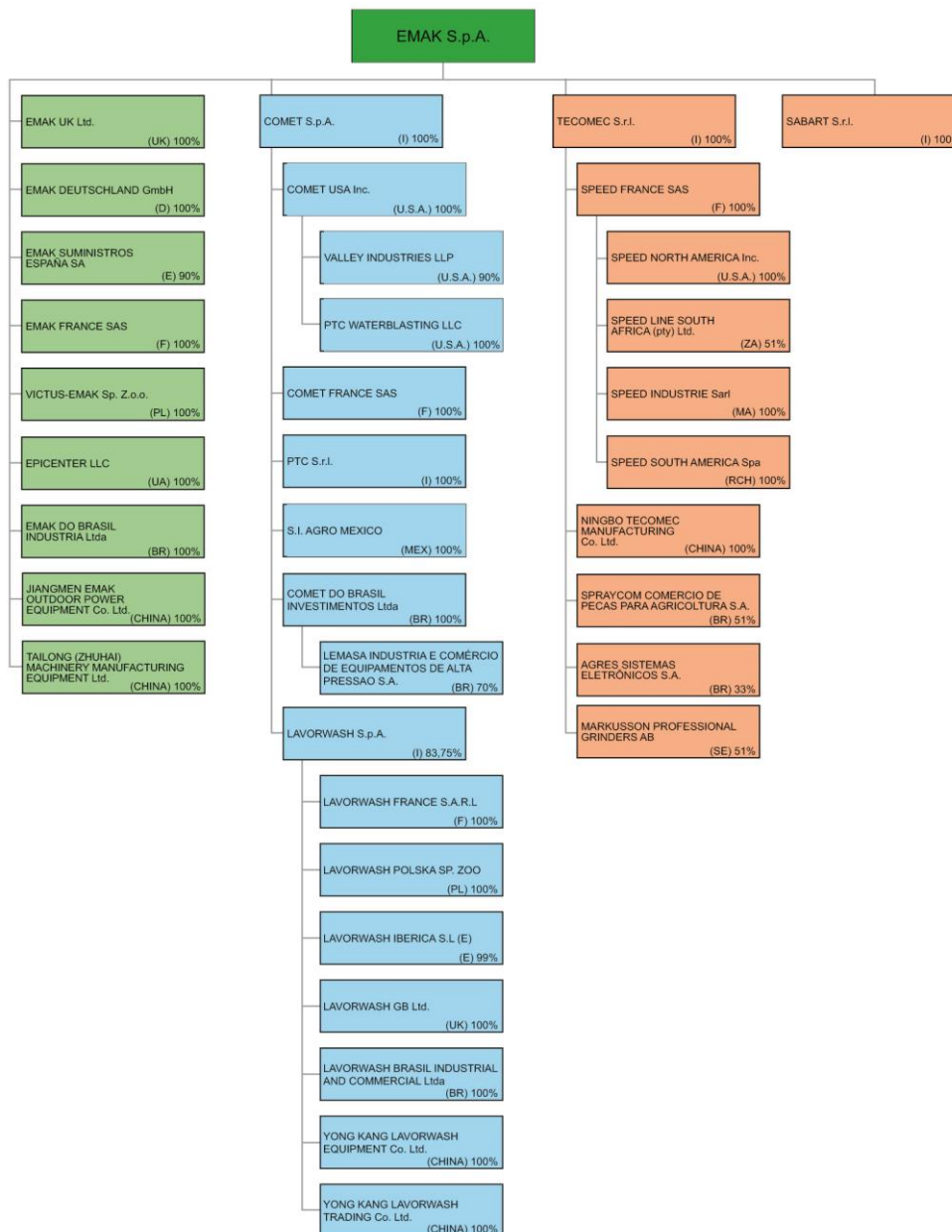


# HALF YEAR REPORT AT 30 JUNE 2020

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## Organizational chart of Emak Group as at 30 June 2020

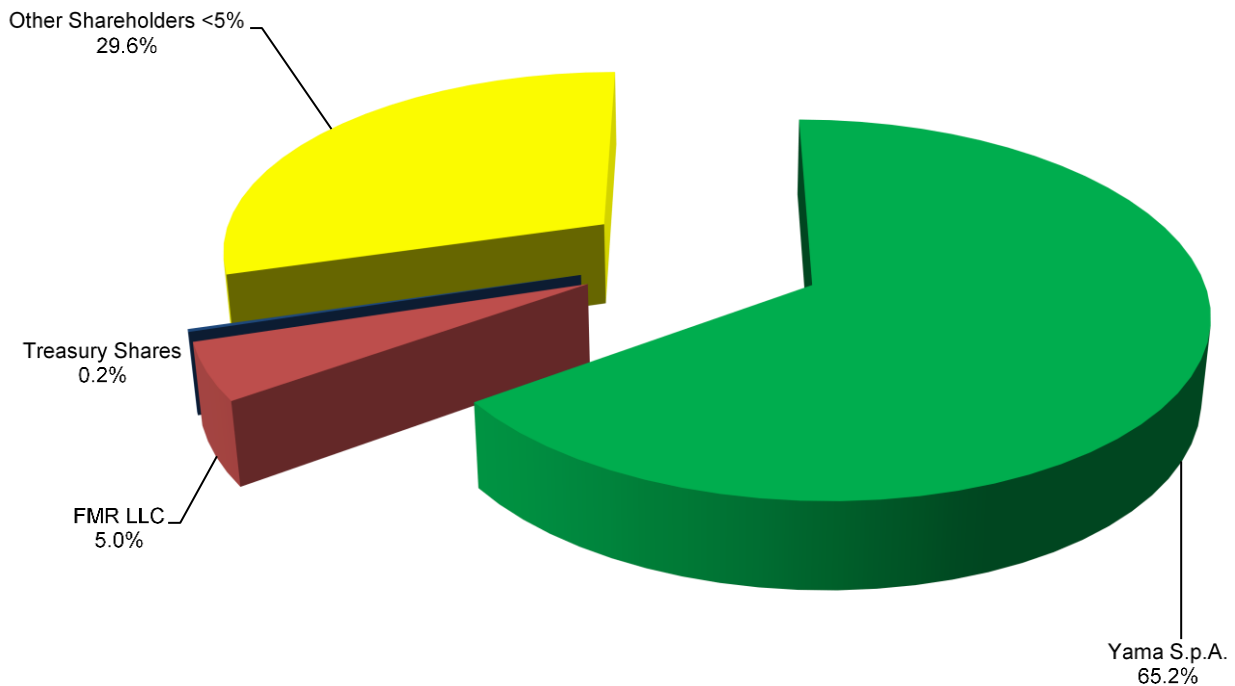


1. Valley Industries LLP is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 10%.
2. Comet do Brasil Investimentos Ltda is owned for 99.63% by Comet S.p.A. and 0.37% by P.T.C. S.r.l.
3. Lavorwash S.p.A is consolidated at 98.42% as a results of the "Put and Call Option Agreement" that governs the purchase of the 14.67% remaining.
4. Emak do Brasil is owned for 99.98% by Emak S.p.A. and 0.02% by Comet do Brasil.
5. Lavorwash Brasil Ind. Ltda is owned for 99.99% by Lavorwash S.p.A. and 0.01% by Comet do Brasil LTDA.
6. S.I.Agro Mexico is owned for 97% by Comet S.p.A. and 3% by P.T.C. S.r.l.
7. Markusson Professional Grinders AB is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the remaining 49%.

### 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).

Below is summarized the composition of the shareholders of Company as at June 30 2020.



## Corporate Bodies of Emak S.p.A.

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

### Board of Directors

Chairman and Chief Executive Officer

Fausto Bellamico

Deputy Chairman and Executive Director

Aimone Burani

Executive Director

Luigi Bartoli

Lead Independent Director

Massimo Livatino

Independent Directors

Alessandra Lanza

Elena Iotti

Directors

Francesca Baldi

Ariello Bartoli

Paola Becchi

Giuliano Ferrari

Vilmo Spaggiari

Guerrino Zambelli

Marzia Salsapariglia

### Audit Committee, Remuneration Committee, Related Party

#### Transactions Committee, Nomination Committee

Chairman

Massimo Livatino

Components

Alessandra Lanza

Elena Iotti

### Financial Reporting Officer

Aimone Burani

### Supervisory Body as per Legislative Decree 231/01

Chairman

Sara Mandelli

Acting member

Roberto Bertuzzi

### Board of Statutory Auditors

Chairman

Stefano Montanari

Acting auditors

Gianluca Bartoli

Francesca Benassi

Alternate auditor

Maria Cristina Mescoli

Federico Cattini

### Independent Auditor

Deloitte & Touche S.p.A.

## Emak Group Profile

The Emak Group operates on the global market with a direct presence in 15 countries and a distribution network covering 5 continents.



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

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

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

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

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

The **Pumps and High Pressure Water Jetting** line brings together activities for the development, manufacture and marketing of products (i) for agriculture, such as centrifugal and diaphragm pumps for spraying and weeding; (ii) for industry, including industrial pumps, high-pressure systems and machines for urban cleaning; (iii) for cleaning, that is, professional and semi-professional pressure washers, floor washing-drying machines and vacuum cleaners. The Group distributes its own products with the Comet, HPP, Lemasa, PTC Waterjetting Equipment, PTC Urban Cleaning Equipment and Lavor brand names. Customers of the Group include producers of spraying and weeding machines with regards to pumps for agriculture; builders and contractors in the industrial sector; specialised dealers and the large-scale retail trade for washing products.

The accessible market for the Group's products has an estimated value of around 3 billion Euros.

The pumps market for agriculture is mainly composed of Italian operators. The demand is strongly driven by the trend of the economic cycle, demographic growth and the consequent increase in the demand for agricultural products; in developing countries demand is linked to the development of agricultural mechanisation and relative policies of support.

The market of products for the industrial sector is continuously growing and demand is linked to the trend of several sectors/fields of application in which the systems are used, such as: hydro-demolition; water-washing and ship repairs; refineries; mines and quarries; the petroleum industry; underwater washing; the iron and steel industry; foundries; chemical processing plant; energy production; paper mills; transport; municipalities; food; automobile and engine manufacturing.

The demand for cleaning products is mainly linked to the economic cycle trend, the increase in hygienic standards, especially in emerging countries, and the development of the "do-it-yourself" culture in mature markets.

The **Components and Accessories** segment includes activities for the development, manufacture and marketing of products the most representative of which are line and heads for brush-cutters, accessories for chainsaws (e.g. sharpeners), pistols, valves and nozzles for high pressure cleaners and for agricultural applications, precision farming (sensors and computers). In this segment the Group operates partly through its own brands, Tecomec, Geoline, Mecline, Markusson, Sabart, and partly distributing products for third party brands. The main customers of the Group are producers in the Outdoor Power Equipment segment, of spraying and weeding machines, of high pressure cleaners, high pressure washing systems and specialised distributors.

The accessible market for the Group's products has an estimated value of around 1.5 billion Euros.

The demand for components and accessories is linked to the economic cycle (business OEM) and the intensity of use of machines (aftermarket). The high-pressure water jetting segment is linked to the economic cycle, to investments in the end markets for applications and hydrodynamic units. For products intended for the agricultural sector, demand is strongly linked to the growth of the economic cycle and in particular to the trend of agricultural commodity prices, demographic growth and the consequent increase in demand for agricultural products.

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

## Main strategic lines of action

The main goal of the Emak Group is the creation of value for its stakeholders. In order to achieve this objective, the Group focuses on:

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



## Intermediate Directors Report at 30 June 2020

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

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

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

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

With the aim of preventing and managing more significant risks, the Group has a risk classification model, subdividing them on the basis of the pertinent corporate function, the estimate of the economic-financial impacts and the probability of occurrence.

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

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

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

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

### **Competition and market trends**

The Group operates on a global scale, in a sector characterized by a high level of competition and in which sales are concentrated mainly in mature markets with moderate or low rates of growth in demand.

Performances are closely correlated to factors such as the level of prices, product quality, trademarks and technology, which define the competitive positioning of operators on the market. The competitive position of the Group, which compares with global players that often have greater financial resources as well as greater diversification in terms of geography, makes particularly significant the exposure to risks typically associated with market competitiveness.

The Group mitigates the country risk by adopting a business diversification policy by product and geographic area, such as to allow risk balancing.

The Group also constantly monitors the positioning of its competitors in order to intercept any impacts on its commercial offer.

In order to reduce the risk of saturation of the segments / markets in which it operates, the Group is progressively expanding its product range, also paying attention to "price sensitive" segments.

### **Risks associated with consumer purchasing behavior**

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

The Group seeks to capture emerging market trends to renew its range of products and adapt its value proposition based on consumer purchasing behaviour.

### **International expansion strategy**

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

### **Weather conditions**

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

### **Technological products evolution**

The Group operates in a sectors where product development (for example the spread of battery products in the OPE sector) in terms of quality and functionality is an important driver for the maintenance and growth of its market share.

The Group responds to this risk with continuous investment in research and development and in the use of appropriate skills in order to continue to offer innovative and competitive products compared to those of its main competitors in terms of price, quality, and functionality.

### **Environment, Health and Safety management**

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

### **Customers performances**

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

Over the last few years, the Group has increasingly implemented a policy of diversifying customers, including through acquisitions.

### **Raw material and components price trend**

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

The Group does not use raw material price hedging instruments but mitigates risk through supply contracts. The Group has also created a system for monitoring the economic-financial performance of suppliers in order to mitigate the risks inherent in possible supply disruptions and has set up a management relationship with suppliers that guarantees flexibility of supply and quality in line with the policies of the Group.

### **Liability to customers and third parties**

The Group is exposed to potential liability risks towards customers or third parties in relation to product liability due to possible design and/or manufacturing defects in the Group's products, also attributable to third parties such as suppliers and assemblers. Moreover, in the event that products are defective or do not meet technical and legal specifications, the Group, also by order of control authorities, could be obliged to withdraw such

products from the market. In order to manage and reduce these risks, the Group has entered into a master group insurance coverage that minimizes risks only to insurance deductibles.

#### **Risks associated with the recoverability of assets, in particular goodwill**

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

#### **Risks associated with the application of import tariffs**

Starting from 2018 the United States government through some regulatory measures imposed a series of customs tariffs on the importation of steel and aluminium originating from Europe and on a number of categories of “made in China” finished products. The impacts of these measures on the performance of the economy do not significantly affect the Group's performance.

#### **Risks related to climate change**

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

#### **Risks associated with the *Brexit***

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

#### **Risk arising from COVID-19**

Starting in January 2020, the world has faced an unprecedented health emergency due to the rapid and global spread of the coronavirus pandemic. The virus initially affected China, then spreading pervasively in all the economies of the world, with impacts on the lives of people and businesses and significantly affecting Italy.

In this context, the Group's priority has been to ensure the continuity of activities by protecting the health and safety of its employees and the community of reference, promoting smart working, regulating access to production structures, adopting provisions for mobility and the social distancing of employees and implementing sanitization of the premises. The Group is still operating in all its offices and on all global markets, the interruption of activities, at the peak of the pandemic, was limited to a few days only to some specific areas of activity.

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

#### **Financial risks**

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

#### **Risk management process**

With the aim of reducing the financial impact of any harmful event, Emak has arranged to transfer residual risks to the insurance market, when insurable.

In this sense, Emak, as part of its risk management, has taken steps to customize insurance coverage in order to significantly reduce exposure, particularly with regard to possible damages arising from the manufacturing and marketing of products.

All companies of the Emak Group are today insured, with policies of international programs such as Liability, Property all risks, D&O, Crime and EPL, against major risks considered as strategic, such as: product liability and product recall, general civil liability, certain catastrophic events and related business interruption. Other insurance coverage has been taken out at the local level in order to respond to regulatory requirements or specific regulations.

The analysis and insurance transfer of the risks to which the Group is exposed is carried out in collaboration with an insurance broker who, through an international network, is also able to assess the adequacy of the management of the Group's insurance programs on a global scale.

## 1. Main economic and financial figures for Emak Group

### Income statement (€/000)

Y 2019		2 Q 2020	2 Q 2019	I H 2020	I H 2019
433,953	Revenues from sales	129,529	120,684	247,496	243,041
46,878	EBITDA before non ordinary expenses (*)	19,193	16,647	33,220	31,074
46,090	EBITDA (*)	19,041	16,602	32,964	30,748
22,022	EBIT	13,438	8,861	21,813	17,887
13,126	Net profit	7,079	4,380	10,912	10,468

### Investment and free cash flow (€/000)

Y 2019		2 Q 2020	2 Q 2019	I H 2020	I H 2019
14,039	Investment in property, plant and equipment	5,067	3,254	7,475	6,986
4,414	Investment in intangible assets	647	1,117	1,465	2,359
37,194	Free cash flow from operations (*)	14,071	12,121	23,452	23,329

### Statement of financial position (€/000)

31.12.2019		30.06.2020	30.06.2019
358,467	Net capital employed (*)	366,520	378,013
(146,935)	Net debt	(149,593)	(169,078)
211,532	Total equity	216,927	208,935

### Other statistics

Y 2019		2 Q 2020	2 Q 2019	I H 2020	I H 2019
10.6%	EBITDA / Net sales (%)	14.7%	13.8%	13.3%	12.7%
5.1%	EBIT / Net sales (%)	10.4%	7.3%	8.8%	7.4%
3.0%	Net profit / Net sales (%)	5.5%	3.6%	4.4%	4.3%
6.1%	EBIT / Net capital employed (%)			6.0%	4.7%
0.69	Net debt / Equity			0.69	0.81
1,988	Number of employees at period end			2,010	2,033

### Share information and prices

31.12.2019		30.06.2020	30.06.2019
0.079	Earnings per share (€)	0.066	0.064
1.28	Equity per share (€) (*)	1.31	1.27
0.91	Official price (€)	0.675	0.98
1.42	Maximum share price in period (€)	0,94	1.42
0.81	Minimum share price in period (€)	0,56	0.98
150	Stockmarket capitalization (€ / million)	111	161
163,537,602	Average number of outstanding shares	163,537,602	163,537,602
163,934,835	Number of shares comprising share capital	163,934,835	163,934,835
0.227	Free cash flow from operations per share (€) (*)	0.143	0.143
-	Dividend per share (€)	-	-

(\*) See section "definitions of alternative performance indicators"

## 2. Informative Covid-19 emergency

At the beginning of January 2020, the World Health Organization (WHO) announced the spread of Covid-19 infection in China, particularly in the Wuhan district, then declaring the state of emergency at the level on 30 January international. The spread of the virus in Europe and America occurred in February, which led to a generalized lockdown during the months of March and April. Italy, which was the first European country to be hit by the pandemic and which is still one of the hardest hit today, has adopted particularly restrictive measures to contain the spread of the virus. The modalities and times of the recovery of social life and economic activities are differentiated for the different countries and remain uncertain for many countries, while in China and Europe the restart is already underway. In this context, the governments of the main world countries are adopting measures to encourage the relaunch of consumption and support for businesses.

The limitation of citizens' mobility and business operations, together with a climate of uncertainty generated by a state of health emergency, have had significant impacts on almost all world markets.

The effects of the pandemic on consumption are developing in the various areas of the economy with uneven effects: the risk of a lasting recession in many sectors is real, with the difficulty of making recovery assessments in the medium and long term, given the situation of uncertainty and strongly evolving, both in terms of health, regulations and variability of demand.

In March, the Group made a donation for the Covid-19 emergency to the GRADE ONLUS association of Reggio Emilia for an amount of € 100 thousand.

### ***Group response to the epidemiological emergency***

The Group companies are currently all operating: some have temporarily used the social safety nets instrument and, only in a few limited cases and for limited periods, have resorted to the blocking of production and logistics activities. In addition, the Group continues to monitor the evolution of the situation and to use the necessary measures to safeguard the health and safety of its employees, such as the use of smart working, the adoption of distance measures between people and the distribution of personal protective equipments.

### ***Measures undertaken by the Group aimed at containing Covid-19***

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

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

- Maintaining appropriate amounts of credit lines;
- Access to new loans;
- Request for suspension of the installments relating to the loans in place with the banking system, expiring in 2020;
- Increase in controls to monitor the solvency of the counterparties and compliance with the contractual terms of collection;
- Reduction of operating costs;
- Remodeling of the investment plan.

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

The uncertainty did not prevent the Management to develop an outlook relative to year end 2020; considering a progressive normalization of the health situation, no significant impacts are expected that could compromise the Group's economic and financial balance.

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

In strictly operational terms, the emergency from COVID-19 led to the incurrence of some direct costs, mainly related to the protection of the health and safety of workers. During the half year, the Group incurred costs of

around € 400 thousand for the sanitation of the workplace and for the purchase of tools and devices aimed at containing the infection.

However, the Group has also been able to benefit from the economic and financial governmental measures made available by the various countries in support of production activities and employment. In particular, the Group benefited from social safety nets for the protection of employment for around € 1,300 thousand, contributions obtained against expenses incurred for sanitation and activities suitable for guaranteeing the safety of the workplace for around € 100 thousand.

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

In April the effects of this context in terms of contraction in turnover were most evident; however, the end of the lockdown in the main European countries together with the good trend in demand in the sectors in which the Group operates contributed to the recovery of sales which led to the overall turnover in the second quarter showing a 7.3% increase allowing for recovery all the delay recorded during the first quarter of 2020, closing the half year with revenues higher than the same period in 2019 of 1.8%.

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

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

Some Italian companies of the Group obtained the suspension of the installments falling due during 2020, relating to the loans already in place with the banking system, benefiting at June 30, 2020 from lower repayments of € 14,088 thousand.

In order to support the Group's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the proposals of the Board of Directors to allocate the profit for the year 2019 to the reserve, while a dividend of € 7,540 thousand had been distributed during 2019.

With reference to potential liquidity risks, it should be noted that during the first half of 2020 the Group also had access to the disbursement of new financial resources from credit institutions for € 55 million, aimed at rebalancing the financial exposure to medium-long term.

In addition, management believes that the credit lines currently not used of € 134 million, mainly short-term and guaranteed by Trade Receivables, in addition to the cash flows that will be generated by the exercise and financing activities, will allow the Group to meet the needs arising from investment, working capital management and debt repayment activities at their natural maturity.

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

The health emergency induced by Covid-19 was an important fact pursuant to paragraph 15 of IAS 34.

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

In this context, the Group, given the impacts of the pandemic on the world economy, also following the recommendations issued by the Italian and European regulators, when preparing this interim financial report, the Group deemed it appropriate to review, where necessary, its multi-year industrial business plans and activate the impairment test procedures in order to assess the recoverability of goodwill and intangible assets entered in the balance sheet assets.

Finally, it should be noted that the estimates and prospective data relating to the aforementioned impairment tests are determined by the Group's management on the basis of past experience and expectations regarding developments in the markets in which the Group operates. To this end, it should be noted that the estimate of the recoverable value of the cash-generating unit requires discretion and the use of estimates by management, which are particularly complex in the current context of uncertainty caused by the known pandemic



phenomenon. The Group cannot therefore ensure that there is no impairment of goodwill and other assets in future periods, even in the near future. In fact, several factors also linked to the evolution of the difficult market context may require a restatement of the value of goodwill and other activities. The circumstances and events that could cause further verification of the existence of impairment are constantly monitored by the Group.

There were no significant impacts arising from Covid-19 on the other items in the financial statements and, in particular on the valuation items regarding the recoverability of receivables and the obsolescence of inventories of raw materials and finished products.

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

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

### **3. Scope of consolidation**

Compared to 31 December 2019, the company Markusson Professional Grinders AB joined the consolidation area, of which the subsidiary Tecomec S.r.l. acquired 51% on January 31, 2020.

Please note that, the consolidated financial statements at 30 June 2019 included the company Geoline Electronic S.r.l., which was subject to a total spin-off on November 30, 2019. Following this, the "Control units, electric valves and flow meters" business unit is currently included in the Group's activities.

### **4. Economic and financial results of Emak Group**

#### **Comments on economic figures**

##### ***Revenues from sales***

In the first semester 2020, Emak Group achieved a consolidated turnover of € 247,496 thousand, compared to € 243,041 thousand of the same period last year, an increase of 1.8%. This increase is due to the change in the scope of consolidation for 0.4%, from organic growth for 2.3%, partially offset by the negative effect of conversion rates for 0.9%.

The turnover for the second quarter amounts to € 129,529 thousand against € 120,684 thousand in the second quarter of 2019, an increase of 7.3%.

#### **EBITDA**

In the first semester 2020, Ebitda reached € 32,964 thousand (an incidence of 13.3% on sales) compared to € 30,748 thousand in the same period last year (an incidence of 12.7% on sales).

During the semester 2020, non-ordinary expenses incurred for reorganization and M&A activities were recorded for € 274 thousand and non-ordinary revenues for € 18 thousand, while in the same period last year non-ordinary expenses were recorded for € 409 thousand (mainly related to corporate reorganization activities) and non-ordinary revenues for € 83 thousand.

Ebitda before non-ordinary expenses and revenues is equal to € 33,220 thousand (an incidence of 13.4% on revenues), compared to € 31,074 thousand of the same period last year (an incidence of 12.8% on revenues).

The application of the IFRS 16 principle has resulted in an effect on the Ebitda of the first half 2020 for € 3,086 thousand, against to € 2,953 thousand of the first half 2019.

The result benefited from the increase in sales volumes, the reduction of raw material costs, the containment of operating costs and also from a more favorable segment mix.

Personnel costs decreased compared to the same period due to the use of social safety nets activated in the months of March and April for the Covid-19 emergency. The average number of resources employed by the Group was 2,170 compared to 2,144 in the first half of 2019.

### **Operating result**

Operating result for the first semester 2020 is € 21,813 thousand with an incidence of 8.8% on revenues, compared to € 17,887 thousand (7.4% of sales) of the corresponding period of the previous year.

Depreciation and amortization are € 11,151 thousand, compared to € 12,861 thousand on 30 June 2019. The result for the first semester 2019 included € 2,074 thousand as a loss due to the reduction in the value of the goodwill recorded, following the merger by incorporation of the Bertolini company into the parent company Emak S.p.A.

Non-annualized operating result as a percentage of net capital employed is 6% compared to 4.7% of the same period of the previous year.

### **Net result**

Net profit for the first semester 2020 is equal to € 10,912 thousand, against € 10,468 thousand for the same period last year.

This item includes financial expenses in the first half of 2020 amounting to € 410 thousand related to the greater amount paid to exercise the call option on the remaining 30% stake of the company Lemasa.

Currency management in the first semester 2020 is negative for € 2,229 thousand, compared to a positive balance of € 659 thousand for the same period of the last year. In the semester, exchange rate management was mainly affected by the negative trend of the Brazilian Real and, in general, of the South American currencies, which led to the recording of losses due to the adjustment of the debts in local currency at the end of the period.

The item "**Income from/(expenses on) equity investment**" includes a capital loss deriving from the sale of 30% of the share capital of Cifarelli S.p.A. for an amount of € 1,389 thousand, occurred through the exercise of a put option on the minority investment held.

The effective tax rate is 30.5% against 32.9% in the same period of the previous year, due to lower tax recoveries. However, the tax rate for the half year was negatively affected by the failure of some Group companies to record deferred tax assets on tax losses.

### **Comment to consolidated statement of financial position**

31.12.2019	€/000	30.06.2020	30.06.2019
186,989	Net non-current assets (*)	176,859	189,767
171,478	Net working capital (*)	189,661	188,246
<b>358,467</b>	<b>Total net capital employed (*)</b>	<b>366,520</b>	<b>378,013</b>
209,495	Equity attributable to the Group	214,974	206,963
2,037	Equity attributable to non controlling interests	1,953	1,972
(146,935)	Net debt	(149,593)	(169,078)
(*)	See section "Definitions of alternative performance indicators"		

### **Net non-current assets**

During first semester 2020 Emak Group invested € 8,940 thousand in property, plant and equipment and intangible assets, as follows:

- € 4,581 thousand for product innovation, of which € 3,000 thousand by the subsidiary Speed France for the acquisition of a technology for the production of polyester monofilaments and cables for agricultural applications;
- € 1,987 thousand for adjustment of production capacity and for process innovation;
- € 1,195 thousand for upgrading the computer network system;
- € 701 thousand for modernization of industrial buildings;
- € 476 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:

- € 4,003 thousand in Italy;
- € 3,172 thousand in Europe;
- € 1,094 thousand in the Americas;
- € 671 thousand in Asia, Africa and Oceania.

### **Net working capital**

Net working capital at 30 June 2020 amounted to € 189,661 thousand, compared to € 171,478 thousand at 31 December 2019 and € 188,246 thousand at 30 June 2019.

The following table shows the change in net working capital in the first half 2020 compared with the previous year:

<b>€/000</b>	<b>1H 2020</b>	<b>1H 2019</b>
<b>Net working capital at 01 January</b>	<b>171,478</b>	<b>168,321</b>
<b>Impact first application of IFRS 16 to 1 January</b>	-	(235)
Increase/(decrease) in inventories	(9,527)	3,110
Increase/(decrease) in trade receivables	28,157	19,706
(Increase)/decrease in trade payables	4,985	1,066
Change in scope of consolidation	592	-
Other changes	(6,024)	(3,722)
<b>Net working capital at 30 June</b>	<b>189,661</b>	<b>188,246</b>

The increase in net working capital is related to the seasonality of sales in the half year. The increase in trade receivables is justified by the increase in sales in the last two months of the semester 2020. The decrease in trade payables is due to a different dynamic of payments.

### **Net financial position**

Net negative financial position amounts to € 149,593 thousand at 30 June 2020, compared to € 169,078 thousand at 30 June 2019 and € 146,935 thousand at 31 December 2019.

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

€/000	1H 2020	1H 2019
<b>Opening NFP</b>	<b>(146,935)</b>	<b>(117,427)</b>
<b>Effect first application IFRS 16</b>	-	<b>(27,959)</b>
Ebitda	32,964	30,748
Financial income and expenses	(2,368)	(2,895)
Income from/(expenses on) equity investment	(124)	(53)
Exchange gains and losses	(2,229)	659
Income taxes	(4,791)	(5,130)
<b>Cash flow from operations, excluding changes in operating assets and liabilities</b>	<b>23,452</b>	<b>23,329</b>
Changes in operating assets and liabilities	(19,737)	(20,055)
<b>Cash flow from operations</b>	<b>3,715</b>	<b>3,274</b>
<b>Changes in investments and disinvestments</b>	<b>(5,630)</b>	<b>(11,413)</b>
<b>Changes right of use IFRS 16</b>	<b>(1,210)</b>	<b>(6,987)</b>
<b>Other equity changes</b>	-	<b>(7,855)</b>
<b>Changes from exchange rates and translation reserve</b>	<b>4,012</b>	<b>(711)</b>
<b>Change in scope of consolidation</b>	<b>(3,545)</b>	-
<b>Closing NFP</b>	<b>(149,593)</b>	<b>(169,078)</b>

The "**Income from/(expenses on) equity investment**" does not include the capital loss generated by the exercise of the Put option on the investment of 30% of Cifarelli S.p.A which is included in the item "changes in investments and divestments".

Consequently, cash flow from operations is equal to € 23,452 thousand, a decrease compared to € 23,329 thousand in the same period.

Cash flow from operations was positive for € 3,715 thousand compared to € 3,274 thousand in the same period of the previous financial year.

In order to support the Group's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the proposals of the Board of Directors to allocate the profit for the year 2019 to the reserve, while a dividend of € 7,540 thousand had been distributed during 2019.

During the first semester of 2020, the Group's financial position was affected by the change in the consolidation area for € 3,545 thousand following the acquisition of the company Markusson.

In the first semester 2019 the Group incurred a financial investment of € 2,760 thousand for the acquisition of 30% of the Brazilian company Agres.

The net financial position is made up as follows:

( €/000 )	30.06.2020	31.12.2019	30.06.2019
A. Cash and cash equivalents	85,864	47,695	38,194
B. Other cash at bank and on hand (held-to-maturity investments)	-	-	-
C. Financial instruments held for trading	-	-	-
<b>D. Liquidity funds (A+B+C)</b>	<b>85,864</b>	<b>47,695</b>	<b>38,194</b>
<b>E. Current financial receivables</b>	<b>464</b>	<b>766</b>	<b>1,245</b>
F. Current payables to bank	(11,269)	(13,963)	(20,489)
G. Current portion of non current indebtedness	(46,298)	(38,176)	(49,832)
H. Other current financial debts	(17,250)	(22,101)	(23,952)
<b>I. Current financial indebtedness (F+G+H)</b>	<b>(74,817)</b>	<b>(74,240)</b>	<b>(94,273)</b>
<b>J. Current financial indebtedness, net (I+E+D)</b>	<b>11,511</b>	<b>(25,779)</b>	<b>(54,834)</b>
K. Non-current payables to banks	(137,073)	(97,802)	(88,232)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(26,469)	(25,777)	(28,285)
<b>N. Non-current financial indebtedness (K+L+M)</b>	<b>(163,542)</b>	<b>(123,579)</b>	<b>(116,517)</b>
<b>O. Net indebtedness (ESMA) (J+N)</b>	<b>(152,031)</b>	<b>(149,358)</b>	<b>(171,351)</b>
P. Non current financial receivables	2,438	2,423	2,273
<b>Q. Net financial position (O+P)</b>	<b>(149,593)</b>	<b>(146,935)</b>	<b>(169,078)</b>
<b>Effect IFRS 16</b>	<b>28,865</b>	<b>30,385</b>	<b>32,767</b>
<b>Net financial position without effect IFRS 16</b>	<b>(120,728)</b>	<b>(116,550)</b>	<b>(136,311)</b>

Net financial position at 30 June 2020 includes actualized financial liabilities related to the payment of future rental and rent payments, in application of IFRS 16 standard, equal to € 28,865 thousand, of which € 4,894 thousand falling due within 12 months while at 31 December 2019 they amounted to a total of € 30,385 thousand, of which € 4,959 thousand falling due within 12 months.

Current financial indebtedness mainly consist of:

- account payables and self-liquidating accounts;
- loan repayments falling due by 30 June 2021;
- amounts due to other providers of finance falling due by 30 June 2021;
- debt for equity investments in the amount of € 11,123 thousand.

Net current financial indebtedness shows a positive net liquidity balance due to the significant increase in the "cash and cash equivalents" item mainly due to the disbursement of new medium and long-term loans.

Non-current financial indebtedness includes an amount of debts for the purchase of equity investments in the amount of € 2,322 thousand.

Actualized financial liabilities (short term and medium-long term) for the purchase of the remaining minority shares in the amount of € 13,445 thousand related to the following companies:

- Lavorwash Group for € 9,644 thousand;
- Valley LLP for € 1,479 thousand;
- Markusson for € 2,322 thousand.

## Equity

Total equity is equal to € 216,927 thousand at 30 June 2020 against € 211,532 thousand at 31 December 2019.

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

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
€/000										
Sales to third parties	85,042	85,088	99,323	100,360	63,131	57,593			247,496	243,041
Intersegment sales	409	988	1,252	1,202	4,465	4,176	(6,126)	(6,366)		
Revenues from sales	85,451	86,076	100,575	101,562	67,596	61,769	(6,126)	(6,366)	247,496	243,041
Ebitda	5,239	7,148	16,191	16,036	12,566	9,386	(1,032)	(1,822)	32,964	30,748
Ebitda/Total Revenues %	6.1%	8.3%	16.1%	15.8%	18.6%	15.2%			13.3%	12.7%
Ebitda before non ordinary expenses	5,323	7,198	16,265	15,953	12,664	9,745	(1,032)	(1,822)	33,220	31,074
Ebitda before non ordinary expenses/Total Revenues %	6.2%	8.4%	16.2%	15.7%	18.7%	15.8%			13.4%	12.8%
Operating result	1,449	1,460	12,146	12,024	9,250	6,225	(1,032)	(1,822)	21,813	17,887
Operating result/Total Revenues %	1.7%	1.7%	12.1%	11.8%	13.7%	10.1%			8.8%	7.4%
Net financial expenses (1)									(6,110)	(2,289)
Profit before taxes									15,703	15,598
Income taxes									(4,791)	(5,130)
Net profit									10,912	10,468
Net profit/Total Revenues%									4.4%	4.3%
(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment										
<b>STATEMENT OF FINANCIAL POSITION</b>										
	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Net debt	30,299	29,304	96,413	98,863	23,123	19,071	(242)	(303)	149,593	146,935
Shareholders' Equity	173,821	176,334	64,668	62,460	55,958	50,295	(77,520)	(77,557)	216,927	211,532
Total Shareholders' Equity and Net debt	204,120	205,638	161,081	161,323	79,081	69,366	(77,762)	(77,860)	366,520	358,467
Net non-current assets (2)	130,691	137,483	89,703	94,433	31,990	30,577	(75,525)	(75,504)	176,859	186,989
Net working capital	73,429	68,155	71,378	66,890	47,091	38,789	(2,237)	(2,356)	189,661	171,478
Total net capital employed	204,120	205,638	161,081	161,323	79,081	69,366	(77,762)	(77,860)	366,520	358,467
(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76,074 thousand Euro										
<b>OTHER STATISTICS</b>										
	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Number of employees at period end	736	743	742	731	524	506	8	8	2,010	1,988
<b>OTHER INFORMATIONS</b>										
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Amortization, depreciation and impairment losses	3,790	5,688	4,045	4,012	3,316	3,161			11,151	12,861
Investment in property, plant and equipment and in intangible assets	2,143	4,408	1,823	2,400	4,974	2,537			8,940	9,345

## Comments on interim results by operating segment

The table below shows the breakdown of "Sales to third parties" in the first six months of 2020 by business sector and geographic area, compared with the same period last year.

€/000	OUTDOOR POWER EQUIPMENT			PUMPS AND HIGH PRESSURE WATER JETTING			COMPONENTS AND ACCESSORIES			CONSOLIDATED		
	1H 2020	1H 2019	Var. %	1H 2020	1H 2019	Var. %	1H 2020	1H 2019	Var. %	1H 2020	1H 2019	Var. %
Europe	72,616	73,944	(1.8)	51,963	53,905	(3.6)	37,588	35,569	5.7	162,167	163,418	(0.8)
Americas	2,717	3,430	(20.8)	35,279	34,098	3.5	17,670	14,525	21.7	55,666	52,053	6.9
Asia, Africa and Oceania	9,709	7,714	25.9	12,081	12,357	(2.2)	7,873	7,499	5.0	29,663	27,570	7.6
<b>Total</b>	<b>85,042</b>	<b>85,088</b>	<b>(0.1)</b>	<b>99,323</b>	<b>100,360</b>	<b>(1.0)</b>	<b>63,131</b>	<b>57,593</b>	<b>9.6</b>	<b>247,496</b>	<b>243,041</b>	<b>1.8</b>

€/000	OUTDOOR POWER EQUIPMENT			PUMPS AND HIGH PRESSURE WATER JETTING			COMPONENTS AND ACCESSORIES			CONSOLIDATED		
	2Q 2020	2Q 2019	Var. %	2Q 2020	2Q 2019	Var. %	2Q 2020	2Q 2019	Var. %	2Q 2020	2Q 2019	Var. %
Europe	37,753	35,644	5.9	28,093	26,259	7.0	19,361	17,052	13.5	85,207	78,955	7.9
Americas	1,218	1,449	(15.9)	17,580	18,773	(6.4)	8,411	7,710	9.1	27,209	27,932	(2.6)
Asia, Africa and Oceania	5,204	3,748	38.8	6,718	6,190	8.5	5,191	3,859	34.5	17,113	13,797	24.0
<b>Total</b>	<b>44,175</b>	<b>40,841</b>	<b>8.2</b>	<b>52,391</b>	<b>51,222</b>	<b>2.3</b>	<b>32,963</b>	<b>28,621</b>	<b>15.2</b>	<b>129,529</b>	<b>120,684</b>	<b>7.3</b>

## **Outdoor Power Equipment**

On the European market there was a significant recovery of orders in the second quarter, which placed good premises for sales in the coming months. The recovery, similar to the drop recorded in the first quarter, followed the exit of the various countries from the lock-down situations imposed by the spread of the COVID-19 virus. In the Americas area, sales on the North American market were substantially stable compared to the same period of the previous year, while they were decreasing in Latin American countries.

In Asia, Africa and Oceania, the growth trend on the Turkish market, which continued also in the second half of the year, more than offset the drop in sales in some Far East countries.

EBITDA for the period was affected by a negative product / country mix and by the reorganization of the distribution model in Germany. These effects were partially alleviated by containment measures on the cost structure.

Net negative financial position is overall in line with 31 December 2019: against the increase in net working capital due to the seasonality of the business, the figure benefited from the collection relating to the sale of the investment in Cifarelli, the non-distribution of dividends by the Parent Company and by the rationalization of the investments made in the period, while it was affected compared to the same period by lower collections of dividends from subsidiaries belonging to the other operating segments.

## **Pumps and High Pressure Water Jetting**

Sales in Europe were down compared to the same period of the previous year, the figure was significantly affected by the sharp contraction of the cleaning products market from the end of February to April due to the closure of almost all large-scale retail outlets. The significant recovery recorded in the second quarter with the progressive reopening of the distribution network and the good performance of online sales made it possible to halve the disadvantage of the first quarter.

In the Americas area, there was a positive trend in the North American market largely thanks to the excellent performances of the US subsidiaries. On sales in Latin American countries, the weakening of Real and Peso led to a negative exchange rate effect on the conversion into euros of the turnover of the subsidiaries in Mexico and Brazil, which in local currency recorded an increase.

The total sales in the Asia, Africa and Oceania area were slightly down compared to the same period of the previous year, with a strong recovery in the last two months which has largely mitigated the delay accumulated in the two months March-April.

EBITDA for the period increased compared to the same period of the previous year both in absolute and percentage terms. The interventions promptly put in place in order to contain both personnel and operating costs made it possible to neutralize the negative effects deriving from the slight decrease in sales volumes and the unfavorable product / customer mix.

The improvement in net passive financial position compared to the end of 2019 is mainly due to the better cash flow generated and lower investments in the period.

## **Components and Accessories**

In Europe, the excellent sales performance for gardening and cleaning products on the main continental markets and the recovery of sales on the Italian market in the second quarter made it possible to recover the slight delay recorded in the area in the first quarter. In addition to the good organic results, there is the contribution of the newly acquired company Markusson for around € 900 thousand.

In the Americas area, the positive trend continued on the North American market of the US subsidiary as well as the sales of products for forestry and agriculture, while a decrease in cleaning products was recorded. The good performance of the subsidiaries also continued in the Latin American markets in the second quarter, with sales growing despite the negative effect of the devaluation of local currencies.

In the Asia, Africa and Oceania area, the strong recovery in sales in the second quarter, in particular towards some markets in the Far East, made it possible to fully recover the drop recorded in the first three months of the year.

The significant growth in EBITDA for the half-year is attributable to the increase in sales volumes, a favorable customer / product mix and a favorable trend in raw material prices, which more than offset the increase in personnel costs associated with higher production volumes.

The increase in the net passive financial position compared to the end of the 2019 financial year is due to the increase in net working capital and the financial investment for the acquisition of Markusson.

The increase in investments in the period is linked for € 3,000 thousand to the purchase of a technology for the production of polyester monofilaments and cables for agricultural applications.

## **5. Dealings with related parties**

Emak S.p.A. is controlled by Yama S.p.A., which holds 65.181% of its share capital and which, as a non-operating holding company, is at the head of a larger group of companies operating mainly in the production of machinery and equipment for agriculture and gardening and of components for motors, and in real estate. The Emak Group has limited supply and industrial service dealings with such companies, as well as dealings of a financial nature deriving from the equity investment of a number of Italian companies in the Emak Group, including Emak S.p.A., in the tax consolidation headed by Yama S.p.A..

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

All of the above dealings, of a normal and recurring nature, falling within the ordinary exercise of industrial activity, constitute the preponderant part of activities carried out in the period by the Emak Group with related parties. All the above transactions are regulated under current market conditions, in compliance with framework resolutions approved periodically by the Board of Directors. Reference can be made to the notes to the accounts at paragraph 36.

During the year, no extraordinary operations with related parties have been carried out. If transactions of this nature had taken place, enforcement procedures approved by the Board of Directors, with its resolution of 13 March 2020, in implementation to art. 4, Reg. Consob. 17221/2010, published on the company website at: <https://www.emakgroup.it/it-it/investor-relations/corporate-governance/altre-informazioni/>.

\* \* \* \* \*

The determination of the remuneration of Directors and Auditors and Managers with strategic responsibility in the Parent company occurs as part of the governance framework illustrated to the Shareholders and to the public through the report as per art. 123-ter of Leg. Dec. 58/98, available on the site [www.emakgroup.it](http://www.emakgroup.it). 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.

## **6. Plan to purchase Emak S.p.A. shares**

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

On April 29, 2020, the Shareholders' Meeting did not renew the authorization to purchase and dispose of treasury shares, following the entry into force of Legislative Decree n. 23 of 8 April 2020, in Official Gazette n. 94 in order not to preclude the possibility of access to credit to the Group, in the facilitated forms provided for by art. 1.

During the first half of 2020, in effect of the previous authorization, subsequently revoked, there were no movements in the purchase or sale of treasury shares, leaving the balances at the beginning of the year unchanged.



## 7. 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 abbreviated half-year financial statements, to which reference is made.

## 8. Business outlook

The second quarter saw a 7.3% increase in turnover, but with an April down 18%, a May up 18% and a June up 28%.

The demand started again vigorously as soon as some anti-Covid-19 containment measures were loosened, driven by new products, favorable weather conditions, by the increase in sales in the online channel and agricultural products and, last but not least, by a greater propensity of customers to take care of the garden and outdoor activities during the lockdown period.

In July, the trend continued with the same dynamics and intensity, with a growth in turnover in order of 20% compared to the same month of the previous year, which, together with a portfolio higher than the same period, suggests a good third quarter.

Based on available information on global economic recovery scenarios following the pandemic, we remain cautious about medium-term forecasts.

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

The significant events that occurred during the period and positions or transactions arising from atypical and unusual transactions, significant and non-recurring are set out in notes 5 and 7 of half year financial statements.

## 10. Subsequent events

### **Capital increase Speed South America**

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

## 11. Other information

### 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.

## **12. 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 first half 2020 and shareholders' equity at 30 June 2020 of the Group (Group share), with the corresponding values of the parent company Emak S.p.A.

€/000	Equity at 30.06.2020	2020 half year result	Equity at 30.06.2019	2019 half year result
<b>Equity and result of Emak S.p.A.</b>	<b>144,317</b>	<b>(1,326)</b>	<b>146,323</b>	<b>3,048</b>
Equity and result of consolidated subsidiaries	288,940	14,094	283,693	18,553
<b>Total</b>	<b>433,257</b>	<b>12,768</b>	<b>430,016</b>	<b>21,601</b>
Effect of the elimination of the accounting value of shareholdings	(209,906)	-	(214,576)	-
Elimination of dividends	-	(1,015)	-	(10,630)
Elimination of intergroup profits	(6,300)	172	(7,251)	(450)
Evaluation of equity investment in associated	(124)	(1,013)	746	(53)
<b>Total consolidated amount</b>	<b>216,927</b>	<b>10,912</b>	<b>208,935</b>	<b>10,468</b>
<b>Non controlling interest</b>	<b>(1,953)</b>	<b>(95)</b>	<b>(1,972)</b>	<b>(70)</b>
<b>Equity and result attributable to the Group</b>	<b>214,974</b>	<b>10,817</b>	<b>206,963</b>	<b>10,398</b>

Bagnolo in Piano (RE), August 7, 2020

On behalf of the Board of Directors

The Chairman

Fausto Bellamico

## Definitions of alternative performance indicators

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

- EBITDA before non-ordinary expenses and revenues: is obtained by deducting at EBITDA the impact of charges and income for litigation, expenses related to M&A transaction, and costs for staff reorganization and restructuring.
- EBITDA: calculated by adding the items "Operating Result" plus "Amortization, depreciation and impairment losses".
- FREE CASH FLOW FROM OPERATIONS: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses", net of capital gains / losses on the realization of consolidated investments in equity.
- EQUITY per SHARE: is obtained dividing the item "Group equity" by number of outstanding shares at period end.
- FREE CASH FLOW FROM OPERATIONS per SHARE: is obtained dividing the "Free cash flow from operations" by the average number of outstanding shares in the period.
- NET WORKING CAPITAL: include items "Trade receivables", "Inventories", current non financial "other receivables" net of "Trade payables" and current non financial "other payables".
- NET NON-CURRENT ASSETS: include non-financial "Non current assets" net of non-financial "Non-current liabilities".
- NET CAPITAL EMPLOYED: is obtained by adding the "Net working capital" and "Net non-current assets".
- NET FINANCIAL POSITION: It is obtained by adding the active financial balances and subtracting the passive financial balances, as well as identified according to the criteria of the Esma (according to Consob communication no. 6064293 of 28 July 2006).

**Emak Group**  
**Half year report at 30 June 2020**

## Consolidated financial statements

### Consolidated Income Statement

Thousand of Euro

Year 2019	CONSOLIDATED INCOME STATEMENT	Notes	1H 2020	of which to related parties	1H 2019	of which to related parties
<b>433,953</b>	<b>Revenues from sales</b>	<b>9</b>	<b>247,496</b>	<b>465</b>	<b>243,041</b>	<b>276</b>
4,668	Other operating incomes	9	1,096		2,036	
854	Change in inventories		(5,779)		2,421	
(230,213)	Raw materials, consumables and goods	10	(126,507)	(1,608)	(131,589)	(1,789)
(81,106)	Personnel expenses	11	(41,355)		(42,506)	
(82,066)	Other operating costs and provisions	12	(41,987)	(234)	(42,655)	(264)
(24,068)	Amortization, depreciation and impairment losses	13	(11,151)	(849)	(12,861)	(845)
<b>22,022</b>	<b>Operating result</b>		<b>21,813</b>		<b>17,887</b>	
1,370	Financial income	14	161	14	200	
(5,366)	Financial expenses	14	(2,529)	(195)	(3,095)	(142)
766	Exchange gains and losses	14	(2,229)		659	
89	Income from/(expenses on) equity investment	14	(1,513)		(53)	
<b>18,881</b>	<b>Profit before taxes</b>		<b>15,703</b>		<b>15,598</b>	
(5,755)	Income taxes	15	(4,791)		(5,130)	
<b>13,126</b>	<b>Net profit (A)</b>		<b>10,912</b>		<b>10,468</b>	
(177)	(Profit)/loss attributable to non controlling interests		(95)		(70)	
<b>12,949</b>	<b>Net profit attributable to the Group</b>		<b>10,817</b>		<b>10,398</b>	
<b>0.079</b>	<b>Basic earnings per share</b>	<b>16</b>	<b>0.066</b>		<b>0.064</b>	
<b>0.079</b>	<b>Diluted earnings per share</b>	<b>16</b>	<b>0.066</b>		<b>0.064</b>	

Year 2019	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	1H 2020	1H 2019
<b>13,126</b>	<b>Net profit (A)</b>		<b>10,912</b>	<b>10,468</b>
989	Profits/(losses) deriving from the conversion of foreign company accounts		(5,517)	823
(245)	Actuarial profits/(losses) deriving from defined benefit plans (*)		-	-
68	Income taxes on OCI (*)		-	-
<b>812</b>	<b>Total other components to be included in the comprehensive income statement (B)</b>		<b>(5,517)</b>	<b>823</b>
<b>13,938</b>	<b>Total comprehensive income for the period (A)+(B)</b>		<b>5,395</b>	<b>11,291</b>
(185)	Comprehensive net profit attributable to non controlling interests		84	(80)
13,753	Comprehensive net profit attributable to the Group		5,479	11,211

(\*) 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 36.

## Statement of consolidated financial position

Thousand of Euro

31.12.2019	ASSETS	Notes	30.06.2020	of which to related parties	30.06.2019	of which to related parties
	<b>Non-current assets</b>					
76,591	Property, plant and equipment	17	76,641		76,166	
20,498	Intangible assets	18	21,342		20,748	
29,716	Rights of use	19	27,895	11,293	32,161	12,972
63,844	Goodwill	20	62,401	12,556	64,104	12,591
8	Equity investments in other companies	21	8		8	
7,399	Equity investments in associates	21	2,848		7,256	
8,106	Deferred tax assets	30	8,216		8,503	
2,423	Other financial assets	22	2,438	1,223	2,273	1,260
63	Other assets	24	58		261	
<b>208,648</b>	<b>Total non-current assets</b>		<b>201,847</b>	<b>25,072</b>	<b>211,480</b>	<b>26,823</b>
	<b>Current assets</b>					
158,336	Inventories	25	149,247		159,788	
104,304	Trade and other receivables	24	134,190	2,394	129,690	883
5,225	Current tax receivables	30	4,268		4,053	
465	Other financial assets	22	137	37	1,094	37
301	Derivative financial instruments	23	327		151	
47,695	Cash and cash equivalents		85,864		38,194	
<b>316,326</b>	<b>Total current assets</b>		<b>374,033</b>	<b>2,431</b>	<b>332,970</b>	<b>920</b>
<b>524,974</b>	<b>TOTAL ASSETS</b>		<b>575,880</b>	<b>27,503</b>	<b>544,450</b>	<b>27,743</b>

31.12.2019	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30.06.2020	of which to related parties	30.06.2019	of which to related parties
	<b>Shareholders' Equity</b>					
209,495	Shareholders' Equity of the Group	26	214,974		206,963	
2,037	Non-controlling interests		1,953		1,972	
<b>211,532</b>	<b>Total shareholders' Equity</b>		<b>216,927</b>		<b>208,935</b>	
	<b>Non-current liabilities</b>					
98,153	Loans and borrowings due to banks and others lenders	28	139,571		88,760	
25,426	Liabilities for leasing	29	23,971	10,066	27,757	11,627
8,337	Deferred tax liabilities	30	8,318		8,358	
8,110	Employee benefits		7,918		8,310	
2,304	Provisions for risks and charges	32	2,337		2,270	
486	Other non-current liabilities	33	3,977		503	
<b>142,816</b>	<b>Total non-current liabilities</b>		<b>186,092</b>	<b>10,066</b>	<b>135,958</b>	
	<b>Current liabilities</b>					
90,477	Trade and other payables	27	89,460	3,243	97,266	4,948
4,174	Current tax liabilities	30	6,961		6,155	
68,373	Loans and borrowings due to banks and others lenders	28	69,088		88,017	
4,959	Liabilities for leasing	29	4,894	1,578	5,010	1,474
908	Derivative financial instruments	23	835		1,246	
1,735	Provisions for risks and charges	32	1,623		1,863	
<b>170,626</b>	<b>Total current liabilities</b>		<b>172,861</b>	<b>4,821</b>	<b>199,557</b>	<b>6,422</b>
<b>524,974</b>	<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>575,880</b>	<b>14,887</b>	<b>544,450</b>	<b>18,049</b>

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of transactions with related parties on the consolidated financial position are shown in the scheme and are further described and discussed in note 36.

## Statement of changes in consolidated equity for the Emak Group at 31.12.2019 and at 30.06.2020

Thousand of Euro	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	Reserve IAS 19	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2018	42,519	40,529	3,197	1,138	(225)	(1,097)	31,068	61,218	25,397	203,744	2,076	205,820
Effect first application IFRS 16								(317)		(317)	(4)	(321)
Opening at 01.01.2019	42,519	40,529	3,197	1,138	(225)	(1,097)	31,068	60,901	25,397	203,427	2,072	205,499
Profit reclassification			292					17,746	(25,397)	(7,359)	(181)	(7,540)
Other changes					(23)		634	(937)		(326)	(39)	(365)
Net profit for the period					981	(177)			12,949	13,753	185	13,938
Balance at 31.12.2019	42,519	40,529	3,489	1,138	733	(1,274)	31,702	77,710	12,949	209,495	2,037	211,532
Profit reclassification			122					12,827	(12,949)	-	-	-
Other changes										-	-	-
Net profit for the period					(5,338)				10,817	5,479	(84)	5,395
Balance at 30.06.2020	42,519	40,529	3,611	1,138	(4,605)	(1,274)	31,702	90,537	10,817	214,974	1,953	216,927

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

## Statement of changes in consolidated equity for the Emak Group at 30.06.2019

Thousand of Euro	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	Reserve IAS 19	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2018	42,519	40,529	3,197	1,138	(225)	(1,097)	31,068	61,218	25,397	203,744	2,076	205,820
Effect first application IFRS 16								(317)		(317)	(4)	(321)
Opening at 01.01.2019	42,519	40,529	3,197	1,138	(225)	(1,097)	31,068	60,901	25,397	203,427	2,072	205,499
Profit reclassification			292					17,746	(25,397)	(7,359)	(151)	(7,510)
Other changes and reclassifications					23			(339)		(316)	(29)	(345)
Net profit for the period					813				10,398	11,211	80	11,291
Balance at 30.06.2019	42,519	40,529	3,489	1,138	611	(1,097)	31,068	78,308	10,398	206,963	1,972	208,935

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

## Consolidated Cash Flow Statement

31.12.2019 (€/000)	Notes	30.06.2020	30.06.2019
<b>Cash flow from operations</b>			
<b>13,126</b>	<b>Net profit for the period</b>	<b>10,912</b>	<b>10,468</b>
24,068	Amortization, depreciation and impairment losses	11,151	12,861
806	Financial expenses from discounting of debts	179	423
(89)	Income from/(expenses on) equity investment	1,513	53
(549)	Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	410	-
(191)	Capital (gains)/losses on disposal of property, plant and equipment	(15)	(169)
5,532	Decreases/(increases) in trade and other receivables	(30,565)	(19,368)
(761)	Decreases/(increases) in inventories	5,812	(2,445)
(6,529)	(Decreases)/increases in trade and other payables	2,247	2,315
(656)	Change in employee benefits	(191)	(455)
(39)	(Decreases)/increases in provisions for risks and charges	52	66
246	Change in derivative financial instruments	(82)	735
<b>34,964</b>	<b>Cash flow from operations</b>	<b>1,423</b>	<b>4,484</b>
<b>Cash flow from investing activities</b>			
(17,732)	Change in property, plant and equipment and intangible assets	(5,884)	(9,015)
(2,405)	(Increases) and decreases in financial assets	3,127	(2,834)
191	Proceeds from disposal of property, plant and equipment	15	169
-	Change in scope of consolidation	(1,228)	-
<b>(19,946)</b>	<b>Cash flow from investing activities</b>	<b>(3,970)</b>	<b>(11,680)</b>
<b>Cash flow from financing activities</b>			
(542)	Change in equity	-	(345)
(15,712)	Change in short and long-term loans and borrowings	41,920	(10,806)
(5,067)	Liabilities for leasing refund	(2,459)	(2,340)
(7,540)	Dividends paid	-	(7,510)
<b>(28,861)</b>	<b>Cash flow from financing activities</b>	<b>39,461</b>	<b>(21,001)</b>
<b>(13,843)</b>	<b>Total cash flow from operations, investing and financing activities</b>	<b>36,914</b>	<b>(28,197)</b>
<b>(274)</b>	<b>Effect of changes from exchange rates and translation reserve</b>	<b>2,568</b>	<b>(438)</b>
<b>(14,117)</b>	<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>39,482</b>	<b>(28,635)</b>
<b>56,106</b>	<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>41,989</b>	<b>56,106</b>
<b>41,989</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>81,471</b>	<b>27,471</b>

<b>ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT</b>			
31.12.2019 (€/000)		30.06.2020	30.06.2019
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
<b>56,106</b>	<b>Opening cash and cash equivalents, detailed as follows:</b>	<b>41,989</b>	<b>56,106</b>
62,602	Cash and cash equivalents	47,695	62,602
(6,496)	Overdrafts	(5,706)	(6,496)
<b>41,989</b>	<b>Closing cash and cash equivalents, detailed as follows:</b>	<b>81,471</b>	<b>27,471</b>
47,695	Cash and cash equivalents	85,864	38,194
(5,706)	Overdrafts	(4,393)	(10,723)
<b>Other information:</b>			
(935)	Change in related party receivables and service transactions	(524)	(52)
(2,274)	Change in related party payables and service transactions	1,894	1,325
(963)	Change in related party financial assets	-	(1,000)
(1,948)	Related party liabilities for leasing refund	(976)	(972)

Changes in the items recorded in the financial statements following the application of the IFRS 16 principle are shown in the cash flow statement as gross flows.

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



## Explanatory notes to the abbreviated consolidated financial statements for the half-year of Emak

### Group

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## 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 half year report at 30 June 2020 is subject to a limited audit by Deloitte & Touche S.p.A. This audit is significantly less extensive than that of a complete audit carried out according to established auditing standards.

### 1.1 Informative Covid-19 emergency

At the beginning of January 2020, the World Health Organization (OMS) announced the spread of Covid-19 infection in China, particularly in the Wuhan district, then declaring the state of emergency at the level on 30 January international. The spread of the virus in Europe and America occurred in February, which led to a generalized lockdown during the months of March and April. Italy, which was the first European country to be hit by the pandemic and which is still one of the hardest hit today, has adopted particularly restrictive measures to contain the spread of the virus. The modalities and times of the recovery of social life and economic activities are differentiated for the different countries and remain uncertain for many countries, while in China and Europe the restart is already underway. In this context, the governments of the main world countries are adopting measures to encourage the relaunch of consumption and support for businesses.

The limitation of citizens' mobility and business operations, together with a climate of uncertainty generated by a state of health emergency, have had significant impacts on almost all world markets.

The effects of the pandemic on consumption are developing in the various areas of the economy with uneven effects: the risk of a lasting recession in many sectors is real, with the difficulty of making recovery assessments in the medium and long term, given the situation of uncertainty and strongly evolving, both in terms of health, regulations and variability of demand.

In March, the Group made a donation for the Covid-19 emergency to the GRADE ONLUS association of Reggio Emilia for an amount of € 100 thousand.

#### ***Group response to the epidemiological emergency***

The Group companies are currently all operating: some have temporarily used the social safety nets instrument and, only in a few limited cases and for limited periods, have resorted to the blocking of production and logistics activities. In addition, the Group continues to monitor the evolution of the situation and to use the necessary measures to safeguard the health and safety of its employees, such as the use of smart working, the adoption of distance measures between people and the distribution of personal protective equipments.

#### ***Measures undertaken by the Group aimed at containing Covid-19***

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

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

- Maintaining appropriate amounts of credit lines;
- Access to new loans;
- Request for suspension of the installments relating to the loans in place with the banking system, expiring in 2020;

- Increase in controls to monitor the solvency of the counterparties and compliance with the contractual terms of collection;
- Reduction of operating costs;
- Remodeling of the investment plan.

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

The uncertainty did not prevent the Management to develop an outlook relative to year end 2020; considering a progressive normalization of the health situation, no significant impacts are expected that could compromise the Group's economic and financial balance.

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

In strictly operational terms, the emergency from COVID-19 led to the incurrence of some direct costs, mainly related to the protection of the health and safety of workers. During the half year, the Group incurred costs of around € 400 thousand for the sanitation of the workplace and for the purchase of tools and devices aimed at containing the infection.

However, the Group has also been able to benefit from the economic and financial governmental measures made available by the various countries in support of production activities and employment. In particular, the Group benefited from social safety nets for the protection of employment for around € 1,300 thousand, contributions obtained against expenses incurred for sanitation and activities suitable for guaranteeing the safety of the workplace for around € 100 thousand.

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

In April the effects of this context in terms of contraction in turnover were most evident; however, the end of the lockdown in the main European countries together with the good trend in demand in the sectors in which the Group operates contributed to the recovery of sales which led to the overall turnover in the second quarter showing a 7.3% increase allowing for recovery all the delay recorded during the first quarter of 2020, closing the half year with revenues higher than the same period in 2019 of 1.8%.

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

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

Some Italian companies of the Group obtained the suspension of the installments falling due during 2020, relating to the loans already in place with the banking system, benefiting at June 30, 2020 from lower repayments of € 14,088 thousand.

In order to support the Group's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the proposals of the Board of Directors to allocate the profit for the year 2019 to the reserve, while a dividend of € 7,540 thousand had been distributed during 2019.

With reference to potential liquidity risks, it should be noted that during the first half of 2020 the Group also had access to the disbursement of new financial resources from credit institutions for € 55 million, aimed at rebalancing the financial exposure to medium-long term.

In addition, management believes that the credit lines currently not used of € 134 million, mainly short-term and guaranteed by Trade Receivables, in addition to the cash flows that will be generated by the exercise and financing activities, will allow the Group to meet the needs arising from investment, working capital management and debt repayment activities at their natural maturity.

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

The health emergency induced by Covid-19 was an important fact pursuant to paragraph 15 of IAS 34.

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

In this context, the Group, given the impacts of the pandemic on the world economy, also following the recommendations issued by the Italian and European regulators, when preparing this interim financial report, the Group deemed it appropriate to review, where necessary, its multi-year industrial business plans and activate the impairment test procedures in order to assess the recoverability of goodwill and intangible assets entered in the balance sheet assets.

Finally, it should be noted that the estimates and prospective data relating to the aforementioned impairment tests are determined by the Group's management on the basis of past experience and expectations regarding developments in the markets in which the Group operates. To this end, it should be noted that the estimate of the recoverable value of the cash-generating unit requires discretion and the use of estimates by management, which are particularly complex in the current context of uncertainty caused by the known pandemic phenomenon.

The Group cannot therefore ensure that there is no impairment of goodwill and other assets in future periods, even in the near future. In fact, several factors also linked to the evolution of the difficult market context may require a restatement of the value of goodwill and other activities. The circumstances and events that could cause further verification of the existence of impairment are constantly monitored by the Group.

There were no significant impacts arising from Covid-19 on the other items in the financial statements and, in particular on the valuation items regarding the recoverability of receivables and the obsolescence of inventories of raw materials and finished products.

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

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

## **2 Summary of principal accounting policies**

The principal accounting policies used for preparing the abbreviated consolidated financial statements for the half-year are in line, except as specified below, with those applied for the annual consolidated financial statements at 31 December 2019 and are briefly discussed below.

### **2.1 General methods of preparation**

The abbreviated consolidated half-year report of the Emak Group at 30 June 2020 has been drawn-up in compliance with the IFRS's issued by the International Accounting Standards Board and adopted by the European Union and has been prepared in accordance with the IAS 34 accounting standard (Interim Financial Reporting), with art. 154-ter (financial reports) of the Consolidated Finance Act and with Consob regulations and resolutions in force. The same accounting principles used in preparing the consolidated financial statements at 31 December 2019 were applied. "IFRS" also includes all valid International Accounting Standards ("IAS") still in force, as well as all interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC, formerly "IFRIC"), previously known as the Standing Interpretations Committee ("SIC"). For this purpose, the financial statements of consolidated subsidiaries were reclassified and adjusted.

There are also the explanatory notes according to the disclosures required by IAS 34 with the supplementary information considered useful for a clearer understanding of the abbreviated interim financial statements. The interim financial statements at June 30, 2020 should be read in conjunction with the annual financial statements at 31 December 2019.

In accordance with IAS 1, the Directors confirm that, given the economic outlook, the capital and the Group's financial position, it operates as a going concern.

As partial exception to the provisions of IAS 34, these interim financial statements provide detailed as opposed to summary schedules in order to provide a better and clearer view of the economic-financial and financial dynamics during the period.

The financial statements used at June 30, 2020 are consistent with those in place for the annual financial statements at December 31, 2019.

In accordance with the requirements established by IFRS, the abbreviated half-year report is constituted by the following reports and documents:

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

The half year financial report presents annual data for comparative purposes in the previous year in order to provide adequate information, in consideration of the seasonality of the business of the company sometimes the values of the comparatives of the same period of the previous year are also shown. Indeed, the Group carries out an activity that is affected by the non perfect homogeneity of the flow of revenues and expenses during the year, showing a concentration of revenues mainly in the first half of each year.

The preparation of financial statements in conformity with IFRS requires the use of estimates by the directors. The areas involving a higher degree of judgment or complexity and areas where assumptions and estimates could have a significant impact on the consolidated financial statements are discussed in note 4.

It is also to be noted that some valuation procedures, in particular the more complex such as the determination of any impairment of non-current assets, are generally carried out completely only in the preparation of annual financial statements, when all necessary information are available, except in cases where there are indications that an immediate assessment of any impairment is required. Even the actuarial valuations for the calculation of provisions for employee benefits are normally processed on the occasion of the annual financial statement. Current and deferred tax is recognized based on tax rates in force at the date of the half year report.

## 2.2 Methods of consolidation

### *Subsidiaries*

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

The acquisition of subsidiaries is accounted for using the purchase method ("Acquisition method"), except for those acquired in 2011 from the parent company Yama S.p.A.

The cost of acquisition initially corresponds to the fair value of the assets acquired, the financial instruments issued and the liabilities at the date of acquisition, ignoring any minority interests. The excess of the cost of acquisition over the group's share of the fair value of the net assets acquired is recognized as goodwill.

If the cost of acquisition is lower, the difference is directly expensed to income. 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 should be noted that:

- the subsidiary Valley LLP, owned by Comet Usa Inc with a share of 90%, is consolidated at 100% as a result of the "*Put and Call Option Agreement*" which regulates the acquisition of the remaining 10% held by a company linked to the current General Director of the subsidiary;
- the Lavorwash Group, headed by Lavorwash SpA, participated by Comet S.p.A. with a share of 83.75%, is consolidated at 98.42% on the basis of the "*Put and Call Option Agreement*" which regulates the purchase of the remaining 14.67%;
- Markusson Professional Grinders AB, participated by Tecomec S.r.l., with a share of 51%, is consolidated at 100% on the basis of the "*Put and Call Option Agreement*" which regulates the purchase of the remaining 49%.

During 2020, the option to purchase the remaining 30% of the share capital of the subsidiary Lemasa, in which Comet do Brasil LTDA holds a 70% stake, was exercised; this operation has no effect on the consolidation process, which already took place for the 100% share precisely by virtue of the aforementioned "*Put and Call Option Agreement*".

Compared to 31 December 2019, the company Markusson Professional Grinders AB joined the consolidation area, of which the subsidiary Tecomec S.r.l. acquired 51% on January 31, 2020.

The consolidated financial statements at 30 June 2019 included the company Geoline Electronic S.r.l., which was subject to a total spin-off with effect from November 30, 2019.

#### *Intercompany transactions*

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

#### *Associated companies*

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

### Scope of consolidation

The scope of consolidation at June 30, 2020 includes the following companies consolidated using the full consolidation method:

Name	Head office	Share capital	Currency	% consolidated	Held by	% of equity investment
<b>Capogruppo</b>						
Emak S.p.A.	Bagnolo in Piano - RE (I)	42,623,057	€			
<b>Italia</b>						
Comet S.p.A.	Reggio Emilia (I)	2,600,000	€	100.00	Emak S.p.A.	100.00
PTC S.r.l.	Rubiera - RE (I)	55,556	€	100.00	Comet S.p.A.	100.00
Sabart S.r.l.	Reggio Emilia (I)	1,900,000	€	100.00	Emak S.p.A.	100.00
Tecomec S.r.l.	Reggio Emilia (I)	1,580,000	€	100.00	Emak S.p.A.	100.00
Lavorwash S.p.A. (1)	Pegognaga - MN (I)	3,186,161	€	98.42	Comet S.p.A.	83.75
<b>Europa</b>						
Emak Suministros Espana SA	Getafe - Madrid (E)	270,459	€	90.00	Emak S.p.A.	90.00
Comet France SAS	Wolfisheim (F)	320,000	€	100.00	Comet S.p.A.	100.00
Emak Deutschland GmbH	Fellbach - Oeffingen (D)	553,218	€	100.00	Emak S.p.A.	100.00
Emak France SAS	Rixheim (F)	2,000,000	€	100.00	Emak S.p.A.	100.00
Emak U.K. Ltd	Burntwood (UK)	342,090	GBP	100.00	Emak S.p.A.	100.00
Epicenter LLC	Kiev (UA)	19,026,200	UAH	100.00	Emak S.p.A.	100.00
Speed France SAS	Arnas (F)	300,000	€	100.00	Tecomec S.r.l.	100.00
Victus-Emak Sp. Z o.o.	Poznan (PL)	10,168,000	PLN	100.00	Emak S.p.A.	100.00
Lavorwash France S.A.R.L.	La Courneuve (F)	37,000	€	100.00	Lavorwash S.p.A.	100.00
Lavorwash GB Ltd	St. Helens Merseyside (UK)	900,000	GBP	100.00	Lavorwash S.p.A.	100.00
Lavorwash Polska SP.ZOO	Bydgoszcz (PL)	163,500	PLN	100.00	Lavorwash S.p.A.	100.00
Lavorwash Iberica S.L.	Tarragona (E)	80,000	€	99.00	Lavorwash S.p.A.	99.00
Markusson Professional Grinders AB (3)	Rimbo (SE)	50,000	SEK	100.00	Tecomec S.r.l.	51.00
<b>America</b>						
Comet Usa Inc	Burnsville - Minnesota (USA)	231,090	USD	100.00	Comet S.p.A.	100.00
Comet do Brasil Investimentos LTDA	Indaiatuba (BR)	51,777,052	BRL	100.00	Comet S.p.A. PTC S.r.l.	99.63 0.37
Emak do Brasil Industria LTDA	Ribeirao Preto (BR)	23,557,909	BRL	100.00	Emak S.p.A. Comet do Brasil LTDA	99.98 0.02
Lemasa industria e comércio de equipamentos de alta pressao S.A.	Indaiatuba (BR)	29,546,771	BRL	100.00	Comet do Brasil LTDA	100.00
PTC Waterblasting LLC	Burnsville - Minnesota (USA)	285,000	USD	100.00	Comet Usa Inc	100.00
S.I. Agro Mexico	Guadalajara (MEX)	1,000,000	MXN	100.00	Comet S.p.A. PTC S.r.l.	97.00 3.00
Speed South America S.p.A.	Providencia - Santiago (RCH)	444,850,860	CLP	100.00	Speed France SAS	100.00
Valley Industries LLP (2)	Paynesville - Minnesota (USA)	-	USD	100.00	Comet Usa Inc	90.00
Speed North America Inc.	Wooster - Ohio (USA)	10	USD	100.00	Speed France SAS	100.00
Lavorwash Brasil Ind. Ltda	Ribeirao Preto (BR)	8,305,769	BRL	100.00	Lavorwash S.p.A. Comet do Brasil LTDA	99.99 0.01
Spraycom comercio de pecas para agricultura S.A.	Catanduva (BR)	533,410	BRL	51.00	Tecomec S.r.l.	51.00
<b>Resto del mundo</b>						
Jiangmen Emak Outdoor Power Equipment Co.Ltd	Jiangmen (RPC)	25,532,493	RMB	100.00	Emak S.p.A.	100.00
Ningbo Tecomec Manufacturing Co. Ltd	Ningbo City (RPC)	8,029,494	RMB	100.00	Tecomec S.r.l.	100.00
Speed Industrie Sarl	Mohammedia (MA)	1,445,000	MAD	100.00	Speed France SAS	100.00
Tai Long (Zhuhai) Machinery Manufacturing Ltd	Zhuhai (RPC)	16,353,001	RMB	100.00	Emak S.p.A.	100.00
Speed Line South Africa Ltd	Pietermaritzburg (ZA)	100	ZAR	51.00	Speed France SAS	51.00
Yongkang Lavorwash Equipment Co. Ltd	Yongkang City (RPC)	63,016,019	RMB	100.00	Lavorwash S.p.A.	100.00
Yongkang Lavorwash Trading Co. Ltd	Yongkang City (RPC)	3,930,579	RMB	100.00	Lavorwash S.p.A.	100.00

(1) Lavorwash S.p.A. is consolidated at 98.42% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 14.67%.

(2) Valley Industries LLP is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 10%.

(3) Markusson Professional Grinders AB is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 49%.

The **associated company** Agres Sistemas Eletronicos S.A, based in Pinais (Brazil) with a share capital of 1,047,400 Reais, is owned at 33% by the subsidiary Tecomec S.r.l. and consolidated since 1 January 2019 with the equity method. Despite the presence of a *Put & Call Agreement* for the acquisition of the remaining 55%, the Group does not hold control pursuant to IFRS 10.

## 2.3 Translation differences

### Functional currency and presentation currency

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

### Transactions and balances

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

### Consolidation of foreign companies financial statements

The financial statements of all Group companies with functional currency different from the presentation currency of the consolidated financial statements are translated as follows:

- (i) assets and liabilities are translated at the closing rate on the statement of financial position date;
- (ii) income and expenses are translated at the average rate for the period;
- (iii) all translation differences are recognized as a separate reserve under equity ("cumulative translation adjustment").

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

31.12.2019	Amount of foreign for 1 Euro	Average 1H 2020	30.06.2020	Average 1H 2019	30.06.2019
0.85	GB Pounds (UK)	0.87	0.91	0.87	0.90
7.82	Renminbi (China)	7.75	7.92	7.67	7.82
1.12	Dollar (Usa)	1.10	1.12	1.13	1.14
4.26	Zloty (Poland)	4.41	4.46	4.29	4.25
15.78	Zar (South Africa)	18.31	19.44	16.04	16.12
26.72	Uah (Ukraine)	28.63	29.90	30.42	29.77
4.52	Real (Brazil)	5.41	6.11	4.34	4.35
10.78	Dirham (Morocco)	10.76	10.87	10.85	10.90
21.22	Mexican Pesos (Mexico)	23.84	25.95	21.65	21.82
844.86	Chilean Pesos (Chile)	895.57	918.72	763.39	773.85
10.45	Swedish krona (Sweden)	10.66	10.49	10.52	10.56

## 2.4 Description of accounting policies applied to individual items

Details of the accounting policies applied to individual items within the financial statements can be found in sections from 2.4 to 2.28 of the explanatory notes to the consolidated financial statements at 31 December 2019.



## 2.5 Changes in accounting standards and new accounting standards

### IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE 1 JANUARY 2020

The Group has applied the following accounting standards, amendments and IFRS interpretations for the first time from 1 January 2020:

- **Amendments to references in the conceptual framework** - (Regulation 2075/2019). Document issued by IASB on 29 March 2018 and applicable beginning 1 January 2020 with the objective of updating references to the conceptual framework found in the IFRS, the latter having been revised by the IASB during the course of 2018. The conceptual framework defines the fundamental concepts for financial reporting and guides the development and interpretation of the IFRS standards, helping to ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, financiers and other creditors. The conceptual framework additionally represents a point of reference for companies in the preparation of accounting standards when no other IFRS standard is applicable to a particular operation. The amendment is not to be considered relevant for the Group's consolidated financial statements.
- **Amendments to IAS 1 and IAS 8** - Definition of materials (Regulation 2104/2019). Document issued by IASB on 31 October 2018, applicable from 1 January 2020 with early application allowed. The amendments clarify the definition of materials and the way it should be applied in order to aid companies in their choice of which information to include in their financial statements. In particular, the document aims to additionally clarify the definition of "relevant" and introduces the concept of concealed information alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that information is "concealed" when it is described in such a way as to produce an effect similar to the effect that omitted or incorrect information would have produced. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.
- **Amendments to IFRS 9, IAS 39 and IFRS 7** - Interest rate benchmark reform (Regulation 34/2020). Document issued by IASB on 26 September 2019, applicable from 1 January 2020 with early application allowed. The amendments establish temporary and limited exceptions to the hedge accounting provisions so that the provisions of the principles involved continue to be complied with, assuming that the benchmark indexes for determining existing interest rates will not be changed as a result of the interbank rate reform. In addition, it introduces the obligation to provide additional information to investors about the hedging relations that are directly affected by the uncertainties surrounding the reform. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.
- **Amendments to IFRS 3** - Business combinations (Regulation 551/2020). Document issued by IASB on 22 October 2018, applicable from 1 January 2020 with early application allowed. The amendments clarify the definition of business and will facilitate companies in determining whether the acquisition carried out concerns a business or rather a set of activities. Specifically, the new definition highlights that the aim of a business is to provide goods and services to customers, while the previous definition focused on yields in the form of dividends, cost savings or other economic benefits for investors. With reference to the application of these amendments and new interpretations, there were no observable effects on the Group's financial statements. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

## ACCOUNTING STANDARD, AMENDMENTS AND IFRS/IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORY APPLICABLE AND NOT EARLY ADOPTED FROM THE GROUP ON JUNE 30ST, 2020

As of 30 June 2020, the accounting standards, amendments and IFRS and IFRIC interpretations applicable early on the closing date have not been endorsed by the European Union.

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

At 30 June 2020, the competent bodies of the European Union had not yet completed the endorsement process necessary for adoption of the amendments and standards described below.

- On May 18<sup>th</sup>, 2017 IASB issued the new principle **IFRS 17 – Insurance Contracts** that will replace IFRS 4 – *Insurance Contracts*. The objective of the Standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations from insurance contracts it issues. The IASB developed the Standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The Standard is applicable for annual reporting periods beginning on or after 1 January 2023. Early application is permitted for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The Directors do not expect a significant effect in the Group's consolidated financial statements from the adoption of this principle.
- **Amendments to IAS 1 - Presentation of Financial Statements:** reporting liabilities as current or non-current. Document issued by IASB on 23 January 2020, applicable from 1 January 2022 with early application allowed. The amendments clarify the requirements to be considered in determining whether payables and other liabilities with uncertain settlement date should be classified as current or non-current in the statement of financial position (including payables that can be settled by conversion into equity instruments).  
The Directors are currently assessing the possible effects of introduction of these amendments on the Group's consolidated financial statements.

On 14 May 2020, IASB introduced a set of amendments with limited scope, as well as the 2018-2020 annual improvements. The amendments, applicable beginning 1 January 2022 with early application allowed, are as follows:

- **Amendments to IFRS 3 - business combinations.** These changes update a reference to the systematic financial reporting framework without altering the accounting requirements for the business combinations;
- **Amendments to IAS 16 - Property, plant and equipment.** The amendments introduce the impossibility of reducing the cost of property, plant and equipment by the amount received from the sale of products while the asset is being prepared for its intended use. These sales, on the other hand, must be recorded in the income statement under income, as well as the associated costs;
- **Amendments to IAS 37 - Provisions, contingent liabilities and contingent assets.** The amendment specifies the costs that must be taken into account when assessing whether a contract will be onerous;
- **2018-2020 annual improvements.** These amendments clarify, correct or remove redundant statements or formulations in the text of the relevant standards. Slight changes have been made to IFRS 1 - First adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and to the illustrative examples accompanying IFRS 16 - Leases.  
All changes will take effect on January 1, 2022. The Directors are currently assessing the possible effects of introduction of these amendments on the Group's consolidated financial statements.

- **Amendments to IFRS 16 - Leases:** rental benefits related to Covid-19. Document issued by IASB on 28 May 2020, applicable from 1 January 2020 with early application allowed. The amendment exempts lessees from having to consider individual leases to determine whether the benefits granted as a direct consequence of the Covid-19 pandemic are to be classified as contractual changes. In particular, lessors may account for such benefits as if they were not contractual changes. The simplification applies to Covid-19 related benefits that reduce lease payments due by 30 June 2021. The amendment does not concern lessors.  
The Directors are currently assessing the possible effects of introduction of these amendments on the Group's consolidated financial statements.
- On May 28, 2020, the IASB published an amendment called "**Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)**". The amendments allow the temporary exemption from IFRS 9 to be extended until January 1, 2023. These amendments will come into force on January 1, 2021. The Directors are currently assessing the possible effects of introduction of these amendments on the Group's consolidated financial statements.
- **IFRS 14– Regulatory Deferral Accounts** (issued on January 30, 2014): the Standard is available only for the first-time adopters of IFRSs who recognized regulatory deferral balances under their previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies. As the Group is not a first-time adopter, this Standard is not applicable.

### 3 Capital and financial risk management

The Group's objectives for managing capital are:

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

Details can be found in the explanatory notes to the consolidated financial statements at 31 December 2019.

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

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

Emak Group constantly monitors the financial risks to which it is exposed, so as to minimize the potential negative effects on financial results.

The pandemic announced by COVID-19 has increased the degree of uncertainty about the economic and financial system, both at European and international level.

Although the macroeconomic situation presents greater instability profiles, the Group's exposure to financial risks has not undergone significant changes compared to 31 December 2019.

The Group, as recommended by the European supervisory authorities, continues to monitor financial risks also in light of the measures taken by the various countries in which it operates. Therefore, it is considered appropriate to update the data in relation to some risk indicators highlighted at 31 December 2019.

#### Foreign exchange risk

The net balances at June 30 2020 for which the Group is exposed to exchange rate risk as a result of the use of a currency different from Group companies' local reporting currency are as follows:

Credit position in US Dollars	16,061 thousand
Credit position in Mexican Pesos	14,599 thousand
Credit position in Zloty	2,369 thousand
Credit position in GB Pound	885 thousand
Debt position in Renminbi	126,282 thousand
Debt position in Yen	24,434 thousand
Debt position in Euro	20,256 thousand
Debt position in Swiss Francs	128 thousand

Specifically:

- in cases in which the companies in the Group incur costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result of such companies.

In the half of 2020, the overall amount of revenues directly exposed to exchange rate risk was equivalent to 8.3% of the Group's aggregate turnover (7.4% in the same period of the 2019 financial year), while the amount of costs exposed to exchange risk is equal to 18.1% of aggregate Group turnover (20.2% in the same period of the 2019 financial year).

The main currency exchanges to which the Group is exposed are the following:

- EUR/USD, relating to sales in dollars made in the North American market and in other markets in which the Dollar is the reference currency for commercial exchanges, and to production/purchases in the Euro zone;
- EUR/GBP, essentially in relation to sales in the UK market;
- EUR/RMB and USD/RMB, in relation to Chinese production activities and to relative import/export flows;

- EUR/YEN, relating to purchases in the Japanese market;
- EUR/PLN, relating to sales in the Polish market;
- EUR/UAH and USD/UAH, in respect of sales on the Ukrainian market;
- USD/REAL, RMB/REAL and EUR/REAL, in respect of sales on the Brazilian market;
- EUR/ZAR, relating to purchases in the South African market;
- EUR/MXR relating of sales in the Mexican market;
- EUR/MAD relating to purchases in the Moroccan market;
- USD/SEK and EUR/SEK, relating to purchases and sales on the Swedish market.

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

### Credit risk

At June 30 2020 Trade receivables, equal to € 132,618 thousand (€ 103,997 thousand at 31 December 2019), include € 10,617 thousand (€ 12,314 thousand at 31 December 2019) outstanding by more than 3 months. This value is partially rescheduled according to repayment plans agreed with the costumers.

### Liquidity risk

The management considers that currently unused funds and credit lines, amounting to € 134 million, mainly short-term and guaranteed by Trade Receivables, more than cash flow which will be generated from operating and financial activities, will allow the Group to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

## 4 Key accounting estimates and assumptions and disclosure of contingent assets and liabilities

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 potential assets and liabilities at the balance sheet date. Actual results could differ from these estimates. Estimates are used for recording provisions for doubtful accounts and inventory obsolescence, amortization and depreciation, write-downs to assets, employee benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of any change are immediately reflected in the income statement.

## 5 Significant non-recurring events and transactions

### Acquisition of 51% of Swedish company Markusson Professional Grinders AB

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

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

The consideration paid for the acquisition of 51% amounts to SEK 17.8 million (equal to approximately € 1.7 million). The agreements that regulate the operation also provide for a *Put & Call Option* on the remaining 49% to be exercised in 2023 which led to a registration of a debt of approximately € 2.3 million. The company develops a turnover of approximately € 2 million and an EBITDA of approximately € 0.5 million. The value of the debt is determined on the basis of the forecast economic and financial results, according to precise calculation formulas defined in the acquisition agreements.

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

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

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

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

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

#### Capital increase Lemasa

On June 9, a share capital increase of Lemasa was subscribed by converting the reserve of retained earnings of previous years, for an amount of 15,506 thousand of Reais, equal to € 2,537 thousand.

#### Exercise Call option on 30% of Lemasa

On 11 June, the company Comet S.p.A., through the subsidiary Comet do Brasil, signed the agreement for the exercise of the Call option on the residual investment of 30% of the share capital of Lemasa.

Compared to what is recognized as payable for P&C in the financial statements at March 31, 2020, equal to 21,009 thousand of Reais, following negotiation between the parties of the application of the clauses relating to the calculations provided for in the contract, a greater debt was recorded, equal to approximately 2,221 thousand of Reais, which was accounted for as a capital loss under the item " financial expenses" for a value of € 410 thousand.

#### Exercise Put option on 30% of Cifarelli

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

#### Purchase technology

The subsidiary Speed France has acquired a technology for the production of polyester mono filaments and cables for agricultural applications for a total amount of € 3,000 thousand.

#### Distribution agreement for Germany and Austria

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

## 6 Segment information

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

An operating segment is a component of a company:

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

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

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

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

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

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

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

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
€'000										
Sales to third parties	85,042	85,088	99,323	100,360	63,131	57,593			247,496	243,041
Intersegment sales	409	988	1,252	1,202	4,465	4,176	(6,126)	(6,366)		
Revenues from sales	85,451	86,076	100,575	101,562	67,596	61,769	(6,126)	(6,366)	247,496	243,041
Ebitda	5,239	7,148	16,191	16,036	12,566	9,386	(1,032)	(1,822)	32,964	30,748
Ebitda/Total Revenues %	6.1%	8.3%	16.1%	15.8%	18.6%	15.2%			13.3%	12.7%
Ebitda before non ordinary expenses	5,323	7,198	16,265	15,953	12,664	9,745	(1,032)	(1,822)	33,220	31,074
Ebitda before non ordinary expenses/Total Revenues %	6.2%	8.4%	16.2%	15.7%	18.7%	15.8%			13.4%	12.8%
Operating result	1,449	1,460	12,146	12,024	9,250	6,225	(1,032)	(1,822)	21,813	17,887
Operating result/Total Revenues %	1.7%	1.7%	12.1%	11.8%	13.7%	10.1%			8.8%	7.4%
Net financial expenses (1)									(6,110)	(2,289)
Profit before taxes									15,703	15,598
Income taxes									(4,791)	(5,130)
Net profit									10,912	10,468
Net profit/Total Revenues %									4.4%	4.3%
(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment										
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
Net debt	30,299	29,304	96,413	98,863	23,123	19,071	(242)	(303)	149,593	146,935
Shareholders' Equity	173,821	176,334	64,668	62,460	55,958	50,295	(77,520)	(77,557)	216,927	211,532
Total Shareholders' Equity and Net debt	204,120	205,638	161,081	161,323	79,081	69,366	(77,762)	(77,860)	366,520	358,467
Net non-current assets (2)	130,691	137,483	89,703	94,433	31,990	30,577	(75,525)	(75,504)	176,859	186,989
Net working capital	73,429	68,155	71,378	66,890	47,091	38,789	(2,237)	(2,356)	189,661	171,478
Total net capital employed	204,120	205,638	161,081	161,323	79,081	69,366	(77,762)	(77,860)	366,520	358,467
(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76,074 thousand Euro										
<b>OTHER STATISTICS</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
Number of employees at period end	736	743	742	731	524	506	8	8	2,010	1,988
<b>OTHER INFORMATIONS</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
Amortization, depreciation and impairment losses	3,790	5,688	4,045	4,012	3,316	3,161			11,151	12,861
Investment in property, plant and equipment and in intangible assets	2,143	4,408	1,823	2,400	4,974	2,537			8,940	9,345

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

## 7 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 first half of 2020. As indicated in this Communication "atypical and/or unusual operations are considered as operations that, due to their significance/materiality, the nature of the counterparties, the object of the transaction, the means for determining the transfer price and the time of the event (near the close of the period), may give rise to doubts with regards to: the correctness/completeness of the information in the financial statements, conflicts of interest, the protection of company assets, the safeguarding of minority interests".



## 8 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):

( €000 )	30.06.2020	31.12.2019	30.06.2019
A. Cash and cash equivalents	85,864	47,695	38,194
B. Other cash at bank and on hand (held-to-maturity investments)	-	-	-
C. Financial instruments held for trading	-	-	-
<b>D. Liquidity funds (A+B+C)</b>	<b>85,864</b>	<b>47,695</b>	<b>38,194</b>
<b>E. Current financial receivables</b>	<b>464</b>	<b>766</b>	<b>1,245</b>
F. Current payables to bank	(11,269)	(13,963)	(20,489)
G. Current portion of non current indebtedness	(46,298)	(38,176)	(49,832)
H. Other current financial debts	(17,250)	(22,101)	(23,952)
<b>I. Current financial indebtedness (F+G+H)</b>	<b>(74,817)</b>	<b>(74,240)</b>	<b>(94,273)</b>
<b>J. Current financial indebtedness, net (I+E+D)</b>	<b>11,511</b>	<b>(25,779)</b>	<b>(54,834)</b>
K. Non-current payables to banks	(137,073)	(97,802)	(88,232)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(26,469)	(25,777)	(28,285)
<b>N. Non-current financial indebtedness (K+L+M)</b>	<b>(163,542)</b>	<b>(123,579)</b>	<b>(116,517)</b>
<b>O. Net indebtedness (ESMA) (J+N)</b>	<b>(152,031)</b>	<b>(149,358)</b>	<b>(171,351)</b>
P. Non current financial receivables	2,438	2,423	2,273
<b>Q. Net financial position (O+P)</b>	<b>(149,593)</b>	<b>(146,935)</b>	<b>(169,078)</b>
<b>Effect IFRS 16</b>	<b>28,865</b>	<b>30,385</b>	<b>32,767</b>
<b>Net financial position without effect IFRS 16</b>	<b>(120,728)</b>	<b>(116,550)</b>	<b>(136,311)</b>

Net financial position at 30 June 2020 includes actualized financial liabilities related to the payment of future rental and rent payments, in application of IFRS 16 standard, equal to € 28,865 thousand, of which € 4,894 thousand falling due within 12 months while at 31 December 2019 they amounted to a total of € 30,385 thousand, of which € 4,959 thousand falling due within 12 months.

Net current financial indebtedness shows a positive net liquidity balance due to the significant increase in the "cash and cash equivalents" mainly for the disbursement of new medium and long-term loans.

Net financial position at June 30, 2020, includes € 13,445 thousand (€ 15,863 thousand at December 31, 2019), referring to payables for the purchase of the remaining minority shareholding regulated by *Put&Call* agreements. These debts refer to the purchase of investments in the following companies:

- Lavorwash Group for an amount of € 9,644 thousand;
- Valley LLP for an amount of € 1,479 thousand;
- Markusson for an amount of € 2,322 thousand.

The current portion of this debts amount to € 11,123 thousand.

Financial receivables mainly include deposits to guarantee potential liabilities, loans to associated companies, other forms of temporary liquidity investment.

At 30 June 2020, net financial position includes receivables from related parties for an amount of:

- € 260 thousand, of which € 37 thousand are a short-term, attributable to receivables from the parent company Yama S.p.A. for the guarantees included in the contract in favor of Emak S.p.A. as part of the so-called "Operazione Greenfield" through which Emak S.p.A. acquired in 2011 the companies Comet S.p.A., Tecomec S.r.l., Sabart S.r.l. and Raico S.r.l.
- € 1.000 thousand relating to a medium-long term loan granted by Tecomec to the associated company Agres Sistemas Eletronicos S.A.

Net financial position also includes Liabilities for leasing from related parties for an amount of € 11,644 thousand, of which € 1,578 thousand as a short term, attributable to the application of IFRS 16 to the rental contracts that some Group companies entertain with the company Yama Immobiliare S.r.l.

## 9 Revenues from sales and other operating income

Details of revenues from sales are as follows:

€/000	1 H 2020	1 H 2019
Net sales revenues (net of discounts and rebates)	245,857	240,978
Revenues from recharged transport costs	2,309	2,556
Returns	(670)	(493)
<b>Total</b>	<b>247,496</b>	<b>243,041</b>

The increase in "Revenues" mainly refers to the growth recorded by the Components and Accessories sector in all markets and to an effect of € 957 thousand linked to the entry into the consolidation area of the Markusson Company.

Other operating income is analyzed as follows:

€/000	1 H 2020	1 H 2019
Capital gains on property, plant and equipment	24	196
Grants related to income and assets	127	325
Advertising reimbursement	68	214
Insurance refunds	19	20
Recovery of other funds	234	317
Revenues for rents	291	323
Other operative income	333	641
<b>Total</b>	<b>1,096</b>	<b>2,036</b>

## 10 Raw materials, consumable and goods

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

€/000	1 H 2020	1 H 2019
Raw materials, semi-finished products and goods	124,670	129,246
Other purchases	1,854	2,343
R&D costs capitalized	(17)	-
<b>Total</b>	<b>126,507</b>	<b>131,589</b>

## 11 Personnel expenses

Details of these costs are as follows:

€/000	1 H 2020	1 H 2019
Wage and salaries	28,686	30,137
Social security charges	8,206	8,814
Employee termination indemnities	1,275	1,273
Other costs	1,031	950
Directors' emoluments	643	534
Temporary staff	1,822	1,165
R&D costs capitalized	(308)	(367)
<b>Total</b>	<b>41,355</b>	<b>42,506</b>

Personnel costs decreased compared to the same period due to the use of social safety nets activated in the months of March and April for the Covid-19 emergency.

During the first half of 2020, personnel costs for € 308 thousand were capitalized under intangible fixed assets (€ 367 thousand at 30 June 2019), referring to the costs for the development of new products in the context of a multi-year project subject to facilities by the Ministry of Economic Development

## 12 Other operating costs and provisions

Details of these costs are as follows:

€/000	1 H 2020	1 H 2019
Subcontract work	7,183	6,462
Maintenance	2,591	2,229
Transportation and duties	11,739	11,023
Advertising and promotion	1,516	2,128
Commissions	4,170	4,027
Travel	821	1,735
Consulting fees	2,506	3,001
Other services	7,617	8,023
R&D costs capitalized	(144)	(88)
<b>Services</b>	<b>37,999</b>	<b>38,540</b>
<b>Rents, rentals and the enjoyment of third party assets</b>	<b>1,630</b>	<b>1,579</b>
<b>Increases in provisions (note 32)</b>	<b>131</b>	<b>272</b>
<b>Other operating costs</b>	<b>2,227</b>	<b>2,264</b>
<b>Total</b>	<b>41,987</b>	<b>42,655</b>

The reduction in costs related to promotion and advertising, travel expenses and consultancy is a consequence of cost management in the face of restrictions resulting from the COVID 19 emergency.

The increase in transport costs is also attributable to the greater use of deliveries by air linked to the increase in orders occurred in the second quarter of 2020.

### 13 Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	1 H 2020	1 H 2019
Amortization of intangible assets (note 18)	1,977	1,778
Depreciation of property, plant and equipment (note 17)	6,423	6,345
Amortization of rights of use (note 19)	2,751	2,664
Impairment losses of goodwill	-	2,074
<b>Total</b>	<b>11,151</b>	<b>12,861</b>

The amortization and depreciation at June 30, 2020 amounted to € 11,151 thousand.

The reduction in the value of goodwill, following the application of the impairment test procedure, amounted to € 2,074 thousand at 30 June 2019, as a loss due to the reduction in the value of goodwill referring to the Bertolini company, originally emerged from the merger by incorporation of the same in the parent company Emak S.p.A.

The item Amortization of rights of use includes the amortization of rights of use recognized among non-current assets in application of IFRS 16 - *Leases*.

Amortization is calculated based on the duration of the contracts.

### 14 Financial income and expenses

“Financial income” is analyzed as follows:

€/000	1 H 2020	1 H 2019
Capital gain on disposal of investments	-	27
Interest on bank and postal current accounts	42	51
Income from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	9	-
Other financial income	110	122
<b>Financial income</b>	<b>161</b>	<b>200</b>

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

“Financial expenses” are analyzed as follows:

€/000	1 H 2020	1 H 2019
Interest on medium long-term bank loans and borrowings	673	677
Interest on short-term bank loans and borrowings	183	336
Financial charges for final price adjustment for the purchase of remaining shares of subsidiaries	410	-
Costs from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	299	702
Financial expenses from discounting debts	179	423
Financial charges from leases	483	455
Financial charges from valuing employee terminations indemnities	40	36
Other financial costs	262	466
<b>Financial expenses</b>	<b>2,529</b>	<b>3,095</b>

The item “Financial charges for final price adjustment for the purchase of remaining shares of subsidiaries” refers to the capital loss equal to approximately 2,221 thousand Reais, deriving from the higher price paid for the exercise of the Call option on the residual investment of 30% of the share capital of Lemasa compared to what is recognized as debt at March 31, 2020. This change is the result of negotiation between the parties on the basis of the clauses and calculations provided for in the original agreements, which provided for an adjustment of the final price based on the company’s economic and financial performance.

The item “Financial expenses from discounting debts” refers to the implicit interest deriving from the debts for the purchase of investments that will be settled in the future.

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

The item “Other financial costs” included in the 2019 financial year, € 228 thousand attributable to the adjustment of the debt for the purchase commitment of the remaining shares of Valley Industries LLP, settled on the basis of certain economic-financial parameters indicated in the “*Put and Call Option*” contract.

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

€/000	1 H 2020	1 H 2019
Profit / (Loss) on exchange differences on trade transactions	(1,293)	238
Profit / (Loss) on exchange differences on financial transactions	(936)	421
<b>Exchange gains and (losses)</b>	<b>(2,229)</b>	<b>659</b>

Foreign exchange management was mainly affected by the negative performance of the Brazilian Real and, in general, of the South American currencies, which led to the recording of losses due to the adjustment of the debts in local currency at the end of the period.

The item referring to trade transactions also includes the effect of the valuation of currency risk hedging instruments at fair value, positive for € 469 thousand at June 30, 2020 and equal to € 122 thousand at June 30, 2019.

The item “Income from/ (expenses on) equity investment” equal to a negative value of € 1,513 thousand is related to:

- for € 1,389 thousand to the capital loss deriving from the exercise of the Put option on the 30% of investment in the share capital of Cifarelli S.p.A.;

- the result according to the equity method valuation of the associated company Agres Sistemas Eletrônicos SA for € 124 thousand, purchased in 2019.

## 15 Income taxes

The estimated tax burden for the first half of 2020 of current, deferred and prepaid taxes amounted to € 4,791 thousand (€ 5,130 thousand in the corresponding period of the previous year) equal to an effective tax rate of 30.5% (32.9% of the same period).

Compared to the same period of the previous year, the tax rate benefits from the effect of lower tax returns on non-deductible costs.

On the other hand, it was negatively affected by the failure of some Group companies to record deferred tax assets on tax losses.

## 16 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. The Parent company has only ordinary shares outstanding.

	1H 2020	1H 2019
Net profit attributable to ordinary shareholders in the parent company (€/000)	10,817	10,398
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
<b>Basic earnings per share (€)</b>	<b>0.066</b>	<b>0.064</b>

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

## 17 Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2019	Change in scope of consolidation	Increase	Decrease	Reclassification	Exchange difference	30.06.2020
Land and buildings	57,104	-	178	-	-	(219)	57,063
Accumulated depreciation	(20,303)	-	(805)	-	-	58	(21,050)
<b>Land and buildings</b>	<b>36,801</b>	<b>-</b>	<b>(627)</b>	<b>-</b>	<b>-</b>	<b>(161)</b>	<b>36,013</b>
Plant and machinery	106,917	-	1,523	(212)	1,729	(1,495)	108,462
Accumulated depreciation	(82,687)	-	(2,934)	101	101	940	(84,479)
<b>Plant and machinery</b>	<b>24,230</b>	<b>-</b>	<b>(1,411)</b>	<b>(111)</b>	<b>1,830</b>	<b>(555)</b>	<b>23,983</b>
Other assets	127,867	11	1,632	(136)	246	(460)	129,160
Accumulated depreciation	(115,421)	(4)	(2,684)	126	(10)	319	(117,674)
<b>Other assets</b>	<b>12,446</b>	<b>7</b>	<b>(1,052)</b>	<b>(10)</b>	<b>236</b>	<b>(141)</b>	<b>11,486</b>
<b>Advances and fixed assets in progress</b>	<b>3,114</b>	<b>-</b>	<b>4,142</b>	<b>-</b>	<b>(2,066)</b>	<b>(31)</b>	<b>5,159</b>
<b>Cost</b>	<b>295,002</b>	<b>11</b>	<b>7,475</b>	<b>(348)</b>	<b>(91)</b>	<b>(2,205)</b>	<b>299,844</b>
<b>Accumulated depreciation (note 13)</b>	<b>(218,411)</b>	<b>(4)</b>	<b>(6,423)</b>	<b>227</b>	<b>91</b>	<b>1,317</b>	<b>(223,203)</b>
<b>Net book value</b>	<b>76,591</b>	<b>7</b>	<b>1,052</b>	<b>(121)</b>	<b>-</b>	<b>(888)</b>	<b>76,641</b>

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

The further increases refer to the cyclical investments made by the Group for the renewal of production plants and equipment.

## 18 Intangible assets

Intangible assets report the following changes:

€/000	31.12.2019	Change in scope of consolidation	Increases	Amortizations	Decreases	Reclassification	Exchange difference	30.06.2020
Development costs	3,036	-	501	(249)	-	39	-	3,327
Patents and software	2,778	-	358	(642)	-	8	(23)	2,479
Concessions, licences and trademarks	4,936	127	14	(302)	-	(2)	(155)	4,618
Other intangible assets	9,392	1,473	427	(784)	-	-	(52)	10,456
Advances and fixed assets in progress	356	-	165	-	(10)	(45)	(4)	462
<b>Net book value (note 13)</b>	<b>20,498</b>	<b>1,600</b>	<b>1,465</b>	<b>(1,977)</b>	<b>(10)</b>	<b>-</b>	<b>(234)</b>	<b>21,342</b>

The increase mainly refers to the investments linked to be fully operational of the new management system in some Group companies as part of the "Erp trasformazione" project, as well as to the capitalization of costs for the development of new products as part of a multi-year project of subsidies from the Ministry of Economic Development.

The increases due to the change in the scope of consolidation refer to the fair value adjustments attributed to the brand and customer list of the Markusson company.

## 19 Rights of use

The item "Rights of use" was introduced in application of the new accounting standard IFRS 16 - Leases adopted by the Group with the "retrospective modified" approach from 1 January 2019.

In compliance with this principle, with regard to leasing contracts, the Group recognized, during the first application, a right of use equal to the net book value that it would have had in the case in which the Standard had been applied from the start date of the contract using a discount rate defined at the transition date.

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

€/000	31.12.2019	Increases	Amortization	Decreases	Exchange difference	30.06.2020
Rights of use buildings	28,242	968	(2,417)	(30)	(245)	26,518
Rights of use other assets	1,474	272	(334)	-	(35)	1,377
<b>Net book value (note 13)</b>	<b>29,716</b>	<b>1,240</b>	<b>(2,751)</b>	<b>(30)</b>	<b>(280)</b>	<b>27,895</b>

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

## 20 Goodwill

The goodwill of € 62,401 thousand reported at June 30, 2020 is detailed below:

Cash Generating Unit (CGU)	Country	Description	31.12.2019	Change in scope of consolidation	Exchange differences	30.06.2020
Victus	Poland	Goodwill from the acquisition of the business unit Victus IT	5,718	-	(256)	5,462
Tailong	China	Goodwill from the acquisition of Tailong Machinery Ltd.	2,676	-	(34)	2,642
Tecomec	Italy	Goodwill from the acquisition of Tecomec Group	2,807	-	-	2,807
Speed France	France	Goodwill from the acquisition of Speed France	2,854	-	-	2,854
Comet	Italy	Goodwill from the acquisition of Comet Group and merger of HPP	4,253	-	-	4,253
PTC	Italy	Goodwill from the acquisition of PTC	1,236	-	-	1,236
Valley	USA	Goodwill from the acquisition of Valley LLP and A1	12,971	-	42	13,013
Geoline	Italy	Goodwill from the acquisition of Geoline Electronic S.r.l.	901	-	-	901
S.I.Agro Mexico	Mexico	Goodwill from the acquisition of S.I.Agro Mexico	634	-	-	634
Lemasa	Brazil	Goodwill from the acquisition of Lemasa LTDA	12,104	-	(2,874)	9,230
Lavorwash	Italy	Goodwill from the acquisition of Lavorwash Group	17,490	-	-	17,490
Spraycom	Brazil	Goodwill from the acquisition of Spraycom	200	-	-	200
Markusson	Sweden	Goodwill from the acquisition of Markusson	-	1,677	2	1,679
<b>Total</b>			<b>63,844</b>	<b>1,677</b>	<b>(3,120)</b>	<b>62,401</b>

- Goodwill allocated to the CGU Victus, equal to € 5,462 thousand, for € 837 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 € 4,625 thousand relates to the acquisition of the company branch of Victus International Trading SA. Both acquisitions were finalized in 2005.
- The amount of € 2,642 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.
- Goodwills relating to the acquisition of the Tecomec Group, the Comet Group and of the Speed France Group on the part of Tecomec S.r.l respectively for € 2,807 thousand, € 4,253 thousand and € 2,854 thousand arise from the Greenfield Operation (for details on the operation, reference should be made to the prospectus published on November 18, 2011); the accounting for this transaction took place in accordance with OPI 1 (Assirevi preliminary guidelines on IFRS), relating to the "accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements", thus reflecting the values already recognized in the consolidated financial statements of the parent company Yama at the time of the respective acquisitions.
- The goodwill allocated to the CGU PTC, equal to €1,236 thousand, refers to:
  - € 360 thousand relates to the goodwill of a business unit contributed in 2011 by minority shareholders in PTC S.r.l., a Comet Group company;
  - € 523 thousand relates to the goodwill arose upon the acquisition of the company, Master Fluid S.r.l., acquired in June 2014 by P.T.C. S.r.l. and subsequently merged by incorporation into it. The goodwill derives from the difference between the price of acquisition and its equity on 30 June 2014;
  - € 353 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company Acquatecnica S.r.l. in P.T.C. S.r.l., finalized in 2016.
- The goodwill allocated to the CGU Valley, equal to € 13,013 thousand, include an amount of € 11,609 thousand for the acquisition of Valley Industries LLP by Comet USA Inc in February 2012, and an amount equal to € 1,404 thousand arising from the acquisition of the company branch A1 Mist Sprayers Resoruces Inc., realized in the first months of 2017 by the same Valley.
- The goodwill recorded for € 901 thousand refers to the acquisition of the 51% of the company Geoline Electronic Srl, by Tecomec S.r.l. in January 2014. Following the total demerger operation, which took place at the end of 2019, the company was dissolved with the transfer of the business relating to the "Control units, electric valves and flow meters" business unit to the parent company Tecomec which will continue in this activity.



- The goodwill recorded for € 634 thousand refers to the difference arisen in 2014 between the acquisition price paid by Comet Spa for the 55% of the company S.I.Agro Mexico (with which was increased the shareholding from 30% to 85%) and the pro-share equity acquired. During the first half of 2019 the Group took its stake to 100% with the purchase of an additional 15%.
- The amount of € 9,230 thousand refers to the goodwill recorded in relation to the acquisition of the 70% of Lemasa during 2015 financial year, of which 30% regulated by a *Put & Call* option exercised in June 2020. The goodwill was calculated as the difference between the estimate of the current price of acquisition of 100% of the company and the fair value of its Net Equity at the date of acquisition. On the basis of the contractual agreements, part of the deferred acquisition price and the value of the Put & Call depended on the economic-financial results of the same CGU. The value of the goodwill was originally recorded using the best estimate of the current value of the deferred price for the exercise and the options, determined on the basis of the originally planned business plan. During 2016 financial year, as a result of the impairment test, this goodwill was partially reduced for € 4,811 thousand.
- The amount of € 17,490 thousand includes the value of the goodwill acquired from the consolidation of the Lavorwash Group for € 253 thousand and, for € 17,237 thousand, the portion of the price allocated at goodwill, referred to the acquisition of the 97.78% of the same Group, of which 14.67% regulated by a *Put & Call* Option Agreement to be exercised in 2020 and to be valued on the basis of the results of the period 2018-2019. The goodwill was calculated as the difference between the fair value of the net assets and the acquisition price that, for the portion regulated by Put & Call option, will be valued according to the future economic and financial results, with the forecast of a cap value; the value of the goodwill was, therefore, accounted for using the best estimate of the current value of the price for the exercise of the options, determined on the basis of the related business plan.
- The goodwill recorded for € 200 thousand in 2018, refers to the difference between the value of the capital increase subscribed by Tecomec S.r.l. for 51% of the company Spraycom and the pro-share equity acquired.
- The amount of € 1,679 thousand refers to the goodwill recognized as part of the acquisition of 51% of the Markusson company which took place in 2020, of which 49% regulated by a Put & Call option. The goodwill was determined as the difference between the fair value of the net assets and the acquisition price which, for the part subject to the Put & Call option, is valued according to future economic and financial results; the value of the goodwill, therefore, was recorded using the best estimate of the current value of the exercise price of the options, determined on the basis of the related business plan.

The Emak Group has subjected the item goodwill to impairment test in accordance with the provisions of IAS 36 - Impairment of assets and IAS 34 - Interim Financial Reporting, which provide for the verification of the goodwill value acquired in a business combination if indications exist that an asset may have suffered an impairment loss; in this case the impairment test must take place not only when drawing up the annual financial statements, but also in the intermediate reports.

The Covid-19 emergency impacted almost all the world markets and was deemed a trigger event, an indicator of possible impairment.

Following this situation, and taking into consideration the recommendations received from Italian and European regulators, the Management updated, where necessary, the medium / long-term industrial business plans following the evolution of the scenario linked to the health emergency and consequently, when drafting this half-yearly financial report, the procedures were activated impairment test for the purpose of assessing the recoverability of goodwill and intangible assets.

The check of the recoverability of goodwill is carried out by calculating the recoverable value using the "*Discounted cash flow*" method.

The impairment tests were performed by applying the same methodology used at December 31, 2019.

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 5.93% to a maximum of 8.14%; the WACC used to discount cash flows of the CGU located in Poland is 7.97%, for the CGU located in Sweden 7.31%, for the CGU located in China 8.59%, for the CGU located in Mexico 11.58%, for the CGU located in the USA 7.81%, while for the CGU located in Brazil has been used a WACC that ranges from a minimum of 12.31% to a maximum of 12.67%.

The terminal value was determined on the basis of a long-term growth rate "g" equal to the long-term inflation of the reference country.

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. The aforementioned plans have been approved by the directors of the reference companies in each operating sector of the Group, and the resulting impairment tests have been approved by the Board of Directors of the parent company Emak S.p.A. on August 7, 2020.

In addition, also on the basis of the indications contained in the joint document issued by the Bank of Italy, Consob and Isvap (supervisory body for private insurance) no. 4 of 3 March 2010, the Group has drawn up sensitivity analyses on the results of the test with respect to variations in the underlying assumptions effecting the use value of the CGU. Also in the event of a positive or negative variation of the WACC of 5%, of the long-term growth rate (g) of 50 bps and of 5% of the cash flows, the analyses would nevertheless indicate no losses in value.

Furthermore the Company's management has considered it appropriate to assess the recoverability of net capital employed referred to the CGU Emak S.p.A in the face of impairment indicator identified during the period, attributable to the achievement of a negative operating result for the period. Even such check is carried out by calculating the recoverable value of the reference Cash Generating Unit (CGU), using the "*Discounted cash flow*" method: the assumptions adopted in determining the discounted cash flow are in line with those already used at 31 December 2019.

The WACC used to discount cash flows of the CGU Emak S.p.A. is 7.16%; the terminal value was determined on the basis of a prudential long-term growth rate (g) of 2%, representative of long-term expectations for the industrial sector to which it belongs, considering the presumed inflationary impacts.

Also this impairment test, as well as the underlying multi-year plan, referring to the assets registered at 30 June 2020 was approved by the Board of Directors on August 7, 2020.

Finally, the Directors, finding that the Emak Group's shareholders' equity is higher than the market capitalization of the stock at 30 June 2020, considered it appropriate to carry out a second level impairment test on the basis of the Group's three-year economic and financial plan, updated and approved by the Board of Directors of the parent company on August 7, 2020. The impairment test has been prepared applying the same methodology previously illustrated, by applying a WACC of 7.16% and a growth rate of long-term "g" equal to 2%. The test did not detect any impairment.

The results of the impairment tests did not reveal the need to make any write-downs to the Goodwill recorded in the consolidated financial statements at 30 June 2020.

## 21 Equity investments and Investments in associates

The item "**Equity investments**" amounts to € 8 thousand and are not subject to impairment losses, risks and benefits associated with the possession of the investment are negligible.

The item "**Equity investments in associated companies**", amounting to € 2,848 thousand refers to the value of the shares pertaining to the Group in Agres Sistemas Eletronicos S.A. brazilian company, obtained with the application of the equity method. The company entered into the scope of consolidation starting from January 1, 2019. Compared to December 31, 2019, the value of the equity investments was adjusted for € 212 thousand, following the acquisition of an additional 3% stake and for a negative value of € 124 thousand resulting from the valuation in equity, recorded under the Income Statement in the item "Income from equity investments". This investment includes an implicit goodwill value of € 2,882 thousand; the Directors believed that the positive operating performance of the company, even if temporarily nullified by the currency depreciation of the Real, confirm the absence of indicators of lasting impairment such as to have to activate an impairment test procedure to verify the recoverability of the values recorded .

Furthermore, the item recorded a decrease of € 4,640 thousand following the exercise of the Put option on the 30% stake in Cifarelli's share capital. The transaction resulted in the recognition of a capital loss of € 1,389 thousand, for more details see note 5.

## 22 Other financial assets

Other financial assets amount to € 2,438 thousand, which is non-current portion, and € 137 thousand as current portion and refer mainly to:

- a medium-long term loan granted by Tecomec to the associated company Agres Sistemas Eletronicos S.A. for € 1,000 thousand;
- an amount of € 449 thousand recorded under fixed assets, paid by the company, S.I. Agro Mexico, by way of a guarantee in relation to a dispute arising on customs matters, in order to be able to proceed with the submission of the relative claim (see Note 32);
- an amount of € 298 thousand, entered under the non-current assets of the company Speed France, relating to guarantee deposits;
- an overall amount of € 260 thousand, of which the fixed asset part is € 223 thousand and the current asset part € 37 thousand, corresponding to the receivable due from the parent company, Yama S.p.A. by way of a capital replenishment made to the Group for expenses incurred by a number of companies and relating to the period on which Yama S.p.A. exercised control over them.

## 23 Derivative financial instruments

The financial statements values relate to changes in the fair value of financial instruments for:

- hedging purchases and sales in foreign currency;
- hedging the risk of changes in interest rates on the loans payable.

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

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

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

The current value of these contracts at June 30, 2020 is shown as follows:

€/000	30.06.2020	31.12.2019
Positive <i>fair value</i> assesment exchange rate hedge	291	140
Positive <i>fair value</i> assesment exchange rate options	36	76
Positive <i>fair value</i> assesment IRS and interest rate options	-	85
<b>Total derivative financial instrument assets</b>	<b>327</b>	<b>301</b>
Negative <i>fair value</i> assesment exchange rate hedge	43	135
Negative <i>fair value</i> assesment exchange rate options	31	-
Negative fair value assesment IRS and interest rate options	761	773
<b>Total derivative financial instrument liabilities</b>	<b>835</b>	<b>908</b>

At June 30, 2020 appear outstanding forward contracts of purchase/sale in foreign currencies for:

	Company		Nominal value (€/000)	Forward exchange (average)	Due to (*)
<b>Forward contracts for foreign currencies purchases</b>					
Cnh/Euro	Emak S.p.A.	Cnh	43,000	8.03	22/12/2020
Cnh/Usd	Emak S.p.A.	Cnh	5,000	7.21	12/08/2020
Usd/Euro	Emak france	Usd	200	1.1145	31/12/2020
Eur/Pln	Victus-Emak S.p. Z.o.o.	Euro	2,800	4.49	24/08/2020
Cnh/Pln	Victus-Emak S.p. Z.o.o.	Cnh	238	1.80	03/07/2020
Usd/Euro	Sabart S.r.l.	Usd	1,300	1.13	02/12/2020
Cnh/Euro	Tecomec S.r.l.	Cnh	15,000	8.06	16/12/2020
Gbp/Euro	Lavorwash S.p.A.	Gbp	100	0.86	20/10/2020
Cnh/Euro	Lavorwash S.p.A.	Cnh	28,000	8.04	14/12/2020
Usd/Cnh	Lavorwash Equipment	Usd	1,075	7.07	01/02/2021
Euro/Mxn	S.I. Agro Mexico	Euro	1,500	23.25	31/12/2020
Usd/Mxn	S.I. Agro Mexico	Usd	30	22.63	26/06/2020
Eur/Usd	Valley	Euro	600	1.10	30/09/2020
<b>Forward contracts for foreign currencies sales</b>					
Usd/Euro	Comet S.p.A	Usd	290	1.13	31/08/2020
<b>Forward contracts for foreign currencies purchases with collar options</b>					
Cnh/Euro	Emak Spa	Cnh	24,000	7.97	18/12/2020

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

Finally, on June 30, 2020 IRS contracts and options on interest rates are also in force, with the aim of covering the risk of variability of interest rates on loans.

The Parent company Emak S.p.A. and the subsidiaries Tecomec S.r.l. and Comet S.p.A. have signed IRS contracts and options on interest rates for a total notional value of € 91,939 thousand; the expiration of the instruments is so detailed:

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Mediobanca	Emak S.p.A.	625	24/09/2015	31/12/2020
MPS	Emak S.p.A.	375	24/09/2015	31/12/2020
Credit Agricole Cariparma	Emak S.p.A.	3,750	26/10/2017	11/05/2022
Credit Agricole Cariparma	Emak S.p.A.	3,000	24/05/2018	30/06/2023
MPS	Emak S.p.A.	6,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	6,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	5,500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	5,625	06/07/2018	06/07/2023
UniCredit	Emak S.p.A.	5,200	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	2,500	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	5,950	02/08/2019	30/06/2024
MPS	Emak S.p.A.	6,750	16/06/2020	30/06/2025
Bper	Comet S.p.A.	6,700	20/09/2017	29/12/2023
Ubi Banca	Comet S.p.A.	3,350	20/09/2017	29/12/2023
UniCredit	Comet S.p.A.	6,000	14/06/2018	30/06/2023
Banca Nazionale del Lavoro	Comet S.p.A.	5,625	06/07/2018	06/07/2023
Bper	Comet S.p.A.	3,350	15/11/2018	29/12/2023
Ubi Banca	Comet S.p.A.	1,675	15/11/2018	29/12/2023
Banca Nazionale del Lavoro	Comet S.p.A.	7,500	02/08/2019	31/12/2024
MPS	Tecomec S.r.l.	250	24/09/2015	31/12/2020
Credit Agricole Cariparma	Tecomec S.r.l.	3,000	24/05/2018	30/06/2023
Ubi Banca	Tecomec S.r.l.	3,214	23/10/2018	31/07/2022
<b>Total</b>		<b>91,939</b>		

The average of the hedging interest rates resulting from the instruments is equal to 0.05% at June 30, 2020.

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

## 24 Trade and other receivables

Details of these amounts are as follows:

€/000	30.06.2020	31.12.2019
Trade receivables	132,618	103,997
Provision for doubtful accounts	(5,798)	(5,660)
<b>Net trade receivables</b>	<b>126,820</b>	<b>98,337</b>
Trade receivables from related parties (note 36)	412	409
Prepaid expenses and accrued income	2,115	1,783
Other receivables	4,843	3,775
<b>Total current portion</b>	<b>134,190</b>	<b>104,304</b>
Other non current receivables	58	65
<b>Total non current portion</b>	<b>58</b>	<b>65</b>

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

- an amount of € 1,982 thousand, (€ 1,461 at 31 December 2019), for receivables due to the Parent Company and some Group companies from the controlling company Yama S.p.A., emerging from the relationships that govern the tax consolidation in which they participate;
- an amount of € 1,211 thousand as advances to suppliers for the supply of goods (€ 1,235 thousand at 31 December 2019).

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

## 25 Inventories

Inventories are detailed as follows:

€/000	30.06.2020	31.12.2019
Raw, ancillary and consumable materials	49,944	47,548
Work in progress and semi-finished products	28,017	23,842
Finished products and goods	71,286	86,946
<b>Total</b>	<b>149,247</b>	<b>158,336</b>

Inventories at June 30, 2020 are stated net of provisions amounting to € 10,570 thousand (€ 10,226 thousand at December 31 2019) intended to align the obsolete and slow moving items to their estimated realizable value. The inventories provision is an estimate of the loss in value expected by the Group, calculated on the basis of past experience, historic trends and market expectations.

There is also a significant decrease in the value of inventories compared to the same period ended 30 June 2019, when they stood at a value of € 159,788 thousand.

## 26 Equity

### Share capital

Share capital is fully paid up at 30 June 2020 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each. The share capital, shown net of the amount of the nominal value of the treasury shares in the portfolio, is equal to € 42,519 thousand.

All shares have been fully paid.

### Treasury shares

The adjustment of the share capital for purchase of treasury shares, equal to € 104 thousand, represents the nominal value of treasury shares held at June 30, 2020.

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

### Dividends

On 29 April 2020 the Shareholders' Meeting resolved to allocate the profit for the year 2019 for € 122 thousand to the legal reserve and the remainder to the Reserve for retained earnings.

### Share premium reserve

At 30 June 2020, 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 June 30, 2020 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 June 30, 2020 of € 3,611 thousand (€ 3,489 thousand at December 31, 2019).

### Revaluation reserve

At 30 June 2020 the revaluation reserve includes the reserves deriving from the revaluation as per Law 72/83 for € 371 thousand and as per Law 413/91 for € 767 thousand. No changes occurred during the year.

### Reserve for translation differences

At 30 June 2020 the reserve for translation differences for an amount of € 4,605 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.

The reserve recorded a negative adjustment of € 5,338 thousand mainly due to the effect of the REAL currency.

### Reserve IAS 19

At 30 June 2020 the IAS 19 reserve is equal a negative amount of € 1,274 thousand, for the actuarial valuation difference of post-employment benefits to employees.

### Other reserves

At 30 June 2020 the Other reserves include:

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

Due to the fact that the value of the market capitalization at June 30, 2020 is lower than the consolidated shareholders' equity, the Directors proceeded with the verification of recoverability by preparing the second level *impairment test* based on the expected cash flows derived from the Emak Group's multi-year plan, without recognizing impairment losses.

## 27 Trade and other payables

Details of trade and other payables are set out below:

€/000	30.06.2020	31.12.2019
Trade payables	70,880	75,469
Payables due to related parties (note 36)	849	1,137
Payables due to staff and social security institutions	11,917	9,665
Advances from customers	1,303	1,234
Accrued expenses and deferred income	714	434
Other payables	3,797	2,538
<b>Total</b>	<b>89,460</b>	<b>90,477</b>

The increase of the item **"Payables due to staff and social security institution"** is linked to the time effect of the thirteenth salary and holidays accrued but not taken.

The item **"Other payables"** includes € 2,396 thousand, compared to € 212 thousand at 31 December 2019, for current IRES tax liabilities recorded by some companies of the Group towards the parent company Yama S.p.A. and arising from the relationships that govern the consolidated tax return, to which the same participating.

## 28 Loans and borrowings

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

€/000	30.06.2020	31.12.2019
Bank loans	53,120	46,377
Overdrafts	4,393	5,706
Liabilities for purchase of equity investments	11,123	15,863
Financial accrued expenses and deferred income	59	63
Other loans	393	364
<b>Total current portion</b>	<b>69,088</b>	<b>68,373</b>

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

The item **"Bank loans"** includes an amount equal to € 555 thousand relating to the current portion of the loans disbursed to the American companies Valley and Speed North America, respectively for € 251 thousand and € 304 thousand, provided by the *Paycheck Protection Program (PPP)* and guaranteed at federal level by the United States Small Business Administration (SBA). The program provides that companies can access to concessional financing which are expected to be converted into non-repayable grants if they respect certain characteristics.

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

- an amount of € 9,644 thousand relating to the discounted debt for the portion of the purchase price of 14.67% of the Lavorwash Group shares and regulated by a *"Put and Call option"* contract to be exercised in 2020. The price may undergo changes based on the trend of the economic-financial parameters of the target Group and within the limits of a maximum value (CAP) provided for by contract. Management has estimated the expected debt value on the basis of the contractual agreements in progress;
- an amount of € 1,479 thousand relating to the residual debt for the purchase of the remaining 10% of the company Valley Industries LLP regulated by a *"Put and Call option Agreement"*.

The reduction in the item is attributable to the exercise of the Put&Call for the purchase of 30% of the Lemasa company, which provided for an outlay of € 3,801 thousand.



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

**Long-term loans and borrowings** are detailed as follows:

€/000	30.06.2020	31.12.2019
Bank loans	137,073	97,802
Liabilities for purchase of equity investments	2,322	-
Other loans	176	351
<b>Total non current portion</b>	<b>139,571</b>	<b>98,153</b>

The item "**Bank loans**" includes an amount equal to € 779 thousand relating to the non current portion of the loans disbursed to the American companies Valley and Speed North America, respectively for € 397 thousand and € 382 thousand, provided by the *Paycheck Protection Program (PPP)* and guaranteed at federal level by the United States Small Business Administration (SBA).

The item " **Liabilities for purchase of equity investments** ", equal to € 2,322 thousand, relates to the discounted debt for the purchase price portion of 49% of Markusson shares and governed by the " *Put and Call option*" contract to be exercised in 2023.

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

As at 30 June 2020, there were no loans due beyond five years.

Some medium-long term loans are subject to financial covenants, on the basis of the NFP/EBITDA and NFP/Equity ratios consolidated at year-end; no constraint of compliance with financial covenant applies to 30 June 2020.

On the basis of the business plans prepared by the Management, compliance with the covenants is expected at December 31, 2020, date of verification of the restrictions.

## 29 Liabilities derivig from leases

The item "**Liabilities derivig from leases**" which totals € 28,865 thousand, of which € 23,971 thousand as non-current portion and € 4,894 thousand as current portion, refers to financial liabilities recorded in application of the new IFRS accounting standard 16 - Leases, adopted by the Group from 1 January 2019. These liabilities are equal to the present value of the future residual payments provided by the contracts

At 30 June 2020, the payables deriving from leases due beyond 5 years amount to € 11,436 thousand.

### 30 Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	30.06.2020	31.12.2019
Deferred tax on impairment losses of assets	289	314
Deferred tax on reversal of unrealized intercompany gains	2,360	2,423
Deferred tax on provision for inventory write-downs	2,006	1,972
Deferred tax on losses in past financial periods	572	579
Deferred tax on provisions for bad debts	539	543
Deferred tax on right of use IFRS 16	210	192
Other deferred tax assets	2,240	2,083
<b>Total</b>	<b>8,216</b>	<b>8,106</b>

"Other deferred tax assets" mainly includes receivables for facilitation "ACE" accrued in previous years, the tax effect related to the discounting of Employee Indemnities and other provisions not recognized for tax purposes at the time of allocation.

The exploitation of residual past tax losses recorded is of unlimited duration.

Deferred tax liabilities are detailed below:

€/000	30.06.2020	31.12.2019
Deferred tax on property ex IAS 17	1,093	1,110
Deferred tax on depreciations	5,617	5,921
Other deferred tax liabilities	1,608	1,306
<b>Total</b>	<b>8,318</b>	<b>8,337</b>

The other deferred tax liabilities refer mainly to revenues already accounted for, but which will acquire fiscal relevance, in the coming years. The item is also affected by the emergence of deferred tax liabilities of € 330 thousand relating to the fair value adjustments of the assets acquired through the business combination relating to the company Markusson, described in paragraph 5 "Significant non-recurring events and transactions" of these notes.

The **Current tax receivables** amount at June 30 2020 to € 4,268 thousand, against € 5,225 thousand at December 31 2019, and refer to VAT credits, surplus payments on account of direct tax and other tax credits.

The **Current tax liabilities** amount to € 6,961 thousand at June 30 2020, compared to € 4,174 thousand at 31 December 2019, and they refer to payables for direct tax for the period, VAT and withholding taxes.

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

### 31 Employee benefits

Such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 7,490 thousand. The valuation of the indemnity leaving fund (TFR), carried out according to the nominal debt method, in force at the closing date, would be € 6,717 thousand.

The main economic financial assumptions used to calculate the fund are unchanged compared to those used at the close of December 31, 2019.

### 32 Provisions for risks and charges

Movements in these provisions are detailed below:

€/000	31.12.2019	Increase	Decrease	Exchange differences	30.06.2020
Provisions for agents' termination indemnity	2,220	91	(37)	-	2,274
Other provisions	84	-	(14)	(7)	63
<b>Total non current portion</b>	<b>2,304</b>	<b>91</b>	<b>(51)</b>	<b>(7)</b>	<b>2,337</b>
Provisions for products warranties	1,109	31	(3)	(20)	1,117
Other provisions	626	9	(25)	(104)	506
<b>Total current portion</b>	<b>1,735</b>	<b>40</b>	<b>(28)</b>	<b>(124)</b>	<b>1,623</b>

The provision for agents' termination indemnity is calculated on the basis of agency relationships in force at the close of the financial year, it refers to the probable indemnity which will have to be paid to the agents at the time of the resolution of the respective report. The year allocation of € 91 thousand, was recorded under the provisions in the item "Other operating expenses" in the income statement.

"Other non-current provisions", equal to € 63 thousand, have been allocated for:

- € 55 thousand in legal costs accrued in respect of the conduct of tax disputes on the part of some companies of the Lavorwash Group and of Bertolini S.p.A (Incorporated into Emak S.p.A. in year 2008) for which the Group, following the opinion expressed by its defenders, does not expect to mobilize additional funds to contingent liabilities;
- € 8 thousand as allocation effected against a tax assessment and other current disputes related to the company Lemasa.

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

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

- allocation of € 449 thousand, for a value of 11,644 thousand pesos, corresponding to the entire customs dispute raised against the company S.I. Agro Mexico, by the Mexican authorities, on VAT on imported goods. The federal administrative court demanded the advance payment of the disputed total, which was entered under "Other non-current financial assets";
- allocation concerning various objections relating to various disputes and future costs for € 57 thousand.

### 33 Other non-current liabilities

The item "Other non-current liabilities" includes:

- € 3,508 thousand relating to the long-term debt for Speed France's acquisition of the technology for the production of polyester mono filaments and cables for agricultural applications, payment is expected in 3 installments falling due in 2022, 2023 and 2025;
- € 469 thousand, against € 520 thousand at 31 December 2019, refers to the deferred income, of future competence, relating to capital grants received pursuant to Law 488/92 by Comag S.r.l., now merged into Emak S.p.A. The part of the grant receivable within a year is recorded in current liabilities under other liabilities and amounts to € 33 thousand.

### 34 Contingent liabilities

At 30 June 2020, The Group has not further significant outstanding disputes in addition to those already discussed in these notes.

### 35 Commitments

#### Fixed asset purchases

The Group has commitments for the purchase of fixed assets not accounted for in the financial statements as of June 30, 2020 for an amount equal to approximately € 300 thousand. These commitments mainly refer to the purchase of equipment.

#### Purchases of additional shares of equity

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

- a Put and Call option for the remaining 10% of the share capital is contained in the contract for the acquisition of the subsidiary Valley Industries LLP, in favor of the trust Savage Investments, to be exercised without deadline;
- in the contract to acquire the subsidiary Lavorwash Group, a "Put and Call Option" was defined for the acquisition of the 14.67%, to be exercised in 2020;
- in the contract to acquire the subsidiary Markusson Professional Grinders AB, a "Put and Call Option" was defined for the acquisition of the remaining 49%, to be exercised in 2023;
- in the contract to acquire the associated company Agres Sistemas Eletronicos S.A., a "Put and Call Option" was defined for the acquisition of an additional 55% of share to be exercised in 2023.

### 36 Related party transactions

The transactions entered into with related parties by the Emak Group in the first half of 2020 mainly relate to two different types of usual nature relations, within the ordinary course of business, adjusted to normal 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 first half 2020 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 arise from the participation of the Parent Company Emak S.p.A. and of the subsidiaries Comet S.p.A., Tecomec S.r.l., Sabart S.r.l., Lavorwash S.p.A. e P.T.C. S.r.l. to the tax consolidation regime under Articles. 117 et seq., Tax Code, intercurrent with Yama S.p.A., as consolidating company. The criteria and procedures for the settlement of such transactions are established and formalized in agreements of consolidation, based on the principle of equal treatment between participants.

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

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

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

€/000	Net sales	Trade receivables	Other receivables for tax consolidation	Total trade and other receivables	Financial revenues	Current financial assets	Non current financial assets
Euro Reflex D.o.o.	365	358	-	358	-	-	-
Garmec S.r.l.	53	39	-	39	-	-	-
Yama S.p.A.	-	-	1,982	1,982	-	37	223
Cifarelli S.p.A.	46	-	-	-	-	-	-
Agres SA	1	15	-	15	14	-	1,000
<b>Total (notes 22 and 24)</b>	<b>465</b>	<b>412</b>	<b>1,982</b>	<b>2,394</b>	<b>14</b>	<b>37</b>	<b>1,223</b>

Purchase of goods and services, trade and other payables:

€/000	Purchases of raw materials and consumables	Other operating costs	Trade payables	Other payables for tax consolidation	Total trade and other payables
SG Agro D.o.o.	5	-	2	-	2
Euro Reflex D.o.o.	830	33	388	-	388
Garmec S.r.l.	12	-	12	-	12
Selettra S.r.l.	89	-	82	-	82
Yama S.p.A.	-	-	-	2,396	2,396
Cifarelli S.p.A.	649	-	-	-	-
Agres SA	23	-	-	-	-
Other related parties	-	201	363	-	363
<b>Total (note 27)</b>	<b>1,608</b>	<b>234</b>	<b>847</b>	<b>2,396</b>	<b>3,243</b>

The amount of outstanding balances with related parties relating to the fiscal consolidation are exposed to notes 24 and 27.

Goodwill to related parties, shown in the financial statements, amounted to € 12,556 thousand (€ 12,591 thousand at 30 June 2019) and emerges from the so called Greenfield operation occurred in 2011 through which Emak Group acquired from the parent company Yama S.p.A. Tecomec Group, Comet Group, Sabart S.r.l. and Raico S.r.l. (the latter is no longer present within the Emak Group).

The amounts shown in the financial statements of the Rights of use, Liabilities deriving from leases, Amortization, depreciation and impairment losses, the Financial expenses, derive from the application of the accounting principle IFRS 16 to the property leasing contracts that some Group companies enter into with the subsidiary Yama Immobiliare S.r.l.

\*\*\*\*\*

As regards relations with the parent company's corporate bodies, the accrued payments at 30 June 2020 are as follows:

- Board of Directors for € 202 thousand (included in Personnel costs);
- Statutory Auditors for € 35 thousand (included in Cost of services).

### 37 Subsequent events

For a description of subsequent events, please refer to Note 10 of the Directors report.

**Declaration on the half year report in accordance with Article 154-bis, paragraph 5 of Legislative Decree no. 58/1998 (Consolidated Law on Finance)**

1. We, the undersigned, Fausto Bellamico, as President and Chief Executive Officer, and Aimone Burani, the latter also in his position as Financial Reporting Officer of the company Emak S.p.A. affirm, taking account of the provisions of art. 154-bis, paragraphs 3 and 4, of legislative decree 24 February 1998, n. 58:

- the suitability, with reference to the nature of the company, and
- the effective application,

of administrative and accounting procedures for the preparation of the half year financial statements for the financial period 1 January 2020 - 30 June 2020.

No significant elements have emerged with reference to point 1 above.

2. It is hereby declared, moreover, that:

2.1 The abbreviated half-year accounts:

- a) have been drawn up in compliance with applicable international accounting principles recognized by the European Community in accordance with (EC) regulation no. 1606/2002 issued by the European Parliament and Council on 19 July 2002;
- b) correspond to the accounting records and entries;
- c) are appropriate for giving a true and fair view of the assets, liabilities, economic and financial situation of the issuer and of the companies included in the consolidation.

2.2 The intermediate directors' report contains references to significant events that have occurred in the first six months of the financial period and their effect on the abbreviated half-year accounts, together with a description of the main risks and uncertainties for the remaining six months of the financial period. The intermediate directors' report contains, as well, information regarding significant operations with related parties.

Data: 7 August 2020

President and Chief Executive Officer  
Fausto Bellamico

The executive in charge of preparing the accounting statements

Aimone Burani

## REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**To the Shareholders of  
Emak S.p.A.**

### Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Emak S.p.A. and subsidiaries (the "Emak Group"), which comprise the statement of financial position as of June 30, 2020 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Emak Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Domenico Farioli**  
Partner

Parma, Italy  
August 7, 2020

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

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