards used for the preparation of these financial statements are set out 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 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 revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named 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 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.

The company has adopted the following formats for its financial statements as required by IAS 1:

- 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: based on a classification of items according to their nature;
- Cash flow Statement: based on a presentation of cash flows using the indirect method;
- Statement of Changes in Equity;
- The 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.

Leases for which the company has substantially all the risks plus the right of redemption are classified as finance leases. The related assets are recognized under property, plant and equipment at the value of the future lease payments.
The principal element of repayments to be made is recorded as financial liabilities. The interest element is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases for which the lessor retains a significant portion of the risks and rewards incident to ownership are classified as operating leases, whose payments are recognized as an expense in the income statement over the lease term on a straight-line basis.

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

2.4 Intangible assets

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

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

Development costs include only that expenditure which can be attributed directly to the development process. Costs for internal requirements are not capitalised.
Capitalized development costs are amortized over 5 years, commencing from the start of production of the products developed.
All other development costs are charged to the income statement.

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

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

2.5 Goodwill

Goodwill deriving from the acquisition of subsidiaries, classified among non-current assets, is initially recognised at cost, represented by the difference between the consideration paid and the amount recorded for minority interests at the acquisition date, and the identifiable net assets acquired and liabilities taken on. If the consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the income statement.
Goodwill is considered as an asset with an indefinite useful life. As a result, this asset is not amortised, 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.
Goodwill relating to associates is included in the value of the investment.

2.6 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed annually for any impairment. 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 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.

2.7 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.

2.8 Financial assets and equity investments

The company classifies financial assets and investments into the following categories: financial assets at fair value (with changes reported through the income statement), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investment has been made. The classification is made upon the asset's initial recognition and is reviewed at every statement of financial position date.

(a) Marketable financial assets at fair value (with the value of fluctuations posted in the income statement)

This category includes securities that have been acquired principally for the purpose of generating a profit from short-term fluctuations in price (or for temporarily investing surplus cash balances). This category is classified in current assets on the basis of the period-end price, with gains and losses recognized directly in the income statement. Unless they qualify for hedge accounting, derivatives are also classified as held for trading.

(b) Other financial assets

This balance includes loans given, and other receivables deriving from financial activities. They are classified as non-current assets except those falling due within 12 months which are reclassified to current assets.
These financial assets feature determinable payments with fixed maturities, and the fact that the company has the intent and ability to hold them to maturity.
These assets are valued using the amortized cost method, with gains recognized directly in the income statement using the effective yield method.

(c) Equity investments

This item includes shares in subsidiaries and interests in joint-stock companies accounted for using the cost method as adjusted for any impairment losses.

(d) Available-for-sale financial assets

Available-for-sale financial assets is a residual category relating to those assets not belonging to the previous three categories. They are reported as non-current assets unless management intends selling them within 12 months of the statement of financial position date.
Purchases and sales of these assets are recognized on the transaction date, which is the date on which the company commits to purchase or sell the asset.
Unrealized gains and losses arising on changes in the fair value of non-monetary securities classified as available for sale are recorded in the comprehensive income statement. When these instruments are sold or written down, the cumulative fair value adjustments are recorded in the income statement as gains or losses on investments in securities.
Investments in all financial assets not recorded at fair value through the income statement are recognized initially at fair value plus the related transaction costs. An investment is eliminated from the accounting

records when the right to its cash flows is extinguished or when the group has transferred substantially all the risks and rewards of its ownership to third parties.

The fair value of listed investments is determined with reference to the market price reported at the close of trading on the statement of financial position date. In the absence of an active market for a financial asset or if the securities have been suspended from listing, the company establishes fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, bearing in mind the issuer's specific characteristics.

The company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists for the available-for-sale assets, the amount of the loss – measured as the difference between the asset's acquisition cost and current fair value less any impairment loss previously recognized in net profit or loss – is removed from equity and posted to the income statement. Impairment losses recognized in the income statement for equity instruments are not recovered through subsequent credits to the income statement.

2.9 Non-current assets and liabilities held for sale

Assets held for sale are classified in this category when:

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

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.

2.10 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.

2.11 Trade receivables

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.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the company will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

2.12 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.

2.13 Cash and cash equivalents

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

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

2.14 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).

2.15 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.

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

2.16 Taxes

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

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

Beginning 2016, Emak has exercised the option for consolidated IRES taxation for the three - year period 2016 - 2018 with its parent Yama. The tax assets and liabilities entries by virtue of the consolidation converge with the corresponding balances recorded by the consolidating company Yama. The reciprocal accounting entries between Emak and Yama are regulated in accordance with the consolidation agreement signed on September 12, 2016.

2.17 Employee benefits

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

2.18 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.

2.19 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 consideration 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.

2.20 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.

2.21 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.

2.22 Payment of dividends

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

2.23 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

2.24 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. Cash flows in foreign currency have been translated at the average rate for the period.
Interest income and expense, dividends received and income taxes are included in cash flow generated by operations

2.25 Changes in accounting standards and new accounting standards

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2016:

Amendments to **IAS 19 "Defined Benefit Plans: Employee Contributions"** (issued on November 21, 2013) concerning the recognition of contributions from employees or third parties to defined benefit plans.

Amendments to **IFRS 11 Joint Arrangements – "Accounting for acquisitions of interests in joint operations"** (issued on May 6, 2014) concerning the accounting for acquisitions of interests in a joint operation when the operation constitutes a business.

Amendments to **IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization"** (issued on May 12, 2014) establishing that a depreciation method based on revenue is not appropriate, because the revenue arising from the operation of a business of which the asset under depreciation or amortization is part reflects a different pattern from the mere use of the economic benefits arising from the asset, which is a pre-requisite for depreciation or amortization.

Amendments to **IAS 1 – "Disclosure Initiative"** (issued on December 18, 2014): the goal of the amendments is to provide some clarifications on disclosures and other elements that may be perceived as hindrance to a clear and intelligible presentation of financial statements.

Amendments to **IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"** (issued on December 18, 2014), containing amendments related to issues that arise from the application of the consolidation exception, allowed to investment entities.

Finally, as part of the annual process of improvement of the principles, on December 12, 2013, the IASB published document **"Annual Improvements to IFRSs: 2010-2012 Cycle"** (including IFRS 2 Share Based Payments – Definition of vesting condition, IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and – on September 25, 2014 – document "**Annual Improvements to IFRSs: 2012-2014 Cycle"** (including: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits) partly amending existing standards.

The adoption of this amendments had no impact on the separate financial statements.

Amendments to **IAS 27– "Equity Method in Separate Financial Statements"** (issued on August 12, 2014): introduces the option of using, in the separate financial statements of an entity, the equity method for valuation of investments in subsidiaries, jointly ventures and associates (this modification applied for the first time since January 1, 2016).

Accounting standards, amendments and IFRS/IFRIC interpretations endorsed by the European Union, but not yet mandatory applicable and not early adopted from the Group on 31 December 2016

IFRS 15 – Revenue from Contracts with Customers (issued on May 28, 2014 and supplemented with further clarifications published on April 12, 2016) bound to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard provides for a new revenue recognition model, which will be applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IAS/IFRSs such as leases and insurance policy contracts and financial instruments. The main steps for revenue recognition according to the new model are:

- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

This standard is applicable as of January 1, 2018, though early adoption is allowed. Changes to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, issued on April 12, 2016, have not yet been endorsed by the European Union instead. It is not possible provide a reasonable estimate of the effect until the Company has completed a detailed analysis of contracts with customers.

Final version of **IFRS 9 – Financial instruments** (issued on July 24, 2014). The standard includes the results of the IASB project pending the replacement of IAS 39:

- it introduces new criteria to classify and measure financial assets and liabilities;
- with reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced, available free of charge or without unreasonable effort and including historic, current and forecast data;
- a new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

The new standard must be applied to reporting periods beginning on January 1, 2018 and thereafter. It is not possible provide a reasonable estimate of the effect until the Company has completed a detailed analysis.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union

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

IFRS 14– Regulatory Deferral Accounts (issued on January 30, 2014): the Standard is available only for the first-time adopters of IFRSs who recognized regulatory deferral balances under their previous GAAP. As the Company is not a first-time adopter, this Standard is not applicable.

On January 13, 2016, the IASB issued **IFRS 16 – Leases** which is to replace IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognizing and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases – to be recognized in the statement of financial position as assets and lease financial liabilities. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 months within the scope of this standard. No significant changes are introduced for lessor accounting.
The standard applies for reporting periods beginning on or after January 1, 2019. Early application is only allowed for early adopters of IFRS 15 - Revenue from Contracts with Customers.

On January 19, 2016 the IASB issued the document **"Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)"**. The document aims at providing some clarifications on the recognition of deferred tax assets on tax losses carried forward upon the occurrence of certain circumstances as well as on the measurement of taxable income for future years. The amendments apply as of January 1, 2017, though early adoption is allowed.

On January 29, 2016 the IASB published the document **"Disclosure Initiative (Amendments to IAS 7)"**. The document aims at clarifying and improving disclosures on financial liabilities. In particular, the amendments require to disclose information that enables users of the financial statements to understand the changes in liabilities arising from financing transactions. The amendments apply as of January 1, 2017, though early adoption is allowed. No comparative information relating to prior years is required.

On June 20, 2016 the IASB published the document **"Classification and measurement of share-based payment transactions (Amendments to IFRS 2)"** that contains some clarifications in relation to the accounting of the effects coming from vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the recognition of changes to the terms and conditions of a share-based payment which modify its classification from cash-settled to equity-settled. The amendments apply as of January 1, 2018, though early adoption is allowed.

Document **"Annual Improvements to IFRSs: 2014-2016 Cycle"**, issued on December 8, 2016 (among which IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard), which partially integrate the existing principles.

IFRIC 22 interpretation "Foreign Currency Transactions and Advance Consideration" (issued on December 8, 2016). The interpretation aims to provide guidelines for foreign exchange transactions, for advance payments or non-monetary payments if recognized on financial statement before the recognition of the related asset, costs or revenue. This document provides guidance on how an entity should determine the date of a transaction, and as a result, the spot exchange rate to be used when there are foreign currency transactions in which the payment is made or received in advance. IFRIC 22 is applicable from January 1, 2018, but earlier application is allowed.

Amendments to **IAS 40 "Transfers of Investment Property"** (issued on December 8, 2016). These changes clarify the transfer of a property to, or from, investment property. In particular, an entity shall reclassify a property of, or from, investment property only when there is evidence that there has been a property change of use. The change must be traced to a specific event that happened and should not therefore be limited to a change of intention by the management of an entity. This changes are applicable from January 1, 2018, but earlier application is allowed.

Amendments to **IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"** (issued on September 11, 2014). The document was published in order to solve the conflict between IAS 28 and IFRS 10 related to profit or loss valuation resulting from the sale or contribution of non-monetary asset to a joint venture or associate in exchange for a share in the capital. At the time, the IASB has suspended the application of this amendment.

With reference to IFRS 9, IFRS 15 and IFRS 16 principles described above, the Company is assessing the implementation of policies and impacts on the consolidated financial statements, while in reference to the other standards and interpretations detailed above, it is not expected that the adoption will have significant impacts the valuation of assets, liabilities, costs and revenues of the Company.

3. Financial risk management

3.1 Risk factors of a financial nature

The Company's business is exposed to a number of different financial risks: market risk (including currency risk, fair value risk and market price risk), credit risk and liquidity risk. 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.

(a) Market risk

(i) Interest rate risk
The Company's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Company to the cash flow risk associated with interest rates. Fixed rate loans expose the Company to the fair value risk associated with interest rates.
The Company's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At December 31, 2016, the Company's bank loans and borrowings and finance leases all carried variable interest and consequently, the company has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

(ii) Currency risk
The Company conducts its business internationally and is exposed to exchange risk associated with the currencies used, mainly US dollars, yen and renminbi. Currency risk derives from future commercial transactions, from recognized assets and liabilities and net investments in foreign enterprises. The Company's policy, in line with the directives shared across the Group, is based on research of natural hedging receivables and payables and is limited to partially covering the net positions in foreign currencies mainly using forward contracts.

(iii) Price risk
The Company is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The Company usually enters into medium-term contracts with certain suppliers for the purpose of managing and limiting the risk of fluctuations in the price of its main raw materials such as aluminum, sheet metal, plastic and copper, as well as semi-finished products such as motors

(b) Credit risk
The Company has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured. The company historically has not suffered significant losses on receivables.

(c) Liquidity risk
Prudent management of liquidity risk implies the maintenance of sufficient liquid funds and marketable securities, and the availability of funding through adequate credit lines.

Consequently, the treasury, in accordance with the general directives of the Group, carries out the following activities:

- verification of financial requirements in order to take necessary actions;
- obtaining adequate lines of credit;
- liquidity optimization, where feasible, through structures of centralized management of cash flows of the Group;
- maintaining a balanced composition of net financial debt to investments;
- pursuit of a correct balance between short-term, medium and long term debt;
- limited credit exposure to individual financial institutions;
- monitoring of compliance with the parameters set by the covenants relating to medium-long term 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 and analysts. Lines of credit available significantly exceed requirements.

3.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency fluctuation. In line with its risk management policy, in fact, the 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 IAS 39, derivative financial instruments may qualify for special hedge accounting only if at the inception of the hedge the hedging relationship is formally designated and documented, the hedge is expected to be highly effective and the effectiveness of the hedge can be measured reliably.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent statement of financial position dates.

On the basis of the above, and of stipulated contracts, the accounting methods adopted are as follows:

1. *Fair value hedge*: the fair value variations of the hedging instrument are posted to the Income Statement together with variations in the fair value of the hedged transactions

2. *Cash flow hedge:* the variations in fair value which are intended and proved to be effective for hedging future cash flows are posted to the Comprehensive Income Statement, while the ineffective portion is posted immediately to the Income Statement. If contractual commitments or planned hedging operations lead to the creation of an asset or liability, when this occurs the profits or losses on the derivative which have been posted directly to the Comprehensive Income Statement adjust the opening cost of acquisition or holding value of the asset or liability. For financial cash flow hedging that do not lead to the creation of an asset or liability, the amounts which have been posted directly to the Comprehensive Income Statement are to be transferred to the Income Statement in the same period in which the contractual commitment or planned hedging operation are posted to the Income Statement.

3. *Derived financial instruments not defined as hedging instruments*: the variations in fair value are posted to the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. The cumulative gains or losses on the hedging instrument recognized directly in the Comprehensive Income Statement remain until the forecast transaction effectively occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognized directly in Comprehensive Income Statement are transferred to the Income Statement for the period.

3.3 Measurement of current value

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

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

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

4. Key accounting estimates and assumptions

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

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.

5. Significant non-recurring events and transactions

Acquisition of 30% of Cifarelli S.p.A.
On October 12, the parent company Emak S.p.A. has completed the closing for the acquisition of a 30% share of Cifarelli S.p.A., based in Voghera (PV), a company active in the production and marketing of professional machines for agriculture and gardening such as mistblowers, olive shakers for olives blowers.
The company Cifarelli closed the financial year 2016 (IFRS data) with sales of € 10,960 thousand, a net profit of € 700 thousand and a net financial position of € 3,716 thousand.

The price paid for the acquisition of the 30% amounts to € 3,750 thousand, fully paid during the year.

On the remaining 70% were agreed a call option and a put option to be exercised on the date of approval of the financial statements at 31/12/2019, for which the exercise price will be based on the results that will be achieved by Cifarelli in the period 2017-2019. With the same occasion and in case of failure to achieve certain minimum future results, the agreement includes a put option in favor of Emak and a call option in favor of Cifarelli family on the acquired share of 30%.

With the confirmation of Cifarelli family, current shareholders, to run the company, the transaction sees as fundamental aspect for future value creation for the benefit of both parties, the implementation of a plan of commercial, industrial and new products development synergies.

The fair value of assets and liabilities subject to business combination with effect of month of October 2016, the price paid and the financial cost are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Property, plant and equipment	1,340	-	1,340
Intangible assets	176	-	176
Deferred tax assets	136	-	136
Other financial assets	1	-	1
Other assets	22	-	22
Current assets			
Inventories	3,748	-	3,748
Trade and other receivables	732	-	732
Current tax receivables	256	-	256
Cash and cash equivalents	2,747	-	2,747
Non-current liabilities			
Loans and borrowings	(152)	-	(152)
Employee benefits	(653)	-	(653)
Provisions for risks and charges	(254)	-	(254)
Current liabilities			
Trade and other payables	(1,642)	-	(1,642)
Current tax liabilities	(377)	-	(377)
Financial liabilities	(45)	-	(45)
Total net assets acquired	**6,035**	**-**	**6,035**
% interest held			**30%**
Net equity acquired			**1,811**
Goodwill			**1,940**
Purchase price paid			**3,750**

The difference between the price paid and the corresponding share of shareholders' equity is attributable to goodwill: the company is valued in the Separate Financial Statements using the cost method and, consequently, the goodwill was reflected in the book value recorded in the financial statement.

<u>The new R&D center</u>
In July, began the work to build the new R&D center at the headquarters of the Parent company: the project aims to make available to the team engaged in the development of new products, modern and vanguard equipment that support a fundamental activity for the future growth of the Group. The total estimated investment for the completion of the work is approximately € 5,500 thousand over the next two years.

<u>ERP Transformation Project</u>
During 2016 Emak S.p.A. started the project of changing the ERP system for the Group; after a thorough ERP selection, the Group has chosen one of the best international players, Microsoft Dynamics 365.
The project includes several phases, with the aim of bringing all the legal entities of the Emak Group to the new ERP. The first project phase, lasting about two years, will lead the transition to the new ERP of Emak S.p.A., of a Business Unit of the Group and two Chinese production plants. The total estimated investment for the next two years amounts to a value of about € 2 million.

The ERP transformation project is an important step, where integrated information and Group-level standardized processes will become an opportunity to evolve continuously in more complex business scenarios.

6. Positions or transactions deriving from atypical and unusual operations

During the year 2016 there were no atypical or unusual operations.

7. Net financial position

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

€/000	31/12/2016	31/12/2015
A. Cash	21,425	26,375
B. Other cash at bank and on hand (held-to-maturity investment	-	-
C. Financial instruments held for trading	-	-
D. Liquidity funds (A+B+C)	**21,425**	**26,375**
E. Current financial receivables	1,406	2,593
F. Current payables to banks	(28)	(236)
G. Current portion of non current indebtedness	(15,267)	(19,354)
H. Other current financial debts	(2,310)	(3,402)
I. Current financial indebtness (F+G+H)	**(17,605)**	**(22,992)**
J. Current financial indebtness, net (I+E+D)	**5,226**	**5,976**
K. Non-current payables to banks	(26,953)	(35,222)
L. Bonds issued	-	-
M. Other non-current financial debts	(1,204)	(1,122)
N. Non-current financial indebtness (K+L+M)	**(28,157)**	**(36,344)**
O. Net indebtness (J+N)	**(22,931)**	**(30,368)**
P. Non current financial receivables	**5,725**	**5,354**
Q. Net financial position (O+P)	**(17,206)**	**(25,014)**

At December 31, 2016 the net financial position includes:

- medium and long-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 5,391 thousand and to the parent company Yama S.p.A. for a value of € 334 thousand, recorded under non-current financial receivables;
- the short-term loan granted by Emak S.p.A. to the subsidiary Comet USA for € 949 thousand and to the parent company, Yama S.p.A., for a value of € 449 thousand, recorded under current financial receivables;
- the financial payable for equity reinstatement due to the subsidiary, Tecomec S.r.l., for an amount of € 334 thousand, recorded under Other non-current financial payables.
- the financial payable to the subsidiary, Sabart S.r.l., for an overall amount of € 1,507 thousand and the financial payable for the equity reinstatement due to the subsidiary, Tecomec S.r.l., for € 449 thousand, recorded under Other current financial payables.

At December 31, 2015 the net financial position included:

- medium and long-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 4,983 thousand and to the parent company Yama S.p.A. for a value of € 371 thousand, recorded under non-current financial receivables;
- the short-term loan granted by Emak S.p.A. to the subsidiary Comet USA for € 2,113 thousand and to the parent company, Yama S.p.A., for a value of € 450 thousand, recorded under current financial receivables;
- the financial payable for equity reinstatement due to the subsidiary, Tecomec S.r.l., for an amount of € 371 thousand;
- the financial payable to the subsidiary, Sabart S.r.l., for an overall amount of € 2,707 thousand and the financial payable for the equity reinstatement due to the subsidiary, Tecomec S.r.l., for € 450 thousand, recorded under Other current financial payables.

8. Revenues from sales and other operating income

Sales revenues amount to € 128,001 thousand, compared with € 125,774 thousand in the prior year. They are stated net of € 632 thousand in returns, compared with € 744 thousand in the prior year.

Details of sales are as follows:

€/000	FY 2016	FY 2015
Net sales revenues (net of discounts and rebates)	126,024	123,929
Revenues from recharged transport costs	2,609	2,589
Returns	(632)	(744)
Total	**128,001**	**125,774**

Other operating income is analysed as follows:

€/000	FY 2016	FY 2015
Subsidies for operation	167	121
Capital gains on tangible fixed assets	7	11
Insurance refunds	21	70
Other operative revenues	233	129
Total	**428**	**331**

The heading, **“Subsidies for operation”** refers to the contribution as per Law 488/92 for € 99 thousand and to the *Fondimpres*a contribution of € 29 thousand, granted with relation to costs sustained by the Company for staff training, and, finally, the tax credit for research and development planned in accordance with art. 1, paragraph 35 of the Law of 23 December 2014, n. 190, for a value of € 39 thousand.

9. Raw materials, consumable and goods

The heading is analyzed as follows:

€/000	FY 2016	FY 2015
Raw materials	43,735	49,641
Finished products	26,097	26,131
Consumable materials	286	251
Other purchases	1,591	2,050
Total	**71,709**	**78,073**

The year was marked by a strict net working capital reduction policy which resulted in more cautious purchasing policies, through more targeted analysis of delivery lots, which caused a reduction in purchase volumes.

10. Personnel expenses

Details of these costs are as follows:

€/000	FY 2016	FY 2015
Wage and salaries	15,929	15,213
Social security charges	5,070	4,963
Employee termination indemnities	1,139	1,151
Other costs	225	132
Directors' emoluments	486	594
Temporary staff	893	1,066
Total	**23,742**	**23,119**

Emak for the full year 2015 benefited from the solidarity contract ended on 5 February 2016; this resulted in the increase in "**Salaries and wages**" compared to the previous year.

The breakdown of employees by grade as follows:

	Average number of employees in year		Number of employees at this date	
	2016	2015	2016	2015
Executives	15	15	15	15
Office staff	182	181	183	180
Factory workers	249	240	252	249
Total	**446**	**436**	**450**	**444**

11. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2016	FY 2015
Subcontract work	1,811	2,209
Trasportation	6,116	7,244
Advertising and promotion	874	658
Maintenance	1,759	1,757
Commissions	1,224	1,151
Consulting fees	1,668	1,621
Costs of after sales warranty	680	738
Insurance	344	420
Travel	293	308
Postals and telecomunications	199	183
Other services	2,496	2,329
Services	**17,464**	**18,618**
Rents, rentals and the enjoyment of third party assets	**782**	**881**
Increases in provvisions	**38**	**42**
Increases in provision for doubtful accounts (note 22)	352	488
Other taxes (not on income)	293	354
Other operating costs	355	578
Other costs	**1,000**	**1,420**
Total	**19,284**	**20,961**

The decrease in the value of transport costs on purchases and subcontracted work was due to lower purchase volumes.

12. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2016	FY 2015
Amortization of intangible assets (note 16)	3,819	3,816
Depreciaton of property, plant and equipment (note 17)	554	567
Impairment losses	1,725	-
Total	**6,098**	**4,383**

"Impairment losses" relates to investments in subsidiaries of the company Emak Deutschland Gmbh and Emak Do Brasil Industria Ltda, as described in note 19.

13. Financial income and expenses

Financial income" is analyzed as follows:

€/000	FY 2016	FY 2015
Dividends from subsidiaries	7,550	5,141
Interest on trade receivables	66	104
Interest on loans to subsidiaries (note 36)	200	334
Interest on financial assets granted to parent company (note 36)	12	7
Interest on bank and post office accounts	82	39
Costs from adjustement to fair value and closure of derivates instruments for hedging interest rate risk	42	82
Other financial income	5	4
Financial income	**7,957**	**5,711**

The heading **"Dividends from shareholdings in subsidiaries"** refers to the dividends received from the subsidiaries Emak Suministros Espana S.A, Tecomec S.r.l., Sabart S.r.l., Victus-Emak Sp.Z.o.o. and Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd (see note 36).

"Financial expenses" are analyzed as follows:

€/000	FY 2016	FY 2015
Interest on long-term bank loans and borrowings	467	960
Interest on short-term bank loans and borrowings	15	62
Interest on loans to related parties (note 36)	16	14
Financial charges from valuing employee termination ind. (note 29)	49	74
Proceeds from adjustment to fair value derived instruments for hedging interest rate risk	145	189
Other financial costs	4	4
Financial expense	**696**	**1,303**

The details of the **"Exchange gains and losses"** heading are as follows:

€/000	FY 2016	FY 2015
Exchange rate gains	2,897	4,066
Unrealized gains/(losses)	1,608	1,853
Exchange rate losses	(3,085)	(4,171)
Exchange gains and losses	**1,420**	**1,748**

14. Income taxes

Net tax in 2015, for current taxes and payable and receivable deferred taxes, amounts to a net positive value of € 539 thousand, net of the positive effect of previous years taxes for € 24 thousand.
This result is mainly attributable to the so-called "ACE" (Allowance for Corporate Equity) facilitation that Emak S.p.A. has been able to account for only from the 2015 financial year, for an overall value of € 1,062 thousand, following the favorable response to the question submitted with reference to the tax period 2014, also applicable to subsequent tax periods. The lower taxes connected with this facility relate for € 497 thousand to the year 2014.

This amount is made up as follows:

€/000	FY 2016	FY 2015
Current income taxes	229	(124)
Taxes from prior years	144	5
Deferred tax assets (note 28)	213	48
Deferred tax liabilities (note 28)	(748)	610
Total	**(162)**	**539**

“Current taxes” includes

- the cost for IRAP of € 89 thousand (€ 124 thousand at December 31, 2015);
- foreign taxes on dividends paid by the Chinese subsidiary Tailong (Zhuhai) Machinery Equipment Manufacturing Ltd. amounted to € 232 thousand;
- relegation from the benefits of consolidated tax, for € 550 thousand, of the facility "ACE" not enjoyed by Emak and contributed to the Group.

The value of the item "Income taxes for previous years" is given by a negative effect of € 200 thousand for the adjustment to tax risks provisions (note 30) and a positive effect of € 344 thousand, corresponding facilitation "ACE" for the fiscal years 2011 - 2013, that the Italian Revenue Agency has acknowledged as due in the year, at the request of the company.

The theoretical tax charge, calculated using the ordinary rate (of 31.4%), is reconciled to the effective tax charge as follows:

€/000	FY 2016	% rate	FY 2015	% rate
Profit before taxes	**7,173**		**6,415**	
Theoretical tax charges	**2,252**	**31.4**	**2,014**	**31.4**
Effect of IRAP differences calculated on different tax base	(248)	(3.5)	(125)	(1.9)
Dividends	(1,973)	(27.5)	(1,343)	(20.9)
Non-deductible costs	686	9.6	153	2.4
Previous period tax	(143)	(2.0)	(4)	(0.1)
ACE facilitation	(550)	(7.7)	(1,062)	(16.6)
Other differences	138	1.9	(172)	(2.7)
Effective tax charge	**162**	**2.2**	**(539)**	**(8.4)**

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	FY 31.12.2015	Increases	Decreases	Other movements	FY 31.12.2016
Lands and buildings	29,899	78	-	-	29,977
Accumulated depreciation	(10,822)	(1,078)	-	-	(11,900)
Lands and buildings	**19,077**	**(1,000)**	**-**	**-**	**18,077**
Plant and machinery	16,076	620	(80)	198	16,814
Accumulated depreciation	(13,565)	(689)	80	-	(14,174)
Plant and machinery	**2,511**	**(69)**	**-**	**198**	**2,640**
Other assets	56,024	2,591	(118)	606	59,103
Accumulated depreciation	(51,555)	(2,052)	118	-	(53,489)
Other assets	**4,469**	**539**	**-**	**606**	**5,614**
Advances and fixed assets in progress	**1,158**	**566**	**-**	**(804)**	**920**
Cost	**103,157**	**3,855**	**(198)**	**-**	**106,814**
Accumulated depreciation (note 12)	**(75,942)**	**(3,819)**	**198**	**-**	**(79,563)**
Net book value	**27,215**	**36**	**-**	**-**	**27,251**

€/000	FY 31.12.2014	Increases	Decreases	Other movements	Merger effect	FY 31.12.2015
Lands and buildings	20,142	89	(79)	-	9,747	29,899
Accumulated depreciation	(7,221)	(720)	79	-	(2,960)	(10,822)
Lands and buildings	**12,921**	**(631)**	**-**	**-**	**6,787**	**19,077**
Plant and machinery	9,390	404	(24)	18	6,288	16,076
Accumulated depreciation	(7,119)	(779)	23	-	(5,690)	(13,565)
Plant and machinery	**2,271**	**(375)**	**(1)**	**18**	**598**	**2,511**
Other assets	45,948	2,244	(473)	190	8,115	56,024
Accumulated depreciation	(42,390)	(2,317)	465	-	(7,313)	(51,555)
Other assets	**3,558**	**(73)**	**(8)**	**190**	**802**	**4,469**
Advances and fixed assets in progress	**323**	**1,082**	**(43)**	**(208)**	**4**	**1,158**
Cost	**75,803**	**3,819**	**(619)**	**-**	**24,154**	**103,157**
Accumulated depreciation (note 12)	**(56,730)**	**(3,816)**	**567**	**-**	**(15,963)**	**(75,942)**
Net book value	**19,073**	**3**	**(52)**	**-**	**8,191**	**27,215**

No evidence of impairment indicators has been reported for property, plant and equipment.

The increases relate to:

- land and buildings category for some improvements on the paneling of the building used for the production in Bagnolo in Piano, achieved in the first months of the year, for € 78 thousand;
- the plant and machinery category following the realization of new production lines for € 517 thousand and € 103 thousand relating to a new robotic system at the plant in Pozzilli (IS);
- the **“Other fixed assets”** category mainly includes:
  - acquisitions of equipment and molds for the development of new products, for € 2,032 thousand;
  - acquisitions of electronic machines and office equipment for € 268 thousand;
  - acquisitions of testing and control instruments for € 170 thousand;
  - acquisitions of internal means of transport for €121 thousand.

The heading, **“Advances and fixed assets in progress”** refers to sums paid for the development of equipment and molds for production for € 239 thousand and € 327 thousand in advances payment for the construction of the new research and development center at its headquarters in Bagnolo in Piano (RE).

The decreases relate to:

- the category "**Plant and machinery**" for the disposal of fully depreciated machinery
- the category "**Other assets**" for the scrapping of obsolete equipment and vehicles, for which the useful life was 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.

Contributions disbursed and received definitively were as follows:

- € 1,615 thousand in 1998 for investments worth € 4,532 thousand;
- € 636 thousand in 2002 for investments made in 2001 and 2002 worth around € 4,250;
- € 1,856 thousand in 2014 and 2016 for investments made in the period 2004-2008 worth around € 7,950 thousand, finally liquidated amount in respect of the eligible investment.

Until 31 December 2016 all receivable relating to those contributions are received (Note 22).

17. Intangible assets

Intangible assets report the following changes:

€/000	FY 31.12.2015	Increase	Other movements	FY 31.12.2016
Development costs	1,830	-	-	1,830
Accumulated amortization	(1,716)	(109)	-	(1,825)
Development costs	**114**	**(109)**	**-**	**5**
Patents and intellectual property rights	6,965	923	15	7,903
Accumulated amortization	(6,493)	(352)	-	(6,845)
Patents	**472**	**571**	**15**	**1,058**
Concessions, licences and trademarks	112	11	-	123
Accumulated amortization	(83)	(8)	-	(91)
Concessions, licences and trademarks	**29**	**3**	**-**	**32**
Other intangible assets	917	28	180	1,125
Accumulated amortization	(836)	(85)	-	(921)
Other intangible assets	**81**	**(58)**	**180**	**204**
Advanced payments and fixed assets in progress	**295**	**183**	**(195)**	**283**
Cost	**10,120**	**1,144**	**-**	**11,264**
Accumulated depreciation (note 12)	**(9,128)**	**(554)**	**-**	**(9,682)**
Net book value	**992**	**590**	**-**	**1,582**

€/000	FY 31.12.2014	Increase	Other movements	Merger effect	FY 31.12.2015
Development costs	1,830	-	-	-	1,830
Accumulated amortization	(1,576)	(140)	-	-	(1,716)
Development costs	**254**	**(140)**	**-**	**-**	**114**
Patents and intellectual property rights	6,674	279	-	12	6,965
Accumulated amortization	(6,172)	(310)	-	(11)	(6,493)
Patents	**502**	**(31)**	**-**	**1**	**472**
Concessions, licences and trademarks	112	-	-	-	112
Accumulated amortization	(75)	(8)	-	-	(83)
Concessions, licences and trademarks	**37**	**(8)**	**-**	**-**	**29**
Other intangible assets	889	28	-	-	917
Accumulated amortization	(727)	(109)	-	-	(836)
Other intangible assets	**162**	**(81)**	**-**	**-**	**81**
Advanced payments and fixed assets in progress	**235**	**60**	**-**	**-**	**295**
Cost	**9,741**	**367**	**-**	**12**	**10,120**
Accumulated depreciation (note 12)	**(8,550)**	**(567)**	**-**	**(11)**	**(9,128)**
Net book value	**1,191**	**(200)**	**-**	**1**	**992**

The increase in "Patents and use of intellectual property" refers to the purchase of licenses for the start of the project to implement the new management system for the Group for about € 500 thousand (Note 5). The increase in "Other intangible assets" includes for the most payments for development of new products.
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

Research and development costs directly posted to the income statement amount to € 4,607 thousand.

18. Goodwill

The amount of € 2,074 thousand refers to the positive difference arising from the acquisition from the Parent company Yama S.p.A. and further to the merger of the company Bertolini S.p.A into Emak S.p.A..

Goodwill has been subject to an impairment test according to the methods described in note 20 of the consolidated financial statements.

19. Equity investments

Details of equity investments are as follows:

€/000	31.12.2015	Increases	Decreases	31.12.2016
Equity investments				
- in subsidiaries	95,927	-	(1,725)	94,202
- in associates	-	3,750	-	3,750
- in other companies	225	-	-	225
TOTAL	**96,152**	**3,750**	**(1,725)**	**98,177**

Investments in **subsidiaries** amounted to 94,202 thousand. The registered movements during the year is related to the impairment of:
- € 525 thousand referred to the equity investment of Emak Deutschland Gmbh;
- € 1,200 thousand referred to the equity investment of the company Emak Do Brasil Industria Ltda.

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

The Company’s directors have carried out an impairment test on equity investments that have indicators of possible losses in value using the Discounted Cash Flow method based on the following assumptions:

- The basic data used has been extracted from the Group’s plans that represent management’s best estimate of the future operating performance of single entities forming part of the Group in the period in question;
- The future expected cash flows refer to reference units in their current state and exclude any operation of an extraordinary nature and, referring to a period of 3/5 years, include a normalized terminal value used to express a synthetic estimate of future results beyond the timeframe explicitly considered;
- The WACC used to discount cash flows of the Emak Do Brasil is 16.38%, which takes into consideration the specific tax rate of the company's, and for Emak Deutschland is 5.50%;
- The terminal value has been established on the basis of a prudent long-term growth rate (g) of 2%.

Further to the impairments tests carried out on the book value of Emak Do Brasil and Emak Deutschland, respectively equal to 1,980 thousand Euros and 525 thousand Euros at 31 December 2016, the following write-downs have been made:
- € 1,200 thousand for Emak Do Brasil;
- € 525 thousand for Emak Deutschland.

The future cash flows are taken from the forecasts drawn up taking account of the difficult contexts in which the two subsidiaries operate and which show that the value of the equity investments, under the expected conditions, are not recoverable for an overall value of € 1,725 thousand.

In accordance with what is prescribed by IAS 36 and applying the criteria shared by the Board of Directors, the impairment test procedure extended to the other equity investments that show indications of losses of value has not led to further write-downs.
In addition, also on the basis of the indications contained in the joint document issued by the Bank of Italy, *Consob* and *Isvap* no. 4 of 3 March 2010, the Company has arranged to prepare a sensitivity analysis of the results of the impairment tests with respect to variations in the basic assumptions that affect the use value of the equity investment. Also in the event of a positive or negative variation of 5% of the WACC, of half a percentage point in the growth, “g” and of 5% in cash flows, the analysis would not lead to indicate value losses.
The heading **equity investments in associated companies** amounts to € 3,750 thousand and refers to the acquisition of 30% of Cifarelli S.p.A. carried out in October 2016 (note 5).

Investments in **other companies** relate to:
- a minority interest in Netribe S.r.l., a company operating in the IT sector; this investment is valued at its cost of € 223 thousand. The percentage of equity investment of Emak S.p.A. in Netribe S.r.l. is 15.41%;
- 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.

20. 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.

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

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

In accordance with the reference accounting standards, these effects have been recognized in the income statement in the current period.

At December 31, 2016, 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 € 15,024 thousand.

The expiry of the instruments is as follows:

- € 830 thousand will be amortized in financial years up to 2017;
- € 1,250 thousand will be amortized in financial up to 2018;
- € 3,000 thousand will be amortized in financial years up to 2019;
- € 9,944 thousand will be amortized in financial years up to 2020.

The recorded value of these contracts at December 31, 2016 is a total negative fair value of € 133 thousand.

The average interest rate resulting from the instruments is equal to 0.36%.

All the contracts, while having the purpose and characteristics of hedging operations, do not formally comply with the rules for being accounted for as such; for this reason all the changes in fair value have been recorded in the income statement in the relevant financial period.

21. Other financial assets

The **"Other non-current financial assets"** amounted to € 5,725 thousand, against € 5,354 thousand in the previous year and refer to loans quoted in Euros and U.S. Dollars, granted to subsidiaries amounting to € 5,391 thousand and receivables for capital replenishment to the parent company in the amount of € 334 thousand.
"Other current financial assets" amounting to €1,406 thousand refer to the U.S. Dollar loan granted to the controlled company Comet Usa for € 949 thousand (€ 2,113 thousand at December 31, 2015) and for the remaining € 449 thousand to receivables for capital replenishment for the parent company Yama S.p.A., already mentioned in the preceding paragraph, for the current portion. There are finally about € 8 thousand for other financial accruals.

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 official reference rates (12 months Euribor and 12 months Libor);
- the currency of the loan granted.

22. Trade receivables and other receivables

A breakdown of the heading is shown below:

€/000	31.12.2016	31.12.2015
Trade receivables	34,936	34,891
Provision for doubtful accounts	(2,146)	(1,907)
Net trade receivables	**32,790**	**32,984**
Receivables from related parties (note 36)	12,089	13,774
Prepaid expenses and accrued income	285	172
Other receivables	777	829
Total current portion	**45,941**	**47,759**
Other non current receivables	2	2
Total non current portion	**2**	**2**

"**Other current receivables**" includes € 550 thousand in relation to the amount due from the parent company Yama SpA, for the facilitation effect "ACE" for the year, resulting from the ratio that adjusts the tax consolidation, of which to art. 117 and following of Presidential Decree n. 917/1986.

At December 31, 2015 the heading "**Other current receivables**" includes the receivables for the contribution as per Law 488/92 (note 16) received in the month of October 2016 for the full amount previously considered recoverable.
The heading **"Trade receivables"** includes amounts in US Dollars equivalent to € 16,453,567.

Trade receivables have an average maturity of 88 days.

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

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

€/000	Italy	Europe	Rest of the world	Total
Trade receivables	15,972	8,004	10,960	**34,936**
Related parties receivables	572	5,429	6,088	**12,089**

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

€/000	FY 2016	FY 2015
Opening balance	**1,907**	**1,657**
Increases (note 11)	352	488
Decreases	(113)	(238)
Closing balance	**2,146**	**1,907**

The book value of this balance approximates its fair value.

23. Inventories

Inventories are detailed as follows:

€/000	FY 2016	FY 2015
Raw, ancillary and consumable materials	17,128	20,875
Work in progress and semi-finished products	6,001	6,553
Finished products and goods	10,245	15,050
Total	**33,374**	**42,478**

Inventories are stated net of a provision of € 1,723 thousand at December 31, 2016 (unchanged from at December 31, 2015) intended to align obsolete and slow-moving items to their estimated realizable value.

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

€/000	FY 2016	FY 2015
Opening balance	**1,723**	**1,544**
Increase	420	288
Uses	(420)	(288)
Merger effect	-	179
Closing balance	**1,723**	**1,723**

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

None of the company's inventories at December 31, 2016 act as security against its liabilities.

24. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2016	31.12.2015
Bank and post office deposits	21,417	26,366
Cash	8	9
Total	**21,425**	**26,375**

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

€/000	31.12.2016	31.12.2015
Cash and cash equivalents	21,425	26,375
Overdrafts (note 27)	-	(102)
Total	**21,425**	**26,273**

25. Equity

Share capital
Share capital is fully paid up at 31 December 2016 and amounts to € 42,623 thousand, remaining unchanged during the year under examination, and it consists of 163,934,835 ordinary shares of par value € 0.26 each.
All shares have been fully paid.

Treasury shares
The adjustment of the share capital for purchase of own shares, equal to € 104 thousand, represents the nominal value of treasury shares held at December 31, 2016.
Compared to the previous year, the overall amount paid by Emak S.p.A. to purchase on the market of own shares, fully exposed to the reduction of the share capital, it has been attributed to an adjustment to the nominal value of the share capital and the share premium adjustment to the share premium reserve.
As for the sale and purchase of shares made during the period, please refer to the appropriate section of the Directors' Report.

Share premium reserve
At 31 December 2016, the share premium reserve amounts to € 40,529 thousand, and consists of premiums on newly issued shares, net of share premium treasury shares held at December 31, 2016 amounted to € 1,925 thousand. The reserve is shown net of charges related to the capital increase amounted to € 1,598 thousand and adjusted for the related tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31, 2016 of € 2,709 thousand (€ 2,361 thousand at December 31 2015).

Revaluation reserve
At 31 December 2016 the revaluation reserve includes the reserves deriving from the revaluation as per Law 72/83 for € 371 thousand and as per Law 413/91 for € 767 thousand. No changes occurred during the year.

Other reserves:
The extraordinary reserve, amounts to € 27,088 thousand at December 31 2016, inclusive of all allocations of earnings in prior years.

At 31 December 2016 other reserves also include:
- reserves qualifying for tax relief, referring to tax provisions for grants and donations for € 129 thousand;
- reserves for merger surpluses for € 3,562 thousand;
- reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

These reserves have remained unchanged compared to the previous year.

The following table analyses equity according to its origin, its possible uses and distribution:

Nature/Description (€/000)	Amount	Possible use	Available portion	Summary of uses in past three years: Coverage of losses	Summary of uses in past three years: Distribubtion of profits
Share capital	**42,623**				
Capital reserve					
Share premium reserve (§)	42,454	A-B-C	42,454	-	-
Revaluation reserve under Law 72/83 (#)	371	A-B-C	371	-	-
Revaluation reserve under Law 413/91 (#)	767	A-B-C	767	-	-
Merger surplus reserve (£)	3,562	A-B-C	3,562	-	-
Other untaxed reserve (#)	122	A-B-C	122	-	-
Reserves formed from earnings					
Legal reserve	2,709	B	-	-	-
Extraordinary reserve	27,088	A-B-C	27,088	-	-
Untaxed reserve (#)	129	A-B-C	129	-	-
Treasury shares	(2,029)		(2,029)	-	-
Profits brought forward in FTA	2,295	A-B	2,295	-	-
Valutation reserve	(432)		(432)	-	-
Profits brought forward	26,931	A-B-C	26,931	-	1,506
Total	**103,968**		**101,258**	-	-
Undistributable portion (*)			**(7,765)**	-	-
Distributable balance			**93,493**	-	-
Net profit for the period (**)	**7,010**		**6,660**	-	-
Total equity	**153,600**				

A: for share capital increases
B: for covering losses
C: for distribution to shareholders

(#) subject to tax payable by the company in the event of distribution.
(£) subject to taxation of the company, in the event of distribution, for the value of € 394 thousand;
(*) Equal to the reserve First Time Adoption (€ 2,295 thousand), the share of long-term costs not yet amortized (€ 5 thousand) in addition to the share of necessary future allocation to the legal reserve (€ 5,465 thousand). This bond bears specifically on the share premium reserve (§);
(**) Subject to obliged allocation to the legal reserve for € 350 thousand.

26. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2016	31.12.2015
Trade payables	18,474	22,759
Payables due to related parties (note 36)	8,828	7,280
Payables due to staff and social security institution	2,813	2,630
Other payables	3,036	3,619
Total	**33,151**	**36,288**

The heading **"Other payables"** includes a guarantee received from a customer for € 2,451 thousand, amounts payable to Directors and employees for € 286 thousand and the current part of the contribution as per Law 488/92 of the company Comag S.r.l., merged by incorporation into Emak S.p.A. (note 31).

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 5,015,282;
- Japanese yen for 13,610,958;
- Swiss francs for 6,566;
- Taiwanese dollars for 295,745;
- Chinese renminbi yuan for 53,207,813;
- Brazilian reais for 31,000.

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

€/000	Italy	Europe	Rest of the world	Total
Trade payables	13,376	2,148	2,950	18,474
Related parties payables	1,046	560	7,222	8,828

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

27. Loans and borrowings

Loans and borrowings at December 31, 2016 do not include any secured payables.

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

€/000	31.12.2016	31.12.2015
Overdrafts (note 24)	-	102
Bank loans	15,268	19,354
Financial accrued expense and deffered income	30	134
Financial debts from related parties (note 36)	1,956	3,157
Other current loans	218	-
Total current	**17,472**	**22,747**

The heading **"Financial debts from related parties"** refers to the interest-bearing loan granted by the subsidiary, Sabart S.r.l., for € 1,507 thousand and the debt for the equity reinstatement due to the subsidiary, Tecomec S.r.l., for the current portion of € 449 thousand.

The heading **"Other current loans"** refers to the granting of a subsidized loan on the part of Simest S.p.A. in accordance with Law 133/08.

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due within 6 and 12 months	Total
Bank loans	8,585	6,683	**15,268**
Financial debts from related parties (note 36)	1,507	449	**1,956**
Total	**10,092**	**7,132**	**17,224**

The 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 official reference rates (Euribor);
- the currency of the loan granted.

The details of **long-term loans** is as follows:

€/000	31.12.2016	31.12.2015
Bank loans	26,953	35,222
Financial debts from related parties (note 36)	334	371
Other financial loans	870	751
Total non current portion	**28,157**	**36,344**

The heading **"Financial debts from related parties"** of € 334 thousand refers to the debt for the equity reinstatement due to the subsidiary, Tecomec S.r.l., for the long-term portion.

The heading "Other financial loans" refers to a loan granted by Simest S.p.A. in accordance with Law 133/08, through which Italian companies are assisted in their internationalization processes through loans at subsidized rates. The short-term portion is shown under **"Other short-term loans and borrowings"**.

Long and medium-term loans and borrowings are repayable as follows:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	11,519	10,378	5,056	-	**26,953**	**-**
Financial debts from related parties	37	37	37	37	**148**	**186**
Other financial loans	219	217	217	217	**870**	**-**
Total	**11,775**	**10,632**	**5,310**	**254**	**27,971**	**186**

The interest rates refer to 3-6 months Euribor plus an average spread of 1,267 percentage points.

A number of medium-long-term loans are subject to finance covenants assessed on the basis of consolidated Nfp/Ebitda and Nfp/Equity ratios. At December 31, 2016 the Company complied with all the benchmarks set by contract.

28. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2015	Increases	Decreases	Other movements	31.12.2016
Deferred-taxes on inventory write-dows	475	-	(66)	-	409
Deferred-taxes on bad debts	97	31	-	-	128
Other deferred tax assets	1,834	172	(885)	(2)	1,119
Total (note 14)	**2,406**	**203**	**(951)**	**(2)**	**1,656**

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 2016.

The heading **"Other deferred tax assets"** mainly includes:
- the increase recorded in the year of € 434 thousand, being the tax benefit relating to the so-called "ACE" facilitation that the company Emak S.p.A. has accounted for in the 2015 financial year, following the favorable response to the question submitted by the company with reference to the tax period 2014, also applicable to subsequent tax periods, subject to the application of the same facilitation assumptions;
- € 48 thousand relating to deferred incentive bonuses;
- the deferred tax effect of accounting for post-employment benefits according to IAS 19, for € 167 thousand;
- deferred tax assets for € 98 thousand relating to the product warranty provision referring to future costs for warranties.

Deferred tax liabilities are detailed below:

€/000	31.12.2015	Increases	Decreases	Reclassifications	31.12.2016
Deferred taxes on capitaò gaoms pm dosposals of fixed assets	12	1	(5)	-	8
Deferred taxes on real estate IAS 17	1,213	-	(25)	-	1,188
Other deferred tax liabilities	663	485	(669)	-	479
Total (note 14)	**1,888**	**486**	**(699)**	**-**	**1,675**

The portion of the taxes which will reverse in the next 12 months amounted to about € 510 thousand.

The **"Other deferred tax liabilities"** heading refers to unrealized foreign exchange gains in 2016.

It should be noted that no deferred taxes were allocated in respect of the revaluation reserves, which are reserves in partial suspension of the tax, as it is likely that there will be no transactions that would give rise to taxation. The total amount of these taxes at December 31, 2016 is € 340 thousand.

The **deferred tax assets** amount at December 31, 2016 to € 2,260 thousand, against € 2,238 thousand at December 31, 2015, and refer to:

- tax assets in previous financial years relating to tax reimbursements for € 853 thousand and referring to the appeal filed in 2012 regarding the deductibility of IRAP (regional corporate tax) as per art. 2 Law no. 201/2011 for a value pf € 665 thousand, and relating to the appeal for reimbursement of IRES (Italian corporate income tax), as per art.6, Decree Law 185/2008 for a further € 188 thousand;
- VAT credits for € 623 thousand;
- credits for income taxes due to higher IRAP advances for € 38 thousand;
- tax receivables for € 326 thousand, following the payment made in June 2014, paid provisionally and pending appeal, regarding an assessment of 2008 against the adjustment of the prices of a number of intergroup transnational transactions (note 30);
- IRES credits recorded for € 22 thousand;
- credits for refunds "ACE" relative to the 2011-2013 period for € 346 thousand;
- other minor tax receivables for € 52 thousand.

Current tax liabilities amount to € 877 thousand at December 31, 2016 compared with € 899 thousand a year earlier and all refer to withholding taxes.

29. 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 € 3,777 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 3,672 thousand.

Movements in this liability are as follows:

€/000	2016	2015
Opening balance	**3,852**	**3,810**
Actuarial (gains)/losses	61	5
Interest cost on obligation (note 13)	49	74
Disbursements	(185)	(266)
Merger effect	-	229
Closing balance	**3,777**	**3,852**

The principal economic and financial assumptions used are as follows:

	FY 2016	FY 2015
Annual inflation rate	0.4%	0.6%
Disount rate	1.1%	1.3%
Dismissal rate	1.0%	1.0%

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

Payments in 2017 are expected to be in line with 2016.

30. Provisions for risk and charges

Movements in this balance are analyzed below:

€/000	31.12.2015	Increase	Decrease	31.12.2016
Provisions for agents' termination indemnity	378	38	(130)	286
Other provisions	25	-	-	25
Total non current portion	**403**	**38**	**(130)**	**311**
Provisions for products warranties	350	-	0	350
Other provisions	1,047	200	(545)	702
Total current portion	**1,397**	**200**	**(545)**	**1,052**

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, equal to € 25 thousand, relate to legal and other costs accrued 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 warranty provision relates to future costs for warranty repairs that will be incurred for products sold covered by the guarantee period and/or contract, the provision is based on estimates extrapolated from historical trends.

The heading, **"Other provisions"** (current portion), of € 702 thousand, refers to the higher estimate of liabilities presently considered as probable, with relation to:

- allocations for € 604 thousand (including legal defense costs € 33 thousand), relating to an assessment, carried out by the Tax Authorities of Bologna, section large contributors, against Emak S.p.A. during the year 2013, concerning the annual 2008-2009-2010.

On the basis of the minutes, the Agency has determined, by way of adjustment of prices of certain cross-border intra-group transactions(transfer pricing), for all three years concerned by the audit, taxes and interest for a total of € 835 thousand (the amounts assessed penalties do not match art. 1, paragraph 2-ter of Legislative Decree 471/97).
In the face of all the investigations, initiated a unsuccessfully attempt to membership, they have been proposed remedies; for which there is an ongoing attempt to court to settlement, encouraged by the Tax Court. Emak, convinced of the correctness of his actions and of the validity of their reasons, also on the basis of the assessments of their defenders, has adjusted during the year, this fund through the provision of an additional € 200 thousand.
The current prudent reserves recorded is sufficient to all involved annuity, whatever the outcome of which dispute will arrive;

- costs associated with penalties that could be charged to Emak for around € 81 thousand;
- provisions equal to the value of deductibles on product liability claims for € 17 thousand.

The decrease in the item “Other provisions” in the current part is due, for € 545 thousand, to the use of the fund previously allocated reported to risks inherent to capital grants for as for Law 488/92 (Note 16). This credit has been paid in the course of 2016, net of the fund as at 31 December of the previous year.

31. Other non-current liabilities

The total amount of € 668 thousand (€ 835 thousand at December 31, 2015) refers to the deferred income relating to capital grants received as per Law 488/92 by Comag S.r.l., now merged into Emak S.p.A. in the year 2015, and spread over subsequent financial periods. The part of the grant receivable within one year is included in current liabilities under “Other payables” and amounts to € 98 thousand.

32. Contingent liabilities

At the date of December 31, 2016 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.

33. Information on financial risks

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

- 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;
- market risks, with particular reference to exchange and interest rates, since the Company operates at an international level in different currencies and uses financial instruments that generate interest.

As described in the section “Management of financial risk”, The Company constantly monitors the financial risks to which it is exposed, so as to minimize potential negative effects on financial results.

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.

Credit risk

The maximum theoretical exposure to credit risk for the Company at 31 December 2016 is the accounting value of financial assets shown in the financial statements.

The credit granted to the clients involves specific assessments of solvency and generally the Company obtains guarantees, both financial and otherwise, against credits granted for the supply of products. Certain categories of credits to foreign customers are also covered by insurance with SACE.

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

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

At December 31, 2016 there were no significant positions of insolvency subject to individual devaluation, allocation to the bad debt provision was made on the basis of a constant analysis of outstanding amounts as a whole.

At December 31, 2016 “Trade receivables” and “Other receivables”, equal to € 45,943 thousand (€ 47,761 thousand at December 31, 2015), include € 5,820 thousand (€ 7,812 thousand at December 31, 2015) outstanding by more than 3 months. This value has been rescheduled according to repayment plans agreed with the clients.

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	2016	2015
Trade receivables due from customers with SACE 1 rating	25,748	24,076
Trade receivables due from customers with SACE 2 e 3 rating	5,202	10,229
Trade receivables due from customers with non-insurable SACE	3,986	586
Total (Note 22)	**34,936**	**34,891**

Countries with SACE 1 rating are those for which insurance covers 90% of the amounts receivable. Countries with SACE 2 rating are those for which insurance covers 85% of the amounts receivable, and those with SACE 3 rating, 80%. 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, 2016 is € 10,009 thousand.

At December 31, 2016 the 10 most important customers (not including companies belonging to the Emak Group) account for 39% of total trade receivables, while the top customer represents 12.9% of the total.

Liquidity risk
Liquidity problems can occur as a result of the inability to obtain financial resources necessary for the Company’s operations at acceptable conditions.
The main factors determining the Company’s liquidity situation are, on the one hand, the resources generated or absorbed in its operating and investment activities, and on the other hand, by the expiry or renewal of debt or by the liquidity of financial commitments and market conditions.

As noted in the section "Financial risk management" the Company, in line with the general directives of the Group reduces the liquidity risk and optimizes the management of financial resources: gives rise to the following activities:
- the monitoring of expected financial requirements in order to then take suitable action;
- the obtaining of suitable lines of credit;
- the optimization of liquidity, where feasible, through the centralized management of the Group’s cash flows;
- the maintenance of sufficient liquidity;
- the maintenance of a balanced composition of net financial borrowing with respect to investments made;
- the pursuit of a correct balance between short-term and medium-long-term debt;

- limited credit exposure to a single financial institute;
- the monitoring of compliance with the parameters provided for by covenants associated with medium-long-term loans.

The characteristics and nature of the expiry of debts and of the Company's financial activities are set out in Notes 24 and 27 relating respectively to "Cash and Cash Equivalents" and "Loans and borrowings".
The management considers that currently unused funds and credit lines, amounting to € 57,723 thousand, as well as those 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.

Exchange rate risk

The Company is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
Specifically in cases in which the Company incurs costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result.
In 2016 the overall amount of revenues directly exposed to exchange risk represented around 14.5% of the turnover (14.6% in 2015), while the amount of costs exposed to exchange risk is equal to 26% of turnover (30.8% in 2015).

The main currency exchanges to which the Company is exposed are the following:
- EUR/USD, relating to sales in dollars made mainly in the markets that use the dollar as preferential currency;
- EUR/YEN, relating to purchases in the Japanese market and to sales in other markets;
- EUR/RMB, relating to purchases in the Chinese market.

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

The Company's policy is to cover net currency flows, typically through the use of forward contracts, 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, 2016, as a result of a hypothetical unfavorable and immediate variation of 10% in all relevant single exchange rates, would amount to around € 2,086 thousand (€ 868 thousand at December 31, 2015).

Interest rate risk

The Company utilizes external financial resources in the form of debt and invest liquid funds in monetary and financial market instruments. Variations in market interest rates influence the cost and return of the various forms of financing and utilization, affecting the level of the Company's financial expenditure and income.

The Company at December 31, 2016 holds certain derivative financial instruments whose value is linked to interest rates.

Although these transactions are made for hedging purposes, the accounting standards will not allow hedge accounting treatment. Therefore, fluctuations in their values may affect the Company's financial results.

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

A hypothetical, instantaneous and unfavorable negative variation of one base point in annual interest rates in force at December 31 2016 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 295 thousand (€ 385 thousand at December 31 2015). 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.

Other risks on derivative financial instruments
The Company as of December 31, 2016 does not hold any derivative financial instruments to hedge exchange rate (operations of currency purchases), and the trend in interest rates

34. Commitments

Acquisitions of further equity interests

Emak S.p.A. has no outstanding contracts to purchase additional shares of holdings.

Purchase of fixed assets

The Company has commitments for the purchase of fixed assets not recorded in the financial statements at 31 December 2016 for the amount of € 3,289 thousand (€ 1,039 thousand at 31 December 2015). These commitments refer to the acquisition of equipment, plant and machinery for € 189 thousand. and € 3,100 thousand to the construction of the new building for the research and development center at its headquarters in Bagnolo in Piano.

Guarantees granted to *third parties*

They amount to € 2,559 thousand and are made up as follows:
- € 546 thousand for a bank guarantee in favour of EPA (United Environmental Protection Agency) in compliance with an American regulation in force from 2010 regarding the emissions of combustion engines;
- € 350 thousand for surety policy in favour of the Naples Customs Office for guaranteeing customs duties;
- € 20 thousand for sureties in favour of the Ministry of Production for promotional prize contests;
- € 511 thousand for a surety policy in favour of the Campobasso customs office to guarantee customs duties
- € 1,132 thousand for a surety policy in favour of Simest for loans.

Comfort letters, sureties and credit orders in favor of subsidiaries

These amount to € 63,352 thousand, and refer to the balance of credit line used as at December 31, 2016, broken down as follows:

€/000	Value of collateral	Amount guaranteed
Tecomec S.r.l.	6,907	6,907
Emak Deutschland GmbH	3,067	3,067
Emak France SAS	507	507
Emak U.K. Ltd.	1,750	1,750
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	110	110
Epicenter Limited	129	129
Comet S.p.A	15,826	15,826
Victus Emak SP. Z.O.O.	33	33
Comet S.p.A. (operation Lemasa)	35,023	19,457
Total	**63,352**	**47,786**

35. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2016 and amounts to € 42,623 thousand. It consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2016	31.12.2015
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(397,233)	(397,233)
Total outstanding shares	**163,537,602**	**163,537,602**

The dividends for 2015 approved by the shareholders on 22 April 2016, totaling € 4,088 thousand, were paid during 2016.

At December 31, 2015 the Company held in portfolio 397,233 treasury shares for a value of € 2,029 thousand.
During 2016 no treasury shares were purchased or sold by Emak S.p.A..

Therefore at December 31, 2016 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2017 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, 2016.

36. 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. This procedure, originally introduced and approved November 12, 2010, was subject to review and rationalization during 2013, while retaining the characteristics of full adequacy to regulatory requirements. The revised procedure was approved by the Board of Directors on January 31, 2014.
The procedure is available on the website www.emak.it, in the *"Investor Relations" - "corporate documents" - "Corporate Governance"*.

* * * * * * *

Related parties ordinary transactions in 2016 within the Group controlled by Emak S.p.A.

With regards to the group of companies under its control, transactions for the supply and purchase of goods and services carried out 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 2016 in the group fall within ordinary business of Emak and have been adjusted based on market conditions (ie, conditions equivalent to those that would be applied in relations between independent parties).These conditions correspond with aims strictly industrial and commercial and of Group financial management optimization. The execution of these transactions is governed by specific and analytical procedures and programmatic documents ("framework resolutions"), approved by the Board of Directors, with the assistance and consent of the independent directors, meeting in the Audit and Risk Committee.

The operations carried out in 2016 with parties belonging to the Emak Group and the values of such relations in force at the closing date of the financial year are shown below.

Receivables for loans and interest:

Companies belonging to Emak S.p.A. (€/000)	Financial income	Current financial assets	Non current financial assets
Emak Deutschland GmbH	45	-	2,400
Emak UK Ltd.	3	-	158
Comet USA Inc.	43	949	-
Emak Do Brasil Industria Ltda	-	-	-
Jiangmen Emak Outdoor Power Equipment	45	-	884
Raico S.r.l.	14	-	1,000
Epicenter Llc.	50	-	949
Total (note 13 and note 21)	**200**	**949**	**5,391**

Payables for loans and interests

Companies belonging to Emak S.p.A. (€/000)	Financial charges	Current financial liability	Non current financial liability
Sabart S.r.l.	4	1,507	-
Emak Suministros Espana SA	-	-	-
Tecomec S.r.l.	12	449	334
Victus Emak Sp. z.o.o.	-	-	-
Total (note 27)	**16**	**1,956**	**334**

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	Dividends	Total	Trade and other receivables
Emak Suministros Espana SA	4,248	181	**4,429**	**1,260**
Emak Deutschland Gmbh	3,194	-	**3,194**	**605**
Emak UK Ltd.	1,978	-	**1,978**	**349**
Emak France SAS	7,523	-	**7,523**	**2,140**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	1,594	-	**1,594**	**414**
Victus Emak Sp. z.o.o.	6,111	1,026	**7,137**	**725**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	14	2,444	**2,458**	**7**
Epicenter Llc.	1,336	-	**1,336**	**113**
Emak Do Brasil Industria Ltda	125	-	**125**	**2,419**
Comet S.p.A.	100	-	**100**	**60**
Comet USA Inc.	972	-	**972**	**3,248**
Sabart S.r.l.	312	1,900	**2,212**	**148**
Raico S.r.l.	69	-	**69**	**19**
Tecomec S.r.l.	66	2,000	**2,066**	**35**
Geoline Elettronic S.r.l.	2	-	**2**	**1**
Total (C)	**27,644**	**7,551**	**35,195**	**11,543**

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	3	23	**26**	**9**
Emak Deutschland Gmbh	112	34	**146**	**75**
Emak UK Ltd.	-	18	**18**	**13**
Emak France SAS	54	88	**142**	**25**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	19,993	2	**19,995**	**6,457**
Comet USA	1	150	**151**	**44**
Victus Emak Sp. z.o.o.	8	30	**38**	**17**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	1,215	-	**1,215**	**382**
Epicenter Llc.	-	3	**3**	**1**
Emak Do Brasil Industria Ltda	-	164	**164**	**209**
Comet S.p.A.	490	-	**490**	**143**
Sabart S.r.l.	7	-	**7**	**2**
Tecomec S.r.l.	673	46	**719**	**207**
Ningbo Tecomec	690	-	**690**	**130**
Speed France SAS	472	-	**472**	**74**
Total (D)	**23,718**	**558**	**24,276**	**7,788**

* * * * * * *

Unusual dealings with related parties external to the Emak Group occurring during 2016 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 2016 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 22). The operations illustrated in paragraph 21 of these Notes are also of a financial nature.
Other dealings with "other related parties" consist in professional services of a legal and tax nature, provided by bodies subject to significant influence on the part of a number of directors.
Details of the transactions entered into in 2016 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**	**Trade and others receivables**
SG Agroo d.o.o.	151	-
Euro Reflex D.o.o.	626	238
Garmec S.r.l.	22	3
Mac Sardegna S.r.l.	675	289
Selettra S.r.l.	1	-
Cofima S.r.l.	-	-
Yama S.p.A.	-	12
Cifarelli S.p.A.	42	4
Total (E)	**1,517**	**546**
Total C+E (note 22)	**29,161**	**12,089**

Purchase of goods and services

Releted parties (€/000)	Purchases of raw materials and finished products	Other costs	Total costs	Trade payables
Cofima S.r.l.	771	77	**848**	**346**
Garmec S.r.l.	1	-	**1**	**-**
Euro Reflex D.o.o.	1,677	10	**1,687**	**346**
Mac Sardegna S.r.l.	-	5	**5**	**2**
Selettra S.r.l.	382	1	**383**	**209**
Cifarelli S.p.A.	18	-	**18**	**45**
Total (F)	**2,849**	**93**	**2,942**	**948**
Other related parties (G)	**-**	**339**	**-**	**92**
Totals D+F+G (note 26 and 27)	**26,567**	**990**	**27,218**	**8,828**

Relationships of financial nature and related income:

Companies belonging to Yama Group (€/000)	Financial income	Current financial assets	Non current financial assets
Yama S.p.A.	12	449	334
Total (note 21)	**12**	**449**	**334**

* * * * * * *

Other transactions with related parties

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 Directors, bonus schemes. The resolutions of the Board of Directors regarding the remuneration are taken with the opinion of the Committee, composed exclusively of independent Directors. More detailed information regarding the remuneration policy, the procedures used for its adoption and implementation, as well as a description of each of the headings making up remuneration, are disclosed in the report drawn up by the Company pursuant to art. 123-ter 58/98, 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 2016	FY 2015
Emoluments of directors and statutory auditors	802	680
Benefits in kind	9	11
Wage and salaries	725	707
Employee termination indemnities	49	49
Total	**1,585**	**1,447**

The variable incentive part of the remuneration allocated to the executive directors, included in the amounts shown in the table, is established on a three-year basis, corresponding to the expiry of the current Board mandate.

The total debt for remuneration of Directors and Auditors of the Parent Company at December 31, 2016 amounted to € 357 thousand.

In the ending year no other relationships of significant amount of current nature with related parties occurred.

37. Subsequent events

There have been no significant subsequent events.

38. Proposal of allocation of net profit for the period and dividend

For the proposal of allocation of the net profit for the year and distribution of dividends, please refer to note 15 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

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

Appendix 1

Changes in equity investments

	31.12.2015				Changes				31.12.2016			
	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding	Subscriptions And acquisitions	Other movements	Sales	Deprecietions	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding
Italy												
Comet S.p.A.	5,000,000	27,232	100	100					5,000,000	27,232	100	100
Raico S.r.l.	1 share	5,488	100	100					1 share	5,488	100	100
Sabart S.r.l.	1 share	21,011	100	100					1 share	21,011	100	100
Tecomec S.r.l.	1 share	27,418	100	100					1 share	27,418	100	100
Spain												
Emak Suministros Espana SA	405	572	90	90					405	572	90	90
Germany												
Emak Deutschland Gmbh (note 19)	10,820	525	100	100				(525)	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 LLC	1 share	330	61	61					1 share	330	61	61
Brazil												
Emak do Brasil Industria Ltda (note 19)	8,516,200	1,980	99.9	99.9				(1200)	8,516,200	780	99.9	99.9
Total investments in subsidiaries		**95,927**								**94,202**		

Italy												
Cifarelli S.p.A.	-	-	-	-					216,000	3,750	30.0	30.0
Total associates		**-**								**3,750**		

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

Appendix 2

Details of equity investments

€/000	Registered office	Value in the financial statements	% Share	Share Capital	Equity (*) Total	Equity (*) Attributable to Emak S.p.A.	Profit/(Loss) of the year *
Emak Suministros Espana SA	Madrid	572	90	270	3,292	2,963	340
Emak Deutschland Gmbh	Fellbach-Oeffingen	0	100	553	(559)	(559)	(843)
Emak UK Ltd	Burntwood	691	100	468	909	909	130
Emak France SAS	Rixheim	2,049	100	2,000	7,335	7,335	257
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	3,616	16,172	16,172	43
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	2,316	6,113	6,113	357
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,387	8,557	8,557	359
Epicenter LLC.	Kiev	330	61	727	1,287	785	236
Emak do Brasil Industria Ltda	Curitiba	780	99.9	1,976	(1,420)	(1,406)	290
Tecomec S.r.l.	Reggio Emilia	27,418	100	1,580	27,720	27,720	3,423
Comet S.p.A.	Reggio Emilia	27,232	100	2,600	28,035	28,035	1,077
Sabart S.r.l.	Reggio Emilia	21,011	100	1,900	7,778	7,778	1,820
Raico S.r.l	Reggio Emilia	5,488	100	20	2,758	2,758	103
Total investments in subsidiaries		**94,202**					
Cifarelli S.p.A.	Voghera (PV)	3,750	30	374	6,705	2,012	700
Total investments in associates		**3,750**					

(*) Amounts resulting from the reporting package of subsidiaries prepared in accordance with IAS / IFRS for the purpose of 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	31.12.2015	31.12.2014
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	81,825	81,372
C) Current assets	7,651	7,846
D) Prepayment and accrued income	14	15
Total assets	**89,490**	**89,233**
Liabilities		
A) Equity:		
Share capital	16,858	16,858
Reserves	42,343	43,510
Net profit	653	1,207
B) Provisions for risks and charges	263	1,390
C) Employment benefits	46	43
D) Amounts payable	29,219	26,058
E) Accruals and deferred income	108	167
Total liabilities	**89,490**	**89,233**
Guarantees, commitments and other risks	30,209	32,358

INCOME STATEMENT	31.12.2015	31.12.2014
A) Revenues from sales	53	51
B) Production costs	(987)	(2,948)
C) Financial income and expences	3,406	5,133
D) Adjustments to the value of financial assets	(2,040)	(2,742)
E) Extraordinary income and expances	(107)	785
Profit before taxes	**325**	**279**
Income taxes	328	928
Net profit	**653**	**1,207**

Appendix 4

Schedule of fees relating to the 2016 financial period for audit services and other services, subdivided by type.

Type of service	Entity providing the service	Beneficiary	Fees (€/000)
Auditing Company	Deloitte & Touche S.p.A.	Emak S.p.A.	131
Auditing Company	Deloitte & Touche S.p.A.	Italian controlled companies	86
Auditing Company	Deloitte & Touche S.p.A. Network	Foreign controlled companies	61
Other services	Deloitte & Touche S.p.A.	Emak S.p.A. - Italian controlled companies	-
Other services	Deloitte & Touche S.p.A. Network	Foreign controlled companies	-

The above information is provided in accordance with art. 160, paragraph 1-bis of Legislative Decree 24 February 1998, no. 58 and with article 149-duodecies of the CONSOB Regulations contained in Consob resolution no. 19971 of 14 May 1999 and subsequent modifications.

Certification of financial statements and consolidated financial statements pursuant to art. 154-bis, paragraph 5 of the Decree. 58/1998 (Consolidated Law on Finance)

1. The undersigned Fausto Bellamico and Aimone Burani, the latter in his position as the executive in charge of preparing the accounting statements of Emak S.p.A., certify, taking account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, no. 58:

- the suitability, in relation to the nature of the entity and
- effective application

of administrative and accounting procedures for the preparation of the company's individual financial statements and the consolidated financial statements for the financial period ending December 31, 2016.

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.

Date: 16 March 2017

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

The CEO:
Fausto Bellamico

Deloitte.

Deloitte & Touche S.p.A.
Centro Direzionale Eurotorri
Piazza Italo Pinazzi, 67/A
43122 Parma
Italia

Tel: +39 0521 976011
Fax: +39 0521 976012
www.deloitte.it

INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Emak S.p.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Emak S.p.A., which comprise the statement of financial position as at December 31, 2016, income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these 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 n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Emak S.p.A. as at December 31, 2016, and of its financial performance and 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 n° 38/2005.

Other matter

The financial statements of Emak S.p.A. for the period ended as of December 31, 2015 have been audited by other auditors that on March 25, 2016 expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Emak S.p.A., with the financial statements of Emak S.p.A as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of Emak S.p.A as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
March 29, 2017

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